1	INTERAGENCY CONTRACTS (PART II):
2	MANAGEMENT AND OVERSIGHT
3	
4	WEDNESDAY, JUNE 30, 2010
5	United States Senate,
6	Ad Hoc Subcommittee on Contracting Oversight,
7	Committee on Homeland Security and Governmental Affairs,
8	Washington, D.C.
9	The Subcommittee met, pursuant to notice, at 2:32 p.m.,
L 0	in Room 342, Dirksen Senate Office Building, Hon. Claire
L1	McCaskill, Chairman of the Subcommittee, presiding.
L2	Present: Senators McCaskill and Brown.
L3	OPENING STATEMENT OF SENATOR McCASKILL
L 4	Senator McCaskill. We have got plenty to talk about
L5	today, so we will go ahead and get started. I think that
L6	Senator Brown will be joining us and hopefully we will find
L 7	Mr. Gordon somewhere before too long so he has an
L 8	opportunity to speak today. He is an important part of this
L 9	subject matter.
20	We are here today for the Subcommittee's second hearing
21	on interagency contracts. At the first hearing on this
22	subject, I told our distinguished witnesses, four of the
23	leading experts on Government contracting, that I really
24	enjoy this area of Government policy. That certifies that I
25	am a weirdo, because most people don't enjoy the world of

- 1 Government contracting, and especially interagency
- 2 contracting, because, frankly, even within the purview of
- 3 Government contracting, this is very inside baseball. To
- 4 really kind of get into the kind of arcane and acronym-laden
- 5 world of interagency contracting, you have to have tenacity,
- 6 perseverance, and maybe a screw loose.
- 7 But I think it is incredibly important that we begin to
- 8 take a much closer look at interagency contracting, what it
- 9 is trying to be, what it is, and what it has dramatically
- 10 failed to be, and I think as we look at interagency
- 11 contracting and really try to understand it, we can improve
- 12 it, particularly if we get people from the various agencies
- 13 that are represented here all talking amongst ourselves and
- 14 figuring out what works and what doesn't work.
- 15 Thank you, Senator Brown, for being here.
- 16 It is intended, interagency contracting, to provide a
- 17 benefit to the Government. Among those benefits, it should
- 18 streamline contracting. It should increase efficiency. It
- 19 should leverage the massive spending power of the Government
- 20 in order to get better value for the taxpayer dollar.
- 21 At our hearing in February, I asked our witnesses
- 22 whether interagency contracting was getting those kinds of
- 23 results. I heard from them that it wasn't, that the
- 24 Government had too many contract vehicles, that it wasn't
- 25 getting the best prices, that nobody knew whether these

- 1 vehicles were actually improving Government contracting
- 2 because nobody was in charge or even trying to collect
- 3 accurate data as it relates to interagency contracting.
- 4 Last month, the GAO reported many of the same problems.
- 5 According to the GAO, there is duplication among interagency
- 6 contracts. It is unclear whether or not these vehicles are
- 7 saving any money. And the Government doesn't have enough
- 8 information about interagency contracts to even know if they
- 9 are saving money.
- 10 This isn't the first time that GAO has reached such
- 11 conclusions, and GAO's recommendations echo prior
- 12 recommendations of the Special Panel on Government
- 13 Contracting, called the SARA Panel, and agencies' Inspectors
- 14 General that were never implemented. I plan to ask our
- 15 witnesses today, who together have decades of distinguished
- 16 service as leaders in Federal acquisition, why these
- 17 recommendations to improve interagency transparency and
- 18 accountability have been ignored for so long. I will also
- 19 ask our witnesses how and why interagency contract works the
- 20 way it does today and what steps we should use to make it
- 21 work better.
- I also plan to continue the Subcommittee's oversight of
- 23 interagency contracts. This is not something we are going
- 24 to fix overnight. But, frankly, we are never going to fix
- 25 it unless we improve our attention span as it relates to

- 1 oversight. A GAO report every four or five years repeating
- 2 the same recommendations, the same failed policies of not
- 3 collecting the data, of not requiring the kind of
- 4 documentation to prove that we are getting a better value,
- 5 if we do not continue to shine a bright light of attention
- 6 on this problem, it is going to languish where it is right
- 7 now for decades to come, and I think all of us, if we are
- 8 brutally honest, know that. We are going to keep on this
- 9 until we can get some real change in the area of interagency
- 10 contracting.
- 11 I want to thank all of our witnesses for being here
- 12 today and I look forward to our discussion, and I would let
- 13 Senator Brown make an opening statement, but he disappeared
- 14 on me. See if he would like to. He can always do it after
- 15 the witnesses testify, if he would rather.
- 16 Senator Brown. Just my wife. Sorry.
- 17 Senator McCaskill. And you are welcome to make an
- 18 opening statement if you so choose.
- 19 OPENING STATEMENT OF SENATOR BROWN
- 20 Senator Brown. Thank you. I will get the old glasses,
- 21 too. Thank you, Madam Chair. It is good to be back at this
- 22 hearing with you, and as the Ranking Member of this
- 23 Subcommittee, it is an honor to join with you in exploring
- 24 the important issues of this Subcommittee that go to the
- 25 core of how Government conducts business.

- 1 Unfortunately, I was not a member of the Subcommittee
- 2 at the time of the Part I hearing, where the subject matter
- 3 experts from academia and industry provided key insights
- 4 into what is working and what is not with regard to
- 5 interagency contracting. Taking these lessons learned and
- 6 applying them to the way the U.S. Government traditionally
- 7 does business is vital to getting the best value for the
- 8 American taxpayer and the best value for our dollars, I
- 9 think is really what concerns me most, and we have had these
- 10 conversations before.
- 11 As the largest single consumer on the planet, our
- 12 Federal Government has spent over \$537 billion on goods and
- 13 services last year alone. That is \$130 billion more than
- 14 the annual revenue of Wal-Mart. We are all familiar with
- 15 the buying and selling of goods, and we know that if you are
- 16 purchasing on a large scale, you expect to get a break. You
- 17 expect to get the best bang for your dollar. As the largest
- 18 purchaser in the world, the Federal Government should
- 19 receive these same wholesale prices. In fact, it should be
- 20 receiving the best prices for goods and services in the
- 21 marketplace, in the United States or throughout the world,
- 22 quite frankly.
- 23 Unfortunately, that is rarely the case, and the premise
- 24 of harnessing this purchase power is at the core of our
- 25 hearing today, Madam Chair, and how we can efficiently and

- 1 effectively use interagency contracts to leverage the
- 2 purchasing power of the Federal Government to achieve
- 3 maximum savings for the taxpayers.
- 4 Let me be clear up front. The use of interagency
- 5 contracting has significant benefits when used properly, as
- 6 we all know. It allows the Government to leverage its
- 7 aggregate buying power and reduce acquisition costs through
- 8 simplified and expedited methods for procuring goods and
- 9 services. However, more needs to be done. We need to think
- 10 outside the box. We need to do it better. The people
- 11 expect us to do just that.
- 12 And just as every successful business does, the U.S.
- 13 Government should be strategically assessing its
- 14 requirements and capabilities, using the most efficient
- 15 mechanism to achieve the best value for the American
- 16 taxpayer. Interagency contracting can achieve these goals,
- 17 but as the GAO's recent report indicates, the Government is
- 18 falling short of these objectives. The GAO report raises
- 19 the same troubling questions on interagency contracting that
- 20 have continued for over a decade. How can we expect the
- 21 Government to leverage its buying power to get the best
- 22 prices when we continue to create multiple contracts to
- 23 purchase the same kinds of goods and services from the same
- 24 vendors?
- 25 As you know, Madam Chair, the President in December of

- 1 2009 implemented a requirement that the Government save \$40
- 2 billion annually by fiscal year 2011. An important
- 3 component of his initiative is the strategic sourcing and
- 4 the kinds of tough problems we are taking on here today, and
- 5 even as the administration concedes that the benefits of
- 6 strategic sourcing and smarter contracting have not yet been
- 7 fully utilized.
- So the GAO report also identified significant obstacles
- 9 that prevent Government buyers from realizing the advantages
- 10 of interagency contracts. A key problem identified by the
- 11 GAO is the Government buyers lacked the necessary data on
- 12 the available contracts to make fully informed decisions.
- 13 They also identified the lack of a cohesive policy for
- 14 agencies to follow on interagency contracting. This lack of
- 15 a clear plan creates a leadership void that pushes agencies
- 16 to establish their own contracts with their own vendors
- 17 rather than using existing contracts and saving money. And
- 18 this duplication of effort exacerbates the strain on an
- 19 already stressed acquisition workforce.
- In the report, the GAO also questioned whether the GSA,
- 21 who manages the Multiple Award Schedules, the MAS program,
- 22 the largest interagency Government contracting program, is
- 23 achieving the best prices for the taxpayer. Once again, are
- 24 we getting the best bang for the dollar? The key problem
- 25 GAO identified in the MAS program was the lack of available

- 1 transactional data that could be assessed by GSA to
- 2 negotiate better prices for the Government, and with you,
- 3 Madam Chair, I am interested in exploring the actionable
- 4 solutions in today's hearing to address these longstanding
- 5 issues.
- 6 And I would like to leave here knowing who in the
- 7 administration is accountable for ensuring that the
- 8 Government delivers on its promised acquisition savings.
- 9 What policies and guidance are necessary to achieve the
- 10 benefits of interagency contracting? I look forward to
- 11 hearing the witness perspectives on these critical issues.
- 12 Thank you.
- 13 Senator McCaskill. Thank you, Senator Brown.
- 14 Let me introduce the witnesses. John Needham is
- 15 Director in the Government Accountability Office's Office of
- 16 Acquisition and Sourcing Management. He is also the lead
- 17 GAO for the State of Mississippi for GAO's ongoing
- 18 evaluation of American Reinvestment and Recovery Act program
- 19 in Mississippi.
- 20 Dan Gordon is the Administrator for the Office of
- 21 Federal Procurement Policy. Welcome, Mr. Gordon. I know
- 22 this is your first time in front of the Committee and we
- 23 welcome you. In that capacity, he is responsible for
- 24 developing and implementing acquisition policies for the
- 25 Federal Government. Prior to his current position, Mr.

- 1 Gordon served 17 years at the GAO, Government Accountability
- 2 Office, and was also a member of the adjunct faculty at
- 3 George Washington University Law School, one of the finest
- 4 law schools in the country, I think. A good law school.
- 5 Well, not as good as Mizzou, but I was just trying to be
- 6 nice. He is a new witness in front of the Committee. I am
- 7 trying to give him a break here.
- 8 [Laughter.]
- 9 Senator McCaskill. Steve Kempf is the Acting
- 10 Commissioner for the General Services Administration's
- 11 Federal Acquisition Service. In that capacity, he sets
- 12 strategic direction and oversees the delivery of over \$50
- 13 billion worth of products, services, and solutions to the
- 14 Federal customers. Mr. Kempf also has held numerous other
- 15 positions within the GSA throughout his Government career.
- 16 Rick Gunderson is the Acting Chief Procurement Officer
- 17 for the Department of Homeland Security. In that capacity,
- 18 he is the lead executive responsible for the management,
- 19 administration, and oversight of the Department's
- 20 acquisition programs. He previously served as the Assistant
- 21 Administrator for Acquisition and Chief Procurement
- 22 Executive for the Transportation Security Administration.
- 23 Diane Frasier is the Director of the Office of
- 24 Acquisition and Logistics Management and the Head of
- 25 Contracting Activity at the National Institutes of Health,

- 1 where she oversees all acquisition, property, supply, and
- 2 transportation programs. Prior to joining NIH, Ms. Frasier
- 3 had a long career with the Department of Defense.
- Welcome to all of you. It is the custom of this
- 5 Subcommittee to swear in all witnesses that appear before
- 6 us, so if you don't mind, I would ask you to stand.
- 7 Do you swear that the testimony you give before the
- 8 Subcommittee will be the truth, the whole truth, and nothing
- 9 but the truth, so help you God?
- 10 Mr. Needham. I do.
- 11 Mr. Gordon. I do.
- 12 Mr. Kempf. I do.
- 13 Mr. Gunderson. I do.
- 14 Ms. Frasier. I do.
- 15 Senator McCaskill. Thank you very much, and we will
- 16 begin with Mr. Needham from GAO.

- 1 TESTIMONY OF JOHN K. NEEDHAM, DIRECTOR,
- 2 ACQUISITION AND SOURCING MANAGEMENT, U.S.
- 3 GOVERNMENT ACCOUNTABILITY OFFICE
- 4 Mr. Needham. Madam Chair and Senator Brown, I am
- 5 pleased to be here to discuss the Subcommittee's interest in
- 6 improving the management and oversight of interagency and
- 7 enterprise-wide contracts.
- 8 There are four types of contracts that agencies use to
- 9 leverage their buying power. As you can see from the chart
- 10 here, we have the Multiple Award Schedules, which is run by
- 11 GSA and the VA. We have the Multiple Agency Contracts and
- 12 the GWACs. Those are the interagency contracts. There are
- 13 also enterprise-wide contracts, which agencies just use
- 14 within one department, but they also provide that ability to
- 15 leverage the buying, as well.
- 16 In addressing the Subcommittee's interest, I will draw
- 17 on our recently completed work at ten Federal agencies to
- 18 discuss transparency issues and the need for a framework for
- 19 managing GWACs, MACs, and enterprise-wide contracts, as well
- 20 as management and pricing issues specifically associated
- 21 with the Multiple Award Schedules program.
- In recent years, sales under the MAS program have been
- 23 relatively flat and obligations on the GWACs have declined
- 24 slightly. Importantly, the total amount of money spent in
- 25 2008, using the three enterprise-wide contracting programs

- 1 that we reviewed, is approaching the amount spent for all
- 2 GWACs during the same period. Collectively, Federal
- 3 agencies use these types of contracts to buy at least \$60
- 4 billion in goods and services during fiscal year 2008, with
- 5 the bulk of the spending, about \$47 billion, being spent on
- 6 the mass program within GSA and the VA.
- 7 Senator McCaskill. Could I interrupt your testimony
- 8 just for a minute?
- 9 Mr. Needham. Sure.
- 10 Senator McCaskill. Would you go back through, Mr.
- 11 Needham, and explain clearly what the difference is between
- 12 these different programs, just so that we have it very clear
- 13 on the record--
- 14 Mr. Needham. Sure.
- 15 Senator McCaskill. --the difference between a GWAC and
- 16 a Schedule and a so forth.
- 17 Mr. Needham. We will start with the Multiple Award
- 18 Schedules, which is probably the oldest, and that is run by
- 19 GSA and through delegation by VA for the medical area.
- 20 Essentially, these are IDIQ contracts. They basically--
- 21 indefinite quantity, indefinite delivery. They basically
- 22 open up and they have a certain amount of dollars that they
- 23 allow that agencies can then basically buy off of. They
- 24 don't have to go through the procedures of doing an
- 25 independent procurement. And so they basically get task and

- 1 delivery orders, depending if it is a service or some goods.
- 2 And that has been around since early, I guess, really since
- 3 before 1950, they have been using that.
- 4 The second is what is called the Multiple Award
- 5 Contract, which is also an IDIQ contract, and that is within
- 6 the particular agency. Now, they can open it up for access
- 7 by other agencies, and that is where it becomes an
- 8 interagency contract, but it functions very much like the
- 9 Award Schedules at GSA or the VA.
- 10 And then third is the GWACs. Now, the GWACs was
- 11 created back in the 1990s through the Clinger-Cohen Act and
- 12 it was essentially designed to facilitate the procurement of
- 13 information systems, IT.
- The last contract, which is not an interagency
- 15 contract, is enterprise-wide. They are essentially like a
- 16 MAC, but they are for a department as a whole. So instead
- 17 of having multiple small contracts, they have one large
- 18 contract where they--it works somewhat like with the GSA,
- 19 where you have a large number of vendors available and the
- 20 terms and prices have been pre-negotiated. The Department
- 21 of Navy has SeaPort and Homeland Security has the EAGLE
- 22 program. So those programs are—and they are relatively
- 23 recent. They were given that name by the SARA Panel. The
- 24 SARA Panel called for kind of a creation of these types
- 25 where you have these large agency-type programs.

- 1 But those are the four types. Three of them are
- 2 interagency and one is not. The growth of the enterprise-
- 3 wide contracts has been pretty significant in recent years.
- 4 Senator McCaskill. But other agencies can't buy from
- 5 the enterprise-wide?
- 6 Mr. Needham. No. Only agencies within that department
- 7 or--
- 8 Senator McCaskill. So Eagle--the only people that can
- 9 buy from Eagle are people in DHS?
- 10 Mr. Needham. Exactly.
- 11 Senator McCaskill. Okay. All right. Got it. Sorry
- 12 to interrupt.
- 13 Mr. Needham. That is okay.
- 14 Senator McCaskill. I will give you extra time.
- 15 [Laughter.]
- Mr. Needham. Thank you. Leveraging the Government's
- 17 buying power and providing a simplified and faster
- 18 procurement method are benefits that these vehicles promise.
- 19 However, because the Federal Government does not have a
- 20 clear and comprehensive view of who is using these contracts
- 21 and if their use maximizes the Government's buying power,
- 22 their benefits can only be assumed, not assured.
- The most basic problem is one of data and governance.
- 24 No one knows the universe of contracts available, and when
- 25 there is information, there are inaccuracies in the data.

- 1 Also problematic is the lack of consistent Government-wide
- 2 policy on the creation, use, and cost of awarding and
- 3 administering some of these contracts. I would point out
- 4 that it is the least problem with the GWACs.
- 5 While recent legislation and OMB initiatives are
- 6 expected to strengthen oversight and management of MACs,
- 7 there are no initiatives underway to strengthen approval and
- 8 oversight of the growing use of enterprise-wide contracts.
- 9 This can lead to a situation where agencies unknowingly
- 10 contract for the same goods and services across a myriad of
- 11 contracts, with many of the same vendors providing similar
- 12 products and services on multiple contracts. This only
- 13 increases cost to both the vendor and the Government.
- 14 As you can see on this new chart here, the top ten GWAC
- 15 vendors offered their goods and services in a variety of
- 16 Government contracts that all provide information
- 17 technology, goods, and services. Of the 13 different
- 18 contract vehicles, five of the ten vendors were on ten or
- 19 more of these. You might ask, why are there so many
- 20 contracting vehicles? Basically, when we talked with the
- 21 departments and agencies we visited with, they told us that
- 22 they want to avoid paying fees for the use of another
- 23 agency's contract. They want to gain more control over
- 24 procurements within their own particular organization. And
- 25 they want to allow for the use of cost reimbursement

- 1 contracts, which can't be done under IDIQ contracts, which
- 2 is like the General Services Multiple Award Schedules
- 3 program, for instance.
- 4 To get a better handle on these contracts, we have
- 5 recommended that OMB improve the transparency of and the
- 6 data available on these contracts, building on earlier work
- 7 that they had done. And also to develop a framework that
- 8 provides a more coordinated approach in awarding MACs and
- 9 enterprise-wide award contracts, especially since it is the
- 10 vehicle for the administration's Strategic Sourcing
- 11 Initiative. And last, we recommended to OMB that they
- 12 ensure that agencies do a business case analysis in which
- 13 they address potential duplication with existing contracts
- 14 before new MACs and enterprise-wide contracts are
- 15 established.
- 16 Now, I would like to turn to GSA's MAS program, which
- 17 is the largest provider of interagency contracts, needs to
- 18 focus on being a provider of choice for Government agencies.
- 19 To do so, it needs to address key challenges in effectively
- 20 managing the mass program and offer the best prices to its
- 21 customers. When we recommended to GSA they need to collect
- 22 transactional data on the mass task and delivery orders and
- 23 prices paid and then provide this information to the people
- 24 who are negotiating the contracts in the agencies so they
- 25 have actual data they can work with so they can negotiate on

- 1 their own.
- 2 Second, to make use of its pricing tools, such as pre-
- 3 award audits, and between 2004 and 2008, they saved \$4
- 4 billion in cost avoidance by using these pre-award audits.
- 5 Also to use greater use of their pre-negotiation clearance
- 6 panels--it is kind of a quality control device they have
- 7 within that--to get the best price and obtain insight into
- 8 the marketplace.
- 9 And furthermore, GSA needs to strengthen its Program
- 10 Office's authority, clarify roles and responsibilities, and
- 11 realign its structure to facilitate consistent
- 12 implementation of the policies and the sharing of the
- 13 information across the multiple units within the business
- 14 portfolios.
- 15 And it also needs to improve its measurement of the
- 16 program performance through more consistent metrics across
- 17 the GSA units that manage the interagency program, including
- 18 metrics for pricing, and I will give you an example on this.
- 19 We found that they look at the competitiveness of their
- 20 prices with the private sector. They need to look at the
- 21 competitiveness of their prices with other agency contracts.
- 22 That would be one area in terms of pricing where they need
- 23 to focus.
- And finally, GSA needs to put a greater emphasis on
- 25 customer satisfaction and outreach, starting with improving

- 1 their customer surveys, so that they can get the kind of
- 2 insights they need to evaluate program performance.
- 3 Perhaps, Madam Chairman, a more responsive GSA would lead to
- 4 agencies looking to GSA for goods and services rather than
- 5 creating their own vehicles to meet their own needs.
- In agreeing with our recommendations, both OMB and GSA
- 7 recognize the importance of addressing these problems and
- 8 the need to resolve them so as to take advantage of the
- 9 Government's buying power for more efficient and more
- 10 strategic contracting.
- 11 Madam Chairman, this concludes my prepared statement.
- 12 I will be happy to answer any questions you or Senator Brown
- 13 may have. Thank you.
- [The prepared statement of Mr. Needham follows:]

- 1 Senator McCaskill. Thank you, Mr. Needham.
- Welcome, Mr. Gordon.

- 1 TESTIMONY OF HON. DANIEL I. GORDON, ADMINISTRATOR,
- OFFICE OF FEDERAL PROCUREMENT POLICY, U.S. OFFICE
- 3 OF MANAGEMENT AND BUDGET
- 4 Mr. Gordon. Thank you, Chairman McCaskill, Ranking
- 5 Member Brown. I am very appreciative of the invitation to
- 6 be here and to speak with you about this important topic.
- 7 Let me begin by commending the Subcommittee for focusing
- 8 attention on this very important subject.
- 9 Interagency contracting, as you said, can be a way for
- 10 the Government to leverage its buying power, and as Senator
- 11 Brown pointed out, to make better use of its overstretched
- 12 acquisition workforce. But there are serious risks when
- 13 management has been deficient, and I believe that GAO was
- 14 right to include interagency contracting on its High-Risk
- 15 List in 2005.
- 16 I believe, though, that there have, in fact, been
- 17 improvements, and today, notwithstanding the ongoing
- 18 challenges that I will be talking about, the facts are
- 19 better than they are often portrayed to be and better than
- 20 they were just a few years ago, partly due to the efforts of
- 21 you, Madam Chairman, and other members of Congress.
- We have succeeded in addressing the abuses that raised
- 23 justifiable concerns just a few years ago: Out-of-scope
- 24 work, inadequate competition, improper parking of funds,
- 25 unclear responsibilities of the various agencies. Those

- 1 were issues that caused GAO to put interagency contracting
- 2 on its High-Risk List in 2005, and I think it is notable
- 3 that they are not issues in GAO's most recent report. But
- 4 we have much more work to do, especially in leveraging the
- 5 Government's buying power.
- 6 Let me say a couple of words about the improvements to
- 7 the management of the process, because management has not
- 8 been adequate in the past. GAO, as well as the SARA Panel,
- 9 the Acquisition Advisory Panel, have praised the management
- 10 improvements put in place over the past few years,
- 11 especially with regard to OMB's role in considering business
- 12 cases by any agency that wants to serve as the executive
- 13 agent for a GWAC.
- 14 Second, we have put management controls in place with
- 15 respect to assisted acquisitions, situations where one
- 16 agency helps another one conduct a procurement. Again, the
- 17 lack of clarity about the two agencies' respective
- 18 responsibilities was cited by GAO in 2005 as one reason that
- 19 interagency contracting was added to the High-Risk List.
- 20 OFPP issued guidance on interagency acquisitions in 2008
- 21 that addressed this management responsibility, and I think
- 22 with some success in terms of implementation by the
- 23 agencies. Notably, DOD and the Department of Interior did
- 24 an assisted acquisition together recently in a way that can
- 25 serve as a model for interagency contracting. The result

- 1 was increased competition, lower cost, and the good that
- 2 was--the services that were being purchased were better
- 3 support for our service members and their families.
- 4 But we need to do more to improve management,
- 5 especially with respect to what is called Multi-Agency
- 6 Contracts. This is the area where I think there has been
- 7 the greatest concern about the problems with data and with
- 8 proliferation, and we have shared that concern. OFPP will
- 9 be issuing guidance this summer requiring that agencies do a
- 10 business case before they award a contract with the intent
- 11 of having it widely used by other agencies.
- I should note, though, as I explain in my written
- 13 testimony, that the review we have conducted over the past
- 14 several months has persuaded me, at least, that the MACs, as
- 15 they are called, are not used as much as is often thought.
- 16 Some have suggested that agencies are placing more than \$100
- 17 billion worth of orders on other agencies' contracts, and in
- 18 fact, I think the accurate figure is probably below \$5
- 19 billion. Notwithstanding that, we need to improve
- 20 management in this area and we in OFPP will continue to
- 21 focus on it.
- I would like to spend a moment talking about our
- 23 efforts to leverage the Government's buying power. In this
- 24 regard, schedules probably represent the greatest
- 25 opportunity for strategic sourcing, and we have only begun

- 1 to tap that potential. Recently, at the beginning of this
- 2 month, GSA awarded a set of Blanket Purchase Agreements,
- 3 BPAs, that offer real potential for substantial Government-
- 4 wide savings on office supplies, of which the Government
- 5 buys over \$1 billion worth a year. The bottom line is that
- 6 these BPAs were negotiated Government-wide and they will be
- 7 open to every Federal employee at every Federal agency
- 8 Government-wide, with expected savings of something like
- 9 \$200 million over the next four years.
- 10 In conclusion, progress has been made, but we recognize
- 11 that we in OMB have much more work to do with our agencies
- 12 in the executive branch. We will continue to focus on
- improving management and on leveraging the Government's
- 14 buying power.
- This concludes my opening statement. I would welcome
- 16 any questions. Thank you.
- 17 [The prepared statement of Mr. Gordon follows:]

- 1 Senator McCaskill. Thank you very much, Mr. Gordon.
- 2 Mr. Kempf?

- 1 TESTIMONY OF STEVEN J. KEMPF, ACTING COMMISSIONER,
- 2 FEDERAL ACQUISITION SERVICE, U.S. GENERAL SERVICES
- 3 ADMINISTRATION
- 4 Mr. Kempf. Good afternoon, Chairman McCaskill and
- 5 Ranking Member Brown. My name is Steven Kempf and I am the
- 6 Acting Commissioner of the Federal Acquisition Service
- 7 within the U.S. General Services Administration. Thank you
- 8 for inviting me to appear before you today to discuss the
- 9 Government Accountability Office's report findings and to
- 10 speak about the benefits of interagency contracting.
- 11 GSA's Administrator, Martha Johnson, has focused on
- 12 three specific goals in our agency: Operational excellence,
- 13 customer intimacy, and innovation in all that we do at GSA.
- 14 The Federal Acquisition Service, FAS, seeks to instill these
- 15 three principles in how we support our customers and conduct
- 16 our operations. FAS offers a wide array of products and
- 17 services, including our fleet of over 215,000 vehicles, the
- 18 Government's largest telecommunications program, Networx,
- 19 and the issuance and management of over three million
- 20 purchase and travel cards, to name just a few. We also
- 21 manage five Government-Wide Acquisition Contracts, or GWACs,
- 22 and the Multiple Award Schedules program, which provides a
- 23 vast selection of over 22 million professional services,
- 24 equipment, and supplies on over 18,000 contracts with the
- 25 private sector.

- 1 With respect to the GAO report, I would like to state
- 2 that GSA agrees with the recommendations made and actions
- 3 were already underway to address each one of them identified
- 4 in the report. Furthermore, we have been working with our
- 5 Office of the Inspector General to target mass contracts for
- 6 pre-award audits. We have asked our IG to perform more
- 7 audits, but with shorter durations and with a focus on
- 8 delivering actionable information to our contracting
- 9 officers.
- 10 The Schedules program had nearly \$50 billion in sales
- 11 last fiscal year. Given the breadth and scope of the
- 12 program, we take the stewardship of the Schedules very
- 13 seriously. We strive for operational excellence in all we
- 14 do, and here is what we are doing to improve our
- 15 performance.
- 16 GSA is investing in its acquisition processes to
- 17 develop a more agile, modular system which will drive
- 18 process improvements and deliver better quality contracts.
- 19 Our Enterprise Acquisition Solution is a long-term multi-
- 20 year effort that will support the creation of an electronic
- 21 end-to-end contracting system. When we embarked on this
- 22 endeavor, our very first priority was the pricing module.
- 23 This module is currently in user testing and will be piloted
- 24 on three schedules this fall. This new tool will greatly
- 25 enhance our contracting officers' capability to negotiate

- 1 better prices under the Schedules.
- 2 GSA is also enhancing our customer-facing systems. One
- 3 of these systems is GSA Advantage. GSA Advantage was
- 4 actually launched before Amazon and is the Government's
- 5 online shopping tool. Each day, GSA Advantage records
- 6 500,000 hits from its pool of 600,000 registered users.
- 7 This fall, the upgrade to GSA Advantage will include using
- 8 webtool features such as enhanced search capabilities,
- 9 product recommendations, price comparisons, commercial
- 10 pictures and description of offerings, and direct links to
- 11 companies' shipping and tracking websites. The enhancement
- 12 of Advantage will also allow for easier price comparison for
- 13 all of our users, whether they are purchasing from GSA or
- 14 not.
- 15 GSA's eBuy is yet another e-tool available to our
- 16 customers to support acquisitions. This is an online tool
- 17 used to compete procurements. This fiscal year alone, GSA
- 18 eBuy has already seen agencies post almost 30,000 requests
- 19 for quotations, an increase of over 14 percent from last
- 20 year. Industry has responded with almost 90,000 quotes,
- 21 resulting in contracting officers making an estimated \$3.4
- 22 billion in awards this year using the eBuy system. EBuy is
- 23 a convenient tool for conducting competitions under both the
- 24 Schedules program and our GWACs.
- 25 GSA is currently in the second generation of its GWAC

- 1 offerings. The Office of Management and Budget has
- 2 designated GSA to manage GWACs for information technology
- 3 services. Ours are Alliant, Alliant Small Business, VETS,
- 4 COMMITS, and 8(a) STARS. Four of the five managed GWACs are
- 5 devoted solely to small businesses.
- 6 GSA has a special commitment to support service-
- 7 disabled veteran owned businesses through its VETS GWAC.
- 8 The statutory Government-wide procurement goal for these
- 9 businesses is three percent. In 2008, agencies did not even
- 10 reach half of that goal. The VETS GWAC program is ideally
- 11 suited to help close the gap.
- 12 Alliant, GSA'S only enterprise GWAC, provides agencies
- 13 access to highly qualified industry partners. This past
- 14 week, Alliant exceeded over \$1 billion in awards in just its
- 15 first 14 months of operation. Alliant generates robust
- 16 competition among our industry partners, with an average of
- 17 four bids per task order, and Alliant Small Business, also
- 18 in its first year, is providing strong competition,
- 19 receiving an average of five bids per task order.
- 20 GSA has an obligation to assure that we work with
- 21 contracting officers to ensure that they understand how best
- 22 to utilize our acquisition vehicles. To this end, FAS has
- 23 partnered with FAI to develop training, which we expect to
- 24 be available early this fall. This first course will be
- 25 GSA's internal use, focusing on the proper award of mass

- 1 contracts. A second course will be a Schedules 101 course
- 2 for our customers, and finally, an advanced use of Schedules
- 3 course. Future plans include courses on GWACs, sustainable
- 4 acquisition practices. This year at the GSA Training
- 5 Conference and Expo, we delivered over 20,000 hours of
- 6 training on 152 different courses, free of charge for our
- 7 customers.
- 8 GSA's programs offer enormous cost and time savings to
- 9 our Federal customers. We continue to strive to deliver
- 10 operational excellence in all that we do at GSA and support
- 11 to assist other agencies in the delivery of their mission.
- 12 The value in consolidating requirements and leveraging the
- 13 buying power of agencies across the Government is a role
- 14 uniquely managed by GSA.
- 15 Thank you for allowing me to appear before you today,
- 16 and I am happy to answer any questions you might have.
- 17 [The prepared statement of Mr. Kempf follows:]

- 1 Senator McCaskill. Thank you, Mr. Kempf.
- 2 Mr. Gunderson?

- 1 TESTIMONY OF RICHARD K. GUNDERSON, ACTING CHIEF
- 2 PROCUREMENT OFFICER, U.S. DEPARTMENT OF HOMELAND
- 3 SECURITY
- 4 Mr. Gunderson. Madam Chairman and Ranking Member
- 5 Brown, thank you for this opportunity to appear before you
- 6 to discuss the Department of Homeland Security's contracting
- 7 program, and in particular, its use of interagency
- 8 contracts. As the Acting Chief Procurement Officer for DHS,
- 9 I am the lead executive responsible for the management,
- 10 administration, and oversight of the DHS acquisition
- 11 program. In that capacity, I oversee and support nine
- 12 procurement offices within DHS. The mission of my office,
- 13 in conjunction with the component contracting offices, is to
- 14 provide the needed products and services to meet the DHS
- 15 mission and to do so in a way that represents sound business
- 16 and demonstrates that we are good stewards of taxpayer
- 17 dollars.
- 18 The threats we face are variable, and as a result, the
- 19 acquisition program must be flexible and provide
- 20 alternatives to deliver effective solutions. Similarly, the
- 21 contracting officers and program managers must assess each
- 22 requirement and determine the optimal acquisition and
- 23 procurement strategy to meet the given need. This strategy
- 24 includes the examination of existing contracts, both
- 25 internal and external to DHS, as well as the award of new

- 1 contracts.
- 2 Determining the procurement strategy is an important
- 3 part of the pre-award process and is critical to the
- 4 execution of the program and delivery of needed capability
- 5 in a timely and cost-effective manner. In accordance with
- 6 the Federal Acquisition Regulation, the contracting officer
- 7 first considers required sources for particular supplies and
- 8 services. They also consider existing available contracts,
- 9 including the General Services Administration's GWACs,
- 10 Multiple Award, and Federal Supply Schedules. Additionally,
- 11 if a particular need is covered by a Federal Strategic
- 12 Sourcing Initiative, the contracting officer will leverage
- 13 the vehicle to achieve demonstrated savings as well as to
- 14 limit the resources necessary to execute a new procurement.
- 15 While these different contracting alternatives are
- 16 utilized regularly, given the unique scope of the DHS
- 17 mission, there is often a need to conduct a new procurement.
- 18 In situations where there are like needs across the
- 19 Department, an enterprise-wide contract may be determined
- 20 to be the best strategy. An enterprise-wide contract can
- 21 provide a combination of benefits, including, one, support
- 22 of specific mission needs; two, support of strategic
- 23 sourcing initiative; three, a vehicle to be used by various
- 24 contracting activities in lieu of conducting multiple new
- 25 procurements; and four, assisting in achieving socio-

- 1 economic objectives, such as small and small disadvantaged
- 2 business goals.
- 3 As noted in a GAO report, DHS regularly leverages its
- 4 EAGLE and First Source contracts, enterprise-wide vehicles
- 5 for IT services and products, respectively. Shortly after
- 6 DHS was formed, the Chief Information Officer recognized a
- 7 need to establish an enterprise architecture for DHS and to
- 8 develop a strategy for an IT infrastructure that both
- 9 integrated systems and eliminated inefficiencies. Given the
- 10 preexisting IT environments, we recognized that this would
- 11 be a challenging undertaking and would not be completed in a
- 12 short time frame. As a result, we determined that a cadre
- 13 of contractors that were familiar with the DHS IT
- 14 infrastructure would be best positioned to deliver the
- 15 needed capability in the most cost effective and timely
- 16 manner possible. While the products and services available
- 17 under these contracts are similar to those found under GSA
- 18 programs, this rationale justified the award and use of the
- 19 contracts.
- 20 Another example when an enterprise-wide contract is the
- 21 best strategy is our Professional, Administrative, Clerical,
- 22 and Technical Services program, or PACTS. This service-
- 23 disabled veteran owned small business set-aside was
- 24 established to increase opportunities for SDVOBs and better
- 25 position DHS to meet the Federal-wide goal of three percent.

- 1 Since the award of these contracts, DHS has increased its
- 2 awards and we are currently on target to meet the Federal
- 3 goal this year.
- While enterprise-wide contracts have been integral to
- 5 our contracting program, contracting officers and program
- 6 managers have effectively utilized GSA contracts where
- 7 appropriate. Over the past three-and-a-half fiscal years,
- 8 DHS has awarded approximately \$9.6 billion on its EAGLE and
- 9 First Source contracts, but also awarded \$7 billion on GSA
- 10 contracts, including nearly \$1.4 billion on IT efforts.
- 11 Having the flexibility afforded by alternative contracting
- 12 vehicles has proven both effective and beneficial to the
- 13 contracting and program offices in their efforts to deliver
- 14 mission capability.
- 15 Thank you for your continued support of the DHS
- 16 acquisition program and for the opportunity to testify
- 17 today, and I look forward to your questions.
- 18 [The prepared statement of Mr. Gunderson follows:]

- 1 Senator McCaskill. Thank you, Mr. Gunderson.
- 2 Ms. Frasier?

- 1 TESTIMONY OF DIANE FRASIER, DIRECTOR, OFFICE OF
- 2 ACQUISITION MANAGEMENT AND POLICY, NATIONAL
- 3 INSTITUTES OF HEALTH, U.S. DEPARTMENT OF HEALTH
- 4 AND HUMAN SERVICES
- 5 Ms. Frasier. Good afternoon, Chairman McCaskill and
- 6 Ranking Member Brown. Thank you for the invitation to
- 7 appear before you today to discuss efforts by the NIH to
- 8 ensure competition, efficiency, and transparency in its
- 9 interagency contracting program.
- 10 In response to the Clinger-Cohen Act, NIH established
- 11 the NIH Information Technology Acquisition Assessment
- 12 Center, otherwise known as NITAAC, program to provide
- 13 technical and acquisition subject matter expertise in the
- 14 area of technology management to the NIH. NITAAC
- 15 established several indefinite delivery contracts with the
- 16 goal of providing a means for the NIH acquisition community
- 17 to acquire in the most efficient manner the most up-to-date
- 18 information technology solutions and products for its
- 19 laboratories and programs. News of the value and
- 20 effectiveness of using the acquisition vehicles established
- 21 by NITAAC quickly spread and other components within HHS, as
- 22 well as other Federal agencies, began using these vehicles
- 23 in order to meet their information technology needs.
- 24 In September 2000, NIH was designated as an Executive
- 25 Agent by the Office of Management and Budget to establish

- 1 and administer Government-Wide Acquisition Contracts, or
- 2 GWACs. Three contract programs were established with 128
- 3 prequalified and well-recognized prime contractors, offering
- 4 a full array of IT expertise and solutions in the form of
- 5 customized IT support services, maintenance, and computer
- 6 products.
- 7 Since the inception of NIH GWACs, 14 Federal
- 8 departments and more than 21 agencies have utilized them to
- 9 fulfill critical information technology needs. During
- 10 fiscal years 2001 through 2009, departments and agencies
- 11 have placed task and delivery orders against these NIH
- 12 contracts, resulting in obligations ranging from \$68 million
- 13 to \$1.1 billion for a given fiscal year, totaling \$6.7
- 14 billion.
- 15 Currently, NIH is not managing any multi-agency
- 16 contracts. NIH does take advantage of the GSA Multiple
- 17 Award Schedules to obtain supplies and services that it
- 18 cannot acquire either through its internal inventories or
- 19 through other NIH contracts.
- 20 With each iteration of its GWACs, NIH strives to
- 21 enhance competition, efficiencies, and transparencies.
- 22 These GWACs give Federal agencies access to the most
- 23 progressive and innovative technologies and solutions
- 24 available from contractors that are expert in both IT and
- 25 health-related fields. Further, within the advent of the

- 1 Affordable Care Act, solutions made available through these
- 2 vehicles will go far in assisting Federal agencies in
- 3 executing reform initiatives and aligning with the Federal
- 4 health architecture.
- 5 NIH continually strives to ensure that small and small
- 6 disadvantaged businesses receive a fair proportion of the
- 7 total dollars awarded under the NIH's GWACs. In fact, 70
- 8 percent of our GWAC awards were made to small businesses.
- 9 NIH has streamlined the task order process under the
- 10 GWACs through the development of agile web-based tools that
- 11 enable Federal agencies to ensure fair opportunity and
- 12 obtain the highest level of service at fair and reasonable
- 13 prices. NIH also provides its customers with acquisition
- 14 and technical expertise to assist them in defining the
- 15 requirements in a manner that promotes high-quality
- 16 solutions.
- 17 NIH's GWACs offer competitive pricing. In fact, HHS
- 18 designated one of these GWACs as a strategic source as it
- 19 offers pricing at rates lower than established catalog or
- 20 market prices.
- 21 Pursuant to its Executive Agent designation, NIH is
- 22 required to maintain transparency with respect to its
- 23 overall management of the GWAC program. In this regard, NIH
- 24 regularly reports to OMB on its performance metrics and its
- 25 ongoing efforts to improve contracting practices,

- 1 competition, and financial management. Transparency is
- 2 further achieved through outreach to customer and contractor
- 3 communities, active involvement in NIH's Industry Advisory
- 4 Committee, which is utilized to enhance communications
- 5 between NIH acquisition management personnel and the GWAC
- 6 holders, and a website containing a wealth of useful
- 7 information.
- As an Executive Agent, NIH provides an alternative to
- 9 Federal Government agencies in meeting their IT requirements
- 10 through a value proposition that best supports health care
- 11 reform initiatives, efficiency, competition, and
- 12 transparency through acquisition process and meaningful
- 13 small business participation.
- 14 Thank you for the opportunity to testify before you
- 15 today. I am happy to answer any questions you may have.
- [The prepared statement of Ms. Frasier follows:]

- 1 Senator McCaskill. Thank you, Ms. Frasier.
- 2 Let us get started with the overall problem that we
- 3 don't really know if these contracts are saving money, and
- 4 if so, how much, because of the lack of reliable data that
- 5 we can compare across these various contracting vehicles.
- 6 You know, I am always hesitant to start talking about
- 7 databases because we have already had so many hearings about
- 8 flawed databases in this room that I have a headache from
- 9 it. Creating a database doesn't do you much good if it is
- 10 not gathering accurate information consistently, if it is
- 11 not reliable, and just creating another database doesn't
- 12 work.
- 13 Let me just ask this. For example, flat-screen TVs.
- 14 The Federal Government probably buys thousands and thousands
- 15 of them every month. Is there any place I could go right
- 16 now if I wanted to know what the average price of a flat-
- 17 screen TV that we are paying for in the Government? Is
- 18 there anyplace I could go and find that information?
- 19 Anyone?
- 20 Mr. Kempf. I think there are some places you could go
- 21 and get some prices on it. I think GSA Advantage is one
- 22 place that would list some prices that we have negotiated
- 23 under the schedules for prices for those kinds of products.
- 24 Senator McCaskill. And, Mr. Gunderson, before you buy
- 25 a flat-screen TV at DHS, do you look at those schedules?

- 1 Mr. Gunderson. The buying activity would examine--for
- 2 that type of item, they definitely--
- 3 Senator McCaskill. You need to hit your microphone,
- 4 sir.
- 5 Mr. Gunderson. Oh, I did. I am sorry. Definitely,
- 6 the contracting officer would utilize the GSA opportunities
- 7 for those types of items and go there and get the--they
- 8 would do a competitive buy off of there.
- 9 Senator McCaskill. Okay. So are you saying with
- 10 confidence, and I know, Ms. Frasier, you escaped DOD. I
- 11 hate to take you back there, because that is a contracting
- 12 morass, a special kind of contracting morass that I am
- 13 fairly familiar with. Are you all confident that anywhere
- 14 you go in the Federal Government that they are checking the
- 15 GSA Schedule and they are getting at or near the lowest
- 16 price on the GSA Schedule for a 47-inch flat-screen TV?
- 17 Ms. Frasier. The community is taught that they should
- 18 be reviewing all the prices and selecting the best price
- 19 available. However, in practice, whether they are or not,
- 20 that is debatable. But they have been instructed that it is
- 21 the rules under the Federal Acquisition Regulation that that
- 22 is what they should be doing, seeking the best prices,
- 23 making the price analysis.
- 24 Senator McCaskill. And who is in charge of trying to
- 25 figure out if we are doing that? Where is the--you know,

- 1 this is so fragmented. That is why there is no
- 2 accountability. And I know Mr. Needham could probably talk
- 3 all day about that. But they are supposed to, right? And I
- 4 am talking about something really simple, a flat-screen TV.
- 5 But is there any confidence that people are actually doing
- 6 that? I don't sense that there is.
- 7 Mr. Gordon. Chairman McCaskill, if I could--
- 8 Senator McCaskill. Sure.
- 9 Mr. Gordon. Your example of a flat-screen TV is
- 10 actually a particularly good one because the approach we are
- 11 taking as we are moving forward with strategic sourcing is
- 12 to focus on lines of business, if you will. In IT, as I am
- 13 sure you have heard, we in OMB are taking initiatives to
- 14 rethink the way the Government is doing its IT projects with
- 15 my colleague, Vivek Kundra. We are rethinking how that
- 16 works.
- 17 I will give you an example of another line of business,
- 18 overnight delivery services. We discovered, and this is
- 19 consistent with your question, all sorts of agencies had all
- 20 sorts of arrangements with the companies that do overnight
- 21 delivery. We were paying a whole range of prices. So what
- 22 we have now done is do a Government-wide Strategic Sourcing
- 23 Intuitive, and we now have good prices for overnight
- 24 delivery.
- One of the challenges, though, for us at OMB is

- 1 ensuring that the entire Government uses that contract.
- 2 Once we have those good prices, we need to get the word out
- 3 and be sure that the agencies are taking advantage of those
- 4 good prices rather than, as is implicit in your question,
- 5 not checking and perhaps paying more than we should.
- 6 Similarly, with our new Blanket Purchase Agreements,
- 7 the BPAs, for office supplies, one of our responsibilities
- 8 at OMB, working with our partners at GSA, of course, is to
- 9 get the word out so that a contracting office, whether it is
- 10 someone sitting in a national park in Wyoming or a military
- 11 base overseas, knows we have got these BPAs. That is where
- 12 we should be buying.
- Senator McCaskill. Well, it would be nice if they
- 14 could call them something other than BPAs, because that is
- 15 part of the problem here, you know. In preparing for this
- 16 hearing, I felt like I was in the Armed Services Committee.
- 17 You guys have as many acronyms as they do. BPAs is our
- 18 version of Costco, right?
- 19 Mr. Gordon. It--actually, I am not a member of Costco,
- 20 so I am not positive.
- 21 [Laughter.]
- 22 Senator McCaskill. Well, it is an attempt--a BPA is a
- 23 Blanket Purchase Agreement where you know there is a widget
- 24 that everyone uses and you get a best price possible for
- 25 that widget. Then everybody can buy the widget for that

- 1 price.
- 2 Mr. Gordon. Yes, but the problem is, too often, we
- 3 have had single-agency BPAs, which in my view defeats the
- 4 purpose.
- 5 Senator McCaskill. Right.
- 6 Mr. Gordon. That is why--that is why in office
- 7 supplies we said, we are not doing single-agency BPAs.
- 8 These BPAs are going to be available not only to every
- 9 Federal employee, but the Federal employee doesn't need to
- 10 know the name BPA. They don't need to know the acronym.
- 11 They don't need to know a number. They don't need to say,
- 12 "Hello, I would like the BPA price." If they walk up to one
- 13 of these 11 small businesses and one large business--that
- 14 large business is Office Depot--if they walk into an Office
- 15 Depot with their Government charge card, they will get those
- 16 prices. They don't need to ask for them. They don't need
- 17 to come up with acronyms and numbers.
- 18 Senator McCaskill. And can they click and get those
- 19 prices and have them delivered?
- 20 Mr. Gordon. You bet. They will get them
- 21 automatically.
- 22 Senator McCaskill. Okay. So why don't we just require
- 23 everybody to do that?
- Mr. Gordon. We are moving out right now on that front.
- 25 But this is the beginning of a process. Office supplies are

- 1 our first success story. We need to do more. IT is one of
- 2 the areas where, in my opinion, we have the richest areas of
- 3 opportunity for more strategic sourcing.
- 4 Senator McCaskill. Well, if we have one big vendor and
- 5 11 small ones and we have Internet capability, I guess I
- 6 don't get why don't you just say you have to? Why don't you
- 7 just say, everybody in the Federal Government, you can no
- 8 longer buy office supplies except through this vehicle.
- 9 Why--I mean, if this were a business, we would have done
- 10 this decades ago because we would have cared how much money
- 11 we spent.
- Mr. Gordon. I appreciate the point, and let me tell
- 13 you, when we met with industry, and I was there in the
- 14 meetings with industry in December and January, they said,
- 15 if you want to get good prices on these BPAs, you are going
- 16 to need written commitments from the agencies that their
- 17 people will have to use them. So we heard, we went to the
- 18 agencies, and we came to the -- and GSA was very helpful on
- 19 this--we came with letters of commitment of a quarter-of-a-
- 20 billion dollars a year, where agencies said, we will tell
- 21 our people to use these BPAs. We are right in line with
- 22 your question.
- 23 Senator McCaskill. Well, I guess I am curious, why do
- 24 we have to get it in writing from them? Why don't we just
- 25 say they have to? I mean, can't the President just say to

- 1 the executive branch, you guys have to buy office supplies
- 2 through this purchasing mechanism?
- 3 Mr. Gordon. We certainly want them to, but there could
- 4 be reasons--there can be all sorts of specialized reasons,
- 5 unique circumstances. I am not sure that it is helpful to
- 6 make--
- 7 Senator McCaskill. For office supplies?
- 8 Mr. Gordon. I am not sure that we need to make it
- 9 illegal to buy elsewhere, but we certainly want this to be
- 10 their--this should be the default. This is where they go.
- 11 They buy from these BPAs.
- 12 Senator McCaskill. I think you are going to be
- 13 disappointed unless you make it illegal.
- Mr. Needham, yes?
- 15 Mr. Needham. We looked at BPAs last year and what we
- 16 found is that of 320 cases, they didn't go for discounts in
- 17 47 percent of the cases that we looked at. And it is often
- 18 incumbent -- it is like with task orders on these interagency
- 19 contracts. You need to have some initiative at the
- 20 contracting officer level to do this. They have to have
- 21 some incentive. Right now, they are held accountable for--
- 22 when I have talked to contracting officers, they are held
- 23 accountable for playing by the rules. They want to make
- 24 sure they follow the rules and they want to make sure they
- 25 do it well and quickly. But in terms of getting a discount,

- 1 there is no incentive for--
- 2 Senator McCaskill. There is no incentive for a lower
- 3 price. There is incentive for getting it there on time,
- 4 because the people who they are serving are--that is the
- 5 squeakiest wheel that they have got.
- 6 Mr. Needham. Right.
- 7 Mr. Kempf. Chairman--
- 8 Mr. Needham. Another point on BPAs, when we looked at
- 9 them, of the 320, they are required every year under the FAR
- 10 to go back and review whether or not the prices they
- 11 negotiated originally are good. In only 19 of the 320
- 12 cases, or about six percent, did they actually do that.
- 13 Senator McCaskill. Oh, Lord.
- 14 Mr. Needham. So there is that issue that they--there
- 15 has to be initiative at the contracting officer level to
- 16 make sure--
- 17 Mr. Kempf. Chairman McCaskill, that is one of the
- 18 things that we have started to do at GSA, and I talked a
- 19 little bit in my testimony about some of the training. And
- 20 one of the things that we recognize, and I think it was
- 21 apparent in the first panel, is that we have an acquisition
- 22 corps that needs a little bit of training.
- One of the things that I always hear when I go out and
- 24 talk about the Schedules program is they are difficult.
- 25 They don't understand how to use them. We run into some of

- 1 the things that Mr. Needham spoke about with respect to how
- 2 do you do a BPA? How do I get the right prices? How do I
- 3 manage it? So that is one of the things we were working
- 4 with with FAI in developing a couple of courses--
- 5 Senator McCaskill. What is FAI?
- 6 Mr. Kempf. The Federal Acquisition Institute. I am
- 7 sorry.
- 8 Senator McCaskill. Thank you.
- 9 Mr. Kempf. To develop courses on how to use the
- 10 Schedules appropriately and how to use the Schedules in an
- 11 advanced manner on things like how to develop a BPA and how
- 12 to get the right prices.
- One of the things that we need to learn how to do, the
- 14 contracting corps, that is, is to learn how to leverage the
- 15 Schedules when they do buy, so aggregating requirements,
- 16 learning to buy at the right times of the month, all of
- 17 those things that can actually drive discounts lower when
- 18 they compete the procurement, either for a single buy or for
- 19 something like a BPA.
- 20 Senator McCaskill. Senator Brown?
- 21 Senator Brown. Thank you, Madam Chair. I have enjoyed
- 22 your line of questioning, and just to, if I may, play off it
- 23 a little bit, with regard to the BPAs, it seems like we just
- 24 need to make a decision, you know, just like make a decision
- 25 and stick to it and tell them what they need to do, not sort

- 1 of, kind of.
- I find, being here over 100 days now, that the biggest
- 3 problem we have is people just need to make decisions and
- 4 stick to them and then let people know what the consequences
- 5 are if they don't do it. It seems kind of common sense.
- I believe, similarly to you, Madam Chair, that if we
- 7 don't do it, they will--if we don't draw the line in the
- 8 sand, it will not get done. So I know the President has
- 9 made an effort and a commitment to try to save money, and as
- 10 you know, we are struggling with a whole host of things,
- 11 Madam Chair. Later, we are doing an unemployment extension.
- 12 We are looking for summer jobs money, FMAP, and we are
- 13 talking \$40 billion that the President feels he can save in
- 14 Government waste or overpayments or streamlining,
- 15 consolidating.
- 16 I quess my question to every one of you is, like when
- 17 do we start getting really serious about this and what
- 18 efforts are you actually doing to save me and my kids and my
- 19 grandkids, when I have them, some money? I mean, when are
- 20 we going to have that money available so we can put it to
- 21 other uses, because it seems to me, as a newcomer here, that
- 22 we are just not focusing on making those tough decisions and
- 23 just doing basic things that would save us dollars
- 24 immediately. So I am wondering if each one of you could
- 25 kind of tell us what you are doing to adhere to the

- 1 administration's request to save \$40 billion.
- 2 Mr. Gordon. Senator Brown, if I may, we take it very
- 3 seriously and we view it as our responsibility. I view it
- 4 as my personal responsibility in this job to see to it that
- 5 we save that money and reduce the risk that our taxpayers
- 6 face when we don't do a good job contracting. We need to--
- 7 we are doing it on many different fronts, but I can go
- 8 through the high points here.
- 9 Number one, we are terminating programs that are not
- 10 effective so that we are cutting back on acquisition and not
- 11 buying things that we can't afford or that we don't need.
- We are focused on strategic sourcing. We are focused
- on cutting back and revamping the way we do IT procurements,
- 14 the way we do financial systems management procurements. We
- 15 need to save money. We have gone too long getting used to
- 16 the idea that contractors can go over the budget, beyond the
- 17 Schedule, and not deliver what they have promised us.
- 18 Senator Brown. And get rewarded.
- 19 Mr. Gordon. Absolutely. We are trying to change that
- 20 culture.
- 21 I will tell you, and it is a point that you mentioned,
- 22 Senator, in your opening remarks, and I think it is
- 23 absolutely true, part of the problem here is that our
- 24 acquisition workforce has not been supported. We have not
- 25 invested in them adequately. The President's budget

- 1 includes \$158 million to build up our civilian agency
- 2 acquisition workforce. That is sorely needed. We pay a
- 3 price when we don't have well trained, adequately staffed
- 4 acquisition officers.
- 5 We are also working to reduce the use of no-bid or sole
- 6 source contracts. We have to be sure that we get adequate
- 7 competition. That drives prices down.
- 8 We have got to be moving more to fixed price contracts,
- 9 because cost reimbursement contracts and especially time and
- 10 materials contracts risk costing us too much.
- 11 Let me stop there, but you have completely--we are
- 12 completely focused on the very concerns you are raising.
- 13 Senator Brown. So do you have a number that you have
- 14 ultimately saved to date or you plan to save in the future,
- 15 a number--
- 16 Mr. Gordon. We are focused on the \$40 billion
- 17 challenge from the President. Our report out recently
- 18 talked about \$19 billion in savings plans. Both the
- 19 terminations and the strategic sourcing will provide very
- 20 real savings.
- 21 Senator Brown. Okay. Does anyone else want to have
- 22 some fun?
- 23 Mr. Gunderson. Yes, thank you. I am going to echo
- 24 some of what Mr. Gordon said, because in response to last
- 25 July's OMB memo on achieving these savings and reductions of

- 1 high-risk contracts, we actually developed a plan and
- 2 submitted it and it addressed a lot of the things that Mr.
- 3 Gordon mentioned, such as what are we going to do to reduce
- 4 the use of cost type, time and material, labor hour
- 5 contracts? What are we going to do to increase competition?
- A lot of that gets to how well do you define your
- 7 requirements. A lot of times, if you don't have good
- 8 requirements, you are going to be forced into cost type
- 9 contracts. So we are working with our program offices to
- 10 get them better trained and also better staffed so they can
- 11 define those requirements.
- We are also looking at increasing the strategic
- 13 sourcing opportunities across the Department. Where we can
- 14 in-source things that used to be contracted out which are
- 15 better suited to be done in house, we are doing that, seeing
- 16 some savings there. And also, where it is appropriate to
- 17 have a program reduction or an elimination, we have also
- 18 looked at those opportunities.
- 19 But we already--I don't have the numbers with me today,
- 20 but we already have seen millions in savings and we are
- 21 going to continue to do that over the next two years to meet
- 22 the goals.
- 23 Senator Brown. Madam Chair, it would be helpful if
- 24 maybe at some point we get an update as to what the goals
- 25 are and what they have saved to date so we can report back

- 1 to our folks, our citizens at home as well as our
- 2 leadership.
- I have a further question. The Economy Act was passed
- 4 in 1932. It is a method of avoiding duplication of work on
- 5 the Government's behalf, and as you know, it was done in an
- 6 effort to foster broader interdepartmental procurement. It
- 7 provided one Federal agency would buy goods and services
- 8 from another rather than from private industry. In
- 9 addition, we have 34 separate funding authorities for
- 10 multiple agencies, some dating back as early as 1958.
- 11 First, on the funding authorities, and this is to the
- 12 GAO and OFPP, on the funding, are there still 34 funding
- 13 authorities, and if so, why? Should these dated funding
- 14 authorities be reviewed to align with how the Federal
- 15 Government does work today?
- 16 Mr. Needham. Senator Brown, that is an interesting
- 17 question. In terms of 34 funding authorities, we will work
- 18 to get that defined. I don't have an answer right now for
- 19 you. But I know going through, there are multiple
- 20 authorities, and I was thinking of a book that was written
- 21 about a dozen years ago. It was called The Tides of Reform,
- 22 and it started with the Economy Act. It talked about all
- 23 the different pieces of legislation that have occurred over
- 24 the years, and the author, who used to work for this
- 25 Committee at one point, said that administrative sediment

- 1 just builds up and builds up, and there has not been really
- 2 a comprehensive look-back, because we passed a number of
- 3 reforms back in the 1990s and there is not really a
- 4 systematic thinking of how do these all fit together and how
- 5 do they interplay so that they actually can be
- 6 operationalized by that contracting officer.
- 7 It is a difficult job for the person who is trying to
- 8 write the contract and do the buying for the Government
- 9 because they have so many rules they have to comply with.
- 10 Now, General Counsels' offices will typically try to make
- 11 those work for them, but there are a lot of rules.
- 12 In terms of those different funding authorities, they
- 13 are pretty well defined for each in the FAR, and so people
- 14 know where they are. But in terms of the actual inventory
- 15 of them, we can get that information for you later.
- Mr. Gordon. Senator Brown?
- 17 Senator Brown. Yes?
- 18 Mr. Gordon. It is interesting that you raise this
- 19 issue because it reminds me that we actually have made some
- 20 progress. If we had been having this hearing six or seven
- 21 years ago and we talked, for example, about franchise funds,
- 22 which are one of those funding authorities that have caused
- 23 confusion, GAO, where I worked at the time, GAO had concern
- 24 that these franchise funds were being abused, that one
- 25 agency would use another to do an assisted acquisition.

- 1 That is to say, the Department of X would have the
- 2 Department of Y run an acquisition for them. And we
- 3 discovered when I was at GAO that one year's funds would be
- 4 shifted over, parked there, and then they could be used in
- 5 future years, taking advantage of what was essentially a
- 6 loophole, and it was a cause for real concern.
- 7 The Department of Interior's National Business Center
- 8 was one of those franchise funds that came under a lot of
- 9 criticism for that very reason. At one point, DOD was
- 10 prohibited from using those franchise funds outside the
- 11 Department until the situation was corrected. The situation
- 12 was corrected, and in fact, the National Business Center has
- 13 gotten a clean bill of health from the Inspectors General at
- 14 both DOD and the Department of Interior. That is why this
- 15 past year DOD was able to again do an assisted acquisition
- 16 with Interior for the Military One Source program in a way
- 17 that turned out to be a model use of the flexibilities that
- 18 interagency contracts provide.
- 19 It is, I think, a very nice case study of a problem
- 20 that was recognized here on the Hill and elsewhere, the
- 21 problem being addressed, and the situation being improved.
- 22 Senator McCaskill. So nobody is parking funds anymore,
- 23 Mr. Gordon?
- 24 Mr. Gordon. I would not be willing to say that no one
- 25 was parking funds.

- 1 Senator McCaskill. I am willing to bet there is some
- 2 parking still going on.
- 3 Mr. Gordon. What I will tell you is--what I will tell
- 4 you is people, if they are doing it, know that it is not
- 5 proper. And in fact, six or seven years ago, and this was
- 6 mentioned, I think, in either a GAO report or an IG report,
- 7 one of the agencies, one of the franchise funds that I think
- 8 no longer is in operation in the acquisition area actually
- 9 had on their website one of the attractions of using them
- 10 was that you could park your funds. Those days are gone,
- 11 which is not to say we have perfection. We don't have
- 12 perfection, but we have addressed the problem. People at
- 13 least know that it is not proper.
- 14 Senator McCaskill. Well, since we have talked about
- 15 parking funds, the thing that got my attention in this area
- 16 when I first arrived here was a Subcommittee hearing, I
- 17 believe in this Committee, where there was a lot of talk
- 18 about interagency contracting and there were examples of
- 19 advertisements that we examined, including the ability to
- 20 park funds and then the fees.
- 21 Why are agencies able to charge other agencies fees,
- 22 and has that been the appropriate incentive to streamline
- 23 and maximize value for taxpayers? Or, in fact, have the
- 24 fees been just a way that we can play a shell game with the
- 25 public's money?

- 1 Mr. Gordon. I am perfectly willing to go first, but I
- 2 don't want to deny my colleagues the ability to respond.
- 3 Senator McCaskill. Well, you can start, Mr. Kempf,
- 4 because I think some of the agencies say they are starting
- 5 their own enterprise efforts because you are too expensive.
- 6 Mr. Kempf. Well, let me--the General Services
- 7 Administration, especially the Federal Acquisition Service
- 8 and I think PBS, to a certain extent, as well, the Public
- 9 Buildings Service, we recoup our costs through the setting
- 10 of fees. We don't intend to ever collect more than we
- 11 actually need or the costs of our operations. We get very
- 12 limited appropriation, and in our mind, it creates an
- 13 incentive for us to hold down costs, to deliver
- 14 goods/services, and provide what the customers want.
- So it makes us look at the breadth of services we have
- 16 and to make sure that they are -- in many ways, it is just
- 17 like entrepreneurship that you would see in the private
- 18 sector to make sure we are delivering what the agencies
- 19 want, because they do not have to use us, with limited
- 20 exceptions. They can go elsewhere, which sometimes they do.
- 21 Senator McCaskill. Well, let me ask Mr. Gunderson and
- 22 Ms. Frasier, do you think that your agencies have looked
- 23 inward in terms of providing interagency contracting
- 24 vehicles because the fees at GSA were too high?
- 25 Mr. Gunderson. In the case of EAGLE and First Source,

- 1 our IT contracts, that was not the primary driver of
- 2 deciding that we needed to have those contracts. If you
- 3 probably do the math, we could probably say that from a
- 4 financial perspective, we are better off. But the reason
- 5 EAGLE and First Source were set up was to meet the kind of
- 6 the strategic IT mission that we saw, bringing all these
- 7 different IT legacy environments together. How are we going
- 8 to consolidate the number of data centers? How are we going
- 9 to get to an enterprise architecture?
- 10 We felt having a suite or a cadre of contractors that
- 11 would become more familiar with the Department's IT
- 12 environment over a short period of time, they would be
- 13 better positioned to respond to the individual orders going
- 14 forward. So in that situation, the fees were not the
- 15 primary issue for us.
- 16 Senator McCaskill. Okay. So the fees were not the
- 17 primary issue. I get the sense that EAGLE really came about
- 18 because you all wanted your own deal.
- 19 Mr. Gunderson. In the sense we felt that it would both
- 20 meet the mission need better, delivering the products and
- 21 services, and from a business standpoint, we also felt it
- 22 was going to be a good business deal for the Department and
- 23 the public.
- 24 Senator McCaskill. Was that intuitive that you felt it
- 25 was going to be a good business deal, or is there any data

- 1 that you can give us to support that?
- 2 Mr. Gunderson. If you look at, historically, what we
- 3 have spent to date--if you want to look at it financially
- 4 first, if you look at--
- 5 Senator McCaskill. I do.
- 6 Mr. Gunderson. -- the amount of money that we have
- 7 spent, on EAGLE, I believe it is over \$8 billion so far. If
- 8 you look at the fees associated with that, and there are
- 9 some caps that would be invoked in there, there would still
- 10 be millions of dollars of fees that would be associated with
- 11 that.
- 12 And if you look at the cost, the estimated cost to
- 13 establish those contracts, the EAGLE and First Source
- 14 internally, we estimated those to be a few million dollars.
- 15 I would probably say \$3.5 to \$4 million. So from a
- 16 financial perspective, we see it in a positive manner.
- 17 Senator McCaskill. Well, I would really like to see
- 18 the numbers. The auditor in me would like to see you
- 19 demonstrate that what you have done has saved taxpayers
- 20 money.
- 21 Mr. Gunderson. Yes. We have -- the estimates I gave
- 22 you, they are based on labor hours of FTE that were
- 23 associated with the program and setting that up, also other
- 24 miscellaneous costs, support contract costs, facility costs
- 25 associated with establishing a competition, and things like

- 1 that. So we can provide information to you.
- 2 Senator McCaskill. It just--and this is--Mr. Gordon, I
- 3 know that you are supposed to be policy. Part of the
- 4 problem here is that there is no one really in charge, and I
- 5 know the challenges that DHS had in its infancy. They were
- 6 significant. You were cobbling together a bunch of agencies
- 7 and you were asked to do it overnight and there were
- 8 incredible demands in terms of IT capability. I understand
- 9 that it is almost instinctive, almost a reflex that you
- 10 would want to have this inside and not be relying on outside
- 11 contracting with another Government agency.
- But I don't get the sense that these decisions are
- 13 being made with money as the primary driver. I get the
- 14 sense these decisions are being made so the agencies can
- 15 maintain flexibility and responsiveness as opposed to
- 16 whether or not any money is going to be saved.
- 17 And I guess I am saying that, Mr. Gunderson, because I
- 18 don't think that it is easy for you--I don't think there was
- 19 a financial analysis done prior to making the decision to do
- 20 EAGLE, was there, an in-depth financial analysis as to the
- 21 costs?
- 22 Mr. Gunderson. That preceded my time at the
- 23 Department, so I would have to go back to see when the
- 24 numbers came together.
- 25 Senator McCaskill. Mr. Gordon, so do you require that

- 1 the numbers come together before something like this
- 2 happens?
- 3 Mr. Gordon. Chairman--
- 4 Senator McCaskill. Shouldn't there be somebody saying
- 5 that you are going to have to jump through the hoop of a
- 6 cost-benefit analysis prior to creating another contracting
- 7 vehicle which adds to the complexity and to the maze, that
- 8 adds to the stress to the acquisition, that makes the
- 9 acquisition force even more confused, that makes it even
- 10 less likely that we are going to get a handle on all this?
- 11 Mr. Gordon. I very much share your concerns,
- 12 especially regarding the burden on our acquisition force and
- 13 the confusion that this can create and the extra cost to
- 14 industry.
- 15 As I said in my opening statement, the business case
- 16 model, I think, makes sense. We have used it successfully
- 17 in GWACs so that when NASA, for example, wanted to be
- 18 allowed to continue to be the executive agent for a GWAC,
- 19 our rules require them to come to OMB. They need to tell us
- 20 what fees they are going to charge and we need to review
- 21 them to be sure that those are reasonable, because these
- 22 should not be profit centers. These should be reimbursing
- 23 costs, but not profit centers.
- 24 We want to know why it makes sense for them to do it.
- 25 What advantage do they have? With respect to NASA, for

- 1 example, they told us they can provide high-end, high-tech
- 2 IT and draw on their in-house scientists and engineers. So
- 3 they could make a strong business case.
- But in our view, before any agency--any agency--creates
- 5 a new multi-agency contract, they should have to do a
- 6 business case, and in fact, we will be issuing guidance
- 7 later this summer that requires that.
- 8 Beyond that, I think that even in the case of an
- 9 enterprise-wide contract, a business case approach should be
- 10 taken. Agencies should not create these confusing vehicles
- 11 without being sure that they are justified.
- 12 Senator McCaskill. Ms. Frasier, while we are on this
- 13 subject, GAO indicates that NIH gets high marks from its
- 14 customers. Now, I don't think most taxpayers would
- 15 understand why the National Institutes of Health is a store
- 16 of choice for Government agencies buying stuff. Explain to
- 17 me why you think you are, and if you all are so good at it,
- 18 why don't we just take those people that are doing it for
- 19 you and give them to Mr. Gordon and grow his shop to the
- 20 point that they could really direct, not just policy, but
- 21 direct acquisitions in the Federal Government? Couldn't we
- 22 cherry-pick the best out of all the agencies, put them in
- 23 one place, dredge all the law out there that you were
- 24 talking about, the multi-layering of the different laws that
- 25 the people sitting in these chairs have done because they

- 1 thought they were doing the right thing, dredge all that
- 2 out, start with a fresh slate of rules, maybe a new piece of
- 3 legislation that would clean out all the old stuff and make
- 4 it modernized, make it more IT-friendly as it relates to
- 5 acquisition and purchasing? Give me an argument why we
- 6 shouldn't do that.
- 7 Ms. Frasier. Well, for--first of all, just let me say
- 8 why NIH is involved in IT procurement. Back in 1996, we had
- 9 needs for IT for both the folks in our labs, all of our
- 10 centers and institutes, and we developed the NITAAC program
- 11 for NIH. What happened was that we never precluded any
- 12 other agency from using our vehicles, and when word got out
- 13 about our vehicles being available, they began to use it.
- 14 The infrastructure that we have established, and
- 15 actually established in great part due to OMB's guidance and
- 16 oversight, is an infrastructure that, one, looks at customer
- 17 service as being our primary focus, making sure that we have
- 18 the contracting officers in place, making sure that we have
- 19 a help desk that is useful to our customers, and a vehicle
- 20 that is streamlined and efficient, plus using IT, since we
- 21 are an IT program, using IT to reinforce the streamlining
- 22 and efficiency.
- 23 As far as developing one particular cadre of
- 24 professionals to look at all of IT, there is a reason that
- 25 we have multiple agencies, and there are certain needs that

- 1 need to be met by those agencies and they have that
- 2 requisite expertise.
- 3 Certainly, we are very proud of our NITAAC program and
- 4 would welcome if Mr. Gordon wanted to take our program and
- 5 infrastructure and to work closely as we do with some of our
- 6 industry partners. But we do have to recognize that there
- 7 are reasons why there is a GSA, why there needs to be IG
- 8 contracts within some other agencies, that our vehicles
- 9 cannot meet their needs.
- 10 Senator McCaskill. Mr. Brown?
- 11 Senator Brown. You know, Mr. Gordon, you spoke earlier
- 12 in your testimony that you are recognizing that there is
- 13 money there that needs to be saved, and you are working to
- 14 meet the goals set up by the administration. And something,
- 15 based on the hearing that the Chair held, which I found
- 16 fascinating, is that there are many contractors that owe us
- 17 money, either through overpayments or fraud or
- 18 administrative errors and the like that is hundreds of
- 19 millions of dollars and has been owed forever.
- I mean, why haven't we--and when you were talking about
- 21 contracts, you talked about not only the structure of
- 22 contracts, the type of contracts, and even if they don't
- 23 deliver, they still get a bonus. And we have another
- 24 situation where we know who owes us the money. We know that
- 25 it has been certified appropriately as to what that number

- 1 is, yet we haven't gone out and actually gotten it. Do we
- 2 have a lot of extra money lying around, or should we go
- 3 collect it? I mean, as an attorney, I remember I didn't
- 4 have any receivables, because you have got to pay the bills.
- 5 Well, the Federal Government needs to pay the bills, as
- 6 well. Is there a plan to collect that money?
- 7 Mr. Gordon. Absolutely, Senator. I appreciate the
- 8 point. We are very much supportive--there has been a recent
- 9 initiative to avoid improper payments. Actually, Chairman
- 10 McCaskill, I believe, has sponsored legislation that would
- 11 help crack down on tax delinquents that are trying to get
- 12 Federal contracts. Now, it is true that IRS already has a
- 13 program in place so that it can offset tax debts, but too
- 14 often, we have situations where contractors with tax debts
- 15 or tax delinquencies are nonetheless getting contracts and
- 16 we need to address that and be sure that it is justified if
- 17 it does happen.
- 18 So we are very much focused on avoiding improper
- 19 payments. There is a "do not pay" list that was recently
- 20 announced. We need to take steps to be sure that when you
- 21 have, as you said, Senator, you have a settled obligation to
- 22 the Federal Government, we need to collect on that
- 23 obligation.
- 24 Senator Brown. Well, I commended the President for
- 25 that "do not pay" list. I thought that was a good first

- 1 step, and I am wondering what is being done to try to
- 2 collect the money that is owed. What is actually being
- 3 done? Do you have attorneys? Do you have collection? How
- 4 is it being done?
- 5 Mr. Gordon. A number of steps are underway, including,
- 6 as I said, through the IRS. Incidentally, you mentioned
- 7 another important point, which is this problem that GAO has
- 8 highlighted of contractors getting award fees even when not
- 9 justified. We are providing further guidance to see to it
- 10 that companies don't get award fees when their performance
- 11 doesn't justify that.
- 12 Senator Brown. Yes, please address that. That is
- 13 driving me and many other just average citizens crazy when
- 14 you don't perform and--the Government is the only place
- 15 where you don't perform and you get a bonus. It just blows
- 16 my mind.
- 17 Interagency usage fees, Mr. Kempf. As you know, the
- 18 GAO report discusses some of the reasons the agencies
- 19 establish and use multi-agency contracts and enterprise-wide
- 20 contracts is to avoid fees and have more control over
- 21 procurement, so I would like to just focus on those fees.
- 22 Why are there fees in the first place? Just three very
- 23 short questions, you can answer them in whatever order you
- 24 want. What are your fees and how are they determined, and
- 25 what is actually done with the revenue collected from the

- 1 fees?
- 2 Mr. Kempf. Basically, GSA, at least the Federal
- 3 Acquisition Service, is not funded through appropriations,
- 4 so we run ourselves much like a business. We recover our
- 5 costs and only our costs. Each year, we set our fees and
- 6 decide how to spend our money with personnel and with, you
- 7 know, all the other things we need to run our organization.
- 8 We pay our own rent. We also pay for overhead for the
- 9 services we get from something like our Chief People Officer
- 10 and all the rest of that. So we set our fees in line with
- 11 our cost structure.
- 12 We also invest in equipment and systems, like our
- 13 Enterprise Acquisition System, GSA Advantage, eBuy, and some
- 14 of the other e-tools that support our program and that the
- 15 customers use to buy through GSA. So, essentially, we are
- 16 set up by statute that way. The Federal Acquisition Service
- 17 was set up by statute and that was the way that they
- 18 determined we would operate.
- 19 Senator Brown. So do you actually have a budget? Do
- 20 you have a yearly budget? Because I know the Federal
- 21 Government doesn't have a budget yet, but do you actually
- 22 have one?
- 23 Mr. Kempf. Actually, last week, myself and our
- 24 Management Council got together and we decided how many
- 25 people we could hire, what we were going to invest in in

- 1 terms of our IT infrastructure, what kinds of things we were
- 2 going to do with the money. We set up a rate structure for
- 3 what we would charge for the many services we provide.
- 4 And we do a little investment on things. One of the
- 5 things that we are doing this year is providing agencies a
- 6 carbon footprint tool that was developed with some of our
- 7 money. So we, like almost every other entrepreneurial
- 8 organization, does invest some of our money into tools and
- 9 infrastructure and research and development, if you will,
- 10 for future services and products for the agencies.
- One of the things that we did this year was invest
- 12 money in training, in development and training, because we
- 13 felt that our customers needed to learn how to use our tools
- 14 and our contracts better than they were using. So we
- 15 invested some money with the Federal Acquisition Institute
- 16 to develop some training for our customers.
- 17 Senator Brown. Do you run a surplus or a deficit?
- 18 Mr. Kempf. We try to get to zero. But, of course,
- 19 when you are running--we have \$9 billion a year that runs
- 20 through our program. Last year, we had a \$200 million
- 21 surplus. The legislation--
- 22 Senator Brown. And what happens to that? Does it just
- 23 go back to the general Treasury?
- 24 Mr. Kempf. We have a cost and capital plan that was
- 25 set up in our legislation. One of the things we did with

- 1 the surplus money last year was to increase our reserve
- 2 fund. We need about a month-and-a-half reserve to operate
- 3 the program, and our reserve fund was low, so we invested
- 4 most of the surplus into the reserve so that we would have
- 5 adequate financial capital to run the organization.
- 6 We also invested a little bit--a lot of the money that
- 7 actually was surplus last year actually came from--one of
- 8 the things that we do is we run the Federal Government's
- 9 fleet, so one of the things we have to do is guess what gas
- 10 prices are going to be, and one of the things we did last
- 11 year was we guessed a little wrong, so we got a little extra
- 12 money in there from that. So what we did, we invested that
- 13 \$70 million that we thought came from that in the fleet in
- 14 alternative fuel vehicles where we could provide those to
- 15 the agencies at a cost that would buy a regular sedan for.
- 16 Senator Brown. And are you in good fiscal shape this
- 17 year?
- 18 Mr. Kempf. Absolutely. Right now, we are running--we
- 19 think we will be probably at about \$100 million in the
- 20 black, but, you know, we don't know exactly what is going to
- 21 happen between now and the end of the year. One of the
- 22 things that we have set up is we have to upgrade our
- 23 infrastructure. Like I said, we are spending some money on
- 24 what we call FSS-19, was the backbone of most of the
- 25 services that we provide and we are upgrading that so that

- 1 Advantage is much better. We have an Enterprise Acquisition
- 2 System that we are putting in place for all of our
- 3 contracting across FAS so it will be much more robust and
- 4 will also provide some other tools, including transparency
- 5 and more pricing information.
- One of the things that we need to do is get better
- 7 business intelligence through our operations. I think GAO
- 8 talked about that. One of the ways we will be able to do
- 9 that is with the new infrastructure, we will be able to
- 10 collect better information, share it with our customers, and
- 11 make better decisions about what we would need to do to get
- 12 better prices for the agencies.
- 13 Senator Brown. Now, I know the administration is
- 14 trying to save that \$40 billion. Is some of the profit the
- 15 hundreds of millions that you are, in fact, making or saving
- 16 or whatever? Is there any plan to turn it over to the
- 17 people?
- 18 Mr. Kempf. Well, actually, in addition to what we do,
- 19 we are also following the same guidance from the President
- 20 on saving money, so we are watching what we spend with our--
- 21 we are using our own BPAs to cut our costs in terms of our
- 22 office supplies, our real estate expenses. So we also watch
- 23 what we spend, too, so that we can either keep our costs at
- 24 the same rate or in some cases lower them.
- 25 Senator Brown. I have one more question. Mr. Gordon,

- 1 you know, we talked about the importance of having a
- 2 business case to mitigate the rapid growth of these
- 3 contracts, and from your testimony, you indicated that
- 4 business cases are currently required only for Government-
- 5 Wide Agencies, GWAC vehicles. Can you explain to me what
- 6 specific criteria OFPP uses to determine whether or not to
- 7 approve an IT GWAC? For example, in the GSA Alliant and the
- 8 Alliant Small Business GWACs, what unique requirements did
- 9 these two contracts have other than--have that other
- 10 existing IT GWACs don't have?
- 11 Mr. Gordon. Thank you. Mr. Kempf may actually want to
- 12 address this, as well, but I--
- 13 Senator Brown. Yes, both of you, if you could. That
- 14 would be helpful.
- 15 Mr. Gordon. Absolutely. From our point of view, the
- 16 question is, is there justification for another GWAC? The
- 17 fact is, just a few years ago, there were more GWACs and
- 18 there were more executive agencies. We have cut back.
- 19 Today, the only Executive Agents are GSA, NIH, and NASA. To
- 20 have a GWAC, in our view, the agency needs to show
- 21 justification. They need to show that they will be meeting
- 22 a need.
- 23 In NIH's case, the unique aspect of health IT is one of
- 24 the key reasons that it made sense, just as, as I mentioned
- 25 in the case of NASA, there was the issue of very high-end,

- 1 high-tech IT, where they were able to draw on their
- 2 scientists and engineers within NASA. They also need to
- 3 show us that they will be charging a reasonable fee
- 4 structure, responding to your concern, Senator.
- 5 This is not an effort to set up profit centers at the
- 6 agencies. They need to tell us how they are going to manage
- 7 these contracts. We need to have an assurance that we in
- 8 OMB will get regular full reports about what is happening.
- 9 We need transparency about the transactions under the GWACs.
- 10 And I think it is noteworthy that both GAO and the
- 11 Acquisition Advisory Panel, the SARA Panel, have actually
- 12 commended that process within OMB and said that the business
- 13 case approach works. What we want to do is expand it so
- 14 that it applies to multi-agency contracts and probably
- 15 enterprise-wide, as well.
- 16 Senator Brown. And just not to jump in, Mr. Kempf, so
- 17 what can we do in the Senate to assist you folks in doing
- 18 what you need to do, because taking off what Senator
- 19 McCaskill said, I feel there is -- I am sensing that the
- 20 Government is so big, it can't get out of its own way.
- 21 There are so many rules and regulations, so you need an
- 22 attorney. Now you need attorneys to kind of review all the
- 23 contracts to make sure that they match and this and that.
- 24 It just seems like we are so overwhelmed with rules and
- 25 regulations. We need to streamline and be lean and mean and

- 1 be able to react, not only as we are dealing with, like, the
- 2 situation in the Gulf, but just basic purchasing. I mean,
- 3 how long does it take to buy the paper products? It takes
- 4 forever. We need to do it better.
- Is there something that we can do, that we are missing?
- 6 I mean, it is nice to bring you folks up here and have you
- 7 testify and we do the whole boogie-woogie, I call it back
- 8 home, but, you know, give us some suggestions, because I am
- 9 happy to work with the Chairwoman and try to come up with
- 10 some solutions to make it easier and save us real money
- 11 without going through the machinations. Is there something
- 12 that we are missing and we can help with? You are all
- 13 silent.
- Mr. Needham. I would say that--
- 15 Senator McCaskill. Really, they are not asking us to
- 16 do anything.
- 17 Senator Brown. Especially lately.
- 18 Mr. Needham. To pick up on the Chairman's earlier
- 19 point about shining a bright light, the fact that you are
- 20 paying attention to this, the fact that there is this
- 21 Subcommittee, is a very important step, because when you
- 22 start asking questions, people have to start thinking about
- 23 what they have done or not done or where things stand.
- I mean, we are now beginning--we are rethinking a lot
- 25 of the approaches to what we are doing in terms of work.

- 1 This whole issue of interagency fees is an issue we looked
- 2 at about eight years ago. We need to go back to it. There
- 3 needs to be constant follow-up and improvement. I think the
- 4 word that was very popular years ago is called continuous
- 5 improvement, and to do that, you need to pay attention to
- 6 it, and what you are doing here helps doing that, and what
- 7 we do and also what the agencies are doing to keep that
- 8 mindset of continuous improvement and keep going back and
- 9 using some good data to say, okay, we have moved forward and
- 10 how do we keep doing it again.
- 11 Mr. Gordon. I very much agree. I think that the fact
- 12 that this Subcommittee exists, the fact that you are focused
- 13 on improving our contract management is a service to the
- 14 Congress. I hate to say this, it sounds masochistic, but I
- 15 think you should bring me back up here at some point and ask
- 16 me further questions and say, Mr. Gordon, have you made
- 17 progress, because I think we need to be held in our agencies
- 18 and at OMB, we need to be held accountable for this. We
- 19 need to ensure that strategic sourcing is working, that we
- 20 really are saving the \$40 billion, that we really are
- 21 reducing the risk. That is our commitment. That is our
- 22 plan. We have made progress. But we expect to be held
- 23 accountable.
- Senator McCaskill. I--go ahead, Mr. Gunderson.
- 25 Mr. Gunderson. In addition to the continued awareness

- 1 that we have here, I think, any opportunity there is to
- 2 support workforce initiatives in the acquisition workforce
- 3 is critical. The things that have been talked about today,
- 4 certainly in your opening remarks about best value, being
- 5 more efficient, being more effective, if you ask any
- 6 contracting officer or any program manager, they want to
- 7 accomplish that, and they are doing the best that they can
- 8 to try and find that balance between mission and business.
- 9 As much as we can continue to invest in that workforce, get
- 10 them the training, get the appropriate staffing in the
- 11 respective offices, that will go a long way.
- 12 Senator McCaskill. Well, I know Senator Collins has
- 13 done great work on acquisition workforce and I have been
- 14 happy to work with her, and I know Senator Brown supports
- 15 those efforts, also. The acquisition workforce is very
- 16 important.
- I would like you all to give some thought to the multi-
- 18 layers of laws that bring to bear in this area, because
- 19 there is a tendency around here to always think
- 20 prospectively about what law needs to be passed rather than
- 21 retroactively what laws need to be changed that are
- 22 currently on the books. We have a tendency--I thought the
- 23 analogy of the sediment was a good one, where we layer and
- 24 layer and layer, and we go back and look at something that
- 25 was passed in the 1930s and it probably doesn't work as well

- 1 today as maybe a new way of looking at it, a new way of
- 2 writing. And the rules and regulations get in the way.
- I am usually somebody who is saying we need more rules
- 4 and regulations, because without them, you get waste, fraud,
- 5 and abuse. And sometimes with them and because of them, you
- 6 get waste, fraud and abuse, because they get so darn
- 7 complicated. So we need to find that where the pendulum is
- 8 in the middle, where we have enough regulation that people
- 9 can get in trouble for waste, fraud, and abuse, but not so
- 10 much regulation that they get in trouble for waste, fraud,
- 11 and abuse because they were so darn confused. And I think
- 12 we are dangerously close to that area right now because this
- 13 is such a thicket of acronyms and contracting vehicles and
- 14 different types of things.
- 15 Let me ask GSA, you really are the bulk of the money in
- 16 terms of what we are purchasing. I think the GAO report
- 17 said about \$60 billion a year, and close to \$50 billion of
- 18 that was through GSA. You know, we talk about the GWACs and
- 19 the multi-agency contracts and the Government-wide
- 20 contracts, but that is really still a pretty small piece of
- 21 the action. Where most of the action is is in GSA.
- 22 And when I asked the experts in February, what should
- 23 your role be, what should GSA be doing, what are they doing
- 24 right and what are they doing wrong, and there was not a
- 25 unanimity of opinion on that panel as to what your role

- 1 should be. Do you think your mission is still valid, and if
- 2 it is still valid, you know, should we be focusing on your
- 3 acquisition workforce with the thought that if we get your
- 4 acquisition workforce up to par, we get more bang for our
- 5 buck because of the number of contracts that are actually
- 6 running through GSA as opposed to the other contracting
- 7 vehicles?
- 8 Mr. Kempf. I would say that GSA's mission today is
- 9 more important than ever, and I think this hearing
- 10 highlights that. Our Administrator, Martha Johnson, has set
- 11 out three areas for us to look at to guide our actions
- 12 moving forward. Those are operational excellence, customer
- 13 intimacy, and innovation. She feels, as do I, that if we
- 14 focus on those things, we will get done right what we need
- 15 to do to support our programs.
- 16 And that is why we are spending some money focusing in
- 17 on our systems so that--you know, one of the interesting
- 18 things we get to do with our job every once in a while is
- 19 talk to some of the foreign governments who come here, and
- 20 one of the things that they invariably want to look at is
- 21 how the Schedule program works and our system like GSA
- 22 Advantage. To a person, they are thrilled when they see GSA
- 23 Advantage, and my CIO and I always say, oh, if we could just
- 24 start with a blank slate and start all over, and that is
- 25 essentially what we are doing, is upgrading our systems so

- 1 that they support the kind of decisions that our contracting
- 2 officers make, that we can add efficiency.
- One of the things we did about two years ago was
- 4 starting--the first thing we did was look at an acquisition
- 5 process improvement program, where we laid out the
- 6 requirements from start to finish for all acquisition
- 7 processes in GSA, and we are developing a system that will
- 8 support that from beginning to end.
- 9 The other thing that we are doing is looking at the
- 10 process improvement particularly in the Schedules program,
- 11 where we have looked at how do we improve the many kind of
- 12 steps that we take, the big steps that we take, the
- 13 modification of the contracts, the exercise of the option,
- 14 how long the contracts ought to be, how does a contracting
- 15 officer work in that program, and really get down and make
- 16 the system and make the process as effective as it can be so
- 17 that they can make the right decisions.
- 18 One of the things we focused in on specifically was a
- 19 pricing tool. We saw that people were using spreadsheets.
- 20 They were getting information in from the vendors that was
- 21 paper, and we are moving toward a paperless environment.
- 22 But one of the tools I looked at the other day, I talked
- 23 about our Enterprise Acquisition System, is actually looking
- 24 at getting all of that data in electronically, and the way
- 25 that the contracting officers can look at that data in a way

- 1 that they couldn't before.
- 2 So the only way that they could get this data--think
- 3 about a contractor like Dell that might have 1,000 different
- 4 kinds of component IT products on their Schedule. Somebody
- 5 would have to actually build a spreadsheet. One of the
- 6 things that this system will do is actually build--well, you
- 7 get the information in electronically. You can see the
- 8 differentiation in the price on the products. You can
- 9 compare it to other products in Advantage and even import
- 10 information from other contracts, whether they be
- 11 governmental or commercial, and compare the prices so that
- 12 you can see as a contracting officer, are you getting the
- 13 very best price on that kind of product.
- 14 So the power of that tool and the flexibility will give
- 15 the contracting officers greater flexibility and better
- 16 intelligence to make decisions about how to award the
- 17 contract, at what price, and they will even be able to see
- 18 where the contractors might be playing a game with the way
- 19 they are doing the pricing. So those kinds of things are
- 20 essential for us doing well.
- 21 We have about 300 contracting officers that are
- 22 warranted in the Federal Acquisition Service. We have about
- 23 800 1102s, which is the contracting professional series. We
- 24 probably could use more. We are always -- we have been able
- 25 to hold our own in hiring. We continue to increase the

- 1 ranks, try to bring more in so that we can deliver, you
- 2 know, get the products onto Schedule quickly, that we can
- 3 staff the GWAC programs and all of our other programs that
- 4 we haven't talked about today that are very important, like
- 5 running the credit card programs, the City Pair program for
- 6 airline tickets, the Networx program. All of the other ones
- 7 that require contracting resources at all, as well.
- 8 Senator McCaskill. Well, I know that as someone who
- 9 doesn't have time to shop anywhere but on the Internet, that
- 10 the private sector has figured this out pretty well. There
- 11 are very few things that I can't easily compare quickly with
- 12 a few clicks. For the consumer out there, the electronic
- 13 methodology is growing by leaps and bounds in terms of
- 14 delivering the best value most effectively, and I just know
- 15 that the Federal Government is lagging behind. I know that
- 16 we are going to get there. I just worry how many
- 17 contractors and how many different IT contracts is it going
- 18 to take for us to get there.
- 19 Mr. Kempf. Well, that is one of the things I talked
- 20 about earlier that we are doing with Advantage. As I said,
- 21 Amazon actually started after Advantage. We were actually
- 22 one of the first in the market in it. But we didn't have
- 23 the resources to build the technological advances in it that
- 24 they did. But I think the advances that we are going to
- 25 build into the system that are scheduled to be released this

- 1 fall will be really important for that tool.
- One of the things that the other contracting officers
- 3 using the GSA Schedules have been asking for for years, you
- 4 know, when you go to an Amazon, you see that bright, clear
- 5 picture and description. We are going to be using
- 6 commercial descriptions that we get from a service that will
- 7 look like an Amazon--
- 8 Senator McCaskill. Are you going to have a reviewer up
- 9 there?
- 10 Mr. Kempf. Pardon me?
- 11 Senator McCaskill. Are you going to have reviews?
- 12 Mr. Kempf. Excuse me, which reviews?
- 13 Senator McCaskill. You should have reviews for the
- 14 products.
- 15 Mr. Kempf. Oh, yes.
- 16 Senator McCaskill. You should have the various
- 17 agencies--
- 18 Mr. Kempf. Well, this is--
- 19 Senator McCaskill. --post reviews, so when other
- 20 agencies come to look, they can say, hey, don't trust this
- 21 contractor--
- Mr. Kempf. Don't buy that one.
- 23 Senator McCaskill. --he didn't deliver what he said he
- 24 was going to deliver. You should put up there shopping
- 25 reviews just like the consumers have. There is no reason

- 1 not to.
- 2 Mr. Kempf. We will take that under advisement. But
- 3 one of the things we will be able to do--
- 4 Senator McCaskill. Don't be so worried about getting
- 5 sued.
- 6 Mr. Kempf. Yes, that would never happen.
- 7 [Laughter.]
- 8 Mr. Kempf. But one of the things that this will
- 9 actually do when we get there is once you pull up a product,
- 10 you will be able to see other products similarly priced.
- 11 That is one of the things that our current infrastructure
- 12 doesn't support. So we will be able to be much more useful
- 13 for the contracting officers in making decisions.
- One of the things that they have been saying to us is
- 15 the pictures, I can't tell from the pictures, because one of
- 16 the things that we say, when you get your Schedule, you have
- 17 to give us the pictures and we post them. Some of the
- 18 contractors will give us like their icon. So when you are
- 19 looking to see the picture, you see an icon of their company
- 20 because they didn't have the wherewithal to provide the kind
- 21 of pictures--
- 22 Senator McCaskill. Well, if they can't figure out how
- 23 to give you a digital picture of what they are trying to
- 24 sell the Government, we probably shouldn't be doing business
- 25 with them. In this day and age, seriously. I mean--

- 1 Mr. Kempf. Well, we are going to fix it for them one
- 2 way or the other.
- 3 Senator McCaskill. My teenagers could handle that for
- 4 them.
- 5 [Laughter.]
- 6 Senator McCaskill. So I think that is something you
- 7 need to be more adamant about.
- 8 Mr. Kempf. Absolutely.
- 9 Senator McCaskill. I think sometimes the relationship
- 10 between the vendors and the Government gets a little
- 11 confusing sometimes. I think that we forget how much money
- 12 these vendors potentially have to be made off the Federal
- 13 Government. There is not a bigger purchaser in the world
- 14 than the U.S. Federal Government. That is not something I
- 15 am bragging about. I am a little worried that I can say
- 16 that. But we have incredible power and it is untapped.
- 17 Make no mistake about it, it is untapped. We are doing--we
- 18 are nibbling around the edges in unleashing the purchasing
- 19 power we have.
- 20 But I think that this particular panel has
- 21 demonstrated, and I know there are many others like you,
- 22 dedicated Government employees that are not in this for the
- 23 big money. You don't go into acquisition in the Government
- 24 because you want to be a star. You go into it because you
- 25 are driven by a desire for public service and trying to do

- 1 the right thing, and I do think that there is great
- 2 potential.
- I have an unrelated question to this subject matter.
- 4 Senator Brown, do you have any other follow-up questions on
- 5 this subject?
- 6 Senator Brown. I just have one.
- 7 Senator McCaskill. Okay.
- 8 Senator Brown. Mr. Gordon, one of the things I enjoyed
- 9 when the President was in his early days is he was going to
- 10 do a top-to-bottom review of every Federal program to see
- 11 where the waste was and attack it and get rid of it,
- 12 streamline, consolidate, et cetera. You can do this offline
- 13 because I know we are kind of getting along here, but I
- 14 would love to know what has been done, what the plan is to
- 15 continue with that effort. Have we realized any savings?
- 16 Is there anything, once again, we can help in that regard?
- 17 And then also, I will just throw this out there. Is
- 18 there a mechanism--I would rather pay the people who are
- 19 working for you in the form of a retention benefit of sorts
- 20 to say, okay, listen. Here is our budget. This is what we
- 21 spend. You spend us X and you are going to get a little
- 22 piece, almost like an attorney getting his third or
- 23 whatever, to incentivize the people who are working for us
- 24 for retention and obviously enjoying coming to work and be
- 25 kind of pit bulls to find out where the waste is and go

- 1 after it and have it be interagency competition, whatever.
- 2 Just get everyone thinking outside the box. Is there a
- 3 program like that at all or not?
- 4 Mr. Gordon. Senator, thank you. I will tell you that
- 5 my boss, Jeff Zients, our Deputy Director for Management, is
- 6 the country's Chief Performance Officer and he is very
- 7 focused on the fact that we need to get rid of programs that
- 8 are not performing. OMB recently talked about an initiative
- 9 to address the five percent of the weakest programs and to
- 10 see to it that we moving forward with what works and
- 11 stopping what is not working. We would be happy to discuss
- 12 it further with you offline, if you would like.
- 13 Senator Brown. Thank you.
- 14 I am sorry, sir. John, did you want to--
- 15 Mr. Needham. I was just going to mention that GAO has
- 16 a body of work underway under the Acquisition Workforce and
- 17 we are looking at many facets, but we are going to probably
- 18 try to look at some of those issues of incentives as well as
- 19 the training and so forth that they are undergoing, because
- 20 there is an issue of retention. Once you train people, you
- 21 need to be able to keep them.
- 22 Senator McCaskill. Well, and that is--somebody who is
- 23 really qualified and trained in acquisition in the Federal
- 24 Government is so ripe for the picking by the private sector.
- 25 There is nobody that a Government contractor wants more in

- 1 their operation than somebody who really understands the
- 2 process of Government acquisition, because I talk to
- 3 business people all the time that just give up on trying to
- 4 do business with the Federal Government because they can't
- 5 get past the complexity of it. So if you have an
- 6 acquisition professional in your private company, then all
- 7 of a sudden, you have got a leg up and you know how to do
- 8 business with the Government.
- 9 So I think looking at that, I think it is a great idea
- 10 that GAO would look at the incentives, could we do financial
- 11 incentives for acquisition personnel on cost savings. You
- 12 know, the most frustrating thing about Government is that we
- 13 want it to behave more like a business, and frankly, it is
- 14 not, but in the area of acquisition, we certainly can go
- 15 much, much closer to that goal of having some kind of
- 16 bottom-line capability of, well, can we save this year
- 17 compared to last year? How can we--and giving a little bit
- 18 of that money to the people who helped figure out how to do
- 19 it, I think is a great idea.
- 20 Mr. Needham. I think it may contribute to stability.
- 21 I mentioned to Ms. Frasier when we came in, I met her about
- 22 seven years ago, and very often as I go across agencies, I
- 23 don't meet the same people year in and year out. They
- 24 change over. When you do see stability, that helps add into
- 25 the quality of the work that they are doing.

- 1 Senator McCaskill. Thank you, Ms. Frasier, for staying
- 2 put.
- 3 Senator McCaskill. I have an unrelated--I want to
- 4 thank all of you for being here today, but while I have got
- 5 Mr. Gordon, while I have you here, I want to ask you an
- 6 unrelated question. I have been working very hard to do
- 7 away with the notion that we have corporations in this--
- 8 doing business with our Federal Government that don't have
- 9 to compete and that aren't small and aren't economically
- 10 disadvantaged. I have no problem with the 8(a) program. I
- 11 think the 8(a) program has a wonderful purpose for small
- 12 companies trying to get their foot in the door.
- 13 There are very few Alaska Native corporations that fit
- 14 that definition, and we all know that they were given
- 15 special status for an inexplicable reason, frankly. I am
- 16 not really sure why. I wish them great success. I think
- 17 they can continue to be very successful as corporations. I
- 18 just don't understand why they don't have to compete.
- 19 So I have been working on this and was very pleased
- 20 that we passed a law, a law that is now on the books that
- 21 all sole source contracts over \$20 million, that there must
- 22 be a justification, and I have learned that there has been a
- 23 delay of the implementation of this law and that there is
- 24 Tribal consultation going on and I wanted to give you an
- 25 opportunity to answer on the record why the implementation

- 1 of the \$20 million cap is occurring and what is the time
- 2 line. How quickly can this law actually go into effect,
- 3 because it is the law.
- 4 Mr. Gordon. I appreciate it, Senator. It is the law
- 5 and I can assure you that the administration is very
- 6 supportive of increasing competition. Nonetheless, in this
- 7 case, because the law will affect Indian Tribes as well as
- 8 Alaska Native corporations, we are doing outreach to those
- 9 groups. We want that outreach to be fair, but we also want
- 10 it to be expeditious. We expect to move forward very
- 11 promptly with outreach and then with issuing a new
- 12 regulation to implement the statute.
- 13 Senator McCaskill. Well, I am going to be watching
- 14 this very carefully, and I am not really sure what the
- 15 consultation is about. It is not like you are going to
- 16 change the law in these meetings. I think a \$20 million cap
- 17 on non-compete is fair. While there may be some of these
- 18 corporations that justifiably belong in the 8(a) program
- 19 because they are small and they are trying to find their
- 20 way, as you are well aware, as everyone that does anything
- 21 in Government acquisition is aware, there are a whole bunch
- 22 of them that haven't been small for a long, long, long time.
- 23 They are mega, mega, multi-national corporations, and the
- 24 notion that some of these corporations, as large as they
- 25 are, never have to compete should be offensive. It should

- 1 be offensive to anybody in the field of acquisition.
- 2 So I urge you to put a burner under this effort and
- 3 make it go quickly. I certainly admire you wanting to do
- 4 outreach at all points of your job. I think that is
- 5 important. But I am frustrated that this isn't going more
- 6 quickly and I am going to continue to express that
- 7 frustration and I wanted to get that on the record today.
- 8 And I apologize to all of you, since it is not particularly
- 9 on the subject matter. Now you really will look forward to
- 10 coming back the next time, because you know anything is fair
- 11 game, Mr. Gordon, when you come in front of this Committee.
- Mr. Gordon. Thank you, Senator. I would be honored to
- 13 be invited to come back.
- 14 Senator McCaskill. If it has to do with contracting,
- 15 it is fair game.
- 16 Thank you all, and we will continue to follow up.
- 17 The hearing is adjourned.
- 18 [Whereupon, at 4:21 p.m., the Subcommittee was
- 19 adjourned.