

**STATEMENT OF
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U.S. GENERAL SERVICES ADMINISTRATION
BEFORE THE
SENATE HOMELAND SECURITY AND GOVERNMENTAL
AFFAIRS
SUBCOMMITTEE ON CONTRACTING OVERSIGHT
JUNE 30, 2010**



Good morning Chairman McCaskill, Ranking Member Brown, and members of the Subcommittee. My name is Steven Kempf and I am the Acting Commissioner of the Federal Acquisition Service within the U.S. General Services Administration. Thank you for inviting me to appear before you today to discuss the Government Accountability Office's (GAO) report findings regarding the multiple award schedules (MAS) program, government wide acquisition contracts (GWACs) and benefits of interagency contracting.

The MAS program provides Federal Agencies with a simplified and competitive process of procuring commercial products, services, and solutions critical to achieving their missions. As a result, it has grown significantly over the past decade. During the federal acquisition streamlining efforts of the mid-1990s, the MAS Program conducted approximately \$7.5 billion dollars in sales in Fiscal Year 1997. In contrast, in Fiscal Year 2009, the MAS Program achieved approximately \$47 billion dollars in sales. This was approximately 10 percent of the Federal Government's overall procurement spending of more than \$500 billion dollars. Given the enormous size and impact the MAS Program can have on federal spending, there is a continuous need to ensure the program's efficiency and effectiveness. We accomplish this through policy changes, process improvements, electronic system enhancements, and customer training on how to effectively maximize the use of the MAS vehicle.

I would like to address each of the eight recommendations GAO made to GSA and the actions we are taking to enhance MAS Program management.

Recommendation #1 – In coordination with the GSA Inspector General, target the use of pre-award audits to cover more contracts that meet the audit threshold;

The MAS Program Office is working with the Office of the Inspector General (OIG) to target additional MAS contracts for pre-award audits. Past history has shown that for every dollar invested in pre-award contract reviews, at least \$10 in lower prices or more favorable terms and conditions are attained by GSA Contracting Officers for the government's benefit.¹ GSA is committed to ensuring these savings are passed down to the American taxpayer.

Recommendation #2 – Fully implement the process that has been initiated to ensure that vendors that meet the pre-negotiation clearance panel threshold receive a panel review.

GSA is taking steps to improve the process for conducting pre-negotiation panel reviews. An appropriate threshold for new offers and contract modifications is established for each Schedule based on the relative volume of business which is realized in that industry sector. GSA is updating the policies and procedures for conducting these reviews to ensure that all offers and contract modifications meeting the threshold actually receive a panel review, and that all reviews are conducted in a consistent manner, prior to entering into discussions with the offeror. GSA is also taking steps to ensure that our acquisition systems capture that the review occurred and the results of that review.

¹ From the Office of Inspector General, GSA, Semiannual Report to the Congress, Oct 1, 2009 – Mar 31, 2010, Management Challenges

Recommendation #3 – When considering the MAS Advisory Panel recommendations to clarify the price objective and eliminate the price reduction clause, ensure that any alternative means to negotiate and determine best prices are validated and in place before eliminating these pricing provisions.

GSA is still in the process of reviewing the recommendations made by the MAS Advisory Panel, a Federal Advisory Committee tasked with providing independent advice to GSA to help ensure we negotiate the best prices possible for our customers. GSA is carefully studying the potential impact of the Panel recommendations on the MAS program.

Recommendation #4 – Collect transactional data on MAS orders and prices paid, possibly through the expanded use of existing electronic tools or through a pilot data collection initiative for selected MAS schedules and make the information available to MAS contract negotiators and customer agencies.

GSA will perform an analysis of how to collect transactional data on MAS orders and prices paid. Concurrently, we will initiate conversations with our stakeholders to ensure that all of their concerns are addressed.

Recommendation #5 – Establish more consistent performance measures across the MAS program, including measures for pricing.

GSA is improving the development of performance measures across the MAS Program particularly as they relate to quality, which will address pricing. This will ensure that FAS' acquisition centers and business lines use a more consistent approach to performance measurement across the MAS Program.

Recommendation #6 – Take steps to increase the MAS customer survey response rate by using a methodologically sound means to identify bona fide program users and employing survey techniques that produce meaningful and actionable information that can lead to program improvements.

GSA will examine its overall customer satisfaction survey methodology and investigate ways to increase the response rate. Customer satisfaction is a critically important performance measure to GSA and provides meaningful and actionable information that can lead to program improvements.

Recommendation #7 – Clarify and strengthen the MAS program office's charter and authority so that it has clear roles and responsibilities to consistently implement guidance, policies and best practices across GSA's acquisition centers including policies and practices related to the above recommendations.

GSA will examine the MAS Program Office's Charter and authority in context of establishing clear roles and responsibilities to consistently implement guidance, policies and best practices across GSA's acquisition centers and business portfolios.

Recommendation #8 – Report GSA's plans to address these recommendations to the Administrator of the Office of Federal Procurement Policy.

Conversations between GSA and OFPP to discuss GAO's recommendations have occurred. Discussions between the two organizations will continue.

. GSA is working on several electronic tool enhancements to streamline the acquisition process, making it easier for our customers and industry partners to do business with us. In Fiscal Year 2011, GSA *Advantage!*® will be using Web 2.0 features and enhanced search capabilities, have new product recommendations, greater environmentally friendly product searching and identification features, and improvements to the overall shopping experience, such as direct links to company shipment tracking websites and other GSA contracting vehicles.

GSA is also working on several internal initiatives to make it easier to do business with the MAS Program. We are streamlining our processes for adding products and fixed price services to the Schedules when an industry partner is not changing its contract terms and conditions. We are reducing the amount of time it takes Contracting Officers to make administrative modifications to contracts (e.g. address changes), increasing their capacity to focus on more complex modifications. Finally, our Enterprise Acquisition Solution is a long-term, multi-year effort that will create an electronic end-to-end contracting system (i.e. from market research to contract close-out).

We are also making policy changes that will enhance our performance. Section 863 of the Fiscal Year 2009 National Defense Authorization Act requires enhanced competition in the purchase of property and services by all executive agencies pursuant to multiple award contracts. To help our customers achieve this, we are updating our policy to make it easier for civilian agencies to use eBuy, our online Request for Quote (RFQ) system.

GSA has an Executive Agent Designation from the Office of Management and Budget (OMB) to manage governmentwide acquisition contracts (GWACs) for information technology services. Four of the five GSA managed GWACs are small business GWACs and provide agencies with access to 8(a), small and service-disabled veteran-owned small business set-aside contracts for IT solutions. Alliant, GSA's only enterprise-wide GWAC, provides agencies access to 59 highly qualified industry partners. Thirty-seven of those industry partners were included in the recently published top 100 Federal Contractors list. Alliant, which has a \$50 billion ceiling, replaces the expired GWACs ANSWER and Millennia. It will also replace the Millennia Lite contract which expires next month.

Alliant and our other GWACs are managed by the GWAC Program Office, whose responsibilities include:

- Develop, award and administer contracts
- Educate and train contractors and federal buyers on the proper use of GWACs
- Issue Delegations of Procurement Authority (DPA) to Agency Contracting Officers (A DPA is required to order service from a GSA GWAC)

- Review Statements of Work (SOW) and task orders for scope compliance (pre-award and post-award)
- Ensure that Fair Opportunity is applied (FAR 16.505)
- Provide guidance on contract terms and conditions throughout task order life cycle
- Survey customers for contractor performance data for each task
- Develop business cases for new GWACs

As part of its transparency efforts, GSA submits an annual report to OMB with information on contract specific activity, financial data and small business contracting and subcontracting information. GSA is a major proponent of all our industry partners and we spend an extraordinary amount of time assisting small businesses and agencies in achieving government-wide socioeconomic goals. Approximately 80 percent of all schedule contract holders are small businesses, who received 35% of the all Schedule sales in fiscal year 2009. This is 12 percent greater than the government wide goal of 23 percent. Four out of five GWACs are set-aside for small business. This allows agencies access to a very talented pool of industry partners and helps support agencies ability to achieve government-wide socioeconomic goals.

GSA believes in robust competition and in the non-commercial IT solutions arena feels that this competition exists amongst the OMB designated agencies which include NASA, NIH, EPA and GSA. GSA values its acquisition expertise and will soon be providing training, through an agreement with the Federal Acquisition Institute. The initial training will focus on the MAS program and future training will focus on GWACs and sustainable acquisition practices. We intend to develop training that reaches all generations in the acquisition workforce, including social media technologies. All of the training will be offered as part of FAI's curriculum.

Finally, FAS is developing its own Level 4 Certification. Designed to complement OFPP Federal Acquisition Certification in Contracting (FAC-C), it will focus on critical project management such as IT skills, leadership and team building.

A highly skilled workforce will provide better value to the agency's mission as well as to the American taxpayer.

Benefits of Interagency Contracting

GSA offers agencies a way to streamline their acquisitions by making available pre-negotiated contracts with access to a wealth of industry partners. By using GSA multiple award schedules, GWACs, Networx and other contract options, agencies drastically reduce the lead time needed to put a new acquisition in place. GSA contracts allow agencies to use their limited acquisition workforce to focus on the agency's core mission.

As an example, the Office of Management and Budget (OMB) mandated agencies cut their procurement expenditures by 3.5 percent in Fiscal Years 2010 and 2011, for a total

reduction of 7 percent. Federal Strategic Sourcing Initiative (FSSI) procurements help customers achieve these reductions by purchasing items more effectively and efficiently, increasing savings, value, and socio-economic outcomes.

GSA, in collaboration with its government partners, has issued two FSSI procurements. In September 2009, GSA awarded the Express and Ground Domestic Delivery Services (DDS2) contract to the United Parcel Service (UPS), which has an estimated savings of \$1 billion from commercial retail costs over the next five years.

On June 2, GSA established 12 new MAS blanket purchase agreements for office supplies that will help federal agencies meet mandates to cut procurement expenditures by seven percent for the current and 2011 fiscal years. The pricing structure in these new agreements more fully leverages the government's buying power as discounts increase as collective purchases grow across the federal government. The estimated savings that can be achieved through these 12 BPAs is \$48 million per year for a four year total of \$192 million. These agreements include socioeconomic solutions, sustainable product offerings and low prices.

House Report 111-202 instructed GSA to conduct a study of the ten largest Federal Agencies on the level of funds spent on office supplies during fiscal year 2009 through GSA Schedule 75 and outside of GSA's Multiple Award Schedule (MAS) Program. According to the recent report issued by Censeo Consulting, government-wide purchasing of office supplies is largely decentralized and was estimated at \$1.61 billion. Purchases through GSA's Schedule 75 were \$671 million or 42 percent. Total purchases for the top ten agencies were \$1.31 billion, representing 81 percent of the total \$1.61 billion, with \$486 million (37 percent) going through the GSA multiple award schedule. A majority of purchases outside Schedule 75 are through retail stores and agency-specific IDIQ contracts. On average, the price differential for major categories of office supplies outside Schedule 75 is between 79% and 101% as compared to purchases made through the Schedule.²

This report validates the benefits of MAS as well as the Federal Strategic Sourcing Initiative concept and the outcome from those efforts.

Thank you for the opportunity to testify before you today. I am happy to answer any questions you may have.

² Reference from the "Government-wide Office Supplies Pricing Inquiry Report" prepared by Censeo Consulting Group for the U.S. General Services Administration, dated June 8, 2010