

1 ACHIEVING THE PRESIDENT'S OBJECTIVES:
2 NEW OMB GUIDANCE TO COMBAT WASTE, INEFFICIENCY,
3 AND MISUSE IN FEDERAL GOVERNMENT CONTRACTING

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5 WEDNESDAY, OCTOBER 28, 2009

6 United States Senate,
7 Subcommittee on Contracting Oversight,
8 Committee on Homeland Security and Governmental Affairs,
9 Washington, D.C.

10 The Subcommittee met, pursuant to notice, at 2:37 p.m.,
11 in Room 342, Dirksen Senate Office Building, Hon. Claire
12 McCaskill, Chairman of the Subcommittee, presiding.

13 Present: Senators McCaskill, Bennett, Collins, and
14 Coburn.

15 OPENING STATEMENT OF SENATOR McCASKILL

16 Senator McCaskill. Thank you for being here today, and
17 I appreciate the other Committee members who are here,
18 particularly Ranking Member Senator Bennett, and it is
19 always good to see Senator Coburn.

20 The purpose of today's hearing is to examine the future
21 of Government contracting in this administration. On March
22 4 of this year, President Obama announced that he was going
23 to try to reform the way Government does business. The
24 President said, and I quote, "We will stop outsourcing
25 services that should be performed by the Government, open up

1 the contracting process to small businesses. We will end
2 unnecessary no-bid and cost-plus contracts that run up a
3 bill that is paid for by the American people. And we will
4 strengthen oversight to maximize transparency and
5 accountability. Altogether, these reforms can save the
6 American people up to \$40 billion each year."

7 The President directed the Office of Management and
8 Budget and Federal agencies to work together to develop new
9 guidelines to achieve these goals. Yesterday, OMB released
10 guidance instructing agencies to bolster competition and
11 improve the use of high-risk contract types like cost-plus
12 and time and materials contracts. OMB also released
13 guidance relating to the critical need to strengthen the
14 acquisition workforce.

15 Let me say, I commend the President for his concern
16 about contracting. I think it is well founded. And I want
17 to congratulate your staff for all of the hard work they
18 have done in preparing for this hearing today.

19 The guidance that was issued yesterday follows three
20 previous memoranda issued by OMB in July of this year.
21 First, OMB directed agencies to make a seven percent
22 reduction in overall contract spending by 2011 and a ten
23 percent reduction in dollars spent on non-competitive or
24 cost-plus contracts by 2010.

25 Second, OMB told agencies to improve the management of

1 multi-sector workforce, the blend of Government employees
2 and contractors who work for Government agencies.

3 And finally, OMB told agencies how to improve how
4 agencies collect, report, and use information about how
5 contractors have performed on Federal contracts. Taken
6 together, these actions are expected to amount to
7 approximately \$40 billion in savings per year.

8 At today's hearing, we are going to assess OMB's new
9 guidelines to find out whether they will meet the
10 President's bold vision for reform.

11 I was proud to be standing with President Obama during
12 his announcement in March and was encouraged by his
13 commitment to eliminate the waste, fraud, and abuse in
14 Government contracts. Today, however, I have serious
15 concerns. There are parts of OMB's guidance that make a lot
16 of sense. OMB has called for agencies to develop long-term
17 plans for the acquisition workforce. They have also
18 directed agencies to develop procedures to collect and
19 report past performance information and to create pilot
20 programs to improve their management of contractor
21 employees.

22 But also, there are some significant concerns. As we
23 will hear today, OMB has tasked Government agencies with
24 developing their own plans for improving contracting, yet
25 OMB has provided very little concrete guidance as to how to

1 achieve these necessary reforms.

2 For example, OMB's guidance on increasing competition
3 gives agencies guidelines with questions for agencies to
4 address and a set of considerations for agencies to use in
5 answering those questions. I accept that agencies have
6 different needs and obligations, but it is important that
7 OMB's guidance provide a clear way forward for these
8 agencies.

9 Another serious problem may be the lack of
10 accountability. OMB is committed to setting a few targets
11 and reviewing agencies' progress towards these targets. But
12 the guidance sets out only a handful of specific dates and
13 deliverables. I think dates and deliverables are very
14 important for accountability. And even the dates and
15 deliverables that are in the guidance are vague. OMB has
16 not said how it will review progress for agencies or what
17 metrics and benchmarks the agency will use.

18 A third problem is OMB's failure to address other key
19 problems with Government contracting. For example, OMB's
20 guidance does not address the need for improved planning for
21 Government contracts and OMB has announced that its guidance
22 on service contracts and inherently governmental functions
23 has been delayed indefinitely.

24 I am also concerned that the lack of an Administrator
25 for the Office of Federal Procurement Policy was not

1 announced until this month, several days after OMB's
2 contracting guidance was already supposed to be completed.
3 I once again commend the President on his nominee and look
4 forward to his confirmation hearing next month. However, in
5 the absence of a confirmed OFPP Administrator, that may be
6 an additional obstacle in the path of the President's plan
7 for aggressive contracting reform.

8 Finally, OMB's lengthy delay in meeting the President's
9 schedule for issuing this guidance is not a good omen for
10 the future of contracting oversight. Government contracting
11 is an enormous challenge. To achieve lasting reforms, we
12 need definite goals and detailed plans on how to meet those
13 goals. We need to be able to measure progress and hold
14 agencies accountable every step of the way. And we need
15 very strong leadership from OMB. Otherwise, Government
16 contracting is just going to be business as usual.

17 I look forward to the testimony of Jeffrey Zients,
18 OMB's Deputy Director for Management and Chief Performance
19 Officer and thank him for being here today.

20 Senator Bennett, do you have any statement you would
21 like to make?

22 OPENING STATEMENT OF SENATOR BENNETT

23 Senator Bennett. Thank you very much, Madam Chairman.
24 I have a formal statement that I would like submitted for
25 the record, but I would like to make a few more informal

1 kinds of observations.

2 I am delighted, Mr. Zients, that you come out of the
3 private sector. You worked with Bain and Company, which
4 means you are a Mitt Romney guy at some point, even though
5 you are not working for him as President of the United
6 States, as some of us hoped might be the case somewhere
7 along the way.

8 Senator McCaskill. We will have to agree to disagree.

9 [Laughter.]

10 Senator Bennett. I understand that, Madam Chairman.

11 To put it on the lowest possible personal level, when I
12 served in the Army, I served on KP like every private E-1
13 did at one point or another, peeling potatoes and helping
14 prepare meals and so on. When I go back to the Army now, I
15 discover that all of that is being done by contractors and
16 it strikes me as a really good idea. We urge people to join
17 the military. We train them in military skills. And we
18 should not dilute that training and their time in the
19 military by having them peel potatoes when we can hire
20 somebody else to do it, probably more cheaply and more
21 efficiently than the military.

22 So the sergeant, the specialist, the airman is focusing
23 on the warfighting or the training connected with the
24 warfighting mission and somebody else is peeling the
25 potatoes. It is a good deal for the military. It is a good

1 deal for the country. And it is a good deal for the
2 contractor.

3 The world from which you and I both came prior to
4 entering Government, we would call that outsourcing instead
5 of contracting, where people say, I am no longer going to
6 have my employees sweep out the factory at the end of the
7 day. I am going to hire a cleaning service to do it. And
8 it maximizes the productivity you get out of the people
9 performing the mission, and if you make the right buy, it is
10 cheaper.

11 Now, I put it in that folksy kind of way because, in my
12 view, that is basically your mission, to maximize the
13 productivity of the Federal worker by releasing him and her
14 from duties that can be outsourced more cheaply. But the
15 challenge is to see that you make the right deal, when you
16 do the outsourcing, you hire the right people, and you
17 monitor how well they are doing.

18 And to repeat a theme I have been on before, but I have
19 discovered since I have come to the Senate there is no such
20 thing as repetition--every statement by a Senator is treated
21 as if it is brand new--the thing I worry about more than
22 waste, fraud, and abuse is inertia. The law of motion is
23 not just Newton's law that applies to physics. It applies
24 to agencies, and an agency set in motion tends to stay in
25 motion in the same direction. And what was a good

1 contracting decision five years ago then gets the benefit of
2 inertia and becomes the same contracting decision now
3 because that is the way we always did it.

4 We need to review the inertia as much as we do the
5 waste, fraud, and abuse, because many times, inertia can
6 lead us in the wrong direction more powerfully than somebody
7 who is trying to rip us off and we end up wasting more money
8 out of inertia than we do in other areas.

9 My colleague, Dr. Coburn, is an expert on this, because
10 he keeps hammering on us on the Appropriations Committee,
11 well, you are just doing this because you did it last year
12 and that is not an acceptable reason to keep doing it. He
13 has made a dent sometimes and he has not other times, but I
14 am convinced that his inertia will keep him doing it and
15 that is a healthy thing.

16 That is the challenge that you face and that is the
17 focus that I would like to get out of this hearing. Again,
18 how do we maximize the productivity of the employees of the
19 Federal Government by outsourcing duties that could be done
20 more cheaply and more efficiently with somebody else, and at
21 the same time stay on top of that outsourcing function--I am
22 deliberately using the language of private industry because
23 that is where you come from and those are the people who
24 have discovered how to do this, maybe better than we have--
25 how do you make sure that the outsourcing that is done

1 produces the best value and is the right place to go, or is
2 there a new contractor or a new service that the old
3 contractor hasn't offered you that you can turn to?

4 The biggest barrier to get there from here that I have
5 observed is, again, the inertia of the process of screening
6 contractors. We are so sure that anybody who comes to the
7 Federal Government with something to offer is really going
8 to try to rip the Government off that we spend so much time
9 putting up so many barriers, so many hoops that the
10 contractor has to go through in order to get the job, that
11 we see far too many contractors say, just forget it. I am
12 not going to bid for Government work even though I could do
13 it better and I could do it cheaper than the contractor that
14 they have got because the process of bidding is so
15 impenetrable. I will just stay where I am. It is not worth
16 it.

17 So that is my summary of the challenges we face and the
18 kinds of things I am looking forward to out of this hearing.
19 Thank you, Madam Chairman.

20 [The prepared statement of Senator Bennett follows:]

21 / SUBCOMMITTEE INSERT

1 Senator McCaskill. Thank you.

2 Since this is a one-witness hearing and we only have
3 one of our other members here, I would certainly use the
4 Chairman's prerogative to offer you the opportunity to make
5 any kind of opening remarks you would like to, Senator
6 Coburn.

7 Senator Coburn. Thank you, Madam Chairman. I will
8 defer. Thank you.

9 Senator McCaskill. Okay. Let me introduce our witness
10 today. He is the Deputy Director of Management at the
11 Office of Management and Budget. He is also the Chief
12 Performance Officer for the administration. He has 20 years
13 of business experience as a CEO, management consultant, and
14 entrepreneur. He most recently served as Managing Partner
15 of Portfolio Logic, an investment firm focusing primarily on
16 business and health care services companies.

17 Prior to founding Portfolio Logic, Mr. Zients served as
18 CEO and Chairman of the Advisory Board Company and Chairman
19 of the Corporate Executive Board. Mr. Zients began his
20 career in management consulting at Bain and Company and
21 Mercer Management Consulting, where he focused on developing
22 strategies and improving operations of Fortune 1000
23 companies. He also cofounded the Urban Alliance Foundation,
24 a nonprofit organization that partners with corporations to
25 provide economically disadvantaged youth with year-round

1 paid internships, adult mentors, and job training.

2 It is the custom of the Subcommittee to swear in all
3 witnesses that appear before us, so if you don't mind, I
4 would ask you to stand.

5 Do you swear that the testimony you will give before
6 this Subcommittee will be the truth, the whole truth, and
7 nothing but the truth, so help you God?

8 Mr. Zients. I do.

9 Senator McCaskill. Mr. Zients, we welcome your
10 testimony. Your written testimony will be printed in the
11 record in its entirety. We would ask you to try to hold it
12 to near ten minutes, although I don't think we are going to
13 be too strict today. Mr. Zients?

1 TESTIMONY OF JEFFREY D. ZIENTS, DEPUTY DIRECTOR
2 FOR MANAGEMENT AND CHIEF PERFORMANCE OFFICER, U.S.
3 OFFICE OF MANAGEMENT AND BUDGET

4 Mr. Zients. Thank you, and I will beat the ten-minute
5 mark. Chairman McCaskill, Ranking Member Bennett, Senator
6 Coburn, I appreciate the opportunity to appear before you
7 today to discuss OMB's implementation of the President's
8 Memorandum on Government Contracting and our shared interest
9 in improving Federal acquisition practices.

10 The President has charged the Government with cutting
11 waste and saving taxpayers' dollars. He has committed to
12 putting the Nation on sound fiscal footing, investing in
13 programs that work and fixing or ending those that don't.
14 Addressing the chronic problems in Government contracting is
15 a key part of this effort.

16 OMB has developed a three-prong approach to improve the
17 results of our acquisition process. First, we will meet the
18 President's goal of saving \$40 billion annually through
19 better acquisition practices.

20 Second, we will clarify the rules and practices to
21 determine the proper roles of both the public and private
22 sectors to best serve the American people.

23 Third, as recommended by this Committee on a bipartisan
24 basis, we will provide for a strong, well-equipped
25 acquisition workforce to achieve the beset long-term results

1 from Government contracting activities.

2 With respect to the first goal, saving \$40 billion, OMB
3 has directed agencies to take two actions to achieve
4 immediate results: Develop plans to save seven percent of
5 contracting spend by the end of fiscal year 2007 and to
6 reduce high-risk contracts by ten percent in fiscal year
7 2010.

8 There are many ways in which agencies will address the
9 seven percent cost savings goal. For example, an agency may
10 end contracts that do not meet goals or support for projects
11 that are no longer needed. An agency may transition from a
12 cost reimbursement contract to a fixed-price contract, where
13 the incentive to perform cost effectively is greatest. An
14 agency may switch from a stand-alone contract to a
15 strategically sourced contract that uses the Government's
16 collective purchasing power to get lower prices. These
17 agency savings plans are due November 2, and they must lay
18 out the specific steps that each agency is taking to achieve
19 the seven percent minimum.

20 In addition to the seven percent cost savings, we have
21 targeted a minimum of ten percent reduction in non-
22 competitive cost reimbursement and time and materials
23 contracts, because each of these high-risk authorities
24 carries the potential risk of overspending taxpayer
25 resources.

1 Earlier this week, OMB issued guidelines for the
2 ongoing review of high-risk contracting. The guidelines
3 pose three key questions. First, how is the agency
4 maximizing the effective use of competition in choosing the
5 best contract type for the acquisition? Second, how is the
6 agency mitigating risk when non-competitive cost
7 reimbursement or time and material contracts are used?
8 Third, how are agencies creating the opportunities to
9 transition away from these high-risk contracting vehicles to
10 better contracting vehicles?

11 The guidelines lay out a number of considerations
12 agencies should use for addressing these questions. We will
13 work with agencies to do a mid-year and end-of-year review
14 of their progress in reducing the reliance on these
15 authorities by a minimum of ten percent, and those agencies
16 which are experiencing challenges or not meeting the goals
17 will take appropriate corrective actions to improve these
18 results.

19 Regulatory actions are also addressing the use of high-
20 risk contracting. Earlier this month, the Federal
21 Acquisition Regulation, which is known as the FAR, was
22 amended to prohibit the use of rollover and award fee
23 contracting. This practice, which actually allowed
24 contractors to earn fees in subsequent performance periods
25 after having failed to earn them initially, has repeatedly

1 been cited as contributing to waste of taxpayer dollars.

2 This waste has been stopped.

3 This summer, FAR changes were made to require the use
4 of past contractor performance in source evaluations. This
5 motivates contractors to perform well and reduces the
6 likelihood that taxpayer resources will go to waste. The
7 FAR now requires agencies to submit electronic records of
8 contractor performance into a single Government-wide
9 repository, and OMB will conduct compliance assessments and
10 quality reviews beginning in February to make sure that this
11 database works.

12 With respect to management of the multi-sector
13 workforce, we are taking a number of steps to improve rules
14 and practices and to provide agencies with useful tools. As
15 one step, each major agency identified one of its
16 organizations where it has concerns about a potential over-
17 reliance on contractors. This will be the subject of a
18 pilot. Using cross-functional teams with human capital,
19 acquisition, and program officials, each agency is
20 developing a plan that determines the best mix of skills and
21 workforce size for the organization. These plans, combined
22 with assessments of how the organizations are performing,
23 could lead to in-sourcing, adding resources to contract
24 management, or hiring new employees. Agencies will apply
25 the insights from these initial pilots to other

1 organizations with similar needs.

2 We have also developed guidance to help agencies
3 implement new statutory requirements concerning in-sourcing.
4 These provisions require agencies to give special
5 consideration to in-sourcing work where there is either a
6 particular risk that prior practices have resulted in an
7 over-reliance on contractors or performance of the work by
8 Federal employees could be more cost effective. This
9 guidance will help agencies to strengthen their sourcing
10 decisions and fix situations where they are too reliant on
11 contractors and establish sufficient internal capacity to
12 maintain control of their operations.

13 Additional OMB guidance is under development to address
14 the ongoing confusion in how the boundaries are drawn
15 between the Federal and private sectors. We must reconcile
16 differences in the definition of "inherently governmental"
17 and clarify the meaning of different terms used in
18 connection with non-inherently governmental functions, such
19 as "critical functions." These issues will be addressed
20 over the next several months and we will seek public comment
21 before the rules are promulgated.

22 This brings us to our third and final goal, to
23 strengthen the acquisition workforce, the backbone of our
24 system. We are committed to a sustained management focus on
25 growing both their capacity and their capability to improve

1 acquisition outcomes and agency performance.

2 This week, OFPP released an Acquisition Workforce
3 Development Strategic Plan to help civilian agencies align
4 their workforce needs with their acquisition profiles to
5 determine capacity and capability needs over the next five
6 years. OFPP concluded that an increase in the acquisition
7 workforce of five percent is needed at most, if not all,
8 civilian agencies. The plan calls for agencies to take
9 immediate steps to increase their contracting workforce and
10 establishes an annual process led by OFPP to focus on long-
11 term planning that addresses the growth and development
12 needs of the broader acquisition workforce, including
13 program managers and contracting officer technical
14 representatives.

15 Across all of our efforts, we are focused on achieving
16 tangible results. Agencies are identifying savings of seven
17 percent and have already begun saving money through better
18 sourcing decisions. Agencies have initiated pilots to
19 determine their multi-sector workforce needs so they can
20 make reasoned choices to rebuild a critical capacity and
21 potentially save money. Agencies are building workforce
22 capacity and capabilities to support and sustain better
23 acquisition outcomes. Regulations have been enacted to
24 prohibit rollovers and to require collection of data on
25 contractor past performance.

1 Overall, while we have made progress across the last
2 several months, much work remains to be done. We have a lot
3 of work to do. Agencies must implement changes and achieve
4 results. OFPP needs to issue further guidance and provide
5 implementation assistance and strengthen its oversight of
6 agency progress and performance. We look forward to hearing
7 your feedback and working with the Committee to build a
8 stronger acquisition system to better deliver results to our
9 taxpayers at a lower cost.

10 I am happy to answer any questions you have. Thank
11 you.

12 [The prepared statement of Mr. Zients follows:]

1 Senator McCaskill. Thank you.

2 Let me just start with this observation. I have a
3 quote here from a GAO report in 2000 commenting on the
4 acquisition workforce. "The Government's hiring, training,
5 and retention practices have not been oriented towards
6 maintaining a balanced, stable workforce and ensuring
7 adequate emphasis on career development, training, and
8 orderly succession planning." That is one quote we picked
9 out, and frankly, we had volumes of them that we could have
10 picked out from so many different IG, GAO reports over the
11 years, particularly a great number of them in the aftermath
12 of the contingency in Iraq and even in Bosnia dealing with
13 the contracting issues and problems as it related to
14 contingency contracting.

15 You know, I have got to tell you, I smell the
16 sincerity, I sense it, but what is it about the way you are
17 going to do this--what are you bringing to the table that is
18 going to actually bring about the pressure for results? I
19 mean, if you had to identify how you are going--I mean, this
20 is a mammoth organization to reform on every topic you have
21 talked about, whether it is the blending of contracting
22 employees with Government employees in ways that sometimes
23 is appropriate, that sometimes is not, whether it is
24 figuring out how we make contracts more competitive and how
25 we make contractors perform well and reward good behavior

1 and punish bad behavior. Any one of those is huge.

2 What are your strategies that you can tell us today
3 that when we come back and talk about this a year from now
4 and two years from now and three years from now, that you
5 will look back on your testimony and say, see, I told you
6 so. We have an idea. We have tools that we are going to
7 put in place that are going to require that we move this
8 giant, giant battleship in this ocean of contracting
9 problems.

10 Mr. Zients. Yes. I agree it is mammoth, so it is a
11 big challenge and it is not something that is going to be
12 resolved in six months. It is a multi-year effort. I
13 believe we have done a good job of getting going, of jump-
14 starting the effort, and I think putting the stake in the
15 ground that we are going to save \$40 billion is very
16 clarifying. So we are starting with the major result first.

17 And by asking every agency to find their share of the
18 \$40 billion by November 2 and then reviewing those plans and
19 tracking those plans to ensure that they are real, that they
20 have the appropriate detail, and that agencies are making
21 progress against those plans and will achieve it by the end
22 of fiscal year 2011 is, I think, the major step to initiate
23 these efforts. It is not the only step, but it is the major
24 one.

25 The second one is to recognize that there is a category

1 of contracts--cost reimbursement contracts, non-competitive
2 contracts--that are disproportionately risky for the
3 Government. They are disproportionately likely to lead to
4 bad outcomes in terms of fraud and abuse and waste. So we
5 have said, in a similar fashion, you need to reduce it by
6 ten percent. You need to do it in fiscal year 2010 and we
7 are going to track your progress against it. We are going
8 to look at it mid-year and we are going to look at it at the
9 end of the year.

10 Based on those results, based on what we learn, we will
11 set future targets for further reductions to ensure that we
12 are reducing our reliance on cost reimbursement contracts
13 and that we are increasing competition and optimizing
14 competition across the Government.

15 Third is the workforce itself. There has actually been
16 decent progress on building the size of the workforce, which
17 I think is only one part of the equation. People tend to
18 focus on the size. I think it is important. It probably
19 does need to increase. But it has actually increased at
20 about 6.5 percent the last couple of years. We believe
21 there is some growth in fiscal year 2010. We don't know
22 that yet because we just entered fiscal year 2010. And you
23 couple that with our very strong guidance that there be a
24 minimum increase of five percent in fiscal year 2011 and you
25 have an acquisition workforce that has grown by 20-plus

1 percent in fiscal year 2011 versus the prior three years
2 benchmark, if you will.

3 That is only half of the equation. We have to build
4 their capabilities. We have to figure out what competencies
5 they don't have and we need to figure out how to train them
6 and certify in those competencies. And we need to make sure
7 that we, as we have this challenge elsewhere in Government,
8 we have the challenge of some of our most experienced, best
9 people are likely to retire relatively soon, so we have to
10 do appropriate succession planning there, too.

11 So I think we have jump-started efforts. I think we
12 are headed in the right direction. I think we are going to
13 have tangible management results. I think we have a lot
14 more to do. We have made some policy changes through the
15 FAR. There is more policy work to be done. We have not yet
16 done guidance explicitly on inherently governmental. That
17 is an unbelievably complex terrain and we will have guidance
18 out by the end of the year. But that is a terrain that I
19 would imagine we will have to take several shots at. We are
20 not going to do it all at once, but we are going to start
21 making progress on it.

22 So there is a lot of work to be done. A lot of what
23 you talked about in your opening statement, I agree with.
24 We are not where we want to be ultimately. I think we are
25 in a pretty good spot six months in, post-March 4, but we

1 have a lot of work ahead and I look forward to getting your
2 feedback on what that work should entail.

3 Senator McCaskill. Well, you have got some low-hanging
4 fruit, you know, that you can do quickly, I think. I think
5 the hard work is something that you are going to have to
6 really stay on.

7 Let me ask you about the \$40 billion number. Is there
8 going to be another number for the following year? I mean,
9 is there a plan, that there will continue to be an actual
10 number goal of savings for these agencies throughout the
11 four years of the administration?

12 Mr. Zients. As you have seen in each one of these
13 activities, I am a big believer in putting a stake in the
14 ground and driving results to that number, or hopefully
15 beating that number. So I think we will learn a lot from
16 the \$40 billion exercise and I think we will then have a
17 very--we will be in a very good position to determine what
18 the next stake in the ground is.

19 Senator McCaskill. Yes, and I can't--I think it is
20 really important that we have measurables. You know this
21 well, because in the private sector, there is the ultimate
22 measure: Is the company making money? For Government, that
23 is much harder, because there is no bottom line. It is
24 about performance and it is about effectiveness and
25 efficiencies.

1 I think from this Committee's standpoint, I am
2 confident that the more stakes in the ground that you can
3 plant, the more measurables and deliverables that we can
4 measure you against in terms of progress you are making, I
5 think the more responsive these massive agencies are going
6 to be to your direction.

7 Mr. Zients. I 100 percent agree. The President, with
8 you at his side, put a \$40 billion stake in the ground.
9 That is very clarifying. And I believe we need to make sure
10 each agency contributes its share. On high-risk
11 contracting, the first stake in the ground, a ten percent
12 reduction. There will be additional stakes in the ground.
13 Acquisition workforce, we need to grow it. We are. There
14 is a stake in the ground as to a minimum there.

15 So I think that the basic philosophy here is a
16 management philosophy of setting a goal and driving
17 organizations through monitoring against those goals,
18 sharing best practices, coming up with corrective action
19 plans, where appropriate, to get us there. But we are going
20 to learn a lot through this process--

21 Senator McCaskill. Yes.

22 Mr. Zients. --as to regulatory changes and other
23 things that we need to contemplate.

24 Senator McCaskill. There are not probably very many
25 people in Washington that are looking forward to November 2.

1 I am. I want to see these plans. I want to see what these
2 agencies say. I want to see--now, are they going to be
3 available to the public, what they submit in terms of their
4 November 2 plans for the \$40 billion?

5 Mr. Zients. I believe that on November 2, we will be
6 seeing them for the first time, too, in that form. We have
7 been working along the way. I think we need to have a
8 period of time where we have a deliberative process and work
9 with the agencies as to the agency's areas that they are
10 going to address, their progress and how they do. That, we
11 will make transparent and public.

12 Senator McCaskill. Okay. Well, just as quickly as it
13 can be transparent and public, the happier I know that the
14 members of this Committee will be, and I think it is
15 important that we remain mindful of the President's
16 commitment to transparency, that there is a new era of
17 everybody seeing how the Government is doing and we want to
18 be able to look over your shoulder. As painful as that is
19 sometimes, I think it is important--

20 Mr. Zients. I think you have the combination of the
21 \$40 billion, which is a commitment from our President, and
22 transparency, so the combination will lead to the result
23 that you are hoping for.

24 Senator McCaskill. Senator Bennett?

25 Senator Bennett. Thank you, Madam Chairman.

1 Where did the \$40 billion number come from?

2 Mr. Zients. It is seen as based on some of the
3 research that was done prior to my arrival as a realistic
4 goal for a couple-year period of time. I think that as the
5 Senator asked, I think that we will learn from this. I hope
6 we can beat \$40 billion in this round, and based on what we
7 learn, if it really is truly low-hanging fruit, then we will
8 have a \$40 billion or greater goal in the next round. If we
9 are more efficient and there aren't as many low-hanging
10 fruit, then the goal will be determined based on what we
11 learn through this. So it was seen as a goal that was a
12 worthy goal, i.e., it will require a lot of hard work, a lot
13 of focus, and at the same time, if we do have good
14 execution, or arguably great execution, it is a goal that we
15 believe we can achieve or exceed.

16 Senator Bennett. So you make reference to research
17 that was available to you that was done previous to your
18 coming in. Help me understand it a little more. What went
19 into the decision that, okay, \$40 billion is really the
20 number? Was there an analysis of excess fat that you think
21 you found in various agencies?

22 Mr. Zients. Yes, I think there was--again--

23 Senator Bennett. You can see where I am going. I want
24 to avoid a completely arbitrary number.

25 Mr. Zients. Understood. Understood. and I think that

1 given that it was set out relatively early in the
2 administration, it is not as rigorous in terms of its
3 analytics as it will be going forward, when we are deeper
4 in. That said, it was based on talking to industry experts,
5 talking to contracting officers across Government, across
6 the whole acquisition terrain, looking at GAO reports on
7 waste and other contracting insights. So it was
8 triangulated, but it was not based off of benchmarks--the
9 way we would have done it in the private sector, clearly,
10 would have been to benchmark it--

11 Senator Bennett. Right.

12 Mr. Zients. --and we would have looked at other
13 competitors and understood how they are doing.
14 Unfortunately, there aren't those type of competitive
15 metrics. There was some internal benchmarking.

16 I feel good about the number. It is a number that, as
17 I have gotten deeper in, feels like it is not a pipe dream,
18 because I think if you set a number that is unrealistic,
19 people do not rally behind it. At the same time, if you set
20 a number too low, you don't push yourself. You don't find
21 the incremental creative idea.

22 So I think it is set at that level that is going to
23 require a lot of hard work, some sleepless nights, and at
24 the same time, it is a number that we can achieve.

25 Senator Bennett. Okay. Now, the seven percent of

1 baseline spending, is that tied to the \$40 billion? Is
2 there a connection there?

3 Mr. Zients. That is what it is. That is the math of
4 the \$500 billion plus--

5 Senator Bennett. I see. You did the baseline spending
6 and the \$40 billion popped up?

7 Mr. Zients. The baseline spending was--the analysis we
8 did was what were we spending, going back to your previous
9 question. The \$40 billion is seven percent of the roughly
10 \$530 billion that we were spending in fiscal year 2008.

11 Senator Bennett. Yes. Okay.

12 Mr. Zients. The baseline part of it is to adjust for
13 certain one-time events and to create more of a baseline, so
14 to take off sort of one-time events.

15 Senator Bennett. All right. I am the Secretary of
16 Interior. I get this directive from you. What do I do?

17 Mr. Zients. You pull together a cross-functional team,
18 i.e., I think we have addressed contracting too many times
19 in a stovepipe. And the contracting officer is responsible
20 for the procurement, but is not responsible, or solely
21 responsible for developing the requirements or ensuring the
22 implementation of the contract. So you pull together your
23 senior team. You say, we have a goal. We have a goal that
24 is probably multi-billion dollars, given the size of
25 Interior. We need to pull together how we are going to do

1 this.

2 Where are we contracting out services that we are not
3 getting a good return for? Where are we not competing--your
4 point earlier, where have we been sitting on a contract for
5 five years and just renewing it the sixth year? Where do we
6 need to compete, because the marketplace has changed? Where
7 can we pool our purchasing power with the purchasing power
8 over at Agriculture and get a better--and really, truly
9 leverage the Government's purchasing power and get a better
10 price?

11 Senator Bennett. That sounds wonderful, but I don't
12 see the Secretary of Interior and the Secretary of
13 Agriculture talking about that unless they get a little
14 nudge from you.

15 Mr. Zients. Well, the nudge has come. I think it is
16 actually the deputies that are the point people here.

17 Senator Bennett. Okay.

18 Mr. Zients. They are my colleagues through Government.
19 I chair the President's Management Council, which meets
20 monthly. The Secretaries, as all of you know, have sort of
21 forward, or external--

22 Senator Bennett. So you chair a council that consists
23 of all of the deputies?

24 Mr. Zients. All the deputies across.

25 Senator Bennett. Good. Good. That--

1 Mr. Zients. But I think you are right. The
2 Secretaries--I would hope the Secretaries are cognizant and
3 aware and are supporting their deputies in this. But the
4 deputies own this and it is being driven down in the
5 organization through cross-functional teams.

6 Senator Bennett. All right. Now, I discover something
7 that, in order to meet your goals, I would cut out or make a
8 change and everything will be wonderful, except that I
9 become convinced from a management point of view that we
10 shouldn't be cutting that, that we are, in fact, getting the
11 value that I spoke of where it is. Do I have an avenue for
12 an appeal on this one and say, look, in my department--and
13 now I am no longer Secretary of Interior--but whatever
14 mythical department I am Secretary of, I say, we have a
15 different circumstance and we think that seven percent, in
16 fact, will end up creating problems that will end up costing
17 money. Do I have the right to appeal from the seven
18 percent?

19 Mr. Zients. Well, I guess my going in is given how
20 much money we spend, how fast it is growing--

21 Senator Bennett. You are just saying that won't exist?

22 Mr. Zients. No. I mean, I am skeptical--

23 Senator Bennett. I think you may well be right--

24 Mr. Zients. Well, I am skeptical, given that we have
25 doubled our contracting across the eight years, given, as

1 you pointed out, we don't leverage the Government's
2 purchasing power very effectively, given that we have an
3 acquisition workforce that is over-stretched and under-
4 trained, that people can't do seven percent better. So I am
5 extremely skeptical, and I think I would push back and say,
6 go do it again.

7 Senator Bennett. Yes--

8 Mr. Zients. Bring forward the best possible way to get
9 there. If it is a genuine exercise and going from six to
10 seven percent really requires cutting to the bone, I guess
11 we have to reevaluate. I come into it with a lot of
12 skepticism that we can't be seven percent--

13 Senator Bennett. Yes, and I would, too, and I think
14 that is a healthy attitude on your part. But there are
15 differences between departments. There are departments
16 where outsourcing or contracting makes more sense than
17 others, and I guess by taking seven percent, you say, well,
18 you start wherever you are. But there may well be a
19 circumstance where, as I get into this, I--

20 Mr. Zients. But--

21 Senator Bennett. --I discover and say, wait a minute,
22 here is an area where we probably should be contracting more
23 that we have just discovered that we didn't realize. Again--
24 -

25 Mr. Zients. Well, presumably that would have an offset

1 to your private sector example. You would be saving money
2 relative to the sweeping of the factory floors.

3 Senator Bennett. Yes. I see.

4 Mr. Zients. That has an offset.

5 Senator Bennett. Okay. Yes.

6 Mr. Zients. But just to clarify, there is, the
7 business expression, a real 80/20 here.

8 Senator Bennett. Yes.

9 Mr. Zients. I mean, there is a handful of agencies--
10 DOD is two-thirds--

11 Senator Bennett. Right.

12 Mr. Zients. --or maybe closer to 70 percent. You add
13 about six more agencies on--

14 Senator Bennett. A target--

15 Mr. Zients. --we are at 90 percent. So this is not a
16 150-agency-equal exercise. This is a handful of agencies--
17 everyone is doing it. There is a handful of, or 23 CFO Act
18 agencies that matter most here.

19 Senator Bennett. I see. I think you are right on
20 that.

21 Thank you, Madam Chairman.

22 Senator McCaskill. Senator Coburn?

23 Senator Coburn. Thank you. Thank you, Mr. Zients, for
24 your service, number one. I am really very happy where you
25 are. I have sat up here for five years working on these

1 issues and been, quite frankly, very frustrated during the
2 Bush administration that much was not accomplished.

3 I would like for you to talk a little bit more. The
4 problem I see in contracting--there is no question, you have
5 a shortage of contract officers--

6 Mr. Zients. Mm-hmm.

7 Senator Coburn. --procurement officers. But the
8 biggest problem is you have a shortage of experienced
9 contract officers and procurement officers. What are the
10 plans to train them up to the level where they can actually
11 run the projects, be responsible for the contract, look at
12 not just cost and performance, but also accomplishment? In
13 other words, there has got to be a plan with this--

14 Mr. Zients. Yes.

15 Senator Coburn. --otherwise, it isn't going to--
16 because we have spun the wheels for the last seven years and
17 not accomplished that.

18 Mr. Zients. Agree, and I think in the last seven
19 years, it has gotten a lot worse because I think if you were
20 experienced in the contracting sector, you probably weren't
21 that happy coming to work each day and you had plenty of
22 opportunities to jump to the private sector. So I think it
23 is a bad situation. It is why I believe that it is not just
24 the number of contract officers.

25 Senator Coburn. Right.

1 Mr. Zients. It is really the capabilities and the
2 experience. So there has been a successful program, an
3 internship-type program, to bring people in at the entry
4 level. We are now repeating that mid-career. So there is
5 an opportunity, I believe, given how interested people are
6 in serving and the state of this economy, to bring in people
7 who are more experienced. That will help. It is not the
8 majority of the strategy, but I think it is a significant
9 contributor.

10 The majority has got to be better training, and we have
11 done competency surveys to figure out what the most
12 important competencies are. We have to get much more
13 targeted in our training and our certification, and I think
14 we just need to invest more money in it to ensure that we
15 have the seniority and the set of capabilities that we need.
16 Further, we have to make sure we retain those who we have
17 and do the right succession planning.

18 But you are right. There is a huge return on our
19 investment. How do we get to seven percent? How do we get
20 to numbers beyond seven percent? We get great people doing
21 this, and it is not just the contract officers. It is the
22 project managers. It is the technical representatives.
23 They have to work as a team, and we have training needs
24 across the whole spectrum.

25 Senator Coburn. I also was very impressed to see past

1 contractor performance used in evaluating future contracts.
2 As you know, the Defense Department just out of stimulus
3 money, \$30 or \$40 million to contractors who were under
4 investigation for fraud, and yet we gave them contracts. So
5 you have put into place something that should cure that ill
6 and I am glad to see that that is there.

7 One other question that I had. In terms of the
8 competitive bid, we still--according to the Government
9 Executive on October 20, \$7.8 billion of the more than \$16
10 billion in Federal contracts awarded under the stimulus had
11 not been competitively bid or fixed price. What is the
12 guidance to the agencies on when to make that decision?

13 Mr. Zients. Well, I think on the \$7.8 billion, is it,
14 the majority of that is not your first category of
15 competition. It is your second category of cost
16 reimbursement and disproportionately, that is DOE, which has
17 a, unfortunately, given what they--not because of what they
18 do, what they do is very important, but the nature of their
19 work leads to more cost reimbursement-like contracts.

20 Senator Coburn. Right.

21 Mr. Zients. So the competition overall on recovery
22 benchmarks favorably versus our normal spend, our normal
23 baseline spend.

24 Senator Coburn. Okay.

25 Mr. Zients. That said, do I believe we need more

1 competition in all of what we do? Absolutely.

2 Senator Coburn. Yes.

3 Mr. Zients. So recovery is actually doing a little
4 better, not a little worse. That data needs to--you sort of
5 have to dig a little deeper to see what is going on. But
6 competition across the Government needs to be enhanced.

7 Senator Coburn. Are you working specifically any with
8 extra guidance to GSA? I would just note that your staff
9 might want to go back to a lot of the hearings that we have
10 had over the last four years on GSA. We are the biggest
11 purchaser in the world of everything, and the testimony that
12 this full Committee has had before us, specifically the
13 Federal Financial Management Subcommittee, is that GSA
14 doesn't get the best prices, and that even the best price
15 for the same quality, agencies aren't forced to use, so they
16 will buy something higher. So there is a tremendous amount
17 of money that is bought through GSA that could be looked at,
18 could be a source for saving you money, and so I would just
19 recommend to you looking at that.

20 Mr. Zients. Having been in the private sector at sort
21 of medium-sized firms, trying to flex our muscles on
22 purchasing power, it is lovely to be here as the world's
23 largest purchaser--

24 Senator Coburn. Nobody should be able to buy cheaper
25 than this Government.

1 Mr. Zients. Absolutely, and so--

2 Senator Coburn. Anything.

3 Mr. Zients. So just as a for example--and it is good
4 we did this--but overnight delivery, which is the ultimate
5 commodity, we consolidated in the private sector a decade or
6 two, because it is the same thing to have FedEx or its
7 competitors. You go to one and get the economies of scale.
8 We just turned to that in the U.S. Government in 2005.
9 Better late than never, but just in 2005. And we still, to
10 your point, haven't fully consolidated.

11 How many of those opportunities exist across
12 Government, to leverage our position as the world's largest
13 purchaser and get better prices and better service? I think
14 that is tremendously exciting. Is that baked into some of
15 the seven percent? Of course. But across the next several
16 years, we have got to position ourselves consistent with
17 that purchasing power.

18 Senator Coburn. Use that leverage, yes.

19 I want to go to one other point and then I will finish
20 up. Senator Bennett talked about an agency where there was
21 a, maybe we don't need to, but let us say it is just a blank
22 and that we are getting a good value now. We assess we are
23 getting a good value. There is great value in competitively
24 bidding that again anyway, because it makes the person who
25 has the contract want to keep the contract, which it gives

1 you a great way to lower the cost. Even if you don't think
2 you are going to get a lower price, you are going to get a
3 lower price.

4 Mr. Zients. When I think about what we did in the
5 private sector five years ago and how technology and other
6 advances have driven productivity, we can do it for a lot
7 less money--

8 Senator Coburn. Right.

9 Mr. Zients. --whatever it might be, and we can do it
10 better for a lot less money. So the idea of sitting on a
11 contract for five or six years and being content with it,
12 given all the advances in those contractor communities,
13 doesn't make any sense.

14 Senator Coburn. Right. I agree.

15 Thank you, Madam Chair.

16 Senator McCaskill. Senator Collins?

17 Senator Collins. Thank you, Madam Chairwoman.

18 First of all, let me ask unanimous consent that my
19 opening statement be inserted in the record.

20 [The prepared statement of Senator Collins follows:]

21 / SUBCOMMITTEE INSERT

1 Senator McCaskill. Without objection.

2 Senator Collins. Thank you, and thank you for calling
3 this hearing. I think this kind of oversight is so
4 important.

5 I worked with many members of this Committee to author
6 legislation that required OFPP to produce an Acquisition
7 Workforce Development Strategic Plan. The law specifically
8 requires the plan to have an actionable, specific five-year
9 implementation plan to increase the size of the acquisition
10 workforce and to operate a Government-wide acquisition
11 internship program.

12 Similarly, the President's March memorandum identifies
13 the development of the acquisition workforce as a pillar for
14 strengthening procurement practices. After all, we can pass
15 all the laws and reforms in the world. You can issue
16 through OFPP and through OMB directly all of the guidance.
17 But if we don't have a well-trained and sufficiently-sized
18 workforce, our efforts are not going to succeed.

19 And with that background, I have to tell you that I am
20 very disappointed in the report that OFPP and OMB put out
21 yesterday on the acquisition workforce. This is pursuant to
22 the law that we wrote and pursuant to the President's
23 memorandum, and it lacks adequate analysis and substance, in
24 my view. It really is boilerplate. It is standard
25 materials. It reiterates a list of general human capital

1 planning guidelines. It creates various interagency working
2 groups. I am tired of studies. I am tired of working
3 groups. I want to see action, and in my view, this plan
4 simply delegates to each agency what the law required OFPP
5 to do itself.

6 So I know that is not a happy note to start on. I know
7 you are working hard and there is a lot that is good that is
8 coming out of your effort. But if we don't solve the
9 workforce issues, it is not going to matter that we have
10 good guidance. There is not going to be anyone to do the
11 oversight, to better define the requirements--go ahead.

12 Mr. Zients. I 100 percent agree, and we talked about
13 it, I think, before you came in, that central to all of this
14 is the acquisition workforce. Without it, none of this is
15 going to happen.

16 You know, let me take what I think are the two pieces.
17 One is the size of the workforce, and the second is the
18 capability. On the size, the 25 percent number that was
19 recommended--

20 Senator Collins. By us.

21 Mr. Zients. I am little wary, and this is going to be
22 part of the--this might be a philosophical difference or a
23 different approach--to too many efforts being across the
24 whole Government, sort of a sense of one-size-fits-all,
25 because each agency is so different in terms of what it does

1 day to day on the contracting front, what is the current
2 status of its acquisition workforce, what the gaps are
3 between what it is today and what it should be. So that is
4 part of the philosophy of making sure that this planning is
5 primarily done at the agency level rather than at the macro
6 Government level.

7 That said, on the 25 percent, that 25 percent was
8 articulated before we understood the growth in 2008. The
9 growth in fiscal year 2008 was 6.5 percent. The growth in
10 fiscal year 2009 looks like it is going to be about the
11 same, 6.5 percent. So we are up to 13 percent increase. We
12 think there will be growth in fiscal year 2010. We are
13 asking for a minimum growth of five percent in fiscal year
14 2011 as part of that guidance. We are somewhere north of 20
15 percent growth since that 25 percent stake in the ground.

16 So, again, I am wary of each agency needs 20 percent,
17 but overall, the Government has grown its--will have grown
18 its acquisition workforce, if this math is correct, by about
19 20 percent by fiscal year 2011. That is a good increase.

20 I believe that on the capability side--I am coming back
21 to Senator Coburn's question--we have a lot to do. We need
22 to bring people in not just at the entry level, we need to
23 bring people in mid-career. We need to retain individuals
24 who are experienced for longer and have them not retire or
25 go to the private sector. And then we have to train. And

1 we have been doing competency studies to figure out where
2 our gaps are. We have created functional advisory boards to
3 figure out what the most targeted, most important training
4 is.

5 So I think we are doing a lot. We are not there. We
6 have a lot more to do. I would be interested in getting
7 more of your feedback on where you feel like we really
8 haven't done enough. But I think it is fair the train has
9 left the station. I think it is moving pretty fast. But
10 trust me, I am going to have the pedal to the metal and try
11 to move it even faster to get more done.

12 Senator Collins. Your point that a one-size-fits-all
13 approach should not be taken is a good one. However, I
14 would note that in your report, you say the analysis led us
15 to conclude that an increase in the acquisition workforce of
16 at least five percent, except in unusual circumstances where
17 analysis shows that it is not to be required, is needed at
18 all civilian agencies--

19 Mr. Zients. Agreed.

20 Senator Collins. --so--

21 Mr. Zients. But then the main planning exercise of
22 what level people we need, how many we need, we believe is
23 done at the agency level, that it is an academic exercise.
24 It is a modeling exercise if you try to do it across the
25 board. It becomes real. It needs to be tied to budgets.

1 And it needs to be implemented, and that needs to be done at
2 the--I believe needs to be done at the agency level.

3 Senator Collins. I agree with you that there are some
4 agencies, DOD is an example, where there has been such a
5 diminution of the acquisition workforce that probably more
6 than five percent--

7 Mr. Zients. Yes.

8 Senator Collins. --is needed, given the huge increase
9 in contract dollars and contract actions. So I am not
10 arguing for one-size-fits-all, but I believe that you need
11 to understand that there will be resistance to this in some
12 agencies despite their evident need because they are going
13 to want to spend the money on other things.

14 Mr. Zients. We need to--just to clarify, this guidance
15 that you are referring to only applies to the civilian
16 agencies.

17 Senator Collins. Right.

18 Mr. Zients. So DOD has its own workforce plan, as you
19 know--

20 Senator Collins. I do know that.

21 Mr. Zients. --and they are massively ramping up in
22 terms of number of people and training, and they have a very
23 good training facility right now. So we are talking about
24 the 30 percent.

25 I am sorry, I missed the second part of--

1 Senator Collins. Well, I have been at this a long time
2 and I have been on this issue for a long time, and I know
3 for a fact that it is not a priority in many agencies--

4 Mr. Zients. It is--

5 Senator Collins. --to build up the acquisition
6 workforce.

7 Mr. Zients. Agreed.

8 Senator Collins. It is far more fun and interesting
9 and press-worthy to put the dollars into program people, or
10 to launch some new initiative.

11 Mr. Zients. It is similar to training across the
12 board. It is the favorite thing to cut, because you don't
13 see the instant return. We are receiving the first piece of
14 the acquisition workforce plan November 2 with the seven
15 percent savings plan. We will incorporate that into the
16 budget process for fiscal year 2011, which is ongoing at OMB
17 right now. In the future, acquisition workforce plans, the
18 annual plan of how many people do you need, will be
19 completed in March or early April, and that will then
20 dovetail with the following year fiscal year budget planning
21 process. And so we at OMB will make sure that it is front
22 and center and part of agencies' budgets the President
23 recommends to Congress.

24 Senator Collins. I appreciate that commitment and I
25 can assure you we are going to hold you to it because it is

1 important.

2 I don't know how you are doing the time. Would you
3 like me to wait for a second--

4 Senator McCaskill. I am going to do one more round, so
5 if you--

6 Senator Collins. Okay.

7 Senator McCaskill. --if you want to hold and we do
8 will another round.

9 Senator Collins. Sure.

10 Senator McCaskill. Okay. Great. A couple of things I
11 wanted to bring to your attention. First, will we at least
12 know on November 2 who has submitted on time and who still
13 hasn't submitted? Is there any kind of public
14 accountability of who is going to make the mark of November
15 2? Have you made that decision?

16 Mr. Zients. I don't think we have made a formal
17 decision on that, but my bias would be that we tell you, or
18 give people a little bit of a grace period, not long, and we
19 report who has reported. I would anticipate everybody will
20 be in. I would be disappointed if we don't have everybody
21 in.

22 Senator McCaskill. The more that--as an old auditor,
23 the more people know when someone is not doing it--

24 Mr. Zients. Yes.

25 Senator McCaskill. --the more likely you are they are

1 going to do it the next time. So even if you want internal
2 time to look at what they have submitted before we have a
3 chance to look at it, I certainly would hope that we would
4 know quickly if we have any agencies that are lagging behind
5 in terms of making this a priority in terms of planning.

6 Mr. Zients. Will do. Will do.

7 Senator McCaskill. There are a couple of things that
8 are really irritating to me about the way agencies behave.
9 One is the rush to spend money by the end of the fiscal
10 year. That means that sometimes contracting officers are
11 really pushed by management at these agencies to put through
12 contracts very quickly at the end of the year to buy stuff
13 because there is an existing contract that they can pull off
14 of.

15 Do you have anything in the works to plan for
16 identifying this when it happens? It seems to me with
17 today's technology, you ought to be able to pull up a report
18 near the end of the fiscal year and see the rush that all
19 Federal agencies have to spend their money, because Lord
20 only knows, they don't want any of us to think they don't
21 need every dime they have gotten, because that means we
22 might not give them as much next year. And so there is this
23 whole thing, spend what you get, because if you don't, you
24 won't get as much the next time, and it really brings about
25 so many bad decisions in purchasing and contracting in the

1 last 90 days of the fiscal year.

2 Mr. Zients. Yes. I think the things that we have
3 talked about here to increase competition and reduce high-
4 risk contracting is important. We have not done a special
5 focus, and I think it is a good idea, on how do you ensure
6 that, given that mad rush, you don't have lack of
7 competition or higher-risk contracts as a result. So I
8 think paying special attention there makes a lot of sense.
9 It is not something we have yet addressed, but we will.

10 Senator McCaskill. I have worked in a lot of
11 Government buildings in my career and I always know when it
12 is the end of the fiscal year, not by the change in weather
13 and not by the month on the calendar, but rather by glancing
14 around the building to see all of the boxes that start
15 arriving. It is as certain as the sun coming up that this
16 happens, and it is in the category of low-hanging fruit.

17 Mr. Zients. I think it is a very good point, because
18 if you take a stretched workforce and then try to have them
19 work even harder in a compressed period of time, inevitably,
20 you are not going to be as rigorous. So I think that is an
21 area that we should pay special attention to.

22 Senator McCaskill. And in some ways, you know, I know
23 the contracting workforce doesn't have to be separated out
24 from these agencies. But in some ways, they should begin to
25 get some kind of IG-like protection around them. And by

1 that I mean I would hope you would look at ways to catch
2 them being good.

3 Contracting personnel that are doing the right thing,
4 despite a pressure from their agencies to do other things,
5 to me, they should be at least--you should seek out those
6 contracting people that are trying to hold the line and say,
7 no, we are not going to do that because we don't have enough
8 time to really bid the contract appropriately. Or, no, we
9 are not going to renew that contract just because we can and
10 just because it is easier and just because it has always
11 been done that way. I don't know what you have got out
12 there--

13 Mr. Zients. I think--

14 Senator McCaskill. --to reward that kind of
15 professionalism and that willingness to kind of show some
16 independence as it relates to contracting processes.

17 Mr. Zients. I think there are some recognition
18 vehicles or awards today. There are not enough. This is a
19 group that, I think, has not been--has not enjoyed a glory
20 period of time in the last eight years and I think we need
21 to help lift them up and celebrate their victories, and I
22 think some of those victories will be around driving
23 acquisition savings, to your point. Some of it will be on
24 holding the line. So I think recognition is very important
25 here and it is something that we have jump-started some

1 efforts on already.

2 Senator McCaskill. One of the guidances is a
3 requirement that Government agencies select the candidate
4 organization for pilot programs to analyze whether the
5 agency has relied on contractors too much. Have these
6 agencies made these candidate selections and can you give us
7 any information about how these selections are--have they
8 reported what the selections are, and--

9 Mr. Zients. They have. All have selected, to your
10 earlier question about November 2, here, with a, I believe,
11 October deadline, everybody has selected. I think it is
12 very important here that we maintain some confidentiality
13 during the deliberative process because you don't want to
14 open up to the world what is being examined for potential
15 in-sourcing or change--

16 Senator McCaskill. Right. That would not be good--

17 Mr. Zients. That said--

18 Senator McCaskill. --although we might get a lot of
19 lower contract prices.

20 Mr. Zients. It is interesting, though, in that IT
21 tends to be an area where a lot of people are focused right
22 now. About a third were in the IT terrain. And a
23 significant number were actually in the acquisition
24 workforce itself, so people having contracted out help for
25 acquisition--

1 Senator McCaskill. Right.

2 Mr. Zients. and thinking, boy, that is--

3 Senator McCaskill. Contractors watching contractors.

4 Mr. Zients. Absolutely. Well, actually, contractors
5 helping to make--

6 Senator McCaskill. Contract decisions. Right. Both.

7 Mr. Zients. So you can see how that would fall in the
8 category of potential over-reliance and something that
9 should be looked at carefully.

10 Senator McCaskill. And finally, another discovery I
11 made when I got here that I still shake my head about, and I
12 would hope that you would work this into the reforms that
13 you are doing in contracting and with these acquisition
14 workforces, is this phenomena we have in the Federal
15 Government that you can buy stuff from other agencies and
16 the other agencies make money on it. I mean, I was shocked
17 when I found out in a very early oversight hearing I
18 attended that they were actually advertising. One agency
19 was advertising, buy your stuff here, to another Federal
20 agency because they were getting a cut because of the
21 contract they had. Well, there is something very wrong
22 about that--

23 Mr. Zients. Right.

24 Senator McCaskill. --just fundamentally wrong, that
25 somebody had the time to try to advertise to another part of

1 the Government that you should be buying your stuff from
2 another part of the Government because then they got money
3 from that that they added to their budget.

4 Wherever there is a good price, everybody in Government
5 ought to access it. This is--it was bizarre. And to my
6 knowledge, nothing has been done about it, that it is still
7 happening.

8 Mr. Zients. Well, it is bizarre and it should not be
9 happening. Strategic sourcing, leveraging the Government's
10 purchasing power, should be happening. So agencies should
11 be purchasing together where there are opportunities to do
12 it--

13 Senator McCaskill. Yes, but one agency shouldn't be
14 making a cut off of--

15 Mr. Zients. I completely agree.

16 Senator McCaskill. Yes.

17 Mr. Zients. And I think that is an area that GAO and
18 others have reported on. I think it is an area, and I don't
19 have the details here today, where OFPP has spent some time,
20 and with the new Administrator it will spend more time. I
21 agree with you. It is bizarre--at best, bizarre.

22 Senator McCaskill. I want to warn you that it won't be
23 soon, but I am sure that we will have another hearing that
24 we will actually look at not the buying of contractors for
25 doing Government work or the securing of contractors to

1 build things for the Government, but rather just buying
2 stuff--

3 Mr. Zients. Mm-hmm.

4 Senator McCaskill. --how that is occurring and what
5 the positives and negatives are about that. And I would
6 hope by the time we have that hearing, probably sometime
7 next year, that you would have somebody begin to look at
8 this issue of are we leveraging the volume that we have in
9 the Federal Government to drive price.

10 Mr. Zients. Oh, I think it is our biggest opportunity,
11 so we will have a big effort behind that and I look forward
12 to the hearing.

13 Senator McCaskill. Great. Senator Bennett?

14 Senator Bennett. Thank you. Senator Collins had to
15 leave and left behind a question that is in the same area as
16 the ones you are asking about, the blanket purchase
17 agreement. She is quoting a September 2009 GAO report that
18 says the Federal agencies obligated as much as \$7.9 billion
19 under schedule blanket purchasing agreements, and in about
20 half of the sample BPAs reviewed, they found no evidence
21 that an agency sought discounts when establishing these
22 blanket purchasing agreements and suggests that such
23 opportunities were missed when the estimated amount was in
24 the hundreds of millions of dollars.

25 Then the heart of her question, I understand the

1 competition guidance issued yesterday did not specifically
2 address BPAs. Would you consider taking actions to ensure
3 this contracting tool is not misused? Or, I would add my
4 own comment, not ignored, because apparently that is the
5 bigger problem.

6 Mr. Zients. That is a significant problem. I think we
7 believe the GAO report is correct and it is something that
8 we will address.

9 Senator Bennett. All right. Fine. Thank you, Madam
10 Chairman.

11 Senator McCaskill. Thank you.

12 Senator Bennett. I have nothing further.

13 Senator McCaskill. I think the President has made a
14 wise selection when he selected you to do this job. I think
15 you have got the right combination of experience in the
16 private sector and a really weird passion for this stuff.

17 [Laughter.]

18 Mr. Zients. Very strange.

19 Senator McCaskill. It is strange. I completely relate
20 to it.

21 Mr. Zients. Maybe bizarre.

22 Senator McCaskill. Yes, maybe bizarre. I think you
23 are excited about making this Government more efficient and
24 effective and more cost conscious, and I think you know how
25 badly we need that kind of passion. Let me just tell you, I

1 will not predict success unless you hold on to that passion
2 because this is a really big monster to move. It is going
3 to take you being cheerfully enthusiastic every single day
4 and giving all the people that work with you almost a zeal,
5 a missionary zeal for the kind of reforms that are
6 necessary.

7 There is a lot of low-hanging fruit and it is not going
8 to take a huge effort to do a little bit better than we have
9 been doing. But it will take a lot of effort to make the
10 kind of reforms that I know that you see as possibilities
11 because of the massive problems that you face.

12 So I am glad you are there. We are going to continue
13 to look over your shoulder.

14 Mr. Zients. Please.

15 Senator McCaskill. It is important that we ask tough
16 questions. This may be the easiest hearing you have in
17 front of this Committee over the next four years, because we
18 will be looking to see if these benchmarks have been met and
19 if enough deliverables and hard, fast goals are being set
20 for these agencies and that you are staying on them, and we
21 will continue to press to make sure that all the information
22 that is out there is available to the public as quickly and
23 as efficiently as possible.

24 I thank you very much, and I want to once again thank
25 your staff. I know that there was around-the-clock work.

1 You know, there is good news and bad news about that. The
2 good news is, the staff was willing to work around the clock
3 to get ready for this hearing. The bad news is they had to.
4 And hopefully, as time goes on and you have been there
5 longer and the staff can prepare a little bit more ahead of
6 time so we have a little more time--

7 Mr. Zients. Yes.

8 Senator McCaskill. --prior to the hearing to be able
9 to digest the materials that we want to go over. But I
10 appreciate how hard everyone worked and I certainly
11 appreciate your time here today--

12 Mr. Zients. I appreciate your support, and your staff
13 has been great.

14 Senator McCaskill. Great. Okay. Thank you very much.

15 This hearing is adjourned.

16 [Whereupon, at 3:45 p.m., the Subcommittee was
17 adjourned.]