

**TESTIMONY OF
DR. MINDY CONNOLLY
CHIEF ACQUISITION OFFICER
U.S. GENERAL SERVICES ADMINISTRATION**

**FOR THE
U.S. SENATE SUBCOMMITTEE ON CONTRACTING OVERSIGHT
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS**

July 26, 2011

Good morning, Chairwoman McCaskill, Ranking Member Portman, and members of the Subcommittee on Contracting Oversight. It is a pleasure for me to be here today to testify for the first time as Chief Acquisition Officer of the General Services Administration (GSA).

Today I will share GSA's perspective on small business contracting, which conforms to the findings of the Presidential Interagency Taskforce on Federal Contracting Opportunities for Small Business, as well as the results of our work with colleagues at the Small Business Administration (SBA) to implement its recommendations. The Presidential Task Force identified three key priority objectives with actionable recommendations: (1) Providing federal contractors with stronger rules; (2) Developing a better equipped, better informed, and more accountable workforce; and (3) Improving outreach and making better use of data.

It is critical that these improvements be examined at the intersection of policy, regulations, and systems. Policy drives the regulations around which systems are managed. Greater harmonization of policy, regulations, and systems is needed to ensure that small businesses are the beneficiaries of contracting policy.

GSA has a record of exceeding our small business goals. We recently received a grade of "A" from the SBA for our FY10 small business performance. We're very proud of the workforce across GSA that led to that success. Our Federal Acquisition Service (FAS) helps other agencies accomplish their mission through our multiple award schedule (MAS) contracts, and government wide acquisition contracts. Across the MAS contracts, over 1/3 of the order awards go to small businesses, helping other agencies meet or exceed their small business goals.

Understanding NAICS Codes

Going forward, it is critical to understand the role the North American Industry Classification System (NAICS) codes play in determining business size when awarding contracts to small businesses. The NAICS codes are developed by the Department of Commerce to identify specific goods or services. SBA then develops size standards for each NAICS code, based on either the number of employees a company has or its annual revenue. A company can offer various goods and services that correspond to multiple NAICS codes. Therefore, an individual company may be classified as either "small" or "other than small," based on the procurement and the contracting officer's (CO's) determination of the appropriate predominant NAICS code at the time of solicitation.

It is, therefore, possible that a single company may be “small” for one procurement and “other than small” for another at the same time depending on the nature of the work for the government. There are two reasons for that possibility: first, because different NAICS codes have different size standards, SBA may apply different size standards to different contracts; and, second, businesses may naturally grow over the life of the contract. Sometimes both of those scenarios occur simultaneously.

When seeking federal contracts, businesses list the NAICS codes with which they are associated in CCR (Central Contractor Registration). They also represent their business size either in Online Representations and Certifications Application (ORCA) or through written certifications submitted to a CO. Contracting officers accept each offeror’s business-size representation unless that representation is challenged by another offeror or interested party, or the CO has a reason to question the representation. When a representation is questioned or challenged, SBA will make a determination as to business size. Business size representations (“small” or “other than small”) are recorded at the time of contract award and endure until a re-representation occurs.

Business Size Determination in Multiple Award Contracts

In the context of multiple award contracts, including GSA’s schedule contracts, the NAICS poses an additional challenge in reconciling the NAICS code on the prime contract with the NAICS code, usually more granular, for the task or delivery order, with the codes chosen by the vendors for marketing to the government. At present, the item that accounts for the greatest percentage of the total contract value will determine the NAICS code used to establish the size status of the offeror. This is referred to as the predominant NAICS code.

As a consequence, when task and delivery orders are placed against an offeror’s multiple award contract, the predominant NAICS code – and its business size determination -- will apply to all subsequent task or delivery orders, regardless of the individual content and associated NAICS codes for those orders.

The Task Force identified that rules need to be strengthened, and going forward we will work with SBA and our FAR Council stakeholders to ensure that the circumstances in multiple award contracts just described are appropriately addressed, taking into consideration the workload impact on COs and costs related to changes in the multiple Federal wide and agency systems supporting acquisition.

OPPORTUNITIES TO ADDRESS CHALLENGES

Strengthening rules

As the Task Force identified, the first priority is to strengthen rules and policies in order to promote contracting opportunities for small businesses. As one of three signatories to the FAR, GSA collaborates with other agencies represented on the FAR Council.

Some recent steps toward strengthening the rules are set forth in the Small Business Jobs Act of 2010, Public Law 111-240, which, among many changes, promotes the increased

contract awards to small businesses through key changes to federal procurement policies. While SBA has programmatic lead in small business issues, GSA is pleased to collaborate and provide consultation and support to SBA.

Once SBA issues its final rules implementing the policy changes mandated by the Jobs Act, the FAR Council will open a FAR case to address the revised SBA regulation. One regulatory issue for attention is the snapshot in time when a size determination should be made to classify a business as “small,” thus eligible for policies benefitting small businesses.

Policy and rules establish criteria for awarding federal contracts to both small and large businesses. When acquisition criteria change, acquisition systems must follow suit. After the SBA and FAR regulations are amended, GSA will work to align the affected systems of the Integrated Acquisition Environment (IAE) or its successor, the System for Award Management (SAM) so they reflect new policy.

Implementing stronger rules as recommended by the Presidential Task Force that are at the intersection of policy, systems, workforce, and the economic engine of our small business has many interdependencies. However, I would emphasize that GSA is working closely with our SBA colleagues to ensure informed and timely regulatory implementation and systems development.

Aiding the Acquisition Workforce

The acquisition workforce is thousands strong across every federal agency and, collectively, they execute the policies and rules that flow from legislation. As we move forward to strengthen rules, the entire Acquisition workforce will be key to ensuring regulatory implementation achieves intended objectives. For that reason, comprehensive training is essential.

To assist in meeting this challenge, GSA’s Federal Acquisition Institute (FAI) offers training for the acquisition workforce. Small business contracting is one area of training offered, and to address the need, FAI is currently developing the Small Business Programs online continuous learning module, due to launch in mid-September 2011. This module provides Government contracting professionals and program officials with an overview of the current small business types and programs. The course helps members of the acquisition workforce understand the tools, processes, and resources available to facilitate awards to small business. Upon completion of the course, our acquisition professionals will be better equipped to meet specific Federal acquisition requirements related to small business programs and to achieve agency small business goals, while supporting increased contracting and subcontracting opportunities for small businesses.

These small businesses work in partnership with the acquisition workforce in providing goods and services for the federal government. To facilitate that engagement, FAI also educates industry partners who seek procurement opportunities. For example, FAI recently launched an online-continuous learning module to instruct vendors on how to obtain a Certificate of Competency (COC) from SBA. The COC program allows a small business to appeal a contracting officer's determination that it is unable to fulfill the requirements of a specific government contract on which it is the apparent low bidder. The COC program helps

ensure that small businesses, especially those which are newly entering the federal procurement arena, are given a fair opportunity to compete for and receive government contracts. FAI's course identifies the various entities involved in the COC process, and it explains their roles and responsibilities.

Improved Outreach and Better Use of Technology and Data

Outreach efforts to small business community

GSA is actively reaching out to small businesses. GSA Office of Small Business Utilization (OSBU) leads the effort through several outreach initiatives. First and foremost, from January 2011 to present, GSA has hosted and participated in 225 outreach events for small businesses throughout the United States. The following are some examples of events where GSA met with small business groups and small business principals:

- Reverse 8(a) and HUBZone Matchmaker
- Women and Minority Business Forum
- Veterans Business Resource Summit
- Asian American Small Business Forum
- U.S. Hispanic Chamber of Commerce Business Matchmaking
- Native American RES 2011 Conference
- Minority Supplier Development Council Orientation Meetings
- Getting Back to Business GSA Procurement Summit
- National Center for Veteran Institute Procurement Conference

GSA is committed to increasing opportunities for small businesses, especially those for Service-Disabled Veteran-Owned Small Businesses, Small Disadvantaged Businesses, Women-Owned Small Businesses, and HUBZone small businesses. GSA has a healthy practice of conducting pre-bid/pre-solicitation conferences and vendor meetings, and we are encouraging more, as well as greater involvement of GSA's OSBU in these events. The Public Buildings Service now hosts vendor days for its buying portfolios, including a recent one in Washington, DC, that was a success and extremely beneficial to our industry partners.

As part of the Annual GSA Training Conference and Expo, OSBU sponsored its inaugural Small Business Symposium in May of this year. This event provided 400 small businesses an opportunity to engage directly with GSA and other Government agency buyers, to ask questions, and to learn about specific procurements.

We continue to actively post our outreach events on www.gsa.gov/events and are working to increase posting on www.FedBizOpps.gov.

To further enhance our outreach efforts, GSA will soon provide additional information to vendors on how to search and make use of the GSA Forecast of Contracting Opportunities. Also, GSA will increase and standardize use of continuous learning points as incentive for members of the acquisition workforce to participate in outreach events and to interface with the vendor community.

Together, these activities form GSA's concerted effort to enhance our contacts with the vendor community, including small businesses. We are committed to not only meeting but exceeding small business goals set for GSA. The small business goaling report attached to my testimony demonstrates GSA's ongoing commitment and success to this important effort. GSA received an overall "A" rating from SBA on its FY 2010 goaling report. Except for one category, we far exceeded established goals. GSA's Administrator has challenged the agency to close the gap in this one category in FY 2011.

Enhanced Use of Technology in Contracting

Communities involved in federal contracting use automated tools to capture and report contracting information. As policies and technology evolve, so must the tools and systems to implement them. Ideally, such tools and systems will reduce burden on contracting officers and vendors. Acquisition systems should capture acquisition data in an integrated and user-friendly environment. These data enable users to develop meaningful reports, conduct trend analysis, and make informed acquisition or policy decisions.

Coordinating with the Chief Acquisition Officers Council Acquisition Committee for Electronic Government (ACE), GSA serves as the managing partner of the Integrated Acquisition Environment (IAE). The IAE is a set of eight government-wide systems used regularly by the federal community and those who seek to do business with the government. To better serve stakeholders, GSA is developing a new System for Award Management (SAM) that will replace multiple current systems, including the current FPDS – NG system.

If fully funded, SAM will integrate the eight independent acquisition systems of the IAE and simplify the use of them – for both contracting officers and vendors. For example, instead of entering business identifiers in multiple systems, vendors will be able to make such entries only once in SAM. They will also use SAM to describe their businesses and to complete representations and certifications once as they now must do twice in Central Contractor Registration system (CCR) and Online Representations and Certifications Application (ORCA) respectively. In addition, SAM will also provide vendors with a list of all NAICS codes (North American Industrial Classification System). And, it will provide SBA size determination tables for businesses, regardless of whether a vendor has indicated specific NAICS as part of their usual business activities.

Once implemented, SAM will provide a single user-friendly interface that will reduce burden and errors among contracting officers and vendors alike. Reduced user error improves data quality. In turn, improved data quality creates more accurate reports and fosters improved decision making.

Commitment to Acquisition Excellence

Pursuant to my responsibilities as Chief Acquisition Officer (CAO), I monitor the performance of acquisition activities and acquisition programs of GSA. Anomaly reports, such as those provided by the SBA, are an opportunity to provide quality data and ensure that GSA meets its obligation to small business. When SBA provides GSA with their anomaly report, we research and explain the reasons behind all identified anomalies. When possible, we take corrective actions and ensure that we are using rational contracting processes in

awarding contracts to small businesses. Going forward, we will begin trend analysis of our findings. We anticipate that our findings will identify opportunities to (1) rectify any systemic issues, in either policy or technology (2) develop pertinent training for the acquisition workforce, and (3) improve acquisition practices through internal changes. Such changes may include updating the General Services Acquisition Regulation (GSAR), issuing acquisition alerts, conducting program management reviews of contracting activities, and ensuring resolution of identified issues.

In sum, as CAO, I am committed to ensuring that GSA maintains excellence in its acquisition activities, including small business outreach contracting and reporting. I am confident that these efforts will provide best value to our customer agencies in their important missions.

Like many of our taxpayers, and our country, GSA is challenged in a time of diminishing resources to keep up with calls for change. Funding for initiatives such as transitioning the Integrated Acquisition Environment (IAE) to the System for Award Management (SAM) is essential to move forward.

Madame Chair, Ranking Member Portman, there is a lot of work before us to do and we will move forward with our partners to assure its achievement. Thank you for the opportunity to share some of our GSA efforts. I will be glad to answer any questions of the Subcommittee.