MAKING SENSE OF PROCUREMENT'S ALPHABET SOUP: HOW PURCHASING AGENCIES CHOOSE BETWEEN FSS AND FTS

HEARING

BEFORE THE

SUBCOMMITTEE ON TECHNOLOGY AND PROCUREMENT POLICY

OF THE

COMMITTEE ON GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES

ONE HUNDRED SEVENTH CONGRESS

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CONTENTS

	Page
Hearing held on April 11, 2002	1
Statement of:	
Allen, Edward, executive director, Coalition for Government Procurement; and Dwight Hutchins, partner, USA Federal Government strategy practice, Accenture	54
Cooper, David E., Director, Acquisition and Sourcing Management, U.S. General Accounting Office; Stephen Perry, Administrator, U.S. General Services Administration; and Claudia S. Knott, Executive Director, Logistics Policy and Acquisition Management, U.S. Defense Logistics Agency	8
Letters, statements, etc., submitted for the record by:	
Allen, Edward, executive director, Coalition for Government Procurement, prepared statement of	57
Cooper, David E., Director, Acquisition and Sourcing Management, U.S. General Accounting Office, prepared statement of	11
Davis, Hon. Tom, a Representative in Congress from the State of Virginia, prepared statement of	3
Hutchins, Dwight, partner, USA Federal Government strategy practice, Accenture, prepared statement of	70
Knott, Claudia S., Executive Director, Logistics Policy and Acquisition Management, U.S. Defense Logistics Agency, prepared statement of	41
Perry, Stephen, Administrator, U.S. General Services Administration, prepared statement of	23
Turner, Hon. Jim, a Representative in Congress from the State of Texas, prepared statement of	6

MAKING SENSE OF PROCUREMENT'S ALPHABET SOUP: HOW PURCHASING AGENCIES CHOOSE BETWEEN FSS AND FTS

THURSDAY, APRIL 11, 2002

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON TECHNOLOGY AND PROCUREMENT POLICY,
COMMITTEE ON GOVERNMENT REFORM,
Washington, DC.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2203, Rayburn House Office Building, Hon. Tom Davis of Virginia (chairman of the committee) presiding.

Present: Representatives Mr. Davis of Virginia, Schrock, Turner, and Ms. Davis of Virginia.

Staff present: Chip Nottingham, counsel; Teddy Kidd, clerk; Mark Stephenson, minority professional staff member; and Jean Gosa, minority assistant clerk.

Mr. DAVIS. Good morning. I want to welcome everybody to today's oversight hearing on the GAO's Federal Supply Service and Federal Technology Service. Today's hearing will build on work that is currently being conducted by the General Accounting Office for the subcommittee on the structure, management and coordination, or lack of it, between the two Services, which do more than $30 billion in business each year.

The aim here is to determine whether FSS and FTS ensure that the American taxpayers receive fair value for their hard-earned dollars when the government acquires products or services. As many of you know, through various revolving funds, GAO buys products and services from the private sector and re-sells them to Federal agencies. FSS and FTS both fit within this model, but take different approaches to filling agency customers' needs.

The Federal Supply Service, through its Schedules Program, provides government agencies with the opportunity to quickly purchase needed products and services, including, of course IT. Customer agencies deal directly with vendors under their FSS Schedule contacts. Used properly, the Schedules have proved to be an invaluable tool for contracting officers. FTS offers Federal agencies a range of IT and telecommunications services through varied contract vehicles, including the Schedules. FTS views itself as a value-added reseller of communications and IT.

In addition to its contract vehicles, FTS offers consulting and more extensive contract solutions to assist Federal agencies with complex acquisitions that require in-depth technical knowledge.

Again, used properly, FTS offers Federal agencies a valuable tool. The recent rapid growth of both Services has been primarily fueled by sales of IT products and services. Interestingly enough, this growth has been more substantial for the Federal Supply Service than for FTS. Both provide a full range of IT service contracts, often through the same vendors. The overlap is largely the result of the momentous changes made in 1996 under the Clinger Cohen Act. Clinger Cohen eliminated GSA's then government-side IT contracting responsibility through its Information Resource Management Service. GSA reacted by relocating some of its IT contracts through the Federal Supply Service and others to FTS. With the approval of the Office of Management and Budget, GSA continues to play a leading role in the government-wide IT market.

The overlapping and possibly redundant nature of the current structure—FTS is a major user of Federal Supply Service contracts—raises questions related to the relationship between the services. Is the relationship a result of inefficiencies, unnecessary infrastructure, and cost? On the other hand, perhaps the current structure results in increased opportunities for vendors to capture Federal business and amplified procurement options for Federal agencies. Various customer agencies and vendors have differing views. What is GSA's view? At this point in time, I don't know if you know. It doesn't appear that GSA has focused on this issue enough to be able to articulate a clear vision for addressing possible structural problems and the relationship between FTS and FSS.

The good news is that at the urging of the subcommittee, GSA has contracted for a study of the structure and efficiency of both agencies, with the objective of developing a strategy to improve GSA's services to its customer agencies. The committee is further heartened by GSA's current efforts to build better performance measures to gauge for the first time its ability to achieve cost savings for the government rather than simply measuring the revenue growth of the programs themselves.

We look forward to Administrator Perry's remarks today to further enlighten us on these issues. Whether these efforts will bear fruit is, I think, still an open question. It is critical for GSA to resolve its structural and management challenges to assure the American taxpayer that both agencies provide value as suppliers of IT products and services to the Federal Government. Today we are going to explore the issues related to the management and structure of the FTS and FSS in the context of the impact on GSA's customer agencies and the participating vendor community. To help us gauge the impact, we are going to hear today from distinguished representatives from both industry and government users. The GAO is also here today to supply the context for our discussions.

In closing, I want to emphasize that the subcommittee will continue to follow GSA's efforts to understand and measure the results of the FSS and FTS programs. The subcommittee stands ready to support appropriate strategies to improve GSA's service to the Government IT market.

Let's get started, and I would yield to my ranking member for any statements you would want to make.

[The prepared statement of Hon. Tom Davis follows:]

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Opening Statement of Chairman Tom Davis
Hearing on "Making Sense of Procurement's Alphabet Soup: How Purchasing Agencies Choose Between FSS and FTS"
Subcommittee on Technology and Procurement Policy
April 11, 2002 at 9:30 a.m.
2203 Rayburn House Office Building

Good morning, I would like to welcome everyone to today's oversight hearing on the General Services Administration's Federal Supply Service (FSS) and its Federal Technology Service (FTS). Today's hearing will build on work currently being conducted by the General Accounting Office (GAO) for the Subcommittee on the structure, management and coordination, or lack of it, between the two services, which do more than $30 billion in business each year. The aim here is to determine whether FSS and FTS ensure that the American taxpayers receive fair value for their hard earned dollars when the government acquires products and services.

As many of you know, through various revolving finds, GSA buys products and services from the private sector and resells them to federal agencies. FSS and FTS both fit within this model but take different approaches to filling agency customers' needs. FSS, through its Schedules program provides government agencies with the opportunity to quickly purchase needed products and services, including, of course, IT. Customer agencies deal directly with vendors under their FSS schedule contracts. Used properly, the Schedules have proved to be an invaluable tool for federal contracting officers. FTS offers federal agencies a range of IT and telecommunications services through varied contract vehicles including the Schedules. FTS views itself as a "value added" reseller of telecommunications and IT. In addition to its contract vehicles, FTS offers consulting and more extensive contract management solutions to assist federal agencies in complex acquisitions that require in-depth technical knowledge. Again, used properly, FTS offers federal agencies a valuable tool.

The recent rapid growth of both services has been primarily fueled by sales of IT products and services. Interestingly enough, this growth has been more substantial for

FSS than FTS. Both provide a full range of IT service contracts, often through the same vendors. The overlap is largely the result of the momentous changes made in 1996 under the Clinger Cohen Act. Clinger Cohen eliminated GSA's, then government-wide IT contracting responsibility, through its Information Resource Management Service. GSA reacted by relocating some of its IT contracts to FSS and others to FTS. With the approval of the Office of Management and Budget, GSA continues to play a leading role in the government-wide IT market.

The overlapping and possibly redundant nature of the current structure----FTS is a major user of FSS contracts--- raises questions related to the relationship between the services. Does the overlap result in inefficiencies, unnecessary infrastructure and cost? On the other hand, perhaps the current structure results in increased opportunities for vendors to capture federal business and amplified procurement options for federal agencies? Various customer agencies and vendors have differing views. What is GSA's view? At this point in time they simply don't know. It does not appear that GSA has focused on this issue enough to be able to articulate a clear vision for addressing possible structural problems in the relationship between FSS and FTS.

The good news is; at the urging of the Subcommittee GSA has contracted for a study of the structure and efficiency of FSS and FTS with the objective of developing a strategy to improve GSA's service to its customer agencies. The Subcommittee is further heartened by GSA's current efforts to build better performance measures to gauge, for the first time, its ability to achieve cost savings for the government rather than simply measuring the revenue growth of the programs themselves. We look forward to Administrator Perry's remarks today to further enlighten us on these issues.

Whether these efforts will bear fruit is indeed open to question. It is critical for GSA to resolve its structural and management challenges in order to ensure the American taxpayer that FSS and FTS provide value as suppliers of IT products and services to the federal government. Today we will explore the issues related to the management and structure of FSS and FTS in the context of their impact on GSA's customer agencies and the participating vendor community. To help us gauge the impact we will hear today from distinguished representatives from both industry and government users. The GAO is also here today to supply the context for our discussions.

In closing I would like to emphasize that the Subcommittee will continue to follow GSA's efforts to understand and measure the results of the FSS and FTS programs. The Subcommittee stands ready to support appropriate strategies to improve GSA's service to the government IT market. Let's get started.

Mr. TURNER. Thank you, Mr. Chairman.

This subject, like many our committee deals with, is somewhat mundane. I was a little surprised to see the big crowd when I came in the room this morning, Mr. Chairman.

Mr. DAVIS. That's why we were in the wrong room. [Laughter.]

Mr. TURNER. I realized later that you and I both had trouble finding the room, and I gathered you just selected a smaller room. When you have a smaller room, you always get a bigger crowd.

This subject today is one that there has been some interested expressed in. Our purpose, of course, is to determine whether or not the Federal Technology Service and the Federal Supply Service are engaging in overlapping functions and whether or not that needs to be remedied. I commend the General Services Administration for looking into it, as well as the GAO. We look forward to hearing from all of you today to see if there is a need for some reform in this particular area.

Thank you, Mr. Chairman.

[The prepared statement of Hon. Jim Turner follows:]

Statement of Rep. Jim Turner

Hearing on the Federal Technology Service/Federal Supply Service: Do They Provide Best Value for the Government and the American Taxpayer?

April 11, 2002

Thank you Mr. Chairman. Today's hearing on the Federal Technology Service and the Federal Supply Service – FTS and FSS – will examine whether or not those two components of the General Services Administration are providing best value for the federal government and American taxpayers. I commend the Chairman for focusing on this issue. One of the principal functions of the Government Reform Committee is to ensure that the federal government operates as effectively and efficiently as possible. I believe all the members of our Committee take that responsibility very seriously and this hearing will hopefully help us further that goal.

The Federal Supply Service was created in 1949 to provide an economic and efficient system for the procurement and supply of goods and service to federal agencies. One way it does this is through the schedules program, also called multiple award schedules. Under this program, FSS has entered into long-term, governmentwide contracts with commercial firms for over four million commercial services and products that can be ordered directly from the contractor or through FSS. It provides customer agencies with commercial goods and services and provides the benefits of volume discount pricing, lower administrative costs and reduced inventories.

The Federal Telecommunication Service offers agencies a range of information technology and telecommunications products and services on a number of contract vehicles, including the schedules. Its focus is more oriented toward providing "full service" solutions for IT and telecommunication needs.

Concerns have been raised that these two services may provide overlapping services in some cases. Significant duplication might be a problem if it created confusion and inefficiency, but that has yet to be demonstrated. GAO is currently conducting an evaluation on of this issue and I look forward to hearing their testimony today. The General Services Administration has also contracted with the consulting firm Accenture for its own analysis of this potential problem and possible solutions. GSA should be commended for recognizing this potential problem and taking steps to address it in a timely manner.

I look forward to hearing from all our witnesses today. Thank you Mr. Chairman.

Mr. DAVIS. Thank you very much.

Mr. Schrock, any opening statement?

Mr. SCHROCK. No, thank you, Mr. Chairman.

Mr. DAVIS. Ms. Davis.

Ms. DAVIS OF VIRGINIA. No, thank you, Mr. Chairman.

Mr. DAVIS. We'll get right to it, then. As you note, we're going to hear testimony from Mr. David Cooper of GAO, Steve Perry from the General Services Administration and Claudia Knott of the U.S. Defense Logistics Agency on our first panel. We're also going to hear from Edward Allen of the Coalition for Government Procurement, and Dwight Hutchins of Accenture, on our second panel. Our first panel has been called. As you know it is a policy of the committee to swear you in. If you would just rise and raise your right hands.

[Witnesses sworn.]

Mr. DAVIS. Thank you very much. You may be seated.

To afford sufficient time for questions, please try to limit yourself to about 5 minutes. I think we have a light up here. When it gets yellow, that means you have a minute left of your 5 minutes. I'll begin with Mr. Cooper then work down to Administrator Perry and then Ms. Knott. Thank you very much.

STATEMENTS OF DAVID E. COOPER, DIRECTOR, ACQUISITION AND SOURCING MANAGEMENT, U.S. GENERAL ACCOUNTING OFFICE; STEPHEN PERRY, ADMINISTRATOR, U.S. GENERAL SERVICES ADMINISTRATION; AND CLAUDIA S. KNOTT, EXECUTIVE DIRECTOR, LOGISTICS POLICY AND ACQUISITION MANAGEMENT, U.S. DEFENSE LOGISTICS AGENCY

Mr. COOPER. Thank you Mr. Chairman.

Mr. Chairman and members of the subcommittee, it is indeed a pleasure to be here again before your subcommittee. I thank you very much for the invitation to testify on this very important topic, even though it may be mundane.

The Federal Supply Service and the Federal Telecommunications Service play a very important role in helping Federal agencies acquire a very wide range of products and services. In fact, everything from paper clips to very sophisticated and complex computer systems. Sales for the two programs last year exceeded $30 billion. FTS and FSS are funded primarily through the fees that they charge the Federal customers when placing orders on those contracts.

In recent years, both programs have experienced significant growth in sales, principally from information technology products and services. Just as an example, IT sales under the supply service contracts increased from $3 billion in 1997 to almost $11 billion last year. It's been a phenomenal growth in those kinds of products and services.

Both programs offer Federal agencies a full range of IT service contracts, including networking, information systems analysis and design, installation, operation, anything Federal agencies need. However, each takes a significantly different approach to providing and satisfying Federal agency needs.

For example, FSS follows a self service model. Its contracts are designed to be flexible, simple to use and embody commercial buy-

ing practices. FSS negotiates master contracts with vendors, seeking discounts off their commercial list prices that are at least as favorable as those vendors offer their most favored customers. Once the FSS negotiates these master contracts, personnel in other Federal agencies place orders and buy the things they need from them.

FTS, on the other hand, follows a full service business model. In fact, it works very closely with Federal agencies helping identify what the requirements are, coming up with an acquisition strategy to satisfy those requirements, identifying where those requirements can be satisfied and actually administering the orders that are placed on those contracts. FTS contracting officers use a variety of contract vehicles to meet agency needs. The use their own contracts, contracts other agencies have awarded, the so-called GWACs, and the FSS schedule contracts.

In fact, FTS is the single largest user of FSS's IT schedule contracts. Last year, it placed orders of about $1.7 billion on those contracts.

Concerns have been raised about the overlap between the two programs. Both FSS and FTS provide customers agencies with access to similar products and services, and in fact, use many of the same vendors. In fact, eight of the top ten suppliers of IT products and services to the Federal Government during fiscal year 2000 held contracts with FSS and non-schedule contracts used by FTS. Overall, according to data in the Government-wide prime contract data base, over 300 vendors received awards under FSS schedule contracts and non-schedule contracts.

Some, noting that duplicative contract vehicles exist throughout the Government, it's not solely limited to FTS and FSS, have criticized the overlap between the programs. They believe that duplicative contracting vehicles are inefficient because companies are required to incur additional costs to prepare proposals to compete for these contracts. They also believe Federal agencies incur additional costs to award and administer those contracts.

Others, however, favor the overlap. Many vendors are willing to accept the increased costs of the overlapping contracts because it provides additional Government business. Agency customers view the overlapping contracts as providing them greater procurement choices.

Notwithstanding these diverging views, we believe GSA needs to take a hard look at how effective its procurement programs are operating and, to its credit, and I think Mr. Perry will be discussing some of those initiatives. GSA has begun two principal initiatives that we believe will provide better information on how the programs are operating. First, GSA is encouraging the FSS and FTS managers to develop better performance measures. Currently what the are using to measure their performance are sales increases and customer satisfaction, not specifically focused on the question of whether quality products and services are being provided at competitive prices and significant savings to the Government. Accordingly, additional measures are being developed to provide that information.

GSA also has chartered a study with a contractor to look at the mission and operation of the two programs. The study will survey current and potential customers to identify their needs for IT and

telecommunications services, analyze GSA's current approach to fulfilling those needs, and identify high potential alternative approaches to doing so. The study's ultimate objective, and it's due to be completed in the near future, is to develop strategies to improve GSA's capability to serve the Federal technology market. We believe both initiatives are good steps toward answering the questions this subcommittee is asking. It is important for GSA to gain assurance that its programs are delivering value to the Government and to identify opportunities to increase their efficiency.

That concludes my statement. I'll be glad to answer any questions.

[The prepared statement of Mr. Cooper follows:]

United States General Accounting Office

GAO

Testimony

Before the Subcommittee on Technology and Procurement Policy, Committee on Government Reform, House of Representatives

For Release on Delivery
Expected at 9:30 a.m.,
Thursday, April 11, 2002

CONTRACT MANAGEMENT

Roles and Responsibilities of the Federal Supply Service and Federal Technology Service

Statement of David E. Cooper, Director, Acquisition and Sourcing Management

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GAO-02-560T

Mr. Chairman and Members of the Subcommittee:

Thank you for inviting me to participate in the subcommittee's hearing on the roles and responsibilities of the General Services Administration's (GSA) Federal Supply Service (FSS) and Federal Technology Service (FTS). As the government's business arm, GSA plays an important role in assisting agencies in procuring goods and services. FSS and FTS, in particular, facilitate a wide range of purchases, including telephone and computer systems, motor vehicles, travel, and everyday supplies, and do more than $30 billion in business each year. They are not the only interagency purchasing programs available, but they are the most prominent.

Today, I would like to discuss the similarities and differences between the FSS and FTS purchasing programs and highlight GSA initiatives to assess how they are functioning. Briefly, FSS and FTS take different approaches to filling agency customers' requirements but, in the area of information technology (IT), they provide a similar range of goods and services and deal with many of the same vendors. On the face of it, maintaining overlapping programs to provide similar services to agency customers would appear to create the potential for inefficiencies. GSA, though, has little hard data to assess whether inefficiencies have been created. To its credit, GSA has embarked on initiatives designed to provide more useful information to assess the performance of FSS and FTS and identify more efficient ways of operating. If successfully implemented, these initiatives also may provide a road map for assessing the performance of other interagency purchasing programs.

Background

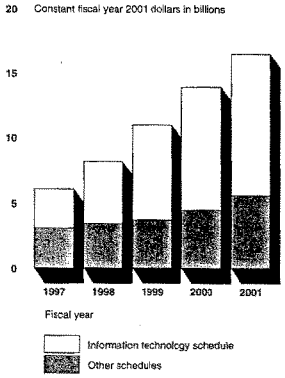
FSS and FTS are the principal GSA programs that assist agencies in acquiring products and services. FSS is responsible for a much wider range of business lines than FTS, yet both do billions of dollars in business. Both programs are funded by the fees they charge customers, and both receive only minor amounts of appropriated funding.

FSS

FSS assists federal agencies in acquiring supplies, furniture, computers, tools, equipment, and a variety of services. Its business lines include purchasing and leasing motor vehicles, acquiring travel and transportation services, and managing personal property. Purchasing activities are centered in its commercial acquisition business line, through which FSS provides agencies access to over 4 million items of commonly-used commercial supplies and services.

Sales under FSS's federal supply schedule program have increased significantly in recent years, and sales of IT products and services have been a principal source of this growth. As figure 1 shows, total sales under the schedule program increased from $6.1 billion (in constant fiscal year 2001 dollars) in fiscal year 1997 to about $16.5 billion in fiscal year 2001. Sales under the IT schedule increased from $3.0 billion to $10.9 billion, while increases in sales under other schedules were less substantial.

Figure 1: Sales under FSS Schedule Contracts—Fiscal Years 1997 to 2001



Source: GSA.

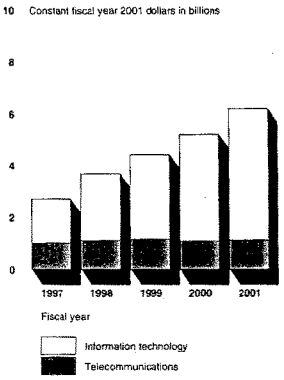
FTS

FTS provides customers with network services and IT solutions. Its network services program specifically provides global voice, data, and video communication services. Its information technology solutions program provides a full range of IT products and services.

At FTS, IT products and services have accounted for virtually all the increase in revenues in recent years. As figure 2 shows, total revenues for FTS purchasing programs increased from $2.7 billion (in constant fiscal year 2001 dollars) in fiscal year 1997 to $6.2 billion in fiscal year 2001. Revenues from IT products and services increased from $1.7 billion to

$5.1 billion, while revenues from telecommunications services increased only modestly.

Figure 2: Revenues under FTS Purchasing Programs—Fiscal Years 1997 to 2001



Source: GSA.

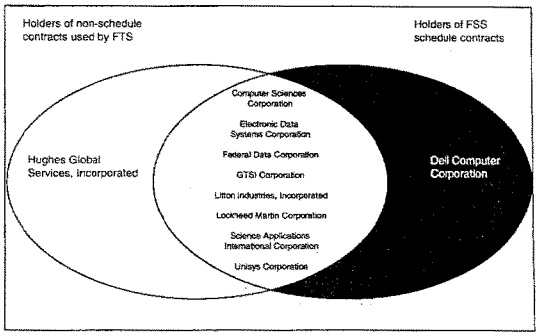
Both FSS and FTS have reoriented their purchasing programs in recent years to provide better service to the federal agencies that are their customers. FSS, for example, has pursued efforts to expand access to commercial products and services and to reengineer its processes to implement commercial buying practices and streamline purchasing for customers. FTS, for its part, focuses on providing superior service to customers, analyzing emerging technologies to identify attractive new service offerings, and taking advantage of the flexibility offered by acquisition reform to bring these technologies to the government marketplace as rapidly as possible.

FSS and FTS Pursue Distinct Business Models but Offer Similar Products and Services

FSS and FTS offer some similar products and services, but they take very different approaches to doing so. Views on whether the overlap is beneficial or inefficient vary.

Both programs offer federal agencies a full range of IT service contracts, including networking, information systems analysis and design, and installation. Further, the two organizations provide customer agencies with access to many of the same vendors. In fact, as figure 3 shows, 8 of the top 10 suppliers of IT to the federal government held FSS schedule contracts and non-schedule contracts used by FTS during fiscal year 2000. Overall, according to data in the governmentwide prime contract database, over 300 vendors received awards under both FSS schedule contracts and nonschedule contracts used by FTS during fiscal year 2000.

Figure 3: Overlap Between FSS Schedule Contracts and Nonschedule Contracts Used by FTS for the Federal Government's Top 10 IT Suppliers—Fiscal Year 2000



Source: GAO Analysis of Federal Procurement Data System Information.

Decisions made in the mid-1990s led to the two organizations having overlapping IT acquisition programs. Until that time, GSA had governmentwide responsibility for supervising IT acquisitions. GSA carried out this oversight responsibility through its Information Resource

Management Service (IRMS), which also administered all IT contracts awarded by GSA. In 1996, the Congress, through the Clinger-Cohen Act,[1] eliminated GSA's governmentwide responsibilities over IT acquisitions. Following this congressional action, GSA decided to disband IRMS and distribute IT contracts to its other organizations. Certain IRMS contracts that were structured like federal supply schedule contracts were transferred to FSS, and the remaining contracts were transferred to FTS.

Although both FSS and FTS provide IT products and services to customer agencies, the two organizations take different approaches to delivering products and services. FSS follows a "self-service" business model and considers its primary mission to be making attractive contract vehicles for acquisition of commercial products and services available to customers. Its federal supply schedule contracts are designed to be flexible, simple to use, and to embody commercial buying practices. FSS negotiates master contracts with vendors, seeking discounts off commercial list prices that are at least as favorable as those vendors offer their most favored customers. Once FSS has negotiated these master contracts, personnel in customer agencies may place orders against them and, if they have large requirements, seek additional price discounts beyond those FSS has negotiated.

FTS follows a "full-service" business model and manages the acquisition of information technology and telecommunications products and services on behalf of federal agencies. FTS contracting officers help agency customers fill their requirements using contracts FTS has awarded competitively to vendors that offer the most favorable combinations of quality and value. FTS contracting officers also have the discretion to select the contract vehicle they consider most advantageous for filling a requirement. For example, FTS is a major user of the FSS federal supply schedule contracts, and also uses a range of contract vehicles other federal agencies have awarded—commonly known as governmentwide acquisition contracts. FTS provides agency customers support in overseeing the entire acquisition process, including helping customers with defining requirements, placing orders to fill requirements, and administering orders.

[1] P.L. 104-106, Feb. 10, 1996.

Views on Overlapping Differ

Concerns have been raised about whether GSA's procurement programs are operating efficiently. For example, one industry association, noting that duplicative contract vehicles exist throughout the government, has criticized duplication of efforts between FSS and FTS. In particular, the association took issue with FTS's decision to award separate contracts for seat management services,[2] even though the services could have been acquired through FSS schedule contracts. According to the association, companies incurred additional costs to prepare proposals to win these separate contracts, and FTS incurred additional costs to evaluate proposals and select the winning contractors. The association argued that administrative costs for both companies and the government could have been reduced had FTS chosen to negotiate agreements to provide seat management services under existing FSS schedule contracts. However, the association did not provide firm estimates of how much costs could have been reduced.

During our work, we found no comprehensive analysis conducted by GSA of how the overlap between FSS and FTS has affected administrative costs or the prices the government pays for products and services. However, the GSA Inspector General (IG) interviewed a limited number of IT vendors and federal agency customers and reported that these parties had a favorable view of the overlap. Vendors, the IG reported, were willing to accept the increased cost of administering overlapping contract vehicles because they viewed these vehicles as opportunities to win more federal business. Agency customers viewed the overlapping vehicles as providing them procurement options. Nonetheless, the diverging views regarding the impact of overlap between FSS and FTS contracts indicate a need for GSA to take a hard look at how effectively its procurement programs are operating.

[2] Contracts for seat management services typically call for a single vendor to provide all hardware, software, and management and support services needed to operate an agency's in-house desktop computer network for a fixed monthly fee, instead of the agency acquiring these products and services separately from various sources.

GSA Has Begun Initiatives to Assess How Well Its Procurement Programs Are Performing

GSA has recently begun two initiatives that will provide better information on how well its procurement programs are operating. The first focuses on building better performance measures; the second on assessing the structure and efficiency of FSS and FTS and their services.

First, GSA is encouraging the managers of its procurement programs to develop performance measures that can support an assessment of whether the best value is being achieved. GSA already has measures for these programs, but they focus on increasing revenues and customer satisfaction and not specifically on the question of whether quality products and services are being provided at competitive prices and significant savings to the government.[3]

To date, FSS has proposed two measures that would provide information on its ability to achieve cost savings. The first of these would examine price competitiveness, as reflected in the discounts obtained when negotiating master contracts. The second would examine the additional discounts that customers obtained when negotiating individual orders. FSS officials, however, noted that implementing this second measure is not currently practical because the organization does not receive information on discounts customers have negotiated. Officials anticipate that customers and vendors will find the burden of routinely reporting this information unacceptable and are considering whether collecting information on a limited sample of orders would be a more appropriate approach.

FTS, for its part, has proposed a number of measures that should shed light on whether it is achieving customers' timeliness, quality, and cost goals. Specifically, FTS is proposing to measure how frequently it is able to award orders by the dates agreed to with customers and how frequently products it purchases are delivered by the dates agreed to with customers. These two measures should provide useful information on timeliness. In addition, FTS is proposing to compare the prices it negotiates with

[3] The Government Performance and Results Act of 1993 requires agencies to set goals, measure performance, and report on their accomplishments. We recently reported on the performance goals GSA had established for selected key outcomes in its Annual Performance Plan for Fiscal Year 2002, including the planned outcome "Quality products and services are provided to federal agencies at competitive prices and significant price savings to the government." We reported that performance goals for this outcome were generally measurable and quantifiable. See U.S. General Accounting Office, *General Services Administration: Status of Achieving Key Outcomes and Addressing Major Management Challenges*, GAO-01-931 (Washington, D.C.: Aug. 3, 2001).

vendors to independent government cost estimates for the products and services purchased. This measure will provide some insight into whether FTS is obtaining good prices. FTS officials, however, acknowledged that the validity of government estimates, which they propose to use as a measurement benchmark, depends heavily on the skills and capabilities of the estimators, which in their experience has varied.

Second, GSA has chartered a study of the structure and efficiency of FSS and FTS and the services they provide agency customers. This study was initiated through award of a contract to a well-known management-consulting firm. The consulting firm will survey key current and potential customers of GSA's procurement programs to identify their needs for IT and telecommunications services. The consulting firm will then analyze GSA's current approach to filling these needs and identify high-potential alternative approaches to doing so. The study's ultimate objective is to develop strategies to improve GSA's capability to serve the federal technology market.

We believe both initiatives are good steps toward answering the questions this subcommittee is asking today. They will be challenging in view of the potential reluctance of customers and vendors to comply with additional reporting burdens and difficulties associated with producing independent cost estimates. But it is important for GSA to work through these issues to gain assurance that its programs are delivering value to the government and to identify opportunities to increase their efficiency.

Moreover, any success that GSA achieves with these initiatives can also be applied to numerous other interagency contract vehicles. Little is known about these vehicles—specifically whether they are providing high quality and best value and whether, from a governmentwide perspective, the right mix of options is available to agencies.

Conclusion

In conclusion, FSS and FTS are similar in that they provide a broad range of IT products and services and access to many of the same vendors. They differ in that one provides a full range of support services to help agencies manage acquisitions while the other simply provides access to flexible, convenient contract vehicles. Some would suggest that maintaining overlapping procurement programs gives rise to inefficiencies and others that doing so provides agencies desirable flexibility. As these programs have grown in size and significance and as more agencies take on similar programs, it is becoming increasingly critical to answer this question. We support GSA's efforts to do so and believe that their results could also be

beneficial in terms of looking at this issue from a governmentwide perspective.

Mr. Chairman and members of the subcommittee, that concludes my statement. I will be happy to address any questions you may have.

Contact and Acknowledgment

For further information, please contact David E. Cooper at (202) 512-4841. Individuals making key contributions to this testimony include Cristina Chaplain, Ralph Dawn, Monty Peters, and Jeffrey V. Rose.

Mr. DAVIS. Thank you very much.

Mr. Perry, thanks for being with us.

Mr. PERRY. Chairman Davis and members of the subcommittee, thank you very much for this opportunity to testify about GSA's management reform and performance improvement initiatives, both in general and as these two steps apply to our Federal Technology Service and Federal Supply Service in particular.

Before I describe the specifics of our efforts at FTS and FSS, please permit me to outline GSA's agency-wide management reform and performance improvement initiatives, because I think that will set the context for the more specific discussion. After I was sworn in as Administrator of GSA last June, we began a comprehensive review of the agency to ensure that GSA is providing best value to customer agencies and to the taxpayers. We began a round of management reviews and strategic planning discussions within the organization and throughout the organization.

As an agency, we redefined or refocused upon our mission. We established six specific agency-wide goals, all of which are supplemented by individual goals for respective units under those categories. We established or defined for ourselves five GSA-wide values that we will conduct ourselves by. And we developed performance plans, laying out the strategies and tactics of how we are going to achieve success.

This process, which we call creating a successful future at GSA, is the foundation from which we will achieve a higher level of performance at the agency. We determined that our mission is to help other Federal agencies better serve the public by offering to them at best value superior work places, expert solutions, acquisition services and management policies. In line with that mission statement, we determined that the values of our organization which exist are as follows. First and foremost, ethics and integrity in everything we do. Second, respect for our fellow GSA associates, which leads to the third value of teamwork, which is critical, really, to our success. Fourth, results orientation and fifth, professionalism.

After having determined and refocused upon our agency's mission and values, we then outlined the six GSA-wide goals that we would hold ourselves accountable to achieve. Those goals are first and foremost, to provide best value for our customer agencies and the taxpayer. Second, to achieve responsible asset management. That's particularly relevant in our property management arena. Operate effectively and efficiently. Four, ensure financial accountability. Five, maintain a world class work force and a world class work place, which speaks to the issue of human capital development and training. And sixth, carry out our social and environmental responsibilities as a Federal Government agency.

Mr. Chairman, in addition to establishing clear and challenging goals for ourselves, we are also instituting a rigorous performance management process at GSA. We're establishing measures which will allow us to track our performance achievements or lack thereof in every important area within GSA. It was during this process of review that we identified similar functions were being administered by the Federal Supply Service and the Federal Technology

Service. These initial findings were consistent with what we were hearing from this subcommittee and from others.

The Commissioners of FSS and FTS and I decided at that time to conduct an objective, third party review of the two Service areas in order to determine if the current policies, procedures and structures of these two Service areas were in fact providing best value to customers. On January 22nd of this year, we engaged Accenture, and they began assisting us in this review. Our study of FTS and FSS policies, procedures, structures and operations include a focus on non-value adding activities, duplication or overlap between these two organizations. The study will also determine if there are any gaps, that is in addition to duplication and overlap, are there any voids where FSS and FTS should be adding or providing additional information technology and telecommunications services to our customer agencies.

Accenture's team has been given full access to the FSS and FTS management and to all the other associates and to all the other information with respect to these issues in those two organizations. They are using that information to analyze our organization's policies, procedures, structures and operations. Accenture is also interviewing customer agencies and industry partners to determine if they perceive that FSS and FTS are operating in a manner that provides best value in procuring products and services that our customers agencies need to meet their missions.

After a detailed business analysis of these facts, Accenture will provide GSA with the results of its study and its recommendations or alternative solutions which could be used to improve our performance and to better meet our goal of providing best value to our customer agencies and the taxpayers. We have set a very aggressive time table for the completion of this study. We expect it to be completed by the end of this month. The study is moving along at a good pace. Once it is concluded, we will review the results and we will consider and evaluate all of the recommendations or alternative solutions and determine what steps, if any, should be taken.

Mr. Chairman, by taking an independent assessment of the FTS and FSS business lines, GSA hopes to evaluate and if necessary, make changes to the current policies, procedures and activities that might significantly enhance our ability to provide best value to our customer agencies. Our work in the FTS and FSS IT solutions arena is just one part of our overall performance improvement initiative to improve GSA's performance in providing best value to our customer agencies.

I certainly want to thank you for your interest in this issue and for the opportunity to testify before you and this subcommittee. At this time or at a later time, I will be happy to answer any questions you may have.

[The prepared statement of Mr. Perry follows:]

STATEMENT OF

STEPHEN A. PERRY

ADMINISTRATOR
OF
GENERAL SERVICES

BEFORE THE

SUBCOMMITTEE ON TECHNOLOGY
AND PROCUREMENT POLICY

COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

APRIL 11, 2002

CHAIRMAN DAVIS AND MEMBERS OF THE SUBCOMMITTEE, THANK YOU FOR THE OPPORTUNITY TO TESTIFY ABOUT GSA'S MANAGEMENT REFORM INITIATIVES AND THE FEDERAL TECHNOLOGY SERVICE AND FEDERAL SUPPLY SERVICE IN PARTICULAR. BEFORE I DESCRIBE THE SPECIFICS OF OUR EFFORTS, I WOULD LIKE TO OUTLINE GSA'S AGENCY-WIDE MANAGEMENT REFORM EFFORT.

BACKGROUND / HISTORY

MR. CHAIRMAN, AFTER I WAS SWORN IN AS THE ADMINISTRATOR OF GENERAL SERVICES LAST YEAR, I BEGAN A COMPREHENSIVE REVIEW OF THE AGENCY.

TO ENSURE THAT GSA IS PROVIDING BEST VALUE TO ITS AGENCY CUSTOMERS AND THE TAXPAYERS, I BEGAN A ROUND OF MANAGEMENT REVIEWS AND STRATEGIC PLANNING WITHIN THE ORGANIZATION. AS AN AGENCY WE REDEFINED OUR MISSION, ESTABLISHED SIX AGENCY-WIDE GOALS AND FIVE VALUES AND DEVELOPED PERFORMANCE

PLANS LAYING OUT THE TACTICS OF HOW WE ARE GOING TO ACHIEVE SUCCESS. THIS PROCESS, WHICH WE CALL, "***CREATING A SUCCESSFUL FUTURE AT GSA***", IS THE FOUNDATION FROM WHICH WE WILL ACHIEVE A HIGHER LEVEL OF AGENCY PERFORMANCE.

WE DETERMINED THAT OUR MISSION IS TO, "HELP FEDERAL AGENCIES BETTER SERVE THE PUBLIC BY OFFERING, AT BEST VALUE, SUPERIOR WORKPLACES, EXPERT SOLUTIONS, ACQUISITION SERVICES AND MANAGEMENT POLICIES."

IN LINE WITH OUR MISSION STATEMENT, WE DETERMINED THAT THE VALUES OF OUR ORGANIZATION ARE AS FOLLOWS:

1. ETHICS AND INTEGRITY IN EVERYTHING WE DO.
2. RESPECT FOR FELLOW GSA ASSOCIATES.
3. TEAMWORK
4. RESULTS ORIENTATION
5. PROFESSIONALISM

AFTER DETERMINING OUR VALUES, WE OUTLINED OUR STRATEGIC GOALS. THOSE GOALS ARE:

1. PROVIDING THE BEST VALUE FOR OUR CUSTOMER AGENCIES AND THE TAXPAYERS
2. ACHIEVING RESPONSIBLE ASSET MANAGEMENT
3. OPERATING EFFICIENTLY AND EFFECTIVELY
4. ENSURING FINANCIAL ACCOUNTABILITY
5. MAINTAINING A WORLD-CLASS WORKFORCE AND WORLD-CLASS WORKPLACE
6. CARRYING OUT OUR SOCIAL AND ENVIRONMENTAL RESPONSIBILITIES AS A FEDERAL GOVERNMENT AGENCY.

MR. CHAIRMAN, AS YOU CAN SEE, WE ARE INSTITUTING A RIGOROUS MANAGEMENT REVIEW AT GSA, AND IN TURN WE ARE ESTABLISHING MEASURES THAT WILL ALLOW US TO TRACK OUR PERFORMANCE IN EVERY AREA. IT WAS DURING THIS PROCESS THAT WE IDENTIFIED SIMILAR FUNCTIONS ADMINISTERED BY THE FEDERAL SUPPLY SERVICE (FSS) AND THE FEDERAL TECHNOLOGY SERVICE (FTS). THESE INITIAL

FINDINGS WERE CONSISTENT WITH WHAT WE WERE HEARING FROM OTHERS. THE COMMISSIONERS OF FSS AND FTS AND I HAVE DECIDED TO CONDUCT AN OBJECTIVE THIRD PARTY REVIEW OF THE TWO BUSINESS UNITS TO DETERMINE IF THE CURRENT STRUCTURES AND SERVICES FROM THESE BUSINESS UNITS PROVIDE THE BEST VALUE TO THE GOVERNMENT. ON JANUARY 22, 2002, *ACCENTURE* BEGAN REVIEWING THE TWO SERVICES.

ACCENTURE'S STUDY WILL FOCUS ON ANY POTENTIAL OVERLAP BETWEEN THE TWO ORGANIZATIONS. THIS REVIEW WILL ALSO DETERMINE IF THERE ARE ANY GAPS WHERE FSS AND FTS SHOULD BE PROVIDING PARTICULAR INFORMATION TECHNOLOGY OR TELECOMMUNICATIONS SERVICES TO AGENCY CUSTOMERS.

ACCENTURE HAS BEEN GIVEN FULL ACCESS TO BOTH SERVICES' SENIOR MANAGEMENT AND ASSOCIATES, AND IS ANALYZING THE ORGANIZATIONS' OPERATIONS. THE CONTRACTOR IS ALSO INTERVIEWING OUR CUSTOMER

AGENCIES TO DETERMINE IF FSS AND FTS OFFER PRODUCTS AND SERVICES THAT ARE RESPONSIVE TO OUR CUSTOMERS' NEEDS.

AFTER A DETAILED BUSINESS ANALYSIS, *ACCENTURE* WILL PROVIDE GSA WITH THE RESULTS OF ITS STUDY AND ITS RECOMMENDATIONS ON HOW WE CAN IMPROVE OUR PERFORMANCE, IN ORDER TO PROVIDE BEST VALUE TO OUR CUSTOMERS AND THE TAXPAYERS.

WE HAVE SET A VERY AGGRESSIVE TIMETABLE FOR COMPLETION OF THIS STUDY AND EXPECT IT TO BE COMPLETED ON APRIL 30, 2002. THEY ARE NOW WORKING WITH GSA ON STRATEGY DEVELOPMENT TO IDENTIFY AND EVALUATE ALTERNATIVES AND RECOMMEND THE BEST SOLUTIONS FOR GSA IN PROVIDING SERVICE TO OUR CUSTOMER AGENCIES.

AS YOU CAN SEE, THE STUDY IS MOVING ALONG AT A GOOD PACE. ONCE IT HAS CONCLUDED, WE WILL REVIEW THE

RESULTS, CONSIDER AND EVALUATE ALL OF THE RECOMMENDATIONS, AND DETERMINE WHAT STEPS, IF ANY, SHOULD BE TAKEN.

GSA SERVICE TO CUSTOMER AGENCIES

MR. CHAIRMAN, AT THIS POINT IN TIME I WOULD LIKE TO DISCUSS HOW GSA INTERACTS WITH OUR CUSTOMER AGENCIES, AND HOW THEY GET BEST VALUE FROM OUR CONTRACT VEHICLES.

WHEN A CUSTOMER AGENCY WORKS WITH FTS IT PROVIDES FTS WITH THE RESULTS IT IS LOOKING FOR AND FTS DOES AN ANALYSIS OF THE CONTRACT VEHICLES AVAILABLE GOVERNMENT-WIDE. AFTER THE ANALYSIS IS COMPLETE FTS PROVIDES THE AGENCY WITH A BEST VALUE SOLUTION. THAT SOLUTION COULD INCLUDE USING THE FSS SCHEDULE PROGRAM, A CONTRACT VEHICLE ESTABLISHED BY ANOTHER AGENCY, SUCH AS NIH, OR A CONTRACT ESTABLISHED BY FTS. WHEN A CUSTOMER AGENCY DOES BUSINESS WITH FSS

THE CUSTOMER AGENCY CONTRACTING OFFICER DETERMINES WHICH SCHEDULES CONTRACT PROVIDES THE BEST VALUE.

EACH SERVICE HAS A SLIGHTLY DIFFERENT WAY OF CHOOSING WHICH PRODUCTS AND SERVICES THEY WILL OFFER, AND IS REFLECTIVE OF THEIR DIFFERING MISSIONS. FSS DETERMINES THE SERVICES AND PRODUCTS THEY WILL OFFER UNDER THE PROGRAM BASED ON CUSTOMERS' NEEDS. THEY CONDUCT MARKET RESEARCH AND PREPARE A BUSINESS CASE ANALYSIS PRIOR TO ADDING SERVICE OR PRODUCT LINES. DURING THIS PROCESS, FSS CONSIDERS OTHER CONTRACT VEHICLES CURRENTLY IN PLACE FOR THESE SAME ITEMS.

THE MAJOR FACTOR FTS USES IN DECIDING WHAT PRODUCTS AND SERVICES FOR WHICH TO CONTRACT IS, AGAIN, THE NEEDS OF THEIR CLIENTS. THOSE NEEDS ARE IDENTIFIED BY CUSTOMER SUPPORT GROUPS, THROUGH DAY-TO-DAY INTERACTION WITH CUSTOMERS, AND THROUGH

FTS EFFORTS IN MARKET RESEARCH. ANY RECOMMENDATIONS TO ISSUE NEW FTS CONTRACT VEHICLES ARE SUBJECTED TO REVIEW BY A PRODUCT/SERVICE REVIEW BOARD COMPOSED OF FTS MANAGERS CHARGED WITH RECOMMENDING APPROVAL OR DISAPPROVAL TO THE FTS COMMISSIONER.

FURTHER, WHEN FTS ISSUES GOVERNMENT-WIDE ACQUISITION CONTRACTS (OR GWAC'S), THEY ARE UNDERTAKEN ONLY AFTER PRESENTATION TO, AND APPROVAL BY, THE OFFICE OF MANAGEMENT AND BUDGET. A BUSINESS CASE IS MADE TO SUPPORT THE NEED FOR THE GWAC, CONSIDERING CLIENT GOALS AND GSA GOALS, AS WELL AS THE AVAILABILITY OF EXISTING VEHICLES.

IT IS APPROPRIATE TO OFFER SIMILAR SERVICES AND PRODUCTS AT BOTH FTS AND FSS WHEN THEY MEET THE CUSTOMER'S NEEDS. THE FSS SCHEDULES ARE MORE "SELF-SERVE" AND OFFER A DIRECT MECHANISM FOR CUSTOMERS TO PURCHASE PRODUCTS AND SERVICES DIRECTLY FROM A

VENDOR WITH LITTLE TO NO GSA INVOLVEMENT, WHILE FTS OFFERS MORE OF A "CONSULTING SERVICE" WHICH WORKS WITH CUSTOMER AGENCIES TO BEST MEET THEIR NEEDS.

THROUGH SOUND ACQUISITION PLANNING, CONTRACTING OFFICERS CAN ASSURE THE CONTRACT SELECTED FOR USE WILL PROVIDE THE BEST VALUE TO THE GOVERNMENT. FSS OFFERS A BROAD SPECTRUM OF COMMERCIAL SERVICES AND PRODUCTS TO PROVIDE A TOTAL SOLUTION. FTS PROVIDES ASSISTANCE TO OUR CLIENTS IN THEIR BEST VALUE DECISIONS. FTS HAS STAFFS DEVOTED TO WORKING WITH AGENCIES, BOTH IN OUR CENTRAL OFFICE LOCATIONS AS WELL AS IN OUR REGIONAL OFFICE LOCATIONS. A "BEST VALUE ACQUISITION" MAY INCLUDE A FSS SCHEDULE CONTRACT ALONE, AN FTS CONTRACT ALONE, OR A COMBINATION OF BOTH.

COORDINATION BETWEEN FTS AND FSS

INTEGRATED SERVICE DELIVERY IS THE BLUEPRINT FOR GSA. JOINT MARKETING EFFORTS BETWEEN FSS AND FTS EXIST IN A NUMBER OF GSA'S REGIONAL OFFICES; WHENEVER PRACTICAL, CLIENT AGENCIES ARE PROVIDED WITH AN FTS/FSS COORDINATED SOLUTION.

TO FURTHER EXPAND THESE EFFORTS, I'VE RECENTLY CHARGED FSS, FTS, AND THE PUBLIC BUILDING SERVICE TO WORK TOGETHER IN STUDYING HOW BEST TO FURTHER IMPLEMENT GSA'S MARKETING PROGRAM. THE JOINT TEAM WILL DEVELOP A GSA-WIDE STRATEGY FOR UNDERSTANDING OUR CUSTOMER NEEDS AND WILL DEVELOP A COORDINATED PLAN TO MEET THOSE NEEDS WITH GSA'S PRODUCTS AND SERVICES THROUGH AN AGENCY-WIDE MARKETING PROGRAM.

FTS AND FSS ARE ALSO JOINTLY PARTICIPATING IN AN INITIATIVE, WHICH WILL ENABLE FTS TO OFFER INFORMATION TECHNOLOGY SOLUTIONS AND NETWORK SERVICES THROUGH THE FSS ON-LINE ORDERING SYSTEM, "GSA ADVANTAGE!"

TO ENSURE THAT THESE SERVICES ARE PROVIDING BEST VALUE TO OUR CUSTOMER AGENCIES, GSA'S MANAGEMENT PROGRAM INCLUDES FORMAL QUARTERLY MANAGEMENT REVIEWS AND AN ONGOING DIALOGUE WITH THE HEADS OF SERVICES THROUGH WEEKLY MEETINGS.

PERFORMANCE IS TRACKED AGAINST OUR OBJECTIVES AT THE SERVICE LEVEL, AS WELL AS AGENCY-WIDE, UNDER GSA'S PERFORMANCE MANAGEMENT PROGRAM.

WE EXPECT THE RECENTLY-COMMISSIONED STUDY BY ACCENTURE TO PRODUCE RECOMMENDATIONS ON HOW GSA CAN IMPROVE ITS SERVICE TO CUSTOMER AGENCIES. COMMISSIONERS OF BOTH SERVICES ARE WORKING

TOGETHER IN REVIEWING THEIR PERFORMANCE PLAN GOALS, IMPLEMENTATION PLANS AND PERFORMANCE MEASURES. FOR EXAMPLE, BOTH SERVICES ARE WORKING TOWARD INCREASING CUSTOMER SATISFACTION IN THE DELIVERY AND QUALITY OF PRODUCTS AND SERVICES PROVIDED TO CUSTOMER AGENCIES.

GSA PROVIDED TRAINING FOR CUSTOMER AGENCIES

GSA CONTINUES TO BELIEVE TRAINING IS CRITICAL TO THE SUCCESSFUL, COST EFFECTIVE PROCUREMENT OF SERVICES AND PRODUCTS BY FEDERAL AGENCIES. GSA HAS UNDERTAKEN A NUMBER OF TRAINING EFFORTS TO REACH USERS OF THE SCHEDULES PROGRAM. THESE EFFORTS INCLUDE: 1) EDUCATING CONTRACTING OFFICERS ON THE APPLICABILITY OF THE FEDERAL ACQUISITION REGULATION, 2) ASSIST OTHER AGENCIES IN DEVELOPING AN ACQUISITION STRATEGY USING SCHEDULES, 3) USING PERFORMANCE BASED CONTRACTING, AND 4) USING THE VARIOUS PURCHASING TOOLS AVAILABLE UNDER SCHEDULES. THE

GOAL IS TO PROVIDE CONTRACTING OFFICERS WITH THE TOOLS AND KNOWLEDGE NEEDED TO ENSURE THEIR USE OF SCHEDULES RESULTS IN THE BEST VALUE TO THE AGENCIES AND ULTIMATELY THE TAXPAYER.

GSA PROVIDES TRAINING OPPORTUNITIES THROUGH:
THE INTERNET – OUR ON-LINE VIRTUAL CAMPUS, *UNIVERSITY OF MULTIPLE AWARD SCHEDULES (UMAS),* IS A SELF-PACED EDUCATIONAL TOOL THAT INCLUDES COURSE SERIES ON: MAS PROGRAM, ORDERING PROCEDURES FOR PRODUCTS AND SERVICES; PERFORMANCE-BASED CONTRACTING, BLANKET PURCHASE AGREEMENTS, AND CONTRACTOR TEAM ARRANGEMENTS.

GENERAL TRAINING SEMINARS – TRAINING EVENTS INCLUDE GSA EXPO, FOSE, PROFESSIONAL SERVICES EXPOSITION, *WHEEL OF SERVICES CONFERENCE*, CUSTOMER SERVICE DIRECTOR TRAINING, AND NATIONAL CONTRACT MANAGEMENT ASSOCIATION LUNCHEON SEMINARS.

ON-SITE AGENCY TRAINING – GSA PROVIDES ON-SITE TRAINING AT AN AGENCY'S REQUEST.

PUBLICATIONS – GSA ISSUES NUMEROUS PUBLICATIONS RELATING TO THE SCHEDULES PROGRAM INCLUDING: THE *WIDE WORLDS OF SERVICES* BOOKLET WHICH IDENTIFIES THE BENEFITS OF THE SCHEDULES PROGRAM; THE *MULTIPLE AWARD SCHEDULES OWNER'S MANUAL* EXPLAINS PROGRAM FEATURES, HOW IT WORKS, AND PROVIDES ORDERING PROCEDURES; THE *GSA SCHEDULES BROCHURE* IS DESIGNED TO INFORM READERS OF THE THOUSANDS OF STATE-OF-THE-ART COMMERCIAL SERVICES AND PRODUCTS AVAILABLE ALONG WITH IDENTIFYING BENEFITS OF THE PROGRAM.

INDUSTRY – EACH GSA ACQUISITION CENTER CONDUCTS TRAINING FOR INDUSTRY ON A WIDE RANGE OF TOPICS TO INCLUDE AN OVERVIEW OF GSA SCHEDULES, HOW TO PREPARE A QUALITY OFFER, AND HOW TO SELL TO THE FEDERAL MARKETPLACE.

THE FTS SOLUTIONS DEVELOPMENT CENTERS HAVE CREATED A CONTRACT MATRIX THAT CUSTOMERS AND FTS STAFF MAY USE TO ASSIST IN COMPARING OFFERINGS OF FTS TO THOSE OF OTHER PROVIDERS. THESE FTS CENTERS ALSO SPONSOR TRAINING FOR FTS STAFF, CUSTOMER AGENCY STAFF AND INDUSTRY PARTNER STAFF ON VARIOUS ASPECTS OF THE ACQUISITION PROCESS.

CONCLUSION

MR. CHAIRMAN, BY TAKING AN INDEPENDENT ASSESSMENT OF THE FTS AND FSS BUSINESS LINES, GSA HOPES TO EVALUATE, AND IF NECESSARY, MAKE CHANGES TO THE CURRENT STRUCTURE THAT WILL CONTINUE TO PROVIDE THE BEST VALUE TO OUR CUSTOMER AGENCIES. IN ORDER TO IMPROVE OUR ABILITY TO MEET OUR CUSTOMER NEEDS, WE ARE IMPLEMENTING A RIGOROUS PERFORMANCE

IMPROVEMENT PROCESS, ASSESSING GSA'S ABILITY TO MEET OUR CUSTOMERS' NEEDS, AND IMPROVING OUR AGENCY PERFORMANCE.

MR. CHAIRMAN, THANK YOU FOR YOUR INTEREST IN THIS ISSUE AND FOR THE OPPORTUNITY TO TESTIFY BEFORE YOU AND THE SUBCOMMITTEE. AT THIS TIME I AM HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

Mr. DAVIS. Thank you very much.

Ms. Knott.

Ms. KNOTT. Good morning, Mr. Davis, Mr. Turner and other members of the committee.

I also appreciate the opportunity to appear before this committee. This morning I will briefly discuss DLA's use of the services provided by the General Services Administration Federal Supply Service and Federal Technology Service. This is also a timely occasion for comments from DLA pertaining to Section 803 of the National Defense Authorization Act for fiscal year 2002.

DLA has directly awarded contracts using Federal Supply Service schedule contracts in the past. In fact, in fiscal year 2001, we awarded $389 million and in fiscal year 2000, we awarded $343 million. We have found the schedules offered by GSA to be efficient and consistent with our agency's goal to ensure that the best value is obtained for the Government.

DLA also utilizes the Federal Technology Service primarily for telecommunications. All of our telecommunication requirements go through the Defense Information Systems Agency, who functions as the single DOD agent in this area. Using what we call military inter-departmental purchase requests, in fiscal year 2002 we provided $15.4 million to DISA for telecommunications requirements. And in fiscal year 2001, the amount was $14.1 million.

In a brief overview of the specific questions raised by your committee, let me say that I am unaware of any DLA issues associated with competing contracts issued by FTS and FSS. We have found the schedules offered by GSA are consistent with our agency's goal of acquiring best value solutions. The information and training provided by GSA through its Web sites and seminars provide valued information into their products and services and how we can best utilize them.

As to the provisions of Section 803 of the National Defense Authorization Act for fiscal year 2002, under this proposed rule, each order for services exceeding $100,000 made under a multiple award schedule will be made only after all contractors offering such services under the schedule are notified of the intent to make a purchase, or the contracting officer must inform as many scheduled contractors as practical, and the contracting officer must ensure that proposals are received from at least three schedule contractors to be considered for award. This new process is a departure from current rules for awarding orders under the schedules. The current rules require a contracting officer to contact only three schedule contractors that are capable of performing the requirement. We will be implementing this section 803 upon receipt of the DOD implementation guidance.

Thank you very much, and I stand ready to answer your questions.

[The prepared statement of Ms. Knott follows:]

Not for publication until released
By the House Committee on Government Reform
Subcommittee on Technology and Procurement Policy

STATEMENT OF

MS. CLAUDIA S. KNOTT

EXECUTIVE DIRECTOR, LOGISTICS POLICY AND

ACQUISITION MANAGEMENT

DEFENSE LOGISTICS AGENCY

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

SUBCOMMITTEE ON TECHNOLOGY AND PROCUREMENT POLICY

APRIL 11, 2002

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By the House Committee on Government Reform
Subcommittee on Technology and Procurement Policy

Good morning, Mr. Chairman, and distinguished members. I am Claudia "Scottie" Knott, Executive Director of Logistics Policy and Acquisition Management for the Defense Logistics Agency (DLA). I appreciate the opportunity to appear before this Subcommittee to discuss services provided by the General Services Administration's (GSA) Federal Supply Service (FSS) and the Federal Technology Service (FTS). This is also a timely occasion for comments from DLA pertaining to Section 803 of the National Defense Authorization Act for Fiscal Year 2002. Section 803 requires that, except for narrow exceptions, each order for services exceeding $100,000 that is made under a multiple award schedule be made only after all contractors offering such services under the schedule are notified of the intent to make a purchase. The Department of Defense (DoD) is required to implement this law within 180 days of passage of the statute, or June 26, 2002. It is currently proceeding through the public comment period prior to its implementation.

Now I will discuss DLA's current use of FSS and FTS contracts and address the questions raised in Chairman Davis' letter of March 21, 2002, addressed to the Secretary of Defense. Following that, I will describe some potential impacts of Section 803.

DLA has awarded substantial dollars on Federal Supply Service (FSS) schedule contracts in the past including awards for IT support services. In Fiscal Year 2001, we awarded $389 million, and in Fiscal Year 2000, we awarded $343 million. The acquisition procedures used by DLA ensure that the best value is obtained for the Government.

DLA relies upon the Defense Information Systems Agency (DISA) to acquire telecommunications services. DISA has utilized FTS telecommunication contracts to obtain these services. Our procedures for these services require the DLA Telecommunications Managers to identify DLA's mission needs and request the DISA telecommunications provider to obtain the solution that will satisfy the mission need. Using Military Interdepartmental Purchase Requests, in FY 2002 we provided $15.4 million to DISA for telecommunications requirements. In FY 2001, the amount sent to DISA was $14.1 million.

Questions Included in Chairman Davis' letter of March 21, 2002

Now, let me address Chairman Davis' questions.

1. **To the best of your knowledge, who has the authority to choose among competing contracts awarded by FTS and FSS?**

DISA makes the choice for telecommunications requirements, which have utilized the FTS contracts. For other requirements, DLA contracting officers perform the evaluation needed to decide which contract will be used to make

an award. We are unaware of any competing contracts between FSS and FTS.

2. In your view, do GSA contracting officers assure that the contract selected for use will provide the best value to the government?

GSA contracting officers establish the schedule contracts for use by other Federal agencies. Having these contract vehicles available benefits DLA in the area of operational efficiency. DLA contracting officers bear the responsibility for ensuring that the FSS schedule selected provides best value to the government. In instances of requirements fulfilled under FTS telecommunications contracts, these would represent requirements passed to DISA. DISA is then responsible for determining the best solution, including utilization of an FTS telecommunications contract that will best satisfy the mission need.

3. Do you believe that FTS and FSS coordinate their purchasing activities and leverage their combined buying power to provide the best value to the government?

I can explain the processes DLA uses to coordinate FTS telecommunications and FSS purchases. In accordance with DoD policy, DLA uses DISA as the source to meet telecommunications requirements. These requirements are managed by a DLA telecommunications manager, but the actual use and selection of the FTS vehicles is handled by DISA personnel.

4. What information/training does FTS and FSS offer to federal agencies regarding contracting vehicles to assist them in making smart purchasing decisions?

Both organizations use a variety of communication channels to provide information and training. Channels include extensive web sites; scheduled training sessions for contractors and government personnel; and sponsorship of or participation in various seminars and conferences.

Potential Impacts of Section 803 of the National Defense Authorization Act for Fiscal Year 2002

As explained earlier in this statement, the provisions of Section 803 of the National Defense Authorization Act for Fiscal Year 2002 include requirements for contracting officers contemplating awards for services using multiple award contracts, such as those under FSS and FTS. Under this proposed rule, all schedule contractors must be informed of opportunities for award of task orders over $100,000 under service contracts; or the contracting officer must inform as many schedule contractors as practicable and the contracting officer must ensure that proposals are received from at least three schedule contractors to be considered for award.

There are limited exceptions to this proposed policy:

- The agency's need for the service or supply is of such unusual urgency that providing an opportunity to all awardees would result in unacceptable delays;

- Only one awardee is capable of providing the required services or supplies at the requisite level of quality because the services or supplies are unique or highly specialized;
- The task or delivery order should be issued on a sole-source basis in the interest of economy and efficiency because it is a logical follow-on to a task or delivery order already issued on a competitive basis (under the current schedule contract).

The proposed process under Section 803 strengthens competition practices for schedules in particular. The current rules require a contracting officer to contact only three schedule contractors that are capable of performing the requirement.

To recap:

- DLA uses FSS schedule vendors to execute contracts. We submit requirements for telecommunication services to DISA, which executes contracts with FTS to meet DLA requirements.
- At DLA, we have reaped the benefits of a competitive contracting process for a number of years, and we anticipate gaining continued benefits in the future.
- At DLA, we are not aware of issues between FSS and FTS contracts.

Thank you very much for this opportunity, and I stand ready to address your questions.

Mr. DAVIS. Thank you very much.

I'll start the questioning with Mr. Schrock.

Mr. SCHROCK. Thank you, Mr. Chairman, and thank you all for being here today.

I just have a couple of brief comments. Mr. Cooper, one of the things that struck me that you said, you talked about overlap, which to me means duplication of efforts, and you said businesses like that. You have to help me through that, something doesn't sound right about that.

Mr. COOPER. The overlap that exists is in the IT area. What's happening is, as Federal agencies need more and more services, IT services, to keep their systems operating, help desks, so on and so forth, they turn to either the schedule or to FTS for a solution in that area.

What we see, the overlap, is that there are contractors under both of those arrangements that provide similar types of services. Services is a very difficult issue. A lot of people, we're in a new era of contracting because of the explosion in service contracting in recent years. Services aren't as easy to buy as products have been in the past, particularly off the schedules. In the past, on a schedule, you could go in with a description, in fact, a national stock number for a product. Then you could see which vendors were offering that product, it's very defined, and then pick three and then place your order.

Services are a little bit different. Services vary from contractor to contractor and it needs a little more deliberation and understanding of what the requirement is and what those contractors are providing to satisfy that requirement. So the overlap is——

Mr. SCHROCK. Not overlap?

Mr. COOPER. It's not the exact duplicate thing, like you would find in the product area.

Mr. SCHROCK. So four different vendors may offer similar things, the Government agency can say, hey, this best fits what we want to do and pick from that?

Mr. COOPER. Exactly.

Mr. SCHROCK. It's not overlap. I understand.

Mr. COOPER. The overlap is not synonymous with duplication as you would find in products.

Mr. SCHROCK. OK. That's what we're trying to do away with.

Mr. COOPER. Right.

Mr. SCHROCK. Mr. Administrator, you mentioned that FTS and FSS do the same things, and this report is going to come out on 30 April. Once the report is out, how long is it going to take to implement? I've been in Government long enough to know sometimes I'll have several birthdays before that happens. I'm just wondering how long something like that will take to implement.

Mr. COOPER. In our overall performance improvement initiatives, we are focusing on quick action and quick implementation. The specific answer to your question, Congressman, of course will depend upon the nature of the recommendations that we receive. But we have taken this on as a priority. We know it's a priority to this subcommittee, and I can assure you that we will address those recommendations as a high priority.

Mr. SCHROCK. I guess the thing about it, at the State level I remember they used to do these magnificent reports and pay hundreds of thousands of dollars, somebody stuck them in a drawer and that's where they stayed.

Mr. COOPER. That will not happen in this case.

Mr. SCHROCK. Ms. Knott, I certainly agree with your comment about best value. As a retired military guy, I think the Department of Defense is doing a great job with inter-operability to make sure that the Services are working more in concert with one another and not at cross purposes. I hope that's what this is all going to come out to be. But I have to compliment the Defense Department for doing that. I'd be remiss if I didn't.

Ms. KNOTT. Thank you very much.

Mr. SCHROCK. Thank you. Thank you all for being here.

Mr. DAVIS. Mr. Turner.

Mr. TURNER. Thank you, Mr. Chairman.

Mr. Cooper, I'm trying to read between the lines here, but I'm getting the sense that you have not perceived a great problem here.

Mr. COOPER. I think when people see and hear some of the things being said, it's in large part a perception right now, and there's very little data, we say that in our statement, there's very little data that defines this overlap.

Let me give you an example. The GSA Inspector General did what they called a limited review back in the summer of 2000. At that time, they identified 139 contractors that were both FTS and FSS. And when they went and looked at the 139, what they found was that 109 of those, or 78 percent, were SBA 8(a) firms that were part of FTS's Federal Acquisition Services for Technology, FAST, program. They were graduating from that program, and in anticipation of graduating from that program they also went and got on the FSS schedule.

So if you just looked at the numbers, you would say, that's duplication. Well, when you get behind that a little bit, it is not as much duplication as it might appear to be.

Mr. TURNER. Mr. Perry, when you first heard about this possible duplication and you began to look into it, did you end up with the sense that there was a problem here?

Mr. PERRY. Well, that's what this study will determine. We really haven't got to that answer. But there was enough discussion of it, there was enough perception that we believed that the only way to really get to the root of the problem here was to have a third party objective review of the facts. That's what is going to answer that question.

Mr. TURNER. So the study that you are initiating through the contract with Accenture is initiated just a few months ago and supposed to be completed?

Mr. PERRY. Yes, we initiated it in January, we gave them 90 days, which also addresses your question, Mr. Schrock. The 90 days is an indication of the priority level that we're putting on this in order to come to some conclusion.

Mr. TUNER. What's the cost of that contract with Accenture to do the study?

Mr. PERRY. I have to admit, Congressman, I don't know the answer to that. I'd be happy to provide that information to you.

Mr. TURNER. Why don't you do that, I'd like that. Thank you, Mr. Chairman.

Mr. DAVIS. I'm going to ask who gives the better deal, since they're both out there. But I guess it really depends, doesn't it, on the vehicle?

Mr. COOPER. That's an excellent question and that I think is where GSA needs to place some emphasis. I think they're beginning to with some of the measures that we've talked about.

Right now, there is no information that will tell you whether in fact we are getting the best value. The study, I think, is going to get at that and identify some ways to maybe promote leveraging of the buying power between the two Services.

Mr. DAVIS. I kind of have an open mind. Maybe this gives the consumers out there, the Government, because there are more choices, the option of being able to go in a couple different directions on this. I don't know. That's what we want to try to find out. And you don't have an opinion one way or the other yet, do you?

Mr. COOPER. Definitely it gives the buyer tremendous choice. And it's not just with FTS and FSS. You can go to the NIH GWAC and get the same kind of services from the same vendors. So the issue that the subcommittee is looking at is an issue that really is broader and is across the Federal Government.

Mr. DAVIS. You can obviously also go, NASA also has a Schedule.

Mr. COOPER. NASA, DOT.

Mr. DAVIS. You don't have to be NASA to go to the NASA Schedules, do you?

Mr. COOPER. No, you don't. There are lots of opportunities.

Mr. DAVIS. I don't mean to be picking on GSA, because there are many schedules out there that are overlapping. I don't know how it all works out, except that there are many choices right now.

Mr. Perry, let me ask a few questions. OMB has noted that sales growth is not a particularly good performance measure, although I think it's relevant. With other Schedules out there, outside of GSA, the fact that they're coming to you still in droves instead of others, I think, is indicative of something. But one look at the savings that are generated for the agency customers, I mean, at the end of the day, that's kind of another bottom line you want to look at on this.

Do you have any strategies right now for reorienting the performance measures for the FTS and FSS?

Mr. PERRY. Yes, Mr. Chairman, we certainly do.

Mr. DAVIS. Those are the ones you read off earlier?

Mr. PERRY. That's the general and overall concept. It gets back to the mission objective that we have where we describe our mission to provide best value to customer agencies. So the question you're raising then is, what is best value. And best value can't completely be measured just by the fact that our sales growth is going up.

Now, I agree with you, it certainly is an indication, because clearly if our sales volume was going way down, that would be an indication that customers are not satisfied with our service. The fact that the reverse is true is a valid vindication.

Mr. DAVIS. And ought to be included, absolutely.

Mr. PERRY. Absolutely. But we do want to go beyond that, in addition, and we have. One of the things we are already doing is to conduct customer satisfaction surveys, where we give the customers the opportunity to fill out a form and tell us specifically areas where we are meeting their needs and areas where we are failing to meet their needs, so that gives us a blueprint for performance improvement. A third thing we're doing, which is relative to that, is that we also are conducing what we call customer service visits.

At the national level, myself and the commissioners as a team visit the agency management and talk with them about, first of all, the short term things, how are we doing with respect to meeting your current needs. We have that discussion. Then we talk about what I believe is more important, that is their longer term programmatic needs. How are we doing, or what are some of the longer term programmatic things that you are embarked upon, and how can we support that effort. So that again gives us, as we leave those meetings, a couple of pages of to-do items with respect to performance in the short term areas and a couple of pages of to-do items with respect to the longer term issues.

So the customer service visits at the national level is another indication, the information we get out of that dialog. And then at the regional level, we're doing the same thing. We're asking each of our regional administrators and their respective teams to visit the customer agencies in their location and to have that discussion. Then last, with respect to this, we are doing that as it relates to our groups of customers in groups in each of our 11 regions around the country. This group is known as the Federal Executive Boards. We meet with them, I go to those meetings myself as often as I can to engage in this dialog, and we document the results.

So all of those are additional parts of determining whether or not we are providing best value. But they are also not precise measurements. So in terms of precise measurements, we are trying to do a couple of things. Right now, the data is not really reliable enough. But we're nevertheless stepping into this.

In the case of FSS, we're looking at trying to collect information that shows the discount from lists that our customer agencies are being able to receive as a measure of the real value that's being derived by that agency. In the case of FTS, we're trying to do similar things, that is to make a statement as to what would it have cost the agency to procure that particular IT solution had they not used an FTS approach versus what they actually did. That will be a numerical measure.

I think it's a useful one, but still, we will not be at what in my judgment is the biggest measure of the value to the customer agency. In order to get that information, the customer agency itself would have to present it, namely that is, once I put that integrated system into my operation, what was the ongoing productivity improvement or cost savings that the agency is generating as a result of that.

Clearly, some of the credit for that savings would belong to the agency itself who made the decision to go forward with that. But in fact what we find is that, in FTS in particular, where they are providing value added services, very often the agency will say, we

would not have come to that solution without FTS's direct involvement. So in that kind of a situation, you could say that FTS was a part of deriving that value. Candidly, that information is difficult to obtain, because it takes time to obtain it. In the case of some agencies, they even have concern about showing what their savings are, for fear of losing it.

But we are at least on an anecdotal basis looking at individual cases. Just last, there was one recent article in the news of an agency who indicated that by converting from its prior approach to a GSA approach, they were now saving $400,000 a year annually on this particular system. Now, those are the kinds of savings that today most agencies don't measure very precisely. We're working to try to move in that direction. And until we get to that point, which I suspect is down the road, we're going to do more in terms of measuring, continue to measure the soft items, if you will, that I've mentioned, the customer satisfaction, the customer interaction, the customer service visits, but then also move to measuring this discount from list savings on schedules and the savings of using FTS versus not having used FTS for a solution, at least the unit cost reduction.

Mr. DAVIS. In my experience and observation, both of these are pretty well-run agencies. We're just trying to take it, particularly for government agencies with all the rules and regulations that we, the transparency that goes with that. But clearly, if we can take this to the next level, we want to be able to do that. I think it's with that in mind. So we're not coming into this with any direct criticism of the people running it. I think they do a pretty good job. But they are growing very rapidly and there are always ways to fine tune this and make it better and more efficient. I think that's what we're trying to get at. And I think you're the guy to do it.

Mr. PERRY. Well, now, let me say too, on behalf of the commissioners, when we talked about this review and the need to explore as to whether or not there were opportunities for improvement, there is no hesitation in our management group in terms of moving forward to do just that.

Mr. DAVIS. I think the staff feels the same way.

A couple of other questions. Some folks have reported to us that they think there may be problems in the implementation between headquarters and the regional offices, particularly with FTS. Do you detect any of that at all, have you had any problems brought to your attention?

Mr. PERRY. Well, I wouldn't say that we have any extraordinary or significant problems. What we do have, or what we have had in the past, is that we did not have clear performance expectations or goals set that would cover both what we're doing, for example, we're trying to do from an FTS national perspective and regional perspective. So when there wasn't a clear set of goals, there was certainly the potential for various regions to be going in different directions and to be not in synch with the national direction.

One of the things that we're doing is forging a much closer working relationship among our national commissioners and our regional administrators, so that we only have one performance plan. Everyone is on the same page with respect to that. That's No. 1.

No. 2, that closer working relationship among that group, taking those two things together, having one plan and a close working relationship among the national people and the regional people will drive us to minimizing, if not eliminating, any issues such as that if they otherwise would have occurred.

Mr. DAVIS. Just one last question. Have you given any thought to maybe establishing a position under you that would have the authority to oversee both services as well as the regional structure within each service?

Mr. PERRY. That will be, again, a subject of the study. We are looking at a number of things of that nature.

Mr. DAVIS. Just an option?

Mr. PERRY. That would be an option. Today, as our present structure exists, as you know, the Commissioner of FTS and the Commissioner of FSS report directly to me. So I'm the integrating force, and it's my responsibility and my role to make sure that they are collaborating, that they are eliminating any non-value added duplication, and they're doing all the things they should do together to meet the needs of our customer agencies.

And I'll just add, additionally one other thing that we're doing, in addition to what I believe is a more active role by the Administrator in this area, we also have a much more active executive committee. The executive committee consists of myself, our chief of staff and the commissioners and the heads of our major staff offices, the chief financial officer, the chief information officer and so forth. That group comes together, not as representatives of our respective areas, but as the management team for the GSA enterprise. In those discussions, that team talks about how our units need to work together and collaborate to provide the total product offerings that our agency can provide to give our agencies best value.

So in the course of the study, all of those subjects will be reviewed, and I'm sure recommendations will be made along those lines.

Mr. DAVIS. Thanks.

Ms. Knott, let me ask you a few questions. Your statement focused mainly on the telecommunications purchasers under FTS. Does your agency do much business under the FTS for IT products or services?

Ms. KNOTT. We do some. But it's not significant in comparison to the telecommunications.

Mr. DAVIS. That makes sense. You cite the new provision that recently was included in Section 803 of the 2000 DOD Authorization Act, which I think started off far worse that it ended up, in my opinion, under which all these schedule contractors have to be informed of task order opportunities over $100,000. You indicate these provisions should strengthen competition practices under the Schedules. Do you think these provisions will provide benefits to offset additional burdens that are placed on the system, in balance?

Ms. KNOTT. Yes. I think competition is the key to a lot of success in the acquisition arena. So any time that you are improving your opportunity for competition, then I think that you do have opportunities to improve the result.

Mr. DAVIS. You also mention in your statement that GSA offers a variety of training and communications options to assist customer agencies like yours to make smart acquisition decisions. Training is something that I've tried to focus on and Mr. Turner has tried to focus on. What's your view as to the quality of those training options for the customer? Do you think they adequately prepare agency contracting officers to make the best-value choice? Could they be improved?

Ms. KNOTT. I haven't had any personal experience with the training opportunities. But I do know that their Web site there, the information they provide in their publications, it's readily available. It does provide valuable information to the person who is looking for a choice of products available to them and what the right one may be.

The training, again, I don't have any personal knowledge of that, but I haven't heard anything negative concerning it. I would certainly be the one to hear that from the procurement officials within our organization.

Mr. DAVIS. I'm going to ask you a tough question. In your experience as a customer agency, do you think that the Federal Supply Service or the FTS provide the best value to you as an agency? [Laughter.]

Ms. KNOTT. I think it really depends on what you're looking for. [Laughter.]

Mr. DAVIS. Very good.

Ms. KNOTT. Again, it's your needs.

Mr. DAVIS. She's going to be a survivor.

Mr. TURNER. May be in your seat some day. [Laughter.]

Mr. DAVIS. Exactly.

Ms. KNOTT. It so much depends on your specific requirement and matching the requirement to the services that are available. And again, we haven't had any issues. We enjoy the benefits from both of the Services. So that kind of sums up my feeling about that.

Mr. DAVIS. Frankly, that's what I think; it's going to depend on the deal and what you do, and it just gives you another shopping option.

Ms. KNOTT. Right. And having more sources is always good.

Mr. DAVIS. Well, almost always. That's what we're trying to find out, in terms of what is the duplicate; can you do it a little more efficiently? Because there is a cost to doing it.

Ms. KNOTT. From a customer perspective.

Mr. DAVIS. I hear you. I understand.

Anything anybody else wants to add? Mr. Schrock.

Mr. SCHROCK. Let me make one comment. I think what you're doing is great. I think the report is going to shed some light on it. Let me use an analogy.

After September 11th, we wondered, how could this happen to us, why didn't somebody know about this. Then the President took Tom Ridge out of the Pennsylvania Governor's office, brought him into town and we discovered there were 47 Federal agencies that did intelligence. My agency didn't talk to Mr. Nottingham's, his didn't talk to the chairman's, the chairman's didn't talk to Mr. Turner and so on. Ridge came to town and said, everybody put your notes and papers on the table. They put the pieces of this puz-

zle together, consequently we're killing the Taliban everywhere, all the cells in this country. That's the way I look at this, trying to figure out the right way to do it so the puzzle will all make sense and it can work. Not that they're a terrorist organization, I certainly hope not. [Laughter.]

But I think you're going to benefit, and I think this report will do that. So I commend you for what you're doing.

Mr. DAVIS. Thank you, Congressman.

Thank you all very much. We'll take a brief recess and move to the next panel.

[Recess.]

Mr. DAVIS. Mr. Edward Allen of the Coalition for Government Procurement, Mr. Dwight Hutchins of Accenture, if you would just stand and raise your right hands.

[Witnesses sworn.]

Mr. DAVIS. Thank you. If you can try to limit it to 5 minutes, we've read your testimony and we're ready to go with just a few questions. Your entire testimony is in the record.

Mr. Allen, we'll start with you, and thank you for being with us.

STATEMENTS OF EDWARD ALLEN, EXECUTIVE DIRECTOR, COALITION FOR GOVERNMENT PROCUREMENT; AND DWIGHT HUTCHINS, PARTNER, USA FEDERAL GOVERNMENT STRATEGY PRACTICE, ACCENTURE

Mr. ALLEN. Thank you, Mr. Chairman and members of the committee. It's an honor to be here this morning.

I am Larry Allen, also known as Edward, the Executive Director of the Coalition. The Coalition appreciates the opportunity to testify on the operations of GSA's Federal Supply and Federal Technology Services. We have a background of working very closely with the entire GSA, but especially with these two entities.

While the Coalition represents companies in the technology and service industries, we also have members in office equipment, furniture, pharmaceutical and other commercial areas. It is this diverse nature that gives us a unique perspective to comment on the current operations of FSS and FTS. When GSA was created, no one could have contemplated the significant role information technology would play in the operation of Government. Few could also have seen that both the Government and commercial marketplaces would become service dominated. GSA has had to adapt to these changes, and to its credit, it has met each challenge and helped other Federal agencies adapt.

At the start of the 1990's, GSA was under strong consideration for dissolution. Today, however, the agency is held up as an example of a Federal organization that has thoroughly reinvented itself. It plays an important role in helping Federal agencies get what they need at great values. The leadership of FSS and FTS has been responsible for much of this transformation.

Government procurement changed dramatically for the better in the 1990's. It is important to note, however, that the agency today is under assault from some who do not share this view. It is the Coalition's belief that those who criticize the competitiveness and efficacy of today's GSA are not looking at the whole picture. Rather, they are using analytical tools that, unlike procurement, have

not changed. As a result, critics are missing part of the important picture and are devising perceived remedies for ills that do not exist.

Our members' experience show that reforms are working well. The schedule's program is the best, most effective acquisition tool that exists today. Competition has never been stronger, and without efficient access to schedule contracts, acquisition costs and lead times will rise. This is no way for the 21st century Government to operate.

The Coalition believes that FSS and FTS both play important roles in the acquisition process. Agencies turn to these organizations daily to fulfill a variety of acquisition needs. At the same time, critical management issues have arisen that must be addressed. In short, the agency must continue to evolve in order to continue its success.

The Coalition is concerned that GSA's substantial growth has resulted in overlap between the two Services. Virtually every technology solution FTS has contracted for through its own contracts can also be found through FSS schedules. IT services, products, seat management solutions and more are available from large, medium and small schedule businesses. Even FTS buyers acknowledge the wide array of schedule offerings as FTS as among the largest customer of FSS contracts.

There are duplicative contracts even within FTS. Many companies have multiple FTS vehicles with similar offerings. A review by the Coalition showed that seven companies have at least two FTS contracts with some holding more than three. Businesses are in business to do business and not chase after a parade of overlapping contract methods. While you will rarely have an individual company comment on this concern, privately they tell us that the existing overlap takes valuable time away from customer service, and inevitably increases acquisition costs.

Another problem with duplicative services is customer confusion. More than one Coalition member has likened the current situation to the television show, What's My Line, complete with the tag line, will the real GSA please stand up. Some customer agencies have become so frustrated that they chose to conduct their own procurement.

These observances are not meant to be criticisms of GSA leaders. The senior GSA leadership is strong. Administrator Perry, as well as Commissioners Bennett and Bates, are capable leaders. We feel that some of the agency's operational difficulties, however, stem from its organizational structure. GSA maintains a strong central office and an organization of regional headquarters. These dual structures make it difficult, if not impossible, for the commissioners to make the best use of their resources. The competition that exists between regional offices and the central office and among differing regions can be intense. Each region seems to operate on what is perceived to be the best course of action for itself, and the two management lines meet only within the GSA Administrator's office. This structure, in our opinion, does not lend itself to the efficient operation of the agency.

The need to eliminate duplication and increase efficiency is especially critical when you look at the aging Federal work force. A sub-

stantial number of managers either are or will become retirement eligible over the next decade. Without a reorganization, it may be impossible for GSA to continue its efficient operation.

We believe that the existing overlap between FSS and FTS must be eliminated, and that the key to a successful future of the agency lies in making the best use of the combined resources of each Service. One way to do this is to create an associate administrator for acquisition operations at GSA. The creation of this position and the endowment of it with the ability necessary to make the best use of agency resources is an important first step. Such a position will help create a results oriented buying force that allows FSS and FTS to eliminate duplicative programs and utilize the expertise of each.

The Coalition has discussed these and other ideas with this subcommittee, the General Accounting Office and GSA. We share a common goal in making sure that our Government has a state-of-the-art procurement system. And we look forward to continuing our work with you and other stakeholders to attain this goal.

On behalf of the Coalition, thank you for the opportunity to testify, and I look forward to your questions.

[The prepared statement of Mr. Allen follows:]

COALITION FOR GOVERNMENT PROCUREMENT

MAKING SENSE OF PROCUREMENT ALPHABET SOUP: HOW PURCHASING AGENCIES CHOOSE BETWEEN THE FEDERAL SUPPLY SERVICE & FEDERAL TECHNOLOGY SERVICE

TESTIMONY BEFORE THE HOUSE SUBCOMMITTEE ON TECHNOLOGY AND PROCUREMENT POLICY

APRIL 11, 2002

LARRY ALLEN
EXECUTIVE DIRECTOR

The Coalition for Government Procurement appreciates this opportunity to testify on the operations of the General Services Administration's (GSA) Federal Supply Service (FSS) and Federal Technology Service (FTS). Together, these Services generate more than $30 billion in sales each year, the great majority of which is in information technology services and products. The Coalition works closely with the entire General Services Administration, but especially closely with FSS and FTS.

We can appreciate the confusion federal buyers have today when considering whether or how to do business with FSS and/or FTS. This is an issue we hear from our members on regularly. We believe that the question posed by today's hearing, however, should be "*Can* Purchasing Agencies Choose Between FSS and FTS?". Often customers cannot. As we will show, the duplicative programs and bifurcated management structure that currently exists results in lost business opportunities for GSA and lost acquisition savings for customers. We feel, though, that existing senior management is essentially sound and can work together to solve these problems. We will make recommendations along the way on how the Coalition feels greater efficiencies can be achieved.

The Coalition for Government Procurement is a non-profit association of commercial solution providers. Founded in 1979, the Coalition currently has of over 330 corporate members. The Coalition has an established reputation as an organization that works *with* government leaders to ensure common sense in government procurement. Our members consist of large and small businesses that participate significantly in the programs of both FSS and the FTS Office of Information Technology Integration (ITI). Coalition members, for example, account for nearly 75% of the business generated through the $20 billion FSS Multiple Award Schedules program and at least one-third of the $4.5 billion generated through FTS ITI.

While the Coalition represents companies in the fast-growing information technology and services industries, we also have members involved in office equipment, furniture, pharmaceutical, and other commercial solution areas. It is because of our diverse nature that the Coalition is uniquely positioned to comment on the current operations of FSS and

FTS. We again welcome this opportunity and hope that our comments will be of use to the subcommittee as it provides oversight to these Services and contemplates possible new initiatives designed to improve the delivery of technology and other commercial solutions to government users.

When the General Services Administration was created in 1949, no one could have contemplated the significant role information technology would play in the effective operation of government. Similarly, few could have seen that both the government and commercial marketplaces would become service-dominated markets in just a few decades. GSA has had to adapt to these changes several times in order for the government to continue to operate. To its credit, the agency has met these challenges over the years, most recently re-inventing itself in the 1990's in the aftermath of the Federal Acquisition Streamlining Act (FASA) and Clinger-Cohen Act. The Coalition worked closely with GSA on these changes and believes that is essential for the agency to continue reinventing itself.

GSA's Federal Supply Service, in particular, made significant changes during this time. It went from an entity associated with the supply of pencils and paper to a service that today manages information technology contracts that generate over $10 billion in annual sales. FSS also added services to its schedules program, an addition that has proven extremely popular among federal buyers who had their overall staffing reduced, but not their missions. Because of service schedule contracts, federal employees today can continue to meet their missions, reduce their procurement overhead, and still be assured of obtaining quality services at great values.

The Federal Technology Service has also undergone significant change. Beginning as the Automated Data Telecommunications Service, FTS along the way managed the successful FTS 2000 telecommunication contract and assumed many of the service operations formerly provided by the Information Resources Management Service. Today it provides both information technology and telecommunications services.

At the start of the 1990's GSA as an agency was under strong consideration for dissolution. The image of the agency was that of a bloated bureaucracy that impeded, rather than helped, government operation through the efficient provision of goods and services. Today the agency is held up as an example of a federal organization that has thoroughly reinvented itself and one that plays an important role in helping federal agencies get what they need, when they need it, at great values. The leadership of FSS and FTS managers over the past 10 years has been responsible for much of this transformation.

The Coalition believes that government procurement changed dramatically for the better in the 1990's. While we wish to focus most of our remarks today on how FSS and FTS can continue to evolve to meet the challenges that lie ahead, we feel it is important to note that GSA today is under assault from some in and out of government who do not share this view. It is the Coalition's firm belief that those who criticize the competitiveness, efficiency, and efficacy of today's procurement methods are not looking at the whole picture of GSA. Rather, they are using analytical tools that, unlike procurement, did not change over the past decade. As a result, critics of the overwhelming improvements that government and industry enjoy today are missing a large part of the procurement picture and are devising perceived remedies for ills that do not exist.

It is vital that these critics update their tools, talk with those who have struggled to obtain today's technology today, and listen to the thousands of small businesses who compete and win federal business before changes are made that would re-regulate government acquisition. Basing profound public policy changes, for example, by analyzing the competition that takes place only after an RFP is issued, completely and entirely misses out on gauging the benefits that procurement reform engendered.

It was precisely these reforms that shifted the bulk of competition that takes place today to the time in the acquisition cycle before the RFP comes out. By encouraging discussions between suppliers and buyers, FASA and Clinger-Cohen enabled suppliers to

better anticipate government needs and shortened that part of the procurement cycle that previously had accounted for nearly all of it. While reports issued by the DOD Inspector General and others showing that post-RFP competition has diminished may be accurate, such reports in no way continue to capture the entire procurement process as they did in 1989. The Coalition believes strongly that no re-regulation of procurement should occur until those who oversee it devise new and accurate measurement tools.

Our members' experience shows that the 1990's reforms are working well and that the Multiple Award Schedules program is the best, most effective acquisition tool for services that exists today. The dozens of Coalition members who sell significant amounts of services, along with the hundreds of companies that are not members, show that all business does not go to a chosen few. These members tell us that competition has never been stronger and that it takes place every day. Without efficient access to service schedules, acquisition costs will rise, lead times will rise, and the government will again be saddled with outdated technology. This is no way for the 21st century government to operate.

The Coalition believes today that FSS and FTS both play important roles in the federal acquisition process. Federal customers turn to these organizations daily to fulfill a variety of acquisition-related needs. The Coalition believes, however, that as the services have grown, critical management issues have arisen that must be addressed now if GSA is to continue being a major supplier of commercial solutions. In short, the agency needs to continue its evolutionary process.

The Coalition is concerned that the substantial growth realized by GSA throughout the 1990's has resulted in unneeded overlap between the two services that must be rectified. This overlap causes confusion among federal buyers as to which entity is the "real" GSA. This creates delays in the acquisition process and, in some cases, has led would-be users of the agency's services to conduct their own procurements from scratch instead of trying to sort through the GSA maze. It is when these occasions occur that GSA begins to impede, not help, the efficient operation of government.

To illustrate our point, a brief overview of the role each service plays in acquisition is important.

The Federal Supply Service's single largest program is the Multiple Award Schedules program. This program is the government's best procurement method and provides federal users with thousands of services and products. The success of the schedules program is well-known and the important role it plays in the provision of all commercial solutions – including services – is impossible to overstate.

The largest FSS schedule is for information technology solutions. FSS negotiates schedule contracts with responsible firms based on the commercial discounting methods of each offeror. Once prices, terms, and other conditions have been agreed upon, an offeror is awarded a contract –without any meaningful guarantee of business - and is free to sell to federal customers in a manner similar to pursuing commercial business. While FSS manages the contract to ensure continued price reasonableness and other contractual requirements, it typically does not get involved in sales transactions that take place between schedule contractors and federal buyers.

The Office of Information Technology Integration – the service that represents approximately 75% of total FTS sales – provides significant acquisition planning, purchasing, and other project management services that FSS does not provide. These services are largely self-funded through fees customer agencies pay to FTS. At their best, such services can be a significant help to agencies without their own procurement operations, or those unsure of what they need or how to obtain it.

The Office of Information Technology Integration also, however, puts into place its own indefinite delivery/indefinite quantity contracts for technology solutions. These contracts have services and products that overlap with the schedule contracts put into place by FSS on its schedules program. Awards are made to many of the same companies for the same products and/or general service offerings.

Virtually every information technology solution FTS has contracted for through its own government-wide acquisition contracts can be purchased through FSS Information Technology Multiple Award Schedule contracts. Information technology services, products, seat management solutions, and more are available from the FSS schedules program. These services are available from large, medium, and small businesses as well as 8(a) and other specially classified companies.

Even FTS buyers acknowledge the wide array of schedule offerings available at great values. FTS is among the largest customer of FSS schedule contracts.

Even so, however, there are duplicative contracts even within FTS itself. Many of the government-wide acquisition contracts the service has awarded are for services that are either the same or are closely related to those on other FTS contracts. Many companies have multiple FTS vehicles, in addition to their FSS schedule contracts, with very similar offerings. In fact, a review by the Coalition showed that seven companies have at least two FTS contracts, with some holding more than three.

The ANSWER, Millennia, and Millennia Lite contracts are among those that offer the same or similar IT goods and services. Some of these services, and many of the products, are also available through the FTS Seat Management contract and/or its FAST program. While all five programs are not identical, there is a significant amount of overlap in terms of both the range of services and products available through them. Again, each of these services is available –sometimes from the same company – through FSS schedules.

The overhead incurred by contractors to pursue these competing vehicles can be substantial, yet few companies want to be seen as "bad partners" or miss out on a new project promoted to be "it". Companies regularly pursue duplicative vehicles in order to show good faith or enhance their potential competitive position. Coalition members have spent anywhere from tens of thousands of dollars to over $1 million in costs just to respond to one FTS solicitation.

The Coalition feels that businesses are in business to do business and not to chase after a continuing parade of duplicative contracting methods. While you will rarely have an individual company comment publicly on this concern, it is precisely because of issues such as this that the Coalition exists. Privately companies tell us that the existing overlap takes valuable time away from providing customer service, the true mission of most contractors, and inevitably increases the cost of acquisition to the government.

GSA incurs substantial costs as well by maintaining duplicative programs. Personnel and other resources are expended to create, promote, and manage each program. The variable administrative fees associated with each program must be carefully and properly accounted for. The agency maintains higher overhead and operates with less efficiency than if its offerings were better coordinated.

Another problem with duplicative services is customer confusion. Coalition members consistently report that overlap within and between GSA services causes substantial customer confusion that makes it more difficult for them to serve their customers. Increased procurement lead times, proposal costs, and other expenses are often the result. More than one Coalition member has reported that the current situation is akin to the television show "What's My Line", complete with the tag line "will the real GSA please stand up?". Some customer agencies have become so frustrated that they choose to conduct their own procurements from scratch rather than use GSA. When this happens, the agency loses, GSA loses, and taxpayers lose.

In addition to the multiplicity of programs, there is also a full range of administrative fees charged by FTS. Customers frequently end up confusing the one percent Industrial Funding Fee incorporated within FSS schedule prices with the variable and much higher fees FTS charges for its project management services. Our members report that some FTS representatives do little to point out the difference, resulting again in potential customers conducting their own procurements to avoid what they incorrectly perceive to be high fees charged by FSS.

It should be noted that these observances are not meant to be harsh criticisms of existing GSA leaders. The Coalition feels that senior GSA leadership is strong and that Administrator Perry as well as commissioner's Donna Bennett and Sandra Bates are talented and capable leaders. We meet often with each one and feel that they generally do a good job running their organizations within the parameters they must work within. Rather, we feel that some of the agencies operational difficulties stem from its organizational structure.

GSA today maintains both a strong central office as well as an organization of regional headquarters' located throughout the country. These dual structures can make it difficult, if not impossible, for the commissioners of each service to make the best use of their resources. The competition that exists between regional offices and the central office and among the differing regions, can be intense. Though this situation exists to some degree within each service, it is particularly pronounced in FTS.

Each regional office seems to operate on what is perceived to be the best course of action for itself. Little attention seems to be paid to the national picture, or how the agency's total resources could be put to the best use. Regional managers report to each GSA Regional Administrator, not the commissioner of each service. The two organizations meet only within the GSA Administrator's office in Washington. As a practical matter, this office can address only macro-level conflicts that occur when the Services are in conflict or a disagreement emerges between a region and a Service's central office.

From the Coalition's perspective, this structure does not lend itself to the efficient operation of the agency and is responsible for much, but not all, of the needless duplication that currently exists. It is impossible to manage for best organizational results within each service – or to coordinate resources across services - unless senior leaders are given clear authority to truly run their organizations just as their private sector counterparts can.

True and effective consolidation of effort - and the complementary operations of FSS and FTS - may not be able to be achieved without a fundamental reassessment of the agency's organizational structure. The recommendations we will offer at the conclusion of our testimony address this issue.

The issue of efficient operation and elimination of overlap is especially critical when viewed in terms of the aging federal workforce. GSA is not immune to the trend of having older workers comprise the majority of its critical leadership. A substantial number of managers within FSS and FTS either are, or will become, retirement eligible, over the next decade. Without reorganization, it may be impossible for GSA to continue its efficient operations and cutting edge programs.

Restructuring each service to complement, and not compete, with one another, therefore, is not just an optional nicety, but an essential goal that must be met if GSA is to continue to provide the important services and programs it provides today as well as to develop new acquisition services that will address the future needs of the federal workforce.

The Coalition believes that the existing overlap between FSS and FTS must be eliminated. We feel that each service has core competencies that hold significant value in the overall acquisition chain. FSS has an excellent track record of procuring IT services and products through its schedules program – the most popular and effective centralized acquisition method in the federal government. FTS has a solid background in providing procurement assistance and technical support to customer agencies that need help in identifying, procuring, and managing their IT infrastructure. These competencies are complementary to one another and, effectively managed, can make GSA a leading force behind streamlined acquisition and enhanced customer service.

In order to bring about these changes and ensure the maintenance and creation of important acquisition programs, the Coalition calls for the creation of an Associate Administrator for Acquisition Operations within GSA. We believe the creation of this position and the endowment of it with the ability to oversee the central and regional

management structures within FSS and FTS for the effective allocation of critical agency resources is an important first step in this process. The goal of such a position will be to create a results-oriented buying force that allows FSS and FTS to eliminate duplicative programs and work in teams on joint projects utilizing the unique expertise of each service.

Such a person will be responsible for providing the leadership to reduce organizational duplication and leverage the overall operations of both services. The Associate Administrator will report directly to the Administrator of GSA and oversee the current missions of each service and the development of future operational models that can respond to changing workforces and provide acquisition services to meet their needs.

The Coalition believes that GSA's Federal Supply Service and Federal Technology Service as they exist today perform valuable services, but that significant improvements can and must be made in order to ensure that the federal government maintains a state of the art acquisition system. We feel that the addition of an Associate Administrator for Acquistion, along with continued Congressional oversight and sound agency leadership will help GSA retain its reputation as a cutting edge service organization and contribute to the effective operation of government. We stand ready as an industry partner to help bring this about.

This concludes our prepared testimony. On behalf of the Coalition, our officers, and board members, I thank you for the opportunity to testify today and look forward to your questions.

Mr. DAVIS. Thank you very much.

Mr. Hutchins.

Mr. HUTCHINS. Thank you, Mr. Chairman, Mr. Turner, members of the subcommittee.

My name is Dwight Hutchins. I'm a partner in Accenture's Federal Government Strategy Practice.

I appreciate the opportunity to testify today on the study Accenture is conducting for GSA which is aimed at enhancing customer service and improving internal efficiencies. Accenture, the world's leading management and technology consulting organization, employs more than 75,000 people in 47 countries, and generated more than $11 billion in revenues for fiscal year 2001. Accenture's U.S. Federal Government practice services many of the Federal agencies and departments.

This January, GSA awarded Accenture a contract to study its current performance, service offerings and service delivery. We will be evaluating the Federal Technology Service and the Federal Supply Service to determine how GSA can provide best value to the Government and to the American taxpayer. Accenture's 12 week study will be completed at the end of April.

Accenture has a diverse set of credentials that we are applying to this study. We are a global leader in providing strategic planning and implementation assistance to the private and public sectors. We serve 86 of the global Fortune 100 and have served the majority of Federal departments and numerous international organizations and governments worldwide. Our Federal practice has deep experience in assisting Government agencies with the planning and implementation of major agency-wide transformation initiatives. Our strategy practice focuses on engaging senior executives in the articulation of organizational aspirations and the identification of best practice solutions to help them achieve those aspirations.

Recent examples of our work include, for HUD and the Department of Treasury, we've helped the CIOs at those departments develop e-Government strategic plans and organizational strategies that both GAO and OMB have ranked among the best in Government. For the Department of Education, Accenture developed and is helping to implement a modernization strategy for the Office of Student Financial Aid that is the basis for an agency-wide transformation effort.

The purpose of our study with GSA is straightforward. We are to determine if GSA's current service offerings, processes and organizational structure are providing best value to the Government and the American taxpayer. We are also to help GSA improve its ability to deliver value to customers by increasing its understanding of customer needs, identifying high value support services, and identifying internal improvement priorities.

GSA asked Accenture to focus on its two main business organizations, FSS and FTS. For each organization, we are assessing offerings, business processes and procurement activities and providing recommendations for improved performance and cost efficiencies. GSA requested that Accenture focus particular attention on the potential overlap between FSS and FTS in information technology and telecommunications. We are using proven methodologies sup-

ported by structured analytical tools and business best practices. Our 90 day study at GSA comprises three phases: customer and market analysis, internal capabilities assessment, and improvement strategy development.

In the first phase, we focused on GSA's customers in the Federal technology market. This phase addressed two key questions: What do customers need? Why are customers using or not using GSA's services? The objective was to understand the market conditions surrounding Federal technology services, including an analysis of customers needs, competitor offerings, substitutes and business value. The analysis involved numerous interviews with GSA senior executives and managers, customers within Federal agencies and industry partners. It also involved market research and an assessment of the value proposition of GSA services.

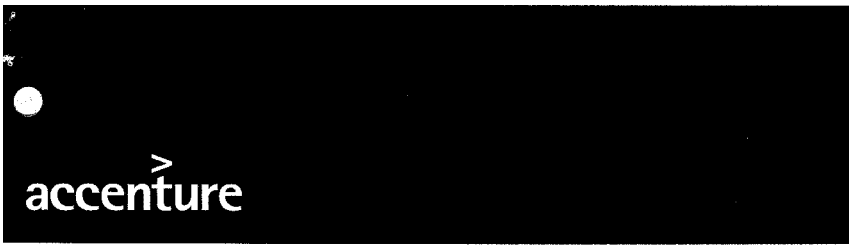
In the internal capabilities phase, we identified areas of potential improvement within GSA. The objective was to understand GSA's strengths and general improvement needs relative to other procurement options available to the Government. During this phase, we augmented our interviews with assessments of internal data on effectiveness and efficiency, and conducted a workshop with key GSA executives to increase understanding and facilitate a discussion of GSA's capabilities and needs.

In the final phase, we're helping GSA executives develop an improvement strategy. The objective is to develop actionable strategies to improve GSA's performance. To develop the improvement plan, we're reviewing best practice organizational design models and recommending solutions based on the opportunities and challenges our study has identified. These proposed performance improvement strategies were the focus of a second executive workshop that was held earlier this week. After synthesizing the results of the workshop, we will develop an integrated plan for GSA. Upon completion of the study, we will provide GSA with program management and implementation services, as needed and requested, to achieve the identified goals and improvements highlighted by our analysis.

The 90 day project began on January 22nd and will be completed on April 30th. The final results will be delivered to GSA at the close of the project.

Mr. Chairman, thank you again for the opportunity to testify today on the approach Accenture is taking to determine how GSA can enhance its service to customers and improve internal efficiencies.

[The prepared statement of Mr. Hutchins follows:]



Testimony of

Dwight N. Hutchins
Partner, U.S. Federal Government Strategy Practice

Accenture

Facilitating GSA's Efforts to Improve Customer Focus and Efficiency

Before

The Subcommittee on Technology and Procurement Policy
House Committee on Government Reform

April 11, 2002

I. Introduction

Chairman Davis, Congressman Turner and Members of the Subcommittee, my name is Dwight N. Hutchins and I am a partner in Accenture's U.S. Federal Practice. I appreciate the opportunity to testify today on the study Accenture is conducting for the General Services Administration (GSA), which is aimed at enhancing customer service and improving internal efficiencies.

Accenture, the world's leading management and technology consulting organization, employs more than 75,000 people in 47 countries, and generated more than $11.44 billion in revenues for fiscal 2001. Accenture's U.S. Federal Government Practice services most of the Federal departments and dozens of agencies.

In January 2002, GSA awarded Accenture a contract to study GSA's current performance, service offerings, and agency service delivery. As part of that study, we will be reviewing the Federal Technology Service (FTS) and the Federal Supply Service (FSS) to determine how GSA can provide best-value to the government and the American taxpayer. Accenture's twelve week study will be completed at the end of April.

II. Background on Accenture

Accenture has a diverse set of credentials that we are applying to this study. Accenture is a global leader in providing strategic planning and implementation assistance to the private and public sectors. We serve 86 of the *Fortune* Global 100 companies, have served the majority of U.S. Federal Departments, and numerous international organizations and governments worldwide.

Accenture's U.S. Federal Government Practice has deep experience in assisting government agencies with the planning and implementation of major, agency-wide strategic initiatives. Our strategy practice focuses on engaging senior executives in the

articulation of organizational aspirations and the identification of best-practice public and private sector solutions to help them achieve these aspirations. Recent examples of Accenture's work on related projects include:

- **Department of Housing and Urban Development and The Department of the Treasury**: Accenture assisted the CIOs of the Departments of Housing and Urban and Development and Treasury with development of both an organizational strategy and eGovernment strategic plan, and has assisted in implementation of several of those strategic initiatives. These efforts helped the agencies develop plans that GAO and OMB ranked among the top three in government.
- **Department of Commerce**: Accenture assisted the Department of Commerce to improve their Strategic and Annual Performance Plans, raising them from worst in the Federal government, to best, according to OMB and the House of Representatives.
- **Department of Education**: Accenture developed and implemented a modernization strategy for the Office of Student Federal Student Aid that became the basis for an agency-wide transformation effort.

III. Purpose and Scope of Study

The purpose of Accenture's study at GSA is straightforward. We are to:

- Determine if GSA's current service offerings, processes, and organizational structure—particularly within the area of IT and Telecommunications—are providing best value to the government and the American taxpayer; and

- Help GSA to improve its ability to deliver value to customers by increasing understanding of customer needs, identifying high-value technology and procurement support services, and identifying internal improvement priorities.

GSA asked Accenture to focus its analysis on two of GSA's main business organizations: FSS and FTS. For each organization, Accenture is assessing offerings, business processes, and procurement activities, and providing recommendations for improved performance and cost efficiencies. GSA requested that Accenture focus particular attention on the potential overlap between FSS and FTS in information technology and telecommunications offerings.

IV. Methodology

Accenture is undertaking a project approach based on proven methodologies supported by structured analytical tools and best business practices. Our 90-day study at GSA comprises three phases: 1) Customer and Market Analysis; 2) Internal Capabilities Assessment; and 3) Improvement Strategy Development.

Customer and Market Analysis

In the customer and market analysis phase, Accenture focused on GSA's customers and the federal technology market. This phase of the study addressed two key questions: 1) What do customers need? and 2) Why are customers using (or not using) GSA's services? The objective of the customer and market analysis phase was to understand and document market conditions surrounding federal technology services, including an analysis of customer needs, other agency offerings, substitutes, and business value. The customer and market analysis involved numerous interviews with key GSA senior executives, customers within federal agencies, and industry partners. It also involved market research and analysis and an assessment of the value of GSA services.

Internal Capabilities Assessment

The second phase of the study is the internal capabilities phase. In this phase, Accenture identified areas of potential improvement within GSA. The objective of the internal capabilities assessment was to understand GSA's strengths and general improvement needs, relative to other procurement options available to government. During the course of the internal capabilities phase, Accenture conducted key interviews with GSA senior executives and managers, assessed internal data on effectiveness and efficiency, and conducted a workshop with key GSA executives to increase understanding and facilitate discussion of GSA's capabilities and needs.

Improvement Strategy Development

In the final phase of the study, Accenture is helping GSA executives develop an improvement strategy. The objective of this phase is to develop actionable, implementable strategies to improve GSA's performance. To develop the improvement strategy, Accenture is reviewing best practice business models and presenting options based on the challenges and opportunities our study has identified. These proposed performance improvement strategies were the focus of a second executive workshop that was held earlier this week. After synthesizing the results of the workshop, we will report back an integrated action plan for GSA performance improvement.

Upon completion of the study, Accenture will provide GSA with program management and implementation services, as needed and requested, to achieve the identified goals and improvements highlighted by our analysis.

V. Timeframe

The duration of this study is 90 days, with 30 days allotted to each of the three phases. The project began on Jan. 22, 2002 and is scheduled to be completed by April 30, 2002. The final results of the study will be delivered to GSA at the close of the project.

VI. Conclusion

Mr. Chairman, thank you again for the opportunity to testify today on the approach Accenture is taking to study how GSA can enhance its ability to serve customers and improve internal efficiencies.

Mr. DAVIS. Thank you very much.

Mr. Allen, you are in a great position, not representing any particular company, so you can say whatever you want. That's good. To address concerns raised by your organization and others with the overlap, duplication of FSS and FTS, GSA has commissioned your study. How do you envision the outcome? What would you like the outcome of this study to show?

Mr. ALLEN. I think one of the things we would like to see come out of this, and I was made very hopeful by Mr. Perry's testimony, is that we would find a way for the business lines of FSS and FTS to work together to provide total solution to GSA customers. That would be perhaps a cross-sectional team of FTS and FSS elements that works together to make the most use of each agency.

What we've seen in the current situation is that sometimes you will have one organization promote its solution at the expense of the other, and they may not even make the customer aware that within the same agency, there's another program that perhaps might be a slightly better fit. I think if we can eliminate those instances and have them working together as one GSA, we'd all be better off.

Mr. DAVIS. You say businesses are in business to do business, not to chase after a continuing parade of duplicative contracting methods. Obviously a sophisticated buyer who understands this, the more options they have, they can set a match. But that takes a lot of training, a lot of experience and frankly, from the people I deal with, not everybody is a sophisticated buyer on this. I guess you're getting it, the occasional and the mid-level buyer who just can't somehow negotiate this maze that they have to work their way through of duplication.

Do you think there are too many different contracting vehicles, both within GSA and outside the agency? And do you believe that the proliferation of fees for service entities offering government-wide contracting vehicles help firms looking to do business with the government or hurts them by increasing their cost of doing business and diluting the government market?

Mr. ALLEN. Good questions. The Coalition represents over 330 member companies, most of them in the information technology and professional services areas. What our members tell us on these accounts that you asked about is that the answer is not as easy to arrive at as you might hope. Generally they tell us that the right number of contract methods falls somewhere between one and less than we have now. And I think there is some frustration among some of our member companies who have spent considerable amount of resources on multiple FTS vehicles with the need to feel like they are being responsive to various FTS agencies when they're not really sure what type of business they're going to get out of it.

In most cases, the companies involved have done pretty well.

Mr. DAVIS. It's like a hunting license, right?

Mr. ALLEN. Yes, sir. But in other cases, we've had companies go to great lengths to obtain contracts, only to see very little if any business. That is, as you alluded to, not by any means reserved to GSA. It is a phenomenon that is Government-wide. Companies tell us that they chase down difficult and myriad contract vehicles on

the hope that the next one will be the one that brings in the business and develops the relationships they want to develop. Of course, after a while, when some of them don't pan out, they've sunken their resources in. And at the end of the day, the company is going to find a way to recover what its investment has been. So yes, I think in the long run, the Government does pay the price for both diluting its contracting power and increasing the overhead to contractors by having as many vehicles as it has today.

Mr. DAVIS. You have so many vehicles and so many people on. But in point of fact, in some of the other hearings we've heard some of the largest producers of IT products in the world don't sell to the Government still. I think you want to try to bring them in. And there are a lot of problems with that. Some of them go back to the Bayh-Dole Act and other issues of copyright and trademark protection and the like. But it's difficult for a lot of companies in the old mold to understand how this works. It used to be you had your bookings, you'd go to the marketplace with your bookings, bookings don't mean anything now for the most part, because everything is competed with regularity. As I said, it's like a license to hunt in these areas.

Mr. ALLEN. Right.

Mr. DAVIS. It brings my question: You indicated that companies spend anywhere from tens of thousands to over $1 million to respond to a single FTS solicitation. That's a lot for a hunting license, basically.

Mr. ALLEN. Yes, it is.

Mr. DAVIS. Do you have any suggestions how such costs could be reduced or avoided from your perspective?

Mr. ALLEN. One of the things we like to see is have there be fewer vehicles. And again, this isn't unique to within GSA, it just happens that GSA is the focus of our hearing this morning. If there are fewer vehicles, then contractors will incur fewer costs in having to run down each one.

We also think that the further implementation of technology, electronic Government, elctronic contracting will probably be a great cost savings in this process.

Mr. DAVIS. It doesn't cost that much to get on the FSS Schedule, does it?

Mr. ALLEN. Not usually, no. There's a process that people have to go through and fill out the paperwork. But it's not the same sort, usually it's not the same sort of technical proposal, the depth of which can really run into the project management cost.

Mr. DAVIS. Right. And I'm not sure, but looking at some of these other Schedules out there, a lot of these Schedules aren't that expensive to get on. Now, to get onto a GWACs and these others, it costs a lot of money sometimes to go through all that. As you say, there are so many different purchasing options at that point for the government, companies may decide they don't want to participate everywhere, because it's an overhead cost that you have to absorb.

I think I understand where you are. I have more questions, but I'm going to yield to Mr. Turner and let him ask some questions for a few minutes.

Mr. TURNER. You go ahead, Mr. Chairman.

Mr. DAVIS. Thank you.

You stated that the overlap between the Federal Supply Service and the FTS has grown so over the years that Federal buyers and vendors are not sure which entity is the real GSA. Given this state of affairs, do you think that the creation of a new position of associate administrator with authority over both of them could be an option? Mr. Perry said it was an option.

Mr. ALLEN. Yes, sir, in fact, we recommended the creation of a position, both in our testimony this morning and in a letter we sent to Mr. Perry in October 2001. The two entities today, the commissioners of each Service we feel do a fine job. The problem that they have is that they are not really fully empowered to manage their agencies because there is a regional power structure within GSA as well. What we are envisioning by the creation of an associate administrator position is someone within the office of the Administrator who will be able to deal with the day to day management issues that arise because of those conflicting organizational structures, making the best use of each.

What we said in our prepared remarks is that right now, the only place that all those organizational structures come to a head is in the office of the Administrator. As a practical matter, given its current staffing capabilities, staffing levels, they can only really handle the big macro issues when major conflicts develop. By creating this position, you get a little bit better day to day management.

Mr. DAVIS. My last question: Would you agree that since Clinger Cohen the whole operation works a lot more efficiently for the taxpayer?

Mr. ALLEN. Oh, absolutely, yes, sir.

Mr. DAVIS. And that both these agencies, for government agencies, do a pretty good job? We're just talking about taking it to the next level?

Mr. ALLEN. Absolutely, Mr. Chairman. There is no question that GSA as an agency today is viewed very much more favorably and is a much stronger agency than it was prior to Clinger Cohen. The current management does a fine job and we are talking about making it even better.

Mr. DAVIS. I agree with that. I don't want to be beating up on them, because when you compare it with other agencies, in particular, I think they do a great job. But we can always try to do better. We try to do better, that's our job, is to oversee that.

Mr. ALLEN. That's right.

Mr. DAVIS. Mr. Hutchins, let me ask, I'm tempted to ask you preliminarily what do you think in your study, but I'm not going to do that. I think you want to get everything in. So I'm just going to kind of get around it a little bit with three quick questions. GAO found there is an overlap within FSS and the FTS structure, but they didn't find a consensus among vendors or user agencies as to whether the current structure is beneficial or not. Is this consistent with your findings, that there's no consensus, that it depends on who you talk to?

Mr. HUTCHINS. That's right, Mr. Chairman. We've talked to over a dozen Federal agencies and a dozen major vendors that are on the schedules or in the contracts. There is a wide variety of opinion.

Mr. DAVIS. One of the goals of your study is to determine if GSA structure is providing best value to the Government and the taxpayer, whatever best value is. I think we have an idea of what that is. Could you share with us the criteria you would use in best value, in that determination?

Mr. HUTCHINS. Our criteria falls along two lines. We found this out during the workshops. That is, a combination of ensuring that every customer that GSA serves is able to deliver on their aspirations with regard to their technology buys.

Mr. DAVIS. Gets the product they want, in other words.

Mr. HUTCHINS. Get the product they want, but as Mr. Perry said, ultimately to get an IT solution that enables their agency to achieve its mission. So GSA is looking past just the purchase and making sure that the money they are spending, the taxpayer money they are spending, actually delivers value. The other part of it is, given that GSA offers so much value to Federal agencies, to make sure that they are making that available to as many agencies as needed.

Mr. DAVIS. Great. As you know, the constant debate up here is, do we want to have everything run by central rules and regulations on every procurement to make sure that you have all of these protections, or do you want to trust the buyers out there with these agencies, given appropriate training, to go out and get what they need. They are often in conflict. I just remember so many of the years when we would have page after page of rule or regulation that drove the outcome. And you'd end up certainly meeting the criteria, but you didn't get the product you needed at the end of the day. The goal, I think, ought to be, as you stated, to make sure that they can fulfill their mission and get the product that fulfills their mission and have the flexibility and the contracting vehicles to do that. I think we've come a long way over the last 6 or 7 years.

But I think in the hearing today we're trying to see how we can do a better job. Because there is still, when you look at saving money, a lot of waste in Government on the procurement side, although a lot less than there was. I just would say that's so because you've got the lawyers out of it, to a great extent. Any time you're not giving to the lawyers, that means somebody benefits. [Laughter.]

Last, you noted in your statement that during the progress of the study you've had extensive engagements with senior GSA executives and managers. Have you found them to be pretty open to suggestions for change or do you see any barriers within GSA to implementing the recommendations?

Mr. HUTCHINS. They've been very open to the ideas and generating ideas. We've found them to be very committed and aggressive at making GSA a better place.

Mr. DAVIS. Yes, I think some of them, we lose sight, are extraordinary public servants who want to do the right thing. They have been pretty innovative in some of the things they have come up with over the last few years. So yes, I'm hopeful that when the study comes through that we can make this even better.

Mr. Turner.

Mr. TURNER. I just had one. Mr. Allen, is there a trend toward more or less litigation in this particular area among contractors and the Government?

Mr. ALLEN. We've seen over the last decade with the procurement reforms put into place a market trend toward less litigation. We think that is very beneficial to the process. It reduces procurement lead times, it reduces the costs associated with acquisition, and it has the happy consequence of getting the Government today's technology today.

Mr. TURNER. Thank you, Mr. Chairman.

Mr. DAVIS. Thank you very much.

Before we close, I want to take a moment to thank everybody for attending today's hearing. I want to thank the witnesses, and Congressman Turner, I want to thank you, thank Mr. Schrock and Ms. Davis who are upstairs at a briefing our full committee is doing now, for participating. I want to thank our staffs for organizing this, I think it's been very productive. The record will remain open, if any one has comments, for the next 10 days.

Thank you very much.

[Whereupon, at 10:47 a.m., the subcommittee was adjourned, to reconvene at the call of the Chair.]

[Additional information submitted for the hearing record follows:]

GSA Office of Congressional and Intergovernmental Affairs

JUN 3 2002

Chip Nottingham
Subcommittee on Technology
and Procurement Policy
Committee on Government Reform
U.S. House of Representatives
2157 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Nottingham:

Please find enclosed the responses to questions submitted to Mr. Stephen Perry, Administrator of General Services from the hearing held on April 11, 2002, on the GAO Studies on the Operations of FSS/FTS.

If you need any further information, please contact us at 202-501-3956.

Sincerely,

Wanda D. Simms
Legislative Specialist

Enclosure

U.S. General Services Administration
1800 F Street, NW
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1. Your private sector experience must provide many valuable lessons about managing acquisition operations and measuring their results. What kinds of tools are used in the private sector to measure success of acquisition organizations?

Based on my private sector experience, measuring the effectiveness of "acquisition operations" (or purchasing departments) is done by measuring the increased total value derived by the organization from both the acquisition and use of the product or service acquired. That is, not just the value of the acquisition cost savings, but also the value of any additional cost savings and other benefits derived from using the acquired product or service over its life cycle.

In the context of the Federal government, GSA is the "acquisition operation" where the value from acquisition cost savings is derived; and the agency for which the item is being acquired is where the value from use is derived. The difficulty in measuring the total value GSA generates stems from the fact that the agencies do not provide GSA with detailed information about the value (cost savings and other benefits) they derive from their use of products and services purchased or provided through GSA. Consequently, GSA can only measure the acquisition cost savings which often is just a small part of the total value derived by the Federal government as a whole. To gain the insight necessary to establish more meaningful baselines, GSA has commissioned a study of its operations by Accenture. Part of this study will be to interview GSA's customer agencies to establish an independent view of the programs and contracts GSA manages and to report on their value. In addition, GSA has begun surveying its customer agencies to establish data on GSA's offerings and their value to agencies. Of course, Federal acquisition costs and benefits are also gauged by the host of socio-economic statutes and regulations applicable to Federal programs (i.e., hiring Vietnam Veterans, attaining clean air and clean water, promoting small and disadvantaged businesses and the like).

The tools and techniques used in the private sector to measure this total value derived from acquisition and use would vary somewhat depending on the nature and use of the item being acquired, such as component parts or operating supplies versus capital equipment. However, the general objective is the same, that is, to calculate the total value derived from the acquisition and use of the item over its life cycle. This method not only applies to individual components, but for services as well.

As an example, in the case of component parts or operating supplies acquired and used to produce a product, our company would start with a "product cost profile" which shows the cost of each purchased component or operating supply item that makes up the final product cost. After reviewing the value improvement opportunities for each item, we would set challenging but achievable value improvement targets to be achieved by changing the acquisition and/or use of each component part or operating supply item. A specific action plan would be developed for each item to capture the targeted value improvement. The action plan for reducing electric energy cost would be quite different from the action plan to increase the life of cutting tools and so fourth. After each action plan is carried out, we would develop a new product cost profile with the updated cost of each purchased item and compare it with the previous product cost profile to determine whether the value improvement target has been achieved. The result measures the value derived from the effective operation of the organization's supply management process, and also gives a measure of the savings resulting from the value improvement.

An acquisition of service would follow the same format, with some slight changes. One must start with the baseline, and then prepare a project plan which compares the projected cost of in-sourcing the service, an analysis of the internal capabilities to address whether in-sourcing is possible, and also compare this work against the core missions of the enterprise. Then taking this plan, you compare it against the cost of acquiring a service from an outside source. The cost of the service, and an analysis of the increased value to the organization, are compared against the original baseline.

2. In your experience, have you seen an organization successfully manage two overlapping organizations like FSS and FTS? If so, what management techniques or coordinating mechanisms were necessary? What pitfalls stood in the way of achieving results?

Yes, I have experienced organizations with somewhat overlapping activities successfully managed within the same company. For example, many companies are organized into multiple strategic business units (SBU's) and have marketing, sales, procurement and other activities within each SBU rather than merging them all into company-wide units. This may be the best organizational structure to provide the focus needed to meet the needs of different customer groups, product offerings or supply markets. The activities of these multiple marketing organizations may be somewhat overlapping, however, they can be successfully managed provided there is a clear understanding and commitment to the company-wide mission and goals that require the two organizations to collaborate in some areas and work independently in other areas. Also, it may be helpful to have the company's reward, recognition and incentive systems designed to motivate and reward collaboration in designated areas by having the incentive for these areas tied to company-wide results rather than individual unit results.

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IN REPLY
REFER TO J-33

MAY 13 2002

JUN 05 2002

Honorable Thomas M. Davis, III
Chairman, Subcommittee on
Technology and Procurement
Committee on Government Reform
House of Representatives
Washington, DC 20515-6143

Dear Mr. Chairman,

This is in response to your letter of April 8, 2002, that asked follow-up questions about the organization and services provided by the Federal Supply Service (FSS) and the Federal Technology Service (FTS).

First, you asked if the Defense Logistics Agency's (DLA) lack of awareness of any competing or overlapping contracts between FTS and FSS was based primarily on a comparison between FSS and the telecom portion of FTS. Our perception of a lack of overlapping contracts between FSS and FTS is based on our review of DLA contracts. It should be noted, however, that our telecommunications requirements are satisfied by the Defense Information Systems Agency which selects appropriate contracting vehicles with FTS to meet DLA needs.

We do a considerable amount of business using FSS contractual vehicles. As stated in my testimony, DLA awarded $343 million on FSS contracts in Fiscal Year 2000 and $389 million in Fiscal Year 2001.

You also asked if DLA believes that the proliferation of fee for service entities offering Government-wide contracting vehicles helps customer agencies by providing a wide choice, or if it makes the selection of a best-value solution unnecessarily confusing and difficult. DLA believes that more competition, and the expanded choices it provides, are better for the Government and ultimately better for taxpayers. While it may require additional effort on the part of contracting officers, the results can provide a tailored solution at a lower price than may have been available in a sole source situation.

I hope this information is helpful in responding to your concerns. If further information is required, you may contact Ms. Rosalind Thomas at (707) 767-1373.

Sincerely,

CLAUDIA S. KNOTT
Executive Director
Logistics Policy and Acquisition Management

Federal Recycling Program Printed on Recycled Paper

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June 5, 2002

The Honorable Tom Davis
Chairman
Subcommittee on Technology and Procurement Policy
Committee on Government Reform
2157 Rayburn House Office Building
Washington, DC 20515-6143

Dear Mr. Chairman:

Thank you again for inviting me to testify before the Subcommittee on Technology and Procurement Policy's hearing on the current organization of the Federal Supply Service and the Federal Technology Service. As you have requested, I am forwarding answers to the follow-up questions you raised in your letter of April 18th.

On April 30th we provided to the General Services Administration our final report, which GSA released to the public the following day. Two of the questions you raised in your letter are discussed in detail in the report, and answers are provided in the attached document. The third question, regarding performance measures, was not a focus of our report, but I have attempted to offer some insight regarding that issue as well.

It has been my pleasure to work with the subcommittee and GSA on this initiative. Please do not hesitate to contact me if you have any further questions.

Sincerely,

Dwight N. Hutchins
Partner

Question #1: Do you have some preliminary observations related to the structure of FTS and FSS that you could share with the Subcommittee?

On April 30, 2002 Accenture submitted to GSA its report entitled "GSA Delivery of Best Value Information Technology Services to Federal Agencies; Analysis of FSS and FTS Structure and Services: Findings and Recommendations." A description of Accenture's findings, excerpted from that document, is set forth below.

Accenture's analysis of customer, vendor, and internal GSA interviews yielded four main findings:

1) Customers greatly value GSA services;

2) Industry partners also value GSA though, they see room to improve efficiencies in their interactions with GSA;

3) Some overlaps exist between FSS and FTS in the areas of IT sales & marketing and IT contract offerings; and

4) There is significant opportunity to expand GSA's delivery of best value in IT products and services.

A description of these findings is set forth below.

1) Customers Greatly Value GSA Services

- **Customers in the federal technology marketplace are fundamentally satisfied with services offered by GSA.** Interviews with customers and procurement experts indicate that GSA is highly valued for (i) providing rapid procurement support; (ii) serving as the standard and foundation for contracting offerings and practices; (iii) focusing federal government buying power; and (iv) offering a range of procurement services tailored to the needs of individual buyers.

- **There is a tremendous diversity of customer buying needs, with each customer valuing a different aspect of GSA's service offerings.** Information technology and telecommunications needs vary significantly across the federal government. Agency needs range from ensuring best value, low rates and service quality for basic services to serving more advanced needs including managed services and end-to-end "total" solutions.

- **Fees are the most common reason cited by customers for not using GSA services.** The results of customer interviews suggest that buyers may choose alternatives to GSA services because of a perception that GSA's fees are higher in comparison to alternatives, including in-house procurement and other non-GSA contract offerings. Furthermore, research identified that internal agency policies favoring in-house procurement likely represent another major factor for not using GSA services. It is important to note that customer interviews provided no evidence that agencies were opting away from GSA because of poor delivery or bad experiences.

2) Industry Partners Also Value GSA, But See Room to Improve Efficiencies

- **Overall, industry partners value GSA, though they see room to improve efficiencies in their interactions with GSA.** Interviews with vendors indicated that they value GSA for (i) facilitating access to buyers; and (ii) serving as the standard and foundation for contracting offerings and practices. However, many vendors were vocal in their concerns regarding the cost of GSA overlaps. Vendors raised concerns of overlapping schedules, vehicles, and one-time competitions that require multiple proposal efforts. Vendors also noted that GSA offerings often require more administrative effort to support than competitors' offerings (*i.e.,* other GWACS), and that GSA schedule updates occur less rapidly.

3) Overlaps Exist

- **Accenture's analysis revealed functional overlaps between FSS and FTS in two areas: IT sales & marketing and IT contract offerings.** These overlaps do not appear to cause significant confusion among customers in the marketplace. However, the frictional issues caused by overlaps misdirect effort and resources from both GSA and vendors that could be better focused on satisfying broader customer needs. There is an opportunity to increase efficiency by eliminating overlaps and redundancies and improving coordination between FSS and FTS.

  A more detailed description of the overlaps is set forth below.

IT Sales & Marketing

DESCRIPTION OF OVERLAP

- Through overlapping and uncoordinated go-to-market efforts, GSA often presents multiple faces—and solutions—to the customer from FSS, FTS, and the regions.

FINDINGS

- FSS and FTS independently assess the marketplace and develop strategies for serving the market with their individual offerings (though schedules are often included in FTS solutions).
- FSS and FTS independently target, and call on, customers to offer their solutions.
- Customer contact data is generally not shared between FSS and FTS.

IMPLICATIONS

- There is a potential that the customer may receive the best solution that FSS or FTS has to offer (based on which organization is pursuing the opportunity) rather than the best solution GSA has to offer.
- There may be excess costs due to redundant marketing efforts.
- Duplicative sales calls waste sales force time, while missing other potential clients.

IT Contract Offerings

DESCRIPTION OF OVERLAP

- There are overlaps that exist within and between major IT contracts offered by FSS and FTS.

FINDINGS

- FSS and FTS offer a wide array of IT contract vehicles that generally cover the breadth of customer needs; however, customers are not always clear on the distinctions between different contract offerings.
- Due to recent improvements to individual contracts and policy changes allowing each service to more fully address customer needs, FSS and FTS offerings have converged -- reducing the distinctions between their offerings. FTS features of "Cost-plus" tasking, fee-caps, and non-protestability remain the major distinctions between major FSS and FTS IT offerings. However, the level of use or actual importance of these features to federal agencies needs further study before market relevance can be determined.
- Within FTS, the current array of IT GWAC contracts represents a significant reduction (and improvement) from a previous plethora of regional offerings. However, there does not appear to be a clear, customer-relevant distinction between several of the major IT contracts.
- The overlaps and redundancies within and between schedules and vehicles require vendors to compete multiple times for similar opportunities.
- The issue of contract proliferation is a government-wide issue that is not unique to GSA. Many federal agencies offer their own government-wide multiple award contracts. Furthermore, there is a plethora of agency-specific contracts, for which vendors believe they must compete so as not to be excluded from agency opportunities.

IMPLICATIONS

- There appears to be little negative effect on customers, as these overlaps are generally perceived as reflecting a wide array of interlocking choices, at no additional cost to the customer.
- While not debilitating to GSA operations, overlapping IT contracts require an expenditure of effort and resources from both GSA and vendors that could be focused on satisfying broader customer needs.

- The increased cost/effort to vendors caused by overlapping IT contracts could potentially lead vendors to: (i) exit the market; (ii) pass on costs to customers; or (iii) promote other, non-GSA contracting options.

4) Opportunity and Need to Expand Delivery of Best Value

Trends and findings indicate that GSA is well positioned to expand its delivery of best value to more customers and increase its service to the growing federal technology market.

- **The federal technology market is robust and rapidly growing.** The federal IT/Telecommunications market is projected to grow at an annual rate of 11 percent -- over 50 percent in the next five years -- largely as a result of increased spending on the war against terrorism.

- **Increased complexity of solutions is causing customers to seek assistance more often.** Federal agencies, facing a complex array of choices and formidable acquisition requirements, increasingly value outside assistance with the procurement process.

- **GSA's range of offerings generally addresses customer needs across the spectrum of "assisted-service" and "self-service" offerings.** GSA occupies a critical and strong position in the IT and telecommunications market, enabling it to help customers across a range of acquisition needs by providing a spectrum of economical, "self-service," and "assisted-service" offering.

- **Improved data collection and analysis regarding the needs and trends of federal agencies, as well as the needs and relative capabilities associated with specific projects, is critical to delivering best value to all customers broadly and to each customer individually.** To maximize best value to agencies and the American taxpayer, GSA needs to make an assessment of each customer's need for technology and procurement assistance and be ready to provide the right level of assistance to each customer. Currently, GSA is building the skills and capability necessary to perform this assessment effectively.

Question #2: What suggestions do you have to help GSA develop credible and meaningful performance measures that focus on savings FSS and FTS are generating for their customer agencies.

Our study at GSA did not focus on performance measures, but we will offer some general suggestions on how GSA might approach this issue based on our knowledge of GSA's overall strategies and activities in the federal IT market.

GSA is already making significant progress in improving the measurements it uses to manage its internal operations, but the task of developing performance measures focusing on results achieved for customer agencies is much more challenging. It is complicated by broad diversity in the mission needs of GSA's customers as well as the variety of products and services GSA offers. It may be possible to develop an initial framework by assessing GSA's aspirations and customers' procurement needs based on our current understanding of the issues, but significant further work would be necessary to develop quality measures to manage GSA success in providing "Best Value" to the federal government.

Accenture's analysis found that GSA is essentially delivering the right types of services to federal agencies who were purchasing IT products and services, and that these customers value the wide spectrum of GSA services provided. Based on this positive analysis of GSA's role in the federal IT market, we understand GSA's "best-value" aspirations to be:

- Provide the right services to each federal IT customer to assist their procurement efforts, according to the specific needs and requirements of each procurement event, and
- Expand service to reach more customers, providing greater opportunities for federal agencies to benefit from GSA's services

We also found that customers have the following basic buyer values and needs (the order of importance varies with customer and procurement event):

- Quality product
- Best price
- On-time delivery
- Technology options assistance
- Procurement process assistance
- Transparency of process/adherence to requirements
- Financial management assistance

Through analysis and merging of these aspirations and needs, four categories of measures would probably arise:

- Customer satisfaction with the solution
  - Did the technical solution meet program goals?
  - Were the ultimate users/customers of the solution satisfied?

  - Did the new system allow cost savings over alternatives?
  - What role did GSA play in helping to select this system over potentially less attractive alternatives?
- The cost of the solution
  - Was the solution delivered within the project budget?
  - Was this a significant savings over "market" prices for a similar solution?
  - What role did GSA have in helping to manage costs?
- Customer satisfaction with support services
  - Did GSA appropriately meet the needs of the agency procurement and program management customers?
  - Were GSA's fees appropriate for the value delivered?
- GSA's breadth of service
  - How many customers is GSA serving?
  - What is the value of IT procurement being supported by GSA?

Additionally, GSA should probably consider some vendor-related measures to ensure that the GSA intermediary role as a broker and buyer-agent does not inappropriately raise costs for vendors. While negotiated and market-influenced price reductions provide value to customers, process inefficiencies add costs to vendors that are ultimately passed on to customers. These measures could be focused on such areas as:

- What are the average vendor costs associated with bidding for, and maintaining, GSA contracts?
- What additional project costs are associated with GSA involvement in a procurement event?

Analysis of the answers to these – and other—questions would help to identify potential measures. The actual selection of measures would need to be done based on the relative accuracy and ease of measurement. Also, wherever possible *outcome* measures should be used to measure results, rather than using *input* or *output* measures which merely measure activity.

Question #3: What are the issues that GSA will have to address in order to offer the federal government best value services through FSS and FTS?

On April 30, 2002 Accenture submitted to GSA its report entitled "GSA Delivery of Best Value Information Technology Services to Federal Agencies; Analysis of FSS and FTS Structure and Services: Findings and Recommendations." A description of Accenture's recommendations, excerpted from that document, is set forth below.

The project objective for Accenture and GSA executives was to identify ways to increase GSA's ability to deliver best value solutions to federal agencies. Accenture's recommendations focus on this goal, with efficiency-related recommendations reflecting opportunities to redirect resources to areas of greater customer need and impact.

Accenture's recommendations to improve the delivery of best value are as follows:

A) Combine and re-align the following functional areas as they relate to information technology and telecommunications:

- Market Research
- Marketing
- Customer Account Planning and Management
- Sales
- Service Delivery
- Contract Development and Maintenance

B) Rationalize overlapping IT contracts currently offered by GSA;

C) Ensure that incentives are aligned with customer and organizational needs; and

D) Expand expert assistance services (technical and procurement) into other GSA product lines

The fundamental rationale for these recommendations is that:

- **Combining and realigning functions** would allow GSA to increase focus on those functions (improving service to each customer) and to expand operations to reach, and aid new customers. To a staff and skill constrained GSA, these steps become increasingly important as IT spending increases and projects become more complex;

- **Improving the contract mix** would enable customers to better understand the value they receive from GSA, while creating efficiencies for GSA and industry partners;

- **Aligning incentives** would ensure that customers receive the best solution GSA has to offer; and

- **Expanding "assisted-service" offerings** to GSA's other product and service lines would address growing customer needs in those areas.

A detailed description of the rationale for and benefits of each of these improvement strategy recommendations is set forth below.

A) COMBINE AND RE-ALIGN FUNCTIONAL AREAS

Market Research

Effective market research is critical for any organization to understand the current state of its market, the overall needs of its customers, and market trends. For GSA, with its special role in federal procurement, it is imperative to have a focused center of excellence for examining the needs and trends of the federal IT community.

GSA should combine IT market research into one organization to realize the following benefits:

For GSA:
- Improved understanding and fact-base of the overall federal IT market
- Increased ability to conduct strategic analysis of federal IT procurement trends and develop effective responses to agency needs

For Customers:
- More targeted and effective solutions based on better intrinsic understanding by GSA of agency needs
- Improved, proactive GSA support earlier in the procurement process
- Potential cost reductions through improved leverage of federal buying power where such opportunities are identified

For Industry Partners:
- Improved ability to jointly assess customer needs
- Improved ability to partner with GSA to develop future solutions

GSA's separate and uncoordinated IT market research groups, despite the quality of their individual efforts, fall short of achieving the potential of a chartered, focused and coordinated activity.

Combining and realigning the market research function would eliminate the inherent redundancies caused by two separate groups doing similar work. This would free resources to conduct expanded and deeper analysis into the needs and trends of the federal IT market, and to work with other groups within GSA to ensure that products and services are aligned to those needs. Additionally, with this group focused on the entire federal IT market, it would improve GSA's ability to conduct strategic analysis on overall trends and buying patterns. This strategic analysis could be used to facilitate new procurement options that match changing buying needs, or to leverage federal buying power against new requirements.

This recommendation to focus market research efforts through functional alignment builds on and accelerates the efforts already underway (such as the FTS "Blueprint" study) to increase GSA knowledge of the federal IT market.

Marketing

Marketing often has unfortunate and unfair negative connotations in the public sector. However, effective marketing plays a crucial role in informing customers what products and services are available and how to obtain them. Since GSA plays a key role in helping clients make the best use of billions of procurement dollars annually, it is vital to keep the federal marketplace well informed of how to make use of ever-changing market offerings.

GSA should combine IT marketing into one organization to realize the following benefits:

For GSA:

- Greater efficiency through the elimination of redundancies
- The ability to create cohesive messages across all GSA IT products

For Customers:

- Better understanding of GSA's products and services
- Less confusion from duplicated or conflicting GSA messages

For Industry Partners:

- Improved ability for customers to understand how to obtain industry products and services

GSA's IT marketing is uncoordinated and is not clearly focused, though it benefits from an excellent marketing effort related to its schedules program, this effort does not address the entire spectrum of GSA's IT offerings. Additionally, uncoordinated and potentially conflicting marketing efforts can complicate customer's attempts to determine which solution is ideal for them.

Combining and realigning the marketing function would eliminate the inherent redundancies caused by two separate groups doing similar work. This would free resources to focus on the specific needs of IT marketing and to ensure that the messages regarding the entire breadth of GSA's IT products and services are developed and communicated. With both "self-serve" and "full-serve" offerings marketed from the same organization, clear messages could be developed to articulate the benefits of each offering so customers would understand better how these solutions apply to their needs.

Customer Account Planning and Management

GSA provides important "broker" and "buyer agent" functions in the federal government by helping federal IT buyers determine, then access, the IT products and services they need. The customer account planning and management function is closely related to this effort and focuses on:

- Ensuring that an organization fully understands the needs of a customer
- Matching the customer's needs to appropriate offerings
- Developing the overall service and engagement strategy
- Monitoring the ongoing success of service delivery efforts

GSA should combine and enhance the FSS and FTS IT customer account planning and management functions to achieve the following benefits:

For GSA:

- Increased understanding of, relationship with, and fact-base for each customer
- Improved ability to match customer needs to product offerings
- Increased recognition and understanding of the value and limitations of distinct contract vehicle and service offerings developed through the ongoing analysis of their value propositions, relative to specific customer needs

For Customers:

- Greater confidence that the proposed GSA IT solution is the best option to meet their needs

- A central point of contact for all GSA IT activity with each customer

For Industry Partners:

- A central point of contact for all GSA IT activity with each customer

GSA is already working to increase its understanding and tracking of customer needs and interactions, primarily through its CRM pilot. This effort should be expanded and accelerated, in addition to aligning functions. GSA does not have a consolidated account planning group to perform these functions, with current responsibilities for IT customers divided between FSS and FTS. Each account team (and the related sales force) depends on customer data developed internally within that service, as data is generally not shared between services. A central account team for each customer would be able to achieve a much greater understanding of customers' IT needs and to effectively work with other GSA functional areas (market research, marketing, sales, service delivery, and contract development and maintenance) to develop a cohesive strategy for meeting the needs of each customer.

Combining and realigning the customer account planning and management function would eliminate the inherent redundancies caused by two separate groups doing similar work. This would free resources to understand more fully each customer's needs and decision-making processes. Since all IT services would be offered from one location, the account planning team would be able to propose comprehensive sales and delivery strategies focused on the customer's unique situation and unfettered by organizational boundaries or potential biases.

IT Sales

GSA's IT sales forces are instrumental in bringing GSA's IT products and services to customers. Because of the distinct nature of the two business models for GSA's IT products and services, FTS currently has a much stronger focus on one-on-one customer interaction. Although FSS does engage in sales and on-site support related to schedules, its "self-serve" model limits the need and scope of its sales efforts.

Combining the FSS and FTS IT sales forces would offer the following benefits:

For GSA:

- Improved efficiencies leading to the greater opportunities for outreach
- Increased learning from each and every customer contact event

For Customers:

- Elimination of potentially confusing, uncoordinated sales calls
- Greater confidence that the proposed GSA solution is the best option to meet their needs

For Industry Partners:

- Expansion of GSA sales efforts to bring industry products to customers

Despite the relative size distinctions between the two sales forces, there is still duplication of effort as well as the potential for customer confusion when two GSA sales forces call to sell different IT solutions (made even more confusing when FTS solutions include FSS schedules). Further, the dual sales force structure can present the appearance that these forces compete in a manner that puts their service needs above customer needs. While a potential issue, this study found no evidence of customers receiving sub-optimal solutions due to internal competition.

Combining responsibilities for all one-on-one customer contact (along with combined account planning and management, as described above) would ensure that each customer is presented the best solution GSA has to offer. Of course, customers would be able to select from a variety of GSA offerings, but there would be no question regarding which solution GSA believes is best for the customer's situation or who was responsible for delivering it. Further, since sales are often an iterative process of many meetings involving the exchange of customer and product data, a single sales force would reduce the demand on customer time while ensuring that the sales force is aware of, and benefits from, all customer interactions. As an added efficiency gain, eliminating the time and resources needed to make redundant calls on one customer would enable greater outreach to new customers.

Service Delivery

FTS plays a large role in delivering and overseeing the delivering of products and services to customers, while FSS, by the nature of its business model, does not. Thus, there is little, if any, FSS service delivery to combine with FTS's efforts, and this recommendation needs little discussion. However, as

recent years have seen a "growing together" of the two business models, it is important to clearly distinguish the roles and responsibilities of the two organizations and to ensure that only one GSA organization is responsible for service delivery in the future.

Combining the FSS and FTS IT service delivery forces offers the following benefits:

For GSA:

- Continued ability to focus IT service delivery in a center of excellence
- Elimination of inefficiencies due to overlaps and redundancies

For Customers:

- Continued access to a focused IT center of excellence

For Industry Partners:

- A single GSA point of contact for task order implementation issues

Contract Vehicle Development and Maintenance

Both FSS and FTS are currently responsible for developing and maintaining IT contracts. The development and ongoing maintenance of these contracts represents a significant resource commitment by both GSA and Industry Partners, and these efforts represent the core offerings that GSA presents to IT customers. (This recommendation is only intended to cover the industry-facing aspects of contract vehicle itself, not the customer-facing development of task orders written against the vehicle, which is defined here as a service delivery function.)

GSA should combine the FSS and FTS IT contract vehicle development and maintenance to achieve the following benefits:

For GSA:

- Elimination of inefficiencies due to overlaps and redundancies
- The ability to create a focused, center of excellence for IT contracting
- Enhanced organizational ability to facilitate contract rationalization
- The ability to redirect resources to other contracting tasks

To Customers:

- Elimination of the appearance that having separate contracting offices may influence contract recommendations.

For Industry Partners:

- A single GSA point of contact for contract development and maintenance/refresh issues
- Potentially, greater responsiveness to contract update issues as GSA is able to reallocate contracting resources

Combining contracts into one IT contract office would allow GSA to free up contracting resources, especially if the contract rationalization effort (described below) is implemented as well. Contract personnel now working on redundant tasks could be re-allocated to support the maintenance of existing contracts, or to service delivery/ task order writing functions to provide greater service to customers. Additionally, the contract rationalization effort itself would be greatly facilitated, eliminating any influence of organizational conflicts to the challenging task of determining the right mix of GSA IT contract offerings.

Notably, since contract access fees represent a key source of organizational revenue, combining these efforts could have a significant internal financial impact.

B) RATIONALIZE CONTRACTS

GSA offers a number of IT contracts ranging from FSS schedules to FTS multiple award contracts. As mentioned above, these contracts represent a significant resource commitment for both GSA and Industry Partners. It is imperative, therefore, that GSA only develop and maintain contracts which provide clear, distinct benefits to federal IT customers. FSS is already conducting a review of its schedule offerings; it is recommended that this effort be expanded and accelerated. (No significant overlap in telecommunications contracts was identified, so these vehicles are not included in this recommendation.)

GSA should rationalize its IT product offerings, and adhere to strict new contract development criteria, to achieve the following benefits:

For GSA:

- Reduced requirement of managing multiple, redundant contracts

- Ability to redirect scarce, highly valued resources to preferred contract vehicles
- Improved ability to develop clear marketing messages based on the unique qualities of each contract

For Customers:

- Improved understanding of the value of a proposed contract option, relative to their needs

For Industry Partners

- Reduced requirements to bid on multiple, overlapping contract vehicles

An initial analysis of GSA's major IT contracts was conducted to identify the distinct features that customers found most valuable. While there are some clear distinctions between FSS schedules and FTS GWACs, we were not able to identify clear, customer-relevant distinctions among the major FTS IT GWACs.

It is clear from our analysis that customers value contracting options, and that GSA should not rely solely on either schedules or GWACs to meet customer needs. However, each contract vehicle should have a clearly differentiated value proposition that can be communicated to customers and matched to their needs. Certain aspects of the FTS GWACs, such as the ability to write cost plus task orders, caps on total fees, protection from protests, and shelter from potential section 803 provisions can make GWACs very attractive for customers who value those features.

It is important to note that GSA is not alone in the proliferation of contracts throughout government. As noted previously, many federal agencies offer their own GWACs. Further, there is a plethora of agency-specific contracts, for which vendors believe they must compete so as not to be excluded from agency opportunities. Even a significant contract rationalization effort by GSA would have little impact on the total number of contracts in place in the federal IT marketplace.

C) ENSURE THAT INCENTIVES ARE ALIGNED WITH CUSTOMER AND ORGANIZATIONAL NEEDS

GSA's delivery of IT-related contracts and services depends heavily on FSS and FTS working together for the good of customers. Most notably, this occurs when the FTS sales force recommends using FSS schedule contracts. Accenture's

research revealed that organizational incentives are not always aligned to support inter-service collaboration.

GSA should work to further align its internal incentives to meet the needs of both customers and its services, which would result in the following benefits:

For GSA:

- Increased willingness between the services to more closely collaborate in meeting customer needs
- Reduced potential that organizational incentives might affect the delivery of best value to customers

For Customers:

- Increased confidence that they are receiving the best product and services that GSA has to offer

Broad GSA IT incentives focus on meeting customer needs, but not necessarily on including the other service in solutions. It is only through individual initiative and desire to meet customer needs that inter-service coordination occurs, rather than as a result of managed incentive mechanisms. It is notable that 57 percent of FTS contract sales are from FSS schedules, even though internal incentives and financial structures do not fully reflect the costs and value of the FTS sales force. It is important to note that we found no evidence that incentives encouraged GSA to provide sub-optimal services to customers.

There are many potential incentive solutions, such as training, management focus, individual performance incentives, or even inter-service cost/revenue sharing. The primary objective for incentive improvements should be to strengthen the already strong GSA culture of customer service by encouraging consideration and promotion of broader GSA solutions.

D) EXPAND EXPERT ASSISTANCE SERVICES (TECHNICAL AND PROCUREMENT) INTO OTHER GSA PRODUCT LINES

The focus of this study was GSA's role in delivering IT products and services to customers. Market research and customer interviews indicate that customers of non-IT schedules (*e.g.*, engineering and architectural services) would--and in some cases already do--benefit from expanded assistance with the procurement process. FTS has a proven track record of providing "assisted-service" consulting and program management support to IT customers. GSA should examine FTS's offerings and assess the practicality of offering similar services for all GSA customers.

The benefits of providing expanded "assisted-service" offerings to non-IT customers would include:

For GSA:

- Improved capability to provide "best value" to all customers
- Increased insight into the needs of other GSA customers, due to the increased customer contact inherent to the model of expanded procurement assistance.

For Customers:

- Increased procurement support options, similar to those currently provided by FTS in the IT market
- Increased assistance in articulating needs, finding the best solution to meet their needs, and reducing overall procurement costs

For Industry Partners (non-IT):

- More efficient ability to respond to customer needs, which could be more clearly expressed and supported by expert program management
- Improved ability to partner with GSA service delivery experts to develop improved solutions to meet customer needs.

GSA would have a variety of options for expanding this assistance. FSS is already working to enhance its service to meet customer needs for expanded assistance, and this effort could be accelerated. Alternatively, FTS could extend its scope beyond providing only IT and telecommunications services. This expansion would acknowledge the reality that defining "information technology," in an environment in which virtually every business solution has some technology component, is an increasingly difficult task.