

**GSA: THE PROCUREMENT PROCESS FROM START
TO FINISH**

HEARING

BEFORE THE

FEDERAL FINANCIAL MANAGEMENT, GOVERNMENT
INFORMATION, AND INTERNATIONAL
SECURITY SUBCOMMITTEE

OF THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE

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CONTENTS

Opening statements:	Page
Senator Coburn	1
Senator Carper	3

WITNESS

THURSDAY, SEPTEMBER 29, 2005

Stephen A. Perry, Administrator, U.S. General Services Administration:	
Testimony	5
Prepared statement	34

APPENDIX

GAO Report GAO-05-960R Improvements Needed to Federal Procurement Data System—Next Generation	27
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GSA: THE PROCUREMENT PROCESS FROM START TO FINISH

THURSDAY, SEPTEMBER 29, 2005

U.S. SENATE,
SUBCOMMITTEE ON FEDERAL FINANCIAL MANAGEMENT,
GOVERNMENT INFORMATION, AND INTERNATIONAL SECURITY,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 3:02 p.m., in room 562, Dirksen Senate Office Building, Hon. Tom Coburn, Chairman of the Subcommittee, presiding.

Present: Senators Coburn and Carper.

OPENING STATEMENT OF CHAIRMAN COBURN

Senator COBURN. The Federal Financial Management Oversight hearing will come to order.

I asked for this hearing because as I looked at GSA, I was having trouble figuring out how GSA works and where the transparency was and what was the goal, what are the parameters, how do you measure the goal, and how do you measure whether you are doing that? The purpose of the hearing today, Mr. Administrator, is to try to get a better understanding and see if we are getting a good price.

Americans have given us their credit card. They are on a hook for a bill with ever-accumulating interest. That bill is so big right now, our generation certainly won't pay it off. Our children's generation won't pay it off. And maybe our grandchildren's generation might pay it off, but they will pay it off through a markedly decreased standard of living.

We have a moral obligation to take the trust that has been given to us with their money and do that in a wise way. When they ask to see the receipt, they shouldn't get an answer that is so complex that we can't explain why they can't see the receipt. The demands that Americans are making aren't really very complicated. They want to know what we bought on their dime, how much it cost, did we do everything we could to get the best price out of it and get the best deal, and I believe they deserve to have those questions answered.

The budget of the United States now stands at \$2.6 trillion. That means the Federal Government spends over \$7 billion a day. Federal Government spending has skyrocketed, as we all know, from the 1960s, especially in the last 4 to 5 years, it has grown at about a 5 to 7 percent rate, greater than its historical rate. Because the

government is not spending within its means, it means that the Treasury is forced to borrow hundreds of billions of dollars each year to pay for that, which translates to our children and our grandchildren.

One important way we can reduce the burden on the American taxpayer and help spare our grandchildren a lower standard of living is to make sure the goods and services the Federal Government buys are bought at the best price, at the best terms. And we don't really have a good answer for them for anything other than that.

We are the largest purchaser in the world of almost anything. The purchasing power is massive. GSA was established to harness that incredible purchasing power by providing central oversight and coordination of procurement. As the government grows, it becomes all the more important for agencies' procurement efforts to be tracked and coordinated in order to build efficiencies and purchase in bulk whenever possible.

Some questions we are going to try to address at today's hearing are, are we doing better than the ceiling price in the GSA catalog? The GSA fee structure, is it appropriate? Accountability requiring transparency—do we have transparency in terms of being able to measure performance indicators for GSA? And discuss about the competing procurement agencies out there that you compete with, the purpose for them and what is going on in that area.

I want to thank Administrator Perry for being here today. I would note that the questions that we submitted in the middle of August were delivered to my office an hour ago, which handicaps our ability to be informed for this because my staff hasn't had a chance to read the answers to those. So what it probably will entail, based on what is in those answers, is another hearing, which we could have facilitated not having had we had the answers in a more timely way. I recognize you have a lot of things to do besides answer questions to us. We are going to ask some questions today and we would just appreciate a little more timely response so that we can do our job in terms of oversight.

PREPARED STATEMENT OF SENATOR COBURN

Americans have given us their credit card. They are on the hook for the bill and the ever-accumulating interest. Already, that bill is so big that they can't pay it off, but their children and grandchildren will. Congress has a moral obligation to take this trust seriously, and shop for the best price. We shouldn't throw everything into our shopping cart without even comparing price. When they ask to see the receipt, they shouldn't get an answer that is so complex that we can hardly hold a coherent hearing on the subject in plain English. The demands Americans are making aren't complicated. They want to know what we bought on their dime, how much it cost, and if we did everything we could be haggle for the best deal. It's their grandkids' future on the line, and they deserve to have these questions answered.

The budget of the U.S. Government now stands at \$2.6 trillion dollars. That means the Federal Government spends an average of over \$7 billion every day. Federal Government spending has skyrocketed at a rate unseen since the 1960s. Because the government is not spending within its means, the Treasury is forced to borrow hundreds of billions of dollars each year to pay for it. Our grandchildren will have to pick up the tab when the bill comes due.

One important way we can reduce the burden on the American taxpayer, and help spare our grandchildren a lower standard of living, is to make sure that the goods and services the Federal Government purchases are bought at the best possible price. And quite frankly, there's no excuse for anything else. The purchasing power of the Federal Government in the market is massive—our spending on goods and services exceeds the Gross Domestic Product of all but three countries.

The GSA was established to harness that incredible purchasing power by providing some central oversight and coordination of procurement. As government grows, it becomes all the more important for agencies' procurement efforts to be tracked, coordinated in order to build efficiencies and purchase in bulk whenever possible.

We know that product prices on the GSA catalogue are "ceilings" rather than the best price. GSA negotiates a "ceiling price" from which agencies may further negotiate. One goal of this hearing is to find out whether agencies are actually negotiating down from these ceiling prices.

We'll be looking at the incentive structures created by GSA's operations, especially its fee-based system. Does this system create the right incentives for contracting officers to get the taxpayers the best deal?

Perhaps most important of all for intelligent procurement planning and implementation is good information. We simply must know what we're buying, for what purpose, in what quantity, and at what price. If we don't, then we can't possibly develop strategies to get better prices, set spending priorities based on what we're actually spending, avoid inefficiencies and duplication, and appropriately steward the taxpayers' financial trust. We will be looking today at the systems we have for tracking procurement and if they are adequate to the task. I'll be particularly interested in transparency of the process—do we have access to the right information, and accountability—is someone responsible for what gets bought, and if it gets bought at the best price?

Finally, Federal procurement has come a long way since GSA was first established. There are tons of different ways that agencies can make purchases. They don't have to use GSA at all. They can use different types of vehicles at GSA. They can use government competitors of GSA, sometimes referred to as mini-GSAs. They can use private sector procurement products. GSA is now performing a minority of all government procurement. Our hearing will examine GSA's evolving mission and its relevance to the procurement process.

I would like, without objection from Senator Carper, to submit for the record the GAO report that was issued yesterday highlighting the flaws in the data system that tracks procurement. It was just released yesterday.¹

I would like to introduce Mr. Perry after Senator Carper finishes his opening statement. He has advised us that he will have to leave for another hearing that is ongoing at the concurrent time and I appreciate him so much for being here. I also want to tell him I appreciate the fact that we are working together, bipartisan, to look at costs and spending and wasteful government spending, and that we both have a desire not to single people out, but to make sure that after a hearing, there is something accomplished that makes us better at what we do. So there is nothing personal intended at any of these hearings, but rather how do we all do a better job for the American people.

Senator Carper.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Thanks, Mr. Chairman. Mr. Perry, I always say, everything I do, I can do better, and I think that is probably true of most of us, including Federal agencies. We welcome you here today.

I was joking with Mr. Perry that I heard a song riding in to catch the train this morning, on the radio, an old song by Journey whose lead singer was Steve Perry. I hear him on the radio in the morning—

Senator COBURN. And now he is testifying before you.

Senator CARPER [continuing]. And now he is testifying. We will see if he is as good in person as he was on the radio. We are glad

¹The GAO Report GAO-05-960R appears in the Appendix on page 27.

you are here, and Mr. Chairman, I thank you for inviting him to come by and to give us a little bit of a primer on how GSA does what it does.

As the Chairman said, I wish right now I could be two places at once. I can't, and I have made a commitment with Senator Voinovich to be with him and some others on trying to figure out how to retrofit devices in diesel-powered buses and trucks and trains and boats to reduce the emission of bad stuff into our air. So I am going to go over there and spend some time with them and then I will come back.

I think this hearing may have been inspired, Mr. Chairman, by some testimony that we heard earlier this summer regarding whether GSA is doing what it needs to do to be certain that the agencies that use its service are getting the very best value, and I think that may have been the impetus. While I am going to slip out for a while, I just would say I am very interested in hearing what you have to say and the man who is sitting right behind me, John Kilvington, will make sure that I get a full briefing for that which I miss.

When taxpayers expect that when agencies go to GSA to purchase a good or a service, and I believe some agencies may have no choice but to go to GSA for some of what they use, that they are not going to pay more than they need to, and that just makes common sense.

I believe we heard at our last meeting that the GSA has been doing pure audits of the contracts that they have with outside vendors and this trend coincides with a tremendous interest in the level of business that takes place through GSA, and what I am told is a decline in the savings negotiated by GSA personnel.

We look forward to hearing from you, Mr. Perry, today about what might be behind these trends, if they are correctly characterized, and also what we are going to be doing going forward. I know you have some reforms on the way already at your agencies—at least that is what I am told—so we are interested in learning what they may mean with respect to savings for your customers and ultimately for the taxpayers we work for.

Again, thanks for being here and we are glad you are able to share this time with us.

Senator COBURN. Let me introduce Mr. Perry. Stephen Perry was appointed the 17th Administrator of the U.S. General Service Administration on May 31, 2001. He is from Canton, Ohio. He was a senior business executive who retired March 31, 2001, as Senior Vice President, Human Resources, Purchasing, and Communication. His retirement marked the conclusion of a 37-year career at the Timken Company of Canton, Ohio, a leading international manufacturer—I bought a lot of Timken bearings when I was in business, I want to tell you—of highly-engineered bearings and alloy steels with annual sales of \$2.6 billion and 20,500 workers.

In 1991, then-governor, now U.S. Senator George Voinovich appointed him to his cabinet as Director of the Department of Administrative Services, which provided services to the State agencies that are similar to what GSA provides to Federal agencies. After a success in State Government, Mr. Perry returned to Timken in 1993.

A 1963 graduate of Timken High School in Canton, Mr. Perry earned his Bachelor's degree in accounting at the University of Akron in Ohio. I can relate to that. I have a degree in accounting, as well. He attended the University of Michigan Executive Development Program and earned a Master's degree in management from Stanford University in California.

Mr. Perry and his wife, Sandra, have five adult children and six grandchildren.

Mr. Perry, welcome. We are so thankful you are here and we appreciate you. You will have as much time as you would like to make your opening statement. Since I am going to be here probably by myself, take your time, and what we want to do is just go through and get a great understanding. So thank you very much for being here.

Senator CARPER. Mr. Perry, if I could, I am a Buckeye. I was an Ohio State Buckeye and it is always nice to welcome a Zipper from the University of Akron. I am going to go see George Voinovich right now. I will tell him that I was just with you. I am sure he will want to be remembered, as well. Thank you.

Senator COBURN. You may proceed.

**TESTIMONY OF STEPHEN A. PERRY,¹ ADMINISTRATOR, U.S.
GENERAL SERVICES ADMINISTRATION**

Mr. PERRY. Good afternoon, Dr. Coburn and Senator Carper. I am pleased to have this opportunity, actually, to talk about the acquisition processes that we use at the U.S. General Service Administration.

As you know, I have submitted a written statement for the record, so I will make my remarks brief and leave most of our time for dialogue.

Let me take the opportunity to say that I do regret the fact that in our last appearance before your Subcommittee, we were late in submitting testimony to you, and I regret to learn that we were also late in submitting the answers to the questions that you presented to us. I know what a hardship that is, and I also know that we are making an effort inside GSA to improve upon that.

As you are certainly aware, GSA's primary mission is the acquisition of facilities and products and services for other Federal agencies. GSA acquires all the office space and products and equipment and telecommunications services and so forth that over 1.1 million Federal workers need and use in the successful operations of their agencies. We also provide support to the Department of Defense, our men and women in uniform, and to first responders in the event of situations such as we are suffering through in the Gulf States now.

We believe that by providing these acquisition services, we enable Federal agencies to focus more of their resources and their expertise on achieving their own core mission and leaving the acquisition, if you will, to be accomplished by the folks at GSA.

We know that we have a very important responsibility. I would agree completely with the remarks that you made about how important it is for us to be efficient, to be effective, to be reliable, to

¹The prepared statement of Mr. Perry appears in the Appendix on page 34.

be consistent, and, of course, to be compliant with all the rules and regulations that we have to follow in order to provide best value for the government for the American taxpayers.

It has been my privilege to be involved in public service during these past four-plus years at the U.S. GSA. I believe that the people who work there do share a strong commitment to meeting the mission of GSA. It is an aspiration. We know that we don't always measure up to the extent that we would like, but there is a strong aspiration to do so.

I think also there is a strong understanding among GSA associates that we are part of the value chain of providing government services to the people who live in this country, which in one way or another actually serves to improve the quality of their life to the extent that we do that well. We also know that the extent to which we do not do that well, then we are impeding the ability of other agencies to provide the government services that are necessary for U.S. citizens.

So we do have that strong commitment and I just wanted to iterate that to you. In the course of our discussion, I could talk a little bit about the things that we are doing or have done to emphasize that as a foundation, because it is that commitment to excellence in acquisition which forms the foundation on which all these other things rest.

In addition to our commitment to achieve the GSA mission and to be efficient and effective, we also have spent a lot of time focusing on and rededicating and enhancing our commitment to what we call our GSA values. These are not necessarily values that we brought to the agency. These are values that we discovered exist at the agency and we have attempted to highlight them, to make them a part of our everyday jargon. There are just five.

The first and foremost is ethics and integrity in everything we do. That speaks to a lot of what you have on that chart there.

A second value is treating our fellow associates with respect, which ties directly into our third value which is very important, and that is the value of teamwork.

As we discovered at GSA, as is the case with many Federal agencies or, for that matter, many private sector organizations, as well, we were a bit stovepiped. We had our Public Building Service, our Federal Technology Service, our Federal Supply Service. We had our Chief Financial Officers' Office, our Chief People Officers' Office, a number of units which were not working well together. There was autonomy. There was a great deal of autonomy, too much autonomy, in my view, between our regional offices and our national offices. So teamwork, we have discovered in our organization, is critical to being able to meet the needs of our customers.

We are unlike some large corporations that may have unrelated divisions, one division produces light bulbs, another division produces jet engines. It might not be necessary for them to have a strong collaboration. But in our case, our customer agencies look to us to provide a broad spectrum of products and services that they need to operate and they expect us to work together. So this issue of treating our fellow associates with respect and teamwork are values that are very important to our ability to be successful.

A fourth value is the value of results orientation, which perhaps should go without stating, but it is the view of some that in some organizations, we can be a little bit academic and not enough focused on results and we are changing that.

And then the last value is that of professionalism, and I can tell you from my experiences in the last four-plus years at GSA that I have seen many examples of personal actions or individual decisions or, in some cases, major GSA-wide initiatives that truly do reflect these values. I have seen a lot of opportunities for people to make decisions or to take actions which clearly reflect the values that I have talked about.

Unfortunately, I also have to report to you that I have seen a few examples where we have fallen short of living up to those values. However, I can also tell you that the overwhelming part of the work that we do is done within the confines, the guidelines of these values, and I know that we are committed to continuing to strive for full achievement of these values.

Mr. Chairman, as you may know, the model that is used by the Federal Government to consolidate a lot, not all of, but a lot of its acquisition of commercial products and services into GSA, I believe is a very efficient, effective approach. It is an approach that would be used by—as a best practice in the private sector, to take all of the purchasing activity that has to occur in Plant A and Plant B and various locations around the country or around the world and to some extent consolidate that and to leverage the synergies that might be captured by doing so.

So I think the approach that we use is a wise approach. It enables us to bring together the expertise that is necessary to really understand the supply markets for the various products and services we are buying, the expertise as it relates to the Federal Acquisition Regulations, as you pointed out, which are very complicated, and to leverage the volume of the Federal Government's purchases so that we can have a better opportunity of deriving the best value for the government and for the American taxpayers.

It also, in my judgment, provides a sort of a streamlined approach that makes it actually easier or more effective, or at least a little less confusing for the industry to be able to interact with the government when they pursue Federal Government contracts.

Another point that I wanted to make is that GSA operates using a revolving fund approach, and what that means is that, in general, we don't receive direct appropriated funds to cover the cost of providing office space or the acquisition services that we provide. Rather, we receive reimbursement from the agencies in the way of rent or cost of goods sold to reimburse us for the expense that we may have incurred to pay for the acquisition of a telecommunications system or what have you. And then, in addition to that, there are some amount of fees that we charge in order to cover the costs of our overall operation.

As a general proposition, the fee approach and the revenue receipt approach that we have is intended to be a break-even approach. There is no incentive, or should not be an incentive for us to try to derive revenues in excess of our expenses. In the case of our Federal Supply Fund, for example, any revenues in excess of

expenses go back into the general Treasury. So, so much about fees, and we will talk about that more, I am sure.

The other point I wanted to make has to do with the approach that we have used to manage the operations. In a short expression of this, the primary approach that we have used is what I call our Performance Management Process, which begins with an understanding of our customer requirements so that we could work with them proactively and so that we could set goals for ourselves which are commensurate with achieving the customer's expectations, and with those goals in place, then we have developed and documented and written out action plans, who is responsible to do what by when to achieve those goals, and we have, in addition to organizational goals for each of the organizational units, we now have in place Individual Associate Performance Plans which also document what is expected of each individual, and that is used as the basis of our performance evaluations for accountability and recognition at the end of the year.

We also have put in place what we call a Performance Measurement Tool, which we review on a regular basis—I have personal reviews of each of them on a quarterly basis—to determine where we are in terms of achieving the various goals that have been set, getting an understanding of why we are where we are, and then spending some time to talk about corrective action that may be necessary to get us back on track or to keep us on track with respect to achieving those goals. And in the course of our discussion, I will be happy to talk about what some of those goals are and the progress we are making toward them.

In addition to what I called the Performance Management Process, another process we have put in place which comes out of the President's Management Agenda is what is referred to there as the Strategic Management of Human Capital, and you know the reasons why that is in place. It is certainly very relevant for GSA. But we think the places where we have used this now are places where it is bearing very good results.

In the Strategic Management of Human Capital as we employ it, it starts again with an understanding of what our customers' future performance expectations are of us. And then when we have that understanding of what is expected, we make a statement or a documentation of what kinds of skills and competencies will be necessary for us to successfully achieve those goals. A third step, which is the toughest of all, then, is to discover what is the gap between our current skills and competencies and that which we need for success and what will be our strategy to bridge the gap from where we are today to where we need to be.

We have employed that, for example, in our Public Building Service, first at the national office, made, I would say, pretty dramatic change in the way that unit of our organization operates. And that in turn, then, was spread to the Public Building Service entities within each of our 11 regional units. That process is ongoing. I think the result of it has been and will be that we are being much more effective in using the dollars that are available to us to provide work space for Federal workers.

It still is a challenge, obviously, to do that in an efficient and effective way, but again, we have been talking about some of our

goals, for example, the fact that our leased space, we acquire that leased space at rates at least double-digit below what would be the case if our agencies were using private sector leasing companies or brokers to provide that space directly. In the case of providing maintenance, including utility costs and cleaning for the public buildings that we operate, again, that is double-digit below, in some years as much as 14 below the estimates of what that benchmark should be, and that is just true in a number of instances.

So we think that we are taking advantage of the leverage that comes from providing this service and, as a result, providing it at rates that could not be achieved if agencies were acting alone.

At this point in time, we have gone beyond the PBS area in terms of organizational design, and as you may know, we are looking at our Federal Technology Service and our Federal Supply Service and looking to combine those into one unit that we will call our Federal Acquisition Service, and the purposes are the same. There was a point in time, we believe, when the separation of those two acquisition services might have made some sense. It makes less sense in today's world, and so we are moving to accomplish that change. All of those organizational design changes are intended to enhance our organizational capability to meet the future needs of our customer agencies.

And then just one other point that we focused on heavily and that is to do what we call Achieve Excellence in Federal Acquisitions, sometimes referred to as our "get it right" plan. You may know that there was a point in time, I believe in 2002, late in 2002, it began to emerge, and my view is that as a result of our values, one of which says ethics and integrity in everything we do, some of our associates were coming to our managers and saying, if you guys are really serious about ethics and integrity in everything we do, I need to tell you about a few of our longstanding practices that I am not sure really fit in that value.

So as we began to look at that, we found that there were enough things that we were doing that were not in full compliance with the Federal Acquisition Regulations, that we would go beyond just a management review and we actually asked our Inspector General to come in and to conduct a review at each of our 11 client support centers around the country to determine the extent to which we had, over the years, gotten to a point where we were cutting a few corners. I will say that I think that corner cutting was done in the effort to serve our customers, but nevertheless, there is no justification for it, and some of it was bad judgment, some of it was more egregious than that.

I believe that we took appropriate steps not only to eliminate it, but, where necessary, to have consequences for those individuals that were involved and to provide a way going forward where we emphasized the fact that as a result of our discovery of those adversities, we will actually be better than we otherwise would have been because of the increased focus that we have made on getting it right and going beyond simply getting it right to actually achieve excellence in Federal acquisitions.

So with that, Mr. Chairman, I will stop with my brief opening remark and be happy to respond to questions that you might have.

I should also mention, I have asked to join me today some of our leaders of the Public Building Service, our Federal Acquisition Service, our Chief Acquisition Officer, and they will be happy to participate in this dialogue, as well.

Senator COBURN. Great. Thank you. They are going to be more than welcome to if they want.

First of all, the five parameters you work under are great and I am glad to see them installed. I take care of a lot of Federal employees in my medical practice. They are stellar. I think across this country, we are very fortunate for the Federal employees we have. My questions are going to deal more not with the employees, but are we structured right and do we have performance indicators that you can actually measure based on what the mission of the GSA is.

The first question I have for you is how is it that GSA ends up with all these competitors in the government doing exactly the same thing you are doing? How did that happen, and why did it need to happen, and if it needed to happen, why?

Mr. PERRY. Well, I will give you my take on that. As you know, the franchise funds were established by Congress. The several that exist, as you point out, in many instances purchase items that agencies could elect to purchase through GSA. In other cases, they are very specific.

For example, in the Veterans' Administration, they purchase pharmaceuticals and they have a special expertise there. That probably makes sense. There are some purchases that may be made by NASA that are of a very highly technical nature and it might make sense that would happen there, as well. But for those agencies who are involved in the purchase of standard commercial items off the shelf, it is a question.

Now, what I have gotten as a response when I have asked the same question is that there was a point in time, in our distant history, hopefully, where GSA was not perceived to be fast on its feet. We had gotten to be bureaucratic, partly as a result of the fact that in our early days, we were a mandatory source. Today, we are not. Agencies can elect to use GSA for services are not. There are some exceptions. For example, in the leasing of real estate, you still have to use GSA unless GSA gives you a delegation of authority. But for the acquisition of commercial products—

Senator COBURN. You mean like the SEC did?

Mr. PERRY. Yes, or the Pentagon is another example. But at any rate, I can't attest as to whether or not that was factual, but that seems to be the folklore, that some people felt that by having some healthy competition within government, that would cause GSA and the other agencies, in fact, who are running these franchise funds, to be on their toes and to be the best they could be.

Senator COBURN. So is there any measurement of that? Is there any way to measure whether we are getting a better value as a country now that we have all these competing agencies?

Mr. PERRY. I think there is—

Senator COBURN. And how do we measure that?

Mr. PERRY. Well, what it would take, for example, is if we took the Department of Interior, who has a franchise fund, and if we made an apples-to-apples comparison as to what is being invested

by that unit to acquire technology versus GSA, I think that would be part of the answer in terms of how efficient the two units are. That is not the complete answer.

The GAO did a study of that and one of the things that they determined was whereas the fees or rates that GSA publishes and charges is an all-inclusive rate, that it includes its share of the agency overhead, as it should, but what we believe that report showed as it relates to the other funds, they were incremental rates. In other words, they were not fully-loaded rates. So on the surface of it, our view is that if we did that competition and we looked at it on an apples-to-apples basis, you would see that the GSA rates are lower.

Senator COBURN. OK. That brings me to my next question. Can GSA today take 2004 purchases and know, here is what we bought, here is how much we bought, here is what price we compared for it, and compare that to the private sector or any one of these other agencies?

Mr. PERRY. Yes, in some of our business lines there—

Senator COBURN. Well, but is the model there to do that everywhere?

Mr. PERRY. I would say everywhere, and I would have to think about whether we could do that in the case of our Multiple Award Schedules. That would be the exception that comes to mind. And the reason I say that, Senator, is that in the case of the Multiple Award Schedules, those are acquisition vehicles that are used directly by our customer agencies without GSA's direct involvement. So if the Department of Interior or Social Security Administration or somebody else uses the Multiple Award Schedule, we would be able to capture how many dollars were purchased. I don't know whether we would have all the information that we might want to have as to—

Senator COBURN. I promise you, you don't. We have already asked this question in the hearing before.

Mr. PERRY. But there would be some exceptions to that. For example—

Senator COBURN. OK, but I want to get to the point. I believe that there are some exceptions, but if we are going to measure performance, why would we not structure GSA to have an information system that is designed to measure that?

For example, you can tell us how many books you buy, and you can tell us within a framework what price you paid, but you can't tell us by publisher on value that a competitive price, whether you got a good deal or a bad deal unless you do a post-award audit.

Mr. PERRY. I don't think even the post-award audit would still not address the—

Senator COBURN. Because you are not looking at price in the post-award audit—

Mr. PERRY. Right.

Senator COBURN [continuing]. Which is another question that I have. Why in the world would we not look at price in the post-award audit?

Mr. PERRY. Well, we look at whether or not the contract was carried out in accordance with the terms and conditions of the con-

tract. So we don't look at whether or not the terms and conditions of the contract were the best that they could possibly—

Senator COBURN. For management purposes, once you have done the contract, I know you have cut the deal.

Mr. PERRY. Right.

Senator COBURN. But for management purposes, why wouldn't you want to know that information?

Mr. PERRY. The time to know it is prior to—

Senator COBURN. Right. What if you are going to contract with them again next year? But if you don't know that information—in other words, what I am trying to get is to why isn't there in GSA a way to know what the Federal—just from you, let alone everybody else—what we bought, how much of it we bought, and what price we paid for it?

Mr. PERRY. I agree with that.

Senator COBURN. But we don't have that—

Mr. PERRY. You don't have that.

Senator COBURN. We don't have that. So my question to you then is, how do we do that? What do you need from me to help you do that? How do I create that where you have the information systems that are necessary to evaluate performance, including price and value?

Mr. PERRY. Well, may I start that answer to that question with one thing that we do today, and then I will end it with my answer to the thing that we have on the horizon which I think gets to your basic question.

When we make our technology acquisitions today, we do make a calculation that we call the Independent Government Cost Estimate of what that technology acquisition should cost. So at the outset, we have a target—

Senator COBURN. And that is a large portion of what you buy, right?

Mr. PERRY. Yes.

Senator COBURN. IT?

Mr. PERRY. IT, other than buildings. So we do have that Independent Government Cost Estimate, and then as we make the acquisition, we measure ourselves as to whether or not we achieved the acquisition somewhere close to or right on or even below the estimate. We do the same thing in construction. We obviously have on-time, on-budget goals and we measure that. So I just want to say, it is not that nothing is measured. Some things are measured.

Senator COBURN. Oh, I know that, and I have studied, I have read the testimony from what we had last time. This is not an attack on what you are doing today. It is in the question of I see, coming from the private sector, what I see is the real fact is we can't measure—we don't know what is exactly bought and at what price in this country.

Mr. PERRY. That is right.

Senator COBURN. OK.

Mr. PERRY. We can't get it at the granular level that is actionable.

Senator COBURN. But we ought to be able to if we really want to leverage purchasing power, would you agree with that?

Mr. PERRY. I agree with that.

Senator COBURN. OK. So we can't do that now, and since we can't do that, one of the performance measures of success can't be measured because we can't go out and compare, did we really get the best price, because we don't know how much it was bought off your catalog—

Mr. PERRY. Right.

Senator COBURN [continuing]. And we don't know what they paid for it. We know what the ceiling is, but we don't know—for example, when you all negotiate a price—

Mr. PERRY. That is right.

Senator COBURN [continuing]. Your testimony in the last hearing, or your staff's testimony in the last hearing before this Subcommittee is you negotiate what you think is the best price and that becomes the ceiling.

Mr. PERRY. Right.

Senator COBURN. And you have some pre-audit certifications and some post-audit to see that they didn't do it—post-audits, you are not looking at price. On pre-audits, sometimes you are. But the point is, as that happens, in terms of negotiating, we can't measure—

Mr. PERRY. Right.

Senator COBURN. The real matter of the fact is maybe somebody else wants to come and sell all of this to you in one lump sum and will be available and can do it in a better way and get us a better price.

Mr. PERRY. Well, I should say we are beginning to do some of that now, a little bit of it. That is what you are referring to is in the case of our Multiple Award Schedules, there is a schedule price, which is a ceiling. There are some acquisitions that agencies would make against that—let us say they were buying two computers. Well, they might judge it is not worth doing a special effort to get the price down. They will just go with the scheduled price.

Senator COBURN. Yes.

Mr. PERRY. But if they are buying 500 computers, they really should. What we are now doing in our Chief Acquisition Officer's Office is we are going to customer agencies who use the schedule and asking that very question. In how many of the instances where you made acquisitions did you conduct a separate competition with an effort to get a price lower than the scheduled price? We will be tracking that. But that is on an audit based as opposed to an automated basis.

Senator COBURN. But you understand what I am saying.

Mr. PERRY. Yes.

Senator COBURN. Why shouldn't the whole systemwide system be set up to track the information so that when you want to really measure any aspect of your—at Timken, you all knew what you paid for something, right?

Mr. PERRY. Sure.

Senator COBURN. You knew, and then you put out bids for steel and everything else the next year and the clips for the bearings and your grinding wheels for the steel and all this other stuff. You put it out and you knew, based on the bids that you got, how you tracked it, you knew exactly how much you bought and you knew

what you could go back to negotiate the next year with based on that.

And my question is, take that same application from Timken for telephone sets in the Federal Government. How many were bought? Nobody knows. You know how many computers to a degree, but you don't know how many computers we actually bought because, first of all, the Pentagon isn't hooked in—

Mr. PERRY. Right.

Senator COBURN [continuing]. Through the system. So what I am asking you is—what I am looking for is a culture change so that your information systems in GSA become designed to measure any performance across the government—

Mr. PERRY. Right. I was going to say—

Senator COBURN [continuing]. And that is how you will get the business back.

Mr. PERRY. And that is through what is called our FPDS, Federal Procurement Data System, which, as you certainly know, begins to capture some of that information, but not at the granular level that it needs to be. We are making an improvement upon that, but it still doesn't go to the extent that you are saying. My answer to your question is we would need to go yet further than anything that is on the drawing boards on an across-the-government basis to be able to analyze the data in terms of what the government purchases.

I would make one other observation, and that is—I will use the Timken case. When we did our purchasing, as I think we should do it here, you would make a stratification as to what are your really strategic items? Where are the elephants that have the biggest opportunity for savings? I think it wouldn't be unwise of us to start there.

For example, one of the things we are doing now and over the last year or so is a strategic purchasing initiative that we call SmartBuy. We know the government spends a tremendous amount of money on software. We know that various agencies spend differing amounts of money on software. And so to your point, we were not able to go to the FPDS system and get all the information that should have readily available as to what are we spending by agency for software and then types of software. We were able to gather that information, though, through other means, by making a data call and using agency data to bring that together.

But I don't disagree. It would be ideal to do that more globally. But I am also saying that even in this interim period before we have that, there is some strategic sourcing that we can do. We can improve upon the value that we are getting now as we are putting that other system in place.

Senator COBURN. And that is great, but what about all the other agencies that are buying and we are losing the buying power of being combined because they have their own buying power? In other words, that is like Pfaffner. Pfaffner was a competitor of Timken.

Mr. PERRY. Pfaffner, that is correct.

Senator COBURN. So we have got Pfaffner and Timken here and they are both buying the same product, but we are not leveraging the fact that they have tremendous more buying power if they buy

together. Now, in this country, it is illegal because they are competitors, but it is not illegal to combine the Federal Government.

So if we can't direct—if we don't have the information, then we are not going to ever get the best value. We are going to go to a level, and I guess what I am asking is to rethink the model to think bigger than what you are doing today because to me, it makes no sense to have 13 different buying agencies in the Federal Government, none. It makes no sense for the Defense Department to procure outside of you, or some agency, whichever it is, or at least not use their combined buying power to facilitate the rest of the Federal Government's purchasing.

Mr. PERRY. Absolutely right.

Senator COBURN. So the question I have to you is, how do we get to the point where all these guys who are in these other Federal buying agencies can't compete with you anymore because you know price, you know availability, you know value, you know numbers, and I don't understand why that is not a priority on the catalog stuff, for example.

Mr. PERRY. Well, as a matter of fact, Senator, to some extent, I would say that some of those customers, while they view price as important, they don't view it as the final determinant.

For example, the Department of Defense, who is a big customer of ours, and I think for the most part we provide them with services that they are very satisfied with, but I have had discussions with base commanders and others who say, I have to make sure that I have a reliable source, that it is consistent and compliant. If it costs me 10 percent more to do it myself, then it is so important to the achievement of my mission that I am willing to do that. So what we have to convince them of, not only that we are lower cost, we are able to do that now, but also that we are absolutely reliable, consistent, and compliant.

Senator COBURN. But in Timken, if you had assistant purchasing agents that didn't perform, you would fire them.

Mr. PERRY. Right.

Senator COBURN. OK. And so what we are saying is if you don't perform, there is no cost. We will just go do it ourselves. That is what the military is saying, based on their value of feeling comfortable about having—value is quantity, price, and service—

Mr. PERRY. Right.

Senator COBURN [continuing]. And having that delivered at a fixed time that they feel comfortable with. My point is, that is achievable if you have measurable systems operating throughout your IT that says, we know what the performance indicator, and in terms of the military, timeliness of delivery is just important. That is their big component for value.

So I think it is the same thing. All these parameters can be measured if you put the system in to measure. Did we get it? Did we get what we thought we were going to get? Is it at the right price, at the right time? That is called measured performance, and that is how we used to measure purchasing agents. Did you get it on time, and did you get us a good term?

Mr. PERRY. Right, and we—

Senator COBURN. And we pay for it in 90 days instead of 30.

Mr. PERRY. Well, the reason I said that there are certainly cases where we do exactly what you are saying and some cases where we don't, it is a little more difficult.

Senator COBURN. Well, I am trying to stay just on the catalog here for a minute.

Mr. PERRY. OK. You are just—

Senator COBURN. Just stay on the catalog. I know that there are technical things like IT purchases and things like that. I haven't even begun to look at that.

Mr. PERRY. OK.

Senator COBURN. We haven't even begun to look at leases and we haven't begun to look at building purchases and things like that, which we are going to. But just on the catalog, you cannot—and I think this is true, and tell me—you cannot tell us what was bought, how much, and what price was paid through that catalog.

Mr. PERRY. We can tell you from the Federal Procurement Data System how much was spent totally by agency. We could tell you by certain categories. We could tell you how much was spent on IT. What we can't do is say how much of that IT was for laptops, which is what we need. We need to get to the next level of granularity. But we can, for example, say how much was spent on furniture, how much was spent on supplies. There are certain categories that we can map out.

Senator COBURN. Right, but I am talking down to the line item in the catalog.

Mr. PERRY. Right. We can't do that.

Senator COBURN. It comes with the same computer transmission that transmitted anything else back. It is just a subcategory.

Mr. PERRY. Right. What would happen—

Senator COBURN. Which book did you buy?

Mr. PERRY. Right. And where that information resides, because as I mentioned, the individual agencies use our Multiple Award Schedules independently—what would be required is that their acquisition systems would have to feed that line item-level detail into the system, which does not happen today.

Senator COBURN. Well, we can get it today. I have gone to get it on several things. You know where I get it? The supplier.

Mr. PERRY. And that would be—you talked about Timken, and let me go back to that.

Senator COBURN. Yes.

Mr. PERRY. That is exactly what we did in many instances. You take the grinding wheel suppliers—

Senator COBURN. Yes, Norton—

Mr. PERRY. Norton was our primary. We picked two or three, not ten, two or three who would be our strategic partners. Part of the deal would be we share information. Where we got the information in the case of the software purchases was, again, going back to suppliers, and we could do that in some of these cases, as well. But sometimes, we—

Senator COBURN. You see where I am going with that.

Mr. PERRY. Yes.

Senator COBURN. All right. Let me see where I want to go next. My staff just gave me a reminder of something we talked about earlier. If you go and compare GSA purchasing to the private sector

programs that are out there today, what I just described to you, they can tell you in 30 minutes on anything that is on their line. They know what was bought, they know how much was bought, they know what price was bought, they know the delivery rate it was bought, and they know the terms it was bought.

So if the private sector has that software technology, we ought to be able to get it. First of all, we are the biggest purchaser, so it is a big purchase in software, but we ought to be able to buy it cheaper than anybody can buy it, correct?

Mr. PERRY. That is right, probably.

Senator COBURN. So you will concede that in some of the buying mechanisms that are out there competing in the private sector, this has already been accomplished.

Mr. PERRY. Yes. I think the software is not the challenge.

Senator COBURN. OK. What is the challenge?

Mr. PERRY. The challenge would be for each agency to input the data, either manually or through some automatic or automated process at the level of granularity that we need in order that the database of information would be available for analysis.

Senator COBURN. But they are purchasing most of that through a purchase requisition that has to get paid somehow.

Mr. PERRY. Right.

Senator COBURN. And I am not talking about the petty cash purchases and the small things.

Mr. PERRY. Right.

Senator COBURN. I am talking about how do we leverage what we do to where we get a better price.

The second area I want to spend some time with you on is—

Mr. PERRY. I would say, as we do that, my judgment is, on systems development or in this case implementation of system data collection, one of the questions is do you do everything at once or do you start with a phase where you are dealing with your most strategic sourcing opportunities, and I would just suggest that as we do this, we would select the one or two or five areas where we really believe the greatest value is there. We might not put pencils and papers in the first phase.

Senator COBURN. I think that is a management decision you should make. What I am looking for is how do I help you get that, facilitate, get that done, either through legislation or appropriation riders or things like that to where you can accomplish it.

But the other thing that needs to be accomplished is if we agree that more information and more detailed information will result in leveraging buyer power to a greater degree, then we ought to be having all these others—when they are inputting, it doesn't take much to transmit—if they have it in their computers, they are buying it on a purchase requisition, so they know what they are buying, they know what the price is, since they are negotiating the price below the ceiling price sometimes, so they know what that is. That data is there. All it is is reporting it—

Mr. PERRY. Right.

Senator COBURN [continuing]. And they can do that once a month to you. But we need to have a central collection of what everything is bought so we can actually enhance the buying power, because if you go to a vendor right now on your catalog and you

say, here is what we want. We are going to qualify you as a vendor. What is this—

Mr. PERRY. Schedule?

Senator COBURN [continuing]. Central contractor registration, you have 350,000 people registered and you have 9,500 people on the schedule. We are going to put you as a vendor on the schedule and we are going to collect the data. But if you don't know it for the whole country, we may not be able to get the best ceiling price. If I understand the testimony properly and the history properly, your procurement officers—price isn't the No. 1 thing that they are working on. They are working on value and quality and deliverability—

Mr. PERRY. Right.

Senator COBURN [continuing]. And then they look at price. And they are looking for the best price at the time, but that is not part of their stated goal, correct?

Mr. PERRY. That is not price alone, if that is what you are saying.

Senator COBURN. Yes. It is value.

Mr. PERRY. Value.

Senator COBURN. But in terms of value, when you take this 350,000 people that are on this contractor registration form, how do we get more of those people in the mix? In other words, we have 9,500 and we have 350,000 people out here that are on it, and I know there is a web placed application to do that. But what I hear is that it takes forever. For example, a minority-owned business that can't pay a consultant to walk this thing through, they are never going to get on the list.

Mr. PERRY. Well, that is an interesting question, Senator. First of all, I agree with you that it takes too long, and I also know that we have been taking some steps to bring that time down, including putting it online. We had a meeting just last week or 2 weeks ago with a firm who said they did all of their own paperwork, processing to get on schedule with the help of the GSA folks, never used a consultant, and they did it over a period of 6 to 8 weeks. In the same room was another similar-sized company who said, "I paid \$25,000 to a consultant to provide me that same service."

So we have been telling our small businesses that want to get on schedule, you really don't have to pay what consultants are charging. I don't know what the consultants promise. Maybe they promise they will work with you not only to get on schedule, but will work with you to get your first contract. Some say that.

All I am saying is that we have taken steps to streamline the process. We need to do more. We should not have a situation where a small business has to pay an unaffordable amount for them to get on the government contract schedule.

Senator COBURN. And if you would agree in principle that if you have more vendors of quality and value competing, the price is likely to go down.

Mr. PERRY. To some extent.

Senator COBURN. Yes. But in regular markets—

Mr. PERRY. Yes.

Senator COBURN. If you are at GM and they have five guys competing for seat belts—

Mr. PERRY. Right.

Senator COBURN [continuing]. Versus two guys competing for seat belts, the likelihood that the price for the seat belt is going to go down.

Mr. PERRY. That is right.

Senator COBURN. OK.

Mr. PERRY. But the question is, when you go from 5 to 15 or 5 to 10, will it actually go down further?

Senator COBURN. And I understand that. I know that there is not always going to be a price decline. But the fact is, if we had 350,000 vendors on there now competing for the same list of items that are on your schedule, is it not conceivable to think that the price on each one of those items might be somewhat less?

Mr. PERRY. That is logical. I am only—I don't disagree. I am only reflecting, there are certain places where we have 400 or 500 vendors listed to provide a certain commodity or product or service, and when we put that solicitation out, of that 400 on the list, we may only get four to six bidders.

Senator COBURN. Yes.

Mr. PERRY. The point I am making is, I don't know that all 400 will focus on every solicitation or acquisition that is out there. The number that we tend to get—

Senator COBURN. But in principle, the more purchases you have—the more vendors you have and the more competition you have, if quality and service is the same, the better the price.

Mr. PERRY. That is right.

Senator COBURN. You agree. So to create a system to where you have the maximum number of vendors who are qualified, and I know you have to have somebody that says, this is a fly-by-night company. We don't want them selling to the government.

Mr. PERRY. Right.

Senator COBURN. And I understand that. But that process should be very short and not be an average 6 months, which is what it averages today, which cuts a lot of people who have something great to offer, especially minority businesses, because they don't have the capital to put up front, and the government is a great contractor because you are a good payer. You are not going broke on them. And so their risk to sell is less.

I just want to come to an agreement that if we could, both in terms of trying to create the information that needs to be there to measure performance, and not just at GSA, across the government—

Mr. PERRY. Right.

Senator COBURN [continuing]. And two, is that the more vendors there are and the easier it is for quality vendors to get on your list off of the CCG, the better off we are liable to be. And then once we know numbers government-wide and increased number of vendors, then the capability of squeezing them based on price, once quality and service are the same, the ability to squeeze on price is there.

Mr. PERRY. Right. Competition will have that effect.

Senator COBURN. Let me ask you one general question. If you were to look—and this is subjective and I am not holding you to this at all—when you buy the same thing that, let us say, a Wal-

Mart buys for use in their business, not to resell but in use in their business, when you buy something, do you think you get as good a value as they do? Do you think you all buy it as well?

Mr. PERRY. I would say in our technology arena, I think we are as good as anybody. I don't know, let us say, for something like tools. Some of us can go in a hardware store and sometimes see a tool on sale for a price less than our own GSA schedule. We see that all the time. We had that when I was at Timken, because when you negotiate a price, it doesn't say that that company couldn't somehow on occasion have sales that are actually below your price. But at any rate, I would say in the area where we have really focused, and technology being one, I am not so sure that we don't do as well as Wal-Mart.

The other is the one I mentioned at the outset. We do compare ourselves in the area of real estate, and I know that is not your focus here, but there is a real-time set of information available as to what companies are achieving when they lease space and we are double-digit below that rate specifically.

Senator COBURN. I really hope that is true, and we will have a hearing on that.

Let me tell you my experience as a Congressman. When I became a Congressman, we were in the Federal Building and the rate the Federal Building paid for my office was twice what I could rent private space, nicer and bigger. And so my own personal experience—I don't doubt that is true, because I was buying little space and paying. But I have no doubt to say that you will probably do a great job in that.

And remember, this isn't about me trying to criticize GSA. It is for me—my goal is to make sure that the new movement in terms of management in the Federal Government gets extended as far down as it can. With the CFO Act in terms of the President making sure we have Chief Financial Officers everywhere, where we have accountability and transparency so we can measure performance so that we know what is going on.

You have been great. I appreciate you coming. We will go through these other questions, and Senator Carper is here, just in time, so that is great.

Senator Carper, we have just had a great discussion. I am learning about the GSA, and it is all yours.

Senator CARPER. I presume you have already talked a bit about pre-award and post-award audits?

Mr. PERRY. A little bit.

Senator COBURN. We did a little bit, but it needs to probably be covered a little bit more.

Senator CARPER. If we could just revisit a little bit, we heard some testimony, I think over the summer, about the benefits of pre-award versus post-award audits, at GSA and maybe the Veterans' Administration. I think maybe the VA uses them somewhat more aggressively, I don't know. But from what I have heard, what we have heard, the benefits can be significant, and I understand that GSA is in the process of increasing the number of contracts that you audit, is that—

Mr. PERRY. On a pre-award basis?

Senator CARPER. I think so.

Mr. PERRY. Yes. For example, a few years ago the number was, I think, 17. Next year, it will be over 100. So we are doing a great deal more in pre-award and we are using not only our GSA folks, but engaging the Inspector General in our office to provide the resources to do some of that. So we are, and we had gotten lax in terms of doing pre-award audits so there is a substantial increase in the number of pre-award audits that are occurring now.

Senator CARPER. Why do you suppose you all got lax?

Mr. PERRY. Well, again, and I was saying to Dr. Coburn, it is speculation on my part to some extent, but I think we had a focus on meeting the needs of our customers doing things as quickly as we possibly could in many instances and we got into a mindset of it is OK to cut this corner. It is OK to not do this step in the process because we will be able to process more orders for our customers.

What we discovered, though, in the course of doing everything we could to meet the needs and growing needs of our customer agencies, that some of those corner-cutting was not a good thing for us to do. So now we have gone back, we have reestablished our acquisition processes in such a way that each of the steps that need to be a part of that process are back in.

Senator CARPER. It is probably premature to ask this question, but is it possible that in the past, that the audits were deemed to be burdensome either for the GSA or for the vendors? Did you ever hear any of that?

Mr. PERRY. Well, the post-award audits certainly are deemed to be burdensome, particularly by the industry, partly because it is not in the specifications, in the document up front. There are, in the course of administering the contract, during the time the contract is being executed, that is actually the best time to make sure that the vendor is complying with all the terms and conditions of the contract, as opposed to coming along 6 months later and doing it. Their view was that we are doing that during the course of the contract. It shouldn't be necessary to do it again after the fact.

And also, I am not sure this is the case, but some indicated that they would have to retain records for an extended period of time until we conducted the post-award audit.

But at any rate, we are still reviewing that factor. We had a hearing on it, a public hearing. We requested information from the public, and that includes the industry. We are reviewing that information as it has been received and will be making a determination as to how to go forward on that.

Senator CARPER. I am going to switch gears, if I could, and if you already got into this, you can just truncate your response. Could you just please explain, at least for me and maybe for us, the impact that the merger between the Federal Supply Service and Federal Technology will have on customer service—

Mr. PERRY. Yes.

Senator CARPER [continuing]. And on, I guess, oversight of contract negotiations, and do you think it will help with your efforts to ensure that GSA is offering the best value?

Mr. PERRY. I absolutely do on all three of those points. One of the aspects of bringing these two components of our agency together is the fact that we today have two separate revolving funds

that we use, one for the acquisition of information technology products and services, and another for essentially everything else. It is a commercial item other than facilities.

There was a point in time when I think it was a good practice to keep IT acquisitions completely separate from everything else, in the early 1990s and before when the government was getting very much involved in that. There needed to be some tracking of that, maybe some management control of it. There probably was even some incentive to say, let us do more and more of that for purposes of improving the operations of government agencies.

But today, when agencies make acquisitions of major technology systems, it is a combination of IT, professional services, and maybe telecommunications to make an overall system. Today, we have to account for those separately. We have to make those as separate acquisitions. In fact, the Inspector General makes a finding against us if we buy a camera that is a part of a border control system that ties into computers if our judgment was that that camera was a part of an information technology system and the IG's judgment was that the camera is a camera and it is not IT. So when you think about it, you say, well, why should we have that separate accounting? So we have asked Congress for the authority to put those two funds together, and that is someplace where I would encourage your support.

At the same time as we look at bringing the funds together, we looked at the fact that we have certain other duplication between our two services that is not useful or meaningful from a customer perspective. So we think that by bringing them together, actually taking out several layers of senior management that were over that, consolidating that, we will be able to have more people focused on meeting customer requirements. We should be more efficient, more effective. It ought to give us a more streamlined approach to deal with management controls, both at our national office and our 11 regional offices.

So in the case of all three components of your question, yes, we will provide better customer service, we will be more efficient, and our management controls will be applied in a more effective way.

Senator CARPER. You just mentioned one area where you think we could be helpful and supportive of you. Are there other things that we need to be mindful of? You may have already mentioned some of these to our Chairman, but any other ideas that come to mind where we can be supportive of your efforts to provide better value at a better price?

Mr. PERRY. The combining of the two funds is certainly one. We did have some discussion of the fact that a system that we use as a government-wide system, not just a GSA system, but we have a big role in it, the FPDS, the Federal Procurement Data System is a system that can be used and further developed as a means of capturing government-wide data with respect to our purchases so that we can analyze data and use that as a basis for our strategic sourcing. We are doing some of that today. Since we can't get the granular level of information from the overall system, we do it through the use of data calls and asking agencies or suppliers to provide information that we can then analyze and use for purposes of strategic sourcing.

I can't say that, and I say this just so that none of us on the acquisition side use this as an excuse, because some would say, well, until 2008 when that Federal Procurement Data System is up and running and providing all of the information, then we will just stay in place. My view is that there is some strategic sourcing we can do in the interim and we should be focusing on getting that done even as we work on enhancing the Procurement Data System.

Senator CARPER. OK. Mr. Chairman, could I ask maybe just one more question?

Senator COBURN. Sure.

Senator CARPER. While I am looking for my question, I will just say I went to my other hearing with Senator Voinovich, and I walked in mindful of the fact that you had been a member of his cabinet and I said, I just came from a meeting with Steve Perry and he said to tell you hi.

Mr. PERRY. Great.

Senator CARPER. And he said, "Steve Perry?" He said, "I love Journey." [Laughter.]

No, I am just kidding. He said to tell you hello, give you his best.

I understand that the amount of business contracted through GSA has increased, and I am told dramatically. The size of the GSA staff has pretty much stayed the same—

Mr. PERRY. Gone down.

Senator CARPER. Has it? OK. And I would just ask, do you think you have the resources and staff that you need to conduct more audits or even to effectively negotiate a large number of contracts?

Mr. PERRY. Well, I was going to answer that question in one way before you said more audits. We probably—we are using the Inspector General and we are using some of our people who are most highly skilled on Federal Acquisition Regulations to conduct the audits. That is a precious resource. We don't have enough people to do that.

But the other point I was going to make is, and it is really one of the underlying reasons that we want to do the FAS, the FTS and FSS reorganization, we believe that it is always going to be difficult for us to expand measurably the size of our organization, although in a moment I can make an argument that maybe that is exactly the right thing we ought to do.

So anyhow, part of our reason for the organizational design is to, with the same number of people, expand our organizational capability, just to do things better, faster, smarter with the resources that we have. That is the plan that we are on.

But to help make the argument that we must at least do that, and maybe we should do more, you are all aware that, as you were just pointing out, our acquisitions of information technology products and services for government agencies has really grown. It went from \$1 or \$2 billion just a few years ago to about \$9 or \$10 billion now.

Senator CARPER. Say those numbers again.

Mr. PERRY. One or two billion dollars probably 6 or 8 years ago to \$9, close to \$10 billion now.

Senator CARPER. OK.

Mr. PERRY. The same could be said for the growth of our Multiple Award Schedule. I don't know what it was 5 or 6 years ago, but it probably wasn't more than \$20 million. It is \$40 billion now.

So what that means is that GSA is making more and more acquisitions on behalf of other agencies. We think that is a statement that says that they find value in using our service. But it also is the case that, one, we have fewer people doing it today than we had 4 or 5 years ago, many fewer people. Two, you read reports that use that same statement as it relates to government-wide. The government as a whole now is purchasing over \$300 billion a year with far fewer people in its acquisition workforce than we had a few years ago.

Some people contend that the solution to that problem is for each agency to add to its acquisition staff. I think that is a big mistake. I think this would be the opportunity to say, OK, GSA or maybe it is three or four agencies. It may be not just one. We are going to rely upon you as the government's central entity to really bring about productive acquisitions, and if we did that, we would say, instead of expanding the acquisition workforce in each agency, we are going to expand it in GSA and diminish it elsewhere.

That might address the issue of the franchise funds. As we were talking, there are a number of other agencies who are involved in the acquisition of information technology, although it is not their core mission, and they, in fact, use the revenue in excess of expenses from those activities to fund the basic program, which is another issue.

And then one last point related to that, I use this statistic with our folks all the time when we are trying to make the point that our up-sight potential at GSA in terms of making us a more and more viable part of our Nation's Federal Government is this. I mentioned that today, GSA is involved in the acquisition of maybe \$10 billion of the IT, but the government as a whole spends \$65 billion. So that says there are a lot of agencies out there doing their own thing.

With respect to telecommunications, we know that the unit price that we have negotiated for long-distance and local telephone service, voice and data, is better than the best commercial prices that those providers offer to their largest commercial customers, and yet in some parts of our country, only 10 percent of the Federal agencies in those locations use the GSA contracts.

So there is a lot more value that we could be providing if we could focus on GSA as the agency who has the responsibility, and there is some amount of work that has to be done to get the other agencies to, even though it is voluntary, recognize that if there is a better value here, in those cases where we can demonstrate it, as we can in the instance of telecommunication services, they should do it.

Senator CARPER. Thanks, Mr. Chairman.

Senator COBURN. Let me just make one point. If you had the kind of information I wanted you to have, you would never have to do a post-award audit, right?

Mr. PERRY. Well, if you were still trying to—

Senator COBURN. If you knew by price, by vendor, by purchasing segment in the Federal Government, if you had that data, you

would know what they were charging and you would know whether or not you can go to the government agency, if they have got the quality and service, and they can tell you that, and then you can measure price and you can measure quantity if you had the kind of data that I am talking about, the information system.

Mr. PERRY. Right.

Senator COBURN. So you would agree with that?

Mr. PERRY. I would agree with that.

Senator COBURN. OK. I will tell you, the House has passed the legislation. It is stuck in our Committee. You have my commitment in terms of combining—

Mr. PERRY. Funds? Thank you.

Senator COBURN. You have my commitment—

Mr. PERRY. Thank you.

Senator COBURN [continuing]. To have the support to try to get that through. I will talk with Senator Collins on it tomorrow. My staff will talk with Senator Collins and see if we can't get that through to help you on that.

If you don't have anything else, Senator Carper, I think the one thing that I look at is we don't know what we are buying, what we are paying for it, the satisfaction levels. We do in certain areas, and I think in terms of the IT and things like the specialized areas that you do, but on this area outside IT and outside buildings, the other things, especially catalog, we don't really know.

My belief is, as a former businessman, without that knowledge, we are not going to ever do as good as we could do. Now, that doesn't mean that we are not doing a good job, and I am not accusing anybody of that.

I think that there is a vacuum of data, and I know the new system and the fact that the Pentagon isn't on it and they should be on it. I am going to be looking at that, too. Why aren't you on it? But I want it to go further. Everybody here that is computer literate knows that if you have got something in front of you and you are going to punch it in and put it in a file, it can all go into the file or you can take some out. But the point is, is it in there, and if it is something that is already there, it is collectable, and that is what the wonderful part of computers are, is they can make data available in an array that you never would have been and to give you an analysis that you never would have gotten with clerks trying to run this down.

So I would first of all tell you how much I enjoyed your testimony. Thank you. I think your leadership style is great. I think we still have some real procedural difficulties in the Federal Government. The fact that we have 10 or 13 different groups purchasing and not using, like you were talking about, voice and data rates, that they are not getting the best thing. If that was designed to get competition, how do we measure that we are getting a better price? We don't know that.

If anybody ought to be able to develop the capability to measure our purchasing value, it ought to be us, and I want to work with you to try to do that.

Mr. PERRY. Thank you.

Senator COBURN. We are going to look forward to working with you on some of these other areas, too. Thank you, Mr. Perry.

Mr. PERRY. Thank you, Dr. Coburn. Thanks, Senator.

Senator COBURN. The hearing is adjourned.

[Whereupon, at 4:13 p.m., the Subcommittee was adjourned.]

APPENDIX



United States Government Accountability Office
Washington, DC 20548

September 27, 2005

The Honorable Joshua B. Bolten
Director, Office of Management and Budget

Subject: *Improvements Needed to the Federal Procurement Data System-Next Generation*

Dear Mr. Bolten:

Federal government purchases of goods and services have grown to more than \$300 billion annually.¹ The Federal Procurement Data System-Next Generation (FPDS-NG) is the only governmentwide system for obtaining information on how these funds are being spent. The FPDS-NG was intended to improve the prior FPDS system in several ways, including providing more timely and accurate data; enabling users to generate their own reports; and providing easier user access to data. The system was developed by Global Computer Enterprises, Inc., (GCE) under contract with the General Services Administration (GSA). The FPDS-NG is currently in a transition period, which is scheduled to end by October 2005.

We initiated a review to assess the extent to which FPDS-NG has demonstrated the intended improvements, and to determine whether the FPDS-NG is currently capable of collecting and reporting on interagency contracting data. As discussed more fully in the scope and methodology section of this letter, we reviewed documents related to FPDS-NG; held discussions with officials from GSA, GCE, and the Office of Management and Budget (OMB), and with private sector and government users. We also made numerous attempts to use the system to generate reports.

Based on our review, we have concerns regarding whether the new system has achieved the intended improvements in the areas of timeliness and accuracy of data, as well as ease of use and access to data. We also are concerned as to whether the FPDS-NG system has the flexibility to capture data on interagency contracting transactions. Completion of the FPDS-NG transition provides an opportunity for assessing the implementation of the system to date and for considering needed adjustments as the contractor begins its next period of performance.² We are recommending actions to help achieve the intended improvements for FPDS-NG, which should be considered as part of that assessment.

BACKGROUND

The Office of Federal Procurement Policy Act of 1974 required that the Administrator of the Office of Federal Procurement Policy (OFPP) within OMB establish a system for collecting

¹The total dollar value of contracting actions reported in the Federal Procurement Data System-Next Generation exceeded \$300 billion in fiscal years 2003 and 2004.

²According to GSA, the FPDS-NG contract was for an initial 2-year and 5-month base period for development and maintenance. Additionally, the contractor can receive up to five 1-year contract options based on performance.

and developing information about federal procurement contracts.³ Subsequently, the FPDS was implemented in 1978. Since 1982, GSA has administered the system on OFPP's behalf. The Congress, GAO, executive branch agencies, and the public rely on FPDS data for information on agency contracting actions, governmentwide procurement trends, and achievement of goals related to small business.

Since 2000, efforts have been underway to modernize the FPDS. In April 2003, GSA awarded the FPDS-NG contract to GCE, Inc. The FPDS-NG became operational in October 2003 and entered into a 2-year transition period during which the contractor has worked with federal agencies to review and transfer their data, and validate and connect their contract writing systems to FPDS-NG.⁴ The FPDS-NG became available to the public in December 2004.

GAO has reported on its concerns regarding the FPDS almost since the system's beginning.⁵ In December 2003, we reiterated our concerns regarding long-standing inaccuracies and incomplete data in the system, and made specific recommendations to OMB to help improve the successor system, FPDS-NG, as it was being implemented.⁶ Subsequently, OMB issued a memorandum requiring federal departments and agencies to take certain steps to ensure their full participation in the FPDS-NG initiative.⁷

KEY CONCERNS

Our review raised concerns regarding whether the FPDS-NG has achieved its intended improvements. The following examples reflect our key areas of concern regarding the new system:

- **Timeliness and accuracy of data:** Interviews with several users indicate a lack of confidence in the system's ability to provide timely and accurate data. The FPDS-NG vision included improving the timeliness and accuracy of data by requiring agencies and departments to connect to FPDS-NG via contract writing systems. These systems enable the real-time electronic submission of data, thereby reducing the risk of errors by eliminating or reducing manual re-keying into FPDS-NG. Although GSA and contractor officials believe that roughly 90 percent of agencies with contract writing systems have completed their connections to the FPDS-NG, this is not the case for the Department of Defense (DOD)—by far the largest contracting entity in the government. In fact, DOD has delayed its time frames for connecting to the system at least

³Office of Federal Procurement Policy Act of 1974, Pub.L. No. 93-400 (1974).

⁴Contract writing systems are computer software that, among other things, allows agencies to report their contracting data electronically to FPDS-NG through a machine-to-machine interface. The Office of Management and Budget (OMB) directed federal agency and department heads to identify and allocate funds to ensure that their contract writing systems were capable of electronically transferring data directly to FPDS-NG no later than the end of fiscal year 2005. The reliability of data in FPDS-NG is expected to improve because agency submissions to FPDS-NG will be based on data already entered into the contract writing systems, reducing or eliminating separate data entry requirements and providing contracting data in real-time.

⁵See the enclosure for a list of related GAO products.

⁶GAO, *Reliability of Federal Procurement Data*, GAO-04-295R (Washington, D.C.: Dec. 30, 2003).

⁷OMB memorandum: *Timely and Accurate Procurement Data*, August 25, 2004.

twice and currently estimates it will not be fully connected until sometime in fiscal year 2006 given the complexity of its reporting needs and other requirements.⁸ Given that DOD data represent about 60 percent of the contracting actions that will be captured within FPDS-NG, this delay significantly affects the ability of FPDS-NG to reflect timely and accurate procurement data.

Additionally, prior to transferring data and connecting their contract writing systems to FPDS-NG, agencies and departments were to review their data and identify and correct any deficiencies, as well as to “certify” the accuracy and completeness of their fiscal year 2004 data with the FPDS-NG contractor. GSA officials informed us that the data review process, including certification of accuracy and completeness of fiscal year 2004 data, has been more rigorous than in prior years and that this might become an annual process. Although GSA officials told us that many agencies have reviewed and verified their data, GSA has not informed users about the extent to which agencies’ data are accurate and complete. This lack of confirmation perpetuates a lack of confidence in the system’s ability to provide quality data.

- **Ease of use and access to data:** The FPDS-NG Web site provides users the ability to generate reports at any time through standard report templates or an “ad hoc” reporting tool. Although GAO analysts attended contractor-provided training on these reporting tools, we did not find either easy to use.⁹ We repeatedly encountered significant performance problems, including system time-outs and delays, when trying to generate both kinds of reports. Additionally, while the ad hoc reporting capability is a potentially useful new feature that allows users to create their own reports, it takes time and effort to build a customized report query, which then cannot be saved and must be rebuilt every time this feature is utilized. With respect to access, our interviews with private sector users, GSA officials, and the FPDS-NG contractor indicated that repeated requests have been made for governmentwide procurement data and a summary report, such as the prior FPDS Federal Procurement Report; however, such a report is not currently available. GSA officials have indicated that they are exploring ways to improve the ad hoc reporting tool and provide governmentwide procurement reports, and they expect some of these improvements to be implemented early in fiscal year 2006.

While FPDS-NG has enabled users to access government procurement data more readily through its Web-based reporting features, some users have more

⁸DOD, Office of the Under Secretary of Defense memorandum, *Transition to the Federal Procurement Data System-Next Generation*, July 8, 2004; DOD, Office of the Under Secretary of Defense memoranda, *Update on Transition to the Federal Procurement Data System-Next Generation*, Dec. 6, 2004; Jan. 24, 2005; and Aug. 1, 2005.

⁹There are three ways to access FPDS-NG data: (1) direct Web site access, which includes a data query search tool, over 50 standard report templates, and an ad hoc reporting capability; (2) downloading fiscal year 2004 and fiscal year 2005 data files archived on the Web site; and (3) Web services access, which allows external systems to access data and “real-time” data updates. Access to the raw data through option (2) or (3) allows users to manipulate and present the data in different ways than available through the FPDS-NG standard templates or ad hoc reporting features. There is a one-time integration fee for the Web services option, which is typically used by commercial companies.

complex data needs that require the ability to access and download raw data.¹⁰ These users can access data through archived files from the FPDS-NG Web site or through Web services, which provides an interface between external systems and the FPDS-NG. In either case, FPDS-NG presents the data in an XML format, which is a way to present data in a simple and machine-readable manner.¹¹ However, our attempts to extract contracting data across multiple government agencies using current XML-compliant software were unsuccessful. Data had to be extracted separately for each agency from multiple archived files, involving over 1,000 tables for fiscal year 2004 alone. Subsequent discussions with the FPDS-NG contractor indicated this is the only means currently available for accessing the raw data. Obtaining this data through multiple XML files involves a significant increase in time and effort and does not facilitate user access to data to meet information needs.

INTERAGENCY CONTRACTING TRANSACTIONS

The need for collecting and tracking data on interagency contracting transactions has become increasingly important. In recent years, federal agencies have been making greater use of existing contracts provided by other agencies, such as multiple award schedules and governmentwide acquisition contracts, as well as interagency acquisition services provided through the use of franchise funds. However, total spending using other agencies' contracting vehicles and services is unknown because there is currently no system that tracks and reports this information. Challenges associated with these acquisition vehicles and their management led GAO to designate interagency contracting as a governmentwide high-risk area in January 2005.¹²

Over the last decade, Congress has repeatedly called for DOD to report on certain types of interagency contracting and financial data. Recently, the Senate Armed Services Committee conveyed its expectation that DOD business systems have the capability to track basic information about interagency transactions. This information includes the following: number and dollar value of transactions under each interagency contracting vehicle; the status of open transactions; the status of funds under interagency transactions (including appropriation type and year, and fund balance received, obligated, expended, and available); and the amount of any funds returned or to be returned to DOD or to the Department of the Treasury.¹³ DOD officials have indicated that they plan to use FPDS-NG to track interagency contracting data and to request changes to the system to capture more specific information in this regard.

GSA documentation indicates that the vision for FPDS-NG included system capability that was flexible enough to change as new data collection needs arose, such as those related to interagency contracting activities. GSA officials told us that some interagency contracting

¹⁰Raw data are data that have not been processed; the data appear in the original format as entered into agencies' contract writing systems and then reported electronically to FPDS-NG.

¹¹XML (Extensible Markup Language) is a flexible way to create common information formats and share both the format and the data on the World Wide Web, intranets, and elsewhere. While XML has been successful as a markup language for documents and data, the overhead associated with generating, parsing, transmitting, storing, or accessing XML-based data has hindered its use in some environments.

¹²GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005).

¹³S. Rep. No. 109-69 at 352 (2005), accompanying S. 1042, 109th Cong. (2005).

data are available in FPDS-NG. However, our efforts to obtain data and to generate reports on interagency contracting transactions were unsuccessful. GSA officials also expressed concerns that FPDS-NG may not be the appropriate system to collect certain types of data on interagency transactions. Given these circumstances, it is unclear whether FPDS-NG has the flexibility to address these new data needs and whether it is the appropriate system for this purpose.

CONCLUSION

The FPDS-NG is currently the only system providing information on over \$300 billion in annual government spending; however, concerns remain regarding the timeliness, accuracy, accessibility, and ease of use of the system. Additionally, the growth in interagency contracting and the associated challenges heightens the need for data in this area to provide sufficient oversight. Given that the FPDS-NG transition period is ending, the opportunity exists to address key areas of concern as the system's implementation to date is assessed.

RECOMMENDATIONS FOR EXECUTIVE ACTION

In order to help achieve the intended improvements for FPDS-NG, we recommend that the Director of OMB take the following three actions:

- Work with DOD and any other agencies that have not yet moved to an electronic data submission environment to connect to FPDS-NG via contract writing systems as soon as possible, and provide confirmation of agencies' review and verification of the accuracy and completeness of their data in FPDS-NG.
- Develop a plan to improve ease of use and access to data, including report generation, governmentwide reporting needs, and accessing raw data through more efficient means.
- Determine whether the FPDS-NG currently has the capability to collect and report on interagency contracting data and whether it is the appropriate system to capture this data in the future.

AGENCY COMMENTS

We provided a draft of this letter to OMB and GSA for comment. OMB and GSA officials commented orally that their respective agencies concurred with the recommendations, and OMB stated that it would take into consideration the findings of the report, including whether the use, access and capability of FPDS-NG appropriately meets the government's needs. Officials from both agencies indicated that ensuring DOD connects its contracting writing systems to FPDS-NG as soon as possible is a top priority. Additionally, GSA agreed that an overall statement about the agencies' verification of the accuracy and completeness of the data in FPDS-NG could be made now that most agencies have completed that process. OMB and GSA officials stated that new software is expected to improve reporting capability and that additional improvements are being explored to improve ease of use of the system. GSA added that additional reports and improved capability are planned for early in fiscal year 2006.

Regarding interagency contracting, OMB stated that currently FPDS-NG has a limited role in identifying and reporting information on interagency contracting transactions. GSA stated that FPDS-NG was not intended to collect information on financial transactions between

government agencies and that OMB would need to decide whether FPDS-NG should be modified so that the system could collect and report on this type of information.

SCOPE AND METHODOLOGY

The information in this letter is based on previous GAO reviews and limited additional work conducted from February through August 2005, in accordance with generally accepted government auditing standards. In conducting our work, we reviewed relevant GAO reports and audit documentation. We also held discussions with officials at GSA, OMB, GCE, and with several private sector and government users. We attended training at the GCE facility on FPDS-NG report generation; we attempted to generate standard reports and to build several ad hoc report queries using the FPDS-NG system; and we reviewed relevant documents concerning FPDS and FPDS-NG.

We are sending copies of this letter to the Chairs and Ranking Members of the Senate Homeland Security and Governmental Affairs Committee, the House Government Reform Committee, and other interested congressional committees, as well as to the Administrator of General Services. We will provide copies to others upon request. This letter will also be available on GAO's home page at <http://www.gao.gov>. If you or your staff has any questions about this letter, please contact me at (202)-512-4841. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. This letter was prepared under the direction of Bill Woods. GAO staff who made contributions to this letter were Amelia Shachoy, Assistant Director; Art James; Julia Kennon; William McPhail; Lisa Simon; Shannon Simpson; and Robert Swierczek.

Sincerely yours,



Katherine V. Schinasi
Managing Director
Acquisition and Sourcing Management

Enclosure

ENCLOSURE: Related GAO Products

GAO. *Contract Management: Impact of Strategy to Mitigate Effects of Contract Bundling on Small Business Is Uncertain*. GAO-04-454. (Washington, D.C.: May 27, 2004).

GAO. *Reliability of Federal Procurement Data*. GAO-04-295R. (Washington, D.C.: Dec. 30, 2003).

GAO. *Contract Management: No Reliable Data to Measure Benefits of the Simplified Acquisition Test Program*. GAO-03-1068. (Washington, D.C.: Sept. 30, 2003).

GAO. *Contract Management: Civilian Agency Compliance with Revised Task and Delivery Order Regulations*. GAO-03-983. (Washington, D.C.: Aug. 29, 2003).

GAO. *Small Business: HUBZone Program Suffers from Reporting and Implementation Difficulties*. GAO-02-57. (Washington, D.C.: Oct. 26, 2001).

GAO. *OMB and GSA: FPDS Improvements*. GAO/AIMD-94-178R. (Washington, D.C.: Aug. 19, 1994).

GAO. *The Federal Procurement Data System—Making It Work Better*. GAO/PSAD-80-33. (Washington, D.C.: Apr. 18, 1980).

GAO. *The Federal Procurement Data System Could Be an Effective Tool for Congressional Surveillance*. GAO/PSAD-79-109. (Washington, D.C.: Oct. 12, 1979).

(120409)

STATEMENT OF
STEPHEN A. PERRY
ADMINISTRATOR
U.S. GENERAL SERVICES ADMINISTRATION
BEFORE THE
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS
SUBCOMMITTEE ON FEDERAL FINANCIAL
MANAGEMENT, GOVERNMENT INFORMATION, AND
INTERNATIONAL SECURITY
UNITED STATES SENATE
SEPTEMBER 29, 2005



Good afternoon, Chairman Coburn and distinguished members of the Committee. Thank you for inviting me here before you today to discuss the procurement process at the U.S. General Services Administration (GSA).

Mr. Chairman, as you are aware, GSA's Mission is to assist Federal agencies in better serving the public by offering, at best value, superior workplaces and expert solutions, acquisition services and management policies. GSA has a critically important mission as part of this Nation's Government, and we take our responsibility very seriously.

GSA provides and contracts for billions of dollars worth of products, services and real estate for Federal agencies. GSA focuses on the acquisition process, allowing agencies to concentrate on their core missions. GSA's procurement experts identify potential vendors, award contracts and help ensure the Federal contracting requirements are met. GSA connects the public sector with industry experts and simplifies the contracting process to save agencies time and money. Other Federal agencies rely upon GSA to be efficient, effective and creative in applying our expertise in property management and procurement. GSA's efforts facilitate the acquisition of the workspace, equipment, technology, furniture, supplies, vehicles and professional services our customers need to fulfill their missions of service to the American people.

Mr. Chairman, GSA's role in the Federal procurement arena includes: helping Federal agencies acquire space, products, and services by contracting with Federal and commercial sources; simplifying Federal procurement for other Federal agencies; and negotiating large multi-user contracts and leveraging the volume of the Federal market to get the best prices for the taxpayers. GSA offers businesses the opportunity to sell billions of dollars worth of products and services to Federal agencies through its contract vehicles. Finally, GSA also has a vital role in developing and overseeing Federal property management and procurement policies, government wide.

Mr. Chairman, GSA operates mostly under a fee for service model. We provide Federal agencies with contracting expertise and solutions using resources they do not necessarily have in-house – allowing them to direct their resources to meet the mission of their Agency. Times for GSA have changed, however. We are no longer a mandatory source for Federal agencies' requirements, so we must provide them with the best value for the goods and services they need .

We undertake many steps to ensure we are getting the best value for the taxpayer. GSA has updated the Multiple Award Schedule (MAS) ordering procedures in the Federal Acquisition Regulation (FAR) to increase competition, brought market forces into the buying process by making pricing data publicly available, issued a policy letter asking our buying activities to increase their competitive acquisitions by 10%, and continued to encourage Contracting Officers and schedule buyers to ask for a discount from the listed price. Lastly, to ensure the quality of its

most significant acquisition actions, the Federal Supply Service (FSS) has conducted 57 Pre-Negotiation Clearance (PNC) Panels in the past year, covering \$2 billion in contracts. The goal of PNC Panels is to ensure that the contract negotiator has identified negotiation objectives and is fully prepared for the negotiations.

Mr. Chairman you have expressed interest in how we use audits in getting the best value for our customers and taxpayers. FSS's Contract Management Center oversees post award reviews of vendors, reviewing more than 20 aspects of the procurement, including pricing. GSA conducts interviews of each customer service center to ensure they are receiving best value as part of the procurement management review process. We provide training on using the GSA Federal Supply Schedules to our agency customers. Finally, GSA authorized \$4 million for the GSA Inspector General to conduct pre-award audits in FY 2005.

GSA Schedules and other contracting vehicles offer everything from basic support functions to highly specialized professional services to government agencies. GSA also disposes of surplus Federal property, such as real estate and vehicles to a wide range of non-Federal users, including to the public.

Examples of the products and services that GSA provides for Federal agency customers includes:

- Space in government-owned and leased buildings;
- Facilities management services, such as utilities, security, space alterations, and tenant relocation;
- A wide range of technology and other products and services directly from commercial providers;
- Long distance telecommunications services, airfare services, charge cards, shipping services and similar highly discounted consumer services;
-

- IT acquisition and consulting services;
- Vehicles and fleet services; and
- Surplus government property.

GSA offers customers many ways to purchase what they need. As I mentioned previously, GSA simplifies Federal procurement by negotiating large multi-user contracts and using the volume of the Federal market to leverage lower prices. Federal agencies place orders against these contracts in many ways—through GSA customer representatives or catalogs, by phone or fax, charge cards, electronic requisitioning, in-person auctions, over the Internet, or by contacting suppliers directly.

In the future, as the requirements of the American people and the needs of Federal agencies continue to increase, GSA's ability to interact, communicate and contract with companies that do business with the Federal government must become even stronger. In the fast-paced marketplace of the 21st century, electronic technology is critical to conducting business. GSA is keeping pace through its e-Gov initiatives. GSA's redesigned website provides a new feature—direct access to many interactive capabilities that facilitate doing business with GSA or finding specialized information available from GSA. GSA offers e-Tools to help other agencies manage their GSA procurement transactions, to place orders, and to learn about business opportunities. The e-Tools allow GSA to better serve Federal customers by bringing the most up to date information to customers to allow them to do business in an efficient and cost-effective way.

Taking advantage of technology, GSA has placed many of our new contracts on-line, listing the key terms and conditions of the contracts, making them accessible to more businesses, quicker, easier and cheaper. We've also seen an increase in the use of e-Buy by 40 thousand more orders than last year, streamlining the procurement process and lowering the need for staff interaction.

Through the use of e-Tools, customers can find information about the many leading-edge products and services GSA offers and, in many cases, do business with GSA. The number and transactional capabilities of e-Tools available on gsa.gov are expected to expand in coming months.

The most popular e-Tools can be found on-line at gsa.gov and include:

- Federal Forms
- GSA Advantage!
- GSA Auctions®
- GSA Global Supply
- IT Solutions Shop (ITSS)
- Per Diem Rates
- Rent on the Web
- Schedules e-Library
- e-Buy
- eOffer/eMod

The President's Management Agenda calls on Federal agencies to meet twin goals of reducing government spending and improving performance. With these outcomes in mind, GSA announced in Spring 2005, the agency's intention to restructure some of its primary functions.

Organizations like GSA that desire to achieve high performance and continuous improvement should periodically review their operations and their organizational structures in order to identify and implement improvements where possible. The most significant outcome of this reorganization is a new GSA Service—the Federal Acquisition Service (FAS)—that has emerged from the consolidation of GSA’s Federal Technology Service (FTS) and FSS. Many factors led to this change, including some directly relevant to the Subcommittee’s interest in GSA procurement processes. Shifting customer needs, an evolution in how agencies acquire technology products and services, efforts to reduce overlapping services, and a greater emphasis on GSA’s role in Federal procurement were all important factors prompting this organizational change.

This initiative to reorganize and consolidate FTS and FSS is designed to strengthen GSA’s capability to meet increasing Federal agency requirements for excellence in the acquisition of information technology, telecommunications, and other products and services; will make it easier for Federal agencies and industry contractors to use GSA acquisition processes; and will enhance GSA’s efficiency of by consolidating activities that are now performed separately in both FTS and FSS.

The FAS organization has five program areas:

- Customer Accounts and Research— which enables GSA to better understand customer requirements and become a strategic partner in helping agencies meet their acquisition needs.

- Acquisition Management— which ensures that GSA’s activities are fully compliant with Federal laws, regulations and policies, and that operating practices are consistent across business lines and regions.
- Integrated Technology Services— which groups together the GSA units that acquire information technology, telecommunications and related professional services.
- General Supplies and Services— which groups together the GSA units that acquire a broad range of commercial products and closely-related services, as well as some specialized logistics-based activities.
- Travel, Motor Vehicles and Card Services— which groups together business lines which share commonalities that provide opportunities for synergy and scale.

Benefits from the establishment of FAS include a deeper understanding by GSA of customer requirements; stronger management of the agency’s acquisition processes and programs; and greater integration of GSA business lines to provide multiple channels for customers to acquire the products, services, and solutions they need. The intended outcome is a GSA organization that is capable of delivering excellent acquisition services efficiently and effectively and providing value to Federal customers and the American taxpayer.

Recognizing the need to provide direct, face-to-face customer service, the FAS organization will include six zones within the 11 GSA regions. Under this arrangement, GSA associates will provide customers in a particular geographic area with services such as IT-assisted acquisition, fleet service representatives and supply services. FAS staff conducting local customer delivery will report to the Assistant Regional Administrators in the six FAS zones.

GSA's push to ensure taxpayer dollars buy more and go farther requires rethinking old ways of doing business and creating new models that will better serve the Federal community in the 21st Century. That's precisely the idea behind the merger of the Federal Technology Service and the Federal Supply Service. To realize the full benefits of merging the two services into FAS, it is critical that the two revolving funds that currently finance the different services be merged into one new fund, the Acquisition Services Fund. This single fund would support Federal agencies' acquisitions of all personal property and services, including IT and telecommunications products and services. Many GSA customers are now buying "total business solutions" that require a mixture of IT and non-IT products and services. It would be much more cumbersome for both GSA and its customer agencies to have to account for the IT and non-IT components of these procurements under the two current revolving funds than under the single fund we are seeking. Finally, merging the two funds is an essential prerequisite to realizing the full administrative efficiencies and improved oversight and accountability that FAS will make possible.

Establishing a single "Acquisition Services Fund" will enable GSA to provide integrated acquisition services, and standardize and centralize financial management. This will result in better cost and capital planning, increased financial management oversight, and consistent fee setting. These changes are intended to generate operating efficiencies and reduced transactional costs.

Partnering with other Federal agencies, we have helped NASA launch rockets; we have helped the Department of Agriculture provide food for the hungry; we have helped HUD house the

homeless; we have helped the Department of Education attack illiteracy and improve science and math scores; we have helped the Department of Labor, the Small Business Administration and the Department of Commerce provide jobs, careers and a prosperous economy; together we have helped the Department of Defense defend our Nation and preserve freedom and democracy around the world. We don't merely procure and deliver products and services. We help agencies achieve their missions of service to the American people.

We know that today, and in the future, Federal agencies are requiring and will require more and more procurement expertise and more and differing products and services. At the same time, our customer agencies are demanding faster responsiveness and turnaround times, and they are demanding more cost-effective solutions. They are relying upon GSA to take the actions necessary to make these things happen. They turn to GSA because we have the workforce and expertise available to meet these needs.

I am confident we can continue to meet these needs.

Thank you Mr. Chairman for holding this hearing today, I look forward to answering your questions.

