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United States General Accounting Office
Washington, DC 20548

June 7, 2002

The Honorable Tom Davis
Chairman
Subcommittee on Technology and Procurement Policy
Committee on Government Reform
House of Representatives

Subject: Contract Management: Roles and Responsibilities of the Federal Supply Service and Federal Technology Service

Dear Mr. Chairman:

You asked me to provide additional comments on several issues relating to my April 11, 2002, testimony before your subcommittee on the roles and responsibilities of the General Services Administration's (GSA) Federal Supply Service (FSS) and Federal Technology Service (FTS). I am pleased to submit the following comments for your consideration.

- 1. You point out in your statement that there is in fact overlap between the FTS and FSS programs and that some think this may be beneficial while others think it is wasteful and duplicative. You also note that there appears to be no comprehensive analysis of the impact of this overlap on the cost paid by the government for products and services. In the course of conducting your study, did you come to any preliminary conclusions about the possible impact of the current FSS/FTS overlap on the prices paid for products and services? On the possible impact on the quality of the services provided customer agencies by GSA through FSS and FTS?**

Both FSS and FTS have conducted customer surveys that indicate customers believe these two purchasing programs provide good value. The opinions of individual customers, however, do not provide a measure of how much value FSS and FTS deliver to agencies. As I noted in my testimony, GSA's performance measures for FSS and FTS do not focus specifically on the question of whether quality products and services are being provided at competitive prices and significant savings to the government. Our review of GSA management information systems showed that existing systems do not provide the information GSA would need to answer such questions. Consequently, we did not come to any preliminary conclusions concerning

how the overlap between FSS and FTS programs had affected the price or quality of products and services for customer agencies.

To its credit, GSA has embarked on initiatives that should provide better information on how well its procurement programs are operating. In particular, GSA is encouraging the managers of its procurement programs to develop performance measures that will shed light on whether they are achieving customers' quality and cost goals. As I noted in my testimony, this initiative will be challenging in view of the potential reluctance of customers to comply with any additional reporting burdens and the difficulties of developing good measurement benchmarks. But it is important for GSA to work through these issues in order to get the data it needs to assess whether FSS and FTS are delivering good quality and good prices to customers. Once GSA has worked through these issues, GSA will be in a better position to assure itself that its programs deliver value to the government.

2. In our hearing just a few weeks ago examining the Services Acquisition Reform Act (SARA) of 2002, we heard from a private sector witness responsible for acquisition at a multi-billion corporation who told us that he was able to increase the effectiveness and reduce the cost of the company's acquisition activities by strategically managing and consistently applying streamlined practices and procedures. Do you think that GSA's employment of these practices could result in similar savings and increases in service effectiveness?

The traditional purchasing environment that the private sector witness described as having existed in his company bears some resemblance to the current purchasing environment in the federal government. According to the witness, each business unit or location in the company established one or more supplier relationships for a given service requirement, and contracting processes for services varied by department and location. In the federal government, agencies—and many individual bureaus, offices, and installations—maintain their own contracting staffs to fill their requirements. Further, many agencies promulgate supplements to the governmentwide acquisition regulations in order to tailor contracting processes to the agency's unique needs.

According to the witness, his company embarked on a multi-year effort intended to change the traditional environment and create more consistent and disciplined acquisition processes throughout the company. Through this effort, the witness reported, his company was able to reduce costs and create a more competitive environment for acquiring services. In concept, it would appear reasonable to assume that implementing more consistent and disciplined acquisition processes throughout the government would produce similar benefits.

Implementing consistent and disciplined purchasing processes in government agencies would require senior agency leadership to commit to reform. GSA could not, however, direct such an endeavor. Federal managers do not depend solely on GSA's purchasing programs to acquire the products and services they need. Federal managers can use either their own contracting staffs or any of the other interagency contract vehicles that I mentioned in my testimony. GSA could play a supporting role by assuring that its purchasing programs deliver value to the government.

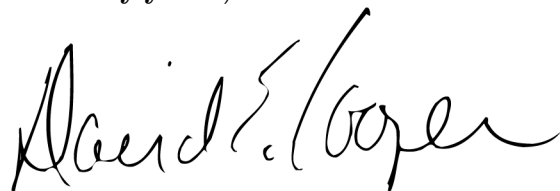
3. Did you have an opportunity to review the statement of work that governs the study of the FSS and FTS that GSA has under contract? If so, do you think that it focuses on the real issues? Do you think it will likely result in the kind of information needed to assess whether the current organization needs to be restructured?

We have reviewed the statement of work for the contract GSA awarded to a consulting firm to study its FSS and FTS purchasing programs, and have reviewed the firm's recently issued report. The report discusses concerns vendors have voiced about overlap between FSS and FTS contracts, and the value customers attach to FSS and FTS offering a range of procurement services tailored to the needs of individual buyers. The report recommends that GSA restructure its purchasing programs by combining several aspects of FSS and FTS operations. Further, the report outlines why these recommended actions could increase GSA's capacity to deliver best value to customers.

We believe the real issue, however, lies in the question posed in your opening statement at the April 11, 2002, hearing—how can FSS and FTS be sure that “the American taxpayers receive fair value for their hard-earned dollars when the government acquires products and services?” GSA's performance measures for FSS and FTS do not focus specifically on whether quality products and services are being provided at competitive prices and significant savings to the government. Consequently, GSA is not yet in a position to provide an answer to the question you posed. And, without better performance measures, GSA will not be in a position to assess whether any restructuring initiatives it might undertake have resulted in better value for the government and the taxpayers. For this reason, we believe that GSA's initiative to build performance measures that will shed light on whether its purchasing programs are achieving customers' timeliness, quality, and cost goals are of critical importance.

If you have any questions about this letter or need additional information, please call me on (202) 512-4841. Copies of this letter are also available at no charge on GAO's homepage at <http://www.gao.gov>. Key contributors to this letter included Ralph Dawn, Monty Peters, and Jeffrey V. Rose.

Sincerely yours,



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