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TELECOMMUNICATIONS

GSA Has Made Progress in Planning Governmentwide Program but Challenges Remain

Statement of Linda D. Koontz,
Director, Information Management Issues

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TELECOMMUNICATIONS

GSA Has Made Progress in Planning Governmentwide Program but Challenges Remain

Why GAO Did This Study

The General Services Administration (GSA) has begun planning for a governmentwide telecommunications program known as Networx. GSA issued a request for information in October 2003 that proposed two acquisitions: Networx Universal, which was to provide a full range of national and international network services across the United States, and Networx Select, which was to provide agencies with leading-edge services with less extensive geographic coverage. Contracts under the Select acquisition were to be awarded 9 months after the Universal contracts.

In February, we testified on GSA's initial plans and identified four key challenges GSA faced in ensuring a successful outcome for the program: structure and scheduling, transition planning, service inventories, and performance measures. At the committee's request, GAO assessed GSA's progress in addressing the challenges identified as well as GSA's efforts to address long-standing issues related to billing.

WHAT WE RECOMMEND

To prevent unresolved challenges from hampering GSA's efforts to provide agencies with the services they need, we recommend that it finalize and implement processes for managing transition efforts, measuring program performance, and resolving agency concerns over the usability of billing data.

www.gao.gov/cgi-bin/getrpt?GAO-04-1085T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Linda D. Koontz at (202) 512-6240 or koontzl@gao.gov.

What GAO Found

GSA has addressed several of the significant challenges facing the Networx program. Work is either planned or underway on other challenges, but additional efforts will be necessary to fully address them. Specifically:

- GSA has addressed concerns about the structure and scheduling of the two acquisitions, now known as Universal and Enterprise. Instead of a 9-month lag between acquisitions that might complicate agency decision-making, GSA now plans to issue the requests for proposal (RFP) for the contracts simultaneously (See figure below). In addition, the Universal contracts will now require that offerors provide services only where federal agencies are located, rather than in the entire country, to allow more potential industry participants to compete—a concern raised in prior comments.

- GSA has solicited for contractor support to assist with the development of plans to transition to the Networx contracts. However, GSA has not yet developed procedures to ensure that lessons from past transitions are applied, or established a transition strategy.

- GSA worked with agencies to develop a service-level inventory as input into the requirements for the new contracts. In addition, it plans to work with agencies to build a more detailed inventory of currently-used telecommunications services for use during transition.

- GSA plans to implement performance measures that evaluate progress against the program's goals. However, some of the measures are still under development, and it does not have a strategy for using the measures to monitor ongoing program performance.

- GSA has reduced the number of billing elements it will track and has begun a study designed to identify potential improvements in the billing process, but it lacks a strategy for addressing agency concerns about the usability of billing data.

Until GSA develops and applies strategies for addressing the outstanding challenges facing Networx, it risks not being able to deliver all of the operations and cost improvements outlined in the program's goals.

GSA's original and revised key contract dates

	Original Universal contract schedule	Original Select contract schedule[1]	Current schedule (both contracts)
Draft RFP release	Spring 2004	Winter 2005	November 2004
Final RFP release	Fall 2004	Summer 2005	April 2005
Contract award	Winter 2005	Fall 2006	April 2006

[1]In its RFI, GSA previously used the name Select to describe the contract now known as Enterprise.

Source: GSA

_____**United States Government Accountability Office**

Mr. Chairman and Members of the Committee:

I am pleased to participate in the Committee's hearing on the General Services Administration's (GSA) next generation governmentwide telecommunications acquisition program, known as Networx. As you know, GSA's planning for this program is taking place within an environment of tremendous change—in the telecommunications industry, in underlying services and technology, and potentially in the regulatory environment. In this context, the Networx initiative can be viewed as a significant opportunity for federal agencies—GSA's customers—to flexibly acquire and apply innovative telecommunications services offered by industry to improve their operations.

As you know, GSA issued a request for information (RFI) in October 2003 describing the strategy of the proposed Networx program. At that time, GSA proposed two acquisitions. Networx Universal was to provide a full range of national and international network services; offerors were to provide ubiquitous service across the United States. Networx Select was to provide agencies with leading edge services and solutions with less extensive geographic and service coverage than required by Universal. Contracts under the Select acquisition were to be awarded 9 months after the Universal contracts. Last February, we testified on GSA's initial planning efforts and identified four challenges GSA faced in ensuring a successful outcome for the program. These challenges related to the structure and timing of the proposed contracts, and the need for transition plans, an inventory of current services, and effective measures of performance.[1]

In April, you requested that we assess GSA's progress in addressing the challenges that we identified, as well as GSA's efforts to address long-standing issues related to billing. My testimony today presents our results to date on these topics.

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[1] GAO, *Telecommunications: GSA Faces Challenges in Planning for New Governmentwide Program*, GAO-04-486T, (Washington, D.C.: February 26, 2004).

Results in Brief

In brief, GSA has taken steps to address several of the significant challenges facing the Networx program. Work is either planned or underway on other challenges, but additional efforts will be necessary to fully address these challenges. Specifically:

- GSA has addressed concerns about the time period between contracts by planning to award all contracts simultaneously. In addition, the Universal contracts will now require that offerors provide services where federal agencies are currently located, rather than across the entire country, to potentially allow more industry participants to compete.
- GSA has solicited quotations for contractor support to assist with the development of plans to transition to the Networx contracts. However, GSA has not yet developed procedures to ensure that lessons from past transitions are applied, nor has it established a transition timeline.
- GSA worked with agencies to develop a service-level inventory as input into the requirements for the new contracts. In addition, GSA plans to work with agencies to build a more detailed inventory of currently-used telecommunications services for use during transition.
- GSA plans to implement performance measures that evaluate progress against the program's goals. However, some of the measures are still under development, and it does not have a strategy for using the measures to monitor ongoing program performance.
- GSA has reduced the number of billing elements it will track, and has begun a study designed to identify potential improvements in the billing process and associated administrative costs. However, it lacks a strategy for addressing agency concerns about the usability of billing data.

To prevent unresolved challenges from hampering GSA's efforts to provide agencies with the services they need, we recommend that it finalize and implement processes for managing transition efforts, measuring program performance, and resolving agency concerns over the usability of billing data.

My remarks today are based on audit work conducted at GSA headquarters, where we reviewed program planning documents and public presentations, interviewed program officials, and attended a public industry forum on August 11, 2004. We also reviewed analyses conducted by GSA and its contractors as well as our previous work on the Federal Telecommunications System 2001 (FTS2001) and related contracts. We conducted our work between May and September 2004 in accordance with generally accepted government auditing standards.

Background

GSA's Federal Technology Service is responsible for ensuring that federal agencies have access to the telecommunications services and solutions needed to meet mission requirements. Currently, GSA uses a series of contracts intended to meet agency needs for various services. Specifically, it awarded two large, governmentwide contracts for long-distance services—one to Sprint in December 1998 and one to MCI WorldCom in January 1999. Under the terms of these contracts, known together as FTS2001, each firm was guaranteed minimum revenues of $750 million over the life of the contracts, which run for four base years and have four 1-year extension options. If all contract options are exercised, those contracts will expire in December 2006 and January 2007, respectively. According to GSA, federal agencies spent approximately $614 million on FTS2001 services during fiscal year 2003.

Related governmentwide telecommunications services are provided through other additional GSA contracts: the Federal Wireless Telecommunications Service contract and the FTS Satellite Service contracts. The wireless contract was awarded in 1996 to provide wireless telecommunications products and services to all federal agencies, authorized federal contractors, and other users. It is scheduled to expire in November of this year. Satellite services are provided through a series of contracts for a variety of commercial off-the-shelf satellite communications products and services,

including mobile, fixed, and broadcast services. These contracts will expire in 2007.

We have periodically reviewed the development and implementation of the FTS2001 program and assessed its progress. In March 2001 we reported to you on the delays encountered during the government's efforts to transition from the previous FTS2000 to the FTS2001 contracts, the reasons for those delays, and the effects of the delays on meeting FTS2001 program goals of maximizing competition for services and ensuring best service and price.[2] We recommended that GSA take numerous actions to facilitate those transition efforts. In April 2001 testimony before you, we reiterated those recommendations and noted that the process of planning and managing future telecommunications service acquisition would benefit from an accurate and robust inventory of existing telecommunications services.[3] Ultimately, GSA acted on our recommendations and the transitions were successfully completed.

GSA is now planning its Networx acquisition to replace the contracts that are expiring. GSA has worked with representatives of federal agencies, the telecommunications industry, and other interested parties to lay the groundwork for the new program. Agencies work directly with GSA and through the Interagency Management Council (IMC), a group of senior federal information resource officials who advise GSA on issues related to telecommunications contracts. GSA and the IMC proposed eight goals for the Networx program, including an emphasis on ongoing support and performance-based contracts. The table lists each of the program goals.

[2]GAO, *FTS2001: Transition Challenges Jeopardize Program Goals*, GAO-01-289 (Washington, D.C.: March 30, 2001).

[3]GAO, *FTS2001: Contract Transition Delays and Their Impact on Program Goals*, GAO-01-544T (Washington, D.C.: April 26, 2001).

Program Goals Proposed for Networx

Service Continuity: Contracts should include all services currently available under FTS2001 to facilitate a smooth transition.
Competitive prices: Prices should be better than those available elsewhere in the telecommunications marketplace.
High quality services: Contracts should ensure a high quality of service throughout the life of the contracts.
Full service vendors: Vendors should be capable of providing a broad array of services to avoid duplication of administrative and contracting costs.
Alternate sources: Agencies should be able to choose from a greater number of vendors and have access to emerging technologies.
Operations Support: GSA should provide fully integrated ordering, billing, and inventory management.
Transition assistance and support: Contracts should include provisions for transition support.
Performance-based contracts: Contracts should be performance based and include service level agreements where possible.

Source: GSA.

In October 2003, GSA released a RFI describing its initial strategy for the Networx program. In the RFI, GSA proposed two acquisitions—Networx Universal and Networx Select. The Universal acquisition was expected to satisfy requirements for a full range of national and international network services. According to GSA, this acquisition was intended to ensure the continuity of services and prices found under expiring contracts that provide broad-ranging service with global geographic coverage. Universal offerors were to provide a full range of voice and data network services, managed networking services and solutions, and network access, wireless, and satellite communications services. In addition, offerors were to provide these services at all locations across the United States. Consequently, this acquisition was expected to result in multiple contract awards to relatively few offerors because few were expected to be able to satisfy the geographic coverage and comprehensive service requirements.

By contrast, GSA planned to award multiple contracts for a more geographically limited set of services under the Select acquisition. These contracts were to provide agencies with leading edge services and solutions with less extensive geographic and service coverage than that required by Universal. Awards under the Universal and

Select acquisitions were to be staggered; the Select contracts were to be awarded 9 months after the Universal contracts.

In February 2004, we testified on GSA's initial planning efforts in support of FTS Networx.[4] After reviewing the RFI and the comments submitted in response, we identified four major challenges that GSA was likely to face as it proceeded:

- structuring and scheduling the Networx contracts to ensure that federal agencies have available to them the competitively priced telecommunications services they need to support their mission objectives;
- initiating the implementation planning actions needed to ensure a smooth transition from current contracts to Networx;
- ensuring that adequate inventory information is available to planners to provide an informed understanding of governmentwide requirements; and
- establishing measures of success to aid acquisition decision making and enable effective program management.

We noted that addressing these challenges would take solid leadership from GSA and stakeholder commitment. Without such actions, we concluded, the potential of Networx may not be realized.

We have also previously reported on billing difficulties in GSA's telecommunications programs. For example, during the transition to FTS2001, we found that several agencies were billed at improper rates. Several agencies delayed their transition to the new contract because resources planned for the transition were redirected to deal with the billing errors.[5] We recommended numerous actions to improve the transition process, which GSA successfully implemented.

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[4] GAO-04-486T.

[5] GAO, *FTS2001: Transition Challenges Jeopardize Program Goals*, GAO-01-289, (Washington, D.C.: March 30, 2001).

GAO-04-1085T

Structure and Timing of Contracts Have Been Revised in Response to Comments

As we testified in February, the responses to the RFI identified a series of concerns about GSA's proposed acquisition strategy. Some respondents commented that only the traditional long-distance companies would be able to meet the requirements of the larger contract. Others were concerned that the 9-month lag between contracts would complicate decision making by asking agencies to decide on a vendor for the more comprehensive contract before being able to review the options available under the more limited contracts.

GSA recently revised its contracting strategy in response to these concerns. GSA still intends to meet the proposed program goals through two sets of contracts. The first, known as Networx Universal, requires offerors to provide 39 services everywhere a federal office is locate, as well as anywhere else the company offers those services commercially. Required services include toll-free telecommunications, Internet services, and cellular services. Ten other services, including satellite communications and paging services, can be offered but are not required. The second, now known as Networx Enterprise, requires offerors to provide nine mandatory services in nearly 300 locations nationwide specified by GSA; another 42 services can be offered at the option of the company. The services required under the Enterprise contracts focus on Internet-based offerings and related security and management services. GSA intends to structure the contracts so that the Universal offering meets the program goals of service continuity and full service vendors, while the Enterprise contracts meet the goal of providing alternative sources. Both sets of contracts are intended to meet the other five goals, and each is planned to run for 4 years with three 2-year options.

The main difference between its current strategy and the plan outlined in the RFI is that the geographic coverage requirements for the Universal contracts are less stringent. Instead of having to offer services in the entire country, service providers need only offer service where federal offices are located (as well as where the

provider offers the service commercially) to qualify to compete for the contracts. This change resulted in a 76 percent reduction in the locations carriers must serve to be eligible to compete for the contracts. In turn, this increased the percentage of the anticipated service area that carriers could reach with their own networks. According to program officials, they discussed the changes with industry representatives, who are satisfied with the changes. In addition, industry representatives did not raise any questions about the new structure at the August industry forum.

GSA has also addressed the concern over the time between contracts, by changing the proposed 9-month lag between the two types of contracts. GSA currently plans to issue the requests for proposal (RFP) for both the Universal and the Enterprise contracts simultaneously. This table lists the key dates from the old and new contract schedules.

GSA's original and revised key contract dates

	Original Universal contract schedule	Original Select contract schedule[1]	Current schedule (both contracts)
Draft RFP release	Spring 2004	Winter 2005	November 2004
Final RFP release	Fall 2004	Summer 2005	April 2005
Contract award	Winter 2005	Fall 2006	April 2006

[1]In its RFI, GSA previously used the name Select to describe the contract now known as Enterprise.

Source: GSA

Transition Planning is Just Beginning

As we reported to you in March 2001, the current FTS2001 contracts got off to a rocky start as significant delays in transitioning to the new contracts hindered timely achievement of program goals.[6] Factors contributing to delays in that transition included a lack of data needed to accurately measure and effectively manage the transitions, inadequate resources, and other process and procedural issues. In testimony before you in April 2001 we stated that the value

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[6] GAO-01-289.

of that critical program to customer agencies would be improved through the application of identified lessons learned. Those in industry who commented on the Networx RFI also noted the need for strong and comprehensive program management to ensure a successful transition, including issues such as the availability of accurate inventories and well-defined contractor and government responsibilities.

The IMC has established various subgroups to assist it in carrying out its responsibilities. One of these subgroups—the Transition Working Group—looked at transition issues from past transitions, and in April 2003 identified 22 lessons learned. Some of the lessons identified include the need for accurate inventory information and the need to be flexible in transition planning. The group also drafted a document intended to clearly define the responsibilities of GSA and the agencies for transition-related costs, with the goal of eliminating some of the confusion experienced in the past transition.

However, GSA has not yet developed procedures to ensure that lessons from past transitions are applied, nor has it established a timeline of actions needed during the transition process. GSA released a request for quotations on August 16 to solicit contract help with developing a transition plan, including procedures intended to prevent the types of errors that happened in the previous transition. GSA expects to award a contract to the selected contractor by October. According to program officials, GSA will be able to make more progress on this issue when the contractor begins. They also agree that a transition timeline is an important management tool, and that they will begin developing such a timeline soon. GSA believes that with almost 2 years until agencies are scheduled to choose carriers under the new contracts, there is still time to plan for an effective transition. However, until GSA completes these planned actions, it risks repeating the transition problems experienced in the past. To prevent such an occurrence, and to ensure that transition plans are developed with adequate time to be implemented, we are recommending that GSA develop a transition timeline and procedures to prevent the reoccurrence of identified difficulties from previous transitions.

GSA Has Developed an Inventory of Current Services, and Has Begun Planning for a More Detailed Inventory

We testified in February that it is important that GSA and its customer agencies have a clear understanding of agency service requirements in order to make properly informed acquisition planning decisions. According to our ongoing research on best practices in telecommunications acquisition and management, clear understanding comes at least in part from having an accurate baseline inventory of existing services and assets. More specifically, an inventory allows planners to make informed judgments based on an accurate analysis of current requirements and capabilities, emerging needs that must be considered, and the current cost of services. In addition, the FTS2001 transition lessons learned document identified the lack of a good starting inventory as the cause of problems in a number of areas and a contributor to the slow start on the FTS2001 transition. Specifically, the IMC's Transition Working Group identified accurate inventories as a requirement for conducting an efficient transition.

GSA is addressing the need for inventory information in two ways. First, GSA developed an inventory of the services currently used by its customers by reviewing the existing contracts, modifications to them, and billing information. Agencies then verified this information to ensure the listed services meet their current and anticipated future needs. According to GSA officials, this inventory was used in acquisition planning, for example, to justify its decision on which services to include in the proposed Networx contracts and which to make mandatory. Second, GSA is planning to work with its customer agencies to develop more detailed inventories for transition purposes. For example, the transition inventory would not only identify which services are used, but it would also identify where those services are used and how much. According to program officials, GSA plans to provide agencies with initial information based on billing and ordering data in November. Agencies will then verify the GSA data using their own data sources. Because service changes are expected to continue to occur, GSA expects this process to continue until January 2006. Program officials also told

us that once it is in place, the inventory process could be used as an ongoing management tool.

GSA Is Developing Performance Measures, but not a Strategy for Applying Them

Our research into recommended program and project measurement practices highlights the importance of establishing clear measures of success to aid acquisition decision making as well as to provide the foundation for accountable program management. As we testified earlier in the year, such internal measures define what must be done for a project to be acceptable to the stakeholders and users affected by it; these internal measures enable measurement of progress and effectiveness in meeting objectives. Further, in keeping with the principles of the Government Performance and Results Act (GPRA), programs can be more effectively measured if their goals and objectives are outcome-oriented (i.e., focused on results or impact) rather than output-oriented (i.e., focused on activities and processes).

According to agency officials, GSA plans to measure its performance against each of the program's goals. For some of these goals, GSA has already determined how it will measure progress. For example, GSA will measure progress towards the goal of competitive prices using the same process it currently uses—a direct comparison of contract rates to market rates. For other goals, GSA officials stated that performance will be evident from the contract selections. For example, the outcome of the goal of using full-service providers will be known when the providers are selected. However, for some goals, GSA has not yet determined how it will measure progress. For the goals of high quality service and operations support, GSA officials stated that specific metrics are

still in development as part of their efforts to develop service level agreements for vendors.[7]

While the approach described by program officials seems reasonable, GSA has not determined when it will finalize the measures still under development. In addition, GSA has not developed a strategy outlining how it will use key measures to monitor ongoing program performance. Until GSA develops a firm strategy, it lacks assurance that the required program measures will be in place at the appropriate time. As a result, its measures may have limited effect as a program management tool. We therefore recommend that GSA finalize its efforts to identify measures to evaluate progress towards program goals and develop a strategy for using those measures for ongoing program management.

Number of Billing Elements Has Been Reduced, but Other Billing Issues Are Unresolved

Clear, accurate, and complete billing records are an important internal control: they record the detail of each telecommunications transaction for later verification and management oversight. However, bills and billing systems have been a problem in the current generation of FTS programs and thus continue to be a concern for their proposed replacement. In addition to the previous experiences discussed earlier, both the telecommunications carriers and GSA's customer agencies have more recently raised concerns about billing. Carriers asked GSA to address inconsistent and sometimes conflicting billing requirements in different regions. Some also questioned whether the number of billing elements—the data fields tracked in the billing system—was excessive. Agencies commented that the way in which they currently receive billing information hampers their efforts to reconcile invoices and produces inaccurate and incomplete bills. A few agencies

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[7] These are agreements between suppliers and customers to provide business services under specific terms.

commented that billing difficulties have cost them hundreds of thousands of dollars.

In response to industry's concern about the number of billing elements, GSA reduced the number of elements required under the Networx contracts. In its RFI, GSA proposed the use of 513 billing elements. Working in collaboration with the IMC and the Industry Advisory Council, GSA reduced the number of billing data elements to 196 (a reduction of 62 percent), with 54 elements being government specific. In response to the concerns about the accuracy of billing information, GSA plans to introduce service level agreements with the carriers to hold the carriers accountable for the accuracy of the billing data they provide.

GSA has also begun examining potential alternatives to the way it currently consolidates carrier billing data and provides it to some agencies. The study is considering several options, including the option of contracting out bill consolidation, and the potential costs and benefits of the options. According to program officials, one of the goals of the study is to identify potential savings in administrative costs.

However, GSA has not undertaken any similar efforts to identify the causes of agency difficulties in billing and address them. GSA officials attributed part of the uncertainty over future billing procedures to a lack of consensus among industry on how to improve the process. Regardless of the plans of industry, if GSA does not develop a billing process that better meets the needs of its customers, the agencies are likely to continue to experience difficulties in managing their telecommunications costs. To better address this challenge, we are recommending that GSA develop and implement a strategy for addressing the billing data issues raised by its customer agencies.

Summary

Mr. Chairman, the Networx program represents a significant opportunity for GSA and the federal government to both expand the menu of telecommunications services available to

agencies and continue to provide quality and value in the services that agencies select. The size and scope of the planned contracts present a formidable management challenge, and GSA is to be commended for working with its customers and industry to collaboratively address concerns about the structure and timing of the contracts and the need for a current service inventory for use in identifying contract requirements. GSA has begun efforts to address other challenges, such as the need for transition plans, the use of performance measures, and an effective billing system, but it lacks strategies for ensuring that each of these issues is adequately addressed. As the planned release of RFPs approaches, GSA will have less time to finalize those decisions still outstanding and implement the resulting actions. To demonstrate the appropriate level of planning and commitment necessary to ensure that agencies have access to necessary telecommunications services, we are recommending that GSA take additional steps to resolve these issues in a timely manner.

Mr. Chairman, this concludes my statement. I would be pleased to answer any questions that you or other members of the Committee may have at this time.

Contacts and Acknowledgements

Should you have any questions about this testimony, please contact me by e-mail at koontzl@gao.gov or James Sweetman at sweetmanj@gao.gov. We can also be reached at (202) 512-6240 and (202) 512-3347, respectively. Other major contributors to this testimony were Jamey Collins, Samuel Garman, and Nancy Glover.