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**GovWorks**<sup>®</sup>  
FEDERAL ACQUISITION CENTER  
Government Working With Government



# Executive Overview

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The National Business Center recently merged GovWorks into its existing Acquisition Services Group to form the Acquisition Services Directorate. Govworks has been operating as a Franchise Fund since 1996. This concept of operations was developed by the Office of Management and Budget to allow Federal Agencies to offer common administrative and financial management services to other agencies using twelve business-like principles to guide operations.

As a Franchise Fund, GovWorks has a highly successful track record in delivering competitive services to Federal Agencies and improving internal efficiencies. This has allowed GovWorks to operate more competitively and to retain a larger percentage of reserves for capital improvements and investments in infrastructure or new enterprise solutions.

In 2006, GovWorks invested over \$1 million in workforce education and training while supporting the DOI – wide Enterprise Resource Planning (ERP) Software initiative – Financial and Business Management System (FBMS). This involved establishing a special project team, which ultimately invested more than 5,000 hours towards this important effort, serving as the primary resource for service-for-fee functionality and design.

GovWorks began a transition from the Interior Department’s Minerals Management Service (MMS), integrating into the NBC in October 2005 as the Acquisition Services Directorate. NBC is engaged in eight different service lines and is hailed for its excellence throughout the Federal marketplace. We established this partnership to bring improved efficiencies to both organizations by creating a single acquisition center focused on operational excellence. The merging of operations allows GovWorks, now the Acquisition Services Directorate to enhance our ability to provide world-class acquisition and business management services and systems. The end result is a stronger Federal resource with expanded capabilities, increased market coverage for better account management, and a broader product offering.

Lastly, GovWorks met continued success in 2006 with the use of GovPay, our state-of-the-art e-invoicing system. This intuitive Web-based service was responsible for processing approximately 22,000 invoices in 2006 and 99% of our customers’ invoices were paid on time, interest free.

## **Our Focus**

- Foster competition; customers have a choice of service providers
- Comply with laws and regulations
- Promote efficiencies in the delivery of administrative products and services
- Improve financial management practices
- Implement business-like principles utilizing government and private industry best practices
- Increase customer satisfaction
- Account for full cost recovery and achieve self-sufficiency

## **Our Principles**

- We know our customers
- We exceed our customers' expectations by going the extra mile for the customer and for each other
- We provide timely services and effective solutions complying with statute
- We challenge ineffective procedures and embrace innovation
- We have integrity, taking responsibility for and being accountable for our actions
- We live up to our commitments – we do what we say we're going to do
- We are courteous, ethical, and loyal
- We hire and train highly skilled and professional employees who are motivated and work together to achieve superior results
- We value lifetime learning
- We value team spirit, showing each other respect, taking time to understand other viewpoints, and recognizing one another's accomplishments
- We balance work time and family life
- We have fun working together

## **Our Culture**

Everyone working at the Acquisition Services Directorate has customers, both internal and external. The ASD primary goal is to provide unsurpassed levels of customer service to all of our customers, while providing compliance – based Federal acquisition support. We work closely with our clients in a collaborative manner throughout the acquisition process. From the beginning, we listen and seek to fully understand the client's needs, then offer alternatives and work with the client to select and execute the best approach. The ASD has become successful by consistently reviewing our performance, learning from our experiences, and seeking ways to continuously improve.

# A P R O V E N B U S I N E S S M O D E L W I T H S O L I D F I N A N C I A L S T A B I L I T Y

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## **Strong Balance Sheet**

GovWorks has maintained a solid balance sheet since inception in the mid '90s. Unlike traditional Federal entities, cash flow for a business entity is extremely important. As a result, we must constantly monitor our cash balance and our receivable cycle – resulting in excellent accounts receivable turnover ratios, billing and collecting funds from customers in record time. By ensuring that we have a strong balance sheet and adequate cash flow, the Directorate has been able to successfully meet payment obligation to vendors. We are proud of the fact that we maintained a prompt payment rate of 99% this past year.

## **Operating Reserve**

As a Franchise Fund, GovWorks does not receive an annual appropriation from Congress. Therefore, we are responsible for covering all of our costs through reimbursements for the services that we provide. The business has sustained a controlled expansion which has enabled us to develop a stable operating reserve. The operating reserve is critical to our health, enabling us to (1) weather downturns in business brought about by unforeseen circumstances; (2) pay for needed system and process enhancements; and, (3) maintain adequate cash flow.

## **Responsible Growth**

By entering into a partnership with the NBC in 2005, the new Acquisition Services Directorate expects to extend resources and capacity for providing new and existing customers with enhanced service levels and broader procurement expertise – including Federal Assistance and Indirect Costs Negotiations. These efforts will allow us to build and expand the customer base, increase services, and improve upon efficiencies that are essential for future growth. To accomplish this, GovWorks began the strategic development and implementation of a single line of business, consolidating the existing NBC acquisition offices and GovWorks unit into the Acquisition Services Directorate. This consolidation effort defined five major initiatives, encompassing key areas identified by NBC management. The five Strategic Roadmap initiatives are included in the NBC Strategic Plan:

1. Increase Delivery of Service Offering
2. Federal Assistance Initiative
3. Acquire and Retain Initiative
4. MIS Integration
5. Acquisition Line of Business (ALOB) Integration

Full integration, when achieved, will produce five acquisition offices (Herndon, Washington DC, Southwest, Denver, and Boise) implementing uniform contracting policies and procedures, establishing consistent customer/vendor policies, and following industry and government best practices. In addition, the Sacramento office for Indirect Cost Negotiations will be organizationally aligned with the new Directorate, creating a sixth location.

### **Increasing Our Reach**

<b>Locations</b>	<b>Customer Purchases</b>	<b>FY06</b>
Herndon	IT Services, Consulting Services, IT Systems & Software, Non-IT Services, Office Furniture	\$1.4 Billion
Southwest	R&D, Engineering Services, IT Services, Consulting Services, Real Estate Appraisers	\$721.4 Million
Washington	Consulting Services, Custom Programming, IT Services, Printing Machinery & Equipment	\$70.7 Million
Denver	Real Estate Appraisers, Computers & Software, IT Systems, Computer Programming, Computer Hardware	\$35.5 Million
Boise	Nonscheduled Passenger & Cargo Air Transportation, Other Airport Operations, Commercial Transportation, Equipment Leasing	\$35.4 Million
Sacramento	Indirect Cost Negotiations	

## Answering to the Customer

The Acquisition Services Directorate does not answer to shareholders who demand a specific return on investment. We answer to our Federal customers, who demand quality administrative solutions at a fair and reasonable price. The Directorate met customer expectations with great success in 2006. This is evidenced by our high customer satisfaction approval rating of 87%, and a strong customer retention rate of 75% of our original/returning clients.

## Contracts Awarded

	FY06 *		FY05	
	Actions	Dollars	Actions	Dollars
Fourth Week of Sep.	54	\$15,632,311.55	85	\$28,489,577.19
Sep. MTD Total	968	\$203,192,360.41	1,158	\$127,289,110.16
YTD Total	9,105	\$1,384,271,377.03	11,623	\$1,387,349,251.90

\* FY06 Projected – BiS Data 9/27/06

## Performance Results

In FY06, the Acquisition Services Directorate grew to a staff of approximately 210 employees, with revenues exceeding \$1.38 billion. The Department of Defense (DoD) and the military service branches accounted for 61% of this total, while civilian agencies represented 49%. Overall dollars awarded were flat compared to the prior year, while contract actions decreased by 21.6%.

In FY05, DoD (including the military service branches) accounted for an increase of \$94.8 million over FY04. FY05 continued the trend from FY04 whereby the majority of Clients were from the Department of Defense – 68% compared with 56% of GovWorks business in FY04. DoD's acquisition requirements were split nearly evenly between products purchases (53%) and services based contracting (47%).

The Directorate monitors costs per contract dollar awarded as a key indicator of the organization's efficiency and performance measured against a common government wide benchmark. In FY03, the Directorate substantially increased contract dollars awarded without a corresponding increase in operating costs. This resulted in a decrease in cost per contract dollar awarded. While the FY03 level of effort could

be maintained without increasing costs in the short term, to sustain the effort over the long term we were required to increase our labor force to maintain quality. The increase in labor costs and the associated overhead created a cost per contract dollar awarded of \$0.02 in FY04 and FY05, and \$0.03 in FY06.

- Cost per dollar awarded increases for 2006 are a result of increased staffing requirements needed to meet increased work demands and product quality:

**COST PER DOLLAR (\$) AWARDED**

	FY03	FY04	FY05	FY06
				(Estimate)*
Total Awards	1357	1349	1357	1162
Total Expenses	\$16	\$23	\$26	\$43
Cost per \$ Awarded	\$0.01	\$0.02	\$0.02	\$0.03

\*Estimate is based on annualized calculations using BIS data 9/27/06.

- Contracts Awarded measures productive output – client spend rates
- Funds Received measures base business expansion – client funding obligations

	FY02	FY03	FY04	FY05	FY06
Contracts Awarded	\$.480B	\$1.884B	\$1.539B	\$1.421B	\$1.379B
Funds Received	\$.824B	\$1.730B	\$1.615B	\$1.366B	\$1.209B

**Strategic Summary**

Federal managers have countless demands placed on them every day. They contend with limited resources, time constraints, their internal and external customers’ expectations, and numerous congressional mandates. GovWorks/Acquisition Services Directorate makes Federal managers’ lives easier by partnering with them to deliver effective acquisition solutions. Our value lies in our ability to manage the complexities of the entire

acquisition process. The Directorate employs well-trained staff that assists clients with acquisition planning and execution throughout the entire contract lifecycle. Using government and private-industry best practices, we also help client agencies to comply with socioeconomic contract goals, competition goals, performance-based contracting goals, and strategic sourcing.

The Directorate strives to offer better acquisition services than our customers could obtain either internally or from other outside sources. Because our customers come to us by choice and are free to leave at any time if they're not satisfied, we've built a business model that's based on open market competition and better service. We believe the marketplace rewards service providers who combine rigorous commitment to compliance with superior customer service.

Success creates an important benefit for government. Acquisition services that are freely competed and managed by highly trained compliance specialists are more cost effective. In the end, the Federal government benefits from being able to meet important program objectives while keeping costs at a minimum.

### **The Business Model**

There is little doubt many Federal managers believe the procurement process is difficult and that it will always be that way. It is tolerated, but never appreciated. To change the perception, we began offering acquisition services to Federal Agencies on a service-for-fee basis. We offered more efficient acquisition services than our customers could obtain from their agency acquisition office or other sources. Customers are free to leave if not satisfied with service and price. The change was a significant departure from the past. We were willing to operate in a business-like manner. If we failed to meet the customer's expectations, we ran the risk of losing our "license" to continue operating as a Franchise Fund.

We built our business model on competition and better service, and believed the marketplace would reward "best-value" acquisition service providers with more business and would be willing to pay for good service. Competitors that couldn't meet the customer's expectations would lose business and, in the end, cease to operate. The significance for government as a whole is enormous. If acquisition services are freely competed and cost-effective, government can continue to meet its obligations to citizens without increasing administrative overhead. In the end, the Federal government would spend a greater share of the tax dollars to support citizens and a smaller share to support government operating expenses.

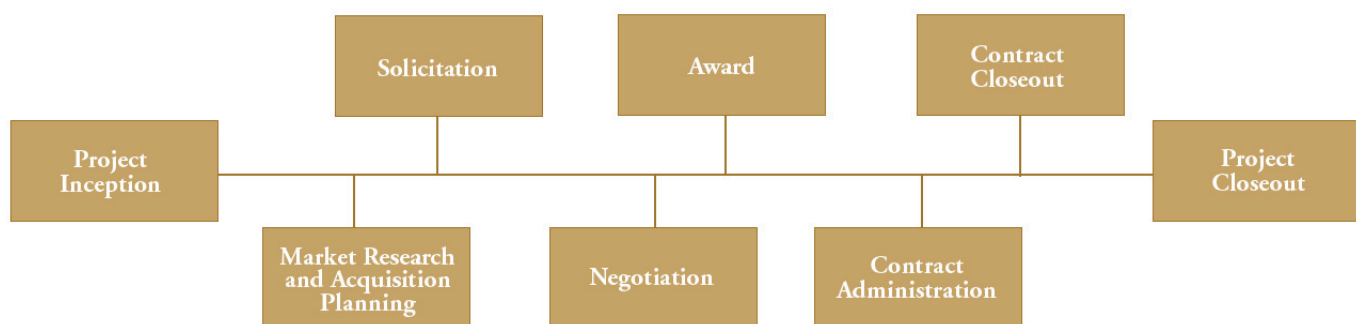


## Removing the Barriers

To be successful, this business model had to make the acquisition process more customer-centric. Federal managers are required to deal with many demands every day. They must contend with limited resources, time constraints, the Agency's internal and external customer's expectations, and congressional oversight. In the past they may have found the procurement process difficult to understand and time consuming. They may have viewed the procurement office not as an ally, but as an obstacle to achieving mission related goals and objectives.

Our solution was to remove the barriers Federal managers typically encountered when seeking acquisition services. We chose to make their work easier by actively participating in the acquisition process. Federal managers as clients, expect products and services that meet their expectations for courteous service, compliance based acquisition products, and prompt payment of contractor invoices. The Federal manager should expect no less from us. We work with them to ensure there is seamless delivery of acquisition services. We listen to their expectations and we meet them. Oftentimes, we exceed their expectations and when we do, they return with more business.

Our Contracting Officers have unlimited authority to award contracts. They use a combination of new and existing contract vehicles to support their clients in a timely manner. Each Contracting Officer is responsible for meeting his or her clients' expectations and delivering the very best acquisition services. We will support any Federal agency through a long-term partnership or on a single transaction basis. We have a proven method for acquiring services and products for Federal Agencies that complies with laws and regulations, yet delivers efficient solutions.



## A Value Proposition

The Directorate clearly represents a benefit to its customers. But it also represents a benefit to its customer's agencies and to the Federal government as a whole. This "hierarchy of benefit" that the Acquisition Services Directorate presents to its customers, their agencies, and to the Federal community at large is expressed in GovWorks' integrated message. A way of grasping this hierarchy is as follows:

- Serving customers, solving problems: By virtue of its level of expertise in Federal acquisition, the quality of its staff and common best practices, and with its entrepreneurial business and service acumen, GovWorks is an excellent choice for procurement solutions.
- Creating value throughout the acquisition life cycle: The Acquisition Services Directorate procurement experts are mission-focused, viewing procurement needs within the larger scope of the Agency's mission. We are committed to finding the optimal solution that best accomplishes the Agency's mission.
- Increasing the effectiveness and efficiency of Federal government: The Acquisition Services Directorate combines effectiveness and efficiency through its entrepreneurial business practices and dedication to its mission. Effectiveness by helping Federal Agencies accomplish their missions while complying with the FAR – efficiency by lowering the administrative cost of acquisition for government overall.

## Small Business Advocate

The Acquisition Services Directorate actively encourages small business participation. We function as an advocate of small business and help Federal Agencies achieve their socio-economic goals by returning small business award credits to the originating agency.

FY06		
Business Type	Goal	Achieved
Small Business	45%	46.37%
8(a)	10%	11.41%
Small Disadvantaged	15%	11.65%
Woman-Owned	6%	6.21%
Service-Disabled Veteran Owned	3%	1.25%



## GovPay – e-Invoicing System

GovPay is a web-based application that replaced the manual, paper-based processes vendors were using to submit invoices to our Contracting Officers (COs), and Contracting Officer Technical Representatives (COTRs). Following approvals, the invoice is automatically sent to finance for payment. The entire workflow process can be viewed by users 27/7 on the internet.

The GovPay system not only provides efficient invoice processing today, but also creates a strong foundation for accommodating the increased workload of the future. The following table highlights some of GovPay’s other benefits:

GovPay Achievement	
Results	GovPay currently supports over 850 major Federal Civilian Agency and Department of Defense clients and more than 1,100 vendors
Impact	<ul style="list-style-type: none"> <li>• Enabled 10 staff personnel to move from invoice processing to other tasks</li> <li>• Interest payment for late invoices was reduced from as much as \$15,000 per month to \$0 per month</li> <li>• Cost Savings: \$340,000 during the first two full quarters of deployment with an estimated cost savings of \$2M over the next 3 years</li> <li>• Return On Investment: GovWorks recovered the development costs of the GovPay system within the first year of deployment</li> </ul>
Deployment	Within the first year of deployment, 93% of all vendor invoices submitted were via GovPay. Since its deployment in fiscal year 2005, more than 10,000 invoices have been processed through the GovPay system
Integration	This success, coupled with the robust functionality of GovPay and its flexibility, will allow for an integrated systems approach with other systems such as the FBMS
Transferability	Potential for GovPay to be used across all federal agencies and for other acquisition activities

The Acquisition Services Directorate saw quantifiable improvements after implementing the GovPay e-Invoicing solution to replace the manual handling of paper invoices:

- **Increased invoice throughput.** Once the system was implemented, GovWorks saw an initial increase in the number of invoices processed per day from 55 to 66. As users received more training and became familiar with the system, the throughput continued to increase.
- **Reduced costs associated with paper processing of invoices.** Not only did the reduction in paper volume result in savings, the reduction in postal charges was also significant. Using the e-Invoicing product, GovWorks was able to meet the goal of submitting an invoice for payment within 72 hours.
- **Realized a return on investment within two quarters after the initial deployment.** Successful deployment of the e-Invoicing product facilitated a recovery of costs in terms of reduced interest payments and overhead. Interest payment monthly percentages decreased steadily from nine percent at deployment and transition, to zero percent maintained to date. With the reduction in the number of paper invoices processed, the number of required staff has been reduced by 10 personnel.
- **Dramatically reduced the amount of interest paid due to delays in payment.** GovPay implementation helped to meet the Department of the Interior's objective to process 98 percent of all invoices in 30 days or less by migrating paper-based vendors to the electronic system. The successful implementation of the product fulfilled the requirements of the Prompt Payment Act that mandates payment within 30 days of receipt of proper invoices, or within 30 days of receipt of goods. GovPay includes a system of reporting which includes notifications to users, as well as a default notification to a resolution team, that expedites invoices which require immediate action. The result is an increase in responsiveness from required users.
- **Increased customer satisfaction.** The GovPay application is user-friendly and through its data-verification functionality, actually helps vendors submit a valid invoice. This allows vendors submitting invoices to realize savings on paper, printing and postage costs. In addition, vendors can check their invoice status quickly and easily online.

- **Reduced the number of phone inquiries regarding invoice status.** Invoice status checks are available online for vendors, eliminating the need for phone calls.

- **Ability to accept only an invoice that meets current and future Federal Government standards.**

The GovPay system was developed to accept and process invoices based on existing Federal Government standards however, should the standards change, the system is based on open architecture and is modular – making updates simple.

### **Technology Used**

GovPay coordinates a Federal workflow process, creates a central web-based data repository of invoice cases, and integrates with Legacy systems. The GovPay system supports 300 concurrent users and facilitates multiple uses of electronic invoice data.

The application seamlessly interfaces with two important software packages used to manage contract information. These are: (1) Advanced Budget/Accounting Control and Information System (ABACIS) and (2) Business Information System (BIS).

GovPay enables Finance Division (FD) users – the organization responsible for actually issuing payment on an invoice – to view e-Invoices. Because the GovPay application receives a nightly feed from the ABACIS system, payment information is available to GovPay users through the Monetary Activity Report, 24/7.

### **Impact**

The GovPay e-Invoicing solution enables the Federal Government to spend a greater share of tax dollars to support citizens and a smaller share to support governmental operating expenses.

GovPay has fundamentally improved the accounting and financial system capabilities to manage and track funds and has improved the performance of GovWorks' clients and staff in the following ways:

**Vendors can use GovPay to:**

- Submit invoices over the Internet
- Eliminate administrative burden due to paper-based processes
- Expedite invoice processing by eliminating the delays caused by incomplete data submission
- Check invoice status online, quickly and conveniently

Contracting Officer Technical Representatives (COTRs) can use GovPay to:

- Check invoice status online
- Make invoice action recommendations to the Contracting Officer (CO)

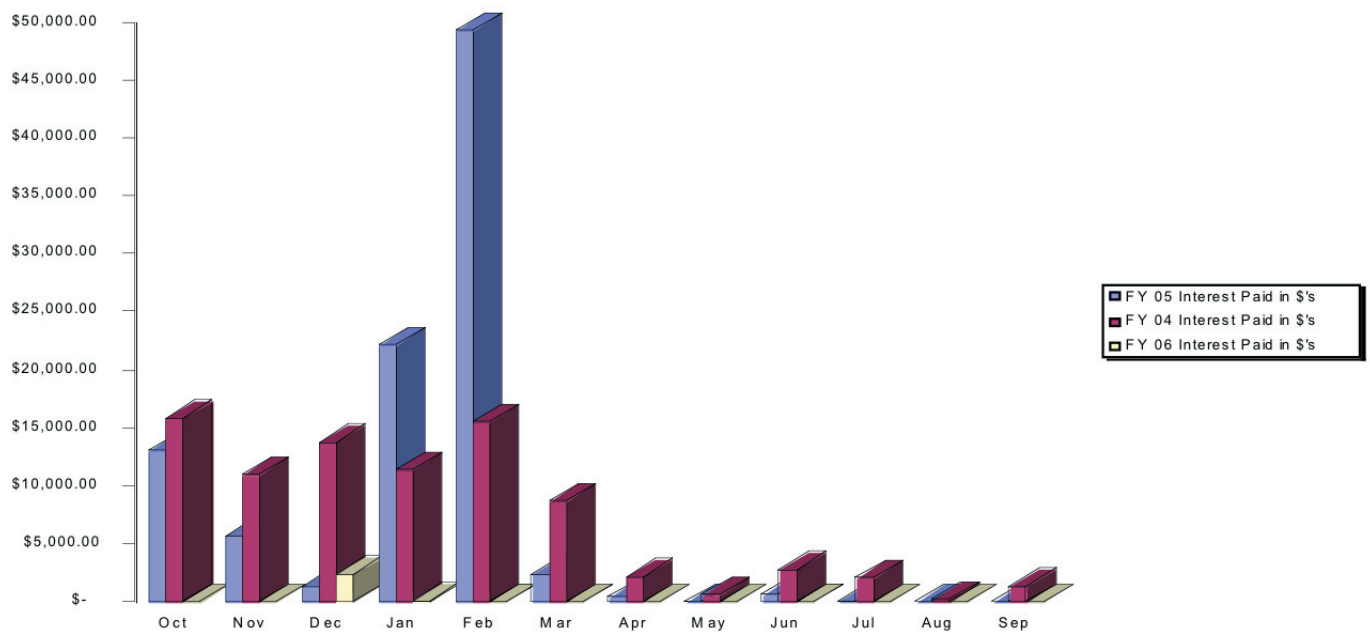
Contracting Officers can use GovPay to:

- Check invoice status online
- Make invoice actions based on COTR recommendations

GovPay ensures predictable cash flow by eliminating late payments:

- 100% collection in advance
- 99.99% invoices are paid without interest

**Interest Paid In Dollars**



## **Financial and Business Management System (FBMS)**

FBMS is an integral DOI-wide system which will standardize financial and business information across all departments. The Directorate has supported multiple aspects of the FBMS deployment with personnel and funding. As authorized by the Government Management Reform Act (GMRA), which allows the use of retained funds for the improvement and implementation of Department financial management, GovWorks transferred over \$20.5 million to departmental offices to meet the implementation costs of the Financial and Business Management System and the Enterprise Services Network.

## **Go Green – Buy Green**

Green procurement, which refers to the purchase and use of environmentally preferable products or services, is mandatory for Federal Agencies. The Acquisition Services Directorate is leading the way in helping agencies buy green through our award-winning acquisition support services. We constantly assess – and give priority to – a wide range of products and services that are environmentally preferable. These include:

- Recycled content products
- Biobased products
- Energy and water-efficient products
- Alternate fuel vehicles
- Products that use renewable energy
- Alternatives to hazardous or toxic chemicals

Whether a client is looking for an ENERGY STAR computer, or a product that has been reformulated to be less environmentally harmful, the Acquisition Services Directorate will find the best solution. Our seasoned contract specialists will guide them through all phases of the procurement, ensuring that they meet all green purchasing requirements and mandates.

## **A Year of Success**

On top of our many awards for innovation and excellence, the Directorate continues to receive recognition from the agencies for which we proudly provide services. Be it supporting hurricane disaster relief efforts or providing contract services in support of Army Knowledge Online, one of the largest online portals in the world, GovWorks achieved numerous successes in the past year. An example of our widespread impact is our Simplified Acquisition efforts to purchase items such as tactical gear for forward deployed special operations forces; drugs and pathogens for AIDS and cancer research; and, medical devices for DoD medical centers that treat wounded service members. Here's what some of our customers have to say about our outstanding team of professionals:

“The contract process for this program necessitated a specialist who could understand the program's objectives, possible barriers and the myriad of actions that had to be addressed. Your attention to this program's contract process went well beyond the call of duty and was key in ensuring the contract's ultimate success. Your contracting expertise in conjunction with your patience and flexibility has resulted in this important national program's ability to meet its objectives.”

— *Office on Disability, U.S. Department of Health and Human Services*

“The Administration for Children and Families has been tasked to be the principal Human Services lead for the Hurricane Katrina disaster recovery efforts. We had an urgent requirement to bring on a capable and talented individual to work state and local issues on site in Louisiana. Your hard work, professionalism and compassion made it happen. You didn't just do it; you did it in less than 24 hours. But you didn't just do it in less than 24 hours, you made it easy for us. The end result was breaking the typical Federal government myth that nothing is done timely. In fact, when I talked to an individual who has many years working with the Federal government, she simply said she had never seen the government work so fast. Thank you, but more importantly thank you from all of those affected by this terrible disaster that will be directly impacted by what you did.”

— *Administration for Children and Families, U.S. Department of Health and Human Services*



## **Examples of Negotiated Savings**

- 33% savings – Air Force Office of Special Investigation (saved \$1.5M)
- 15% savings – U.S. Navy Program Executive Office for Information Technology (saved \$10M)
- 40% discount – Washington Headquarters Services (WHS) (saved \$380K per year for five year contract)

## **Partial Client List**

- Department of the Interior
- Consumer Product Safety Commission
- Department of Agriculture
- Department of Homeland Security
- Department of Justice
- Department of Labor
- Department of State
- Department of the Treasury
- Department of Veterans Affairs
- District of Columbia
- Executive Office of the President
- Federal Aviation Administration
- Federal Communications Commission
- Federal Retirement Thrift Investment Board
- Federal Trade Commission
- General Services Administration
- Job Corps
- National Archives
- National Radio Astronomy Observatory
- Nuclear Regulatory Commission
- Office of Personnel Management
- Pension Benefit Guarantee Corporation
- TRICARE
- U.S. Air Force
- U.S. Army
- U.S. Marine Corps
- U.S. Navy

## Where We're Going

We look forward to the year ahead and building new partnerships and initiatives that will meet the needs of our internal and external stakeholders. Our focus will include:

- Creating Centers of Expertise for Strategic Sourcing
  - Spend analysis for strategic sourcing
  - Performance contracts tied to cost effective solutions
  - Financially based decision making
  - Greater involvement at the beginning of the acquisition life cycle
  
- Expanding services to agencies by adding:
  - Project management skills
  - Business based skills – Know the Market
  
- Continued commitment to Fair Competition and Customer Satisfaction
  - Customer satisfaction approval rating <87%
  - Customer retention <75% of original clients
  - Competition rate <72%
  - Federal Supply Schedule use <60%
  - Use of e-Buy for DoD FSS actions maintain 100%

## The Future

The Directorate is passionate about our mission to deliver professional acquisition-related solutions in partnership with our Federal clients. We believe Government must change to respond to the challenges it faces. When Federal managers still struggle to run billion-dollar programs without the resources and systems they need, we must rethink the underlying assumptions about how acquisition services are provided.

The Acquisition Services Directorate is eliminating the obstacles and eradicating the borders that prevent managers from drawing upon the best practices available. We're also continuously evolving to meet our customers' service expectations and to reduce the cost of government.

As we look towards the future, the Directorate remains committed to our tradition of providing innovative procurement services to achieve cost-effective, consistent acquisition support for Federal Agencies. We want to thank our many clients and employees, both old and new, for their continued support. The past year offered considerable growth opportunities as well as significant challenges. The Acquisition Services Directorate team has clearly proven that it can succeed at both.

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