

Good afternoon Chairman Coburn, Ranking Member Carper and other distinguished members of the committee. I am Emily Murphy, Chief Acquisition Officer of the General Services Administration (GSA). Thank you for inviting me here today to testify on GSA's procurement practices and how we at GSA are doing our best to ensure the taxpayer is getting the best deal possible in the procurement process.

GSA's mission is to help Federal agencies better serve the public by offering, at best value, superior workplaces, expert solutions, acquisition services, and management policies. As Administrator Perry said, "Excellence in acquisition is a top priority at GSA. There is nothing more important than providing acquisition services to our federal agency customers in a way that delivers best value to support the achievement of their missions of service to the American people, while adhering strictly to federal acquisition policies, regulations and best practices."

GSA's mission and achievements are very important to the efficiency and effectiveness of the Federal government, and that we make a difference in the process of delivering good government services, and to the well-being of people who live in this country. It is through the dedication, effort and expertise of GSA associates in every Region, every Service and every Office that we are continuing to make good progress in rising to the challenge of providing our customer agencies with the excellent acquisition services they need to achieve their missions of service to the American people at the best value to the taxpayer.

GSA is the premier acquisition agency of the Federal government. The Agency is directly involved with or supporting the process of entering into contracts on behalf of our customer agencies to assist them in acquiring the products and services they need relating to their workspace and workplace solutions.

President Bush's Management Agenda calls on GSA and all Federal agencies to improve their performance in providing services through the use of good management practices. In response to the President's call, GSA has established a rigorous performance management process. Through the use of this process we are becoming much more focused on understanding

our customer requirements. Based on those requirements, we are setting challenging, customer-focused goals and detailed action plans necessary to achieve these goals.

We are achieving good results and our customer satisfaction scores are rising. For example, we have made major improvements in managing our federal building assets. Agencies see the improvements in the quality of their workspaces and our tenant satisfaction scores have increased from 81% to 89% being highly satisfied. Additionally, we have cut the number of underutilized and non-performing assets in half and increased the percentage of financially performing assets from 36% to 50%. In so doing, we eliminated 2.2 million sq. ft. of vacant space and achieved a cost avoidance of \$207 million in capital reinvestment needs.

We are putting National Broker Contracts in place to leverage our capacity to handle lease procurements. Our long distance telecommunication contracts have saved the government 705 million dollars last year alone due to negotiated rates being below commercial pricing. Additional agencies are coming on board as they realize GSA's contracts provide the best value available.

Our schedule contract vehicles provide agencies with a streamlined approach to acquisitions. This adds value and as a result, their utilization has increased to a projected \$40 billion this fiscal year. At the same time that agency utilization is increasing, GSA efficiencies have resulted in a 25% reduction in the cost recovery fee for the GSA Multiple Awards Schedule Program -- from 1% to 0.75%.

Our vehicle acquisition and leasing program are good examples of how GSA provides best value. We acquire vehicles for 33% below commercial pricing and GSA lease rates for vehicles are 32% below commercial lease rates.

Mr. Chairman, I know the committee is interested in GSA's fee structure and while I am not an expert on the matter I will discuss this briefly.

Currently at GSA, FTS, FSS and PBS operate under revolving fund authority. As you are aware, this is different from most Federal agencies that operate with appropriated funding. GSA is authorized to operate revolving funds under specific statutory authority requiring the revolving funds to fully recover all costs for program and operations in their estimated fee rates. These costs

include direct costs, such as labor and materials, and indirect costs, such as rent and support services. These fee rates are charged to Federal agencies for space, services and commodities rendered. The fee structures in the various GSA revolving funds are constantly evaluated for adjustment.

Both the General Supply and the Information Technology revolving funds recover costs to GSA for the services and supplies they provide the customer through full cost recovery. For the IT fund, rates are established consistent with the Cost and Capital Requirements Plan (as approved by OMB). A capital reserve provides financing for capital investments and program costs that are one-time or non-recurring in nature, allowing for more stable rates for services. The General Supply Fund also sets appropriate rates based on projections with any additional earnings in excess of expenses and reserve requirements are returned to Treasury

The Federal Buildings Fund (FBF) is an intragovernmental revolving fund that finances PBS real property management and real property related activities. The FBF is financed in large part by income from rental charges assessed occupants of GSA-controlled space (the charges approximate commercial rates) as

well as some appropriated funds, typically in the case of new construction. The FBF is subject to annual enactment of new obligation authority by Congress and any balance of the revenue not authorized for use in a particular year remains in the Fund until authorized for use in future appropriation acts.

Frequently GSA's fees are compared to costs associated with other government-wide procurement vehicles. However, based upon GAO's July 2002 report on Contract Management Fees, it was determined that other agency's GWACs and franchise funds do not include all direct and indirect costs (i.e., NASA excludes costs for rent/utilities and NIH excludes costs for support services). Accordingly, this difference makes any comparison of GSA's fees to other agency's fees inequitable.

Of course, some of GSA's performance measures show the need for improvement. For example, while the percentage of construction projects completed on time and on budget is high, we still have some projects which are not on time or on budget. We are taking aggressive corrective action in these cases.

One of the big issues we have been addressing recently is the need to accomplish acquisitions in full compliance with the Federal Acquisition Regulation, GSA policies and best practices. When we found instances of non-compliance, we did the right thing by asking the GSA Inspector General to conduct a nationwide review. Again, we addressed the issue directly and took the necessary corrective action to “Get It Right.”

People out there really do rely on the quality of GSA services to make a difference in their organization, and in their ability to deliver excellent government services to the American people.

Excellence in acquisition is the top priority for GSA. Conducting acquisitions the right way is critical to everyone.

The "Get It Right" Plan demonstrates GSA's strong commitment to the proper use of GSA contracting vehicles and services in order to be in full compliance with Federal Acquisition Regulations (FAR) and best practices. The "Get It Right" Plan will improve the federal acquisition process, thereby allowing agencies to obtain best value when acquiring products and services needed to accomplish their missions.

The five major objectives of the “Get It Right” Plan are to:

- Secure the best value for federal agencies and American taxpayers through an efficient and effective acquisition process, while ensuring full and open competition, and instilling integrity and transparency in the use of GSA contracting vehicles.
- Make acquisition policies, regulations and procedures clear and explicit.
- Improve education/training of the federal acquisition workforce on the proper use of GSA contracting vehicles and services.
- Ensure compliance with federal acquisition policies, regulations and procedures. Non-compliance is unacceptable!
- Communicate with the acquisition community, including agencies, industry partners, Office of Management and Budget (OMB), Congress, and other stakeholders, regarding the use of GSA contracting vehicles and services.

We're making good progress on this initiative and strengthening our ability to get the best value for the taxpayer. We've traveled to our regions to meet personally with the contracting officers and talk about the Get It Right plan, making the Deputy Administrator or Chief of Staff and the Chief Acquisition Officer or Deputy Chief Acquisition Officer available to answer questions. We've updated policy guidance on doing business with other agencies, increasing the use of competition in the procurement process and raising our own goals for competitive contracting, including small businesses in acquisition strategies and the use of small businesses to achieve socio-economic goals, and we've clarified how to account for other direct costs when ordering from the schedule.

To ensure we're doing things right, we're working closely with our Inspector General's office in reviewing our procurements and developing and providing appropriate guidance for contracting officers out in the field. Additionally, my office has been traveling to each of the regions conducting Program Management Reviews, working with the region to review contracting actions and provide constructive suggestions on how we can be better.

Our workforce will be better prepared through our efforts to provide them with better training. We've begun a thorough

assessment of our acquisition workforce as to whether they have the skills needed to “Get It Right” and obtain the best value for the taxpayer as well as our customers. We’ve updated several of our course offerings, and are working with the Defense Acquisition University on joint training opportunities and a standard curriculum for all government contracting professionals. My office has instituted an “Ask Acquisition” website dedicated to answering questions from contracting officers in the field relating to their work.

President Bush has made improving government performance one of his top priorities. The "Get It Right" Plan is a major step toward achieving excellence in the Federal acquisition process.

The efficient and effective operation of the Federal acquisition process is critical to the performance of each agency of our Federal government and, therefore, critical to our nation. The "Get It Right" Plan calls upon every person who is a part of the Federal acquisition community to focus on proper use of GSA contracting vehicles and to improve the overall performance of the Federal acquisition process.

In February, GAO released a report on GSA's multiple award contracts (MAC) and the opportunities available to make sure GSA is getting the best value for its services. GAO's audit findings were very closely tied to the results of our own internal contract quality reviews. Our reviews found that documenting the contract files was a weakness that needed to be addressed. Immediately after the GSA commented on the draft of the GAO Report, GSA conducted a complete price verification of all 62 contracts identified in the report as lacking the "documentation needed to clearly establish that the best price objectives were negotiated." We found that, in 93 percent of the cases in question, GSA had negotiated and received excellent prices equal to or better than the offerors' Most Favored Customer (MFC) prices. Typically, the discounts over MFC pricing were significant and included an Free On Board (FOB) Destination delivery requirement, saving Government customers additional freight charges. Even in the four instances where clear quantification of discounts over MFC pricing was not feasible, price-related factors such as delivery terms and flat discounts were traded-off, strongly indicating that fair and reasonable prices were negotiated.

Also in the report GAO touched on the use of pre and post award audits on Multiple Award Schedule contracts. I think it is important to mention that an internal working group with GSA's Office of Inspector General has been put in place and is working to improve the audit process both in terms of numbers and coordination between the Agency and the Inspector General. While the number of audits has dropped over the past 10 years, there has been a steady increase in the number of audits over the last three years. We've gone from approximately 14 pre-award audits in FY2003, to 40 in FY 2004, to a goal of approximately 70 for this fiscal year and are working with the IG to continue this growth trend in FY 2006. The goal of this process is to reach a certain dollar level of audit coverage each year to determine whether GSA is obtaining reasonable pricing across its contracting vehicles.

As you are aware, Mr. Chairman, GSA is looking into the issue of post award audits of contracts to see how they can assist the Agency in continuing its efforts to obtain the best value, having issued an advanced notice of proposed rule in April to solicit comments from interested parties. The comment period has closed and we are reviewing all of the comments we have received thus far to decide the best course of action going

forward. It should be noted that we still have audit rights to determine contract compliance, just not the right post award to go back and audit pre award negotiation information submitted by the contractor. While we do not currently include post award audit rights in the contracts, we indicated we would increase the number of pre award audits which is finally now happening as mentioned earlier.

As a result of our reviews we have developed a new course aimed at improving documentation entitled, "Building on Acquisition Excellence Workshop." The course was developed in response to the findings expressed in two separate internal reviews of contracts award processes.

Those reviews were the Contract Quality Review and the Special Order/Stock Program Review. Each review indicated the need for more GSA/FSS internal associate training to encourage consistency in awarding contracts across all business lines.

This 2-day course is now available to all GSA/FSS contracting associates nationwide. The first class is scheduled for August 2-3, 2005 in the Washington D.C. metropolitan area. Sixteen

Continuous Learning Points (CLPs) can be earned and credited towards the 80 CLPs required every two years of the contracting (1102) series.

Finally, we have made the pre-negotiation panels GAO recommended in their February 2005 report mandatory and have already revised our program operating procedures to require reports on pre-negotiation clearance panels. The reports of these panels will then be used to assess progress in the effectiveness of negotiations and will be an opportunity to share best practices.

The acquisition officials at GSA and throughout government take seriously our roles and responsibilities in order to achieve excellence in the Federal acquisition process. We take seriously the trust placed in us by Federal agencies that rely on our acquisition expertise to obtain best value. We must fulfill our missions while complying with Federal acquisition policies and regulations that promote full and open competition. We must adhere to the high principles of ethics and integrity. We must take seriously our professionalism and our accountability to our customer agencies, OMB, Congress and, most importantly, to the American taxpayers. The "Get It Right" Plan is designed to assist the acquisition community in achieving these results.

Thank you very much for the opportunity to testify before you here today. I look forward to working with the committee as we continue in our efforts to get the best deal for the taxpayer. I will be happy to answer any questions you might have.