



Statement of  
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On Behalf of Professional Services Council and Contract Services Association  
On  
GSA's Proposed Integration of FTS and FSS  
At  
GSA Second Industry Day  
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## **Introduction**

Thank you for the holding this second public meeting to solicit further public input on the GSA Administrator's May 31 draft organizational design for the combined FTS and FSS organizations and for providing me an opportunity to present the views of the Professional Services Council (PSC) and the Contract Services Association (CSA). PSC is the leading national trade association representing professional and technical services firms providing services to the federal government. CSA is the nation's oldest and largest association of service contractors that provide a wide array of services to federal, state and local governments.

Both of our associations are also members of the One GSA Coalition, created in April 2005 and comprised of four leading organizations, to facilitate vendor communications with GSA by providing the agency with a simple, collective point of contact through which industry input can be provided on issues relating to the reorganization and restructuring of GSA and for offering GSA's key integration team members a means to discuss issues in greater detail with industry representatives. Our mission and outreach to GSA remains.

As you recall, the One GSA Coalition provided testimony at the April 21, 2005 public meeting; that presentation was supported and supplemented by the presentations from each of the four associations in the Coalition. Our message then was that GSA must first consider both the market shifts taking place in the federal government and the broader business processes in use before undertaking a major agency restructuring. We reaffirm that message today.

Through the three working groups our Coalition formed, covering the same topics as the three integration teams that GSA created to help plan the restructuring, we have identified a wide range of critical business issues we believe still need to be addressed in this

reorganization, but which are not covered in the proposed reorganization plan. As such, the Coalition looks forward to our continued engagement with GSA as this important process moves forward.

### **GSA's May 31 Draft Reorganization Plan**

We appreciate the Administrator's release of the May 31 draft organizational design and his acknowledgement that more needs to be done and that further opportunities exist for input. In our view, most issues relating to the FSS and FTS integration are not driven by organizational design and cannot be solved simply with organizational changes. Organizational design must follow an agreement on the strategic mission approach for the organization – but we have not heard that mission articulated and do not believe it has been validated with key stakeholders inside and outside government.

The Administrator's May 31 plan reaffirms that the new FAS will operate as a “cost recovery” organization, with accounting for cost and revenue for each business line, coupled with a capital planning process for strategic investments. This organizational design will demand a high degree of administrative and accounting processes and supervision, and internal and external checks and balances on the incentives that such a structure drives. We are confident that the agency is aware of the importance of these issues and is prepared to address them in the detailed implementation plans, but there is no indication that these key financial issues have been addressed.

But missing from the guiding principles the Administrator included in the draft plan was the element of compliance with the laws, rules and regulations that govern the agency, the programs and contracts, and the services the agency provides. It could be that such compliance is an understood foundation for all that GSA does and does not directly relate to the reorganization design. We believe the “Get It Right” program is an appropriate essential element of the current compliance initiative and should be added to the core guiding principles. In fact, adherence to this principle might impinge on accomplishing some of the other principles.

The May 31 plan proposes the creation of five sub-organizations within the new Federal Acquisition Service – three business portfolios and two support entities, plus integrated financial management and information technology functions. The plan also provides for five FAS field activities (and regional executives) but the roles of these field activities are not otherwise described in the plan. Finally, the draft plan notes the continued role of the eleven GSA regional administrators but these roles are not further described and the interrelationship between their larger GSA role, the FAS role, and the role of the FAS field activities needs to be more clearly discussed and defined.

In addition, we have critical unanswered questions about the role of the contracting officers under this plan. We clearly see the planned Acquisition Management organization within FAS and understand and support its charter to “ensure that there are clear, consistent and enforceable processes in place to award and administer contracts.” We understand and support the linkage between the Acquisition Management organization and GSA's chief acquisition officer. But nowhere in the draft plan is there a discussion of the placement of the agency's contracting officers; no discussion of their

role in ensuring that contracts are properly solicited, awarded and administered; no discussion of their responsibility for the acquisition solutions to be employed by each of the business portfolios; and only limited information on the intent behind the contract planning and management function to be included in each of the business portfolios, including the meaning of one of each portfolio's primary function: overseeing contracting for nationally-operated programs. These are critical functions to protect the government's interest and their primacy in the new organization cannot be left out or left to chance.

### **GSA's Three Integration Task Forces**

As I noted earlier, GSA created three integration task forces: Acquisition Management, Financial Services and Information Technology Management. Our One GSA Coalition created similar working groups; we also added fiscal law issues to the topics covered by our financial management task force.

Since we formed the One GSA Coalition, our task forces have met to discuss our key issues and concerns in each of these areas and to develop our preliminary recommendations for attention.

#### Acquisition Management

The May 31 draft organization plan charters the acquisition management division to support a Contract Review Board for standard practices and terms and conditions (and even have responsibility for creating "cross-portfolio" acquisition vehicles), but nowhere is there a check and balance on the business portfolio's authority to create acquisition vehicles or determine whether any of the existing or proposed acquisition vehicles are necessary and properly meeting their goals.

Furthermore, there are numerous existing GSA acquisition policy issues affecting either FTS or FSS that remain open and unresolved, but that will continue to adversely affect the success of any future FAS until satisfactorily addressed. These include payments for subcontractor performance, various matters relating to "other direct costs", the implementation of the industrial funding and other contractor fees, and whether changes are necessary or appropriate to the scope and the terms and conditions of existing and future acquisition vehicles in the existing and successor organizations.

#### Financial Services

The integration of the two services into the new FAS involves issues relating to user fees, contractor fees, cost recovery approaches and fiscal accountability for spending. We encourage the GSA Administrator to address spending limitations for the new FAS and to return any over-recovery ("surplus") funds held in the single Fund proposed by the President and supported by the House-passed legislation (HR 2066). There must be full consultation with all stakeholders about these important financial matters, not simply between the FAS Commissioner and the FAS controller and GSA's chief financial officer as the plan suggests. We are also reviewing the fiscal law issues associated with the planned integrated organization and the recommended single acquisition fund proposed by the agency and created by the House-passed legislation.

## Information Technology Management

Our One GSA Coalition focused on the critical need for a GSA customer needs assessment, for accountability/transparency in the business systems reporting and for performance measures and the essential job competencies of and training for employees, customers and vendors. We are addressing both the internal information technology issues as well as the customer access to information technology solutions.

### **Congressional Action**

As you know, PSC, CSA and others testified before oversight hearings of the House Government Reform Committee on March 16, 2005. Since that hearing, the House has passed HR 2066, the "GSA Modernization Act," that addresses critical issues such as the new FAS Fund that are not addressed directly in the May 31 organization plan but that are critical elements of the future of an FAS. Our One GSA Coalition's Financial Services Task Force has addressed some of these issues and is developing details around the fiscal law challenges ahead. Our associations are also working with the Congress on other details of HR 2066 and on other GSA-related matters.

### **Next Steps**

We will finalize our recommendations on the draft organizational plan and our recommendations on the three integration task force matters and share those with GSA leaders as quickly as possible since we recognize that the integration teams are under very tight deadlines.

We appreciate GSA's efforts to garner input from interested stakeholders and providing PSC and CSA an opportunity to participate in today's public meeting. We appreciate the opportunity for us to get together shortly and to continue the dialogue regarding key industry issues. On behalf of the Professional Services Council and the Contract Services Association, I would be pleased to provide any additional information or respond to any questions.