

Office of INSPECTOR GENERAL

Audit Report

*Review of Commission's Implementation
of Simplified Acquisition Procedures*

Report No. IG-02-98



March 1998



UNITED STATES INTERNATIONAL TRADE COMMISSION

WASHINGTON, D.C. 20436

March 19, 1998

TO: THE COMMISSION

I hereby submit *A Review of the Commission's Implementation of Simplified Acquisition Procedures*, Report No. IG-02-98. The Federal Acquisition Streamlining Act of 1994 (FASA), enacted on October 13, 1994, changed the laws that govern how agencies acquire almost \$200 billion of goods and services annually. FASA is an outgrowth of Vice President Gore's National Performance Review, the government-wide investigation that promoted efficiency and economy in contracting and recommended that agencies create an efficient procurement system, as well as streamline federal acquisitions.

Some of the major streamlining features of FASA are: the higher simplified acquisition threshold of \$100,000; the simplified negotiated steps to be used in obtaining goods and services; and the authority to make micro-purchases without obtaining competitive quotations, provided the purchase price is reasonable. FASA also made it easier for program officials to use purchase cards.

The Commission spends about \$4 million annually on procurement of goods and services, excluding space rental and travel. Approximately 1,200 procurement transactions are made via multiple methods, including purchase orders/ contracts, blanket purchase agreements (BPAs), purchase cards, delivery orders, and interagency agreements. The majority of transactions (84%), approximately 1,000 a year, are under \$2,500. Most of the small purchases, transactions in the \$2,500 to \$100,000 range, are for items costing less than \$25,000. Two or three transactions are contracts for purchases over \$100,000; these are usually multi-year contracts for functions such as building maintenance and mailroom operations.

This review was conducted in three phases: the use of purchase cards; micro-purchases; and small purchases. The objective of this review was to determine for each phase what changes the Commission has made to policies and procedures pursuant to FASA, and to identify ways in which the Commission could further streamline the procurement process.

The review was conducted by Dembo, Jones, Healy, Pennington & Ahalt, P.C. They found that Commission guidance does not reflect important streamlined policies and procedures related to revised acquisition thresholds and simplified acquisition procedures. Current procurement policies do not promote FASA streamlined processes or the use of the purchase card. Instead, the policies set

forth a multi-approval, paper-intensive process. The absence of a streamlined acquisition policy and outdated procurement procedures was found to form a significant deterrent to the implementation of certain best practices in the Commission's purchase card and micro-purchase processes.

With the exception of the libraries, one basic process was followed for all procurement transactions regardless of the dollar amount. The process tended to be overly focused on procedural steps and control points. When applied to the acquisition of goods and services between \$2,500 and \$100,000, the process was somewhat justifiable on the basis that more stringent controls are needed for procurements that average over \$20,000 (small purchases). The process was not justifiable for procurements that average less than \$450 (micro-purchases) or for any purchase card transactions.

FASA and the Federal Acquisition Regulations (FAR) establish basic changes in the way government finance and procurement staff have traditionally conducted their business. In December 1996, the Office of Administration circulated a preliminary draft document entitled "Procedures for Credit Cardholders." We commented that the draft procedures remained very similar to the Commission's regular procurement process, and recommended that they be radically revised in order to take full advantage of simplified acquisition authority. However, significant opposition to the simplified process was expressed and the procedures were neither revised nor finalized.

Absent the change in policy, the Commission has implemented best practices in its small purchase processes to a limited degree. For example:

The procurement staff used higher priority sources, i.e. Federal Supply Schedules, whenever possible;

The procurement staff commonly used methods established in the FAR as preferred for simplified acquisitions;

The purchase cardholders frequently used the cards for eligible items;

The Main Library utilized a streamlined process for purchase cards, including a simplified statement reconciliation process; and

The Law Library utilized bulk funding, as advocated by the FAR, for purchases of numerous items from the same type of funds during a given period.

The Commission needs to adopt a number of procedures now standard to procurement in the federal government. We believe the Director of Administration should formulate an agency acquisition policy that: reflects both the letter and intent behind recent acquisition streamlining legislation; encourages and empowers Commission employees to change from a posture heavily focused on process and control to one that emphasizes results; rewards creativity and ingenuity and accepts

a degree of risk as part and parcel of the cost of change; permits staff to apply professional judgement as well as the knowledge, skills, and abilities inherent to their positions; and replaces written paper-intensive approval points with decision points that can be verified by periodic verifications.

Specific recommendations to implement such a policy, improve internal controls, and provide additional training for Commission staff are presented on pages 31, 32, 48, and 68 of the report. We recommend that the Director of Administration:

1. Simplify the procurement process by using bulk funding, eliminating unnecessary forms and approvals, using Visa checks, increasing the use of purchase cards, and automating procedures (see recommendations 5, 6, 7, 9, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, and 22);
2. Improve internal controls by canceling unneeded purchase card authority, using built-in automated purchase card controls, performing periodic verifications of purchase card transactions, and strengthening records management procedures (see recommendations 2, 3, 4, 8, 10, 23, 24, and 25); and
3. Establish formal requirements for training cardholders prior to issuance of purchase cards and non-procurement staff on an ongoing basis (see recommendations 1 and 11).

An exit conference was held with the Director of Administration and procurement staff on October 31, 1997. Written comments were submitted by the Director of Administration on February 13, 1998. He agreed with the need for a new and significantly revised acquisition policy and implementation of simplified procedures. A summary of the Director's comments are presented after the recommendations at the end of each chapter of the report, and are presented in entirety as an appendix to the report.

The Director of Administration introduced his specific comments with a statement that the auditors orally expressed that the current procurement process was outstanding and that all of the recommendations were on how to improve the system rather than a statement that the system was inefficient or ineffective. In conducting this review, no instances came to our attention where the Commission was not complying with the FAR, which is a commendable achievement, or where the Commission was particularly inefficient or ineffective. Neither did we find that the system was efficient or effective. Implementation of the best practices of recent acquisition streamlining legislation, would result in significant increases in efficiency for all Commission staff involved in the procurement process. We will work with the Office of Administration to implement changes in the process.



Jane E. Altenhofen
Inspector General

United States International Trade Commission

MARCH 12, 1998

AUDIT REPORT ON:

**ASSESSMENT OF ITC PROCUREMENT
POLICIES, PROCEDURES, AND
PRACTICES TO DETERMINE THE EXTENT
TO WHICH BEST PRACTICES OF RECENT
ACQUISITION STREAMLINING
LEGISLATION HAVE BEEN INCORPORATED**

CONTENTS

		Page
SECTION I:	INTRODUCTION AND BACKGROUND	1
SECTION II:	OBJECTIVES, SCOPE, AND METHODOLOGY	6
SECTION III:	SUMMARY OF FINDINGS AND RECOMMENDATIONS	13
SECTION IV:	FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE	
Chapter One	PURCHASE CARDS RECOMMENDATIONS	16 31
Chapter Two	MICRO-PURCHASES RECOMMENDATIONS	34 48
Chapter Three	SMALL PURCHASES RECOMMENDATIONS	49 68
APPENDIX	OVERVIEW OF SELECTED AGENCIES' PURCHASE CARD PROGRAMS	70
EXHIBITS:		
1	Purchase Card Authority	
2	Purchase Card Usage	
3	ITC Purchase Card Acquisition Process	
4	Proposed Stages	
5	Cardholders' Monthly Usage	
6	ITC Micro-Purchase and Small Purchase Acquisition Process	
7	ITC Libraries' Micro-Purchase and Small Purchase Acquisition Process	

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION I: INTRODUCTION AND BACKGROUND**

SECTION I: INTRODUCTION AND BACKGROUND

INTRODUCTION

The United States International Trade Commission (also “USITC”, “ITC”, or the “Commission”) is an independent, bipartisan, quasi-judicial agency of the United States government created by an act of Congress. Upon request, USITC provides advice to both the President and Congress on tariff and trade matters and conducts investigations relating to the impact of imports on domestic industries. USITC's authorized staffing level for Fiscal Year (FY) 1997 is 502 permanent positions of which approximately 380 are funded. ITC's Congressional appropriations for FY 1996 and 1997, including carryovers and recessions were \$40.6 and \$40.8 million, respectively.

The Planning and Procurement Division (“PPD” or “Procurement”), Office of Management Services processes all procurement actions, except for General Services Administration (GSA) work orders, which are the responsibility of the Office of Management Services (OMS), Facilities Support Division. The total number of procurement actions processed by Procurement in the past two fiscal years has not varied significantly. Approximately \$4 million of procurements (not involving travel or rent) are processed annually. In the past 22 months (from October 1, 1995, to July 31, 1997), 2,062 procurement transactions (including modifications to existing procurement awards) were awarded for approximately \$7.3 million. Sixty-seven percent or approximately 1,400 of those transactions were procured with International Merchant Purchase Authorization Cards (“I.M.P.A.C.’s”, “Governmentwide Purchase Card”, or “Purchase Cards”). Although Purchase Card transactions are a large percentage of the volume of transactions, their use only accounted for approximately \$600,000 or 8% of the total procurement dollars awarded. Eighty-four percent or approximately 1,700 were Micro-Purchase transactions; i.e., procurements not exceeding \$2,500. These accounted for approximately \$840,000 or 11% of the total procurement dollars awarded.

Sixteen percent or approximately 325 were Small Purchase transactions (defined as those acquisitions which exceed the Micro-Purchase threshold of \$2,500 but which do not exceed the simplified acquisition threshold of \$100,000). These accounted for approximately \$5.3 million or 69% of the procurement dollars.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION I: INTRODUCTION AND BACKGROUND**

BACKGROUND

For the past 50 years the pendulum of U.S. government procurement has swung back and forth between two extremes: full and open competition at one extreme and sole source contracting at the other. During this time there have been essentially two streams of commerce: companies who refused to do business with the government or companies who were willing to do business with the government and bemoaned doing so because of the "red-tape" and burdensome rules and regulations governing federal procurement in general [Federal Acquisition Regulation FAR alone contains thousands of pages of text], and the government-peculiar rules (which often conflicted with standard commercial practices), in particular.

The **Competition in Contracting Act** (CICA) of 1984 reestablished a strong preference for full and open competition with the belief that renewed competition could save the government between 10 and 50 percent of its total acquisition budget. As a result, sealed bids, formal advertising, and competitive negotiation were put on an equal footing and sole source contracts had to be extensively justified.

With the benefits of competition came several unforeseen and serious problems; e.g., a large increase in the number of offerors that must be formally evaluated; long, protracted procurement cycles; and an overemphasis on cost rather than quality in awarding contracts that continues today. Just as the Grace Commission set the stage for contract reform that led to CICA, the Packard Commission Report, Defense Management Review, and the National Performance Review led by Vice President Gore have all emphasized the major acquisition reform which contributed to the enactment of legislation.

The **Federal Acquisition Streamlining Act** (FASA) of 1994 substantially changed the laws that govern how U.S. government agencies acquire nearly \$200 billion of goods and services annually. Unlike prior acquisition reform such as CICA and the Truth in Negotiations Act (TINA) which made major changes to specific processes and procedures within existing acquisition law, FASA marks the beginning of acquisition reform that contemplates nothing less than the restructuring of the procurement system.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION I: INTRODUCTION AND BACKGROUND**

The **Five Major Streamlining Features of FASA** include:

- A. Acquisition of Commercial Items. FASA creates a statutory preference for commercial items. Commercial acquisition procedures are designed to encourage greater commercial sector participation and to give the government maximum access to competitive commercial markets and innovative commercial technologies. To emphasize the commercial item preference, FASA:
- totally revises (FAR) Part 12. It now applies only to commercial items and takes precedence over any other FAR section for commercial item buys in excess of the Micro-Purchase threshold;
 - permits only firm fixed-price or fixed-price contracts with economic adjustments to be used in government purchases of commercial items and services;
 - eliminates those clauses which in the past have restricted government access to commercial markets; and
 - allows offerors to propose (and contracting officers to accept) their own terms and conditions.
- B. Micro-Purchases. FASA establishes a Micro-Purchase threshold of \$2,500 which:
- EXEMPTS purchases below this threshold from virtually all procurement laws, CICA, and synopsis requirements, including the formerly untouchable Small Business Act and Buy-American Act requirements; and
 - EMPOWERS government personnel to make these purchases efficiently using the Purchase Card or other streamlined procedures provided for in FAR Part 13; e.g., Blanket Purchase Agreements, purchase orders, and imprest funds.
- C. Simplified Acquisition Procedures. FASA streamlines statutory requirements for purchases at or below the simplified acquisition threshold of \$100,000.
- D. Electronic Commerce. FASA designates electronic commerce as the desired way of conducting business and mandates the creation of a federal acquisition computer network architecture (FACNET).

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION I: INTRODUCTION AND BACKGROUND**

- E. Non-Commercial Acquisition Reform. FASA made significant changes to government unique (non-commercial) purchases, including: TINA, task order/delivery contracts, protest laws, etc.

Finally, FASA's guiding principles provide a vision statement for the Federal Acquisition System, including an explicit statement empowering the government work force to exercise initiative in implementing any strategy, practice, policy, or procedure that is not prohibited by FAR or otherwise prohibited by law [FAR Part 1.102(d)] and to deliver on a timely basis the best value, product, or service to the customer, while maintaining the public's trust.

Lastly, **The Clinger-Cohen Act of 1996**, (formerly the Federal Acquisition Reform Act and the Information Technology Management Reform Act) clarifies FASA and establishes new rules to improve the efficiency of the process, as well as:

- increases the simplified acquisition threshold from \$100,000 to \$5,000,000 for commercial items;
- establishes the concept of "efficient competition" by limiting the competitive range to "the offerors rated most highly;"
- expands FASA's emphasis on contracting for commercial items and services by explicitly exempting these procurements from TINA and Cost Accounting Standards (CAS);
- expands FASA's empowerment of government employees by permitting employees to conduct purchases without competitive quotations; and
- eliminates the link between the threshold for use of simplified acquisition procedures and FACNET certification, as well as the 12-month, \$20,000 procurement limitation for employees who are not contracting officers.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION I: INTRODUCTION AND BACKGROUND**

ERA OF EMPOWERMENT - Not only are the laws which govern federal agencies' acquisitions changing at a rapid rate, the climate in which acquisition takes place has been dramatically affected as the following statements reflect:

- The Administrator of the Office of U.S. Federal Procurement Policy, Office of Management and Budget, summarized the government's streamlining goals when he stated that "our goal must be to move our acquisition system from an obsession with process to an obsession with results."
- The Deputy Under Secretary of Defense for Acquisition Reform stated that: "We can no longer afford to fight a bureaucratic and rule-driven system. We must be able to take advantage of the professionals we have in the acquisition work force and allow them to exercise their judgment in making sound business decisions on behalf of the U.S. government. Additionally, new ... challenges require us to design a more flexible, agile, and timely acquisition process, while declining budgets require us to become more efficient and effective as well as to reduce the costs of our products and services."

The consensus of government policy makers is that the era of defensive, rule-based, process-focused acquisition is over and that we are entering an era where government acquisition will be driven by efficiency and effectiveness, resulting from streamlined procedures and the empowerment of the government's workforce.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION II: OBJECTIVES, SCOPE, AND METHODOLOGY**

SECTION II: OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

Objectives For Chapter One: Purchase Cards

The primary objective of the review of ITC's procedures and practices governing the issuance, use, and reconciliation of Purchase Cards was to determine the extent to which the Commission has incorporated the acquisition streamlining mandates and best practices of FASA into its Purchase Card practices. Specific sub-objectives were to:

- A. determine the adequacy of the Commission's policies and procedures for issuing Purchase Cards with respect to staff selection authorizations, including single purchase and monthly spending limits; Cardholder training; Card issuance; and when employees are transferred within or leave the Commission, cancellation of authorization and Card retrieval;
- B. evaluate Commission policy and procedures governing the use of Purchase Cards to determine whether "best practices" for Purchase Card use are being utilized;
- C. evaluate the Commission's process for Purchase Card reconciliation to determine whether:
 - i) the Statement of Account reconciliation process contains adequate pre-payment approval controls (SOA) and
 - ii) there is an established Statement of Account review schedule that provides for timely reconciliation on monthly statements and that reviews are completed on time;
- D. determine if procedures and practices for disputing questioned Card purchases are in compliance with the terms and conditions of the Purchase Card contract with Rocky Mountain BankCard System (RMBCS).
- E. determine the number of late payments made to RMBCS and the related cost of these to the ITC;
- F. determine whether and under what circumstances the Commission can receive rebates, the number of rebates received, and the cost saving attributable to these;

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION II: OBJECTIVES, SCOPE, AND METHODOLOGY**

- G. evaluate Purchase Card use data and recommend improvements in Card distribution and use; and
- H. determine the extent to which Purchase Card use led to administrative savings or other benefits.

Objectives For Chapter Two: Micro-Purchases

The objective of this review of ITC's Micro-Purchase policies, procedures, and practices was to determine the extent to which the Commission has incorporated the acquisition streamlining mandates and best practices of FASA into its Micro-Purchase policies, procedures, and practices. Specific sub-objectives were to:

- A. determine whether current Commission policies, procedures, and practices take advantage of best practices for Micro-Purchases. Specifically:
 - i) determine the extent to which the best practices of ascertaining price reasonableness have replaced the practice of obtaining multiple quotations;
 - ii) determine the practice for requesting Micro-Purchases and evaluate the efficiency of the process; and
 - iii) determine the primary methods used to procure Micro-Purchases.
- B. select a sample of Micro-Purchases (excluding Purchase Card transactions) made from October 1, 1995 through July 31, 1997 to determine whether:
 - i) the procurement method chosen was the most appropriate one and
 - ii) for the procurement method chosen, the process was completed in the most efficient manner.
- C. identify ways in which the Commission could further streamline ITC's Micro-Purchasing process.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION II: OBJECTIVES, SCOPE, AND METHODOLOGY**

Objectives For Chapter Three: Small Purchases

The primary objective of this review of ITC's Small Purchase policies, procedures, and practices was to determine the extent to which the Commission has incorporated the acquisition streamlining mandates and best practices of FASA into its Small Purchase practices. Specific sub-objectives were to:

- A. determine whether current Commission policies, procedures, and practices take advantage of "best practices" for Small Purchases (those between \$2,500 and up to and including \$100,000); namely:
 - i) determine the extent to which the practices for obtaining competition are being utilized, including number of quotes required versus number obtained and minimum documentation requirements versus documentation actually prepared;
 - ii) determine the practice for requesting Small Purchases and evaluate the efficiency and effectiveness of the process; and
 - iii) determine the primary methods used to procure Small Purchases;
- B. select a sample of Small Purchases and determine whether:
 - i) the procurement method chosen was the most appropriate one and
 - ii) for the procurement method chosen, the process was completed in the most efficient manner;
- C. analyze schedule versus open market purchases. Determine if cost savings may be achieved through increased schedule buying;
- D. evaluate the Commission's plans for meeting the FASA requirements of becoming fully capable of using FACNET for at least 75% of eligible contract awards. Specifically:
 - i) evaluate the reasonableness of such plans and the Commission's goals for implementation of such plans and
 - ii) determine the extent, by fiscal year, to which FACNET has been utilized for eligible Small Purchase awards;

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION II: OBJECTIVES, SCOPE, AND METHODOLOGY**

- E. evaluate the efficiency and effectiveness of the invoice approval and payment process for both Micro-Purchases and Small Purchases; and
- F. identify ways in which the Commission could further streamline its procurement process for Small Purchases.

SCOPE

The assessment of ITC's policies, procedures, and practices related to Purchase Cards, Micro-Purchases, and Small Purchases was conducted at ITC headquarters in Washington, DC, between August 12 and October 22, 1997. Only transactions less than or equal to \$100,000 were subject to review. Transaction data for Purchase Cards, Micro-Purchases, and Small Purchases was reviewed for FYs 1996 and 1997 through July month end.

METHODOLOGY

Data was gathered for this review through interviews, sample tests of transactions, financial data, observations, review and analyses of procurement statistics, procedures, reports, relevant streamlining legislation and acquisition regulations as well as system documentation and training course manuals.

The major documents used in the review include:

- Federal Acquisition Streamlining Act of 1994, Public Law 103-355;
- Clinger-Cohen Act of 1996, Public Law 104-106;
- Office of Inspector General Report No. IG-01-94, "Review of Procurement Related Issues," dated February 7, 1994;
- Office of Inspector General Report No. IG-08-91, "Audit of Procurement Policies and Procedures within the USITC," dated September 13, 1991;
- GAO Report GAO/NSIAD-96-139, "Acquisition Reform: Regulatory Implementation of the Federal Acquisition Streamlining Act of 1994," dated June 1996;
- GAO Report GAO/NSIAD-96-138, "Acquisition Reform: Purchase Card Use Cuts Procurement Costs, Improves Efficiency," dated August 1996;
- USITC Directive 3603, dated 2/27/90, "Governmentwide Commercial Credit Card Service;"
- USITC Directive 3601.1, dated 9/18/92, "Contracting and Procurement Policies and Procedures;"
- USITC Administrative Notice ITC-N-3601A, Delegation of Procurement Authority, dated June 26, 1992;
- "I.M.P.A.C. Remote Access System Users Guide," dated August 1996, issued by RMBCS;

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION II: OBJECTIVES, SCOPE, AND METHODOLOGY**

- "Data Transmission Documentation," revised August 13, 1996, issued by the RMBCS I.M.P.A.C. Product Manager;
- U.S. GSA Federal Supply Service Contract Number GS-23F-94031 with RMBCS;
- Federal Acquisition Regulations in effect during our fieldwork and changes issued in February 1998; and
- Miscellaneous National Contract Management Association streamlined acquisition training manuals designed to document the Purchase Card issuance, utilization, and reconciliation process.

Interviews were conducted with:

- All staff with procurement authority in PPD, along with the Chief of PPD;
- All Purchase Cardholders, several Approving Officials, and the RMBCS Agency Program Coordinator;
- Director, Office of Finance and Budget, the Finance Division Chief, the Budget Division's Budget Analyst, and an Accounting Technician;
- Director of OMS, Chief of Facilities Support Division (FSD), FSD Management Analyst, FSD Facilities Management Analyst, and a Support Services Specialist;
- Director, Office of Administration; and
- Procurement staff in the United States Department of Transportation, United States Coast Guard, National Aeronautic and Space Administration, United States Federal Trade Commission, and the United States Department of Justice.

Flowcharts were developed to document the Commission's procurement process. Because all procurement activity within the ITC follows the same process (prescribed by USITC Directive 3601.1, Contracting Procurement Policies & Procedures, dated 9/18/92), consolidated flowcharts were prepared for the phases of this review where there were no variations in the process.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION II: OBJECTIVES, SCOPE, AND METHODOLOGY**

Sampling For Chapter One: Purchase Cards

Purchase Card transactions were sampled for FY 1996 and 1997 through July month-end by selecting purchase transactions from ITC Cardholder statements. The sample was selected by arranging the Cardholder statements in chronological order and by using a random number table for each defined population. The samples in respect to the populations were:

<u>6 POPULATIONS DEFINED:</u>		<u>Population Size</u>	<u>Selected 5% Sample Size</u>
1) Law Library Cardholders	FY 1997	112	6
2) Law Library Cardholders	FY 1996	95	5
3) Main Library Cardholders	FY 1997	403	20
4) Main Library Cardholders	FY 1996	324	None ¹
5) All Other Cardholders	FY 1997	260	13
6) All Other Cardholders	FY 1996	184	None ¹
	Total	<u>1,378</u>	<u>44</u>

Sampling For Chapter Two: Micro-Purchases

Micro-Purchase transactions were assessed for FYs 1996 and 1997 as follows:

	<u>Total Micro- Purchases</u>	<u>Micro- Purchases: non-Purchase Card Transactions</u>	<u>Sample Size</u>
FY 1997	891	181	18
FY 1996	<u>833</u>	<u>229</u>	<u>11</u>
Total	<u>1,724</u>	<u>410</u>	<u>29</u>

The sample sizes for FY 1996 and 1997 to date were selected from the population of remaining Micro-Purchases at 5% and 10% respectively. The sample size of 29 procurement transactions was selected from a Standard Automated Contracting System (SACONS) report using a random number table as the selection method.

¹ 1996 was not performed in lieu of concentrating efforts on examining recent; i.e., 1997 activity.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION II: OBJECTIVES, SCOPE, AND METHODOLOGY**

Sampling For Chapter Three: Small Purchases

A 10% sample of Small Purchase transactions were assessed for FY 1996 and 1997 through July 31, 1997. The sample size of 32 transactions was selected from a SACONS report using a random number table as the selection method. The sampling in respect to the populations was as follows:

	<u>Total Small Purchases</u>	<u>Sample Size</u>
FY 1997	161	16
FY 1996	<u>164</u>	<u>16</u>
Total	<u><u>325</u></u>	<u><u>32</u></u>

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION III: SUMMARY OF FINDINGS AND RECOMMENDATIONS**

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SUMMARY OF FINDINGS: Purchase Cards

Consistent with government-wide trends, ITC's Purchase Card use has increased from one Cardholder and ten transactions in FY 1990 to 12 Cardholders and an estimated 900 transactions in FY 1997. Administrative savings attributable to Purchase Card use in FY 1997 are nearly \$50,000¹. In addition, it appears that the use of Purchase Cards in conjunction with contract specialist's emphasis on FAR Part 8 have helped ITC to absorb the impact of staff reductions and manage its contracts workload with reduced staff. ITC's outdated Purchase Card Directive, Directive 3603: Governmentwide Commercial Credit Card Service dated 2/27/90, does not have policies promoting FASA streamline processes or promoting the use of the Purchase Card; the Directive operates under seven year old Purchase Card procedures. The Directive sets forth a multi-approval, paper-intensive process with little evidence of simplification or streamlining, which is followed by the Cardholders with two notable exceptions.

The exceptions which displayed some evidence of streamlining occurred in the Law Library and the Main Library. These libraries apply a number of "best practices" for using Purchase Cards, namely: one-time commitment of funds at the beginning of the fiscal year, empowerment of employees to function with fewer restrictions, emphasis on reasonable price over lowest price, and simplified statement reconciliation processes.

SUMMARY OF FINDINGS: Micro-Purchases

In FYs 1996 and 1997 (through July month end), ITC made a total of 1,724 Micro-Purchase transactions, totaling \$849,000. Of the 410 not made with the Governmentwide Purchase Card, approximately 291 (or 71%) were made with Purchase Orders and Delivery Orders; 88 (or 21%) were made with Blanket Purchase Agreements; 31 (or 8%) were made with Imprest Funds (in FY 1996 only), and Interagency Agreements. See Chart on page 40.

¹ This assumes a savings of \$54 per transaction over the cost of issuing a purchase order in accordance with a U.S. General Accounting Office government-wide estimate.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION III: SUMMARY OF FINDINGS AND RECOMMENDATIONS**

All Micro-Purchases made by any of these methods must adhere to ITC's formal contracting procedures documented in USITC Directive 3601.1 dated September 18, 1992, which pre-dates all recent acquisition streamlining legislation by at least two years. These written procedures do not reflect the revised acquisition thresholds, simplified acquisition procedures, or other key streamlining concepts such as the Commercial Item preference, bulk funding¹, and employee empowerment emphasized by FASA and other relevant acquisition reform legislation.

SUMMARY OF FINDINGS: Small Purchases

In FYs 1996 and 1997 (through July month end), ITC conducted a total of 325 Small Purchase transactions, totaling \$5,335,000. While this represents only 16% of total procurement actions during this period, Small Purchases account for over two-thirds (69%) of total acquisition dollars expended during this period. Of the 325 Small Purchase transactions completed by ITC in FY 1996 and 1997, 94 (29%) with Delivery Orders under (GSA) Federal Supply Schedules (FSS); 77 (24%) were made by Purchase Orders; 55 (17%) were made under Blanket Purchase Agreements; 35 (11%) were made by Inter-Agency Agreements; 30 (9%) were made by the libraries as Purchase or Delivery Orders; 23 (7%) were made by (I.M.P.A.C.s); and 11 (3%) were made by other means (contracts, tender agreements). (See chart on page 56.)

The Commission's Contracting and Procurement Policies and Procedures documented in USITC Directive 3601.1, dated September 18, 1992, are more than 5 years old. Because these predate FASA and other acquisition streamlining legislation, important streamlined acquisition policies and implementing procedures related to revised acquisition thresholds and simplified acquisition procedures are not included. However, it should be noted that in all cases where there is a discrepancy between an agency's procurement regulations and the FAR, the FAR takes precedence. Consequently, by following the FAR in those instances where ITC's Small Purchase procedures are not current, the Commission's contract specialists staff have effectively avoided the pitfalls that could result from application of outdated procedures.

SUMMARY OF RECOMMENDATIONS

The Commission needs to develop a comprehensive acquisition policy that:

- A. reflects both the letter as well as the intent behind recent acquisition streamlining legislation;

¹ FAR section 13.101 defines "bulk funding" as a system whereby a contracting officer receives authorization from a fiscal and accounting officer to obligate funds on purchase documents against a lump sum of funds reserved for the purpose for a specified period of time rather than obtaining individual obligational authority on each purchase document.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
SECTION III: SUMMARY OF FINDINGS AND RECOMMENDATIONS**

- B. encourages and empowers its work force to change its posture from one that is heavily focused on process and control to one that emphasizes results and empowerment;
- C. rewards creativity and ingenuity by utilizing the employee performance review process and to accept honest mistakes as part and parcel of the cost of change;
- D. permits ITC professional staff to creatively apply their professional judgment as well as the knowledge, skill, and abilities inherent to their positions;
- E. replaces written paper-intensive approval points with decision points that can be verified by periodic post audits;
- F. utilizes Purchase Cardholders' expertise in Micro-Purchase acquisition by decentralizing procurement of all Micro-Purchase procurements and empowering these non-Procurement professionals (Purchase Cardholders) to perform non-Purchase Card Micro-Purchases;
- G. emphasizes that every eligible purchase be made with Purchase Cards; and
- H. uses technology in a way that reinforces empowerment and process simplification.

Specific recommendations to achieve these goals are stated at the end of each chapter and numbered sequentially throughout this report. The resulting policy statement will provide the Commission a powerful tool for communicating its endorsement of recent changes in federal acquisition streamlining law to its work force. The vehicle for institutionalizing this policy is a management approach that consistently encourages the individual initiative needed to create an efficient and effective acquisition system.

Following the development of an appropriate streamlined acquisition policy statement, ITC should revisit the issue of electronic commerce and determine which of the procurements currently made by other methods could be accomplished via electronic commerce using Purchase Cards.

SUMMARY OF COMMISSION COMMENTS

The Director of Administration agreed with our recommendation to write an acquisition policy statement and update ITC Directives 3601.1 and 3603. He proposes to award a contract to write the policy statement by April 1, 1998. Upon completion of this policy statement he will update Directives 3601.1 and 3603. Expected completion date for these two projects is expected to be March 1, 1999.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**
SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE
Chapter One

**SECTION IV: FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS BY OBJECTIVE**

CHAPTER ONE: PURCHASE CARDS

The following are the findings, conclusions, and recommendations for strengthening ITC's use of the Governmentwide Purchase Card as organized by objectives listed on page 6.

OBJECTIVE A

Determine the adequacy of the Commission's policies and procedures for issuing Purchase Cards with respect to staff selection authorizations, including single purchase and monthly spending limits; Cardholder training; Card issuance; and when employees are transferred within or leave the Commission, cancellation of authorization and Card retrieval.

FINDINGS

Exhibit 1 - entitled "Purchase Card Authority", identifies all ITC employees currently authorized to use the Governmentwide Purchase Card, their Approving Officials, and their single purchase and monthly spending limits at both July 31, 1997 and at September 5, 1997. Exhibit 2 entitled "Purchase Card Usage" discloses those Cardholders with FY 1996 and FY 1997 (through July 31) statistics concerning their average dollar amount charged per month, average number of transactions per month, and average amount of purchase.

RMBCS requires that each agency establish its own internal operating procedures and that these conform to the terms and conditions of RMBCS' government-wide contract prior to that agency's participation in the Purchase Card program. ITC issued such procedures under USITC Directive 3603, dated 2/27/90, "Governmentwide Commercial Credit Card Service".

Purchase Card issuance has been identified as a four-step process which involves:

- A. Identify Cardholder and Designate an Approving Official. Cardholders are selected on an as-needed basis. Generally, those employees who previously had an ongoing need to frequently request modest purchases are the employees who have been issued a Purchase Card, based on the recommendation of the Chief of PPD. Approving Officials are appointed by the Director of OMS in an official written notification.
- B. Procurement Authority. Procurement authority is delegated to each Purchase Cardholder in the form of single-purchase and thirty-day purchase limits. At ITC

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

**SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE
Chapter One**

all procurement authority is formally delegated by the Chairman, through the Director, Office of Administration. During the period of our review, ITC officials changed the limits for several Cardholders. The revisions, made in response to information received at a government-wide conference, consisted of lowering non-procurement personnel single purchase limits to the Micro-Purchase threshold and raising limits for some procurement personnel.

- C. Training. ITC's Purchase Card Directive 3603 requires formal training OR on-the-job training for Cardholders. At the time of Purchase Card issuance, the RMBCS Agency Program Coordinator distributes to the Cardholder and to the Approving Official a packet of materials concerning Purchase Card use and procedure. Formal training is readily available from either the USDA Graduate School or Management Concepts, Inc. While all Cardholders and interviewed Approving Officials said that they had received formal training, three Cardholders indicated that their training was received well after Purchase Card issuance and usage. In addition, Cardholders have not been receiving on-going training concerning Micro-Purchase regulations.

- D. Card Issuance. Purchase Cards are issued by RMBCS upon completed, signed application by individual Cardholders.

ITC's Purchase Card Directive 3603 requires Cardholders who are either separating from USITC employment or being reassigned to duties which do not require use of the Purchase Card to surrender the Cards to their Approving Official. The Approving Official is required to destroy the Card and complete the Card destruction notice. ITC's personnel procedures require immediate supervisors (who are Approving Officials at ITC) to initial the employee's separation checklist indicating that all government property has been surrendered. According to ITC Office of Personnel, the Personnel's employee separation forms have not been modified to require a specific sign off for the return of employee's Purchase Card.

When an Approving Official separates from ITC employment or is discharged of Approving Official responsibilities, RMBCS will transfer Cardholders from that Approving Official to another Approving Official within the same authority level without reissuing a new Card. However, ITC's Purchase Card Directive 3603 does not stipulate the cancellation of an Approving Official's authority upon discharge of those responsibilities.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter One

CONCLUSIONS

ITC's written procedures for Purchase Card issuance do not vary significantly from its internal practices and are consistent with those contained in the RMBCS contract document "Governmentwide Commercial Credit Card Service". The recent revisions to the single purchase and monthly spending limits are appropriate and consistent with practices observed within other agencies. The impact of some Cardholders being trained after Card issuance does not appear to be significant due in part to the "technical assistance" provided by contract specialist staff.

The following items should be considered in any formal policy modifications:

- Training should be provided by in-house procurement professionals who have the knowledge and experience of performing Micro-Purchase transactions.
- Employee separation checklists should include certifications that an employee's Purchase Card has been surrendered and his or her authorization has been revoked.

OBJECTIVE B

Evaluate Commission policy and procedures governing the use of Purchase Cards to determine whether "best practices" for Purchase Card use are being utilized.

FINDINGS

ITC's Purchase Card acquisitions are governed by the terms and conditions of RMBCS contract with GSA dated February 16, 1994, and USITC Directive 3603, entitled "Governmentwide Commercial Credit Service," dated February 27, 1990. Purchase Card acquisitions are made in accordance with FAR and the Commission's Contracting and Procurement Procedures set forth in USITC Directive 3601.1 dated September 18, 1992, which governs all procurement activity within the Commission.

Exhibit 3 - "ITC Purchase Card Acquisition Process," contains a simple flowchart of the Commission's current process and practices for the acquisition of goods and services using the Governmentwide Purchase Card. This process is used by all ITC Cardholders, however, significant variations were noted in both the Law Library and the Main Library. Those Cardholders outside of the libraries account for approximately 32% of total Purchase Card transactions and 51% of total Purchase Card expenditures in FYs 1996 and 1997. ITC's Purchase Card acquisition process contains 10 identified steps or functions; each is briefly described below. Variations observed in each library's practices are noted.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

**SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE
Chapter One**

- A. Requisition Documentation. Either the "customer" (requisitioner other than the Cardholder) or the Cardholder prepares a formal procurement requisition (ITC internal Form 51, "Requisition for Supplies or Services") for needed goods and services. (The Main Library does not require use of a Form 51. It may be replaced by E-mail and renewal notices.)
- B. Approval and Commitment. The Requester obtains the required approvals. The Form 51 is required to be signed by authority of the Requester's Division Chief and/or Office Director. In addition, if neither the Division Chief or the Office Director are the Cost Center Manager (CCM), then the Requisition also needs to be approved by the CCM; i.e., the person responsible for certifying the funds from the cost center. (Since the Main Library is not necessarily using a Form 51, the Main Library eliminates the requirement of Requisition Form approval.)
- C. Procurement Review. Completed requisitions are screened by contract specialist staff for completeness and proper approvals prior to submitting the requisition to the Budget Division for ensuring funds are available for the commitment. (The Main Library and Law Library skip this step.)
- D. Commitment Funding Approval. The Budget Division reviews the requisition to:
- check for authorized signatures,
 - assign the accounting classification, and
 - verify that the funds are available for the commitment.
- (The Law Library skips this Budget Division review step.)
- E. Procurement Assignment. Requisitions for which funds have been committed are returned to PPD for review and assignment to one of the contract specialist staff. (This step does not apply to the Main or Law Library.)
- F. Procurement Processing System Award Form. Each Cardholder completes a Credit Card Authorization form on ITC's Procurement System, SACONS. The Cardholder enters descriptive data, quantity needed, vendor selected, and price; the form is then signed and given to an Approving Official for signature. In practice steps F and G are carried out simultaneously. (This step is treated separately for evaluation purpose in order to highlight potentially duplicative functions and approvals.)

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

**SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE
Chapter One**

- G. Obligation and Award. All Cardholders shop for supplies and services in accordance with ITC/FAR procurement regulations, obtain telephone quotes, and enter quotes on a "Record of Telephone Credit Card Order." The Cardholder assesses the quoted prices for the most reasonable one, selects the vendor using predominantly open market vendors and the GSA FSS vendors, and places their order.

ITC does not use the pre-designated RMBCS Activity Type Codes to assist in the control of Cardholders use of the Purchase Card. Therefore, the Cardholder is not currently subject to the RMBCS point of sale approval process which limits purchases based on these Activity Type Codes. The Cardholder is free to make a procurement of goods and services from any approved RMBCS merchants.

(The Main Library does not prepare the Record of Telephone Credit Card Order at the time of acquisition; some notations concerning the calls are made informally on other documentation supporting the acquisition.)

- H. Receipt. Supplies or services are received and examined to ensure they conform with specifications. Procurement requisition and/or Credit Card Authorization form is rated and controlled items are inventoried.

- I. Statement Reconciliation. Cardholders reconcile RMBCS statements by completing and attaching documentation considered necessary by the Approving Official; e.g., the ITC Requisition Form 51, the Credit Card Authorization Form, the Record of Telephone Credit Card Order, packing slips associated with receipt of goods, and any other documents maintained for the transaction. ITC Purchase Card Directive 3603 requires a vendor receipt (if purchased in person), a log of the phone call (if purchased via telephone), shipping documents, and "all supporting documentation" to be attached to the Cardholder Statement of Account. In addition, the Directive requires the Cardholder to document the accounting classification and a description of the transaction onto the SOA.

The Statement and attached documentation is reviewed by the Approving Official, and once the Official is satisfied as to propriety of the documentation and charges, the Cardholder Statement is signed as evidence of his or her approval. (The Main Library prepares the Record of Telephone Credit Card Order at the time of reconciliation using the informal notations made at the time of acquisition.)

- J. Payment to RMBCS. Reconciled statements along (in most cases) with attached documentation, is sent to the Office of Finance and Budget (OFB) for payment.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter One

These ten functions, as documented in Exhibit 3, provide the framework for assessing the extent to which ITC has incorporated the acquisition streamlining provisions mandated by FASA in the Commission's policies, procedures, and practices. It is important to note that though Purchase Card use predates recent federal government streamlining efforts by nearly 10 years, it was the passage of FASA in 1994 that has made it significantly easier for program officials to use their Purchase Card.

FINDINGS: KEY ELEMENTS OF ACQUISITION STREAMLINING LEGISLATION

Key elements of recent acquisition streamlining legislation which have facilitated the use of Governmentwide Purchase Cards include:

- the creation of a commercial item preference, which emphasizes the acquisition of commercial items utilizing commercial acquisition methods;
- the creation of a \$2,500 Micro-Purchase threshold which eliminates purchases under \$2,500 from nearly all existing procurement regulations;
- emphasis on the streamlining concepts of efficient and effective acquisition and the empowerment of the acquisition workforce to allow them to exercise judgment in making sound business decisions on the part of the U.S. government;
- emphasis on "reasonable-price" and "best-value"; emphasis on Purchase Cards as the preferred means for purchasing and paying for Micro-Purchases; and
- an endorsement of bulk funding when multiple purchases are to be made using the same type of fund.

FINDINGS: PURCHASE CARD BEST PRACTICES

From the above changes have emerged several "best practices" for the use of Purchase Cards which are now in use in Executive Agencies of the U.S. government and which together have streamlined the Purchase Card process. These include:

- A. Bulk Funding. Bulk funding commits funds for the fiscal year in advance, it eliminates the need to: complete multiple purchase requests, obtain approvals, and obtain funding commitments for each in a series of similar purchases. The preference for bulk funding is specifically noted in FAR Part 13.101(b)(4).

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

**SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE
Chapter One**

- B. Reasonable Price. In the Micro-Purchase environment the administrative cost of verifying price reasonableness and obtaining competitive quotes often offsets the potential savings of detecting instances of overpricing; therefore, individuals are permitted to make an award without these steps if they determine the price to be reasonable.

- C. Empowerment. Empowerment denotes encouraging employees to use their professional judgment. When used in conjunction with other best practices, empowerment becomes an important tool for creating efficiency and effectiveness in the acquisition process. For example, reasonable price empowers buyers to avoid the time-consuming process of obtaining competitive quotes when, from experience, they know the price is reasonable. (Specifically, Federal Acquisition Reform Act (FARA), Section 4311 empowers employees to make Micro-Purchases without competitive quotations.) Bulk funding decisions can lead to a more efficient process by eliminating repetitive approvals for commitment of funds. In addition, empowerment will eliminate unnecessary approvals and burdensome documentation requirements by eliminating or reducing control points within any process.

- D. Efficiency and Effectiveness. Efficiency and effectiveness involves an elimination of steps and increased time and cost savings with minimal sacrifice of quality. An example of accomplishing efficiency and effectiveness would be the diligent use of source priority regulations found in FAR Part 8 while permitting the exercise of professional judgment.

- E. Emphasized Card Use. Since the Purchase Card is the preferred means for buying and paying for Micro-Purchases [as noted in FAR Part 13.201(b)] a high percentage of Purchase Card buys to total Micro-Purchase transactions is indicative of a best practice.

These “best practices” are the target "evaluation criteria" used to determine the extent to which procedures and practices have been adapted to best practices for Purchase Card utilization.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter One

CONCLUSIONS

- A. Written Acquisition Streamlining Policies are needed. As indicated previously, USITC Directive 3601.1 contains the Commission's official "Contracting and Procurement Policies and Procedures." However, ITC has not yet developed a specific streamlined acquisition policy statement that prioritizes and endorses the streamlined acquisition policies within the Commission. Today, as government procurement continues to evolve from a focus on process to a focus on results, it becomes essential that each government agency have a clear statement of its acquisition policies. Behind recent streamlining legislation and its focus on efficient/effective, simplified acquisition was the important concept of empowerment. Simplified acquisition will not work if the acquisition work force is not empowered (encouraged to use their knowledge, skills, and abilities for efficient and effective change).
- B. Assessment of ITC's Written Procedures is needed to govern the use of Purchase Cards with the Commission.

Both USITC Directives governing Purchase Card use; i.e., USITC Directive 3603, dated 2/27/90, "Governmentwide Commercial Credit Card Service," and USITC Directive 3601.1, dated 9/18/92, "Contracting and Procurement, Policies and Procedures," are outdated. Both of these Directives pre-date FASA and other recent streamlining legislation, and therefore, do not contain the policies, procedures, and revised acquisition levels necessary to implement FASA. In the event conflicts occur between in-house policies and procedures and the government-wide RMBCS contract, internal practices at ITC comply with the RMBCS contract.

Also, as indicated by the Inspector General's (IG's) response comments, the ITC draft-stage document "Procedures for Credit Cardholders" does not incorporate the streamlining legislation. The IG's response comments, dated December 12, 1996, correctly pointed out that these revised procedures remain very similar to the Commission's regular procurement procedures, and recommended that these procedures be radically revised (streamlined) in order to take full advantage of simplified acquisition authority. The specific recommendations: to establish bulk funding for purposes of eliminating the need to obtain fund commitments and other approvals for each purchase; eliminating formal purchase request documents and ensuring that simplified competition requirements are consistent with established best practices of bulk funding, efficiency and effectiveness, and reasonable price promoted by FAR and identified in several other agency practices observed in the review.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter One

C. Assessment of ITC Purchase Card Practices is needed. With one noteworthy exception, the assessment of ITC's principal Purchase Card process revealed only limited utilization of the five best practices tested.

- i) Purchase Card Use. ITC's Purchase Card use has grown consistently from a total of 10 transactions in FY 1990 to nearly 900 in FY 1997. Card use from FY 1996 to FY 1997 has increased 50% from approximately 600 transactions in FY 1996 to 900 transactions (projected) in FY 1997. Fifty-six percent of total Micro-Purchase dollars in combined FY 1996 and 1997 were made with the Governmentwide Purchase Card.

This data provides a strong example of a "best practice" situation. According to FAR Part 13.201(b) the Purchase Card is the preferred means to acquire and pay for Micro-Purchases. The U.S. General Accounting Office (GAO), as well as many individual agencies, have determined that Purchase Card use produces tangible (but difficult to compute) savings by providing an efficient and low cost procurement mechanism that saves time and money.

- ii) Bulk Funding. FAR Part 13.101(b)(4) states that agencies shall use bulk funding to the maximum extent practicable to reduce processing time, handling and documentation and that bulk funding is particularly appropriate if numerous purchases using the same type of funds are to be made during a given period. Savings attributable to the best practice of bulk funding result from the elimination of redundant form preparation and approval steps associated with the need to obtain fund commitments for each individual procurement action. Bulk funding has been strongly resisted in the past by the Director of the Office of Finance and Budget on the basis that program offices have been unable to consistently maintain an accurate balance of funds available. However, if program offices were to maintain proper records concerning funds availability, be properly trained for their responsibilities concerning the bulk funds, and be held accountable for their bulk funds, the Director would be receptive to establishing bulk funding.

By incorporating the best practice of bulk funding consistent with the practice used by the Law Library, ITC could simplify step A in Exhibit 3 by eliminating the need for formal purchase request for each transaction and eliminate steps B through E as depicted in Exhibit 3 by performing the commitment of ITC as part of step A.

- iii) Empowerment. Other than Main Library's decision to not require signature approval of informal purchase requests, no examples of employee empowerment

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

**SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE
Chapter One**

were identified in either ITC's procedures or practices for Purchase Card use. To the contrary, this process relies heavily on checks and balances in the form of multiple approvals and review steps which tend to disempower employees and limit initiative. ITC's control focus appears to be the result of attempting to adapt formal agency contracting procedures to Micro-Purchases made with Purchase Cards. The concept of empowerment is key to government's implementation of a streamlined acquisition. FAR Part 13.003(i)(4) encourages contracting officers to take innovative approaches in the award of contracts using innovative procedures. The government's acquisition policy-makers have consistently emphasized the importance of empowerment.

A fully empowered acquisition work force within the ITC (without any other changes), in the context of Exhibit 3, could:

- eliminate the need for all or most supervisory approvals required after step A until Approving Officials approve the statements of account in step I;
 - eliminate step C; and
 - eliminate within step G the practice of obtaining quotes for the purpose of determining low price, when reasonable price is the best practice standard.
- iv) Reasonable Price. Interviews with ITC contract specialist staff revealed that Purchase Card transactions for Micro-Purchases were carried out in accordance with FAR Part 13.202(a)(2) which permits awards without the solicitation of competitive quotes when the buyer considers the price to be reasonable. Card users outside of the contract specialists reported that they routinely solicit quotations when conducting Purchase Card transactions, even when these are repetitive buys for the same or similar items. The FAR, however, establishes a presumption of reasonable price for Micro-Purchases unless the buyer has information to indicate that the price may not be reasonable.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

**SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE
Chapter One**

- v) Efficiency and Effectiveness. One of the stated purposes of FAR Part 13.002(c) (Simplified Acquisition Procedures) is to promote efficiency and economy in contracting through prescribed simplified procedures. FAR also encourages persons responsible for the acquisition of the government's goods and services to be resourceful by using methods and approaches that are not specifically prohibited by the FAR. This review of ITC acquisition practices (with the exception of the previously stated practice of obtaining the lowest price and not using available bulk funding methods) revealed that prescribed FAR acquisition procedures were consistently followed. However, in those areas where discretion is permitted; e.g., the number and level of approvals, review steps and control points, no notable examples of streamlining leading to increased efficiency or effectiveness were found.

Of the five baseline best practices utilized in the review of ITC Purchase Card acquisitions, only one, high percentage of Micro-Purchases made with the Purchase Card, was evident throughout the Commission's Purchase Card program; while four (bulk funding, efficiency, reasonable price, and empowerment) were evident on a less than Commission-wide basis; specifically,

- the best practice of bulk funding was limited to the Law Library.
- the best practice of Efficiency and Effectiveness through streamlining was limited to one element of the Main Library's process -- in Exhibit 3, the elimination of formal procurement requests in step A and supervisory approvals in step B;
- the best practice of using Reasonable Price to eliminate the administrative cost of obtaining quotations was not found to be consistently applied throughout the Commission and constitutes one of the significant areas for the Commission to improve upon; and
- The best practice of empowerment was evident in limited measure in the Main Library which eliminated the requirement for supervisory approvals of their informal purchase requisition.

A review of key Purchase Card practices in four other federal agencies (summarized in the Appendix) revealed the following with respect to best practices:

- consistently high use of the Purchase Card as a vehicle for purchasing and paying for Micro-Purchases;

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE
Chapter One

- all of the four agencies reviewed utilized bulk funding as a means of streamlining their Purchase Card acquisition process;
- streamlining and efficiency were most evident in simplified reconciliation processes that eliminated the requirement for support documentation to accompany Statement of Account approval; and
- empowerment was best reflected in one agency's process. Here Purchase Cardholders were encouraged to use their Purchase Card in a manner consistent with personal credit use. In fact, the only approval in the entire process was the approval official's signature on the Cardholder's Statement of Account.

Various procedures appear unnecessary and create considerable inefficiencies and paperwork. Certain forms, for example Form 51, are used to document upfront approvals of purchases by Cardholders. In addition, "Records of Telephone Credit Card Orders" are completed. These type of procedures should be eliminated in order to gain efficiencies in this process.

Also, Purchase Card transactions are entered into SACONS. This procedure should be examined for consideration of eliminating the requirements of doing so. Whether or not management determines it necessary to record Purchase Card transactions into such systems, requirements of the minimum data to be retained by the Cardholder and the data to be placed onto software systems (such as the data indicated on the SACONS Credit Card Authorization form) should be established. Such procedures should ensure a consistency of documentation standards are applied for each procurement, with the ability to examine such documentation to subsequently validate the propriety of the procurement transactions.

OBJECTIVE C

Evaluate the Commission's process for Purchase Card reconciliation to determine whether:

- A. the Statement of Account reconciliation process contains adequate pre-payment approval controls and
- B. There is an established Statement of Account review schedule that provides for timely reconciliation on monthly statements and that reviews are completed on time.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE
Chapter One

FINDINGS

- A. Pre-payment Controls. ITC follows the RMBCS requirement for supervisory approval of each statement sent to the Finance Division for payment. This is required and is an indication of an appropriate level of control. However, ITC's practice of Cardholders attaching detailed documentation (telephone logs, receipts, packing slips, invoices) to each month's Statement of Account is time consuming and contrary to the empowerment and efficiency and effective mandates of acquisition streamlining legislation. Procedures should require only that the approved Statement of Account be submitted to the Finance Division for payment.
- B. Statement of Account Review Schedule. ITC Purchase Card Directive 3603, along with current practices, has established a Statement of Account review schedule as follows:
- i) ITC Purchase Card statements are printed by RMBCS on the 22nd of each month;
 - ii) SOAs are received by ITC employees by the 29th. OFB simultaneously receives invoice without the SOAs which starts the 30-day clock for prompt payment compliance;
 - iii) employees have three days to reconcile and submit SOAs with required documentation to Approving Officials; and
 - iv) approving officials have four days to review, sign, and submit SOAs to the Finance Division.

However, submission of approved SOAs to the Finance Division are often close to the 30 day deadline for prompt payment, which forces Finance to become proactive in obtaining them in order to meet the prompt payment deadline. SOAs are not date stamped when received by Finance. Office of Finance and Budget should note the date that SOAs are received from approving officials.

OBJECTIVE D

Determine if procedures and practices for disputing questioned Card purchases are in compliance with the terms and conditions of the Purchase Card contract with RMBCS.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter One

FINDINGS

When a questionable purchase or transaction appears on a Cardholder's Statement of Account, RMBCS procedures call for a dispute form entitled "Statement of Questioned Item" to be completed by the Cardholder and mailed to RMBCS within 60 days of the statement date. A copy of the form is also to be sent to the Commission's Finance Division to ensure the amount of the disputed item is deducted from the payment to RMBCS.

Very few disputed transactions have occurred at ITC. As supported by testing of transactions, Cardholders have completed the required RMBCS form for disputed transactions. Per discussion with Cardholders, they are aware of the RMBCS requirement to contact the vendor directly to rectify the dispute.

Although a monthly report is received from RMBCS which lists the outstanding disputes, current policy does not require the Agency Program Coordinator (APC) to maintain past copies. From the 22 months reviewed, the APC had maintained 16 months of reports. From these, it was determined that there were at least a dozen disputed charges in fiscal year to date 1997, which have all been resolved. The APC indicated there has not been any disputed charges by the Commission as a result of intentional abuse of a Purchase Card. As of July 31, 1997, the Commission had one dispute (subsequently resolved) outstanding for an unidentified charge in the amount of \$1,408.

CONCLUSION

Disputed transactions at the Commission have been handled in accordance with the RMBCS agreement. Based on the immaterial number of disputed transactions occurring, the Commission does not have evidence of abuse or mishandling of the Purchase Card.

OBJECTIVES E and F

Determine the number of late payments made to RMBCS and the related cost of these to the ITC.

Determine whether and under what circumstances the Commission can receive rebates, the number of rebates received, and the cost saving attributable to these.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE
Chapter One

FINDINGS

Twenty-two consecutive months of RMBCS payments (FY 1996 and 1997 through August) indicated only three late payments with a total of \$13 in interest payments. At least two of the late payments were attributable to the government shutdown in early FY 1996. ITC has not received any rebates for payment of charges to RMBCS.

CONCLUSIONS

In theory, the Commission could receive rebates from RMBCS for receiving and paying invoices electronically and for averaging less than 54 days between the time a charge is posted and the date payment is received by RMBCS. However, the very low dollar level generated by ITC (due to its size, not to under-use of the Purchase Card) makes this impractical, if not impossible. To illustrate: ITC Purchase Card transactions for FY 1996 and 1997 to date total approximately \$560,000. If electronic billings were received on a daily basis and payments made electronically on a next day basis, total rebates to ITC based on over \$560,000 worth of purchases over nearly two years would total approximately \$3,600 or about \$165 per month.

Another scenario assumes that SOAs are received by mail, reconciled and approved in seven days and paid by electronic bank draft on the 15th day after RMBCS statement cut-off date. Again, using the formula contained in RMBCS contract, this would yield ITC total rebates of approximately \$725 or about \$33 per month.

OBJECTIVE G

Evaluate Purchase Card use data and recommend improvements in Card distribution and use.

FINDINGS

Cardholder use was examined for the period of October 1995 through July 1997. For each Cardholder during the period, the total monthly charges (in both dollars and number of purchase transactions) were scheduled for analysis. (See Exhibit 5, "Cardholders Monthly Usage".) The number of transactions done by the Planning and Procurement Division when compared to the entire Commission was approximately 10% for FY 1996 and under 20% for FY 1997 through July 31.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter One

CONCLUSION

Based on the percentage use of the Purchase Card by the contract specialists in PPD and the increased usage of the Purchase Card by other Commission holders, the distribution of Purchase Cards is appropriate and the selection of the Purchase Card as a procurement device is effective for the Commission.

OBJECTIVE H

Determine the extent to which Purchase Card use has led to administrative savings or other benefits.

FINDINGS

Administrative savings in FY 1997 attributable to Purchase Cards are nearly \$50,000 (900 transactions at \$54 each). In addition, Purchase Cards are in large part responsible for ITC's being able to absorb the impact of staff reductions to its contract specialist staff. The latter savings are difficult, if not impossible, to calculate but could be as high as the total cost of salaries and fringe benefits attributable to the 5-1/2 full time employee equivalent loss in the 1996 reduction in force.

CONCLUSION

By adhering to the best practice of making Purchase Cards the preferred method of acquiring and paying for goods and services at or below the Micro-Purchase threshold of \$2,500, the Commission has increased Purchase Card utilization levels. The majority of future savings attributable to Purchase Card use will not only come from increased Card use, but also from increased efficiency of the overall process in which the Card is used.

RECOMMENDATIONS

We recommend that the Director of Administration:

- 1) develop a formal training policy which requires both:
 - a) prospective Cardholders and Approving Officials to receive formal training prior to Card issuance, and

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

**SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE
Chapter One**

- b) non-procurement staff who use Purchase Cards to be trained on an on-going basis to ensure current understanding of Micro-Purchase regulations;
- 2) coordinate with the Office of Personnel to modify employee separation checklists to include termination of Purchase Card authority;
- 3) develop a policy to require, upon an Approving Official being discharged of his or her Approving Official responsibilities, the cancellation of the existing Approving Official's authority and the delegation of that authority to a new Approving Official, if applicable;
- 4) take advantage of the point-of-sale mechanisms that are already built into the RMBCS process; e.g., use pre-designated codes to limit purchases at point of sale;
- 5) provide bulk funding for Purchase Card commitments by establishing budget object classes for each Cardholder's needs;
- 6) eliminate forms which are used to document approvals for procurements within the authority of a Cardholder;
- 7) eliminate where possible and otherwise minimize requirements for recording data into the procurement system;
- 8) perform periodic validations of the performance of the Cardholder and of Purchase Card transactions;
- 9) eliminate all requirements for attaching supporting documentation to the Finance Division; and
- 10) instruct PPD staff to maintain Purchase Card reports consistent with requirements of the National Archives Records Retention Schedule.

See Exhibit 4, "Proposed Stages", depicting a recommended flow for Micro-Purchase transactions through the use of a Purchase Card.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter One

COMMISSION COMMENTS

The Director of Administration generally agreed with recommendations 1 through 3 and 7 through 9. He will incorporate the necessary language in their procedures manuals to implement these recommendations.

Recommendation 6 was generally agreed to with some reservations.

The response for Recommendation 6, eliminating forms which are used to document approvals, indicated that PPD will not eliminate paperwork deemed necessary. This response could be construed as agreeable if paperwork deemed necessary does not include paperwork documenting approvals for Purchase Cardholders performing Micro-Purchases. Otherwise, the paperwork deemed necessary would need to be examined to ensure it meets the current FAR requirement [FAR Part 1.102-4(b)] of “delegating the authority to make decisions to the lowest level within the System” (i.e., the Commission.)

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

CHAPTER TWO: MICRO-PURCHASES

Following are the findings, conclusions, and recommendations for strengthening ITC's policies, procedures, and practices for making Micro-Purchases that utilize methods other than the Governmentwide Purchase Card. Findings are presented as organized by objectives listed on page 7.

OBJECTIVE A

Determine whether current Commission policies, procedures, and practices take advantage of best practices for Micro-Purchases. Specifically:

- A. determine the extent to which the best practices of ascertaining price reasonableness have replaced the practice of obtaining multiple quotations;
- B. determine the practice for requesting Micro-Purchases and evaluate the efficiency of the process; and
- C. determine the primary methods used to procure Micro-Purchases.

FINDINGS

ITC's Micro-Purchase acquisitions are made in accordance with the USITC Directive 3601.1, the Commission's Contracting and Procurement Policies and Procedures, and the FAR. Exhibit 6, the "ITC Micro-Purchase and Small Purchase Acquisition Process," is a simple flowchart of the Commission's current practices for making Micro-Purchases utilizing Purchase Orders (POs), Blanket Purchase Agreements (BPAs) and similar methods other than Purchase Cards. A simple comparison of the process described in Exhibit 6 with the Purchase Card process outlined in Exhibit 3, the ITC Purchase Card Acquisition Process, reveals the same labor-intensive process, characterized by multiple approvals, usually reserved for higher value, formally competed procurements.

The process depicted in Exhibit 6 is used throughout the Commission except in the Main Library and the Law Library. The Libraries' variations of this process, displaying an adoption of limited but noteworthy acquisition streamlining measures, are documented in Exhibit 7, the "ITC Libraries' Micro-Purchase and Small Purchase Acquisition Process."

Each of the ten steps depicted in ITC's Micro-Purchase Acquisition Process (Exhibit 6) is outlined and described briefly below. Variations peculiar to each of the Libraries' practices are noted.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

- A. Requisition Documentation. Micro-Purchases are initiated by preparing a formal procurement requisition (ITC internal Form 51,) for needed goods and services. (Neither the Main Library nor the Law Library use a Form 51. It is replaced by the use of the ITC Form 347, a SACONS generated purchase order form entitled "Order For Supplies or Services." Instances where an ITC employee other than the Main Library's Librarian is requesting library material, the requisition need not be formally documented in a Form 51; an e-mail or an informal memo can serve as the requisition document.)

- B. Approval and Commitment. The Requester obtains the required approvals. The Form 51 is required to be signed by authority of the Requester's Division Chief and Office Director. In addition to the two approvals, the Requisition also needs to be approved by the authority of the CCM; i.e., the person responsible for committing the funds from the cost center. (Since the Libraries are not necessarily using Form 51s, the Libraries eliminate the requirement of Requisition Form approval. The Libraries use the SACONS Order For Supplies or Services to document the approval of the CCM.)

- C. Procurement Review. Completed requisitions are screened by contract specialist staff for completeness and proper approvals prior to submitting the requisition to the Budget Division for funding the commitment. (The Main Library and Law Library submit completed Orders For Supplies or Services to contract specialists for review prior to acquisition. The acquisition is then performed by Library staff.)

- D. Commitment Funding Approval. The Budget Division reviews the requisition to check for authorized signatures and proper accounting classification prior to funding the commitment. (The Law Library skips this step as a result of bulk funding having been established. The Main Library submits the approved Order For Supplies or Services to the Budget Division for funding the commitment prior to submitting the Order For Supplies or Services to contract specialists for Procurement's review noted in step C, above.)

- E. Procurement Assignment. Requisitions for which funds have been committed are returned to PPD for review and assignment to one of the contract specialist staff. (This step does not apply to the Main or Law Library.)

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

- F. Procurement Processing-System Award Form. Contract specialist staff responsible for making the acquisition enter descriptive data and produce a SACONS Order For Supplies or Services (ITC Form 347). (This step is performed by the Librarians in the Main or Law Library as described in step A, above.)
- G. Obligation and Award. Except for the Libraries, all non-Purchase Card Micro-Purchase obligations and awards are made by contract specialist staff. (The Librarians from both Libraries make their own obligations and awards utilizing the Order For Supplies or Services which they generated and have had approved by both their respective CCM and a contract specialist.)
- H. Receipt. Supplies and services are received and examined to ensure that they conform to specifications. Procurement requisitions and/or Orders For Supplies or Services are noted and controlled items are inventoried. (Both Libraries follow this process.)
- I. Invoice Approval. Vendor invoices are submitted by the vendor to the Finance Division which forwards them to the requester for review and certification that goods or services received were in accordance with specifications. (Both Libraries follow this process.)
- J. Payment. Approved invoices are returned to the Finance Division for payment in accordance with the 30-day prompt payment requirements. (Both Libraries follow this process.)

These ten functions, documented in Exhibit 6, provide the framework for assessing the extent to which ITC has incorporated the following best practices into its policies, procedures, and practices.

FINDINGS

FINDINGS: MICRO-PURCHASE BEST PRACTICES

In order to determine whether ITC's procedures and practices for Micro-Purchases take advantage of best practices, each step of the ten step process documented in Exhibit 6 was examined for evidence of four identified key best practices that have emerged from FASA and other streamlining legislation and which are now evident in other agencies' procurement systems. These four are: bulk funding, determination of Reasonable Price, Empowerment, and Efficiency and Effectiveness; each is described briefly as follows:

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

- A. Bulk Funding. Bulk funding is a funding mechanism, whereby the fiscal accounting office obligates a specified lump sum of funds that are reserved for a specific time-frame and purpose. Bulk funding is a best practice because it eliminates the need to obtain individual obligation authority on each purchase document.

FAR Part 13.104(b)(4) states that “contracting officers shall use bulk funding to the maximum extent practicable... particularly if numerous purchases using the same type of funds are to be made during a given period”.

Within the ITC, only the Law Library uses bulk funding to obligate funds for its Micro-Purchase acquisitions. Use of this best practice resulted in a streamlined Law Library Micro-Purchase acquisition process which eliminates three steps from the ten step process noted in Exhibit 6. Streamlining due to bulk funding also eliminates step D (Commitment Funding Approval) from the Micro-Purchase acquisition process when Orders For Supplies or Services are used.

- B. Reasonable Price. Reasonable price, when used in conjunction with the acquisition of goods and services at or below the Micro-Purchase threshold, usually refers to a determination made on the basis of a buyer’s general experience, their recent acquisition of the same or similar item, or (when purchase is from an established GSA Federal Supply Schedule/Vendor) a price that has been pre-negotiated by the government.

FAR Part 13.202(a)(2) permits Micro-Purchase buyers to make an award without the solicitation of competitive quotes when the buyer considers the price to be reasonable. Because the administrative cost of verifying cost reasonableness and obtaining competitive quotes often offsets any potential savings, FAR in essence, establishes a presumption of reasonable price in the Micro-Purchase environment unless the buyer has information to indicate that the asking price may not be reasonable. In these instances, more formal price negotiation methods, such as those prescribed in FAR Part 15 may need to be pursued.

Interviews with staff throughout ITC revealed a reluctance to exercise their judgment in determining whether prices were reasonable. In some instances, three quotations were obtained for even low-end, Micro-Purchase buys.

The practice of obtaining the lowest price to the government is well entrenched and difficult to break even in those instances where the standard prescribed by the FAR is reasonable price and not lowest price.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

- C. Efficiency and Effectiveness. Efficiency and effectiveness involves the elimination of unnecessary or duplicative review or approvals in order to deliver goods and services on a timely, best value basis without sacrificing quality and while maintaining the public's trust.

The FAR indicates that efficiency and effectiveness can be achieved through both procedure simplification and increased resourcefulness of the government's acquisition workforce. FAR Part 13.002(c) states that one of the purposes of the new Far Part 13, Simplified Acquisition Procedures, is to promote efficiency and economy in contracting through prescribed simplified procedures. In addition, FAR Part 1.102(d) encourages persons responsible for the acquisition of goods and services to be resourceful and exercise initiative in the development of strategies, policies, and procedures that are in the best interest of the government as long as these strategies, policies, and procedures do not violate the FAR or relevant case or statutory law.

This Chapter's findings with respect to efficiency and effectiveness parallel those identified in Chapter One; that is, in those areas where discretion either is or should be permitted; e.g., the number and level of approvals needed or the elimination of review steps or control points, the only notable examples of streamlining leading to increased procurement system efficiency and effectiveness were found in the Libraries. Exhibit 7 documents a process whereby steps in the Micro-Purchase acquisition process have been eliminated, combined and/or reordered in order to increase efficiency and effectiveness of the process.

- D. Empowerment. Empowerment refers to both the encouragement and the express permission given to the federal government's acquisition workforce to exercise initiative and professional judgment in the performance of job-related tasks and responsibilities.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

Congress' intent to empower the acquisition workforce is codified in the FAR. FAR Part 13.003(i)(4) states "contracting officers shall use innovative approaches, to the maximum extent practicable, in awarding contracts using simplified acquisition procedures". FAR Part 1.102(d) empowers all members of the government's Acquisition Team by stating that "in exercising initiative, government members of the Acquisition Team may assume if a specific strategy, practice, policy or procedure is in the best interest of the government and is not addressed in the FAR nor prohibited by law (statute or case law), executive order, or other regulation, that the strategy, practice, policy or procedure is a permissible exercise of authority."

In Procurement, examples of contract specialists having accepted empowerment were observed. Senior contract specialists routinely use the best practice of Reasonable Price or best value to the government, and competition (obtaining quotes) is avoided whenever reasonable price can be determined based on their professional judgment. Alternatively, best value is used to negotiate additional service and/or features.

In addition, the Micro-Purchasing processes followed in the Libraries show significant, although limited, evidence of empowerment. For example, the Law Library requires only one approval for Micro-Purchases made with an Order For Supplies or Services. (Two approvals are required for Law Library Purchase Card purchases.)

FINDINGS: PROCESS FOR REQUESTING MICRO-PURCHASES

Excluding Purchase Card transactions, ITC's Micro-Purchase acquisition process follows the Commission's formal Contracting Procedures as outlined in Exhibit 6. With the exception of the two Libraries, this process does not vary significantly for procurements under \$100,000. Specifically, Micro-Purchases are initiated by preparing USITC Form 51, obtaining the requested approval signatures, and submitting completed requisitions to Procurement. Procurement reviews and signs each requisition and forwards it to the Budget Division for certification of funds available. The Budget Division returns the requisition to the Chief, Office of Planning and Procurement for assignment to contract specialist staff for acquisition.

The Libraries' processes for requesting/initiating Micro-Purchases vary from the above-described process as outlined in Exhibit 7. Key differences include: the Main Library uses e-mail in lieu of Form 51 to initiate a PO; POs are generated in the Libraries; approved by supervisors; and when bulk funding is not in place (Main Library), the PO becomes the Funds Commitment document and purchases are made by Library staff instead of contract specialist staff.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

FINDINGS: METHODS USED TO MAKE MICRO-PURCHASES

Analysis of transaction data from SACONS reports indicates that ITC uses four principal methods for acquiring goods and services involving Micro-Purchases. These methods, stated as a percentage of total ITC Micro-Purchase transactions in FYs 1996 and 1997 (through July month end), include:

<u>Method</u>	<u>Transactions</u>	<u>% of Total</u>
Purchase Cards	1,314	76%
Library Delivery and Purchase Orders	142	8%
Purchase Orders	128	8%
Blanket Purchase Agreements	88	5%
Inter-Agency Agreements and Other	31	2%
Delivery Orders	21	1%
Total	1,724	100%

As shown the four principal methods for acquiring goods and services at or below the Micro-Purchase threshold are Purchase Cards, Purchase Orders, Delivery Orders, and Blanket Purchase Agreements. Specifically:

- A. Purchase Cards. In FYs 1996 and 1997, Purchase Card transactions at or below the Micro-Purchase threshold accounted for 1,314, or 76% of total ITC Micro-Purchases.
- B. Purchase Orders. Purchase Orders (“POs”, done on ITC Form 347) are usually unilateral (one-party) documents. POs are the government's offer to buy at prices and under the terms and conditions stated. The administrative costs of using POs are usually greater than Purchase Cards and BPAs and they should only be used when needed.
- C. Delivery Orders. Delivery Orders (also on ITC Form 347) are orders for goods, supplies, or services from GSA Federal Supply Schedules. Delivery Orders indicate use of FAR Part 8 priority and are an indication of a best practice for source of supply. However, the administrative costs of using Delivery Orders are usually greater than Purchase Cards and BPAs and they should only be used when needed.

Of the 410 Micro-Purchase transactions not made with Purchase Cards, 291 were made with POs and Delivery Orders.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

- D. Blanket Purchase Agreements. BPAs allow named persons to place orders for certain items or classes of items by telephone call instead of by written purchase order. BPAs permit consolidated invoicing for purchases during a specified period. BPAs are not contracts but rather agreements for the convenience of both the government and the supplier. BPAs totaling 88 were identified in ITC's Micro-Purchase process.

Since FAR establishes the Governmentwide Purchase Card as the primary vehicle for the acquisition and payment for Micro-Purchases, it could be argued that the "ideal" Micro-Purchase program would conduct all Micro-Purchase transactions with the Purchase Card. In testing this hypothesis it was determined that certain real-world conditions make this impractical if not impossible. These conditions, in descending order of significance are:

- A. Some Vendors Do Not Accept Purchase Cards. While the common perception is that these are small "mom and pop" vendors, a sample of the Law Library's 1997 Purchase Orders for goods and services at or below the Micro-Purchase threshold level of \$2,500 indicated that all five were used to purchase law journals from organizations that would not accept Purchase Cards. Even some government agencies refuse to honor the Purchase Card. (In one procurement example at ITC, the Smithsonian Institute refused to honor a Purchase Card presented by one of ITC's Cardholders.)
- B. Thirty-Day Delivery Requirement. Purchase Card purchases must be delivered in 30 days from the time order is placed. When vendors cannot ensure timely delivery, employees are not authorized to make the purchase with the Purchase Cards, and must use other methods, usually a PO.
- C. Type of Goods Or Services Being Purchased. The nature of some purchases, especially for services, is such that even though the dollar value is low, detailed specifications and delivery and payment schedules are needed to ensure the government receives exactly what it contracted for. These purchases require a more formal contracting method and POs are appropriately used in these instances. Analysis of sample purchases showed that ITC correctly used POs to purchase maintenance and training services below the Micro-Purchases threshold.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

CONCLUSIONS

- A. **ITC Policies and Procedures.** The absence of streamlined acquisition policies together with the Commission's outdated procurement policies form a significant deterrent to the implementation of certain best practices. The impact of these is mitigated in ITC's PPD due in large part to the fact that professional contract specialist staff are required to be knowledgeable of regulation changes in their field of expertise. However, the impact of this finding on ITC's program and services offices, where their awareness of changes in federal acquisition policy and procedures is dependent upon timely communication of these changes (in the form of agency policy and procedure issuances and training), is significantly greater. Program staff who rely on ITC Directive 3601.1 are relying on statements which, for example, still require competition from at least three sources for purchases under \$2,500 and that purchases be made from established sources of supply, regardless of dollar amount.
- B. **Micro-Purchase Best Practices.** Significant evidence of streamlining resulting from ITC's use of the best practice of bulk funding was not observed. However, examples of Empowerment and Efficiency and Effectiveness were found in this assessment of ITC's non-Purchase Card, Micro-Purchase practices as outlined below.
- i) **Bulk Funding.** The impact of bulk funding (as utilized by the Law Library) on Purchase Order processing was to eliminate step D from the acquisition process depicted in Exhibit 6.
- ii) **Empowerment.** Empowerment of contract specialist staff has led to the consistent use of the best practice of reasonable price, as well as increased efficiency through the elimination of the practice of obtaining multiple quotations for Micro-Purchases. Empowerment of Library staff has led to creative changes and streamlining of Micro-Purchase processes using purchase orders.
- iii) **Efficiency and Effectiveness.** Increased efficiency and effectiveness in the form of process streamlining were observed only in the Micro-Purchase processes used by the Libraries. This is not surprising because increased efficiency and effectiveness is almost always the result of employee initiative through empowerment.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

- iv) Reasonable Price. In general, contract specialist staff are adhering to this best practice, while some staff outside Procurement, according to those interviewed, indicate that they either choose or are directed by their superiors to create competition in those instances where multiple vendors can meet the requisition need. However, documentation maintained in the Procurement files had no indications of multiple source quotations being obtained.

The discrepancies in best practice application are an issue of awareness and can be resolved through training. As continued government cost-cutting impacts government agencies' administrative staff, the burden for the acquisition of Micro-Purchase goods and services will continue to shift to program staff. As this occurs, an on-going program of formal training will prove to be critical for non-PPD staff with procurement authority. Be assured that agencies' positive results with Purchase Cards and the new \$2,500 Micro-Purchase threshold will ultimately lead to a rise in that threshold. Any formal training program devised should include the frequency of the training, the level of the training dependent upon authority, and the accepted means of receiving that training. Getting revised policies and procedures in the hands of non-procurement, program staff will resolve most of the disparity noted.

- C. Process for Requesting Micro-Purchases. Outside of the Library areas, the process for requesting non-Purchase Card Micro-Purchases is overly focused on process and control points and would benefit from streamlining. However, sampling revealed that methods used to make Micro-Purchases were consistently appropriate.
- D. Methods Used To Make Micro-Purchases. As indicated, ITC currently uses four primary tools for making Micro-Purchases: Purchase Cards, Purchase Orders, Delivery Orders, and Blanket Purchase Agreements. Purchase Card transactions account for 76% of the total Micro-Purchases and most of the remainder (14%) are made with Purchase Orders.

If bulk funding were established, designated employees would be permitted to make requests directly to Procurement without supervisory approvals and without the Budget Division approval and coding. The need for determining reasonable price as opposed to obtaining multiple quotes in the acquisition of Micro-Purchases should be covered in the training provided.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

OBJECTIVE B

Through a sample selection of Micro-Purchases made from October 1, 1995, through July 31, 1997, evaluate whether:

- A. the procurement method chosen was the most appropriate one; and
- B. for the procurement method chosen, the process was completed in the most efficient manner.

FINDINGS

The 29 Micro-Purchase procurements sampled are distributed and summarized as follows:

	<u>Payment Vehicle</u>	<u>Acquisition Type</u>	<u>Sampled Number</u>
Main Library	Purchase Order	library materials	7
Law Library	Purchase Order	library materials	5
Non-Library Areas	BPA	services	5
Non-Library Areas	Purchase Orders	services	7
Non-Library Areas	BPA	ongoing purchases of goods or materials	3
Non-Library Areas	Purchase Orders	goods or materials	<u>2</u>
		Total	<u><u>29</u></u>

Of the procurements sampled, only two involved the purchase of goods or materials which may have been more suitable for payment using the Governmentwide Purchase Card--the two procurements using Purchase Orders in non-library areas. However, one of these purchases was made from an existing provider of design services. In this case, the Purchase Card was most likely not an acceptable means of payment for that particular vendor. The other sampled purchase from a non-library ITC area, although in FY 1997 was a Micro-Purchase, would normally be in excess of the Micro-Purchase threshold and will be examined in detail during the Purchases greater than \$2,500, less than \$100,000 examination.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

CONCLUSIONS

From the results of the sample testing, the procurement method chosen was most suitable for the procurement. In each sampled purchase from the Libraries, the Purchase Card was not an available choice for the vendor. For acquisitions from Non-Library areas, the acquisition was for services or goods that were better facilitated by a PO or a BPA respectively. This conclusion reinforces the Finding from Chapter One concerning the Commission's best practice of utilizing the Purchase Card in Micro-Purchase acquisitions as much as possible.

For the acquisitions sampled from the Libraries, the procurement process was reflective of the process depicted in Exhibit 6. The Libraries process their requisitions for library materials with a more streamlined and efficient process than that which exists elsewhere in the Commission. However, even further streamlining can be added through the use of bulk funding for the Main Library and the elimination of Procurement review.

The process for the remaining Commission procurements did not have many examples of best practices in effect: many requisition approvals were needed; Procurement Review and Individual Funds Commitment were necessary; and Procurement acquisition was performed. Requisition forms were accompanied by Orders For Supplies or Services. (See recommendation in Objective C.)

OBJECTIVE C

Identify ways in which the Commission's process for making Micro-Purchases could be further streamlined.

FINDINGS

Although only 16% of the Commission's contracting dollars were spent on Micro-Purchases, *more than 80% of total procurement actions* (over 900 in FY 1997) were transacted under its Micro-Purchase authority. Micro-purchasing, therefore, is a must target for assessing additional streamlining and other cost-saving measures.

As previously reported, ITC's high use of the Governmentwide Purchase Card has yielded significant time and cost savings. However, because of the heavy emphasis on review and approval check points in the current process, significant opportunities for additional streamlining and related cost-savings remain.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

CONCLUSIONS

Any approach to streamlining must consider potential improvement opportunities available in each of the following components of the overall "acquisition system". In light of previous findings concerning the Commission's acquisition policy void, outdated procedures, and control-driven process, streamlining opportunities should be available in each of those areas.

- A. **Policies and Procedures.** Critical to streamlining is an understanding that making changes to ITC's current process goes far beyond simple implementation of FASA-mandated, FAR-regulated, changes to existing procurement law. It requires changes in the way government finance and procurement staff have traditionally conducted their business. For this reason, policies that encourage initiative and which demand empowerment must provide the foundation for any institutionalized change. Operating procedures which do anything less than reinforce initiative and employee empowerment will eventually undermine any attempt to streamline.
- B. **Acquisition Process.** As stated previously, in those areas where discretion either is or should be permitted, (e.g., the number and level of approvals needed or the elimination of review steps or control points), the only notable examples of streamlining leading to increased procurement system efficiency and effectiveness were found in the Libraries.
- C. **Employee Acquisition Roles.** Only the Micro-Purchasing processes followed in the Libraries show significant, although limited, evidence of empowerment. Others are limiting their empowerment due to current policies and procedures.
- D. **Acquisition Methods.** Currently all Micro-Purchases are made with either the Purchase Card, Purchase Orders, Delivery Orders, or Blanket Purchase Agreements. Purchase Cards are the preferred method and ITC seems to have done an excellent job of performing eligible purchases with the Purchase Card. With respect to ITC's use of Purchase Orders and BPAs, the results of the Micro-Purchase sample review indicate that these are being utilized appropriately. However, there may be other methods which (assuming the elimination of current review and approval steps) could significantly facilitate ITC's acquisition of non-Purchase Card acquisitions. These include:

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

- i) **VISA Checks.** Though not currently available on a government-wide basis, GSA and RMBCS are currently pilot testing these in a number of agencies. Pilot tests are scheduled for conclusion at the end of the current RMBCS contract in November 1998. It is believed that VISA checks, keyed to Purchase Card accounts will be available to all agencies as part of the new Purchase Card contracts beginning in late November 1998. The use of VISA checks would contribute significantly to the recommended goal of decentralizing Micro-Purchases; especially in view of the fact that the principal reason for ITC's use of POs for Micro-Purchases is non-acceptance of the Purchase Card.

- ii) **Standardized Form 44.** The Standardized Form 44 is a multi-purpose form that provides in one document: a purchase order; a receiving report; a vendor's invoice; and a payment voucher. The form is used for on-the-spot, over-the-counter purchases of supplies and personal services by authorized purchasers when the Purchase Card is not accepted. Because most Micro-Purchases that require POs are not for over-the-counter goods and services, but for mail ordered goods (often subscriptions or Law Journals) the potential impact of the Standardized Form 44 could be minimal.

- iii) **Technology.** ITC is encouraged to examine its use of technology as a method for streamlining the procurement request process and eliminating unnecessary paper documentation. Replacing the Form 51, Purchase Requisition, with an informal e-mail request should be considered. In addition, future system enhancements should aim at eliminating redundancy, such as the use of both hard-copy (Form 51) and computer generated forms (Order For Supplies or Services Form) for the same transaction.

ITC's goals for streamlining Micro-Purchases should include bulk funding for all budget categories against which Micro-Purchases for supplies and services are typically made.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Two

RECOMMENDATIONS

We recommend that the Director of Administration:

- 11) develop an on-going program for training on Micro-Purchases for its non-Procurement acquisition staff;
- 12) eliminate use of forms for Micro-Purchases;
- 13) permit Purchase Cardholders to make Micro-Purchases directly; and
- 14) obtain VISA checks (when available) to use for making Micro-Purchases when the Purchase Card is not accepted.

COMMISSION COMMENTS

The Director of Administration generally agreed with recommendations 11, 12, and 14. He indicated that PPD is in the process of implementing a new software program which is expected to streamline procedures.

The Director objected to Recommendation 13. He stated that permitting employees to self-initiate purchase orders would permit them to become unwarranted contracting officers. Our recommendation is limited to Micro-Purchases by Purchase Cardholders who are already familiar with the micro-purchasing requirements. These Cardholders do have limited warrants.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**
SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE
Chapter Three

CHAPTER THREE: SMALL PURCHASES

The following are the findings, conclusions, and recommendations for strengthening ITC's policies, procedures, and practices for making Small Purchases. Small Purchases for purposes of this report are defined as those acquisitions which exceed the Micro-Purchase threshold of \$2,500 but which do not exceed the simplified acquisition threshold of \$100,000.

OBJECTIVE A

Determine whether current Commission policies, procedures, and practices take advantage of "best practices" for Small Purchases (those between \$2,500 and up to and including \$100,000; namely:

- A. determine the extent to which the practices for obtaining competition are being utilized, including number of quotes required versus number obtained and minimum documentation requirements versus documentation actually prepared;
- B. determine the practice for requesting Small Purchases and evaluate the efficiency and effectiveness of the process; and
- C. determine the primary methods used to procure Small Purchases.

FINDINGS

ITC's Small Purchases are made in accordance with USITC Directive 3601.1, the Commission's Contracting and Procurement Policies and Procedures, and the FAR. Exhibit 6, the ITC Libraries' Micro-Purchase And Small Purchase Acquisition Process, is a simple flowchart of the Commission's current practices for making Small Purchases. While the higher dollar value of Small Purchases (approximately \$22,500 versus \$449 for Micro-Purchases) justifies most of the steps of this process, the process described in Exhibit 6 is virtually identical to the processes employed for Micro-Purchases and Purchase Cards. The same processes for such disparities in dollar amounts further illustrates the opportunities for streamlining in the Micro-Purchase and Purchase Card processes.

The process shown in Exhibit 6 is used throughout the Commission with the exception of both the Main and Law Libraries (see Exhibit 7). Note that the two libraries are authorized to function as the buying office (that is Library staff rather than Procurement Staff order from the vendor) for certain types of transactions.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

Each of the ten steps depicted in ITC Libraries' Micro-Purchase And Small Purchase Acquisition Process (Exhibit 6) is outlined and described briefly below. Variations peculiar to each of the Library practices (Exhibit 7) are noted.

- A. Requisition Documentation. Small Purchases are initiated by preparing a formal procurement requisition (ITC internal Form 51, "Requisition for Supplies or Services") for needed goods and services. (Neither the Main Library nor the Law Library use a Form 51. It is replaced by the use of the ITC Form 347, a "SACONS" generated purchase order form entitled "Order For Supplies or Services". In those instances where an ITC employee other than the Main Library's Librarian is requesting library material, the requisition need not be formally documented in a Form 51; an e-mail or an informal memo can serve as the requisition document.)

- B. Approval and Commitment. The Requester obtains the required approvals. The Form 51 is required to be signed by authority of the Requester's Division Chief and Office Director. In addition to the two approvals, the Requisition also needs to be approved by the authority of the CCM. (Since the Libraries are not necessarily using Form 51s, the Libraries eliminate the requirement of Requisition Form approval. The Libraries use the SACONS Order For Supplies or Services to document the approval of the CCM.)

- C. Procurement Review. Completed requisitions are screened by contract specialist staff for completeness and proper approvals prior to submitting the requisition to the Budget Division for funding the commitment. (The Main Library and Law Library submit completed Order For Supplies or Services to contract specialists for review prior to acquisition. The acquisition is then performed by Library staff.)

- D. Commitment Funding Approval. The Budget Division reviews the requisition to check for authorized signatures and proper accounting classification prior to funding the commitment. (The Law Library skips this step as a result of bulk funding having been established. The Main Library submits the approved Order For Supplies or Services to the Budget Division for funding the commitment prior to submitting the Order to Procurement for Procurement's review noted in step C, above.)

- E. Procurement Assignment. Requisitions for which commitments have been funded are returned to PPD for review and assignment to appropriate buyer. (This step does not apply to the Main or Law Library.)

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

- F. Procurement Processing-System Award Form. Procurement staff responsible for making the acquisition enter descriptive data and produce a SACONS Order for Supplies or Services. (This step is performed by the Librarians in the Main or Law Library as described in step A, above.)
- G. Obligation and Award. Except for the Libraries, all Small Purchase obligations and awards are made by contract specialist staff. (The Librarians from both Libraries make their own obligations and awards utilizing the Order For Supplies or Services which they generated and have had approved by both their respective cost center manager and a contract specialist.)
- H. Receipt. Supplies and services are received and examined to ensure that they conform to specifications. Procurement requisitions and/or Order For Supplies or Services are noted and controlled items are inventoried. (Both Libraries follow this process.)
- I. Invoice Approval. Vendor invoices are submitted to the Finance Division which forwards them to the requester for review and certification that goods or services received were in accordance with specifications. (Both Libraries follow this process.)
- J. Payment. Approved invoices are returned to the Finance Division for payment in accordance with the 30-day prompt payment requirements. (Both Libraries follow this process.)

These ten functions, documented in Exhibit 6, provide the framework for assessing the extent to which ITC has incorporated the following best practices into its policies, procedures, and practices.

FINDINGS

FINDINGS: SMALL PURCHASE BEST PRACTICES

In order to determine whether ITC's procedures and practices for Small Purchases take advantage of best practices, each step of the process documented in Exhibit 6 was examined for evidence of best practices that have emerged from FASA and other recent streamlining legislation. These best practices can be observed in many agencies' procurement systems and are well documented in the FAR. The four Small Purchase best practices considered are:

- A. Use of Required Sources. FAR Part 19 requires the government to provide maximum practicable opportunities to small disadvantaged and women-owned

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

business concerns. FAR Part 13.003(a) requires that Simplified Acquisitions Procedures be used for the purchase of all goods and services under the simple acquisition threshold (i.e., Small Purchases) **unless** the requirements can be met by using required resources of supply under FAR Part 8. These include but are not limited to: excess from other agencies, Federal Prison Industries, Committee for Purchase from People Who are Blind, Federal Supply Schedules, etc.

Interviews with contract specialist staff indicated that these requirements were extensively followed. Review of Procurement files for a 10% sample of Small Purchase transactions partially confirmed this perception. Of the 32 Small Purchase transactions reviewed 10 were sourced from Federal Supply Schedule Vendors and 6 were sourced from other federal agencies. (One inter-agency agreement for services was completed in three working days from date of requisition requesting services to the date agreement was signed by both parties.)

- B. Use of Simplified Acquisition Methods. FAR Parts 13.303, .305 and .302 establish Blanket Purchase Agreements, Imprest Funds, and Purchase Orders, respectively, as preferred simplified acquisition procurement methods for making purchases under the Simplified Acquisition Threshold.

Of the 325 Small Purchase transactions completed by ITC in FY 1996 and 1997, 41% were made by preferred simplified acquisition procurement methods as dictated by FAR Part 13. In addition, the remaining 59% were made using FAR Part 8 higher priority order best practice.

- C. Use of Simplified Acquisition Practices. ITC's Small Purchase practices are required to adhere to the Simplified Acquisition Procedures established in FAR Part 13. FAR Part 13.104 requires contracting officers to "promote competition to the *maximum extent practicable* to obtain supplies and services from the source whose offer is most advantageous to the government". Key indicators of best practices include:

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

- i) Simplified Competition. FAR Part 13.106-1(c)(1)(i) through Part 13.106-1(c)(1)(iii) provide for the solicitation of informal or oral quotations for acquisitions not exceeding \$25,000 where FACNET is not practicable or cost-effective. Far Part 13.104 provides that the solicitation of at least three sources will generally be considered to promote competition to the maximum extent practicable. According to Far Part 5, Open Market purchases over \$10,000 but not exceeding \$25,000 are to be advertised; i.e., displayed in a public place, including electronic bulletin board, for at least 10 days. Purchases between \$25,000 and \$100,000 must be advertised for at least 30 days (open market). Three quotations are generally sufficient to be considered maximum practicable competition.

Interviews with contract specialist staff indicate that staff adhere to these practices. Results of sampling Small Purchase documentation showed that the minimum number of quotes were consistently obtained except in the use of BPAs. From the 32 Small Purchase transactions reviewed, seven were performed using BPAs where there was no indication in the Procurement files as to whether competition information was obtained, whether the vendors were on the Federal Supply Schedule, or if there was justification for using an open market sole source. FAR Part 13.303-5(c) states that the existence of a BPA does not justify purchasing from only one source or avoiding small business set-asides.

In addition, since the date of fieldwork in August of 1997, FAR has revised Part 13 concerning the use of BPAs. At the time of fieldwork, No General Counsel opinion had been requested or rendered concerning an interpretation of FAR's competition requirements for establishing BPAs. However, the current FAR version updated through December 1997 provides wording which supports the need for obtaining competition upon the establishment of a BPA. Part 13.303-5(d) states, for a particular purchase greater than the Micro-Purchase threshold, if there is an insufficient number of BPAs to ensure maximum practicable competition, the contracting officer shall solicit quotations from other sources and, if practical, establish other BPAs.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

Aside from the seven BPAs in the sample noted above, all other instances of sole source for competition requirements were appropriately documented and no incidences of over-solicitation were noted. In addition, documentation of competition was appropriate. In one instance documentation was not in the official procurement file, but was found in the personal procurement file of the requesting/initiating staff person.

- ii) Electronic Commerce. FAR Part 13.003(f) encourages the use of electronic (paperless) purchasing techniques to the maximum extent practicable. This includes FACNET, Internet, GSA Advantage System, and even facsimile machines. FACNET is discussed separately under Objective D.

Generally, findings indicated that ITC tends to under-utilize electronic commerce for three reasons. Some users said GSA Advantage was difficult to access, requiring the user to shut down one operating system prior to accessing the other. It was also indicated that this system was slow and that hard copy Federal Supply Schedules could be utilized more quickly. Some users in the Commission are concerned about security of Purchase Card numbers in electronic commerce.

- iii) Bulk Funding. FAR Part 13.101(b)(4) advocates bulk funding when there are numerous purchases using the same type of funds during a given period. Only the Law Library regularly utilizes this best practice.
- iv) Best Value. FAR Part 13.106-1(a)(2) encourages contracting officers to use “best value” in determining whose offer is the most advantageous to the government. Factors to be considered in determining “best value” include: (1) price alone (for simple acquisition of goods and services) and (2) price and other factors for more complex procurements. Other factors included quality, past performance, and incentives to buy such as discounts, free deliveries, upgrades, and services such as training or free set-up.

Interviews with contract specialist staff indicated that they are very aware of this best practice and utilize it.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

- D. Purchase Card Use. FAR Part 13.201(b) makes the Governmentwide Purchase Card the preferred means of purchasing and paying for Micro-Purchases. FAR Part 13.003(f) encourages government agencies to use the Purchase Card to the *maximum extent practicable*, including the purchase and payment of goods and services acquired under FAR Part 8.

Although the scope of this review precluded in-depth testing for this best practice, contract specialist staff indicated that goods and services are paid for with the Purchase Card whenever possible. Analysis of Purchase Card data shows that four transactions in 1996 and 19 transactions in 1997 were made using the Purchase Card for Small Purchases.

FINDINGS: PROCESS FOR REQUESTING SMALL PURCHASES

With the notable exception of its two Libraries, the Commission's process for the acquisition of Small Purchases follows the Commission's formal Contracting Procedures as outlined in Exhibit 6. In fact, with only minor exceptions, both the Micro-Purchasing and Purchase Card processes follow these procedures as well.

Small Purchases are initiated by submitting a completed USITC Form 51 to procurement. A completed Form 51 will include: a description of the goods or services needed; quantity; estimated cost; recommended source or vendor if known; budget and accounting codes; all necessary approval signatures. Procurement reviews and signs each requisition and forwards it to the Budget Division for certification of available funds. The Budget Division returns the requisition to the Chief, Office of Planning and Procurement for assignment to procurement staff for acquisition.

If the procurement involves a BPA, the PPD staff perform an additional step not required by other procurement methods. PPD staff will issue two SACONS-Form Blanket Purchase Agreements: one for the vendor and one for the Finance Division. The one produced for the vendor does not have an award amount and rightly so: no obligated amount has been awarded. The vendor-received BPA is produced to establish an agreement only. Only when calls are placed against the BPA will an obligation result.

The BPA produced by the PPD staff for the Finance Division, however, has an award value for the Finance Division to set up an obligation on the Finance accounting system. This obligation is then in need of being deobligated at the end of the fiscal year if the entire award value was not used.

The Libraries' processes for requesting and initiating Small Purchases vary from the above-described process. Key differences include: the Main Library uses e-mail in lieu of Form 51 to

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

initiate a PO; POs are generated in the Libraries, approved by supervisors and when bulk funding is not in place (Main Library) the PO becomes the Funds Commitment document; and purchases of certain routine library materials are made by Library staff instead of contract specialist staff.

FINDINGS: METHODS USED TO MAKE SMALL PURCHASES

Analysis of Small Purchase transaction data, as confirmed by the results of Small Purchase sampling, indicates that ITC uses five principal methods for acquiring goods and services below the Simplified Acquisition Threshold of \$100,000: These methods, stated as a percentage of total ITC Small Purchase transactions in FYs 1996 and 1997 (through July month end), include:

<u>Method</u>	<u>Transactions</u>	<u>% of Total</u>
Delivery Orders	94	29%
Purchase Orders	77	24%
Library Delivery and Purchase Orders	30	9%
Blanket Purchase Agreements	55	17%
Inter-Agency Agreements	35	11%
Purchase Card	23	7%
Other Methods	11	3%
Total	325	100%

Delivery Orders refer to acquisitions from GSA Federal Supply Schedules. Orders For Supplies or Services (ITC Form 347) are simple contract documents that describe the government's offer to buy under the terms and conditions and prices stated. BPAs are not contracts but rather an agreement for the convenience of both the government and the supplier. BPAs simplify the ordering process for repeat purchases of similar items or classes of items by allowing designated individuals to place orders by telephone rather than by written Order For Supplies or Services. BPAs also permit consolidated invoicing for purchases during a specified period. Inter-agency Agreements and Purchase Cards are self-explanatory.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

CONCLUSIONS

- A. ITC Policies and Procedures. While the impact of the absence of streamlined acquisition policies and outdated procurement procedures was found to form a significant deterrent to the implementation of certain best practices in ITC's Purchase Card and Micro-Purchase processes, they have had only a limited (and insignificant) impact on ITC's ability to implement best practices in its Small Purchase processes. This is due in large to the fact that the Small Purchase process is by regulation-necessity more centralized in Procurement. Also, professional contract specialist staff are trained to rely on Federal Acquisition Regulations and are required to stay on top of changes to federal procurement policy and regulation. These facts, however, do not constitute valid justification for continued delay in the development of appropriate policies and current, relevant, implementing procedures.
- B. Small Purchase Best Practices. ITC's Small Purchase process contains several examples of applied best practices, as follows:
- i) Use of Required Sources. Contract specialist's use of required (priority) sources is a strong example of a "best practice" for purchases under the simple acquisition threshold in practice. It should be noted that it is not simple adherence to FAR requirements that make this a best practice. However, by following these priorities ITC and other federal agencies can acquire goods and services from a number of sources by utilizing processes that are either inherently streamlined; e.g., Interagency Agreements, or which have been streamlined by another agency; e.g., Federal Supply Schedules. By purchasing from other agencies, Federal Prison Industries, Committee for Purchase from People who are Blind or Severely Disabled, and Federal Supply Schedules, ITC is essentially piggy-backing the efforts of another agency (usually GSA) and engaging in a procurement process that has already eliminated one or more of the following steps: solicitation and contractor selection; development of detailed specifications or work statements; pre-determination of quality of goods and services offered; negotiation of terms and conditions; price regulation; and delivery and payment terms. In addition to the time and money usually saved through utilization of required sources, acquisitions made in this manner cannot be protested.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

- ii) Use of Simplified Acquisition Methods. The Commission has consistently used BPAs and POs, two of the methods established by FAR, as the preferred simplified acquisition methods for the acquisition of goods and services under the simplified acquisition threshold. Approximately 41% of all Small Purchase acquisitions were made by one of these two methods. The remaining 59% were made by higher, priority-order best practice methods such as the Purchase Card, GSA schedules, and Interagency Agreements.
- iii) Use of Simplified Acquisition Practices.
- Simplified Competition. Competition for Small Purchase acquisition is consistent with FAR requirements. Informal/telephone quotes were obtained for purchases between \$2,500 and \$25,000. Formal, written quotations were obtained for procurements in the \$25,000 to \$100,000 range. No tendencies to obtain more than the minimum number of quotes, to obtain formal written quotes when telephone quotes would suffice or to advertise for more than the minimum number of days were observed.
 - Electronic Commerce. There are minor risks associated with Purchase Card security in electronic commerce; e.g., the risk of theft of account numbers and the resulting unauthorized usage. The fact that other agencies use Purchase Cards in their electronic commerce transactions does not invalidate ITC staff concerns about those risks. However, that other agencies use Purchase Cards in their electronic commerce transactions does disclose that other agencies are willing to accept any risks involved so as to become more efficient and effective in their procurement process. This is a clear example of how specific streamlining policies could encourage staff to utilize Purchase Cards in electronic commerce by communicating the Commission's willingness to accept the risks as a natural consequence of streamlining.
 - Bulk Funding. As noted, only the Law Library utilizes this best practice. However, the wide use of BPAs in ITC's Small Purchasing process with their generally recognized advantages of consolidated invoicing significantly minimizes the impact of limited bulk funding.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

The practice of issuing BPAs without competition should be looked into for purposes of determining whether this is an appropriate interpretation of the FAR. FAR indicates competition requirements still apply. Upon determination of understanding FAR's competitive source requirements for BPAs, Procurement needs to agree upon consistent application of that understanding in practice.

Bulk funding should be established for each category of goods and services purchased on a repeat basis, including those purchased under a BPA. This will both eliminate the need for issuing a BPA to Finance to establish an award value and eliminate step D (Commitment Funding Approval) from the process documented in Exhibit 6.

- Best Value. The practice of obtaining best value appears to be well established within contract specialist staff. However, since the determination of best value is essentially a matter of professional judgment, and the thought process behind the judgment is not often documented, this conclusion is difficult to substantiate. This statement should not be construed as a "back-door" recommendation for greater documentation of the best value determination. To the contrary, in context of acquisition streamlining and increased empowerment of government employees, the rationale behind Procurement professional judgment, related to the acquisitions of goods and services below the simplified acquisition threshold, need not be documented in detail.

- C. Process for Requesting Small Purchases. With only limited exceptions, the process documented in Exhibit 6 is the primary process for all Commission procurement activity. When applied to the Micro-Purchase and Purchase Card processes described in the other phases of this review, this process tends to be overly focused on procedural steps and control points and, therefore offers several key opportunities for streamlining. The process used for the BPA produces opportunities for streamlining through the use of bulk funding. However, when applied to ITC's process for acquiring goods and services between \$2,500 and \$100,000, the process is (in general) appropriate and justifiable on the basis that one would expect to see more stringent controls for procurements that average over \$20,000 (Small Purchases) than for procurements which average less than \$450 (Micro-Purchases). Nevertheless, opportunities for additional streamlining are present.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

D. Methods Used to Make Small Purchase. As indicated previously ITC's Small Purchase acquisitions are made, almost exclusively, by one of five methods as follows: Delivery Orders and Purchase Orders (62%), Blanket Purchase Agreements (17%), Purchase Cards (7%), and Inter-agency Agreements (11%).

These follow FAR Part 8 as well as the methods established by FAR Parts 13.303 and .302 as the preferred simplified acquisition methods for making purchases under the simplified acquisition threshold. Purchase Card use for Small Purchases, which increased from four in FY 1996 to 19 in FY 1997 should continue to increase significantly.

Also, there appears to be varying interpretations among procurement staff about how BPAs are to be issued, specifically regarding the need for competition. These inconsistencies are reflected in procurement files where certain BPAs show evidence of competition (or contain sole source justifications) and other BPAs appear to be sole source with no documentation.

OBJECTIVE B

Select a sample of Small Purchases and determine whether:

- A. the procurement method chosen was the most appropriate one and
- B. for the procurement method chosen, the process was completed in the most efficient manner.

FINDINGS

Sampling confirmed earlier interviews with contract specialist staff that ITC's Small Purchases were acquired by one of five procurement methods. Sample findings are summarized as follows:

Method	No. by Year		Total Sampled
	<u>96</u>	<u>97</u>	
Blanket Purchase Agreements	1	6	7
Deliver Orders	3	3	6
Inter-Agency Agreements	3	3	6
Purchase Orders	*8	1	9
Purchase Cards	1	3	**4
Total	<u>16</u>	<u>16</u>	<u>32</u>

* includes four Library Transactions

** includes one transaction treated as a Micro-Purchase

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

All but four transactions were made by contract specialists. In FY 1996, the Main Library and the Law Library each made two Small Purchases for library materials.

As noted under Objective A findings related to methods used to procure Small Purchases, the methods noted above are best practice methods for acquisition of goods and services under the Simplified Acquisition threshold.

CONCLUSIONS

From the results of the sample testing, it is concluded that the procurement method chosen for each transaction was appropriate and most suitable for that procurement. This statement accepts as reasonable ITC employees' reluctance to use the Purchase Card in electronic commerce due to the Commission's lack of policy regarding the acceptance of minor security-concern risks. Once the Commission establishes its streamlined acquisition policies, advocating the use of Purchase Cards in electronic commerce and its willingness to accept any related risk of credit card fraud, a significant shift toward electronic commerce is expected (perhaps as high as 10 to 20% of total Small Purchase transactions).

OBJECTIVE C

Analyze schedule versus open market purchases. Determine if cost savings may be achieved through increased schedule buying.

FINDINGS

As indicated previously, the Commission has done an appropriate job of choosing both the right source and the most appropriate procurement method for each Small Purchase transaction. Choosing the right source goes beyond a "simple" determination of whether a purchase should be made on the open market or from a GSA Federal Supply Schedule. A careful determination of whether needed goods or services can be acquired in accordance with priorities established by the FAR should be made. FAR Part 19 establishes priorities related to small disadvantaged and women-own businesses and the FAR Part 8 establishes priorities with its list "Priorities of Use of Government Supply Sources." Of the eight priorities listed under supplies the last is commercial; i.e., open market sources.

Results of sample testing of 32 Small Purchase transactions indicated that one was in fact treated as a Micro-Purchase since the amount purchased was \$2,500 and \$20 was added for shipping charges. Sixteen were purchased in accordance with Part 8 priorities using GSA vendors and other federal agencies; the remaining 15 were open-market purchases.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

CONCLUSIONS

According to the Procurement files, 52% of sampled Small Purchases (16 of 31) were acquired from FAR Part 8 priority sources. Of the remaining 15 transactions, the files had no indication that these were FAR priority-sourced purchases; i.e., they were most likely open-market source purchases. While the breakdown between FAR Part 8 priority sources and open market sources was not as heavily weighted toward FAR Part 8 as was expected, analysis indicates that (with perhaps one exception) the open market sources were appropriate. Seven of the 15 open market transactions were for standard building support functions; e.g., heating and air conditioning, building signage, building security devices, and disassembly of prefabricated furniture. Three of the 15 open market transactions were for library materials from specific sources providing such materials. The five remaining open market transactions were for goods and services believed not to be available from GSA schedule vendors, with four of those competed for in the open market.

Contract specialist staff indicated that FAR Part 8 and FAR Part 19 priorities are carefully adhered to. The findings from the sample support their statement.

OBJECTIVE D

Evaluate the Commission's plans for meeting the FASA requirement of becoming fully capable of using FACNET for at least 75% of eligible contract awards, as follows:

- A. evaluate the reasonableness of such plans and ITC's goals for implementation and
- B. determine the extent to which FACNET has been utilized, by fiscal year, for eligible Small Purchase contracts.

FINDINGS

Title IX of FASA requires the Administrator of the Office of U.S. Federal Procurement Policy to develop, and federal agencies to implement, a federal acquisition computer network architecture for the purpose of taking full advantage of the acquisition streamlining benefits inherent in electronic commerce. Specific **government functions** as stated in FAR Part 4.504(a) include: providing solicitations and receiving responses to solicitations, providing public notice of awards, receiving questions, issuing orders, making payment, and archiving data related to each procurement action. Specific **private sector functions** of FACNET include: accessing, reviewing, and responding to solicitations issued by government Agencies; receiving orders; accessing information on contract awards (including price) made by the executive agency; and receiving payment via bank card, electronic funds transfer, or other automated means.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

Two levels of certification are provided for: Interim FACNET and Full FACNET. An agency is considered to have implemented Interim FACNET; i.e., certification when: it is capable of issuing notices and solicitations and receiving responses electronically and when its private sector vendors are capable of accessing notices, reviewing solicitations and submitting responses to solicitations electronically and when the Agency has certified to the Administrator of the Office of U.S. Federal Procurement Policy that the agency has implemented interim FACNET. Agencies are considered to have implemented Full FACNET when: all of the functions described in the preceding paragraph have been implemented; 75% of eligible (not otherwise excluded) contracts in the preceding fiscal year were entered into via FACNET; and the head of the agency, with concurrence of the Office of U.S. Federal Procurement Policy, has certified to the Congress that the agency has implemented Full FACNET.

Eligible contracts include all contracts that are: in the private sector; in excess of the Micro-Purchase threshold of \$2,500 and under the simplified acquisition threshold of \$100,000; and that have not been exempted by the head of the agency (FAR Part 4.506).

Agencies which have not achieved Full FACNET certification by December 31, 1999, will be sanctioned by prohibiting the agency from using simplified acquisition procedures for contract actions which exceed \$50,000. Sanctions for failing to achieve interim FACNET certification have been eliminated.

FINDINGS: ITC'S PLANS FOR ACHIEVING FULL FACNET CERTIFICATION

According to a letter written on August 8, 1995, by the Director of OMS to the Administrator of the Office of U.S. Federal Procurement Policy, Office of Management and Budget (OMB), the Director certified that ITC achieved interim FACNET (only one year after the requirement was established by the FASA of 1994). At that time, the Commission's plans were to continue to move ahead and implement the remaining four functions well in advance of the December 31, 1999, deadline for full FACNET certification (a specific deadline does not appear to have been established).

Since that time a ground swell of complaints has been received from private sector contractors alleging that the high cost of FACNET participation (an estimated \$25,000) is in effect discriminating against the small business person, the precise population for which government acquisitions between \$2,500 and \$100,000 are set-aside to support.

As a result, FACNET implementation is on hold, sanctions for failing to achieve interim certification have been dropped and it is widely believed that FACNET, in its current form, will be "scrapped" in favor of a less expensive Internet-based system.

FINDINGS: DETERMINE THE EXTENT TO WHICH FACNET HAS BEEN UTILIZED

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**
SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE
Chapter Three

BY FISCAL YEAR OF ELIGIBLE CONTRACTS

According to contract specialist staff, interim FACNET is being used for eligible procurement actions (procurements in the Commercial sector for amounts between \$2,500 to \$100,000). Due to the inherent statistical reporting limitations in the current computer system, SACONS, there is no way to determine which Small Purchase transactions were conducted via FACNET. Since reviewing 100% of Small Purchase transactions was not feasible and required use of FACNET is no longer mandatory, a definitive statement on the extent of FACNET utilization cannot be made.

CONCLUSION

The Commission should support the current government-wide move to completely eliminate the use of FACNET in its current form and move toward conducting electronic commerce on the Internet.

OBJECTIVE E

Evaluate the efficiency and effectiveness of the invoice approval and payment process for both Micro-Purchase and Small Purchase acquisitions.

FINDINGS

At ITC, invoices are generally approved by the requester of the service (another department representative familiar with the requisition may approve for the requester as an alternate). Invoice payment and recording are performed in the Finance Division. Since the procurement has been approved in advance, the Finance Division obtains the approval for payment from the requester as an acknowledgment of receipt and satisfaction for the goods or services provided.

Before an invoice can be paid by ITC, the procured goods or services being invoiced need to be recorded as an obligation on the accounting system. To record the obligation, a contract specialist employee sends copies of each procurement award to the Finance Division. In instances where a BPA is used for the procurement, the BPA is assigned an award value by Procurement for recognition in the accounting system as an obligated amount.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

As invoices are received by the Commission, they are routed to the Finance Division. When received by the Finance Division, the invoices are date-stamped and the information of the invoice is recorded onto a management information database. Each invoice is assigned a number (“Log Number”) for tracking purposes. The management information database contains log numbers as an identification tool in locating the invoice upon inquiry. The management information database serves two purposes: to maintain centralized tracking of invoices received, not yet approved, and to facilitate the creation of federally mandated “Prompt Payment” reports. (The Prompt Payment report is used to notify OMB of the results of the Commission’s compliance to the 30-day prompt payment regulation.) Once the invoice is recorded into the management information database, a copy of the invoice is made and sent to the requesting Division for approval and acknowledgment of receipt and satisfaction for the goods or services provided.

Upon receipt of invoices from the Finance Division, employees who are responsible for approving the invoice will ensure the invoice accuracy by one of three reconciliation means:

- A. review the invoice transactions for reasonableness of amount, and probability of goods or services receipt;
- B. verify specific details of the invoice transactions to internal documentation to ensure the goods or services provided are received and accurately invoiced; or
- C. use a combination of A or B above.

Once the employee is satisfied that the invoice is accurate, a signature is applied. Examples of using invoice reconciliation, letter A above, were observed only in instances of high volume small dollar transactions; i.e., more than 30 transactions per month with each transaction less than \$20.

A file of the original invoices awaiting approval is maintained. As each approved invoice copy is received, the original invoice is pulled from the file for further processing. Periodically, this file is reviewed to ascertain if any invoices out for approval are reaching the 30-day prompt payment deadline. Once these stale outstanding invoices are identified, the Finance Division pursues the requesting Division for a status on the invoice (i.e., seeks approval to pay).

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

In the Finance Division, although the accounting system could be utilized, an approved invoice is physically matched to each Procurement award form to ensure the obligation has already been recorded. However, the physical matching is considered quicker to perform than a system verification, and therefore is a more efficient means of reconciliation. In addition, all physical forms are periodically reconciled to the accounting system to ensure integrity of the accounting system data, and as a by-product, the integrity of the physical forms.

CONCLUSIONS

The process for invoice approval and payment outside of the Finance Division is streamlined. (Usually only one person from the requesting Division is required to approve the invoice.) This person's signature provides proper acknowledgment of receipt and satisfaction for the goods or services provided. No other paperwork is required to be completed by persons outside of the Finance Division.

However, the invoice reconciliation process employed by employees who are responsible for approving invoices is inconsistent. Not all invoices received by the Commission are thoroughly verified to internal supporting documentation to validate both the receipt of goods and services and the accuracy of the amount billed.

With respect to the practices maintained in the Finance Division, there will be limited opportunities to streamline processes without addressing the adequacy and efficiency of the accounting system in place. Without conducting a full assessment of the potential of the accounting system in operation and its feasible alternative systems available in the marketplace, the process of identifying streamlining of accounting recordkeeping and processing is confined to the manual practices in place.

Two labor-intensive practices have been observed: (1) maintaining a database of invoices received and (2) the manual verification of invoices to the award forms. The practice of maintaining a management information database can be defended as necessary due to the current deficiencies of the accounting system. The manual verification practice is only used as an alternative to the online system verification process. Since a full reconciliation of the system to the manual forms is performed, the risk of finding dissimilar information from one method versus the other is diminished.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

The other manual practice observed in reviewing the process pertains to the full reconciliation of the accounting system to the manual award forms and invoices. This process is not associated with the efficiency or effectiveness of the invoice payment and approval process. Since further examination into the processes employed in the accounting area is beyond the scope of this review, a final conclusion as to the need or efficiency of having the full reconciliation in place is deferred.

The efficiency and effectiveness of the integration of accounting system data and procurement system data need to be examined to determine better solutions for sharing information. This process may require an examination of the accounting system in detail and comparing it to other accounting system alternatives available in the marketplace.

OBJECTIVE F

Identify ways in which the Commission could further streamline the procurement process for Small Purchases between \$2,500 and \$100,000.

CONCLUSIONS

As stated previously under Objective A, the Commission's process for requesting Small Purchase goods and services is generally appropriate in terms of level of control and process. Virtually all Small Purchases are made by the contract specialist staff. Their knowledge of, and adherence to, the FAR makes this the strongest of the three phases of the Commission procurement processes reviewed.

Fundamental to streamlining is an understanding that making changes to ITC's current process goes far beyond simple implementation of FASA-mandated, FAR-regulated, changes to existing procurement law. It requires changes in the way government finance and procurement staff have traditionally conducted their business. For this reason, policies that encourage initiative and which demand empowerment must provide the foundation for any institutionalized change. Operating procedures which do anything less than reinforce initiative and employee empowerment will eventually undermine any attempt to streamline.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

RECOMMENDATIONS

We recommend that the Director of Administration:

- 15) if necessary to determine the FAR requirements of obtaining competitive sources for procurements using BPAs, obtain a General Counsel opinion and provide the opinion to PPD staff for implementation;
- 16) require the use of Purchase Cards for the acquisition of Small Purchases whenever feasible and practical;
- 17) adopt a policy to use a paperless, in house request system to prepare, approve, review, and have certify funding for Small Purchases;
- 18) eliminate the requirement for OFB fund certification on Small Purchases;
- 19) eliminate approvals for acquisitions under a predetermined, arbitrary amount, such as \$5,000; and reduce to one, the number of approvals for acquisitions between \$5,000 and \$25,000;
- 20) establish bulk funding for each category of goods and services purchased on a repeat basis;
- 21) require the use of automated procedures in the review approval, and funding certification processes for Small Purchases;
- 22) determine which types of acquisitions could be more effectively and efficiently transacted with VISA checks prior to the time VISA checks become available;
- 23) establish minimum dollar thresholds for which transactions are subject to full verification;
- 24) provide guidelines for appropriate methods to review invoices; and
- 25) establish the specific types of internal documentation to be examined in the verification process (e.g., packing slips, service receipt forms, control logs, price lists, etc.).

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES**

SECTION IV: FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS BY OBJECTIVE

Chapter Three

COMMISSION COMMENTS

The Director of Administration generally agreed to Recommendation 15 and agreed to Recommendations 18, 19, and 20 with reservations.

Recommendation 16, to increase the use of Purchase Cards, was revised to eliminate the specific goal; however, we believe that following the recommendations herein will increase Purchase Card use. Current literature points to a goal in most agencies for a 90% use of Purchase Cards.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
APPENDIX**

APPENDIX

OVERVIEW OF SELECTED AGENCIES' PURCHASE CARD PROGRAMS

Following is a brief overview of each of the four other agency Purchase Card systems reviewed. Information was obtained by telephone interview and in most instances confirmed by reviewing supporting agency documentation. The U.S. Federal Trade Commission (FTC) was selected as a small (under 1,000 employee) commission and the U.S. Coast Guard was selected because of the positive comments about their program observed in GAO's report. NASA invited questions through its Internet web site and professional contacts provided access to the U.S. Department of Justice. Their practices are summarized as follows (an asterisk (*) is placed next to those practices which have been evaluated as a "best practice"):

NASA-KENNEDY SPACE FLIGHT CENTER

Card Issuance*: Requires Cardholder training prior to Card issuance.

Card Use:

- Bulk Funding*: Involving the commitment of funds for the entire year is required. September 15 is cut-off date for Card use.
- Purchase Request: A Credit Card Purchase Request (similar to ITC's Credit Card Authorization form) signed by an Approving Official is submitted to Cardholder by e-mail, fax or hard copy.
- Cardholder Screening: Credit Card Purchase Request form is screened by the Cardholder to (1) determine fund availability and (2) verify that requested item constitutes an authorized purchase.
- Procurement Screening: Procurement reviews request to determine whether item is available from required sources.
- Purchase Items: In accordance with RMBCS contract.
- Receipt of Purchase: Inspect to ensure conformance with specifications and arrange for inventorying of controlled items.

Card Reconciliation:

- Reconciliation Schedule: NASA has an established schedule for reconciliation of SOAs. Five days each for Cardholder and Approving Official reviews.
- Reconciliation Process*: When the statement is correct, the Cardholder signs, the Approving Official signs, and the SOA is forwarded for payment.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
APPENDIX**

Miscellaneous:

- Average dollar value per transaction is \$350.
- * Cardholders track available funds via computerized telephone log of Purchase Card purchase.
- * Only procurement uses the Purchase Cards for transactions greater than \$2,500.
- * Procurement will not accept purchase requests under \$2,500 that can be made with the Card.
- The Agency Program Coordinator is part of agency procurement staff.

**U.S. DEPARTMENT OF TRANSPORTATION:
U.S. COAST GUARD BRANCH:**

Card Issuance: Not discussed

Card Use:

- Bulk Funding*: Is used routinely.
- Purchase Request*: (1) over the counter purchase - Cardholder signs charge slip and retains in personal files for account reconciliation purposes; (2) telephone purchases; a telephone order form is completed to provide an accountable record; form is maintained by Cardholder for account reconciliation purposes.

Card Reconciliation*: When statement is correct, procedures indicate that sales slip or telephone log should be attached. Telephone interview of person responsible for Coast Guards Purchase Card program indicated that this is not done in practice; i.e., no documentation is the norm.

Miscellaneous:

- * The typical Coast Guard Purchase Card transaction is an over the counter purchase (No purchase requisition and Approving Official signature is required). SOAs are reviewed and signed by both Cardholder and the Approving Official prior to submission for payment.* This is normally the only approval in the process.
- Multiple Cards are issued to those Card users who are required to purchase from various accounting codes; i.e., a Card for each code to accommodate bulk funding limitations.
- * The Agency Program Coordinator is Agency Procurement Staff.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
APPENDIX**

U.S. DEPARTMENT OF JUSTICE:

Card Issuance*: Requires certification of completed training of both Cardholder and Approving Official prior to Card issuance.

Card Use:

- Bulk Funding*: Bulk funding is recommended and is being used increasingly.
- Purchase Request*: Formal Purchase Requisition is not required; however, some form of initiating documentation is required; e.g., memo, e-mail. No approvals are required.
- Purchase Items: Cardholder prepares the Purchase Card purchase request and obtains Approving Officials signature unless this level of approval is waived* via written policy statement of the Cardholder organization.
- Receipt of Goods*: Is verified against order, accountable property is inventoried pursuant to agency regulations.

Reconciliation:

Procedures require that correct statements be reviewed and signed by Cardholders who submit them with support documentation to their Approving Officials. In practice, many organizations waive the requirement for support documentation via written policy.

Miscellaneous:

- * Maximum single purchase limit for Cardholders who do not have contracting officer authority is \$2,500.
- * APC (Agency Purchase Card Program Coordinator) is located in procurement.
- * DOJ Purchase Card program relies on built-in system controls; i.e., single and monthly purchase limits and merchant activity codes established by RMBCS.

**THREE-PART REVIEW OF USITC'S IMPLEMENTATION OF
SIMPLIFIED ACQUISITION PROCEDURES
APPENDIX**

U.S. FEDERAL TRADE COMMISSION

Card Issuance*: Training is required prior to Card issuance.

Card Use:

- Bulk Funding*: Is preferred method of funding; September 12 is last day for use of Purchase Cards.
- Purchase Request*: Official procurement request document is not required.
- Purchase Item*: Request is documented in automated log which provides a record of the transactions and tracks fund availability. Supervisory (Approving Official) approval is not required but may be used at supervisor's option.

Statement Reconciliation: when the Statement is correct, (1) Cardholder reconciles, signs, attaches supporting documentation, and submits to Approving Official; or (2)* attaches computerized log of purchases that contains necessary budget codes and signs Statement.

Approving Official reviews documents, signs Statement, and submits documentation for payment.

Miscellaneous:

- FY 1997 Purchase Card transactions total 2,400.
- Average dollar value prior transaction is \$200.
- FTC has approximately 900 employees of which between 6 and 7% are Cardholders (approximately 60).
- Procurement staff totals 4; i.e., Grade 13, 12, 8, and a clerk.

U.S.I.T.C.

Exhibit 1

Purchase Card Authority as of 7/31/97 per RMBCS					Revised: as of 9/5/97	
<i>Approving Official & Job Title</i>	<i>CARDHOLDERS as Noted on Exhibit 5</i>	<i>CARDHOLDERS Title</i>	Single Purchase Limit	30-Day Spending Limit	Single Purchase Limit	30-Day Spending Limit
Chief of Planning and Procurement Division	1997 Cardholder # 3	Senior Contract Specialist	\$ 25,000.00	\$ 50,000.00	\$ 100,000.00	\$ 100,000.00
	1997 Cardholder # 8	Contract Specialist 1	\$ 25,000.00	\$ 50,000.00	\$ 100,000.00	\$ 100,000.00
	1997 Cardholder # 9	Contract Specialist 2	\$ 25,000.00	\$ 50,000.00	\$ 25,000.00	\$ 50,000.00
Chief of Facilities Support Division	1997 Cardholder # 5	Management Analyst	\$ 5,000.00	\$ 25,000.00	\$ 2,500.00	\$ 25,000.00
	1997 Cardholder # 10	Support Services Specialist	\$ 2,500.00	\$ 3,000.00	\$ 2,500.00	\$ 3,000.00
Chief of Publishing Division	1997 Cardholder # 7	Visual Design Specialist	\$ 2,500.00	\$ 10,000.00	\$ 2,500.00	\$ 10,000.00
Director of the Office of Information Services	1997 Cardholder # 1	Secretary	\$ 2,500.00	\$ 7,500.00	\$ 2,500.00	\$ 7,500.00
	1997 Cardholder # 12	Chief of Main Library Services	\$ 2,500.00	\$ 5,000.00	\$ 2,500.00	\$ 5,000.00
Chief of Main Library Services	1997 Cardholder # 11	Librarian (Main Library)	\$ 5,000.00	\$ 20,000.00	\$ 2,500.00	\$ 20,000.00
Chief of Information Systems Division	1997 Cardholder # 6	Computer Specialist	\$ 2,500.00	\$ 10,000.00	\$ 2,500.00	\$ 10,000.00
Secretary to the Commission	1997 Cardholder # 2	Staff Assistant to the Secretary	\$ 500.00	\$ 2,500.00	\$ 500.00	\$ 2,500.00
Law Librarian	1997 Cardholder # 4	Librarian (Law Library)	\$ 3,000.00	\$ 15,000.00	\$ 2,500.00	\$ 15,000.00

Purchase Card Usage as of 7/31/97 per RMBCS									
CARDHOLDERS	CARDHOLDERS Title	Single	30-Day	Average number* of		Average \$ Amount*		Average \$ Amount	
		Purchase	Spending	Transactions per Month		Charged per Month		of Each Purchase	
		Limit	Limit	1997	1996	1997	1996	1997	1996
1997 Cardholder # 3	Senior Contract Specialist	\$ 25,000.00	\$ 50,000.00	1.6	N/A	\$ 734.53	N/A	\$ 459.08	N/A
1997 Cardholder # 8	Contract Specialist 1	\$ 25,000.00	\$ 50,000.00	4.7	N/A	\$ 6,052.44	N/A	\$ 1,296.95	N/A
1997 Cardholder # 9	Contract Specialist 2	\$ 25,000.00	\$ 50,000.00	9.6	4.2	\$ 7,648.17	\$ 3,917.36	\$ 796.68	\$ 940.17
1997 Cardholder # 5	Management Analyst	\$ 5,000.00	\$ 25,000.00	1.7	3.0	\$ 663.51	\$ 574.61	\$ 390.30	\$ 574.61
1997 Cardholder # 10	Support Services Specialist	\$ 2,500.00	\$ 3,000.00	2.6	1.3	\$ 524.58	\$ 288.82	\$ 201.76	\$ 231.06
1997 Cardholder # 7	Visual Design Specialist	\$ 2,500.00	\$ 10,000.00	0.3	N/A	\$ 328.33	N/A	\$ 985.00	N/A
1997 Cardholder # 1	Secretary	\$ 2,500.00	\$ 7,500.00	5.0	1.8	\$ 2,660.55	\$ 1,139.17	\$ 532.11	\$ 632.87
1997 Cardholder # 12	Chief of Main Library Services	\$ 2,500.00	\$ 5,000.00	3.4	2.3	\$ 667.04	\$ 426.80	\$ 196.19	\$ 182.91
1997 Cardholder # 11	Librarian (Main Library)	\$ 5,000.00	\$ 20,000.00	36.9	24.7	\$ 8,524.05	\$ 4,842.55	\$ 231.00	\$ 196.32
1997 Cardholder # 6	Computer Specialist	\$ 2,500.00	\$ 10,000.00	0.2	0.4	\$ 468.58	\$ 750.93	\$ 2,342.91	\$ 1,752.16
1997 Cardholder # 2	Staff Assistant to the Secretary	\$ 500.00	\$ 2,500.00	0.9	1.8	\$ 214.69	\$ 321.54	\$ 238.55	\$ 175.38
1997 Cardholder # 4	Librarian (Law Library)	\$ 3,000.00	\$ 15,000.00	11.2	7.9	\$ 7,175.18	\$ 4,166.04	\$ 640.64	\$ 526.24
		COMMISSION WIDE **		78.1	55.0	\$ 34,925.08	\$ 17,725.12	\$ 450.65	\$ 352.74
				* Average computed for months when employee was a cardholder					
				** Includes transactions from departed cardholders					
				N/A - Employee was not a Cardholder during the fiscal period					

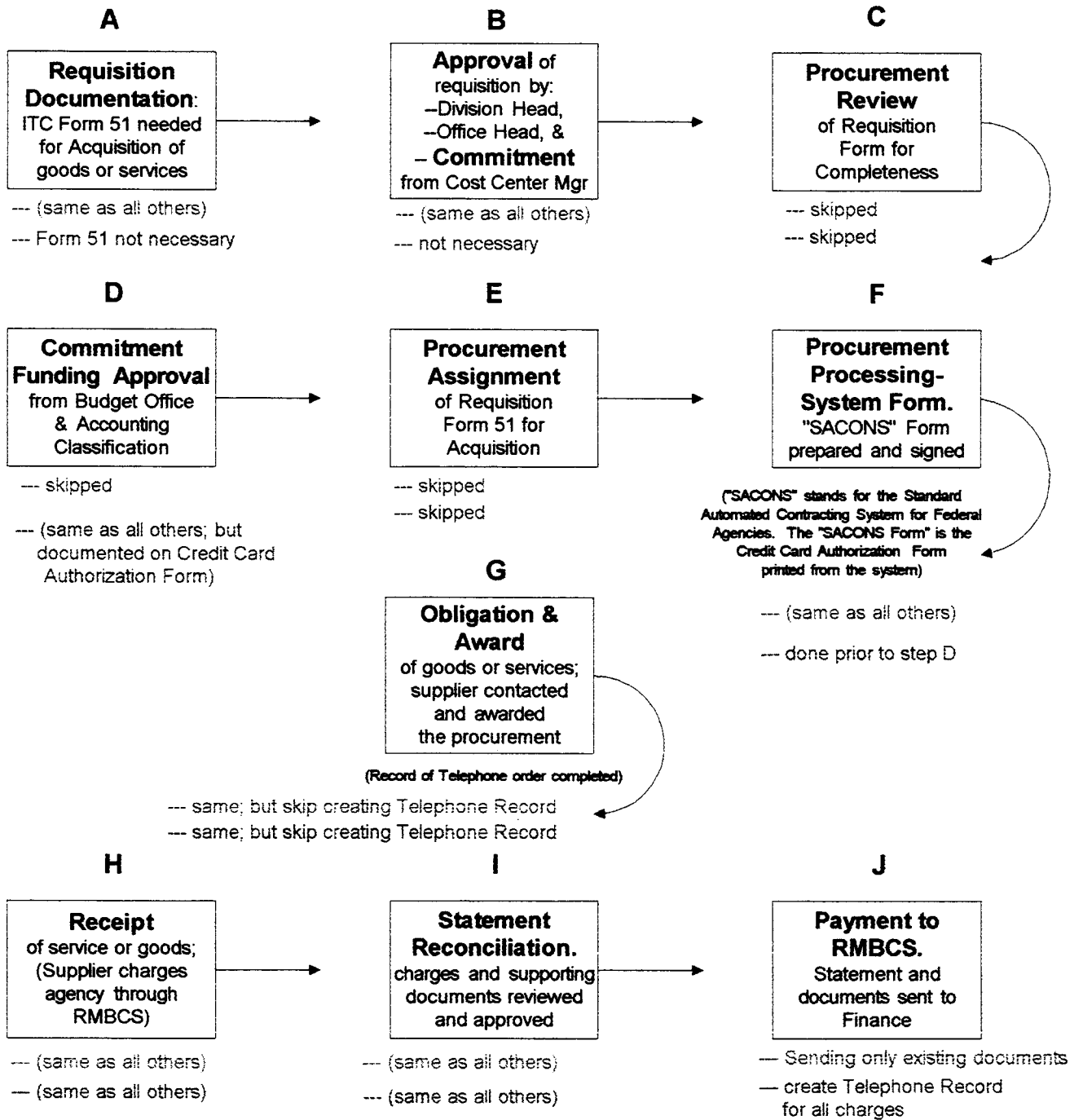
**United States
International Trade Commission**

ITC PURCHASE CARD ACQUISITION PROCESS

Stages of a Requisition for goods or services paid for by the Governmentwide IMPAC* Card as used by all ITC Cardholders; note Law Library and Main Library Cardholder variations

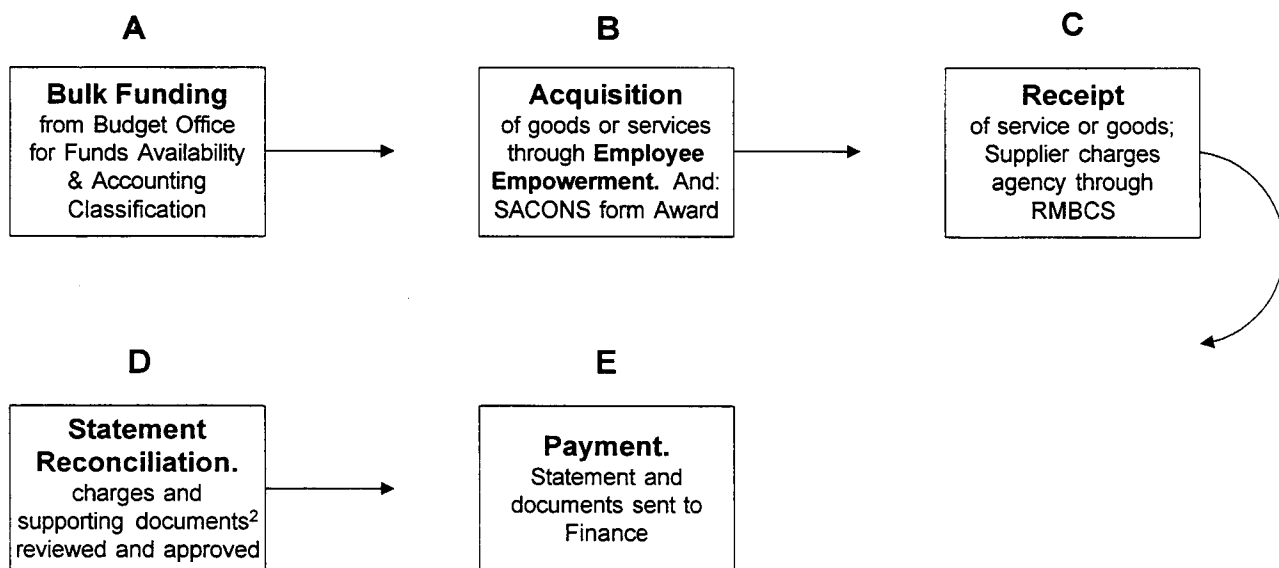
*IMPAC = International Merchant Purchase Authorization Card or "Purchase Card" issued by RMBCS (Rocky Mountain BankCard System company)

--- (TOP) Law Library Variation
--- (BOTTOM) Main Library Variation



**United States
International Trade Commission**

Proposed Stages
of a Requisition for goods or services
paid for by Government Wide IMPAC¹ Card
for ITC Cardholders



¹ IMPAC = International Merchant Purchase Authorization Card or "Purchase Card" issued by issued by the Rocky Mountain BankCard System company (RMBCS)

² Supporting documents would consist of information concerning items purchased, paid receipts, and evidence of receipt

Cardholders'
Monthly
Usage

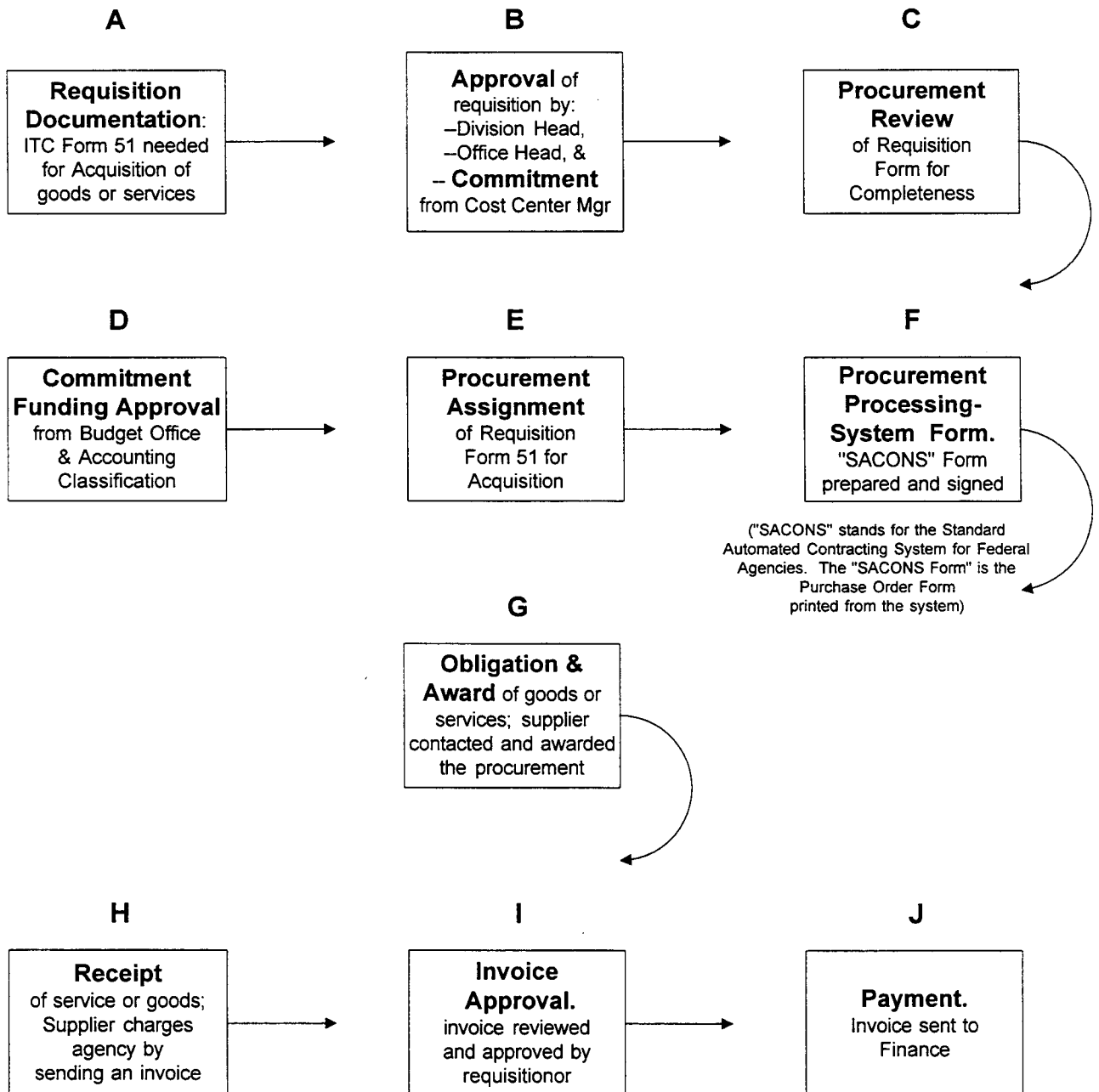
		Monthly			1997 FISCAL YEAR TO DATE			
CARDHOLDERS \$		Purchase Average *	Average \$ of Purchase	Fiscal Year \$ TOTALS	Jul-97	Jun-97	May-97	Apr-97
1997 Cardholder # 1		\$ 2,660.55	\$ 532.11	\$ 26,605.48	\$ 1,206.00	\$ 2,497.99	\$ 1,317.82	\$ 4,870.83
1997 Cardholder # 2		\$ 214.69	\$ 238.55	2,146.91	189.00	-	625.95	(4.92)
1997 Cardholder # 3		\$ 734.53	\$ 459.08	7,345.29	-	135.00	-	-
1997 Cardholder # 4		\$ 7,175.18	\$ 640.64	71,751.81	11,940.99	4,250.20	3,124.03	7,198.52
1997 Cardholder # 5		\$ 663.51	\$ 390.30	6,635.08	171.53	1,365.30	285.18	68.52
1997 Cardholder # 6		\$ 468.58	\$ 2,342.91	4,685.81	-	-	-	-
1997 Cardholder # 7		\$ 328.33	\$ 985.00	1,970.00	1,970.00	-	-	-
1997 Cardholder # 8		\$ 6,052.44	\$ 1,296.95	54,471.99	17,408.64	4,663.29	2,824.99	15,871.00
1997 Cardholder # 9		\$ 7,648.17	\$ 796.68	76,481.69	9,675.39	10,350.94	4,982.75	14,886.89
1997 Cardholder # 10		\$ 524.58	\$ 201.76	5,245.80	701.31	-	470.74	211.50
1997 Cardholder # 11		\$ 8,524.05	\$ 231.00	85,240.51	13,639.55	8,680.63	6,338.58	6,031.81
1997 Cardholder # 12		\$ 667.04	\$ 196.19	6,670.41	24.99	-	-	-
	TOTAL	\$ 34,925.08	\$ 450.65	\$ 349,250.78	\$ 56,927.40	\$ 31,943.35	\$ 19,970.04	\$ 49,134.15
* Average computed for months when employee was a cardholder								
		Months	Average # of		1997 FISCAL YEAR TO DATE			
CARDHOLDERS #		Card Held	Purchases Per Month *	Fiscal Year # TOTALS	Jul-97	Jun-97	May-97	Apr-97
1997 Cardholder # 1		10	5.0	50	3	5	3	10
1997 Cardholder # 2		10	0.9	9	1	0	2	0
1997 Cardholder # 3		10	1.6	16	0	1	0	0
1997 Cardholder # 4		10	11.2	112	18	2	9	10
1997 Cardholder # 5		10	1.7	17	2	3	1	2
1997 Cardholder # 6		10	0.2	2	0	0	0	0
1997 Cardholder # 7		6	0.3	2	2	0	0	0
1997 Cardholder # 8		9	4.7	42	7	4	9	3
1997 Cardholder # 9		10	9.6	96	7	11	7	16
1997 Cardholder # 10		10	2.6	26	3	0	2	1
1997 Cardholder # 11		10	36.9	369	42	33	38	37
1997 Cardholder # 12		10	3.4	34	1	0	0	0
	TOTAL		78.1	775	86	59	71	79
* Average computed for months when employee was a cardholder								

**United States
International Trade Commission**

**ITC MICRO-PURCHASE and SMALL PURCHASE
ACQUISITION PROCESS**

Stages of a Requisition for goods or services paid for by a **Purchase Order, BPA, or Delivery Order** throughout the agency (other than the Libraries)

(BPA meaning a blanket purchase agreement)

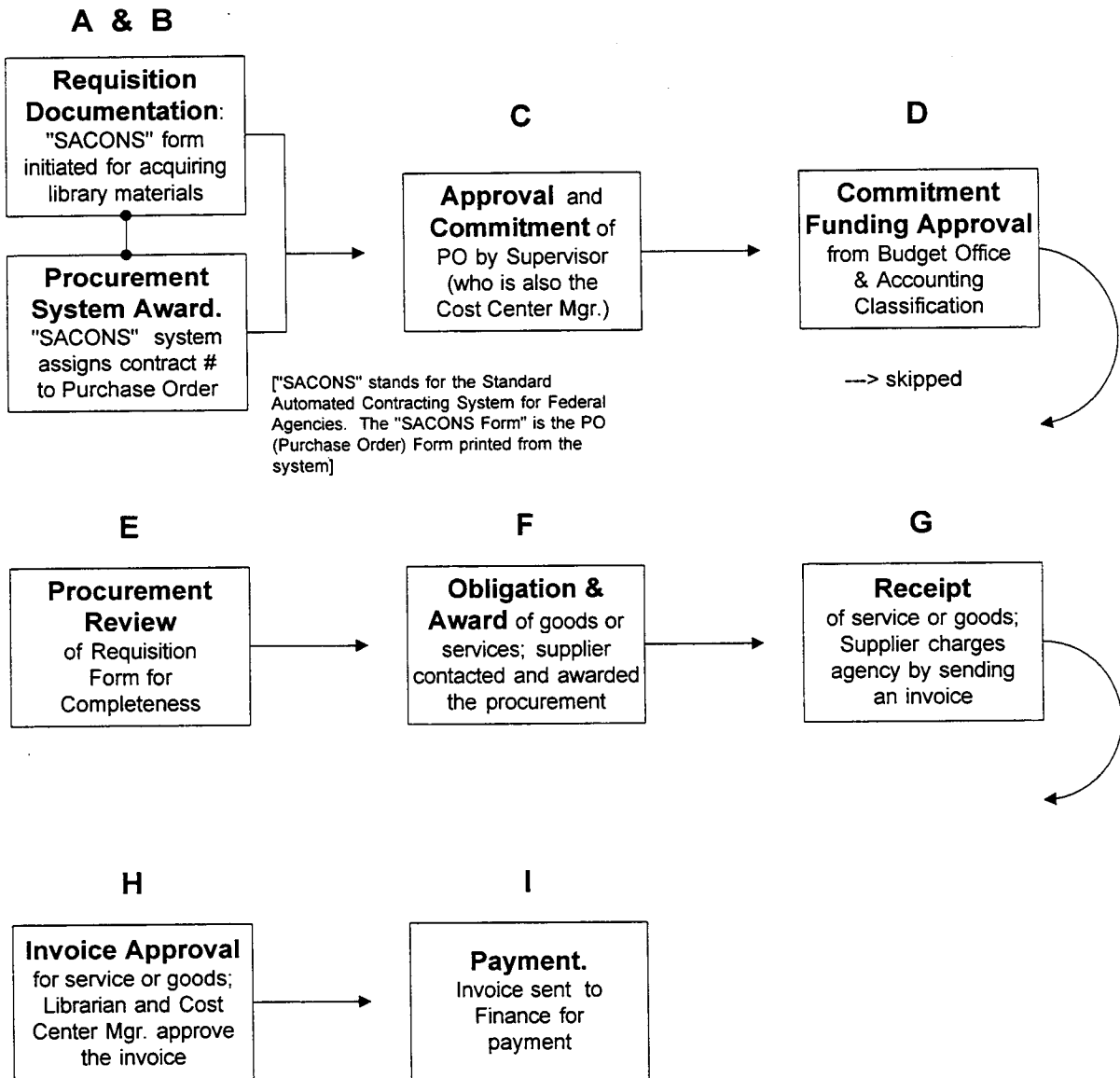


**United States
International Trade Commission**

**ITC LIBRARIES' MICRO-PURCHASE and SMALL PURCHASE
ACQUISITION PROCESS**

Stages of a Requisition for goods or services paid for by a
Purchase or Delivery Order in the
Libraries (Main and Law)

--> Law Library Variation noted; see instance



Cardholders'
Monthly
Usage

		Monthly		1996 FISCAL YEAR					
		Purchase	Average \$ of	Fiscal Year					
CARDHOLDERS \$		Average *	Purchase	\$ TOTALS	Sep-96	Aug-96	Jul-96	Jun-96	
1996 Cardholder # 1		\$ 2,724.83	\$ 394.38	29,973.15	N/A	67.21	406.57	4,980.38	
1996 Cardholder # 2		\$ 1,139.17	\$ 632.87	5,695.86	2,547.10	3,148.76	-	-	
1996 Cardholder # 3		\$ 321.54	\$ 175.38	1,929.22	408.40	447.30	1,066.17	7.35	
1996 Cardholder # 4		\$ 82.42	\$ 92.72	741.77	N/A	N/A	N/A	92.97	
1996 Cardholder # 5		\$ 4,166.04	\$ 526.24	49,992.50	6,363.95	3,487.25	5,068.08	10,006.00	
1996 Cardholder # 6		\$ 574.61	\$ 574.61	1,723.83	11.33	1,471.92	240.58	N/A	
1996 Cardholder # 7		\$ 750.93	\$ 1,752.16	5,256.49	-	-	2,481.49	-	
1996 Cardholder # 8		\$ 736.47	\$ 409.15	3,682.36	N/A	N/A	N/A	N/A	
1996 Cardholder # 9		\$ 3,917.36	\$ 940.17	\$ 47,008.26	\$ 2,358.15	\$ 7,388.88	\$ 3,317.94	\$ 4,297.70	
1996 Cardholder # 10		\$ 288.82	\$ 231.06	3,465.84	566.38	410.17	995.75	58.95	
1996 Cardholder # 11		\$ -	None	-	N/A	N/A	N/A	N/A	
1996 Cardholder # 12		\$ 4,842.55	\$ 196.32	58,110.62	10,902.66	3,580.37	6,174.46	5,647.39	
1996 Cardholder # 13		\$ 426.80	\$ 182.91	5,121.56	908.36	821.46	-	57.40	
1996 Cardholder # 14		\$ -	None	-	N/A	N/A	N/A	N/A	
TOTAL		\$ 17,725.12	\$ 352.74	\$ 212,701.46	\$ 24,066.33	\$ 20,823.32	\$ 19,751.04	\$ 25,148.14	
		* Average computed for months when employee was a cardholder							
		Months		1996 FISCAL YEAR					
		Card	Average # of	Fiscal Year					
CARDHOLDERS #		Held	Purchases Per Month *	# TOTALS	Sep-96	Aug-96	Jul-96	Jun-96	
1996 Cardholder # 1		11	6.9	76	N/A	1	3	7	
1996 Cardholder # 2		5	1.8	9	6	3	0	0	
1996 Cardholder # 3		6	1.8	11	2	4	4	1	
1996 Cardholder # 4		9	0.9	8	N/A	N/A	N/A	1	
1996 Cardholder # 5		12	7.9	95	24	8	11	10	
1996 Cardholder # 6		3	1.0	3	1	1	1	N/A	
1996 Cardholder # 7		7	0.4	3	0	0	1	0	
1996 Cardholder # 8		5	1.8	9	N/A	N/A	N/A	N/A	
1996 Cardholder # 9		12	4.2	50	3	9	1	3	
1996 Cardholder # 10		12	1.3	15	3	3	2	1	
1996 Cardholder # 11		6	0.0	0	N/A	N/A	N/A	N/A	
1996 Cardholder # 12		12	24.7	296	45	33	34	26	
1996 Cardholder # 13		12	2.3	28	3	2	0	2	
1996 Cardholder # 14		3	0.0	0	N/A	N/A	N/A	N/A	
TOTAL			55.0	603	87	64	57	51	
		* Average computed for months when employee was a cardholder							

Cardholders'
Monthly
Usage

CARDHOLDERS \$	May-96	Apr-96	Mar-96	Feb-96	Jan-96	Dec-95	Nov-95	Oct-95	
1996 Cardholder # 1	5,445.17	6,049.43	2,366.25	2,282.19	(50.40)	1,620.65	(7.05)	6,812.75	
1996 Cardholder # 2	-	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
1996 Cardholder # 3	-	-	N/A	N/A	N/A	N/A	N/A	N/A	
1996 Cardholder # 4	450.00	-	38.12	43.77	116.91	-	-	-	
1996 Cardholder # 5	7,054.34	3,868.57	4,156.94	2,270.00	1,459.00	3,094.00	195.00	2,969.37	
1996 Cardholder # 6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
1996 Cardholder # 7	-	2,775.00	-	N/A	N/A	N/A	N/A	N/A	
1996 Cardholder # 8	N/A	N/A	N/A	(120.50)	97.95	528.00	(172.54)	3,349.45	
1996 Cardholder # 9	\$ 1,826.81	\$ 3,571.34	\$ 1,130.17	\$ 3,143.66	\$ 1,820.00	\$ 6,103.01	\$ -	\$ 12,050.60	
1996 Cardholder # 10	355.68	921.00	24.23	133.68	-	-	-	-	
1996 Cardholder # 11	N/A	N/A	-	-	-	-	-	-	
1996 Cardholder # 12	2,859.11	8,405.99	4,414.77	5,870.24	1,060.91	6,305.17	684.05	2,205.50	
1996 Cardholder # 13	-	-	-	-	1,400.00	576.56	669.24	688.54	
1996 Cardholder # 14	N/A	N/A	N/A	N/A	N/A	N/A	-	-	
TOTAL	\$ 17,991.11	\$ 25,591.33	\$ 12,130.48	\$ 13,623.04	\$ 5,904.37	\$ 18,227.39	\$ 1,368.70	\$ 28,076.21	
CARDHOLDERS #	May-96	Apr-96	Mar-96	Feb-96	Jan-96	Dec-95	Nov-95	Oct-95	
1996 Cardholder # 1	14	15	9	5	1	3	1	17	
1996 Cardholder # 2	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
1996 Cardholder # 3	0	0	N/A	N/A	N/A	N/A	N/A	N/A	
1996 Cardholder # 4	1	0	2	2	2	0	0	0	
1996 Cardholder # 5	9	6	9	3	1	4	1	9	
1996 Cardholder # 6	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
1996 Cardholder # 7	0	2	0	N/A	N/A	N/A	N/A	N/A	
1996 Cardholder # 8	N/A	N/A	N/A	0	1	2	1	5	
1996 Cardholder # 9	5	3	4	3	2	7	0	10	
1996 Cardholder # 10	2	1	1	2	0	0	0	0	
1996 Cardholder # 11	N/A	N/A	0	0	0	0	0	0	
1996 Cardholder # 12	20	32	39	19	5	19	8	16	
1996 Cardholder # 13	0	0	0	0	1	3	9	8	
1996 Cardholder # 14	N/A	N/A	N/A	N/A	N/A	0	0	0	
TOTAL	51	59	64	34	13	38	20	65	



UNITED STATES INTERNATIONAL TRADE COMMISSION

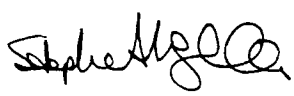
WASHINGTON, DC 20436

February 13, 1998

MEMORANDUM

AD-V-14

TO: Inspector General

FROM: Director, Office of Administration 

SUBJECT: Draft Report: Three-Part Review of Commission's Implementation of Simplified Acquisition Procedures

After having reviewed the subject draft, in general I accept your recommendations on the simplified acquisitions process. As a general matter, the report thoroughly analyzes and accurately evaluates the existing procedures. My staff and I are in agreement on the goals of working toward streamlining, eliminating unnecessary procedures, and providing room for individual initiative. The emphasis of our efforts is on results over paperwork and is consistent with streamlining legislation.

We were told separately by the audit contractors that the current procurement system "ain't broke" (they said, in fact, that it was "outstanding") and that all of their comments were recommendations on how to improve the system rather than a statement of anything that was inefficient or ineffective. There is no system breakdown. The turnaround time for processing all simplified acquisition purchases (including micropurchases accomplished by any method of procurement) through both the Planning and Procurement Division (PPD) and the Office of Finance and Budget (OFB) is usually a matter of a couple of weeks, a time period that surpasses almost all other Government agencies. While we recognize the good sense of making improvements where we can, an overhaul of the system is not required. Further, changes must occur advisedly and while preserving order in the workflow. A number of different offices are involved in changing policies and procedures; we will ensure that they are a part of the change process.

FY 1996 is the predominant fiscal year studied by the auditors. It is worthy to note that FY 1996 was an unusual year. OFB and PPD were forced to deal with 13 continuing resolutions in FY 1996, and there was an increase in the amount of processing required of both offices. The Commission did not consider FY 1996 as a measurement of comparison for FY 1997 budget decisions and projections, so using it as a basis of comparison in this audit may have distorted results.

The Planning and Procurement Division has purchased a Windows version of a new procurement software system (PRISM), which has just been installed and is not yet incorporated into full use. PRISM replaces the existing DOS-version software, SACONS. The plan is that the PPD staff will use it beginning January 1, 1998, as the primary software (SACONS will be used until PRISM is fully incorporated and then kept as an archive until no longer necessary). Use will be extended to purchase card holders beginning April 1 or July 1, 1998. OFB and PPD have conferred over the feasibility of creating an interface between this new system and the DOI accounting software system. Both companies agree that an interface is achievable. Incorporation of the new system in PPD and among purchase card holders and a comfort level with operating processes and data tracking must be achieved before such an interface will be developed.

My comments on your recommendations follow.

Major Report Recommendations

The major recommendations in your report were that I write an acquisition policy statement and that I ensure that the two procurement-related directives (ITC Directive 3601.1, regarding overall procurement policies and procedures, and ITC Directive 3603, regarding the purchase card program) are streamlined and updated. I agree with these recommendations, but the revisions will be time consuming and require participation of offices other than PPD.

1. Acquisition Policy Statement

My office has participated in processes to streamline procurement and finance and budget policies and procedures for some time now. The Commission, the IG, and several appointed committees have been working to accomplish this task for the past three years. It is very difficult to reach consensus among such diverse players as the Office of Finance and Budget, the Planning and Procurement Division, four Cost Center Managers, and the Commissioners themselves. Further, there are only three people in the procurement staff and one supervisor (who has a major responsibility throughout most of this year in the coordination of the repainting and recarpeting project). Trying to overhaul the process while maintaining the process at the same time is problematic.

Because of the perception that PPD or other offices might not be objective enough to draft a program, I believe that the most objective and efficient way to initiate the suggested changes would be to award a contract to write the Policy Statement that you propose in this report. Then we will circulate it to all appropriate offices for comment and to the Commission for approval. Contracting for a written statement would have many advantages, such as ensuring that management controls and checks and balances are in place to prevent abuse and ignorance of a future system, determining an acceptable level of risk, streamlining our procedures to the extent practical, and requiring contract personnel to review policies and procedures in other agencies similar in size to ITC.

Contract in place date: April 1, 1998

Delivery of draft date: June 1, 1998

Completion of statement ready for coordination: August 1, 1998

2. **Updating Directives**

Upon completion of item 1, I intend to update the two directives, incorporating them into one, which would be a directive on acquisition policy. The new directive will eliminate procedures from the directive format and refer to procedures manuals, which will be written and maintained by the Planning and Procurement Division (the manuals will not be directives). The directive and manuals would reflect current policies and procedures and would change as necessary to incorporate approved changes to the current mode of operation as they evolve. Completion of the updates will depend entirely on the extent of the comments we receive regarding the policy statement and the changes those comments will cause to current processes (item 1).

Policy statement coordination completion date:	October 1, 1998
PPD draft of manuals ready for coordination:	December 1, 1998
Completion date for directives update and manuals:	March 1, 1998

Other Report Recommendations

3. **Blanket Purchasing Agreements**

We will proceed with your recommendation to seek an opinion from the Office of General Counsel (OGC) on the manner in which BPAs are initiated, funded, processed, and competed. There is disagreement among procurement staff members on this issue, and the disagreement is mostly a matter of interpretation of regulations and a knowledge of other agency practices. The request for opinion will be forwarded to OGC by March 1.

4. **Issues Related to Purchase Cards**

a. **Process for requesting micropurchases.**--Streamlining the processing of micropurchasing while not eliminating statutory necessities (such as written verification of funding) is a desirable goal. In the short run, PPD will be incorporating a new software program in its processing. If the software proves as effective as promised, electronic processing will be easier and changes in procedures could occur faster. PPD will work toward this end, but PPD will not eliminate paperwork they deem as necessary.

b. **Initial training of purchase card holders and approving officials.**--There is a policy in effect for training Purchase Card Holders and Approving Officials; the policy calls for a minimum of one purchase card course and on-the-job training by procurement staff on how to process the paperwork on credit card purchases. However, this policy is not formalized in any official document. We will state this policy in the procedures manual yet to be approved.

c. **On-going training.**--A policy related to the on-going training of purchase card holders by in-house procurement personnel and through other sources will be written into the procurement procedures manual.

d. **Personnel separation checklists.**--In writing the procurement procedures manual, PPD will coordinate with the Office of Personnel to add to the separation checklist a space for certification that purchase cards have been surrendered.

e. **Cancellation of authorities.**--PPD will ensure that cancellation of the authority held by purchase card holders and approving officials occur at the appropriate times and that new delegations are made appropriately.

f. **Use of RMBCS (Rocky Mountain Bankcard System) Codes to limit purchasing authority.**--Using RMBCS Activity Codes¹ to limit card holders in their purchasing authority has been tried in the Commission and found to be a barrier in the purchasing process. The Commission is such a small agency that the purchase card holders communicate frequently with the procurement staff and each other; also the procurement staff monitors carefully purchase card use. There has been no discernible abuse of purchasing authority so far, and in the past, when we did use the codes, they worked to our disadvantage. A past use of RMBCS Codes caused one purchase card holder great inconvenience when she used Government travel funds to go out of the building to pick up an item that was needed in a hurry. Though the vendor would accept Government purchase cards, the card holder's card was coded to be unable to pay duty charges on the item. The card holder had to come back to the building, lose a day's time (when the item was needed immediately by the program office) to rectify the inability to use her card, and make an additional trip to the site to pick up the item.

Cards are automatically coded to prevent purchase of certain items (such as alcoholic beverages). Giving the card holder great variety in purchasing categories is empowering the employee. No problem exists with the present system; we feel that this should not change unless future problems surface.

g. **Bulk funding and commitment authority.**--Initiating a system of bulk funding for purchase card holders is an issue that must be coordinated through different staff offices, particularly OFB, and the Commission. These issues should be addressed as part of the acquisition policy statement to be contracted for (see item 1) and coordinated with appropriate offices before changes can occur. Obviously, the suggestion to eliminate paperwork (specifically the ITC Form 51) cannot be accomplished until new policies are in place. Your suggestion to permit employees to self-initiate purchase orders is more than a micropurchase suggestion and would permit such employees to become unwarranted contracting officers; we will not implement this suggestion.

h. **Data tracking on procurement software.**--We will examine and consider your recommendation to eliminate the requirement to enter credit card purchases onto the automated procurement system (p. 30). However, tracking of data on procurement software is essential in order to monitor the purchase card program in general and to maintain a statistical database for reporting purposes. This step in the process may not be eliminated by any purchase card holders without an alternative to gather statistics,

¹ RMBCS Activity Codes are codes that define categories of types of purchases that can be made on each purchase card and are electronically defined on each card. Hence the card cannot be used to purchase certain items (such as alcoholic beverages and airplane tickets).

though the process will change as the conversion to a new procurement software system advances.

i. **Periodic validations.**--While the policies on periodic validations may not be written in detail, the Chief, PPD, assigned periodic validation of the performance of purchase card holders to the FAR Oversight Officer, a contract specialist in PPD. It is his responsibility to monitor the people and paperwork in the Purchase Card Program at least once a year.

j. **Submission of supporting documentation to OFB.**--I agree that we could eliminate the need for supporting documentation attachments to accompany the reconciliation report submitted to the Office of Finance and Budget each month. This action could not be accomplished without coordinating it among affected offices.

5. **VISA Checks**

VISA checks will not be available for Government use until November 1998 at the earliest. At that time, PPD will look into the use of such checks. They appear to be a way to virtually eliminate Blanket Purchasing Agreements and to further reduce the use of Purchase Orders for micropurchases.

6. **Risk Acceptance**

Using purchase card numbers over the Internet and in other areas of electronic commerce is permissible, but the acceptability of such a risk level and the comfort level of the purchase card holder need to be considered. Because the purchase card holder is the obligating official, considerable responsibility rests with them. The agency should not expect purchase card holders to perform any actions that significantly increase the risk of personal liability while acting as the agency's agent.

7. **Increasing Employee Empowerment**

The adoption of bulk funding will achieve the goal of employee empowerment automatically (see item 4g for a discussion of bulk funding). Eliminating approvals for acquisitions under a predetermined arbitrary amount (your suggestion is \$5,000) must be done very carefully. Achieving approvals in an agency as small as the Commission does not present the difficulty that doing the same in the Department of the Navy would. We are safeguarding a process with this approval step without any significant increase in processing time.

8. **Tracking Funds Availability**

Currently, tracking funds availability is the responsibility of the Office of Finance and Budget. Cost Center Managers also must track expenditures in managing their cost centers and ensuring funds availability for the purchases they make, and, to this extent, they may serve as a check on the expenditure tracking of OFB. If Cost Center Managers were given tracking funds availability as the official office of record rather than OFB, they must be able to access the automated accounting system, the system of official record that now resides in OFB. At present, this is not possible.

Tracking funds by OFB (for commitment purposes), by PPD (for the purpose of ensuring funds availability before obligation), and by Cost Center Managers (for the purpose of ensuring accurate spending) would require all electronic systems to be compatible, or interface. This is an achievable, long-term goal, but one that would cost money and thus needs to be requested in the budget plan. Also PPD needs to attain work experience with their new software before interface with other software is feasible.

9. Bulk Funding and Commitment Authority

In many areas, the audit report discusses how streamlined the Law Library is because it has been given bulk funding and commitment authority by the Office of Finance and Budget, and these items allow the Law Library to eliminate some paperwork and steps in the processing of procurements.

At the present time, the Office of Finance and Budget has all commitment authority except for the Law Library. While OFB's delegating bulk funding and commitment authority would eliminate some paperwork on the part of Cost Center Managers and may be a more efficient way for cost centers to operate within the Commission, in order to allow all Cost Center Managers to operate with commitment authority, coordination with the Commission and all Cost Center Managers is required. Some Cost Center Managers have a wider variety of cost tracking problems than others and a wider variety of Budget Object Class codes to account for.

A change in bulk funding and commitment authority of this magnitude is a Commission decision. Many agencies allow program offices to have this authority, and there is no requirement on where it must exist. However, at the Commission, this is an extremely complex issue and will require significant further study and coordination before it can be implemented.

10. New Goals to Increase Purchase Card Use

We note your recommendation, to establish a new goal for increasing the use of purchase cards after new policies and procedures are adopted. PPD notes that there is no overall Government-established goal for purchase card purchases, and the Commission's history of purchase card use has increased each year. Your report states that usage is currently at 76 percent, which is high. PPD sees nothing to be gained by creating a competition of statistical achievement. The PPD goal is to use to the maximum extent possible the purchase card method for micropurchases.

Organizational Issues Regarding the Staffing Within OMS

Items 1 and 2 on pages 76 and 77 of the report pertain to the organization and staffing of the Office of Management Services and are out of the scope of this audit.

Item 3 suggests that one of the procurement staff members be the Commission's Agency Program Coordinator for the purchase card program. The duties of this position are solely administrative, and the current Coordinator is a member of the Planning and Procurement Division staff and does not take action without approval from the Chief of the Division. There is no compelling reason to reassign this responsibility immediately.

However, as the procedures of the Purchase Card Program are streamlined, the importance of this suggestion may become more compelling.