

STATEMENT OF PAUL A. DENETT  
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BEFORE THE  
COMMITTEE ON SMALL BUSINESS  
UNITED STATES HOUSE OF REPRESENTATIVES  
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Chairwoman Velazquez, Ranking Member Chabot, and Members of the Committee, thank you for the opportunity to appear today to discuss the current state of federal procurement. In particular, you have asked me to discuss the impact that emerging trends are having on small businesses.

The federal government is more reliant than ever before on contracting to support our agency missions. Annual contract expenditures have more than doubled since FY 2000, from about \$200 billion to more than \$400 billion today, with service contracting outpacing spending on products. Opportunities for the government contracting community continue to increase as agencies turn to contractors for their expertise and innovation. The Office of Federal Procurement Policy (OFPP) is committed to providing maximum opportunities for small businesses in federal contracting and subcontracting, so that they may flourish and apply their talents to the many pressing demands facing our government.

Increasing opportunities for small businesses has been a priority throughout my federal career. As the Senior Procurement Executive (SPE) for the Department of Interior (DOI) from 1993 to 2001, I created a small business friendly environment. DOI regularly sponsored trade fairs for the express purpose of matching small business capabilities with departmental needs.

The office for which I was responsible, the Office of Acquisition and Property Management, partnered with the Department's Office of Small Disadvantaged Business Utilization (OSDBU) to review acquisition plans, develop acquisition regulations and policies, and conduct acquisition management reviews evaluating bureaus' success on outreach and meeting small business goals. I was a strong advocate of the OSDBU's awards program to recognize small business accomplishments, measured both by the level of small business contracting and overall quality of outreach. I am proud to say that during my last two years as SPE at DOI, in FY 2000 and FY 2001, small business contracting represented 61% and 57% of the Department's contracting dollars, respectively – more than double the government-wide achievements in those years.

During my confirmation to become Administrator, I pledged to strengthen the management attention given to small business policy and contracting matters. I have taken a number of important steps to meet this goal. Specifically, OFPP has:

- Created the position of Deputy Administrator within OFPP with responsibility for small business contracting to ensure appropriate and consistent senior level attention on small business matters.
- Launched the Small Business Procurement Scorecard in partnership with the Administrator for the Small Business Administration (SBA) to hold federal agency leadership accountable for improving success in meeting small business contracting goals.
- Worked with the SBA Administrator to increase the number of SBA's procurement center representatives, so that agencies have access to the assistance they need for creating and developing more small business opportunities.
- Formed a Small Business Team to focus on small business regulatory issues in the Federal Acquisition Regulation (FAR) and improve the efficiency and effectiveness of regulatory development for small business issues through improved coordination and communication between SBA and the FAR regulatory drafters.
- Actively participated on the Small Business Procurement Advisory Council, which is chaired by SBA's Deputy Administrator and provides an important forum for information exchange and policy discussions with the directors of agency Small and Disadvantaged Business Utilization Offices.

Under my leadership, OFPP is pursuing acquisition initiatives to support an acquisition environment that is operationally efficient and responsive, but also open and fair. Operational efficiency is critical for agencies who find themselves constantly facing complex and time-sensitive problems. Transparency and fairness are equally critical elements of a healthy acquisition system, because they encourage contractors to compete for federal contracts and promote responsible stewardship of taxpayer dollars. Achieving these goals requires both a properly-staffed and well-trained workforce that is able to exercise sound business judgment and policies that promote the effective use of competition.

This morning, I would like to share with the Committee what we are doing to strengthen the acquisition workforce and our use of competition and how these efforts benefit our contracting community, especially small businesses. I would then like to describe how we are working to improve task and delivery order contracting, which represents one of the most significant growth areas in federal contracting over the past decade.

### **Strengthening the Workforce**

The skills and good judgment of our acquisition workforce are closely tied to our government's ability to take effective advantage of the marketplace to meet mission needs. OFPP has taken unprecedented actions to improve the caliber, agility, and professionalism of the workforce.

Closing skills gaps. Recognizing that each agency's acquisition workforce differs in terms of size, capability, and skill mix, the Federal Acquisition Institute (FAI), in coordination with OFPP and the Office of Personnel Management (OPM), conducted the first-ever contracting workforce survey to aid civilian agencies in assessing their proficiency in core contracting competencies. These proficiencies include the ability to identify opportunities for small

businesses and effectively strategize with program officials to encourage small business participation. They also include more general contracting competencies that also foster small business participation, such as effective market research and defining requirements effectively and clearly. Each civilian agency, in consultation with OPM, is using the results of this survey to develop a tailored plan for closing its own skills gaps. OFPP is working with OPM to review these plans. The Department of Defense (DoD) is also conducting a contracting competency assessment of all military and civilian members of the Defense contracting workforce.

The FAI survey indicated that our workforce has substantial experience and competence in small business contracting. Basic certification requirements for contracting professionals have long included training on principles, rules, and techniques for contracting with small businesses. To reinforce and strengthen these skills, FAI is partnering with SBA, the General Services Administration (GSA), and DoD to develop two new on-line training modules for contracting professionals, requirements developers, and program managers. The first module, which will be launched in the third quarter of FY 2008, is designed to increase awareness of small business program requirements and improve acquisition planning to promote small business participation. The second module, which will be launched in early FY 2009, will focus on building small business friendly requirements and will provide tools and templates to facilitate this process.

Certifying the acquisition workforce. We have developed certification programs that, for the first time, standardize training and experience requirements for contracting officers, contracting officer technical representatives, and program managers across all civilian agencies. Focusing on the entire acquisition community -- as opposed to just contract specialists -- will significantly improve our stewardship of taxpayer dollars. Developing program and project managers will enable them to collaborate early in the process with contracting personnel,

including OSDBUs and competition advocates, to consider opportunities for small businesses and to write clear requirements. Clearer requirements will help small businesses make reasoned decisions as to whether and when they compete for work and, in turn, improve small businesses' opportunities to compete.

Recognizing acquisition excellence. The SHINE initiative, which I established upon my arrival at OFPP, recognizes individual achievements of our acquisition workforce and ensures best practices are highlighted and shared. These achievements touch on all aspects of the acquisition process, including use of small business contracting. Today, I would like to briefly acknowledge the achievements of Ms. Jean Todd of the Army Corps of Engineers, who set up an on-site, full service contracting office in New Orleans to provide critical reconstruction support in the wake of Hurricanes Katrina and Rita, including the award of contracts for more than 81,000 temporary roofs. Nearly \$1 billion in subcontracts were awarded to small disadvantaged businesses and significant opportunities were also created for local small businesses.

### **Improving the Quality of Competition**

Competition is the cornerstone of our acquisition system. Competition helps agencies save money and maximize value by considering viable alternatives in a reasoned and structured manner to identify and select the best possible solution for the taxpayer. I have made it a top priority to increase competition and related practices for achieving a competitive environment.

Last spring, I reinvigorated the role of the agency competition advocate. I instructed competition advocates to work closely with their Chief Acquisition Officers and Senior Procurement Executives to evaluate the overall strength of their agency's competition practices and develop plans for maximizing competition. We provided competition advocates with a checklist of questions to consider in conducting this evaluation, including whether plans are

being developed to provide maximum practicable opportunities for small businesses, both in the prime contracting and subcontracting. The checklist addresses a number of additional issues that bear on effective small business participation, such as whether: (1) information in statements of work is sufficient and stated clearly so that offerors may make informed business decisions on whether to respond and (2) the agency is building sufficient time into the acquisition schedule to maximize competition and encourage contractors to provide quality proposals.

Agencies were asked to provide copies of their competition advocate reports to OFPP. We are reviewing the reports for lessons learned and best practices, such as including increased use of competition in employee position descriptions and performance plans and appointment of local competition advocates. We intend to release the results of our review shortly.

### **Improving Task and Delivery Order Contracting**

One of the most significant trends of the past decade has been the dramatic increase in agency expenditures through task and delivery order contracts. Data in the Federal Procurement Data System (FPDS) shows that these expenditures have grown from approximately 14 percent of total dollars obligated in FY 1990 to over 50 percent of total dollars obligated today. There are a number of reasons for this trend. In 1994, the Federal Acquisition Streamlining Act authorized agencies to award multiple award task and delivery order contracts and then place orders using streamlined procedures. Less than two years later, the Clinger-Cohen Act statutorily recognized government-wide acquisition contracts (GWACs) and multi-agency contracts, both of which are typically structured as multiple award task and delivery order contracts. During this same general period, GSA enhanced the Multiple Award Schedules (MAS) Program, which is also built on task and delivery order contracting.

OFPP and agencies are taking a variety of steps to ensure task and delivery order contracts are used effectively and in an open and fair manner that facilitates small business participation. These efforts include: (1) strengthened regulatory guidance to facilitate better competition and increased transparency, (2) smarter use of technology to reduce transaction costs and improve contractor visibility, (3) providing effective access to small business contractors through government-wide contract vehicles, and (4) integrating small business participation into emerging buying strategies.

Regulatory guidance. OFPP has placed particular emphasis on improving the use of competition under multiple award contracts. At my direction, the Civilian Agency Acquisition Council and Defense Acquisition Regulations Council are developing changes to the FAR to require:

- Public notice of orders awarded on a sole source basis;
- Receipt of at least three proposals on MAS contract buys and fair notice to all contract holders on other multiple award contracts;
- Clear statements of requirements, greater disclosure of the government's evaluation criteria, reasonable response times, and documentation of the basis for best-value award decisions; and
- An explanation of the government's award decision for unsuccessful offerors.

These changes, which are designed to achieve more consistent use of competition, greater clarity, and transparency, should help to improve opportunities for all multiple award contract holders, including small businesses.

Although not focused directly on competition or task and delivery order contracting, an important amendment will soon be made to the FAR to require that small business subcontract reports be submitted using the Electronic Subcontracting Reporting System (eSRS), rather than

on paper forms. Use of eSRS will motivate prime contractors to increase their subcontracting with small businesses by making it easier for agency management to track this activity.

Technologies. Agencies are using the efficiency, transparency, and administrative simplification that technology enables to stimulate the type of robust participation that makes for a successful marketplace. This morning, you will hear the Commissioner of GSA's Federal Acquisition Service describe how their e-systems are making it easier and less costly for small businesses to transact with GSA and federal customers across government. For example, e-Buy, the electronic quote system for MAS contract ordering, is serving as a catalyst for enhanced competition and informed decision-making without sacrificing the efficiencies that draw federal customers to the MAS Program.

The "interagency contract directory" (ICD) is another example of how we are using the powers of technology to improve our buying practices. The ICD, which is being reinvigorated as part of the FPDS infrastructure, will provide information about task and delivery order contracts and other vehicles available for interagency use, including information about the scope of the contract, small business status -- including the various categories of small business -- ordering procedures, and fees. Agencies will be able to use the ICD as another information source during market research to see what small businesses may be available to meet their needs.

Contract vehicles. I applaud GSA, as our central buying agency, for the numerous steps it has taken to successfully facilitate significant opportunities for small businesses through its MAS Program. Eighty percent of the 17,000 plus contactors on the MAS Program are small businesses. In FY 2006, these businesses received almost 37 percent of total sales under the MAS Program, well above the government-wide goal of 23 percent. This translates into sales of over \$13 billion. I also appreciate GSA's ongoing commitment to managing a variety of



GWACs set aside exclusively for small businesses, including “8(a) Streamlined Technology Acquisition Resources for Services,” the VETS GWAC, and Alliant Small Business. Each of these vehicles provides federal customers across government with easy and efficient access to different types of small businesses to meet their varied information technology needs.

Buying strategies. Interagency contracting, which is facilitated through task and delivery order contracts (especially multiple award contracts), has increased in recent years. Interagency contracts offer important economies and efficiencies to federal agencies. OFPP has developed comprehensive guidance that will soon be released to strengthen acquisition practices under interagency contracts. The guidance will feature a model interagency agreement to help agencies delineate their respective roles and responsibilities throughout the acquisition process, including reporting on and crediting for small business achievements.

To further ensure effective use of interagency contracting and task and delivery order contracts, OFPP established the strategic sourcing initiative in 2005. This initiative is designed to identify multi-agency solutions for commonly purchased goods and services in a structured fashion that allows the government to leverage its purchasing power, reduce cost, and improve performance. From its inception, the strategic sourcing initiative has sought to increase achievement of socio-economic acquisition goals. In fact, increased small business participation is one of five principal performance metrics. I am pleased to tell you that we are having significant success in meeting this metric:

- In 2006, DoD had 42 strategic sourcing efforts totaling \$4.3 billion. Forty-one percent of these dollars went to small businesses.
- Under the Air Force’s Medical Services Commodity Council, all awards for medical services, which totaled \$40.7 million, were made to small businesses through competition.

- In August 2007, GSA awarded 13 blanket purchase agreements for office supplies of which 11 awards were made to small businesses. Awards were made to 8(a) small businesses, two veteran-owned small businesses, including a woman-owned, veteran owned small business, and a service-disabled veteran-owned small businesses.

### **Reverse auctions**

Another emerging procurement tool is a reverse auction, where sellers compete by offering to sell products or services at progressively lower prices. Sellers have the opportunity to continually reduce their prices until price reductions stop or until close of the auction. Agency use of reverse auctions is typically facilitated by a third party.

The Conference Report for the National Defense Authorization Act for FY 2006 requested that OFPP, in consultation with the Federal Acquisition Regulatory Council, review the use of reverse auctions and identify the types of acquisitions that are suitable for these online services and features that should be included. OFPP and the Acquisition Committee for E-Gov formed an interagency working group to review the regulations, policies, and business considerations for using these online procurement services. I have tasked the working group, at a minimum, to consider: compiling lessons learned by agencies; obtaining information from the private sector; and developing a best practices guide and coverage in the FAR. I am reminding the working group to carefully consider in their deliberations whether adequate protections exist for sellers, particularly small businesses, and if additional protections are needed. As part of their efforts, the working group has conducted surveys in which sellers and government buyers were asked questions about their experience and views regarding agency use of reverse auctions. The working group is currently analyzing the results of the surveys.

### **Conclusion**

Chairwoman Velazquez and Members of the Committee, the Administration is committed to providing maximum opportunities for small businesses in federal contracting and

subcontracting. We are increasing the dollars awarded to small businesses. At the same time, we appreciate that there is more to do. We will continue to work with SBA and other agencies to ensure that they increase their contracting and subcontracting with small businesses. We look forward to working with this Committee and other members of Congress as we pursue these endeavors.

This concludes my prepared remarks. I am happy to answer any questions you might have.