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Statement of

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before

Subcommittee on Federal Spending
Practices and Open Government

on

GSA's Multiple Award Schedule Program

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Stolarow

Mr. Chairman:

We are pleased for the opportunity to appear before your Subcommittee today. We are responding to certain questions raised by the Subcommittee with respect to an unofficial audit report prepared by the Office of Audits and Investigations, General Services Administration in May 1971. This report contained a conclusion that a savings of about \$100 million annually could be realized if the Federal Supply Service sought competitive awards for products which were in the multiple award schedule program.

In general, the recommendations of this report were:

- Discontinue the use of all multiple award Federal Supply Schedules and develop performance specifications to encourage competition.
- Improve the degree of professionalism of contracting officers.
- Establish a system for setting target figures in budgeting and measuring cost savings for improved efficiency.

Specifically, the topics which the Subcommittee requested GAO to address are:

- Are the conclusions contained in the report valid?
- If the procurement procedure advocated in the report had been adopted, how much could have been saved since 1970?
- Have GSA procurement procedures been altered over the years to such a degree that they would invalidate all or any of the major findings of the report?

Before I comment on each of the above topics, it should be noted that competitive procurement is the most preferable method of procuring goods and services for the Federal Government. GAO has repeatedly demonstrated that significant savings can be realized through competition.

ARE THE CONCLUSIONS CONTAINED IN
THE REPORT VALID?

Based on our own reviews of the multiple award system, we are of the opinion that the conclusions and recommendations contained in the GSA report are valid and reasonable.

GSA's estimate of savings was based upon the assumption that all items in the multiple award schedule program could be converted to single competitive awards. At this time, we do not agree with this assumption. We do believe that there are numerous items in the multiple award schedule program which could be competitively awarded. GSA has recently recognized this and has identified 100 items or candidates for conversion. The identification of the 100 items took only a few weeks. This, in our opinion, evidences a significant potential for a much greater number of items to be converted.

HOW MUCH COULD HAVE BEEN SAVED?

The \$100 million potential annual savings projected by the GSA internal auditors was based on an estimated average savings of 20 percent for each item converted from multiple to competitive single award. The estimated savings assumes conversion of all multiple award items to single award.

We believe that the estimated savings of 20 percent is probably a reasonable approximation as to potential savings. We are uncertain as to what a more realistic average savings percentage might be because of the numerous variables which must be considered, such as, the nature of the item, quantities purchased, terms of the contract, and agency buying practices.

The Federal Supply Service estimates that an average savings of 10 rather than 20 percent results from competitive procurements as compared to procurements under the multiple award program. However, some items converted from multiple to competitive award have resulted in savings over 300 percent. For example, on 16 mm microfilm, a total of \$1.9 million or 379 percent savings from the previous schedule price was realized through competition. Past GAO reports have estimated savings resulting from competition to be in excess of 20 percent. As stated, it is extremely difficult to generalize as to what the true savings potential is from greater use of competitive awards.

In recognition of the uncertainties in the percentage of savings and the extent to which the program can be converted, we have developed estimates of savings using various assumptions. The estimated savings represent cumulative yearly savings for the 9-year period 1970 through 1978. The assumptions and related savings are:

TOTAL ESTIMATED SAVINGS 1970-1978

<u>Assumed percent of savings realizable through competitive awards</u>	<u>Estimates of savings realizable with assumptions as to percent of conversion of the multiple award schedule program</u>			
	(Millions)			
	<u>100%</u>	<u>75%</u>	<u>50%</u>	<u>25%</u>
10	\$ 893	\$ 670	\$ 447	\$ 223
15	1,340	1,005	670	335
20	1,786	1,339	893	447
25	2,233	1,674	1,116	559

HAVE PROCEDURES BEEN CHANGED OVER THE
YEARS WHICH WOULD INVALIDATE THE MAJOR
FINDINGS OF THE REPORT?

The findings of the 1971 internal audit report are still valid today. GSA has made little substantive progress toward implementing the recommendations contained in the subject report. The idea of competitive procurement and the use of commercial item descriptions as a basis for such procurement has been continually resisted within the Federal Supply Service. It is only in recent months that an earnest effort is being made to begin converting products in the multiple award schedule program for competitive procurement. It is too early to conclude on the success as well as the sincerity of this effort.

With respect to the recommendations in the report which address the role of the contracting officers and their degree of professionalism, we have found essentially

the same problems today as did the GSA internal auditors in 1971.

Specifically, we have found that:

--Contracting officers are burdened with clerical chores. In some cases, they even do their own typing with little assistance from clerical staff.

--There is very little time or money allocated for professional development.

--Most contracting officers do not have adequate knowledge of the products they are buying.

--No formal system has been established for budgeting cost savings, although several unsuccessful attempts have been made.

This concludes my statement. I welcome any questions.

FC