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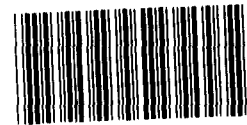
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STATEMENT OF

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before the House Committee on Government Operations
on H.R. 2293
To amend the Office of Federal Procurement
Policy Act



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Mr. Chairman,

We are pleased to be here today to comment on H.R. 2293 which amends the Office of Federal Procurement Policy Act. We strongly support the bill. Policy leadership must be strong and continuous if we are to achieve the procurement reforms in Federal agencies long desired by both the executive and legislative branches of Government.

The Office of Federal Procurement Policy's current effort, now underway in some 45 agencies, seeks to assist in the development of systems to accord with the requirements of Executive Order 12352--requirements which are intended to

- simplify the procurement process,
- enhance professionalism of the work force,
- remove barriers to obtaining competition,
- shift the focus from a piecemeal regulatory approach to complete system management including
 - an agency management structure with clear lines of authority and accountability, and
 - agency evaluation and certification of procurement systems based on approved criteria.

H.R. 2293 expresses these same general aims through a number of stated policy objectives and the designation of specific agency responsibilities.

Agency Responsibilities for Competition

We strongly endorse maximum feasible reliance upon full and open competition as the means for assuring good products and

services at fair and reasonable prices. Our most recent reviews have shown that competitive opportunities are still being lost. A significant number of DOD and civil agency contracts were unnecessarily awarded on a sole-source basis because of ineffective procurement planning, failure to do sufficient market research, and a general lack of commitment to competition on the part of key agency personnel. A recent Department of the Army procurement of 23,000 5-ton trucks illustrates well the benefits of competition. When the Army, in response to congressional concerns, changed this procurement from non-competitive to competitive it saved at least \$141 million on a contract for \$577 million.

The bill requires the Federal agencies to develop plans to increase the use of full and open competition. We would recommend that these provisions be expanded and strengthened (1) by requiring regular advance procurement planning and market research, (2) by limiting restrictive designs and conditions in solicitations, (3) by establishing more than one production source for newly designed products whenever feasible, (4) by specifying those limited circumstances permitting sole-source procurement and (5) by assigning agency responsibilities for removing other barriers to full and open competition.

We would be pleased to work with your staff on language to cover these and other possible additions.

Agency Responsibilities for a Professional Work Force

Perhaps most fundamental to the execution of good procurement practices is the need for a professionally competent work

force. Rules and regulations cannot substitute for competent individuals exercising sound business judgment. No requirement is so important, yet none has been so neglected.

We are in the early stages of a study to evaluate procurement work force matters. Our preliminary impressions are that there has been little progress in the past ten years. In the past two or three years the quality of the procurement work force may well have begun to deteriorate as evidenced by lower educational standards among newly appointed contracting officers, difficulties in filling agency intern programs with qualified candidates, and complaints from procurement officials about the lack of skills of newly appointed personnel.

One senior military official told us that this was an extremely serious problem. The head of a large civilian procurement operation complained that less than one-third of his incoming contracting officers now have college degrees, down forty percent from several years ago. Another high ranking civilian official pointed out that in his agency there was no career management program and very little training or education of procurement personnel. He added that as a senior procurement official, he had little influence in procurement appointments and other personnel matters because his agency is highly decentralized. It is essential that good training programs be established and that well qualified personnel be appointed to procurement positions.

Intern programs are particularly important. The Navy has had outstanding success with its program and procurement leaders in other agencies have graduated from it. Few agencies outside the military services, however, have intern programs. As a result there is no controlled development pattern for new contracting officers.

Restoration of Regulatory Authority

In 1979 Congress removed OFPP's regulatory authority on the grounds that OFPP was inappropriately injecting itself into agency transactions and that it should concentrate on developing a conceptual plan without being diverted by implementation of regulatory functions. Now that OFPP is, in fact, implementing parts of a uniform procurement system under the President's Executive Order, it would seem appropriate to restore its regulatory authority. Such authority would enable OFPP to resolve disagreements between agencies with existing authority to issue regulations. The ability to resolve such conflicts and speed progress will become even more important as new civilian and Defense regulatory councils begin to administer the first government-wide procurement regulation expected late this year.

To be most effective, OFPP's authority should extend beyond regulatory matters to any Government-wide issue of procurement system reform. This would include authority, for example, to resolve differences in setting Government-wide standards for management systems, the work force, and competition. It should

be clearly understood, however, that day-to-day management of the agency regulatory processes is not intended.

Prescribing Agency Management Responsibilities
for Procurement Systems

It is significant that H.R. 2293 spells out agency procurement management responsibilities. In the past there has been uncertainty regarding agency relationships with OFPP. Section 5 of the bill specifies what agencies must do if progress is to be made. Important elements are the establishment of clear lines of authority, accountability, and responsibility, the designation of a high level agency official to be responsible for management of each agency's system, and, as previously mentioned, the establishment of programs for increasing competition and enhancing development of a professional work force.

The need for clear lines of authority in contracting was recognized by the Commission on Government Procurement in the early 70's and is a key feature of the Uniform Procurement System proposed by the OFPP. All would surely agree that this is a desirable objective, yet we have recently found that there still is confusion in this regard. Several decentralized agencies conduct procurements in relative isolation and lines of authority are weak.

The bill calls for the agency procurement function to be at a level having "direct access to the head of the major organizational element served" and "comparative equality with organizational counterparts." This support will be welcomed by

procurement personnel. Direct access to higher agency officials and comparative equality with organizational counterparts will help assure that procurement concerns are not neglected.

Agencies with significant procurement responsibilities have recently designated their "Procurement Executive" in compliance with Executive Order 12352. But not all agencies have clearly defined the Procurement Executive's new responsibilities or given him requisite authority, nor have the Procurement Executives redelegated their responsibility to operating levels. Statement of this requirement in statutory terms should serve to eliminate ambiguity in this regard.

Enhancing OFPP Operations

I would conclude by offering a few suggestions to further enhance OFPP operations.

First, would be to recognize in statute a new OFPP role--providing leadership and assistance to the agencies in developing their individual procurement systems. This role would be facilitated by defining what is meant by a procurement system. A definition is needed to make management officials of all agencies aware that a procurement system extends beyond policies and regulations and includes

- a management structure with clearly defined lines of responsibility, authority, and accountability,
- responsibility for a professionalized work force,

--operations, and

--a control system with performance standards and feedback for correction.

Second, OFPP should be given authority to develop innovative procurement concepts and methods that can be tested by selected agencies under controlled conditions with advance notice to the Congress. Such testing could provide Congress with the data it needs to make informed decisions on proposed changes in procurement statutes. Statutory changes may be needed to simplify the procurement process for purposes of competition and to make it more responsive, as, for example, in the use of abbreviated and simplified procedures to procure commercial products and services.

Third, OFPP should be given a longer extension than three years. OFPP has embarked on a long-term development and implementation program to upgrade agency procurement and management systems. Agencies need to understand that Congress is serious about this long-term effort. We suggest a minimum five years extension following which the Congress might consider whether the Office should be made permanent.

Finally, we think it important to exchange OFPP staff with persons having current expertise and experience in agency procurement operations and management. It is also important to have members of the operating agencies participate actively in developing Government procurement policy and system standards. We would urge establishment of a regular exchange program

between OFPP and the procuring agencies. Agencies with procurement in the billions of dollars annually could periodically provide a Senior Executive or candidate to serve in a key OFPP position and later return to a more responsible position. All participants would benefit considerably from such exchanges.

This concludes my prepared statement, Mr. Chairman. I will be happy to respond to any questions you or other members of the Committee may have.