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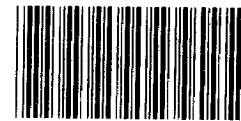
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Statement of  
Elmer B. Staats  
COMPTROLLER GENERAL OF THE UNITED STATES  
before the  
Senate Appropriations Subcommittee on Treasury, Postal Service,  
and General Government 3/4

on

GSA Actions to Improve ~~the~~ Multiple Award  
Schedules Program

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Mr. Chairman and members of the Subcommittee, I am pleased to appear at these hearings and will comment, as you requested, on our current analysis of GSA's actions to improve the multiple award schedules program.

#### HISTORY OF GSA ACTIONS ON GAO RECOMMENDATIONS

Between 1973 and 1977, we issued four reports dealing with GSA's multiple award schedules program. Although GSA agreed with most of our recommendations for improvements, few changes have resulted.

We also completed a comprehensive audit of the schedules program and issued a report on May 2, 1979, entitled "Ineffective Management of GSA's Multiple Award Schedule Program--A Costly, Serious, and Longstanding Problem."

In essence, our report pointed out that:

- the multiple awards schedules do not provide assurance that the Government is obtaining the lowest possible prices;
- most of the 4 million items could be purchased competitively;
- GSA did not know what the agencies were buying under the schedules program;
- there were many items of a questionable nature available for purchase;
- there were too many suppliers of similar items; and
- the program, overall, could not be managed effectively.

We made eight major recommendations to GSA for improving the program. In summary, we stated that (1) GSA should develop criteria for determining which items should be procured competitively and which should be purchased by using multiple awards, and (2) for those relatively few items which should remain on multiple awards schedules, GSA should improve the contracting process. As was the case with our prior reports GSA agreed with all eight recommendations. GSA, however, has not as yet significantly reduced the number of multiple award items nor their resultant sales. For fiscal year 1979, GSA reported sales of \$1.77 billion from 116 schedules, and estimates fiscal year 1980 sales from approximately 113 schedules to approach \$2.16 billion. This represents an increase in sales of approximately 18 percent.

We have been concerned, over the years, that although GSA management almost always agreed with our conclusions that the multiple awards schedules program needed improvement, and agreed to take action on our recommendations, nothing has been done. For that reason, we suggested in our last report, and in related testimony, that the Congress consider legislation mandating certain actions by GSA and prescribing reasonable timeframes for accomplishment of those actions. While we recognize that the current management of GSA is faced with many serious problems, we are still disappointed that so little progress has been made in this very important area. We continue to believe that a clear

expression of Congressional desire to correct the problems is both necessary and desirable.

GSA ACTIONS TO IMPROVE THE MULTIPLE AWARD SCHEDULES PROGRAM

GSA has taken only sporadic action to improve the program. Last year there was a flurry of activity about the time we issued our report, but soon thereafter the activity almost ceased.

On April 19, 1979, the GSA Office of Acquisition Policy prepared a policy document on multiple award schedules which addressed 14 general management areas and 13 specific policies requiring implementation. We believe this document constitutes an excellent guideline for devising specific procedures to improve the schedules program. However, at the beginning of our current review in February 1980, GSA had completed action on only two specific policy matters: (1) late offer proposals, and (2) relaxation of schedule mandatory use requirements which permits agencies to purchase items "off-schedule" if an identical item is cheaper.

Also, in April 1979, GSA appointed a Schedules Program Manager as an attempt to give the program top level management attention. Four persons have occupied this position within the past year and, consequently, little has been accomplished. The position does not carry the necessary authority, its duties have not been delineated adequately, and the responsibility the manager must have to operate effectively is still dispersed throughout the organization.

GSA's actions to date have not addressed the really crucial issues of reducing the number of schedules and improving the multiple award contracting process. The schedules have continued in force and still represent a major source of supply for Federal agencies.

Progress has also been slow in:

1. Market research--GSA has only recently developed a questionnaire for issuance to customer agencies to assess the types and quantities of typewriters being procured. Other than this effort, little has been accomplished regarding other multiple award items.
2. Deletion or restriction of schedules--GSA has not eliminated or restricted additional schedules other than eight schedules it took action on in July 1979.
3. Commercial item description (CID) development--Significant savings could be realized through competitive award of many products currently on the multiple award schedule. CID's are needed to facilitate this needed competition. GSA has developed 56 CID's for multiple award items and advised us that an additional five CID's should soon be available in draft. However, no procurements have been made using any of these CID's.
4. Management information systems development--GSA is currently using information from agency furniture procurements to develop a model for a multiple

award data base. This furniture information system, which is scheduled to be available by October 1980, will be used to forecast agency requirements. GSA does not expect to have information systems available for other major product categories until the furniture model becomes operational.

Progress has been more evident in the areas of training and internal audit. In comparison with only 11 audits performed during fiscal years 1977 and 1978, GSA internal audit has issued 7 reports and begun 22 reviews during fiscal years 1979 and 1980. It has also scheduled an additional 29 reviews for the third quarter of fiscal year 1980. Internal audit has found that vendors have submitted defective pricing data, violated the contract price reduction clause, and inaccurately billed the Government. As a result of these and other findings, internal audit has recommended cash recoveries of approximately \$1.1 million on the seven completed audits. As of April 15, 1980, \$126,000 has been recovered.

In accordance with our May 1979 report recommendation that GSA improve the procurement education of its contracting officers, on December 18, 1979, GSA established a Contractor Officer Warrant Program. Its purpose was to insure that only those officials who are qualified to obligate the Government are appointed as contracting officers. GSA has identified 17 courses, such as Cost and Price Analysis, Contracting by

Formal Advertising, and Negotiation Techniques, which are required at various levels of responsibility. Seven of these courses are expected to be available by May 1980. By April 15, 1980, GSA contracting officers attended courses on 80 occasions.

Soon after we started our current review in February, the GSA Federal Supply Service Commissioner initiated a revised approach to improve the program. He created a task force of about 60 persons under the guidance of the new Schedules Program Manager.

This task force has been charged with eliminating or restricting 12 multiple award schedule items by this month and conducting test purchases by September 1980 on 13 item categories using competitive methods. The Commissioner expects significant progress in both of these areas by this month. By September 1981 the task force is charged with conducting test purchases on an additional 12 item categories. These latter items represent sales of about \$1.0 billion and GSA expects to save \$100 million by fiscal year 1982.

Other major tasks given to the task force include: (1) the recruitment of an industry consultant for advice on production and marketing factors, 2) the development of procurement strategy and, 3) monitoring results.

We believe that the recommendations contained in our May 1979 report are still valid and should be fully implemented as soon as possible. We believe GSA's current plans are responsive to our recommendations and deserve the support of this committee and the Congress.

We believe that continued Congressional oversight is necessary to make sure that GSA completes the needed program reforms in a timely manner. As I mentioned earlier, we believe that GSA should be put under a mandatory time constraint to overhaul the multiple awards program. As a minimum, you should consider having GSA report the status of its actions to your subcommittee quarterly using their internal reporting system as the basis.

Thank you, Mr. Chairman, this concludes our prepared testimony. We would be pleased to respond to any questions you may have.