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February 2, 2009

Congressional Research Service

Report RL33068

*Acquisition Services Reorganization at the General Services
Administration*

Stephanie Smith, Government and Finance Division

December 4, 2007

Abstract. In January 2004, GSA's Inspector General reported that certain FTS procurement specialists acquired goods and services through the IT Fund in a manner not consistent with the fund's congressionally authorized procedures. In order to improve the agency's accountability, the GSA Administrator issued his own formal administrative plan for reorganizing the FSS and FTS into a unified Federal Acquisition Service. Although the GSA Administrator could have approved an agency reorganization without congressional approval, legislation was needed to authorize the creation of a General Services Fund to replace the existing congressionally authorized FSS/FTS funding structure. In the 109th Congress, H.R. 2066 was passed in the House on May 23, 2005, to statutorily establish GSA's Federal Acquisition Service (FAS). The Senate passed an amended H.R. 2066 on September 6, 2006, by unanimous consent. The Senate amendment to the original House bill removed a requirement that GSA appoint five regional executives to the FAS. House bill H.R. 2066, as amended, passed the House on September 25, 2006, by voice vote, and was signed into law as P.L. 109-313, on October 6, 2006. GSA announced its revised organization plan for FAS regional offices on October 12, 2006.

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CRS Report for Congress

Acquisition Services Reorganization at the General Services Administration

Updated December 4, 2007

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Prepared for Members and
Committees of Congress

Acquisition Services Reorganization at the General Services Administration

Summary

Congress enacted the Federal Property and Administrative Services Act in 1949 to provide for an “economical and efficient system” for the federal government’s management of real property, procurement, administrative services, and records. This act, which established the General Services Administration (GSA), authorized the GSA Administrator to procure and distribute supplies and services needed by federal agencies “in the proper discharge of their responsibilities.” In order to procure these goods and services, the act transferred to the GSA Administrator authority to oversee and control the General Supply Fund, a special U.S. Treasury account. Within GSA, the GSA Administrator established the Federal Supply Service (FSS) to acquire goods and services for federal agencies through the fund. In 1965, Congress authorized the GSA Administrator to provide for the acquisition of automatic data-processing equipment by federal agencies. With continued advances in automatic data processing and information technology (IT) applications, Congress created the Information Technology Fund in 1986 to better enable GSA to acquire these new technologies and services for federal agencies. The GSA Administrator established the Federal Technology Service (FTS) within GSA to procure IT products and related services through the IT Fund. Since that time, the IT market evolved in such a way that IT acquisitions were frequently acquired from commercially available sources. As a result, both the FSS and the FTS offered federal agencies a similar range of IT goods and services provided by the same vendors.

In January 2004, GSA’s Inspector General reported that certain FTS procurement specialists acquired goods and services through the IT Fund in a manner not consistent with the fund’s congressionally authorized procedures. In order to improve the agency’s accountability, the GSA Administrator issued his own formal administrative plan for reorganizing the FSS and FTS into a unified Federal Acquisition Service. Although the GSA Administrator could have approved an agency reorganization without congressional approval, legislation was needed to authorize the creation of a General Services Fund to replace the existing congressionally authorized FSS/FTS funding structure. In the 109th Congress, H.R. 2066 was passed in the House on May 23, 2005, to statutorily establish GSA’s Federal Acquisition Service (FAS). The Senate passed an amended H.R. 2066 on September 6, 2006, by unanimous consent. The Senate amendment to the original House bill removed a requirement that GSA appoint five regional executives to the FAS. House bill H.R. 2066, as amended, passed the House on September 25, 2006, by voice vote, and was signed into law as P.L. 109-313, on October 6, 2006. GSA announced its revised organization plan for FAS regional offices on October 12, 2006.

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Acquisition Services Reorganization at the General Services Administration

Introduction and Background

Congress enacted the Federal Property and Administrative Services Act in 1949 to reorganize four government agencies and to provide for an “economical and efficient system” for the federal government’s management of real property, procurement, administrative services, and records.¹ This act, which established the General Services Administration (GSA), authorized the GSA Administrator to procure and distribute supplies and services needed by federal agencies “in the proper discharge of their responsibilities.”² In order to procure these goods and services, the act transferred to the GSA Administrator authority to oversee and control the General Supply Fund, a special U.S. Treasury account.³ The GSA Administrator established the Federal Supply Service (FSS) within the agency to acquire goods and services for federal agencies through the fund.

The General Supply Fund operates as an intra-governmental revolving fund in which GSA’s Federal Supply Service acquires services and supplies for federal agencies at prices to be determined by the GSA Administrator.⁴ The requisitioning agency pays in advance when the GSA Administrator determines that there is

¹ 63 Stat. 377; 41 U.S.C. § 251 et seq. The legislation abolished the Department of the Treasury’s Bureau of Federal Supply, the Federal Works Agency, and the War Assets Administration, and transferred their functions, records, property, and personnel to GSA. The functions, records, property, and personnel of the National Archives Establishment were also transferred to GSA, and the National Archives became a GSA subunit.

² Ibid. Since 1949, the enabling law’s original provisions have been frequently and substantially amended to broaden GSA’s mandate to establish government-wide policies pertaining to the construction and maintenance of real property, acquisitions and contracts, electronic government and information technology, and administrative services.

³ A general supply fund was first created by Congress in 1929 (45 Stat. 1342), and was funded by congressional appropriations that were to be made available to the Department of Treasury’s General Supply Committee for the purchase of government supplies and related transportation services. Reimbursement for these costs was to be made by each requisitioning office upon presentation of proper vouchers by depositing the funds directly with the U.S. Treasurer to be credited to the general supply fund.

⁴ 40 U.S.C. § 321. An intra-governmental revolving fund is a revolving fund whose receipts come primarily from other government accounts. It is designed to carry out a cycle of business-type operations with other federal agencies or separately funded components of the same agency. GSA’s General Supply Fund and Information Technology Fund are examples of these type of funds. See U.S. Government Printing Office, Office of the Inspector General, *Revolving Funds: Office of the Inspector General White Paper*, (Washington: September 2003), p. 4.

insufficient capital available in the fund. Advance payments may also be made under an agreement between the requisitioning agency and GSA. If payment is not made in advance, GSA is required to be reimbursed promptly out of amounts from the requisitioning agency in accordance with accounting procedures approved by the Comptroller General. The fund is credited with all reimbursements, advances, and refunds for the property or services procured through the fund. Amounts credited under these requirements are re-appropriated for the purposes of the fund.

GSA's Federal Supply Service assists federal agencies in acquiring supplies, furniture, computers, tools, equipment, and a variety of services, such as the purchasing and leasing of motor vehicles, and travel and transportation services. GSA uses Federal Supply Schedules to provide federal agencies with a simplified process for acquiring commonly used commercial supplies and services through volume purchases. FSS Schedules are contracts for indefinite quantity purchases with fixed prices for a certain length of time, commonly, one year. Supply schedules may be of two types — single-award contracts or multiple-award contracts. In a single-award schedule, GSA enters into a contract with one supplier, which includes a fixed delivery price to a particular geographic area. A multiple-award schedule pertains to a contract made with more than one supplier for comparable supplies or services within the same geographic area with fixed delivery prices. Once GSA awards the master FSS contracts, personnel in customer agencies may place orders directly with private sector vendors.

In 1965, Congress authorized the GSA Administrator to coordinate and provide for the purchase, lease, and maintenance of automatic data processing equipment by federal agencies.⁵ Congress further directed the GSA Administrator to provide for these acquisitions through a special U.S. Treasury automatic data processing fund composed of congressional appropriations and net proceeds from agency reimbursements for purchased goods and services. With continued advances in automatic data processing and information technology applications, Congress created the Information Technology Fund in 1986 to better enable federal agencies to acquire these new technologies and services.⁶ Through his discretionary authority, the GSA Administrator established the Federal Technology Service (FTS) within GSA to procure IT products and related services through the IT Fund.

To oversee the fund, Congress required the GSA Administrator to determine its fund's cost and capital requirements for each fiscal year. These plans included any amounts that may have been needed to purchase information processing equipment, software, and other systems required by federal agencies. The GSA Administrator also took into account the fund's total assets, based on any congressional appropriations that might have been authorized to be transferred to the fund, as well as any payments or fees for services from customer agencies. GSA was required to submit its cost and capital estimates to the Director of the Office of Management and Budget (OMB) for review and final approval. As required by Congress, the GSA Administrator was also required to submit an annual report to OMB on the status of the fund's inventory and financial assets.

⁵ 79 Stat. 1127.

⁶ 100 Stat. 3341-340; 40 U.S.C. § 322.

After final approval by OMB, the GSA Administrator established the rates to be charged to federal agencies for information technology (IT) resources that were provided through the fund. If GSA determined that there was sufficient need and substantial cost savings, the agency was able to enter into competitive multi-year contracts with private vendors. GSA's Federal Technology Service was responsible for acquiring the computers, software, IT resources, and telecommunications services for customer agencies through the award and administration of contracts with the private sector.

The Federal Supply Service and the Federal Technology Service were the principal GSA programs that assisted federal agencies in acquiring more than \$40 billion in goods and services in 2004.⁷ The FSS was responsible for providing a broad range of commercial products through flexible supply schedule contracts, which allowed customer agencies to place orders directly with vendors. FTS procurement specialists, on the other hand, took a more active role by advising customer agencies during the entire IT acquisition process. In the last decade, the IT market evolved in such a way that IT acquisitions were frequently acquired from commercially available sources. As a result, both the FSS and the FTS offered federal agencies a similar range of IT goods and services provided by the same vendors.⁸ In 2002, the Government Accounting Office (GAO) reported that the FTS used federal supply schedule contracts for commercially available products, as well as government-wide acquisition contracts, to meet agency requirements for IT goods and services.⁹

Total revenues increased significantly for FSS supply schedules, with acquisitions of IT products accounting for the principal growth in sales. From FY1997 to FY2001, revenues for the FSS increased from \$6.1 billion to \$16.5 billion (see **Table 1**).¹⁰ Of these totals, IT acquisitions increased from \$3 billion in FY1997 to \$10.9 billion in FY2001. Total revenues for FTS purchasing programs for telecommunications and IT products increased from \$2.7 billion in FY1997 to \$6.2 billion in FY2001. Of these totals, IT acquisitions accounted for the principal increases, while telecommunications products showed moderate gains in revenues.¹¹ Despite offering similar IT acquisitions, GAO found that GSA had not conducted a comprehensive analysis to determine if product or administrative costs were adversely affected by the duplication of efforts between the FSS and the FTS.¹² There were also congressional concerns that, while GSA's business revenues had

⁷ U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2006, Appendix* (Washington: GPO, 2005), p. 994.

⁸ Legislation enacted in 2002 (116 Stat. 2939) also authorizes the GSA Administrator to make Federal Supply Schedules available to state and local governments for their IT acquisitions.

⁹ U.S. General Accounting Office, *Contract Management: Roles and Responsibilities of the Federal Supply Service and Federal Technology Service*, GAO Report GAO-02-560T (Washington: April 2002), p. 5.

¹⁰ The figures in this paragraph were computed in constant FY2001 dollars.

¹¹ GAO, *Contract Management: Roles and Responsibilities of the FSS and FTS*, pp. 2-3.

¹² *Ibid*, p. 6.

increased rapidly in the last decade, its organizational structure had become outdated. As part of its continuing oversight of federal procurement and IT management activities, the House Government Reform Subcommittee on Technology and Procurement Policy held a hearing in April 2002 to review existing organizational structures of the FSS and the FTS.¹³ Testimony from witnesses representing GAO, GSA, and the private sector revealed that GSA's substantial growth had led to both FSS and FTS providing access to similar products and services, resulting in decreased efficiency and higher acquisition costs for customer agencies. Despite these concerns, the hearing's testimony also confirmed that GSA was making progress in addressing the structural and management issues pertaining to the two services.¹⁴

Table 1. FTS and FSS Revenues, 1997 and 2001
(in millions of dollars; figures expressed in constant FY2001 dollars)

Category	1997	2001	Percent Change
Federal Supply Service Total	\$6.1	\$16.5	170%
IT acquisitions	\$3.0	\$10.9	263%
Other products	\$3.1	\$5.6	81%
Federal Technology Service Total	\$2.7	\$6.2	130%
IT acquisitions	\$1.7	\$5.1	200%
Telecommunications	\$1.0	\$1.1	10%

Source: U.S. General Accounting Office, *Contract Management: Roles and Responsibilities of the Federal Supply Service and Federal Technology Service*, GAO Report GAO-02-560T (Washington: Apr. 2002), pp. 2-3.

The following year, in October 2003, the House Committee on Government Reform held a second hearing on GSA's attempts to address the duplication of efforts between FSS and FTS, and alleged contracting mismanagement in which the IT Fund was used for non-IT acquisitions.¹⁵ Chaired by Representative Tom Davis, the Committee heard testimony by GSA Administrator Stephen Perry discussing the progress that the agency had made in realigning and consolidating certain acquisition

¹³ U.S. Congress, House Committee on Government Reform, Subcommittee on Technology and Procurement Policy, *Making Sense of Procurement's Alphabet Soup: How Purchasing Agencies Choose Between FSS and FTS*, hearings, 107th Cong., 2nd sess., April 11, 2002 (Washington: 2002).

¹⁴ U.S. Congress, House Committee on Government Reform, *General Services Administration Modernization Act*, report to accompany H.R. 2066, 109th Cong., 1st sess., H.Rept. 109-91 (Washington: 2005), p. 8.

¹⁵ U.S. Congress, House Committee on Government Reform, *Entrepreneurial Government Run Amok? A Review of FSS/FTS Organizational and Management Challenges*, hearings, 108th Cong., 1st sess., October 2, 2003 (Washington: 2003).

activities to better meet agency needs.¹⁶ While these actions were acknowledged favorably, another witness, GAO Director of Acquisition and Sourcing Management William Woods, testified that GSA needed to take a more active role in helping federal agencies reduce their total acquisition costs. He also testified that, with respect to the FSS, the agency had taken action to reduce the fees that it had previously charged customer agencies, making them more consistent with actual costs.¹⁷

In January 2004, GSA's Inspector General (IG) reported on the alleged mismanagement of several FTS contracts administered by GSA/FTS Client Support Centers.¹⁸ Following an audit of three regional offices, the IG reported that FTS procurement specialists acquired goods and services through the IT Fund in a manner not consistent with the fund's congressionally authorized procedures. Inappropriate procurement activities included the improper provision of sole source awards without full and open competition, improper order modifications, and failure to enforce contract provisions. Although the FTS's use of the IT Fund is restricted to the purchase of IT and telecommunications resources, GSA's Inspector General found that the fund was improperly used for unrelated acquisitions. With little evidence of fair and open competition in many FTS transactions, the IG reported that, "the procurements did not provide reasonable assurance that the Government received supplies and services at a fair and reasonable price and the fundamental objectives underlying the federal procurement process were not achieved." Contributing factors included an "ineffective system of internal management controls," resulting in FTS personnel "sacrificing adherence to proper procurement procedures in order to accommodate customer preferences" in an environment that emphasized increased revenues over strict adherence to proper procurement procedures.¹⁹ Based on these findings, GSA's IG recommended that the agency make structural and operational changes to better align GSA's policies and management procedures with federal procurement statutes and regulations. To better ensure compliance with federal acquisition regulations and to strengthen accountability in GSA's contracting activities, GSA Administrator Stephen Perry announced the appointment of chief acquisition officer Karl Reichelt in June 2004 to oversee all acquisition contracts within the agency.²⁰

GSA and Congressional Reorganization Proposals

In order to further improve the accountability of FSS and FTS acquisitions, GSA Administrator Perry proposed reorganizing the two services into a unified

¹⁶ Ibid., p. 10.

¹⁷ Ibid., pp. 47-48.

¹⁸ U.S. General Services Administration, Office of Inspector General, *Audit of Federal Technology Service's Client Support Centers*, Report No. A020144/T/5/Z04002, (Washington: January 2004).

¹⁹ Ibid., pp. 2-3.

²⁰ Shane Harris, "GSA Establishes New Contract Policy Office," *GovExec.com*, June 22, 2004, at [http://www.govexec.com/story_page.cfm?articleid=28828], visited Dec. 4, 2007.

Federal Supply and Technology Service in the President's FY2006 budget request.²¹ While the GSA Administrator can, through his discretionary authority, propose the consolidation of the FSS and the FTS without congressional approval, legislation is needed to authorize the creation of a General Services Fund to replace the existing congressionally authorized funding structure. As part of GSA's reorganization plan, a congressionally authorized General Services Fund would fund the programs and activities currently provided for separately through the General Supply Fund and the Information Technology Fund, both authorized by statute. In his proposed reorganization, the GSA Administrator would assign GSA's chief financial officer the responsibility of administering the unified acquisition fund to ensure greater oversight of both IT and other purchases. In addition to strengthened accountability, GSA's proposed unification of the FSS and the FTS would allow customer agencies greater flexibility to acquire both IT and other types of goods and services through GSA's supply schedules, with less duplication of effort.

On March 16, 2005, the House Committee on Government Reform held a hearing to address GSA's management challenges in the evolving technology market, and its proposed merger of the FSS and the FTS.²² GSA Administrator Stephen Perry emphasized his agency's goals to meet customer agency requirements for high quality and cost efficient IT acquisitions, as well as for other goods and services. He discussed GSA's ongoing efforts to complete a first draft of its reorganization plan by May 31, 2005, to be followed with a final reorganization plan. In order for GSA to effectively consolidate the administrative and financial management aspects of FSS and FTS operations, the GSA Administrator also called upon Congress to provide GSA with the legislative authority necessary to combine the General Supply Fund and the IT Fund into a single revolving fund.²³ In his statement, Chairman Tom Davis commended GSA's administrative proposal to create a unified acquisition service, and stated that the hearing would assist the committee in the drafting of legislation to combine the two funds, and to ensure that any structural reforms be "memorialized in GSA's organic legislation."²⁴

H.R. 2066. In the 109th Congress, Tom Davis and Duncan Hunter introduced H.R. 2066, the General Services Administration Modernization Act, on May 4, 2005. Based in large part on information obtained during the House Committee on Government Reform's oversight hearings, the proposed legislation amended 40 U.S.C §303 to statutorily establish a Federal Acquisition Service (FAS) within GSA. Section 2 authorized the Administrator of GSA to appoint a Commissioner to head the FAS, subject to the direction and control of the Administrator. He was also authorized to appoint up to five regional executives to carry out acquisition functions within the FAS as he considers appropriate.

²¹ U.S. Office of Management and Budget, *Budget of the United States Government, Fiscal Year 2006, Appendix*, (Washington: GPO, 2005), p. 997.

²² U.S. Congress, House Committee on Government Reform, *Service Oriented Streamlining: Rethinking the Way GSA Does Business*, hearings, 109th Cong., 1st sess., March 16, 2005, (Washington: 2005).

²³ *Ibid.*, pp. 12-13.

²⁴ *Ibid.*, p. 2.

Section 3 of H.R. 2066 amended 40 U.S.C § 321(a-b) to abolish both the General Supply Fund and the IT Fund as special U.S. Treasury accounts, and authorized the transfer of any remaining capital assets and balances to the Acquisition Services Fund in the U.S. Treasury. The newly created fund would have been credited with all reimbursements, advances, and refunds relating to the procurement of personal property or services, including the net proceeds of the disposal of surplus personal property, and the receipts from customer agencies charged fees pursuant to rates established by the GSA Administrator. For each fiscal year, the GSA Administrator would have determined the fund's cost and capital requirements, and developed a plan concerning such requirements, in consultation with GSA's Chief Financial Officer. The GSA Administrator would also have been authorized to establish fees to be charged to customer agencies for acquisitions of goods and services through the fund, as well as determining fees to recover the cost of personal services related to the provision of IT. At the end of each fiscal year, any uncommitted balance of funds remaining in the fund would have been transferred to the U.S. Treasury as miscellaneous receipts.

In an effort to retain qualified procurement specialists, Section 4 of the bill amended 41 U.S.C. § 433 to direct the head of each executive branch agency to establish policies and procedures to pay retention bonuses to employees in acquisition-related positions, if it was determined that it was essential to retain an employee who might otherwise leave federal service, or take a different position in the federal service.²⁵ An agency head would also have been authorized to re-employ a retired federal employee to an acquisition-related position, with no discontinuation of the employee's retirement annuity.²⁶

On May 23, 2005, the House Committee on Government Reform favorably reported H.R. 2066, with an amendment in the nature of a substitute.²⁷ Adopted by voice vote, the amendment eliminated the requirement that the Commissioner of the Federal Acquisition Service be a non-career employee, in order to allow the GSA

²⁵ Generally, agencies may pay retention allowances to an eligible employee who holds a General Schedule; prevailing rate; senior-level and scientific or professional; Senior Executive Service; and Executive Schedule position. Before paying a retention allowance, an agency must establish a plan for using the authority (5 CFR 575.305(a)), which includes the designation of officials with the authority to review and approve payment of retention allowances, criteria and procedures for paying allowances, and documentation and record-keeping requirements. An agency may not offer a retention allowance to an employee who is likely to leave for a position in any branch of the federal government (5 CFR 575.304(c)). An agency may, however, pay a retention allowance to an employee likely to leave the federal service for any reason (5 CFR 575.304).

²⁶ These employment decisions would be made after consultations with the Administrator of the Office of Management and Budget's Office of Federal Procurement Policy, and the Director of the Office of Personnel Management. GSA's Administrator would report annually to the House Committee on Government Reform and the Senate Committee on Homeland Security and Governmental Affairs on the use of such authority. The employment authority authorized by H.R. 2066 would terminate on December 31, 2011.

²⁷ U.S. Congress, House Committee on Government Reform, *General Services Administration Modernization Act*, report to accompany H.R. 2066, 109th Cong., 1st sess., H.Rept. 109-91 (Washington: 2005).

Administrator greater flexibility to appoint the most qualified person to the new position. The same day, H.R. 2066 was passed and agreed to in the House, as amended, by voice vote.

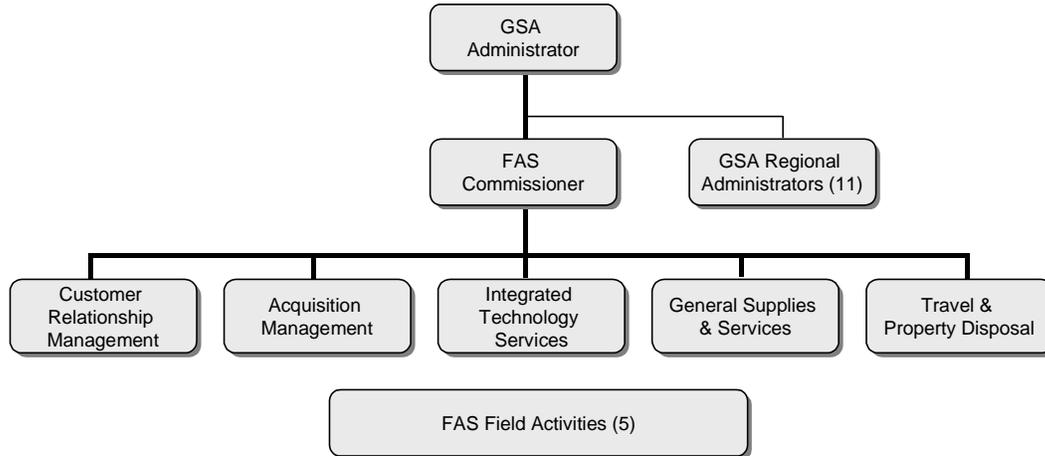
On May 24, 2005, the legislation was referred to the Senate Committee on Homeland Security and Governmental Affairs. H.R. 2066 was reported favorably, with amendments, on May 2, 2006. The Senate version eliminated the limitation on the number of regional executives the GSA Administrator could have appointed to carry out acquisition functions within the FAS. A new amendment also eliminated House language authorizing pay retention bonuses up to 50 percent of basic pay for employees in acquisition-related positions. H.R. 2066, as amended, passed the Senate by unanimous consent on September 6, 2006. The Senate amendments to the original House bill removed a requirement that GSA appoint five regional executives to the FAS. The amended H.R. 2066 passed the House on September 25, 2006, by voice vote, and the bill was signed into law as P.L. 109-313, on October 6, 2006.

GSA's Draft Reorganization Plan. GSA Administrator Stephen Perry released his own draft plan to administratively reorganize the FSS and FTS into a unified Federal Acquisition Service on June 2, 2005.²⁸ Under GSA's draft reorganization proposal, business managers would administer agency acquisitions through three separate business units pertaining to IT, general supplies, and travel and property acquisitions. Using his discretionary authority, the GSA Administrator would establish the position of Commissioner to oversee the new service, replacing the existing FSS and FTS Commissioner positions. Acquisition oversight would be centered in a separate office within FAS to issue standards and perform contract reviews for each business unit. This acquisition management office would be headed by GSA's chief acquisition officer (CAO), an existing administrative position which was created by the GSA Administrator in June 2004 to oversee all acquisition contracts. The CAO would also provide an external oversight role for the proposed Federal Acquisition Service, since he reports directly to the GSA Administrator, and not to the FAS Commissioner.

Figure 1 illustrates GSA's draft reorganization plan for the proposed Federal Acquisition Service.

²⁸ U.S. General Services Administration, *Proposed Organizational Design of GSA's Federal Acquisition Service*, May 31, 2005.

Figure 1. GSA's Draft Reorganization Plan for the Federal Acquisition Service (May 31, 2005)



Source: U.S. General Services Administration, *Proposed Organizational Design of GSA's Federal Acquisition Service*, May 31, 2005, p. 4.

It has been suggested that GSA's proposal to allow business managers to administer contracts might lead to a greater emphasis on increased sales and revenues than attention to sound contracting practices, as was documented in the GSA Inspector General's report on FTS contracting irregularities. The need for increased oversight was reinforced in a July 2005 Department of Defense (DOD) IG report which found that DOD and GSA contracting officials did not fully comply with federal acquisition policies and procedures when making IT purchases through GSA's Federal Technology Service.²⁹

According to GSA officials, its proposed reorganization plan was designed to achieve two major goals — to provide increased service to customer agencies, and exercise stronger management of its procurement activities.³⁰ Reaction to GSA's proposal centered on concerns that the agency did not have sufficient time to create a fully detailed reorganization plan to consolidate FSS and FTS functions. After reviewing GSA's draft proposal, some observers questioned GSA's "hasty effort" to release a draft plan before GSA's Administrator made a final decision on a formal reorganization plan. In response, a GSA spokesperson stated that the agency's reorganization plan was "still in development."³¹

On June 22, 2005, GSA Administrator Stephen Perry announced the appointment of Barbara Shelton as Acting Commissioner of the Federal Acquisition Service, effective immediately. According to GSA's press announcement, FAS

²⁹ U.S. Department of Defense, Office of Inspector General, *Acquisition: DoD Purchases Made Through the General Services Administration*, Report No. D-2005-096 (Washington: July 2005), p. i.

³⁰ Shane Harris, "GSA Outlines New Acquisition Organization," *GovExec.com*, June 2, 2005, at [http://www.govexec.com/story_page.cfm?articleid=31397], visited Dec. 4, 2007.

³¹ Shane Harris, "GSA Studies New Business Portfolios That Split Schedules Program," *GovExec.com*, May 25, 2005, at [<http://www.govexec.com/dailyfed/0505/052505h1.htm>], visited Dec. 4, 2007.

Acting Commissioner Shelton, previously Acting FTS Commissioner, would provide oversight of the existing FSS and FTS organizations pending the GSA Administrator's release of a formal FAS reorganization plan.³² Effective October 31, 2005, GSA Administrator Perry resigned from the agency, and GSA Deputy Administrator David Bibb became GSA Acting Administrator on November 1, 2005. Concurrently, FAS Acting Commissioner Shelton resigned from the agency. GSA Deputy Administrator Bibb announced his appointment of GSA Associate Administrator G. Martin Wagner as FAS Acting Commissioner, effective December 21, 2005. President George W. Bush announced his nomination of businesswoman Lurita A. Doan as GSA Administrator on April 6, 2006, pending Senate confirmation. The acting FAS Commissioner named John Johnson as the acting chief of FAS, effective June 5, 2006. The Senate approved, by unanimous consent, the appointment of Lurita A. Doan as GSA Administrator on May 29, 2006.

Congress's Response to GSA's Draft Reorganization Plan. Even though outgoing Federal Supply Service Commissioner Donna Bennett stated in a press interview that many of the key details of GSA's draft reorganization proposal remained to be worked out, House Government Reform Committee chairman Tom Davis expressed concerns that "GSA's plan does not seem to foster the tighter management control envisioned by the committee to improve acquisition effectiveness and prevent the high profiled abuses and acquisition mismanagement" documented by GSA's Inspector General. While Representative Davis favorably noted that the GSA Administrator had incorporated five field activities or positions into his draft plan (see **Figure 1**), similar to proposed language in H.R. 2066 authorizing five regional executive positions, it was "unclear" to the chairman as to how these positions would function in the consolidated FAS.³³

According to a spokesperson for the chairman of the House Government Reform Committee, the legislative intent of H.R. 2066 was to authorize the merging of the FSS and FTS purchasing funds and to establish the FAS within GSA by statute, while enabling the GSA Administrator to use his discretionary authority to create "the most effective business structure" for the FAS. Since "the interim planning process at GSA is quite fluid and there is no way to know at this time what they will ultimately do," the committee spokesperson stated that a final reorganization plan must be released by the GSA Administrator before the full committee would officially comment.³⁴

The Senate Committee on Appropriations also commented on the GSA Administrator's draft proposal to establish a Federal Acquisition Service within GSA. On July 26, 2005, during its consideration of H.R. 3058, the FY2006 Transportation, Treasury, Housing and Urban Development, Judiciary, District of

³² U.S. General Services Administration, *Shelton to Head GSA's Federal Acquisition Service*, June 22, 2005, at [http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_BASIC&contentId=19101&noc=T], visited Dec. 4, 2007.

³³ Shane Harris, "FSS Chief Retires as Congress, Industry Question Reorganization Plan," *GovExec.com*, June 3, 2005, at [http://www.govexec.com/story_page.cfm?articleid=31408], visited Dec. 4, 2007.

³⁴ Shane Harris, "GSA Studies New Business Portfolios that Split Schedules Program," *GovExec.com*, May 25, 2005, text available from author.

Columbia, and Independent Agencies appropriations bill, the Senate Committee added new language in Section 609 stating that no appropriated funds should be used by GSA to “reorganize its organizational structure without approval by the House and Senate Committees on Appropriations through an operating plan change.” In its accompanying report, the Senate Appropriations Committee appeared to disagree with GSA’s plan and similar language in H.R. 2066 authorizing the creation of five regional executive positions within FAS. The committee reported that these five new positions would replace 22 existing regional administrators, and that, while some centralization of GSA’s authority may be appropriate, a knowledgeable and expert regional staff is needed to ensure that customers are “adequately served through locally tailored acquisition support.”³⁵ Enacted on November 30, 2005, P.L. 109-115 contained a provision which restricted GSA from using any appropriated funds for its reorganization without prior congressional approval. On April 6, 2006, the House Appropriations Subcommittee on Transportation, Treasury, Housing and Urban Development, Judiciary, District of Columbia, and Independent Agencies approved the FAS reorganization. The following day, GSA’s proposed reorganization was approved by the Senate Appropriations Subcommittee on Transportation, Treasury, Judiciary, Housing and Urban Development, and Related Agencies.

GSA’s Formal Reorganization Plan. GSA Administrator Stephen Perry, who had earlier announced that his final plan to reorganize all FSS and FTS procurement and administrative functions into a new FAS would be completed in July 2005, issued his formal reorganization plan on August 4, 2005. According to GSA’s official announcement, this detailed organizational plan was based on extensive comments that were received from GSA associates, customer agencies, vendors, and Congress subsequent to the GSA Administrator’s announcement in GSA’s FY2006 budget request of his intention to restructure the agency’s acquisition services.³⁶ The GSA Administrator did not announce a date for the final restructuring to take effect, since the agency still needed congressional approval for the merger of the General Supply Fund and the Information Technology Fund into one unified purchasing fund.³⁷ According to GSA’s Assistant Administrator Susan Marshall, the provisions contained in H.R. 2066 essentially followed GSA’s reorganization proposal, and that enactment of the legislation would ensure that GSA’s administrative changes “remain in effect in the future.”³⁸

As indicated in GSA’s formal reorganization plan for the FAS, seven departments and positions reported directly to the FAS Commissioner. The

³⁵ U.S. Congress, Senate Committee on Appropriations, *Transportation, Treasury, the Judiciary, Housing and Urban Development, and Related Agencies Appropriations Bill, 2006*, report to accompany H.R. 3058, 109th Cong., 1st sess., S.Rept. 109-109 (Washington: 2005), pp. 222-223.

³⁶ U.S. General Services Administration, *GSA Announces Detailed Organizational Design Plan for FAS*, August 4, 2005, at [http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_BASIC&contentId=19333&noc=T], visited Dec. 4, 2007.

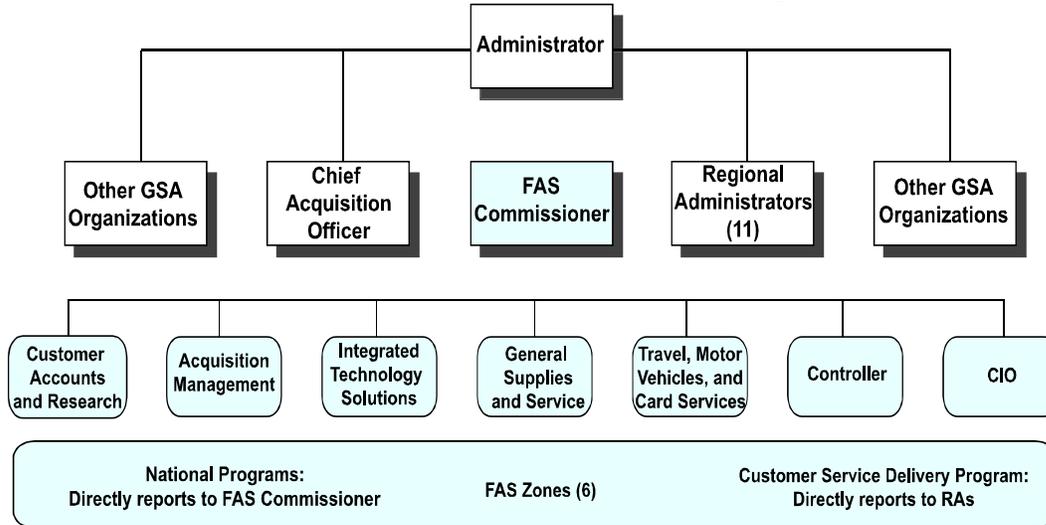
³⁷ Stephen Barr, “GSA Reorganization Would Combine Two Purchasing Services,” *Washington Post*, August 5, 2005, p. B2.

³⁸ U.S. General Services Administration, *Legislation Will Secure Vital Changes*, at [http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_BASIC&contentId=18886&noc=T], visited Dec. 4, 2007.

reorganization plan provided additional details on the three business units pertaining to IT, general supplies, travel and property acquisitions. The fourth department, the acquisition management division, served as a central organization to ensure consistent oversight of all GSA acquisition contracts and vendor performance. In the formal reorganization plan, GSA’s chief acquisition officer was no longer heading the acquisition management division, as was previously announced in GSA’s May 31, 2005, draft proposal. The fifth department reporting directly to the FAS Commissioner was the customer accounts and research division, which collected and analyzed information on the needs of agency customers, and coordinated this information with the other three business units providing acquisition services. The two positions of chief information officer (CIO) and controller, which previously reported to the FSS and FTS Commissioners, reported to the FAS Commissioner. Within GSA’s Office of the Chief Information Officer, the CIO provided strategic leadership and oversight for IT service delivery within each of GSA’s services, and was responsible for information security and IT management services. As part of the GSA Administrator’s reorganization of the FAS, the CIO was to coordinate the use of GSA-wide internal IT acquisition contracts and provide IT strategic human capital planning. Within GSA’s Office of the Controller, each service had a controller who was responsible for providing the organization’s financial and administrative support.

Figure 2 illustrates GSA’s formal agency reorganization plan for the Federal Acquisition Service.

Figure 2. GSA’s Formal Reorganization Plan for the Federal Acquisition Service (August 4, 2005)



Source: U.S. General Services Administration, *Proposed Organizational Design of GSA’s Federal Acquisition Service*, August 4, 2005, p. 13.

In addition to GSA’s central administrative and management agency in Washington, DC, 11 GSA Regional Offices also supported GSA’s mission throughout the United States. Each regional office was headed by a regional administrator who reported directly to the GSA Administrator. The agency’s formal FAS reorganization consolidated the acquisition-related functions of GSA’s 11 regional offices into six new “zones.” According to the GSA Administrator’s plan,

the agency would improve local IT customer service and delivery through six geographic zones, while maintaining its 11 regional offices to oversee GSA's federal buildings and property management through the Public Buildings Service (PBS). The FAS Commissioner was to be responsible for overall policy direction, and the 11 regional administrators had responsibility to manage and coordinate the local customer service delivery provided by both PBS employees within the 11 regions, as well as FAS employees within the six FAS zones. According to GSA's plan, most of GSA's former FSS and FTS procurement specialists would remain in their 11 regions; they would, however, be reporting to different offices because of the consolidation of the regions into six zones.³⁹

Congressional Response to GSA's Formal Reorganization Plan.

Representative Tom Davis, chairman of the House Government Reform Committee which provides oversight of GSA, stated that the GSA Administrator's August 2005 reorganization plan should reduce "much of the overlap and redundancy that existed within the old organization." He questioned, however, whether GSA's new regional management structure goes far enough in providing management control over regional IT acquisitions and may not correct the "lack of coordination" between FAS headquarters and the regions. The chairman also expressed doubts that GSA's plan "gives regional executives the appropriate reporting authority to improve the acquisition practices within the new zones."⁴⁰

Resignation of the GSA Administrator. Effective October 31, 2005, GSA Administrator Stephen Perry resigned his position with the agency, and, the following day, GSA Deputy Administrator David Bibb became the GSA Acting Administrator. Concurrently, FAS Acting Commissioner Barbara Shelton resigned from the agency. Effective December 21, 2005, GSA Deputy Administrator Bibb announced his appointment of GSA Associate Administrator G. Martin Wagner as FAS Acting Commissioner. On April 6, 2006, President George W. Bush announced his nomination of businesswoman Lurita A. Doan as GSA Administrator, pending Senate confirmation. The acting FAS Commissioner named John Johnson as the acting chief of FAS, effective June 5, 2006. The Senate approved, by unanimous consent, the appointment of Lurita A. Doan as GSA Administrator on May 29, 2006.

Concluding Observations

The GSA Administrator's August 4, 2005, reorganization plan provided his proposal to consolidate the management and acquisition functions formerly provided by GSA's Federal Supply Service and Federal Technology Service. The creation of a new Federal Acquisition Service attempted to integrate agency IT and other acquisitions into one organization to provide more consistent customer service. Although GSA's plan set forth detailed organizational charts, some questions remain as to the actual implementation of the agency's reorganization. GSA's Federal

³⁹ U.S. General Services Administration, *GSA Federal Acquisition Service and Agency-wide Support Functions, Phase II Detailed Organizational Design*, at [<http://gsa.gov/fas>], visited Dec. 4, 2007; see also *GSA Announces Detailed Organizational Design Plan for FAS*, available at [http://www.gsa.gov/Portal/gsa/ep/contentView.do?contentType=GSA_BASIC&contentId=19333&noc=T], visited Dec. 4, 2007.

⁴⁰ Chris Goser, "GSA Acquisition-center Consolidation Plan Revealed," *Federal Times*, vol. 41, August 8, 2005, p. 3.

Buildings Service continues to operate within 11 existing GSA regions. The Federal Acquisition Service, however, is divided into six zones within the 11 regions. It is not readily apparent from GSA's design plan how this new regional structure will function. The reporting authorities and responsibilities between the FAS Commissioner and the zones and regions arguably also need further clarification from GSA officials. The role of GSA's chief acquisition officer has also changed since the May 31, 2005, draft plan, when he was designated to oversee FAS's acquisition management division. In the formal reorganization plan, the CAO no longer has this responsibility. At this time, GSA reorganization documents offer no explanation for this change, and further details would be helpful in understanding the CAO's role in acquisition oversight within FAS.

Effective October 31, 2005, GSA Administrator Perry resigned from the agency, and GSA Deputy Administrator David Bibb became GSA Acting Administrator on November 1, 2005. Concurrently, FAS Acting Commissioner Shelton resigned from the agency. GSA Deputy Administrator Bibb announced his appointment of GSA Associate Administrator G. Martin Wagner as FAS Acting Commissioner, effective December 21, 2005. Press accounts indicated that FAS Acting Commissioner Wagner intends to proceed with GSA's ongoing reorganization efforts while he awaits Senate consideration and approval of FAS's funding structure, which is critical to the success of the agency's reorganization.⁴¹ On February 21, 2006, GSA Acting Administrator Bibb approved the planned FAS organizational design. On April 6, 2006, President George W. Bush announced his nomination of businesswoman Lurita A. Doan as GSA Administrator, pending Senate confirmation. She was confirmed by the Senate, by unanimous consent, on May 29, 2006.

Congressional interest in GSA's reorganization remained intense. In spite of House passage of H.R. 2066 on May 23, 2005, it appeared that the House Government Reform Committee was not convinced that GSA's reorganization plan went far enough to improve management control and oversight of the agency's acquisition activities. In a June 2005 interview, Representative Davis questioned whether GSA's draft plan met "the spirit" of the provisions contained in H.R. 2066 to amend GSA's organic legislation. GSA's reorganization was also under scrutiny from its congressional appropriators. Enacted on November 30, 2005, P.L. 109-115, the FY2006 Transportation, Treasury, Housing and Urban Development, Judiciary, District of Columbia, and Independent Agencies Appropriations Act contained a provision which restricted GSA from using appropriated funds to reorganize without prior approval by the House and Senate Appropriations Committees.⁴² FAS Acting Commissioner Wagner, however, did not anticipate any major obstacles in obtaining final congressional approval, stating that only "certain mechanics" of the reorganization remained to be resolved.⁴³ On April 6, 2006, GSA announced that the House Appropriations Subcommittee on Transportation, Treasury, Housing and Urban Development, Judiciary, District of Columbia, and Independent Agencies

⁴¹ David Perera, "New Acting GSA Acquisition Chief Plans to Wrap Up Reorganization," *GovExec.com*, December 5, 2005, at [http://govexec.com/story_page.cfm?articleid=32922], visited Dec. 4, 2007.

⁴² 119 Stat. 2484.

⁴³ Deborah Billings, "GSA Official Anticipates Agency's Reorganization Will Proceed Smoothly," *BNA, Inc., Daily Report for Executives*, December 19, 2005, p. A-7.

approved the FAS reorganization.⁴⁴ The following day, the Senate Appropriations Subcommittee on Transportation, Treasury, Judiciary, Housing and Urban Development, and Related Agencies approved GSA's reorganization.

As GSA awaited Senate approval of the merging of the Federal Supply Service and the Federal Technology Service funds, it was reported that FSS and FTS operating expenses exceeded incoming revenues by nearly \$45.7 million in FY2006. As a way to reduce costs, GSA Acting Deputy Administrator Kathleen Turco stated that the agency recently began to eliminate nearly 400 positions within the FSS Office of Global Supply and the FTS through employee early retirement or buyout incentives and might also consider a formal reduction-in-force.⁴⁵ On May 9, 2006, GSA Acting Administrator David Bibb announced that the Office of Personnel Management and OMB had authorized GSA to offer buyout incentives valued at \$25,000.⁴⁶

H.R. 2066 was reported favorably, with amendments, by the Senate Committee on Homeland Security and Governmental Affairs, on May 2, 2006. The Senate version eliminated the limitation on the number of regional executives the GSA Administrator could appoint to carry out acquisition functions within the FAS. A new amendment also eliminated House language authorizing pay retention bonuses up to 50 percent of basic pay to employees in acquisition-related positions. A spokesperson for the House Government Reform Committee stated that pay retention bonuses were needed to help "stabilize our shrinking acquisition workforce."⁴⁷ The Senate passed H.R. 2066, as amended, on September 6, 2006, by unanimous consent. The amended H.R. 2066 passed the House on September 25, 2006, by voice vote, and the bill was signed into law as P.L. 109-313, on October 6, 2006.

During her May 22, 2006, nomination hearing before the Senate Homeland Security and Governmental Affairs Committee, Ms. Doan testified that, if confirmed, her immediate priority would be to complete the merger of GSA's Federal Supply Service and Federal Technology Service. In a written statement, she expressed optimism that the agency's reorganization will improve "compliance and oversight," and encourage better communication between GSA headquarters and regional offices.⁴⁸ The Senate confirmation of GSA Administrator Doan on May 29, 2006, enabled the agency to move forward with the FAS reorganization, with enactment of P.L. 109-313.

⁴⁴ U.S. General Services Administration, *GSA Receives House Approval to Establish the New Federal Acquisition Service*, April 6, 2006, at [http://www.gsa.gov/Portal/gsa/ep/content/view.do?pageTypeId=8199&channelId=-13259&P=XAP&contentId=20759&contentType=GSA_BASIC], visited Dec. 4, 2007.

⁴⁵ Perera, David, "GSA Acquisition Units Report Losses," *GovExec.com*, March 6, 2006, at [http://govexec.com/story_page.cfm?articleid=33543], visited Dec. 4, 2007.

⁴⁶ Rutzick, Karen, "GSA Offers Buyouts to 400 Employees," *Gov.Exec.com*, May 9, 2006, at [http://www.govexec.com/story_page.cfm?articleid=34043], visited Dec. 4, 2007.

⁴⁷ Perera, David, "Senate Panel Backs GSA Reorganization," *GovExec.com*, May 2, 2006, at [http://www.govexec.com/story_page.cfm?articleid=33979], visited Dec. 4, 2007.

⁴⁸ Losey, Stephen, "Nominee Would Rebuild GSA Customer Service," *Federal Times*, May 29, 2006, p. 8.