



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

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PROCUREMENT, LOGISTICS,
AND READINESS DIVISION

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The Honorable Lee H. Hamilton
Chairman, Subcommittee on Economic Goals
and Intergovernmental Policy
Joint Economic Committee
Congress of the United States

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Dear Mr. Chairman:

Subject: Assessment of the General Services Administration's Use of Commercial Item Descriptions (GAO/PLRD-83-43)

RELEASED

Pursuant to your February 22, 1982, request and subsequent discussions with your Office on April 29, 1982, we have assessed the General Services Administration's (GSA's) efforts to use commercial item descriptions (CIDs) to procure supplies and equipment. CIDs are brief, simple descriptions of commercial or commercial-type products and are used in lieu of detailed Federal specifications. CIDs were expected to increase competition and, as a result, decrease costs, in addition to other benefits.

Our objectives were to determine whether the conversion to CIDs

--resulted in more bidders and lower prices and

--created any unforeseen problems with small businesses, product quality, bid protests, material handling, and contract competition.

Our review was conducted at GSA's Office of Federal Supply and Services (formerly the Federal Supply Service) in Arlington, Virginia, and GSA's regional offices in Atlanta, Georgia; Boston, Massachusetts; Chicago, Illinois; Dallas, Texas; New York, New York; and San Francisco, California. We examined GSA procurement files, management studies, policies, and procedures. In addition, we held discussions with GSA officials and interviewed officials at manufacturing companies, other Federal agencies, and the Office of Federal Procurement Policy.

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Finally, we compared the prices and number of bidders for items procured using both CIDs and Federal specifications. (See enc. I for details on our analysis.) We did not compare the time to prepare a CID to the time to prepare a Federal specification. Our review was performed in accordance with generally accepted government audit standards.

Our statistical sample of purchases in seven GSA offices showed that the use of CIDs has had a modest beneficial impact in that the number of bidders has increased slightly and the prices have lowered slightly. In addition, we found no evidence of adverse effects from the use of CIDs on competition, small business participation, material packaging requirements, product quality, or the number of protests received.

We discussed our assessment with your Office on December 8, 1982, and this letter summarizes the results of our review.

BACKGROUND

In May 1976, the Office of Federal Procurement Policy established the current commercial products policy ^{1/} to increase the use of commercial products and distribution channels. This policy stated that, whenever possible, the Government will purchase commercial, off-the-shelf products provided that the products have an established commercial market acceptability, that is, sales to the general public predominate over sales to the Government.

In 1978, a GSA-led interagency task force on specifications developed procedures for preparing CIDs that would describe commercial products. In late 1978, GSA began writing CIDs and subsequently promulgated the following concepts for CIDs:

- Maximizing the use of functional or performance-type requirements.
- Maximizing the reliance on commercial packaging, packing, and marketing.
- Maximizing testing and quality control requirements.
- Limiting reference material to what is not already covered by industry practices.

^{1/}Subsequently referred to as the acquisition and distribution of commercial products policy.

- Requiring established commercial market acceptability.
- Using recognized industry standards, instead of Federal specifications or standards, whenever possible.
- Requiring manufacturers to certify that the products they are selling to the Government are the same as those in the commercial market place.

At the time GSA began using CIDs, it had about 2,000 Federal specifications. As of September 1982, it reported that 1,026 CIDs had been developed; 729 of which replaced Federal specifications. According to a GSA summary, 454 CIDs were used to procure goods worth \$285 million during fiscal year 1982.

COMPARISON OF PRICES AND BIDDERS

To assess the benefits derived from the CID, we compared the prices and number of bidders for items procured using both CIDs and Federal specifications. Overall, we found that CID buys showed a small decrease in price and a slight increase in the number of bidders. However, we could not determine the impact of other factors, such as the recession and the entrance of new vendors into the various markets, on the number of bidders and the prices paid.

The second CID buys showed the greatest differences. The weighted average CID price for the second buy was 7 percent lower than the specification price, while the weighted average price for the first CID buy was only 2 percent lower than the specification price. The first CID buy had an average of 3.6 bidders and the second an average of 4.1 compared to an average of 3.5 bidders using Federal specifications.

The following tables show the results of our comparisons at each GSA regional office visited and the Tools Center in Washington, D.C.

Comparison of Weighted
Average CID Prices to
Specification Prices (note a)

Percentage of CID Price
to Specification Price (100%)

<u>Location</u>	<u>First buy</u>	<u>Second buy</u>
Atlanta	97	90
Boston	91	91
Chicago	96	88
Dallas	86	83
New York	98	97
San Francisco	104	91
Washington (Tools Center)	89	93
All locations	98	93

Comparison of Average
Number of Bidders (note a)

<u>Location</u>	<u>Specification buy</u>	<u>CID buy</u>	
		<u>First</u>	<u>Second</u>
Atlanta	3.5	3.8	3.1
Boston	2.2	3.2	2.8
Chicago	3.8	3.1	2.0
Dallas	4.1	5.2	6.1
New York	3.6	3.8	3.3
San Francisco	2.9	2.7	2.0
Washington (Tools Center)	3.5	3.6	4.9
All locations	3.5	3.6	4.1

a/This datum was obtained from a statistical sample and, thus, is subject to sampling errors. At the 95 percent confidence level, the percentage of the second CID price to the specification price, for all locations, is 93 percent \pm .051 percent and is statistically significant. The number of bidders for the second CID buy, for all locations, is 4.1 bidders \pm .723 bidders and is not statistically significant.

EFFECT ON OTHER ASPECTS
OF THE ACQUISITION PROCESS

Our review of other aspects of the acquisition process indicated that the use of CIDs did not adversely affect

- competition for the contracts,
- product quality,
- bid protests filings,
- small business contracting, and
- material handling.

Effect of CIDs on competition

To determine if CIDs actually included requirements that restricted competition for the contracts, we reviewed two types of CIDs. One type involved items for which GSA procuring officials expressed some concern over the descriptions developed by the CID preparers. The other involved an item which, on the surface, did not appear restrictive and was of high dollar value. CIDs reviewed were for laundry bleach, anti-freeze, envelopes, and scouring pads.

We contacted manufacturers of the items, who, in some instances, were GSA suppliers and, in other instances, were not. Generally, the manufacturers believed that the requirements were not restrictive. According to the manufacturers, CIDs were simpler, easier to comprehend, and contained fewer requirements than their predecessor specifications. These manufacturers also believed that the requirements in CIDs were standard for the industries involved and could be satisfied with products from their inventories.

Effect of CIDs on the
quality of the items

We reviewed contract files and questioned GSA officials and users to determine whether minimizing test and quality control requirements in CIDs tended to reduce product quality. We found that there were few complaints about quality. Further, users of CID items believed that the items performed satisfactorily and were of an acceptable level of quality. They also believed that the items performed as well as the items formerly purchased with the Federal specifications.

Bid protests caused
by CID procedures

We reviewed contract files and questioned GSA officials to determine whether the use of CIDs had led to an increase in bid protests. (We did not find any evidence that bid protests increased due to CID procedures, and GSA officials confirmed our finding.) We noted that the commercial market acceptability requirement, which might have caused manufacturers who sold only to the Government to protest, was later discontinued.

Limitations on small businesses
as a result of CIDs

Our review of contract files and questions to Small Business Administration officials did not indicate that small business contracting opportunities had been reduced as a result of CIDs. In addition, our comparison did not show that CIDs limited small business participation. In general, the percentage of small business awards made with Federal specifications and CIDs stayed basically the same. Small Business Administration officials knew of no problems attributable to CIDs, and they did not think that CIDs interfered with their goal to assist small business.

As mentioned previously, the commercial market acceptability requirement, which could have limited small business contracting, has been discontinued. Consequently, bids from small businesses cannot be rejected because their items are not sold in commercial markets.

Material handling problems
created by use of CIDs

We reviewed contract files and questioned GSA officials to determine whether CID requirements tended to create material handling problems. We found that the failure to cite specific commercial requirements created some problems with spillage and variations in the number of items in shipping containers. However, GSA has recently taken action to prevent these problems and insure uniformity by citing packaging, packing, and marking standards that are accepted practice in particular industries, instead of citing a general statement that commercial requirements were acceptable.

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In accordance with your request, we did not obtain formal agency comments. Also, as arranged with your Office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time, we will send copies to interested parties and make copies available to others upon request.

Sincerely yours,



Donald J. Horan
Director

Enclosures - 2

ANALYSIS OF CIDS AND FEDERAL
SPECIFICATIONS

To make our comparison, we developed a separate universe for the Tools Center and one each for the six GSA regional offices. Our total universe consisted of 2,138 items with national stock numbers for 431 CIDs, or about 60 percent of the 729 CIDs which had been converted. (See enc. II for a list of items reviewed at each office.)

From the various universes, we randomly selected 505 items representing 258 CIDs. Then, we deleted items which

- had not been purchased for more than 2 years before the CID purchase;
- had not had a CID purchase as of August 31, 1982; and
- were not comparable because of differences in location, method of transportation, or packaging.

As a result, our sample included 331 items purchased with 182 CIDs.

By reviewing contracts for the sample items, we determined the prices and number of bidders for the last Federal specification purchases and the first and, if completed, the second CID purchases. Using the Producer Price Index (PPI), we adjusted the specification purchase prices to reflect the effects of inflation and the changes in the particular industry involved. For example, a box wrench (national stock number 5120-00-222-1595) was purchased with a Federal specification in April 1980 for \$8.16 and with a CID in March 1981 for \$8.67. The Bureau of Labor Statistics' "Producer Prices and Price Indexes" showed that the PPI factor for box wrenches in April 1980 was 306.9 and in March 1981 the PPI factor was 350.5. The factor for the later purchase was divided by the factor for the earlier purchase to obtain the adjustment factor ($350.5 \div 306.9$), 1.142. The specification price was multiplied by the adjustment factor to arrive at the PPI adjusted price ($\$8.16 \times 1.142$), \$9.319.

COMMODITIES COVEREDIN THE ANALYSIS

Atlanta	Hardware and abrasives. Miscellaneous household and commercial furnishings and appliances.
Boston	Books, maps, and publications. Textiles, leather, and clothing. Toiletries. Miscellaneous household and commercial furnishings and appliances. Furs, apparel, and shoe findings. Tents and flags. Individual equipment and insignia.
Chicago	Containers. Packaging and packing supplies.
Dallas	Indoor and outdoor lighting. Plumbing supplies and fixtures. Chemicals and chemical compounds.
New York	Paper products. Office supplies.
San Francisco	Food preparation and serving equipment. Service and trade equipment. Refrigeration and air-conditioning equipment. Musical instruments, phonographs, and home-type radios. Cleaning equipment and supplies.
Washington	Woodworking machinery and equipment. Measuring tools. Metal working machinery and equipment. Hand tools.