

UNITED STATES GENERAL ACCOUNTING OFFICE

094373

WASHINGTON, D.C. 20548

FOR RELEASE ON DELIVERY
Expected at 9:00 a.m., E.S.T.
Thursday, May 3, 1979

STATEMENT OF

ELMER B. STAATS, COMPTROLLER GENERAL

OF THE UNITED STATES

BEFORE THE

SUBCOMMITTEE ON LEGISLATION AND NATIONAL SECURITY

HOUSE COMMITTEE ON GOVERNMENT OPERATIONS

ON

THE OFFICE OF FEDERAL PROCUREMENT POLICY

H. R. 3763

u,

H. 1506



094373

~~710283~~
094373

1
2
/

Mr. Chairman, and members of the Subcommittee. I have long been interested in strengthening policy leadership in executive branch procurement matters, both as a result of experience on the Procurement Commission and our work in GAO. I am glad to have an opportunity to give you my views on H.R. 3763 to reauthorize the Office of Federal Procurement Policy (OFPP).

451

Your bill would not alter the original goal of establishing this policy leadership but would alter how the goal is to be achieved.

The bill would shift the primary emphasis for the next 3 years from one of policy direction to one of leadership in policy development. Instead of establishing and prescribing policy and regulations for the Federal agencies, OFPP's role for the near future would be to develop a uniform procurement system to be implemented by the Congress.

I am concerned about the general thrust of the bill which would take away from OFPP overall directive authority over procurement policies, regulations, procedures, and forms. As you know, I was a member of the Procurement Commission and it was the unanimous position of the Commission that there was a void in policy leadership and responsibility in the procurement area. The report stated that many problems found by the Commission were attributed, at least in part, to the lack of a central executive branch leadership in developing policies and effectively implementation of policies. The Commission recommended, among other matters, that

the OFPP have directive authority rather than merely advisory authority.

If directive authority is taken away from OFPP there is no one to fill the gap, and the Government would again be in a situation where each department and agency would be making its own decisions with respect to overall procurement policy.

Perhaps one way to mitigate the concerns over the loss of directive authority would be to require that all directives issued by OFPP be concurred in by the Director of OMB before issuance. This would help clarify the roles of the two organizations which in the present law is unclear. Section 6(h) may be intended to achieve this. However, we think it is limited in that policy issuances would be confined to those necessary to achieve consistency with and in support of the development and implementation of the uniform procurement system.

I would like to comment now on what we consider the most positive aspect of the bill. Previous OFPP administrators, as well as the regulatory system (FAR) now being developed, were and still are constrained by existing legislation. As we understand your proposal, Mr. Chairman, the new Administrator would have the opportunity, and indeed the obligation, to develop the kind of a procurement system in the Federal Government needed for the future. The Administrator would then come to Congress for policy review and backing through new legislation.

The Procurement Commission's opening remarks in its report, "Blueprint for Action," lists 10 important elements of a procurement system. This blueprint is attached to my statement in the event it can be useful in clarifying the term "procurement system."

Combined with the creation of a procurement system unconstrained by existing legislation is the broad interpretation of "procurement" embodied in the bill--from defining the need to the ultimate disposition of goods and services. If interpreted in this manner, we believe this combination of issues presents a tremendous challenge to the OFPP. We question whether it would be able to meet the 1-year timetable in the bill. You may wish to get OMB's judgment on this matter.

The bill adds a number of matters not in the original OFPP Act. We can support them based on our various followup studies of the past several years.

For example, H.R. 3763 will strengthen OFPP's leadership in developing a professional workforce in Federal procurement and, at the same time, make the Federal Acquisition Institute an integral part of OFPP where it can take on a Government-wide character. This would be a constructive step.

The bill would also encourage the Institute to undertake much more research and experimentation for improving procurement practices. This too has been supported by us in a separate report as well as in our recent Senate testimony. The assurance of funding for the Institute is also desirable.

The bill adds an OFPP function of legislative leadership in procurement matters. We think this is a good idea in view of the major legislative changes that are likely to emerge from OFPP's work and still open legislative recommendations of the Commission (see our report of July 31, 1978, pgs. 5 and 9, PSAD-78-100).

The bill would elevate to a statutory level, OFPP's job of considering and taking action on the recommendations of the Procurement Commission. Our current report supports giving higher priority to systematic follow-up on the Commission's report. It has been more than 6 years since the Commission submitted its recommendations, but the followup program has a long way to go. The current status of the Commission's 149 recommendations is as follows:

<u>Actions Completed</u>	<u>Number of Recommendations</u>
Rejected	13
Accepted and implemented	<u>30</u> <u>43</u>
<u>Actions Incomplete</u>	
Neither accepted nor rejected	13
Accepted, implementation pending	<u>93</u> <u>106</u> <u>149</u>

In an upcoming report, we will assess the status of and possible action on the 106 recommendations where action is incomplete. The outlook is as follows:

19	Good
42	Fair
45	Poor
<u>106</u>	

If there is to be a major shift in OFPP's role over the next 3 years, legislative intent must, of course, be clear.

We would like to make four suggestions. First, the terms used in the bill "uniform procurement system" and "management system" should be clearly spelled out because they would be the OPFF's main objectives for the next 3 years. For example, what would comprise the entire system and should all of it be embodied in the executive proposal to the Congress? You may wish to define those terms in the bill or in the legislative history. There should be no doubts about what outcomes are expected both from OFPP and in its submittals to the Congress. We will be glad to work with you on this.

Second, the bill requires that OFPP submit a report to the Congress on the recommendations of the Commission on Government Procurement. You may be aware that we have had problems with OFPP's past reporting on this subject--both its internal status reports as well as its annual reports to the Congress. More needs to be known about status, progress, obstacles, shortfalls, and actions scheduled on each open recommendation. Present OFPP reports offer no handles for

Congress and others to give help, nor do they satisfy the "analysis, evaluation, and review" oversight Congress wants as expressed in OFPP's legislative history. Its latest annual report to the Congress, for example, included only a one-page statistical summary. Periodic internal status reports serve as a foundation for OFPP's statistical summary. These reports:

- contain some premature assessments that implementation of recommendations is complete
- include target dates that move frequently with no indication of original dates or reasons for delay.
- do not show the multiple actions required by some recommendations
- do not identify incremental tasks required to carry out accepted recommendations.

Our upcoming report contains an alternative reporting framework, and we hope it will be helpful in carrying out this part of the bill and any guidance the Congress may wish to include in legislative history.

Third, section 6(b) of the bill establishes a role for GSA in the central management system ultimately to be adopted. In view of GSA's past track record coupled with the probable objection of the Defense Department to GSA monitoring DOD procurement activity, you may wish to illustrate in legislative history the kind of role GSA might be expected to play in the central management system.

Finally, the bill has a life of only 3 years within which, as we said earlier, a tremendous job has to be done. We would encourage extending OFPP for 5 years, with an annual progress report on which hearings might be held. This longer period of authorization could be especially important to attract and retain a higher calibre staff.

In addition, once OFPP completes its policy development role as envisioned in this bill, it is important that Congress respond to OFPP's proposals--the procurement system, the new legislation, and the management system--in a timely manner.

We will be glad to answer questions from you or Subcommittee members.

REPORT
OF THE
COMMISSION
ON
GOVERNMENT
PROCUREMENT

VOLUME 1

DECEMBER 1972

BLUEPRINT FOR ACTION

As may be gathered from the foregoing discussion, Government procurement is more than a purchasing function. It is affected by a wide range of Government needs influenced by numerous social, political, and economic activities—all of which act and react on each other. The Commission tried to identify the principal problem areas and the concerns of Congress, the public, and the procurement community itself. We outline now the direction of our proposals for improving the process in accordance with the mandate of Congress.

Policy Goals

The law establishing this Commission declares it "to be the policy of Congress to promote economy, efficiency, and effectiveness" in the procurement of goods and services by the executive branch.⁹ The methods for achieving this policy are spelled out in the law. Essentially, the law calls for (1) the reevaluation and improvement of policies for the Government to acquire goods and services in a timely, economical, and competitive manner; (2) an improvement in procurement organization and personnel; (3) the correction of duplication or gaps in laws, regulations, and directives; (4) uniformity and simplicity when appropriate; (5) fair dealing; and (6) overall coordination of Federal procurement programs.

Recommendations are contained throughout the four volumes of our report. Clearly, not all are of equal importance or of similar impact. Some call for a fundamental recasting of the procurement process; others for alleviating ills that have plagued Government and industry. Taken together, the major recommendations will achieve the policy goals set forth in the congressional mandate establishing the Commission.

An Integrated System with Central Leadership

An important objective of our recommendations is to ensure that the system fully warrants the public trust. The recommendations propose an integrated system for effective management, control, and operation of the Federal procurement process. The focus of this system is the proposed Office of Federal Procurement Policy that, if established, will provide leadership in the determination of Government-wide procurement policies.

The system we advocate will enable the executive branch to ensure that procurement operations are businesslike and orderly and that goods and services are efficiently acquired. To carry out this responsibility, Federal purchasing agencies must be provided with necessary instructions and resources. Another essential

ingredient is timely information on how well procurement needs are being met, so that deficiencies and resources may be adjusted at the appropriate management level. Our system satisfies these criteria and represents the net result of our study. The ten elements of our system are:

- The creation of an Office of Federal Procurement Policy in the executive branch to assure fulfillment of Government-wide statutory and executive branch requirements in performing procurement responsibilities.
- An integrated statutory base for procurement, implemented by a Government-wide regulatory system, to establish sound policies and simplified agency procedures to direct and control the procurement process.
- Latitude for Federal agencies to carry out their responsibilities within the framework of Government-wide statutes, policies, and controls.
- Availability of funds in time to permit improved planning and continuity of needed Federal and contractor operations.
- Government-wide recruitment, training, education, and career development programs to assure professionalism in procurement operations and the availability of competent, trained personnel.
- Carefully planned agency organizations, staffed with qualified people and delegated adequate authority to carry out their responsibilities.
- A coordinated Government-wide contract administration and audit system. The objective is to avoid duplication and deal uniformly, when practical, with the private sector in the administration of contracts at supplier locations.
- Legal and administrative remedies to provide fair treatment of all parties involved in the procurement process.
- An adequate management reporting system to reflect current progress and status so that necessary changes and improvements can be made when the need appears.
- A continuing Government-wide program to develop better statistical information and improved means of procuring goods and services.

⁹ See sec. 1, Public Law 91-129 (Appendix A).

The Role of Leadership

As we have examined the management of the procurement process, we have been repeatedly drawn to the conclusion that a process of such central importance demands continuing, thoughtful attention by the leaders in Government. No capable executive in the private sector or in the Government can afford to ignore the significance of his purchasing operation when organizational success depends largely on effective contracting. This is particularly true of the Government's purchasing function because of the broad social, political, and economic implications of Government spending.

All too often we see the ill effects of the lack of an executive branch mechanism that can focus Government-wide attention on the impact of procurement on costs and efficiency. For example, attempts to achieve uniformity in interagency policy often go unheeded and become compounded by management-level neglect or by isolated congressional actions. Similarly, our studies show that social and economic goals attached to the procurement process involve needlessly cumbersome administrative procedures. Controversies over how best to proceed are often relegated to low-level interagency haggling rather than being dealt with expeditiously by top management.

The improvements we recommend in organization, personnel capabilities, policies, and procedures, together with the other elements of the integrated system just described, would considerably improve the procurement process—but more is needed. Without strong

leadership, understanding, and effort by top management in both the legislative and executive branches, the procurement process will not be a strong mechanism for accomplishing national goals.

A Concluding Thought

The complexity of procurement is such that mistakes will be made even by people dedicated to doing a quality job. The important thing is to learn from the mistakes and continually improve the process. There are no universal answers to the myriad operating problems of Government procurement and the many goals it supports. However, if the recommendations advanced in this report receive effective and timely implementation, measurable improvement should result in the short term and even greater improvements should result over the long term.

The Commission has not attempted to make an estimate of the savings which could be achieved through the adoption of its recommendations. Indeed, it would have been impossible since many of them are in the nature of policy changes for which estimates could not be made with any degree of precision. At the same time, the Commission is certain that substantial savings can be made and has so indicated at many points in its report. For example, one recommendation alone—increasing from \$2,500 to \$10,000 the limit on exemptions from using advertised procurement procedures for small purchases—would save approximately \$100 million.