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REPORT BY THE U.S.

# General Accounting Office

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## Opportunities And Problems In Meeting The Military's Clothing And Textile Needs With Commercially Available Items

The Office of Federal Procurement Policy issued a new policy requiring Federal agencies to buy and distribute commercial products through commercial sources.

GAO assessed the Defense Department's progress in implementing this policy for its clothing and textile needs. Defense adopted a go-slow technique and has not yet changed its procurement and distribution methods, procedures, and practices to comply with the policy. Defense agencies complain that the policy has created problems and that they need more and better guidelines and instructions before changes can be made.

The few purchases made under the policy illustrate that savings are available. GAO believes that full-scale application of the policy is warranted.



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UNITED STATES GENERAL ACCOUNTING OFFICE

WASHINGTON, D.C. 20548

PROCUREMENT AND SYSTEMS  
ACQUISITION DIVISION

B-133177

The Honorable Harold Brown  
The Secretary of Defense

Dear Mr. Secretary:

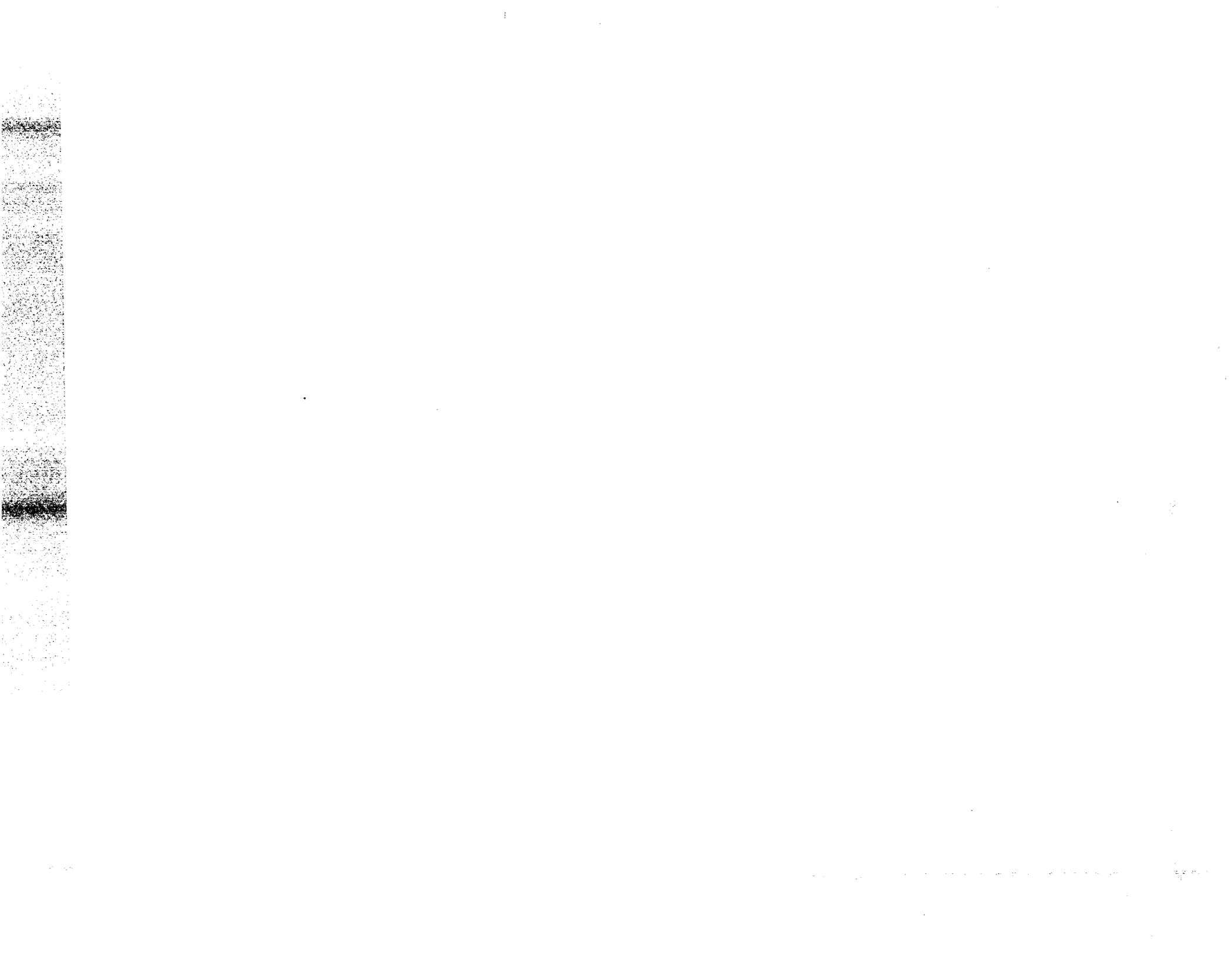
This report discusses the efforts of the Defense Logistics Agency to implement the Acquisition and Distribution of Commercial Products policy in the clothing and textile commodity group.

This report contains recommendations to you on page 33. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the House Committee on Government Operations and the Senate Committee on Governmental Affairs not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Director, Office of Management and Budget; the Chairmen, House Committee on Government Operations, Senate Committee on Governmental Affairs, and House and Senate Committees on Appropriations; and the Secretaries of the Army, Navy, and Air Force.

Sincerely yours,

*J. H. Stolarow*  
for J. H. Stolarow  
Director



GENERAL ACCOUNTING OFFICE  
REPORT TO THE SECRETARY OF  
DEFENSE

OPPORTUNITIES AND PROBLEMS  
IN MEETING THE MILITARY'S  
CLOTHING AND TEXTILE NEEDS  
WITH COMMERCIALY AVAILABLE  
ITEMS

D I G E S T

In May 1976 the Office of Federal Procurement Policy established a policy requiring the Government to "purchase commercial, off-the-shelf products" and "utilize commercial distribution channels" to provide the products to end users. The policy represented a fundamental shift from relying on detailed specifications in the procurement of commercial-type products and keeping inventories of such material in Government warehouses against future needs. (See ch. 1.)

The shift in philosophy was intended to reduce the Government's procurement and distribution costs. Buying products available on an off-the-shelf basis in the commercial marketplace was seen as a means of stimulating competition, taking advantage of industry's innovativeness and technological advances, and avoiding specification development costs. Utilizing commercial distribution systems was seen as providing opportunities to reduce the risks and costs associated with the storage, handling, and shipment of goods, as well as improve supply support to users.

A key organization in implementing the Acquisition and Distribution of Commercial Products policy in the Department of Defense is the Defense Personnel Support Center which in fiscal year 1978 procured \$644 million of clothing and textile items. In this review GAO assessed the Center's progress in implementing the policy.

The Department of Defense issued instructions to its components in January 1977 to implement the policy on a pilot-program basis and followed up on September 29, 1978, with a directive for

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full-scale implementation. However, the Defense Logistics Agency and the Center are continuing to implement the policy on a pilot program basis.

From the inception of the policy in May 1976, until the conclusion of GAO's review in December 1978, the Center has obtained approval from the Defense Logistics Agency to buy only 19 items on a commercial off-the-shelf basis out of the 4,500 clothing and textile items managed. Of these 19 candidates, 2 have since been deleted from the program and only 7 have resulted in contract awards. Furthermore, the Center has not yet implemented the portion of the policy concerning the use of commercial distribution channels. It is awaiting development of an automated system by the Defense Logistics Agency to handle the anticipated workload. (See ch. 2.)

GAO found that implementation of the policy was hampered by inadequate staffing. Under the directions of the Defense Logistics Agency, the Center assigned only a handful of people to implement the policy. Their duties in that connection were added to their regular responsibilities. With decisions on how to go forward with the program dependent on the experiences in the pilot phase, GAO believes that there must be adequate staffing during that phase--in terms of the number of people and their commitment. (See ch. 3.)

Furthermore, GAO found that market research--which is a critical element of the acquisition process--has been fragmented and has not been wholly effective in providing buyers with timely and reliable information to permit sound buying actions and decisions. Market research is being performed by the research and development activities of the various military services and by several organizational components of the Center. These efforts have not been effectively coordinated.

In fiscal year 1978 the Center set aside more than half of its procurement dollars in support of socioeconomic programs. The Center is concerned over how to continue to support those programs and yet achieve a greater degree of competition in keeping with the objectives of the policy. Defense officials feel that the Center has misinterpreted a Defense Department decision that the set-aside provisions under the socioeconomic programs take precedence over the policy and is applying this decision too stringently, thus limiting the competition for several of its procurements. (See ch. 4.)

The Defense Department needs to clarify its position and provide better guidance to the Center on how to accommodate both the socioeconomic and policy objectives. Despite these problems, in the seven buys to date, GAO estimates that there has been a net reduction of close to \$1 million in procurement costs based on lower unit prices obtained in these buys from those obtained in prior buys. The actual amount of savings directly attributable to the buying of commercially available items cannot be identified because of the variety of factors influencing price differentials from period to period. However, there is a strong presumption that the practice has significantly contributed to the lower unit prices achieved in the face of continuing inflation and the trend of rising prices. (See ch. 5.)

#### RECOMMENDATIONS

GAO believes that full-scale application of the policy is warranted. GAO is therefore recommending that the Secretary of Defense:

- Direct the Defense Logistics Agency and Defense Personnel Support Center to immediately implement the policy on a full-scale basis and to commit adequate staff resources to the effort.

- Redefine the organizational roles of the Center and the military research and development activities involved in implementing the policy for clothing and textile items. To better achieve the goals of the policy, consideration should be given to centralizing the management of the clothing and textile research and development activities under the Defense Logistics Agency.
  
- Clarify the Defense Department's position and provide guidance to the Defense Logistics Agency and the Defense Personnel Support Center on how to accommodate the goals of both the socio-economic programs and the policy.

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## ABBREVIATIONS

ADCoP	Acquisition and Distribution of Commercial Products
CAIP	Commercial Alternate Item Program
CCAP	Commercial Commodity Acquisition Programs
CISP	Commercial Item Support Program
DLA	Defense Logistics Agency
DOD	Department of Defense
DPSC	Defense Personnel Support Center
GAO	General Accounting Office
OFPP	Office of Federal Procurement Policy
OMR&A	Office of Market Research and Analysis
R&D	research and development

## CHAPTER 1

### INTRODUCTION

Federal procurement expenditures for goods and services have continued to climb in the face of mounting pressures to limit Government spending. These expenditures grew from about \$50 billion annually in the late 1960s to \$84 billion in 1977.

The Congress, concerned over these inflationary expenditures and the enormous Federal organizations developed to purchase; store; and distribute supplies and equipment needed by the various agencies, questioned whether the users' needs were satisfied most economically.

As a result of this concern, the Office of Federal Procurement Policy (OFPP) established a policy in May 1976 requiring Federal agencies to meet their procurement needs from products regularly manufactured and sold in the commercial marketplace.

Specifically, the Acquisition and Distribution of Commercial Products (ADCoP) policy states:

"The Government will purchase commercial, off-the-shelf products when such products will adequately serve the Government's requirements, provided such products have an established commercial market acceptability. The Government will utilize commercial distribution channels in supplying commercial products to its users."

The statement amounts to an order for a fundamental change in Government buying and distributing commercial products. Previously, Federal agencies developed and relied on detailed design specifications to identify and define the items they wanted to buy. Over the years, specifications excluded commercial products from consideration and resulted in made-to-order products for the Government.

The change in philosophy is intended to reduce the Government's procurement and distribution costs. Buying products off the shelf in the commercial marketplace is a means of stimulating competition, taking advantage of industry's innovativeness and technological advances, and avoiding specification development costs. Utilizing commercial distribution systems provides opportunities to reduce

the risks and costs associated with the storage, handling, and shipment of goods, as well as improved support to users.

The change affects all elements that interact in the logistics function--the users' needs identification systems, the contracting techniques, and the storage and distribution process. The change affects buyers, specification writers, specialists in contracts and distribution, administrators, and all the producers in the marketplace and requires changes in the way Government agencies do business. The Department of Defense (DOD) and the firms supplying its needs are especially affected by the procurement process change.

Of course, unique military items, such as major weapon systems, are manufactured solely for the Government. The design of most naval aircraft, for example, is determined by the Navy's needs, not by market forces. In such cases, military specifications are necessary.

The ADCoP policy is intended to foster the Government's use of the best commercial buying practices. Formerly, military specifications were used to buy items, such as bath towels, underwear, and bed sheets, that were regularly produced and sold to the general public.

Procurement by detailed design specifications usually costs more than open market buying because of added requirements placed on suppliers by the Government. In many cases, however, a mere change in the color to a military shade or a simple change in design features to provide for uniformity would serve to convert a commercial item to one that meets the military specification.

The ADCoP policy means that detailed specifications are not needed either to acquire an item or to ensure the quality of the item. It recognizes that products that have passed the competition test and been accepted in the commercial marketplace should also be acceptable to the government consumer. The Government should be able to establish the performance and reliability of a commercial product through an effective market research effort.

#### PURPOSE OF THE REVIEW

DOD, in response to the OFPP directive to incrementally implement the policy, instructed its component agencies to prepare a list of candidate items to be evaluated for possible procurement on a commercial off-the-shelf basis.

DOD established two programs--the Commercial Commodity Acquisition Program (CCAP) and the Commercial Item Support Program (CISP)--to carry out the intent of the OFPP policy statement:

--CCAP addresses the portion of the policy statement calling for the agencies to meet their needs for goods and material from items being sold in the commercial marketplace, rather than having similar items produced solely for the Government under Federal or military specifications.

--CISP addresses the aspect of the policy statement that calls for reliance on commercial distribution systems whereby suppliers would furnish needed items directly to end users.

However, it was OFPP's intent that the method of acquisition and distribution decisions be made simultaneously and that the acquisition and distribution of products to satisfy the users' needs is a single function. DOD created the separate programs in order to make the policy fit within its organizational structure.

This review assessed the implementation of the policy by DOD. In particular, we focused on how well the Defense Personnel Support Center (DPSC) applied CCAP and CISP in the procurement and distribution of clothing and textile items. We wanted to ascertain the nature of problems and impediments involved in converting to a commercial products philosophy and whether additional opportunities were available to achieve more economical procurements and distribution of clothing and textile items.

DPSC, a component of the Defense Logistics Agency (DLA), buys and manages food and medical supplies, as well as clothing and textiles for all the military services; other Federal agencies, including the Coast Guard; and foreign governments. DPSC manages about 4,500 clothing and textile items, 1/ such as men's underwear, men's and

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1/Among the items are some that come in different sizes. Trousers, for example, come in different waist and length sizes. To distinguish between sizes, for cataloging and logistics purposes, different national stock numbers are assigned for each. Thus, the approximately 4,500 items managed by DPSC translated into about 25,000 national stock numbers as of October 1978.

women's uniforms, boots and shoes, dress and work gloves. For fiscal year 1978, DPSC expenditures for clothing and textile items totaled \$644 million. At the end of the fiscal year, the inventory of such items under DPSC management was over \$1 billion.

Uniform boards of the respective military services recommend new military uniforms or changes to existing uniforms. The research and development (R&D) facilities in each of the military services specializing in clothing and textile items then develop the uniforms. These facilities also prepare and update specifications for the uniforms and other assigned items.

The military services inform DPSC--which serves as the central procurement and wholesale-level manager of clothing and textile items for the military services--of their clothing needs. DPSC uses four depots to receive and store the items that are bought. The depots issue the material to military installations and other authorized activities at their request.

Clothing items are furnished to recruits for support during their first 6 months of service. Funds are then provided to military personnel as a replacement clothing allowance. These items may then be purchased at military clothing sales stores, military exchanges, or the commercial marketplace.

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We are currently reviewing the broader implications of the commercial products policy for other items procured by DOD, the General Services Administration, and the Veterans Administration. We expect to issue a separate report on this latter review.

#### SCOPE OF REVIEW

Our work was performed at DPSC, Philadelphia, Pennsylvania, because of its role as the procuring activity for clothing and textile items needed by military personnel. We identified the progress made by DPSC, examined considerations and decisions regarding which items should be acquired under the policy, and analyzed a number of the related procurement actions.

We interviewed officials of several firms that buy or sell clothing and textiles in the commercial marketplace.

The firms were a cross section of the clothing and textile industries and included

- manufacturers of basic cloth and fabric;
- manufacturers of garments, linens, gloves, etc.; and
- industrial and retail users of different types of clothing and textile products (airlines, linen rentals, national motel chains, and catalog department stores).

The officials were contacted to obtain information about their firms' acquisition and distribution practices and to solicit their views and comments on the Government's adoption of the commercial products policy.

We visited the clothing and textile research and development facilities of each of the military services to ascertain the nature and extent of their activities in the development and updating of specifications. The following facilities were visited:

- Air Force Systems Command  
Directorate of Equipment Engineering  
Clothing Division  
Wright-Patterson Air Force Base, Ohio.
- U.S. Army Research and Development Command,  
Natick, Massachusetts.
- Marine Corps Logistics Support Base, Atlantic  
Albany, Georgia.
- Navy Clothing and Textile Research Facility  
Natick, Massachusetts.

## CHAPTER 2

### STATUS OF THE IMPLEMENTATION OF THE ADCOP POLICY ON CLOTHING AND TEXTILE ITEMS

The transition to the policy has been slow. Initially both CCAP and CISP were to be operated together on a pilot basis before full-scale implementation; however, the CISP portion has yet to be developed and applied to the procurement of clothing and textile items.

From the inception of the CCAP program in early 1977, until the conclusion of our review in December 1978, DPSC had obtained approval from DLA to buy only 19 items on a commercial off-the-shelf basis out of the 4,500 items they manage. Furthermore, as of November 30, 1978, only seven items had reached the contract award stage.

Although CCAP's progress has been limited, strong indications are that the seven CCAP buys produced lower procurement costs. On the basis of lower unit prices compared to those of prior buys, we estimated a net reduction of almost \$1 million. The actual savings directly attributable to the commercial items cannot be identified because of the variety of factors influencing price differentials from period-to-period. However, we reaffirm that the policy does contribute to lower prices in the face of continuing inflation and the trend of rising prices. In our opinion, the policy is a sound one and should result in more effective and economical procurements after elimination of problems surfaced in our review. (See ch. 3).

#### POLICY TRANSITION

At the direction of DOD, the CCAP program was to have been operated on a pilot basis. In this pilot-test phase, a variety of procurement and distribution techniques and approaches were to be tested to (1) establish which of the techniques and approaches would be appropriate and workable and (2) surface the range of problems that could be anticipated in the full-scale implementation of the policy. In an attempt to determine the most advantageous methodology, buying organizations, such as DPSC, were encouraged to take reasonable risks while trying out new and different acquisition methods and exploring all feasible alternatives for procurement of commercially available items. The process was to provide a learning experience during which problems would

be identified and dealt with in developing acquisition strategies for the full-scale implementation of the commercial products policy.

The transition to the policy was a major undertaking and involved many concerns by the various organizations participating in the programs. These organizations were interested in developing procedures that would permit them to effectively implement the policy while providing maximum protection of the Government's interests in the absence of detailed specifications, inplant production and product inspections, and military marking, packing, and packaging requirements.

OFPP officials told us that while the December 1976 guidance memorandum specifically requested that data on problems and successes be forwarded to them for coordination and solution nothing has been forthcoming from the participants that would have moved implementation of the policy into full gear.

#### POTENTIAL UNIVERSE OF ITEMS AVAILABLE IN THE COMMERCIAL MARKETPLACE

There were two ongoing programs at DPSC at the time ADCoP was initiated--the Commercial Alternate Item Program (CAIP) and the Specification Review Program--which should have provided a base of experience and a potential universe of items available in the commercial marketplace. Both programs were available to pave the way for the CCAP pilot program.

#### CAIP

CAIP was initiated in 1973 as part of the DOD war reserve program. CAIP's purpose was to identify available commercial marketplace items that could be substituted for military specification items immediately following mobilization. Under the program, the commercial items are viewed as substitutes to be procured in an emergency situation as a stopgap measure pending receipt of the specification items under orders placed after mobilization. This arrangement was seen as a means to avoid the expense of maintaining stocks of the military specification items as war reserves.

In a letter dated August 23, 1977, to the Secretary of Defense, we advocated that approved alternates be acquired to meet peacetime requirements in lieu of the military specification items. DOD officials, however, did not regard the identification of commercial items under

CAIP as an admission that all these items were equal in quality or performance to the specification items. On the contrary, according to a top-level DOD official, most commercial items usually do not meet all the rigid requirements of military specifications and, generally, are not considered satisfactory from a quality standpoint as suitable alternates for day-to-day peacetime or prolonged wartime requirements. It was admitted, however, that there are instances in which the commercial alternate items meet the quality requirements and are suitable for regular usage. We were informed that this situation would be examined under CCAP. The universe developed under CAIP was seen as an information base for the identification of commercial off-the-shelf products to replace military specification items.

As of March 1978, 64 items were approved under CAIP. In addition, attempts were being made to identify acceptable commercial alternates for 36 more items.

#### Specification Review Program

In June 1977, DPSC requested the military R&D activities to review the specifications for clothing and textile items under their jurisdiction. They were to classify the items involved as (1) commercial off-the-shelf items, (2) commercial-type items, or (3) Government-unique items. The following information on the status of their reviews was provided to DPSC by the four military R&D activities as of June 30, 1978.

<u>Type of item</u>	<u>Air Force</u>	<u>Army</u>	<u>Marine Corps</u>	<u>Navy</u>	<u>Total</u>
Commercial off-the-shelf	1	69	2	15	87
Commercial-type	-	264	3	4	271
Government-unique	38	227	56	92	413
Proposed cancellation or other action	<u>5</u>	<u>4</u>	<u>-</u>	<u>-</u>	<u>9</u>
Total	<u>44</u>	<u>564</u>	<u>61</u>	<u>111</u>	<u>780</u>
Specifications to be reviewed	Not available	76	74	139	-

This information provided DPSC with a universe of 87 potential commercial off-the-shelf and 271 commercial-type items. Although the reviews were not completed as of

June 30, 1978, our analyses showed that 46 percent of the 780 specifications had potential under CCAP.

The work done under CAIP and the specification reviews by the R&D activities provided DPSC with a made-to-order opportunity for full-scale implementation rather than limited testing of the ADCoP policy concepts. In effect, CCAP's groundwork was laid by CAIP through its identification of available commercial items that could serve as alternates for military specification items.

#### SELECTION OF ITEMS FOR CCAP

Nineteen items were approved for the program between March 1977 and May 1978. The items were selected because they either involved large dollar procurements or had high usage. In addition, the selection was intended to include items under the jurisdiction of the R&D activities of the Army, Navy, and Air Force and the Institute of Heraldry. We found that 16 of the 19 CCAP pilot-test candidates were items previously approved as commercial alternates under CAIP.

The listing that follows identifies each of those 19 items and the dates they were approved to be procured on a commercial off-the-shelf basis as part of the pilot tests under CCAP/CISP.

<u>Item no.</u>	<u>Product name</u>	<u>Date approved for CCAP</u>	<u>Responsible military R&amp;D activity</u>
1	Bath Towel	3/77	Army
2	Boxer Shorts, Men's	3/77	"
3	Cotton Undershirt, Men's	8/77	"
4	Bed Sheet	8/77	"
5	Cloth Gloves	8/77	"
6	Rubber Gloves	8/77	"
7	Fireman's Boots	3/78	Navy
8	Sweater, Men's	3/78	"
9	Wool Cap	3/78	"
10	Extreme Cold Weather Undershirt	3/78	"
11	Extreme Cold Weather Drawers	3/78	"
12	Wet Weather Parka	3/78	"
13	Cold Weather Hood	5/78	Air Force
14	Jockey Shorts, Men's	5/78	Army
15	U.S. Flag	5/78	Institute of Heraldry
16	Handkerchief	5/78	Navy
17	Black Socks, Men's	5/78	Army
18	Protective Shoes	5/78	"
19	Coveralls, Men's	5/78	Navy

#### ACTIONS TAKEN

The following chart is a summary of the actions that have been taken to obtain these 19 items in the commercial marketplace as of November 1978.

<u>Actions taken</u>	<u>No of items involved</u>
Contracts awarded	7
Procurements canceled after bids were obtained to allow R&D activity to prepare new purchase descriptions for the products	2
DPSC was reviewing submitted bids	1
Items deleted from CCAP	2
Items resubmitted to R&D activity for new purchase descriptions and identification of potential suppliers in the commercial marketplace	4
Procurements being processed by DPSC	2
Procurement suspended because the item is overstocked	1
Total	<u>19</u>

Contracts have been awarded for the first seven items approved for the pilot program. The following listing shows the date of contract award, quantity procured, and contract values for each of the items.

<u>Item no.</u>	<u>Item</u>	<u>Contract award date</u>	<u>Quantity procured</u>	<u>Contract value</u>
1	Bath Towel	5/78	900,000 ea.	\$1,030,000
2	Boxer Shorts, Men's	7/78	1,249,920 ea.	1,174,000
3	Cotton Under-shirt, Men's	7/78	2,750,040 ea.	2,452,000
4	Bed Sheet	7/78	180,000 ea.	621,000
5	Cloth Gloves	9/78	57,900 pr.	105,000
6	Rubber Gloves	9/78	4,265 pr.	105,000
7	Fireman's Boots	10/78	4,700 pr.	94,000

## LIMITED EFFECT OF CISP

DLA's efforts under the CISP pilot program have had a limited application to clothing and textile items. The first phase of the program involved a screening of all items managed by DPSC to identify those meeting an established criteria for decentralized management and local procurement. This phase had no effect because the screening process identified only a few items as possible candidates for transfer of management from DPSC to local activities.

The several buys made under CCAP have not involved consideration of alternate distribution methods as directed by the ADCoP policy. DPSC has been looking to DLA for development of an automated computer-based system. The system would facilitate processing of the large volume of requisitions and direct distribution actions expected to result from the policy's implementation. In the interim, the CCAP buys have followed prior practices of shipping material to the depots for eventual redistribution to end users.

## PILOT-TEST BUYS SHOW A POTENTIAL FOR SIGNIFICANT SAVINGS

Implementation of the policy has been limited. There have been only seven contract awards to date under the CCAP pilot test. Furthermore, CISP is not yet operational; and the policy's concepts, involving the use of suppliers' distribution systems to reduce the Government's distribution costs, have not been incorporated in those contracts.

Despite the limited implementation, it appears evident from the results of those seven contract awards that there is a potential for significant savings through full-scale implementation of the policy. We estimate that in the seven CCAP buys, net reductions in procurement costs of close to \$1 million were obtained on the basis of comparisons of the unit prices involved in the CCAP buys versus those paid in prior buys. While there are many factors that influence price differentials from period to period, we believe that it was the change in buying approach that was instrumental in achieving lower costs in the face of generally rising prices.

A comparison of prices obtained in the CCAP pilot-test procurements with those in prior buys of the same items showed unit prices in five of the seven CCAP buys were from

\$0.05 to \$2.30 lower. Of the remaining two buys, one resulted in no change in unit price, while the other involved increases of \$5.35 per unit for the quantity available from one supplier and \$7.09 per unit for the additional quantity to be provided by another supplier to complete the buy. The following listing is a comparison of the unit prices obtained in the various buys.

Product name	CCAP buy		Prior buy		Unit difference	Overall reduction (increase)
	Date	Price	Date	Price		
Bath Towel	5/78	\$ 1.12	12/76	\$ 1.24	\$ .12	\$108,000
Boxer Shorts	7/78	.94	12/77	.99	.05	62,496
Undershirts	7/78	.89	5/78	1.16	.27	742,511
Cloth Gloves	9/78	1.81	8/78	2.22	.41	23,739
Fireman's Boots	10/78	20.00	8/78	22.30	2.30	10,800
Bed Sheet	7/78	3.45	11/77	3.45	-	-
Rubber Gloves	9/78	24.99 23.25	5/78	17.90	7.09 5.35	(22,865) ( 5,564)
Net reduction in cost						<u>\$919,117</u>

There are a variety of factors and conditions that could have contributed to the differences in prices shown above. Analysis of the general factors--such as overall economic conditions and trends, inflation, and market forces--and other factors affecting the prices of specific items is a complex undertaking. In evaluating the CCAP buys, DPSC personnel concluded that the effect of the various factors involved could not be measured to establish the "true" savings, if any, involved in the CCAP buys.

We believe that the achievement of lower prices in the face of continuing inflation and generally rising prices must be attributed to changes in buying practices instituted for the CCAP buys. The following requirements were eliminated in the CCAP buys:

--Specification requirements for military marking, packing, and packaging.

--The need for a special quality control system and for performing inspections and tests, in accordance with the quality assurance provisions of the specifications.

--Unnecessary and costly design requirements.

Their elimination would have tended to reduce suppliers' costs and undoubtedly contributed to the lower prices obtained by DPSC.

An example is the undershirt buy. The Federal specification for undershirts required that they be made of 100-percent "carded and combed" cotton. For the CCAP buy, the material content was changed to 100-percent cotton. Elimination of the previous requirement for more costly "carded and combed" cotton contributed to the lower unit price and the overall reduction in procurement costs of \$742,511 obtained in that CCAP buy.

PROBLEMS THAT SURFACED TO DATE  
ON DELIVERIES OF CCAP ITEMS

The only significant problems developed to date concern the use of commercial marking, packing, and packaging. Reports have been received from supply depots and users which show the following problems:

--Commercial containers collapsed when they were stacked.

--Commercial containers are too large and heavy for safe, individual handling.

--Quantities differ from shipping container to shipping container (216 in one container versus 144 in another).

--Appropriate identifying markings (i.e., national stock numbers) are missing.

--Cartons are marked with incorrect unit of issue.

Initial deliveries of the items bought under the CCAP program were scheduled for August 1978. Up to the time we completed our review in November 1978, deliveries were limited. The circumstances cited above are based on deliveries of bath towels, drawers, undershirts, and bed sheets to the defense supply depots and, in a few instances redistributions to end users.

Identification of problems was one of the primary purposes of the pilot test, and action is being taken to resolve the problems identified above. For example, DPSC reached agreement with the bed sheet supplier to furnish containers holding only 60 sheets, rather than the 120-sheet containers that had been furnished previously. However, this contract modification will add 2-1/2 cents to the cost of each sheet to be delivered for the remainder of the order.

In our opinion, the types of problems surfaced to date represent a lack of market research on commercial practices and are not serious and insurmountable obstacles to the full-scale implementation of the ADCoP policy.

### CHAPTER 3

#### MORE AGGRESSIVE AND INTENSIVE EFFORTS

#### NEEDED TO ACHIEVE OBJECTIVES OF THE

#### ADCoP POLICY

OFPP issued the ADCoP policy in May 1976. Initial approval by DLA for procurement of items under CCAP was obtained by DPSC in early 1977. Yet by December 1978, only 19 of the approximately 4,500 clothing and textile items managed by DPSC had been approved as candidate items. Of these 19 candidates, 2 have been deleted and only 7 have resulted in contract awards. We recognize that the changeover to the policy is a major undertaking. In addition, adoption of a pilot approach was warranted (1) to identify potential problems and pitfalls and (2) to gain sufficient experience to provide a sound basis for organizational and procedural changes needed to facilitate a full-scale implementation. Nevertheless, we believe that the approach was far too limited in its scope and much more could have been done in furthering the objectives of the program.

We attribute the lack of meaningful progress to the need for (1) commitment of staff to accelerate implementation of the policy, (2) more comprehensive market research efforts, and (3) more extensive efforts to obtain greater industry involvement.

#### COMMITMENT OF STAFF

Aggressive and intensive efforts must be made to accelerate the pace of implementation. More items must be selected, accompanied by stepped-up efforts to finalize buys of commercially available items. This requires a commitment of staff on a full-time basis to fully implement the policy.

We were informed that no additional funding was provided to the procurement activities to staff the CCAP test program. The procuring activities were directed to meet their CCAP responsibilities with existing staff resources.

At DPSC, five staff members had various responsibilities relating to CCAP as it applied to clothing and textile items. Their CCAP duties were to be performed in addition to their regular tasks. DPSC personnel acknowledged that more could have been done in support of CCAP, but that it would have

required commitment of more staff resources to the project. OFPP officials stated it was their intent that the staff of the procurement agencies have as their regular tasks the duties related to implementing the ADCoP policy.

In the framework of a pilot program, with decisions on how to go forward with full-scale implementation dependent on test results of a limited number of items, every effort must be made to assure that the tests are complete, comprehensive, and objective. Appropriate project staffing in terms of numbers of people and their commitment to the project is required.

The pilot program was changed to a standard operating procedure with the issuance of DOD Directive 5000.37, dated September 29, 1978. However, this did not bring about a realignment or reorganization to assure commitment of adequate staff resources to carry out the objectives of the policy on a full-scale basis.

#### NEED FOR COMPREHENSIVE MARKET RESEARCH EFFORTS

Many factors influence the price and availability of clothing and textile items. A continuing, comprehensive market research effort is a critical acquisition process ingredient to provide agency buyers with timely, reliable information about such influences to permit sound buying decisions.

Elements of market research are performed by several organizational components of DPSC and by the clothing and textile R&D activities of the military services. Their efforts must be more closely coordinated and correlated, as part of a more intensive market research program.

We found that market research efforts involved in the CCAP pilot-test procurements have not been effective and have resulted in

- buying in an oversold market,
- inadequate and confusing product descriptions, and
- inadequate efforts to find suitable items available in the commercial marketplace.

The situations and circumstances we found requiring more comprehensive market research efforts are discussed in the following paragraphs.

#### Buying in an oversold market

A better understanding of market conditions and the interplay of market forces would achieve a most effective timing of buys. In two of the seven CCAP procurements, lack of bids was directly attributable to the fact that the primary suppliers of the products, the mills, had already committed their production capacity and were unable to meet the delivery requirements in the solicitations.

For example, in the procurements of bath towels, only 2 firms submitted bids, although 43 firms were solicited. Officials of several firms, who gave their reasons for not bidding, stated that their production capacity was already committed.

In the procurement of bed sheets, only one bid was received from 37 firms solicited. Again, reasons obtained by DPSC for "no-bid" were directly related to the prior commitment of available production capacity.

#### Inadequate and confusing product descriptions

The changeover to the commercial products involves the development of short, relatively simple descriptions to replace the lengthy and detailed specifications previously used. DPSC must rely on these descriptions in soliciting industry sources for commercially available items. The descriptions must adequately identify the items so that all potential suppliers can determine whether their regularly produced commercial marketplace items would meet the Government users' needs.

We found that procurement descriptions of two of the CCAP candidate items--the cloth gloves and the bed sheets--contained conflicting information or excluded certain data that industry sources considered necessary for a clear understanding of the items desired by DPSC. Industry distinctions between generally similar items apparently were not understood. The distinctions were not made a part of the descriptions in order to avoid confusion on the part of potential suppliers and to generate responses from the full range of potential suppliers. The circumstances involved in those two buys are discussed in the following sections.

## Cloth gloves

The description of the cloth gloves cited four different "brand name" items available in the commercial marketplace to illustrate the types of gloves that would be acceptable products. All four were representative of a certain pattern, called a "gunn cut." However, the description did not mention the specific pattern as a requirement.

A contract was awarded to the low bidder who offered a glove of a different pattern, called a "clute cut." Because the low bidder only bid on half the quantity involved in the solicitation, an additional award was made to the next lowest bidder to furnish the balance of the requirement. The glove offered by the next lowest bidder was similar to the brand name items cited in the description, i.e., "gunn cut."

Prior to contract award, we asked a producer of gloves to evaluate the description. We were told it was inadequate, because it did not clearly define what was wanted, i.e., "gunn" or "clute." Also, there were certain other features, such as the thumb style and weight of the leather used in the glove, that should have been included in the description to clearly identify the product for all potential suppliers.

In addition, this producer found fault with the concept of reliance on the citation of brand name items. He maintained that potential suppliers would not have catalogues or other information about all of the products produced by others. Therefore, suppliers would not be in position to make a meaningful comparison to determine whether their products were equal or equivalent to the items cited.

We discussed these points with DPSC's contracting and technical personnel prior to contract award. They believed the description was adequate and that no change was necessary.

Subsequently, a contract award protest was made by a previously successful bidder on glove procurements and producer of one of the brand name items cited in the description. It was this firm's contention that the description should have specifically stated that bids would be accepted on the "cheaper clute style." In addition, a congressional request was received by DPSC asking for an investigation of the points raised in the protest letter and a report on the results.

Other unsuccessful offerers also complained to DPSC personnel that the cloth glove solicitation document was deficient. Specifically, the document, by identifying four

"gunn cut" pattern brands as acceptable products, implied to potential suppliers that this was the only acceptable pattern.

As a result of the protest, the U.S. Army Research and Development Command, which developed the "short-form" description, was asked to look into the matter. It stated that only the "gunn cut" pattern would satisfy the military requirement. On this basis, the contract for the "clute" pattern gloves was terminated--at no cost to the Government.

#### Bed sheets

DPSC had been buying bed sheets under specifications that required the sheets to be 103 inches long by 72 inches wide (103" x 72"). For CCAP buy purposes, the dimensions cited in the description used to solicit bids were changed to 98" x 66" to be more in keeping with commercially finished sizes.

Despite this attempt to open the door to greater competition, by calling for sizes conforming to what was being produced for the commercial marketplace, only one bid was received. Brand names and style numbers of items produced by four firms were listed in the solicitation as acceptable products. None of these firms submitted bids. The principal reasons they gave for not bidding was that they were in sold-out position, i.e., that they had orders for their total productive capacity. Moreover, officials of two of the firms, when questioned by DPSC, stated that the products they made for the commercial marketplace, cited in the solicitation, were only 96 inches long. We contacted the producers of the other two brands cited in the solicitation and found their sheets were only 96 inches long. The description used in the solicitation called for a minimum length of 98 inches.

Following up on this information, we learned that there are two commercial markets for bed sheets. In general, mills provide institutional users, such as hotels and hospitals, with a 98" x 66" finished size that has a 2-inch hem at the top and bottom, whereas, they produce a 96" x 66" size with a 4-inch hem at the top and a 2-inch hem at the bottom for retailers for sale to the general public.

The product made for institutional users has no distinction between the upper end of the sheet and the lower end, so that no time need be lost in examining the sheet to determine which end should go at the head of the bed. On the other hand, aesthetics is a factor in

the wider hem at the top for the item produced for the general public.

In our discussions with the Army activity personnel responsible for the preparation of the bed sheet buy description, it was apparent that the existence of two commercial markets involving two different size bed sheets was not known and, therefore, not reflected in the description. It was the DPSC contracting officer, put on notice by suppliers after the contract award that a 96" x 66" bed sheet was regularly sold in the commercial marketplace, who proposed that consideration be given to buying that size in the future.

Awareness of such distinctions is necessary to assure appropriate consideration of all items that could be used and to widen the base for competition.

Inadequate efforts to find suitable items available in the commercial marketplace

The thrust of the CCAP program involves (1) re-evaluation of specifications with a view to establishing the minimum requirements that the items must meet to satisfy user needs, and (2) search of the marketplace to identify commercial off-the-shelf items that would meet those needs. (This sequence is the reverse of that outlined in OFPP's ADCoP policy.) We found continued insistence by military R&D activities on requirements that improperly reflect changing market conditions, thus influencing the commercial market availability and prices of products and components. Furthermore, we believe more comprehensive efforts were needed by the R&D activities and DPSC to identify available commercial items.

Some compromises were made in the reevaluation of specifications leading to the development of short-form descriptions containing revised requirements. Features such as location and number of pockets, flaps, and tabs were eliminated so that the items would be more in line with commercial items.

However, there was a lack of responsiveness to changes in market conditions which affected the availability of certain products. For example:

- There were continuing requirements for 100-percent wool products when, because of the high price of the raw material, suppliers for the commercial marketplace were using wool blends or had adopted other material.

--There have been instances in the past where the material contents of products were not changed, on a timely basis, in response to changing market conditions. In certain situations, this resulted in supply shortages because DPSC could not obtain the desired products. Generally, the requirements were eventually changed to be consistent with what was available in the market.

In the case of the Navy watch cap, the Navy R&D activity wanted the product to be of an all-wool construction. Only limited quantities of all wool caps were available, however, in the commercial marketplace. Commercial caps were generally being made of an acrylic yarn, which the Navy R&D activity considered to be an inferior material, that did not hold its shape as well as wool after repeated use. The Navy R&D activity suggested that the watch cap be dropped from CCAP on the basis that there was no suitable commercial product available.

In another instance, even after relaxing some specific features, the R&D activity could not find commercial products that had all of the other features required. The activity's determination was based on efforts directed to finding readily available off-the-shelf commercial items continually carried in a supplier's product line.

This represents a very narrow interpretation of the policy. There was general awareness that it might not be possible to find off-the-shelf items to meet users' needs "as is" and that some modification might be necessary in order to obtain a product that would be acceptable. The resulting product would be considered a commercial-type item that would satisfy the intent of the policy.

In our interviews with various industry sources, we were told that it was not an unusual practice for suppliers to modify their products to accommodate the needs of their customers. This attitude was conveyed by 4 of the 20 producers of men's coveralls for the commercial marketplace, who were willing to fabricate coveralls in accordance with the "short-form" descriptions, provided sufficient volume was involved. The Navy R&D activity did not pursue this aspect. Instead, a determination was made that there would be no further attempts to obtain commercial items.

Furthermore, it appears that the potential for obtaining modified off-the-shelf items was not adequately explored in connection with other CCAP items when it was determined that suitable off-the-shelf items were not available.

Determination of the availability or lack of availability of items that meet user needs must be based on comprehensive searches of the marketplace and appropriate testing of those items found in the marketplace. Under the present arrangement, the military services' R&D activities are charged with researching the commercial marketplace to identify off-the-shelf products that would meet the Government users' needs. The policy's success is dependent on the adequacy of that search. From the results to date, it is evident that a much more intensive and comprehensive effort must be made.

For example, the Navy R&D activity recommended that four of the items selected as candidates for CCAP--the wool sweater, the wool cap, the wet weather parka, and the men's coveralls--be deleted because suitable commercial sources could not be found. DPSC, however, decided to canvass the commercial marketplace on its own. DPSC determined that sources for the parka were limited and agreed to deletion of that item. DPSC, however, did not agree to deleting the other three items--sweater, cap, and coveralls. DPSC informed the Navy activity of some potential suppliers that it had identified, and requested continued efforts to locate commercial sources for the items.

The Navy activity is now making a belated effort to explore the commercial market more thoroughly. In the instance of the wool cap, for example, seven commercial suppliers have been approached to provide samples of their caps for evaluation by the Navy activity. In the case of the men's sweater, an additional potential source has been identified and samples of the product have been ordered for purposes of comparison and evaluation.

DPSC is dependent on the inputs and support of the R&D activities, and those activities must intensify their efforts to identify commercial products that would be usable.

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We found that market research efforts at DPSC are divided among several organizational elements:

--The Office of Market Research and Analysis (OMR&A) provides long-range forecasting of price trends and product availability for the clothing and textile directorate, as well as DPSC's other two commodity directorates--medical and subsistence. Upon request from these directorates, OMR&A's six staff members have prepared market research studies on various commodities, such as cotton, leather footwear, coffee, and fresh fruits and vegetables.

--DPSC buyers and technicians have performed some market research in connection with identifying potential suppliers and evaluating bid prices.

There is a need for closer coordination and cooperation between these organizational elements, whereby OMR&A efforts can be directed to studies directly supporting current, as well as prospective, procurements. In turn, buyers and technicians must translate market studies forecasting rising prices for leather and oil-based products into the price and availability impact on specific items managed by DPSC that are made of such materials.

Forecasts and projections of impending material shortages or sharply increased costs serve to spur industry to consider alternative materials and products and lead to innovations. Government buyers and technicians should also be alerted to such conditions through comprehensive and coordinated market research efforts, so that alternatives can be considered on a timely basis to assure effective and economical buys.

NEED FOR MORE EXTENSIVE EFFORTS  
TO OBTAIN GREATER INDUSTRY INVOLVEMENT

The success of the commercial products policy rests on an awareness by industry of the changeover in Government buying practices and the willingness of industry to compete for Government business. This awareness necessitates a program to (1) acquaint suppliers of clothing and textile items with the aims of the policy and (2) solicit their active involvement and participation.

In addition, communications are required with industry sources to identify factors and conditions which act as disincentives and tend to discourage industry participation. Knowledge of such industry perceptions and attitudes is vital to understand problems that must be addressed in order to remove barriers to industry participation and foster greater competition.

The approach used by DPSC to solicit industry for potential new sources of supply under the CCAP pilot project has been ineffective. We found that the limited response by industry to DPSC efforts was due to

- passive approach to soliciting bids,
- lack of aggressive and comprehensive followup action on firms failing to respond to the solicitation, and

--failure to adequately inform industry of the Government's commercial products policy.

Passive approach to soliciting bids

We reviewed the circumstances involved in the seven CCAP-test buys and found that potential suppliers of the items were identified by DPSC personnel from (1) internal listing of firms that, in the past, had bid on procurements of the items and (2) a screening of the Thomas Register, a commercial publication listing products and their manufacturers.

In the first four CCAP-test procurements, solicitations were mailed to all potential suppliers identified through this process. Prebid conferences followed in order to inform prospective suppliers about the new policy, answer their questions, and surface any problems with the solicitations. Despite the obvious commercial characteristics of the four items involved, only a limited number of firms responded to these efforts.

In the case of the buy of the bath towel, for example, solicitations were mailed to 43 firms--23 from the previous bidders' list, 17 from the Thomas Register, and 3 from other sources. Representatives from only two firms appeared at the prebid conference, and only one of those firms submitted a bid. Furthermore, in the case of the bed sheet buy, solicitations were mailed to 37 firms--24 from the previous bidders' list and 13 from the Thomas Register. Representatives from five firms appeared at the prebid conference, and only one firm submitted a bid.

For subsequent buys, DPSC introduced an additional feature to the CCAP solicitation process, mailing presolicitation notices to potential suppliers to ascertain whether they would be interested in competing for the Government's business. For the proposed buy of the:

--Cloth gloves, presolicitation notices were sent to 69 firms and only 20 firms expressed interest in receiving solicitations to bid.

--Rubber gloves, 86 firms were sent presolicitation notices and only 16 firms expressed interest in receiving solicitations to bid.

--Fireman's boots, 27 firms were sent presolicitation notices and only 7 firms expressed interest in receiving solicitations to bid.

The solicitation of firms listed in the Thomas Register was a blind solicitation; there was no prior knowledge or assurance that the firms being contacted either were still in business or carried a product line featuring the types of items that DPSC was seeking to buy. Nor did this technique of random selection assure that all possible suppliers were being contacted. One of the firms, on the basis of its listing in the Thomas Register as a glove manufacturer, was not approached in connection with the CCAP buys of cloth gloves or rubber gloves, although it was a substantial producer of a variety of gloves for the commercial marketplace.

The approach used to date has been a passive one that has not generated widespread interest and participation from commercial marketplace clothing and textile firms. In effect, DPSC's effort was only a desk review to identify new supply sources.

#### Lack of followup action

DPSC has made no aggressive and comprehensive followup to learn why newly identified potential supply sources did not respond to the solicitations or presolicitations. A followup would be a means of (1) determining whether the approach was appropriate for use in subsequent buys and (2) identifying problems that had to be overcome in order to get greater industry participation.

On several procurements, DPSC personnel were concerned over the lack of response to their solicitation and, after bid opening, contacted some firms who were previous suppliers/bidders to ascertain why they did not bid on this occasion. However, there was no attempt to contact the new supply sources identified from the Thomas Register or other means. This lack of aggressive and comprehensive followup action was self-defeating.

#### Why industry does not respond

In our interviews with selected manufacturers, we found that some had no knowledge and others had limited knowledge concerning the Government's commercial products policy. The extent of knowledge seemed to be dependent on whether these firms were recent suppliers of goods to the military. Those firms aware of the change told us that this knowledge was gained from their individual contacts with Government agencies. Those firms that had not sought Government business in the past were totally unaware of this change. We were informed that the change in the Government's buying approach was not publicized by the trade associations through their trade journals.

Under the commercial products policy, much greater industry participation should reasonably be expected through the elimination of certain requirements--lengthy and detailed specifications, in-plant inspections, and military packaging--which industry sources considered to be impediments to their seeking Government business. However, few new supply sources have been developed in the CCAP test buys. In our interviews with selected manufacturers, we learned that there are additional factors that serve to discourage industry participation. Industry views the following requirements as disincentives to doing business with the Government.

#### Lack of continuous contractual relationships

Suppliers and buyers in the commercial marketplace seek stable contractual relationships over periods of a year or more. Such arrangements enable suppliers to forecast sales and schedule production. Buyers look to these arrangements to assure quality products, on-time delivery, and reasonable prices. Satisfactory resolution of problems encountered along the way is generally accomplished through negotiation and compromise in the mutual interest of preserving the relationships.

#### Inability to compete with established Government contractors

Firms felt that established Government contractors have tailored their operations to meeting the Government's requirements and are more familiar with Government procedures, which puts them at a competitive advantage.

#### Inadequate leadtimes

One firm took the position that the delivery periods required in the Government's solicitation do not provide adequate leadtimes to produce and ship the items.

#### Solicitations at the wrong time

One firm maintained that solicitations are being made when industry is caught up in peak production to meet seasonal requirements and so cannot respond to the solicitations. It was pointed out that it would be to the Government's advantage to plan and schedule buys in offpeak periods.

#### Mandatory requirements placed on Government contractors

Some firms considered requirements placed on Government contractors, such as compliance with the equal employment opportunity program and others, to be unduly restrictive.

### Government low-bid philosophy

The Government requirement that contracts be awarded to the lowest bidders does not always produce the best buys. This requirement (1) fails to give adequate consideration to the greater value of better quality products that may cost more initially, but prove to be less costly in the long run, and (2) serves as a deterrent to participation in the procurement process by firms producing better quality items.

### Excessive paperwork requirements

Paperwork associated with Government contracts is considered to be excessive.

### Undue delays in resolving problems

One firm cited the cumbersome Government machinery as preventing quick reaction to and timely resolution of problems encountered during contract performance.

Although DPSC personnel may not be able to change all of these industry perceptions and attitudes, DPSC personnel must examine these and other possible disincentives in order to generate greater response from industry.

Greater efforts must be made to disseminate information about the policy to the various segments of the clothing and textile industry. Trade associations and trade publications should be used to broadcast information about the current policy and to invite industry support and participation. This information should be supplemented by person-to-person contacts with industry sources in meetings, symposiums, seminars, and workshops to disclose the policy objectives and discuss how it can be made to work. Furthermore, such contacts should be used to ascertain why commercial marketplace suppliers are not bidding for the Government's business and as a means of focusing on industry attitudes and problems that must be examined in order to generate greater industry participation.

CHAPTER 4  
EFFECT OF THE ADCoP POLICY ON  
GOVERNMENT PROGRAMS TO SUPPORT SOCIAL  
AND ECONOMIC PURPOSES

Various laws enacted by the Congress require Federal agencies to purchase products from small, minority, and disadvantaged business enterprises: Federal Prison Industries, Inc.; organizations of the blind and severely handicapped; and others. The laws' intent is to harness the Government's procurement dollars and apply them in support of various social and economic (socioeconomic) programs.

The provisions of these programs are implemented so there is either no competition or competition is restricted, as procurements are directed to or set aside for the designated categories of firms or organizations. However, maximum competition is inherent in the commercial products policy, through unrestricted access to the economic marketplace.

DPSC SUPPORT FOR SOCIOECONOMIC PROGRAMS

DPSC has supported the socioeconomic programs with significant amounts of its clothing and textile procurement dollars. For fiscal year 1978 DPSC reported that:

- Of the \$644 million in contract awards, \$34 million (or 5 percent) was awarded to other Government agencies, Federal Prison Industries, National Industries for the Blind, and the National Industries for the Severely Handicapped.
- Of the remaining \$610 million in procurements from U.S. businesses, \$484 million (or about 80 percent) represented awards made to small business firms.
- Of the \$484 million awarded to small businesses, \$228 million (or 47 percent) was set aside for them.
- Furthermore, \$332 million (or 54 percent) of the \$610 million in procurements from U.S. businesses was set aside for firms, large and small, in labor-surplus areas. (Note: Because of the manner in which the statistics are accumulated by DPSC, it is not possible to determine what proportion of the set-asides for labor-surplus areas was also part of the small business statistics.)

EFFECT OF POLICY ON  
SOCIOECONOMIC PROGRAMS

The policy should not affect the procurements required to be made in support of Federal Prison Industries, the blind and severely handicapped industries, minority and disadvantaged enterprises, and labor-surplus areas. However, the policy could affect the small business set-aside program.

As noted previously, about 80 percent of DPSC's procurement dollars have gone to small business firms and of that portion \$228 million (or 47 percent) was set aside for them. Continuation of this practice would serve to limit the procurement dollars available for purchases under the commercial products policy.

An October 1978 DOD memorandum to DLA stated that regulations requiring set-asides took precedence over the commercial products policy. In reaction to the memorandum, DPSC canceled plans to ask waivers from set-aside requirements in the proposed CCAP test buys of black socks and handkerchiefs (items 16 and 17). These items had previously been designated as set-aside items. DPSC officials interpreted the DOD memorandum as limiting the application of the policy to products not previously set aside for socioeconomic programs.

We were told in discussions with DOD officials that the DPSC interpretation was not appropriate. The DOD officials contended that under the commercial products policy each procuring agency was supposed to make a comprehensive market research effort. In connection with each proposed buy they were to establish the range of potential suppliers and determine which method of buying would be of the greatest advantage to DOD. These officials took the stand that set-asides should not be an automatic process.

We believe that these differences in viewpoint between the field organization and headquarters must be resolved.

## CHAPTER 5

### CONCLUSIONS AND RECOMMENDATIONS

#### CONCLUSIONS

OFPP was established to improve the Government's procurement processes by providing procurement policies and methods which are economical, efficient, and effective. In May 1976, OFPP directed Federal agencies to emphasize acquisition of commercial products and use of vendors' warehousing and distribution systems to provide the products to end users. OFPP viewed this as a fundamental change in policy and asked for aggressive efforts to implement the new policy, even at the risk of making some mistakes in the process.

Considerably more must be done by DPSC in order to comply with and effectively implement this policy. DPSC's transition to the policy has been slow, and DPSC can only show a handful of buys under CCAP in the 2-1/2 years since announcement of the policy. Furthermore, no use has been made to date of vendors' warehousing and distribution systems.

Despite the issuance of DOD Directive 5000.37, which changed the pilot program to a standard operating procedure, DLA and DPSC are still operating on a pilot-program basis. They believe too many unresolved problems exist which prevent further implementation of the policy. We disagree; the results of the pilot program show that, although problems exist, they are not insurmountable. Those few buys made to date have produced significant reductions in procurement costs and provided support for the commercial products policy. We believe that the results warrant immediate full-scale application of the policy.

This necessitates a commitment by DLA and DPSC to an aggressive, intensive, and stepped-up effort to

- identify which of the items managed by DPSC have commercial counterparts;
- inform industry about the conversion to the commercial products policy and obtain industry involvement and support; and
- carry out expanded market research to identify suitable products available in the commercial marketplace.

Furthermore, this requires more effective coordination and cooperation between the various organizations and organizational components performing interrelated aspects of market research and analysis, and clearer delineation of their respective responsibilities.

- The military services' R&D activities have undertaken to develop the product descriptions which DPSC uses in soliciting bids. There must be close coordination and cooperation between these organizations to assure product descriptions that adequately identify the items for all potential suppliers.
- The R&D activities also have been conducting searches of the commercial marketplace to find commercially available items that would satisfy military users' needs. The results are conveyed to DPSC for procurement purposes. There must be closer coordination and cooperation between these organizations to assure comprehensive searches and adequate consideration of alternative items and items that could, with minor modification, satisfy users' needs.
- Various organizational components of DPSC are involved in performing some aspects of market research. There must be more effective coordination among them to assure that studies being made of economic trends, market conditions, and price patterns provide direct support to buyers to alert them to conditions--prospective price increases, tight or oversold market conditions, projected shortages of certain materials--that would affect buying decisions. Thus alerted, buyers would be in a position to trigger actions that would result in more economical and effective buys. They could institute procedures to accelerate buys to avoid prospective price increases, seek to defer buys in tight or oversold markets, or seek changes in material content in anticipation of shortages of certain materials.

The changeover to the commercial products policy requires a change in attitude and approach by buyers and other personnel involved in implementing that policy. Government buyers in the past have generally been desk-bound. We believe that implementation of the policy requires more knowledgeable buyers--more knowledgeable about the products they are responsible for, industry practices, and the situation in the marketplace--like those in private industry. Appropriate training for buyers and others involved is needed so that they can understand and carry out effectively their respective roles in

the changed buying environment. The vehicle for such training exists in the Federal Acquisition Institute which is charged with developing training programs for Government personnel involved in the acquisition process.

Finally, there is a need for DOD guidance on how to best apply the opportunities and benefits of the policy and, at the same time, the objectives of the socioeconomic programs. DPSC is confused over a DOD decision on this issue.

#### RECOMMENDATIONS

We recommend that the Secretary of Defense:

- Direct DLA and DPSC to immediately implement the ADCoP policy on a full-scale basis and to commit adequate staff resources to the effort.
- Redefine the organizational roles of DPSC and the military R&D activities involved in implementing the ADCoP policy for clothing and textile items. To better achieve the goals of the policy, consideration should be given to centralizing the management of the clothing and textile R&D activities under DLA.
- Clarify DOD's position and provide guidance to DLA and DPSC on how to accommodate both the goals of the socioeconomic programs and the ADCoP policy.

#### AGENCY VIEWS

Defense officials associated with the ADCoP policy reviewed a draft of this report. Their informal comments and view points are discussed below.

DLA officials believed that our report did not give adequate recognition to DPSC's efforts and achievements considered by DLA to have been responsive to all the demands made on it in support of the CCAP program in the clothing and textile area. They felt that staffing was neither the only nor the paramount problem. They felt that field activities, such as DPSC, were hampered by lack of operating instructions on how to implement the policy.

Furthermore, DLA officials believed field activities were not in a position to act on or resolve certain problems identified in our review, such as (1) the factors

which tended to discourage industry from bidding for the Government's business and (2) the need to comply with the requirements of socioeconomic programs. DLA believes these require changes in regulations and instructions, which must be made at higher levels, or changes in legislation.

DOD officials took the position that field activities were given latitude to experiment and were encouraged to attempt to develop and apply imaginative and innovative techniques in the pilot program implementation phase, as a means of identifying workable techniques and surfacing the range of problems that could be anticipated. The pilot program was intended to provide a learning experience and feedback on problems that would provide a basis for changes in regulations, instructions, procedures, and organizations to permit effective accomplishment of the ADCoP objectives. We were told that instructions have since been developed and should be issued within a month or so.

We were impressed with the positive attitude of DPSC officials and personnel and agree with the DLA position that DPSC met the demands made of it under the CCAP program. However, in terms of nominating candidates for procurement on a commercial off-the-shelf basis and in developing acquisition techniques and instituting the buys, this report demonstrates that there are opportunities to do more towards achieving the ADCoP objectives. And, while DPSC cannot resolve all the problems that constitute barriers to effective ADCoP implementation, it must seek to identify and refer them to an appropriate organizational level for resolution.

OFPP officials concurred with our findings and provided some observations. They stated that the ADCoP policy required incremental and continuous implementation and the identification of any barriers--regulation, procedure, practice, or statute--which prevented effective implementation of the policy, so that action could be taken to eliminate the barriers. However, OFPP has received no feedback along these lines.

OFPP officials feel that implementation of ADCoP should not require additional staff resources. They stated that implementation involves performing different functions with existing staff.

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