

FEB 7 1979

MEMORANDUM FOR: Deputy Director for Administration

FROM: James H. McDonald
Director of Logistics

SUBJECT: Administrative Services
Reorganization Project

Enclosed as attachment are copies of letters and memoranda concerning the President's Reorganization Project and, more specifically, the Administrative Services Reorganization Project. Four studies have been completed: Real Property, Supply and Support Services, Telecommunications, and Archives and Records. The first two topics were reviewed by the Office of Logistics; Telecommunications, by the Office of Communications; and the last, Archives and Records, by the Information Systems Analysis Staff. For your convenience, I've added copies of their comments on these topics, along with those from the Office of Logistics.

STATINTL


James H. McDonald

Attachment

Distribution:

- Orig & 1 - DDA w/att
- 1 - OL/P&PS Official w/atts
- 1 - OL/RECD w/atts
- 1 - EO/OL Chrono w/o atts
- 1 - D/L Chrono w/o atts
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EO/OL:  (7 Feb 79)

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OL 9-0535

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Approved For Release 2002/01/08 : CIA-RDP85-00759R000100150001-9

Approved For Release 2002/01/08 : CIA-RDP85-00759R000100150001-9

Preliminary Correspondence

June 29, 1977

MEMORANDUM FOR THE HEADS OF
EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Comprehensive Review of Administrative
Services Delivery

I have directed my Reorganization Project staff at the Office of Management and Budget to begin a comprehensive review of the management of administrative services within the Federal Government. The project will be administered jointly by OMB and the Administrator of the General Services Administration.

A preliminary staff review indicates significant problems with existing services. It has been 30 years since the first Hoover study led to the creation of the General Services Administration; it is time to reexamine the objectives and benefits of our present system in light of those years of operating experience.

A major objective of the study is to improve the delivery of administrative services to Federal agencies. It will assess the roles of the General Services Administration and others in the provision of services related to real and personal property, automated data processing, telecommunications, and records management.

The Project will rely heavily on the advice and counsel of the Congress, Federal Departments and Agencies, State and local officials, interested private organizations, and the public. Your agencies are the principal consumers of Federal administrative services. You have expressed your concerns about their quality. This is your opportunity to help improve them.

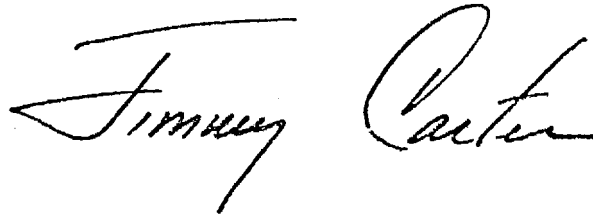
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You may be asked to contribute time, resources, and staff assistance to this effort. If so, I hope you will make your best effort to ensure its successful completion.

My Reorganization Project staff will contact you or an appropriate member of your staff shortly to discuss the appropriate role of your department or agency in the study.

I consider this to be a high priority matter. I know I can count on your cooperation and assistance.

In order to inform all affected parties that this review is underway, I have directed that this memorandum be published in the Federal Register.

A handwritten signature in cursive script, reading "Jimmy Carter". The signature is written in black ink on a white background.

PRESIDENT'S

7 5758

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77-8161/1

PROJECT

WASHINGTON, D.C. 20503

October 25, 1977

MEMORANDUM TO HEADS OF EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: Administrative Services Reorganization Project

The President in his memorandum of June 29, 1977, to you stressed his personal interest in improving the delivery of administrative services within the Federal Government. We will assess the role of the General Services Administration and other agencies in providing the goods and services you need to manage your agencies' programs. When we have collected and analyzed the data, we will develop organizational and process alternatives aimed at improving the management and delivery of supplies, space, ADP equipment and services, telecommunications, transportation services, records management, and general administrative support.

We want to begin our work with your views, problems, and priorities clearly in mind. We want to focus our efforts in those areas you feel are most in need of improvement. We will seek options for improvement and come back to you to discuss alternative solutions.

The National Aeronautics and Space Administration has loaned us Joseph Malaga, Director of Management Operations, Kennedy Space Center, to direct the day to day work on this project. Joe and his staff will consult regularly with your key headquarters and field staff as we go along. However, we do want your initial thoughts to guide us in our study design. Please send your ideas and comments to Joseph Malaga, Executive Director, Administrative Services Reorganization Project, Room 10235 NEOB, Office of Management and Budget, Washington, D.C. 20503. We would like to hear from you by November 4 on anything you want considered in the study design phase of the project.

Joel W. Solomon
Joel W. Solomon
Chairman
Administrative Services Project

Wayne G. Granquist
Wayne G. Granquist
Vice Chairman
Administrative Services Project

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CENTRAL INTELLIGENCE AGENCY

WASHINGTON, D.C. 20505

DD/A Registry
77-5888

Executive Registry
77-8161/2

4 NOV 1977

Mr. Joseph Malaga, Executive Director
Administrative Services Reorganization Project
Office of Management and Budget
Washington, D.C. 20503

Dear Mr. Malaga:

The opportunity to provide information for your study on organizational and procedural improvements to centrally provided, federal administrative services is appreciated. CIA is heavily reliant upon the General Services Administration (GSA) for a variety of services, predominantly in the Metropolitan Washington Area. The Agency is also dependent upon the support of the Department of Defense for supplies and services, although more so in relation to foreign and domestic training activities. In both instances, however, centralized support is made difficult by the unique aspects of Agency operations.

As you are probably well aware, the Director of Central Intelligence is statutorily required to protect intelligence sources and methods including ". . . organization, functions, names, . . . or numbers of personnel . . ." These requirements, as recorded in a specific CIA exemption within the Federal Property and Administrative Services Act of 1949, complicate the utilization of centralized federal services in many functional areas. Because of this statutory requirement and the necessity to directly support sensitive foreign activities, the Agency: maintains its own telecommunications capability; has a logistics organization providing supplies, administrative services, classified printing, and facilities support; has a centralized security organization which, among other responsibilities, coordinates Agency facilities protection by GSA Federal Protective Service officers; and operates, in coordination with the National Archives and Records Service, a records management and storage system.

The Administrative Services Reorganization Project memorandum requested views, problems, and priorities (and the assumption is made that, as it affects CIA, GSA services

(EXECUTIVE REGISTRY FILE AMB)

Mr. Joseph Malaga

Page 2

are of primary concern). First, CIA's dependence on GSA's administrative services should be reiterated. The Agency does not have the size to perform all of these functions for itself, nor, given the resources, would it be desired to do so. On balance, GSA support of Agency activities is more than satisfactory and cooperation and responsiveness by GSA senior managers can only be rated as excellent. It is considered, however, that improvement is needed in GSA/CIA's joint efforts to acquire and maintain and operate facilities. This space acquisition/maintenance function is complicated by several factors: (1) the necessity to vigorously screen and/or escort all GSA employees and GSA contractors given access to Agency buildings; (2) the occasional necessity for very rapid acquisition, relocation, or modification of a facility either to house an impending, "state-of-the art," technical collection system, for security reasons, or to accommodate organizational change; (3) the geographic isolation of the CIA Headquarters complex from GSA's centralized professional staff and labor pool; (4) CIA's necessity to install and operate, on a 24-hour basis, highly technical, classified systems requiring dual, special utilities systems for primary and backup operation; (5) the necessity to provide expensive, structural modifications to CIA facilities for physical security; and (6) the wide distribution of small CIA recruitment and security investigation facilities across the U.S. (with attendant "cover" and physical security problems).

It is recognized that this area of primary concern is complex and that a substantial amount of additional information may be required. Accordingly, [REDACTED] Executive Officer, Office of Logistics [REDACTED] has been designated as the action officer for this initial phase and will provide what further data your staff may need.

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The provision of central administrative services is of vital concern to CIA and of principal interest to this Directorate. Please call me if I can be of personal assistance or, if you have the opportunity, please let me arrange a luncheon and tour of our Langley facility.

Sincerely,

/s/ Michael J. Malanick

Michael J. Malanick
Acting Deputy Director
for
Administration

Mr. Joseph Malaga

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Distribution:

Orig - Addressee

✓ - ER

2 - DDA

1 - OL Official

Originating Office:

/s/ James H. McDonald

James H. McDonald
Director of Logistics

4 NOV 1977

Date

Real
Property

Real Property



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 President's
 Reorganization
 Project

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 Executive Registry
 1/8 - 11/9/78
 OJ's Registry
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 Sub: = June

Administrative Services Reorganization Project
 GS Building
 18th & F Sts. NW
 Washington, DC 20405

MAY 24 1978

MEMORANDUM

TO: Heads of Executive Agencies and Establishments
 FROM: Joseph F. Malaga, Executive Director
 SUBJECT: Transmittal of Draft Reports - Administrative Services
 Reorganization Project

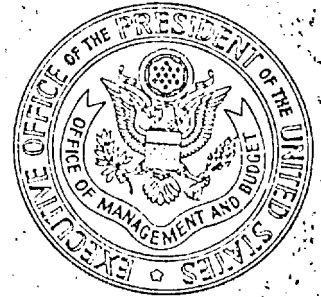
Last October 25, we asked for your views on how best to improve the delivery of administrative services within the Federal Government. Since that time, we have conducted an extensive study, and have prepared a series of service improvement alternatives related to real property, archives and records, supply and support services, and telecommunications. The first of four task force reports to be issued in draft over the next several weeks - real property - is enclosed. Others will be forwarded within the next 30 days. A fifth report on our overall assessment and organizational alternatives will be forthcoming after comments on the draft task force reports have been reviewed.

Many of the largest departments and agencies have represented the Federal interest during the project through the Assistant Secretaries' Management Group and the General Services Advisory Council. It is essential, however, that all agencies be given adequate opportunities to review the work of the project staff and register their views vis-a-vis the alternatives presented.

Please review the enclosed draft on real property services and give us your written comments by June 7, 1978. Comments should be sent to the Administrative Services Reorganization Project, GS Building, 18th and F Streets, NW, Washington, DC 20405.

Joseph F. Malaga
 Joseph F. Malaga

President's
Reorganization
Project



Administrative Services
Reorganization Project

Real Property Task Force

Findings and Alternatives

DRAFT

May 19, 1978

EXECUTIVE SUMMARY

BACKGROUND

A number of statutes, Executive Orders, and regulations deal with the Federal Government's real property activities. Many agencies have authority to lease, construct, operate and dispose of real property. The General Services Administration, which has the central role for the Executive Branch, has delegated certain real property authorities to agencies. Some agencies have their own statutory responsibilities for real property. Other agencies which obtain real property services from the GSA have developed their own staff capabilities in the real property area. The result is a proliferation of real property activities throughout the Executive Branch. A recent study by the Office of Federal Procurement Policy produced a list of over 50 organizations in 22 Federal agencies conducting more than \$5.7 billion in construction effort during fiscal year 1976.

The Real Property Task Force examined the organization and provision of real property services within the Executive Branch. It considered all Federal real property used primarily for office space and certain categories of non-office space. While all agencies were included in the review, the principal focus of the study was on 19 major agencies that performed over 90 percent of Federal real property services.

ISSUES

Three comprehensive issues were addressed by the Task Force:

- o What is the appropriate level of centralized and decentralized authorities throughout the Executive Branch to lease, construct, operate, and dispose of Federal real property and to regulate the exercise of these authorities?
- o Are there fixed limitations that inhibit the delivery of real property services unreasonably?
- o What are the most effective funding mechanisms to finance and deliver real property services within defined performance levels?

Leasing

Two alternatives were developed to improve the leasing activities of the Federal Government. One would vest total authority in GSA to regulate leasing services and provide or delegate the provision of these services. The other alternative would vest total regulatory authority in GSA and would have GSA primarily perform office-type leasing; other agencies would be vested with non-office type leasing authority. In both alternatives, agencies would be delegated authority to lease office-type space in areas of non-major Federal space concentrations. This authority would be for up to 5,000 square feet for 5 years.

Five fixed limitations were identified in the leasing area. The suggested alternatives would:

- o Change the threshold for applicability of the Economy Act from \$2,000 to 5,000 square feet and allow deduction for real estate taxes in computing the 15 percent of fair market value rental limitation.
- o Revise Executive Order 11512 of February 27, 1970, to vest final authority to resolve space assignment disagreements in the Administrator of General Services.
- o Authorize GSA to pay for options to acquire interests in real property.
- o Authorize GSA to convey an interest in a Government-owned site for lease-construction projects.
- o Revise the criteria for Congressional approval of lease prospectuses from \$500,000 to 125,000 square feet for office-type space and to 300,000 square feet for storage/warehouse space. Also, exempt all lease renewals and succeeding leases.

Construction

One alternative would vest total authority in GSA to regulate new construction and repair and alteration services and to provide these services. A second alternative would be the same as the first except that GSA would make substantial delegations of execution authority to user agencies.

A third alternative would vest regulatory authority in GSA, continue GSA's authorities to construct, repair, and alter or delegate the execution of these services for public buildings. This alternative would vest authority in agencies to execute these services for non-office type space and for office type space on installations.

Four fixed limitations were identified in the construction area. The suggested alternatives would:

- o Revise the 6 percent limitation on architect-engineer design fees and deal with the audit requirement for architect-engineer fees exceeding \$100,000.
- o Revise the Davis-Bacon Act, requiring payment of prevailing local wages on Federal construction contracts, by increasing the minimum application threshold from \$2,000 to \$40,000.
- o Revise the Miller Act, requiring payment and performance bonds for construction contracts, by increasing the minimum application threshold from \$2,000 to \$40,000.
- o Revise the Public Buildings Act of 1959, requiring Congressional approval of prospectuses for new construction and repair and alteration projects, by increasing the current threshold amount of \$500,000 to \$2,500,000.

Building Operations

The Task Force developed two alternatives for improving the management of buildings. The first would vest total authority in GSA to regulate building operations and to provide or delegate the provision of these services. The second alternative would be the same as the first except that GSA would operate non-office type space only at the request of user agencies.

Three fixed limitations were identified in the building operations area. The suggested alternatives would:

- o Amend the Federal Property and Administrative Services Act to allow GSA to contract selectively for building operations for periods up to three years to serve the best interests of the Government.
- o Change the requirement for individual wage determinations in favor of publishing geographical wage rates that remain in effect until superseded and

- o Relax or remove personnel ceilings for other than permanent full time employees and allow GSA to engage in direct hire of trade personnel on a temporary basis to meet workload fluctuations.

Disposal

The Task Force alternative would vest total authority in GSA to regulate and execute or delegate the execution of utilization and disposal of real property. It would rescind certain real property utilization and disposal authorities vested in other agencies.

The suggested alternatives in two areas with fixed limitations would:

- o Amend the Federal Property and Administrative Services Act to vest final authority to the Administrator of General Services for determination of excess property.
- o Amend the Federal Property and Administrative Services Act to (a) allow funding of real property utilization and disposal activities on a percentage of sales proceeds basis or (b) authorize the use of proceeds from the sale of surplus real and related personnel property for payment of certain expenses.

FUNDING MECHANISMS

The Task Force developed three alternatives to improve the mechanisms for financing real property services.

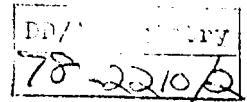
In the first alternative the Federal Buildings Fund would be a true revolving fund. Business-type annual operating plans and budgets would be prepared for OMB and Congressional oversight. The Fund would be removed from the annual appropriations process; restrictions on reprogramming funds among activities would be removed; and the requirement to deposit income to miscellaneous receipts of the Treasury would be eliminated. Personnel ceilings would be removed.

The second alternative would retain the present Federal Buildings Fund with some major modifications. These improvements would eliminate the deposit of income requirement; allow proceeds from disposal of GSA properties to be deposited in the Fund; and allow a 10 percent reprogramming of funds among the four activities of the Fund to meet unforeseen requirements.

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The third alternative would abolish the Federal Buildings Fund and return to financing real property programs by direct appropriations to GSA.

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13 JUN 1978

Mr. Joseph F. Malaga, Executive Director
Administrative Services Reorganization Project
Office of Management and Budget
Washington, D.C. 20405

Dear Mr. Malaga:

The opportunity to comment on the draft of the "Administrative Services Reorganization Project, Real Property Task Force Findings and Alternatives," as is the submittal extension to 14 June, granted by Mr. Inglefee of your staff, is appreciated. Because of the scope of the recommendations contained in the study, detailed comments on each of the alternatives are provided in an enclosure to this letter. It is considered, however, that the following overview should be presented to express the Central Intelligence Agency's (CIA) position with regard to proposals made.

CIA's interpretation of the totality of the Task Force draft is that there is a definite thrust toward centralization of policy, regulations, standards, and execution of all Federal real property activities. CIA concurs in centralized policy and regulation as is now being done by the Office of Federal Procurement Policy (OFPP) with regard to standardized Federal regulations for procurement. (It is noted that OFPP has recently circulated a study by the Federal Construction Council on procurement policy for construction; it is presumed that this study is being considered as a part of the Task Force findings.) CIA believes, however, that OFPP, or some other regulatory entity, should promulgate centralized policy and regulations as opposed to selection of any agency that is also responsible for implementation and compliance. CIA is less enthusiastic about centralization of standards and procedures for real property activities. Many agencies, CIA included, have developed special expertise in real property in order to meet their unique requirements. The preferred approach from our viewpoint would be standardized policy with leeway for each agency with real property capability to establish its own implementing procedures and standards.

CIA is definitely opposed to centralized execution of all Federal facilities acquisition and operation. This position is based on our broad experience in both domestic and foreign facilities acquisition and operation. Over the years, CIA's real estate and construction element has worked extensively with the Corps of Engineers, Navy Facilities Engineer Command, Foreign Building Operations, Agency for International Development,

Mr. Joseph F. Malaga

and the General Services Administration, and, accordingly, feels qualified to comment on the relative effectiveness of these organizations. It is considered that execution by one agency of all Federal real property activities would encompass such a massive program as to be counterproductive. Certainly, single agency responsibility would necessitate creation of a mammoth organization with concurrent, higher risks of increased overhead, bureaucratic delays, and insensitivity to specialized requirements. Certainly, CIA recognizes the value of GSA provided, centralized real property services in urban areas with high Federal concentrations. It is not, however, considered that GSA, with its very small share of Federal facilities construction and operation, has either the scope or the technical expertise to undertake the totality of domestic real property functions. As noted in our letter to you of 4 November 1977, CIA, although satisfied with GSA's provision of the totality of centralized administrative services support, has experienced continuing problems with timely and effective acquisition, maintenance, and modification of facilities through GSA. It is believed that GSA could improve the effectiveness of current operations in its arena of urban Federal facilities before assuming a program many orders of magnitude beyond its current capability.

With regard to revision of restrictive ceilings on real property activities as imposed by legislation or regulatory issuance, CIA is, as delineated in the attachment, definitely in favor of increased ceilings. It is recommended, however, that consideration be given to inclusion of provision for automatic, future upward adjustments based on accepted statistical indicators of inflation.

With regard to delegation of authorities to agencies with existing real property capabilities, CIA endorses delegation to the maximum extent.

It should again, be noted that CIA, by virtue of its enabling legislation plus a specific exemption in the Federal Property and Administrative Services Act of 1949, is authorized to perform its own real property-related activities in support of unique, operational requirements.

In summary, CIA:

- Supports a central policy and regulation for real property activities, but believes promulgation should rest in a nonexecuting entity such as OPPP.

- Recommends that implementing standards and procedures of Federal regulations and policy be left to those individual agencies who have a real property capability.

- Recommends against centralization of all Federal real property activities in any one single entity.

- Endorses raising of restrictive monetary ceilings on real property activities.

- Endorses maximum delegation to qualified agencies, and

- Restates its authority to act independently where its unique, operational requirements are impacted.

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[REDACTED], Executive Officer, Office of Logistics
[REDACTED], remains CIA's action officer for this project and should be contacted if specific data is required. Should broader policy questions arise, however, please contact me directly.

Sincerely,

/s/ Michael J. Malonick
John F. Blake
Deputy Director
for
Administration

Enclosure

Distribution:

Original - Addressee, w/enc.

1 - ER, w/enc.

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Originating Office:

/s/ James H. McDonald

12 JUN 1978

James H. McDonald
Director of Logistics

Date

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STATINTL OL/RECD/ [REDACTED] (12 June 1978)

ISSUE I -- CENTRALIZATION/DECENTRALIZATION

IA - Leasing

Alternative 2, which gives GSA total authority to regulate all leasing services and authority to execute or delegate these services, is endorsed as it provides the most flexibility of the two alternatives presented. Adoption of either alternative would not inhibit CIA's statutory authority to acquire real property when such acquisition is determined to be in the National interest.

IB - Construction

Alternative 3, which vests in GSA total authority to regulate new construction, repair, and alteration services but allows agencies the latitude of constructing of nonoffice type space and office type space on agency installations, is preferred over Alternatives 1 and 2. As noted in the overview letter, CIA does not recommend vesting total construction in a single entity.

IC - Building Operations

Alternative 2 which gives GSA total authority to regulate building operations and authority to execute or delegate the execution of those services is favored over Alternative 1. This Agency, however, would continue to be exempt from certain reporting requirements (employee names, personnel strengths, functions, etc.) and continue to insist upon the use of certain security measures such as clearance or escort of GSA/contractor personnel.

ID - Disposal

The (only) alternative, to vest in GSA total authority to regulate and execute or delegate the execution of utilization and disposal of real property, is an example of overcentralization. Adoption of this alternative would, in effect, give GSA regulatory authority over itself as the executing agency.

IIA - Leasing

The alternative to change the Economy Act of 1932's threshold from \$2,000 to 5,000 square feet and allow a deduction for real estate taxes in computing the 15% limitation on fair market value is endorsed.

The alternative to change E.O. 11512 to vest final authority in GSA to resolve space assignment disagreements is opposed. A system without an appeal mechanism is considered inadvisable. Certainly, as the principal staff agency involved, GSA's recommendations should be given great weight, but it is believed that authority to resolve issues of space needs should reside in a nonexecuting agency.

The alternative to allow GSA to pay for options to acquire interests in real property is viewed as a proper function and one which would facilitate acquisition.

The proposal to authorize GSA to convey an interest in Government-owned land for lease construction (lease back) projects could, on a case-by-case basis, prove beneficial to the Government and is, therefore, recommended for adoption.

Adoption of the alternative calling for revision of the prospectus criteria from \$500,000 to 125,000 square feet should receive strong support. There is no doubt that the Congress needs, and would want, to retain some control of leasing activities, but the current criteria are grossly consumptive of time and an impediment to efficient operation of the real property function.

IIB - Construction

Alternative 1, to revise the statutory limit to permit A-E fees up to 9% on all renovation, remodeling or rehabilitation projects; to keep the 6% limit on new construction; and to eliminate the audit requirement for fees exceeding \$100,000 is a sound proposal, the adoption of which is endorsed by this Agency.

Revision of the Davis-Bacon Act by raising the threshold to \$40,000 is appropriate. It should be noted that the Federal Construction Council and the Commission on Government Procurement have, in their most recent review of the problem, recommended a threshold of \$25,000. Any new legislation which establishes minimum or maximum dollar amounts should also contain an escalator clause tied to the CPI which would alleviate at least one of the problems currently confronted by the executing agency.

The identical rationale would apply to amendment of the Miller Act (from \$2,000 to \$40,000) for payment and construction bonds on Federal construction projects.

Revision of the Public Buildings Act of 1959 to raise the threshold amount from \$500,000 for new construction and repair and alteration projects to \$2,500,000 (again with some type of escalator clause) is long overdue and would be strongly endorsed by this Agency.

IIC - Building Operations

Amendment of the Federal Property and Services Act (FPAS) to allow GSA to contract selectively for building operations for periods up to three years is definitely in the best interests of the Government.

The proposal to change the current requirement for determining individual wage rates by publishing such rates on a geographical basis and keeping them in effect until superseded is favored as a method for increasing efficiency and eliminating untimely delays.

Allowing GSA to effect the direct hire of temporary employees to meet workload fluctuations is deemed in the best interests of the Government.

IID - Disposal

The alternative to amend Section 3(e) of the FPAS to vest in GSA final authority for the determination of excess real property is not viewed favorably. It is agreed that an authority, such as the now defunct Federal Property Council, is required but again, it is recommended against vesting regulatory authority in an implementing agency.

Alternative 1, amendment of Section 204 of the FPAS to allow funding of real property utilization and disposal activities, is viewed as a viable alternative to the current situation.

Amending Section 204 of the FPAS to authorize the reimbursement to any Federal agency of the net proceeds of sale from its real property is an attractive proposal. However, one caveat should be placed on this proposal--it should not be adopted if that same agency receives total authority for the disposal of real property.

ISSUE III - FUNDING MECHANISMS

Alternative 1, that of establishing the Federal Building Fund (FBF) as a true revolving fund, is the most favored of those presented. Especially significant is the capability such a fund would have to reprogram monies collected and abolishment of the requirement to return funds to the Treasury as miscellaneous receipts. Once this type of FBF has a chance to operate, it is believed that many of the delays in service currently being felt will disappear.

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Reorganization Project

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STATINTL

Administrative Services Reorganization Project
GS Building
18th & F Sts. NW
Washington, DC 20405



MAY 24 1978



STATINTL

MEMORANDUM

TO: Heads of Executive Agencies and Establishments
FROM: Joseph F. Malaga, Executive Director
SUBJECT: Transmittal of Draft Reports - Administrative Services Reorganization Project

Last October 25, we asked for your views on how best to improve the delivery of administrative services within the Federal Government. Since that time, we have conducted an extensive study, and have prepared a series of service improvement alternatives related to real property, archives and records, supply and support services, and telecommunications. The first of four task force reports to be issued in draft over the next several weeks - real property - is enclosed. Others will be forwarded within the next 30 days. A fifth report on our overall assessment and organizational alternatives will be forthcoming after comments on the draft task force reports have been reviewed.

Many of the largest departments and agencies have represented the Federal interest during the project through the Assistant Secretaries' Management Group and the General Services Advisory Council. It is essential, however, that all agencies be given adequate opportunities to review the work of the project staff and register their views vis-a-vis the alternatives presented.

Please review the enclosed draft on real property services and give us your written comments by June 7, 1978. Comments should be sent to the Administrative Services Reorganization Project, GS Building, 18th and F Streets, NW, Washington, DC 20405.

Joseph F. Malaga

22 8 2385

Supply and
Support Services

Supply and Support Services



President's
Reorganization
Project

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7-9/78

Administrative Services Reorganization Project
GS 11-279
18th & F Streets, NW
Washington, DC 20405

JUN 15 1978

6/15/78

MEMORANDUM FOR HEADS OF EXECUTIVE AGENCIES AND ESTABLISHMENTS

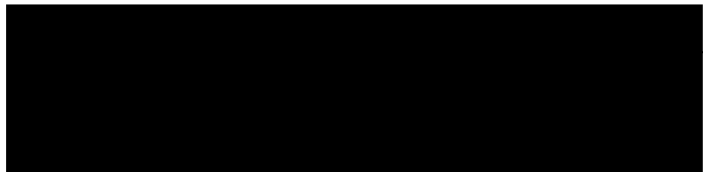
SUBJECT: Transmittal of Draft Reports - Administrative
Services Reorganization Project

Enclosed is the last of four draft task force reports of the
Administrative Services Reorganization Project -- Supply and
Support Services.

Please review the enclosed draft and give us your written
comments by July 1, 1978. Comments should be sent to the
Executive Director, Administrative Services Reorganization
Project (XS), GS Building, 18th and F Streets, NW,
Washington, DC 20405. If you have questions or would
like additional information, please contact the Supply and
Support Services Task Force Leader, Mr. David Phillips, at
235-2420.

Joseph F. Malaga
Joseph F. Malaga
Executive Director

STATINTL



7 JUL 1978

PVJS

Mr. Joseph F. Malaga
Executive Director
Administrative Services Reorganization Project
Washington, D. C. 20405

Dear Mr. Malaga:

Your letter dated 15 June 1978 with regard to Transmittal of Draft Reports - Administrative Services Reorganization Project has been referred to this office for reply.

Our comments are keyed to the issues and are as follows:

Issue No. S-1: Design Concept for a National Supply System - We see no objection to the establishment of a National Supply System (NSS) if, in the final analysis, it provides the service to the customer in a timely manner.

Issue No. S-2: Criteria for Consolidation of Depots - We see no objection to the consolidation of Government wholesale supply depots if it provides service to the customers in a timely and cost effective manner. While the subject of consolidating depots seems to be an area where substantial savings can be realized, a more in depth study is required.

Issue No. S-3: FSS Supply Operations - We agree with the recommendations concerning industrial funding.

Issue No. S-4: Customer Services - We strongly support Conclusions/Recommendations 8 through 10. These would provide us with more flexibility in supply/procurement operations.

Issue No. S-5: Vendors and the FSS Procurement Process - We concur with any efforts designed to, and effective in, the lessening of the complexities currently inherent in Government contracts. Any effort

OL 8 2790a

expended in this respect is costly to the potential contractor who ultimately passes such costs on to the Government. This, of course, is inflationary in nature. Therefore, we concur with OFPP's efforts to simplify procedures and regulations involved with Government contracting. A step in this direction could be the simplification of regulations, contract forms, and the use of more easily understood contract language, particularly in contracts not in excess of certain dollar limitations, i.e., the \$25,000 threshold mentioned in the S-S summary.

Issue No. S-6: Personal Property Utilization - We have no problem with the General Services Administration (GSA) assuming a Government-wide role for excess property sales.

Issue No. S-7: Printing Services - We feel that little would be gained by the establishment of an Executive Branch committee with the same authority as the Joint Committee on Printing, assuming that Congress would agree by revising Title 44. We do not believe that the savings and improvements cited would, ipso facto, flow from such a move. It is apparent that the reestablishment of the Interdepartmental Committee on Printing and Processing, without changes in Title 44, would only add yet another layer of bureaucracy.

Issue No. S-8: Strategic and Critical Materials Stockpile - We have no comment.

Issue No. S-9: Public Utilities Management - Most domestic utility services are provided to the Agency as part of the GSA Standard Level User Charge (SLUC) system wherein we pay a unit rate for space, including utilities. There are exceptions, however, and utilities for Agency space located on military compounds or not otherwise subject to the SLUC system are paid for under the interagency support agreements or directly by the Agency. These latter instances are few, so, for the most part, the Agency is subject to GSA utility policies and procedures through the SLUC system.

Per the report, GSA accounts for only 25 percent of Government purchased utility services while the remaining 75 percent represents usage by the military and other

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civilian agencies. We believe that the present decentralized system, in which the military and many civilian agencies have independent authorities to arrange for utility services based on their own unique needs, is better than the proposed centralized system under which GSA, having 25 percent or less of the total requirement, would establish policies and procedures for all Federal agencies.

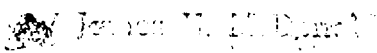
Issue No. S-10: Cooperative Support Services - We have no comment.

Issue No. S-11: Motor Vehicle Management - We agree that the reduction in replacement cycle time for vehicles from six years to three years will be cost effective in the long run.

Issue No. S-12: Transportation and Traffic Management - Of the four alternative recommendations for transportation services, we would recommend the adoption of Alternative A since the services and expertise of GSA would become more available to the Agency. Alternatives B and C are considered impractical with no changes of adoption. We endorse an increase in FOB origin contracting, since this would permit the application of traffic management expertise in the procurement cycle and result in transportation cost savings.

We are pleased to have the opportunity to comment on this excellent draft study.

Sincerely,



James H. McDonald
Director of Logistics

cc: ER
DDA

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OL/P&PS, 

(6 July 78)



Telecommunications

Telecommunications

OC-m-78-433
18 JUN 1978

MEMORANDUM FOR: Mr. Joseph F. Malaga
Executive Director
Administrative Services
Reorganization Project

STATINTL FROM : [REDACTED]
Director of Communications

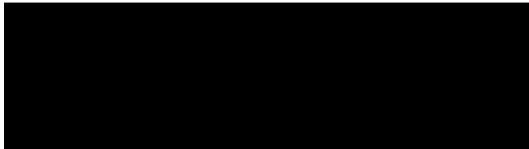
SUBJECT : Telecommunications Task Force Draft Report,
Findings, and Alternatives

REFERENCE : Your Memorandum dated 31 May 1978

Members of this Office have reviewed the draft report on the findings and alternatives of the Telecommunications Task Force. Since that report does not include any conclusions or recommendations, and the communications activities of this Agency are not discussed, the extent of our comments is necessarily limited. The activity of the Task Force appears to have been oriented primarily toward telecommunications systems carrying administrative traffic. The telecommunications systems of this Agency are provided and maintained for the passage of command and control and intelligence information and accommodate administrative information only incidentally. In arriving at any conclusions or making recommendations, we believe that the Task Force should make a clear distinction between communications activities such as those of this Agency and those which are maintained primarily for the passage of administrative information. This should be considered with respect to any of the eight issues identified by the Task Force. This consideration should be borne in mind especially in the discussion of the National Communications System, the assets

SUBJECT: Telecommunications Task Force Draft Report,
Findings, and Alternatives

of which are primarily command and control and operational networks rather than administrative ones. It is believed that the study should also take into account that the nature of the National Communications System has been consciously modified since its inception with the result that it now stands as a confederation of individually managed networks rather than as one single network. In that context, it is felt that the National Communications System is, in fact, performing its functions appropriately and effectively.

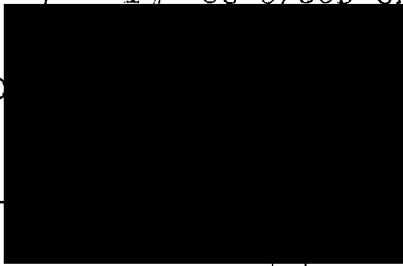


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12 June 1978

AUTH: _____

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D/CO



COMMUNICATIONS, COMMAND,
CONTROL, AND INTELLIGENCE

11 JUL 1978


MEMORANDUM FOR DISTRIBUTION

SUBJECT: DoD Comments on Draft Report of Administrative Services
Reorganization Project

I have enclosed for your information the comments submitted by DoD on the report of the Telecommunications Task Force of the Administrative Services Reorganization Project. As you will note, our comments are based in large part on the excellent inputs received from your agency. Your efforts were sincerely appreciated.

D. L. Solomon
Deputy Assistant Secretary of Defense
(Technical Policy and Operations)

Enclosure

Distribution: 
Manager, NCS
Dep. Dir., WWMCCS & Telecomms. J-3, OJCS
Director, DCA
Dir., Telecom & Cmd & Cont (DAMO-TCZ) Army
Dir., C³ Programs (NOP-094), CNO
ACS Comms & Computer Resources, USAF

cc:
Dir., Info Systems (C³I)
Dir., Data Automation OASD(C)

26 JUN 1978

(Administration)

Mr. Howard H. Messner
Co-Chairman
Assistant Secretaries' Management Group
Executive Office of the President
Washington, D. C. 20503

Dear Howard:

In accordance with your May 30 request, the Department of Defense has reviewed the draft Findings and Alternatives of the Telecommunications Task Force. Our general comments on the report are listed below and specific observations and comments regarding the issues and alternatives can be found in the enclosures:

1. The report fails to recognize the essentiality of mission oriented communications and to make a distinction between such and pure administrative communications. In this respect the report does not provide an adequate definition of administrative communications nor does it recognize that there are major economic as well as operational benefits in having operational networks (e.g. AUTOVON and AUTODIN) handle administrative traffic as well.

2. The report makes cost-effectiveness the determinant in deciding whether a given situation is good or bad. Cost-effectiveness, while always a DoD goal, is not the sole or necessarily the primary criterion upon which DoD and other mission oriented communications are designed. Rather responsiveness to mission requirements is the primary concern of operational communications. In the DoD this includes security, survivability, interface with tactical and foreign systems, reliability under stress conditions, world-wide talking levels, 24-hour-a-day operation, precedence and preemption arrangements, anti-jam features and other features which are of greater importance than cost-effectiveness alone.

3. Related to the comment above, the report is highly critical of the redundancy which exists in the AUTOVON with respect to the FTS. What the report fails to note is that AUTOVON was not intended to satisfy only routine subscribers as does the GSA's FTS network. The AUTOVON was designed as a small network with high survivability characteristics. The Military Services are more concerned with high precedence and time-sensitive requirements. During peacetime, economy is gained and the system is exercised by allowing routine users onto the system. However, the network is sized for command and control; and when stressed, low priority

users are forced off the network. AUTOYON is not configured like a normal telephone system and, therefore, it is premature to recommend consolidation without clearly demonstrating that the needs of the Services can be met by the alternative.

4. The report presupposes that centralized policy direction, acquisition, and consolidation of Federal agency assets will lead to economies and system efficiency. From an academic viewpoint, this idea is appealing; however, the report ignores the fact that both the executive and legislative branches are involved in the policy making process. We do not believe that GSA or any other executive department is in a position to effectively justify nor defend DoD requirements before Congress. The legislative process requires that DoD defend this budget in the context of national security, unlike the other departments.

5. The report is obsessed with the idea that the MCS, in order to succeed in its mission, must develop and bring into being, a single integrated telecommunication system to serve the diverse communications needs of all Federal agencies. It fails to recognize that the single integrated system concept, even if it were practical, is only one of several means that the MCS could employ to achieve its broader goals of providing a survivable and interoperable multi-agency telecommunications system capable of satisfying emergency and day-to-day government communication needs. The fact that MCS with EOP concurrence has chosen since 1972 to achieve its goals by the more pragmatic approach of evolving into a confederation of interoperable but autonomous systems, is mistakenly viewed in this report as a failure to achieve the mission. The use of dated studies, i.e., circa 1969 and 1971, by the Telecommunications Task Force obscures the success and products being obtained by the MCS through this redirection. Had we stayed on the "hard line" course of a "single integrated system" we would still be grappling with a "MCS concept". Fortunately, we chose to do otherwise and therefore have been able to elicit the cooperation of the MCS Operating Agencies in such successful, goal-directed efforts as emergency and disaster communications planning, secure voice planning, and the Federal telecommunication standards program.

6. Another basic flaw in the report is its apparent assumption that the primary function of the government telecommunication system comprising the MCS is to handle the administrative communications of the MCS Operating Agencies. With the possible exception of GSA's FTS exactly the opposite is true. For example, it would be difficult to convince any knowledgeable person that the primary purpose of NASA's NASCOM network is to handle NASA's administrative traffic rather than traffic in direct support of their basic mission of space flight and exploration. The same could be said of the MCS assets operated by STATE, DOD, CIA, FAA, COMMERCE, ENERGY, INTERIOR, and the International Communication Agency (ICA) since all of these are primarily aimed at satisfying basic mission requirements with the capability of handling routine administrative traffic being a necessary, but secondary consideration.

7. Certain key words (such as policy, planning, operations and management) lack definition within the text and in some cases appear to be used interchangeably.

8. The decision process used by the Task Force is not clear in terms of key factors, criterion, measure of cost, and measure of effectiveness used in reaching alternatives on issues.

9. The report goes well beyond the purpose of the Task Force which was to examine GSA's telecommunications management and develop recommendations for improvement as stated on page 1-7 of the draft report.

10. Although complimentary of DoD's management of telecommunications, the report offers gratuitous recommendations about DoD's internal organization, the effect of which, if adopted, would weaken the successful management arrangements in being.

In summary, although there are large portions of the draft report which are useful, the deficiencies noted above reflect a document which fails to be acceptable from the standpoints of direction and objectivity. We recommend an extensive rewrite of the report to correct these shortcomings. Further, we are convinced that Issue #8 relating to the HCS is a non-issue and should be dropped from the report in its entirety. We have been unable to identify an office or agency in the Federal telecommunications community which feels that Issue #8 has any substance and we conclude that it exists solely in the mind of its creator.

Enclosure 1 provides comments on the alternatives set forth in the report for Issues 1 through 6. We have no comments on Issue 7. Because of its importance to the community, a detailed discussion on the HCS and the alternatives in Issue 8 has been prepared and is appended as Enclosure 2.

Sincerely,

(Signed D. O. Cooke)

D. O. Cooke
Deputy Assistant Secretary of Defense

Enclosures 2

Issue #1. If GSA has been ineffective, there is no assurance that enhanced management indicated by Alternative A would resolve that problem. Clearly, Alternatives B and C would not be acceptable to DoD. Alternatives D and E are acceptable to the degree they are completely in consonance with Alternative F. DoD supports Alternative F. Selection of any other Alternative by the ASRP may require new legislation to consolidate and clarify existing authorities of GSA as reportedly recommended by the GSA Assistant General Counsel's report dated 19 September 1975, entitled "Project LX100."

Issue #2. As indicated above, GSA authorities and responsibilities are unclear and if GSA is to assume a more dominant role in telecommunications procurement, new legislation is required. But more importantly there is little likelihood that GSA could succeed, as its prior performance would lead to the opposite conclusions. Alternative A is not acceptable to DoD. The DoD should continue to procure its telecommunications under ASPR or the New Federal Acquisition Regulations (FAR), when published. Further, no existing organization or procurement functions should be transferred outside DoD. Therefore, Alternative D (with qualification) would be acceptable to DoD. The qualification to recommending Alternative D is that DoD will procure all telecommunications for its needs when determined to be in the interest of national security.

Issue #3. It is important that the ASRP be reminded again that AUTOVON is designed for other than administrative traffic and is not classified as an administrative telecommunications system. If GSA could design and implement a cost-effective administrative common-user telecommunications system that will satisfy DoD's world-wide administrative needs, we would be compelled to consider using it. However, there are questions about GSA authority to provide administrative telecommunications outside the United States, and given the need for DoD to acquire its mission networks there would appear to be no possibility of GSA being able to supply a cost-effective separate network. Further the Task Force should not be concerned with how DoD acquires, manages and operates its telecommunications. Alternatives A4 and A5 are not acceptable to DoD and Alternative A2 is impractical because of the difficult, if not impossible, task of assuring interoperability. Additionally, we do not believe interoperability of all telecommunications networks would be worth the cost. Alternatives A1 and A3 are recommended. Alternatives B2 and B3 are not acceptable to DoD. Alternative B1 is recommended with the qualification that GSA and DoD should continue to assure that unnecessary duplication of switchboards and costs are not incurred.

Issue #4. Without new legislation as discussed under Issue #1 above, Alternatives B and D would not be acceptable to DoD. Alternative C would not be a practicable solution to the policy issue. Alternative A is clearly the only acceptable alternative with the qualification that DoD would also have implementation policy for its telecommunications and that DoD is excluded from GSA implementation policies.

Issue #5. Integration of telecommunications, ADP, and word processing technologies makes sense when the view is toward information systems. However, it should be noted that there are needs for each of those technologies independent of the others to satisfy mission requirements, e.g., ADP is needed in weapon systems and may not involve telecommunications or word processing.

In contrast to the growing technical similarity among ADP, telecommunications and word processing, the respective systems for managing these technologies continue to be markedly different. In accordance with Public Law 89-306, government-wide policy for ADP is highly centralized and oriented toward control of individual ADP resources acquisitions. This results in a management process which is restrictive and time-consuming. Relative to ADP policy, current policies governing telecommunications and word processing appear to be considerably more decentralized and flexible. In view of this condition, we oppose any government-wide efforts to centrally direct the convergent ADP, telecommunications and word processing functions in specific ways unless:

- a. technologic convergence is matched by management systems convergence; and
- b. the nature of the management system convergence is oriented toward mission responsiveness and flexible acquisition processes.

Issue #6. This issue impacts GSA only, except for Alternative D which is unacceptable to DoD because the term "administrative telecommunications services" has not been defined.

COMMENTS ON TASK FORCE PRESENTATION ON ISSUE 8,
THE NATIONAL COMMUNICATIONS SYSTEM

In assessing the division of responsibilities resulting from EO 12046, the report completely ignores the functions assigned to the Office of Science and Technology Policy, Executive Office of the President. This is an extremely significant omission since these functions include executing the war power functions of the President under Section 606 of the Communication Act of 1934 which were previously delegated to the OTP. Pursuant to a Memorandum of Understanding between OSTP, NSC, and the Executive Agent, NCS, the NCS will assist OSTP in this effort by planning for and executing the functions of emergency management of Federal Government telecommunication resources under Federal Emergency Plan D. The omission of this and other national security/emergency preparedness functions of the NCS (which are the primary reasons for the existence of the NCS) is indicative of a basic misconception by the authors that the primary purpose of the NCS is to promote economy and efficiency of the government's administrative telecommunication systems. The fact is that the primary purpose of NCS is to ensure that the confederation of independently operated and maintained, mission-oriented, telecommunication systems comprising the NCS are planned, designed, and operated in such a way as to maximize their utility as a national telecommunication resource particularly under national emergency conditions. While it is reasonable to expect (in view of the inherent mix of mission-oriented and administrative communications in most agency telecommunication systems) some collateral improvements in economy and efficiency, these are viewed as welcome bonuses rather than essential prerequisites. Unfortunately the report fails to recognize that with the varied missions of the NCS operating agencies any attempt to adhere to a rigid policy of optimizing for maximum aggregate efficiency at minimum cost will invariably compromise mission requirements in one or more agencies. When this happens the natural response is to leave the common user system for a special purpose dedicated system (often outside the NCS) usually at a significantly increased cost.

Of the seven "alternatives for the NCS" postulated in the Executive Summary only Alternative G is worth serious consideration. The major deficiencies of the other six are:

ALT A. Make NCS an independent agency.

Deficiency: Would require an extremely large increase in the size of the NCS staff to assume the administrative, logistic, technical, ADP, and operational support functions now provided by the DCA. Would also require large expenditures of procurement, construction, and operating and maintenance funds to establish and operate on a 24 hour day basis, a separate NCS Operations Center. (The NCS and DCA now share a common operations center). All of this seems to be a large price to pay merely to isolate the NCS staff from a vaguely defined and unproven threat to its objectivity and autonomy.

ALT B. Abolish the NCS.

Deficiency: Would solve none of the perceived problems identified in the report but would certainly create a few more. For example, the following functions or resources, each of which are essential to the retention or reconstitution of a national communications capability during periods of national emergency or disaster, are among those that would be abandoned if the NCS were abolished.

a. The NCS data base containing detailed information on every inter-city circuit owned or leased by Federal departments and agencies.

b. The NCS Circuit Restoration Priority (RP) System. The RP system is absolutely essential to the orderly restoration of telecommunications service to essential users during periods of stress or national emergency.

c. The interoperability-oriented Federal Telecommunication Standards program. This program is one of the few effective means available for systematically and painlessly dismantling the technical barriers to interoperability of the evolving generation of government telecommunication systems and increasing their utility as an emergency telecommunications resource.

d. The only coherent plan, management structure, and resources in existence for the management of the Federal government's telecommunication resources during a Federal Plan D Emergency.

e. The only existing plan and management resources available for providing telecommunication support to FDAA during Presidentially declared emergency and disaster situations.

f. The only forum in existence today where the ten NCS Operating Agencies, as well as several other agencies, are willing to and frequently do share information and advice on their respective telecommunication problems and plans in a collegial, non-threatening atmosphere. This is an asset which it has taken years to build starting with the abandonment of the "unified single system" concept of the NCS.

ALT C. Reassign functions but not staff of NCS to NTIA

and

ALT D. Reassign both staff and functions to NTIA.

Deficiency: Approximately 2/3 of the resources of the NCS are an integral part of the "mission essential" telecommunication resources of the DoD. We are aware of no credible scenario for a wartime or peacetime emergency

which would do anything except increase this percentage. It is, therefore unrealistic to expect that the transfer of the Executive Agent NCS responsibilities to any agency head not having control over the DoD telecommunications policy and budget could have anything except a detrimental effect on the NCS mission.

ALT E. Make the Administrator of GSA the Executive Agent, NCS, except in time of national emergency at which time the Secretary of Defense would assume this responsibility.

Deficiency: (1) Comments on alternatives C and D are equally valid here (2) the idea that GSA is better equipped to plan the utilization of NCS resources (2/3 DoD) for a national emergency but not equipped to carry out these plans when the emergency arises is an interesting if not convincing hypothesis.

ALT F. Make no organizational change but attempt to make NCS more responsive to its original charter.

Deficiency: We agree that no organizational change is required especially in view of the recently concluded (MOU) between NCS, OSTP, and NSC. If there is any merit in the idea of a "single unified system" concept of the NCS, rather than the present concept of a "confederation of interoperable systems," the appropriate forum for assessing this merit and providing the required policy guidance to the NCS, is the Executive Office of the President (NSC, OSTP, OMB). Not only does the "single unified system" concept lack the support of the Federal telecommunications community but from GSA's recent experience with the FEDNET appears to be at odds with relevant congressional direction to major NCS operating agencies. In the GSA FY 77 Appropriations Act (PL 94-363) the Congress specifically prohibited GSA from expending funds for the procurement of any new common user data communication systems. While this prohibition does not apply to GSA's common user telephone system (FTS) nor to DoD's common user data and telephone systems, it does understandably serve to dampen any residual enthusiasm for developing plans, for a "single unified system" type of NCS.

The development of a "single unified system" type of NCS to serve all the diverse government telecommunication needs of the Federal government (DoD as well as civil) is not and probably never was a realistic expectation. This was formally recognized by the OTP in May 1972 when they concurred in an Executive Agent, NCS, assessment that the evolutionary development of a confederation of interoperable NCS component networks was a more realistic and achievable goal: It was also a goal which was consistent with the primary NCS mission of improving the emergency preparedness posture of the Federal Government's telecommunication resources. It is unfortunate that the report based a number of its conclusions regarding the NCS on information contained in dated studies, i.e., circa 1969 and 1971 rather than the successes gained by the NCS as a result of the 1972 re-direction.

The wisdom of this redirection of goals has been proven many times over since 1972. Instead of being perceived as a constant threat to the operational and management autonomy of the various NCS operating agencies, the NCS with the "interoperable confederation" approach, has been able to make significant progress toward its goals with the full cooperation of the NCS operating agencies. The NCS operating agencies, today, are avid supporters of the NCS initiatives in the areas of emergency and disaster communications support planning, secure voice planning, the Federal Telecommunication Standards Program, the NCS Restoration Priority System, etc.

The President, in his 1963 memorandum on the NCS, recognized that achieving the goals stated for the NCS would be an evolutionary process. We feel that this remains a valid and workable approach and that a significant degree of cost effective integration can be achieved by a step-by-step evolutionary process whereby the benefits and impact for each step can be thoroughly evaluated. An example of such an evolutionary step is the current joint planning and procurement of leased circuits in the CONUS, the benefits of which have been clearly identified. A comparable situation prevails in the case of certain government satellite and secure voice communications systems which are planned and provided on a joint basis because of the identifiable benefits resulting therefrom. Another promising step is the current consideration of the possible advantages and problems of joint government multiplex planning for use on leased circuits. We plan to continue the evolutionary development of the NCS along these lines, implementing an appropriate degree of integration where it makes sense to do so. Added to this is the aggressive telecommunications standards program we are pursuing which is focused on the goal of achieving interoperability of functionally similar networks. This will enable functionally similar but separate networks in the NCS to be interconnected and function as a system to the degree needed for satisfying normal day-to-day and emergency requirements.

The report fails to recognize functions of the NCS that are being performed to the benefit of the Government and all Federal agencies. The study does a disservice to the NCS staff and misrepresents savings to the Government if the NCS were abolished. Functions being performed by the NCS are necessary and vital. They would need to be performed elsewhere in the Government, if not by the NCS. A listing of the functions follow:

- a. RP System Management
- b. Plan D Telecommunications Support
- c. Disaster Telecommunications Support
- d. Secure Voice Comm Planning
- e. Development of Federal Telecommunications Standards

The cost of performing these functions -- if they could indeed be performed elsewhere, would involve the creation and management of a new data base, which alone could exceed the cost of the current NCS organization.

The report cites the emergence of two separate secure voice networks (AUTOSEVOCOM) for the DoD and the ESVN for the civil agencies) as indicative of the lack of overall government telecommunication planning and the ineffectiveness of the NCS in this role. It ignores the fact that the designs of the systems are different because of substantial differences and constraints which each must satisfy. Contrary to the report's allegations, the NCS has been very successful in eliminating unnecessary differences between the CONUS elements of these two systems and identifying and promoting the use of common terminal.

It is clear that the NCS collectively is in fact achieving its goals in a systematic low-key way without raising the spectre of an emerging centralized telecommunications super bureaucracy as implied by the "single system" concept.

Archives and Records

Archives
and Records

72-2210/6
1-5

21 JUN 1978

Mr. Joseph F. Malaga, Executive Director
Administrative Services Reorganization Project (XR)
GS Building
18th and F Streets, N.W.
Washington, D.C. 20405

Dear Mr. Malaga:

We have reviewed the draft report of the Archives and Records Task Force enclosed with your 6 June 1978 memorandum. The report is well balanced, and the findings and alternatives are pertinent. We have no specific changes to suggest, but we would like to make a few general comments.

In general, we favor the alternatives that recommend continued placement of the archives and record function in NARS as an element of GSA. It would be counterproductive either to split the function or to relocate it in whole or in part. It might be helpful to give NARS more general autonomy within GSA, but the main need is for appropriate staffing and funding to enable NARS to perform a more positive role. In this role, we favor the alternatives that provide for enhanced NARS standards, guidelines, training, and evaluations of agency programs. We do not favor the alternatives that recommend central direction and control. Program implementation is best accomplished through cooperation between federal agencies and NARS, with the option that NARS report serious compliance problems to OMB or Congress.

Regarding the proposals to make the General Records Schedules mandatory and to reduce the period for transfer of records to NARS from 50 to 30 years, we note that two Acts recently passed by the Senate successfully incorporate these provisions.

In reference to our own records management program and participation in interagency programs relating to two major areas of concern mentioned in the report: We are not one of the 85 agencies that have not met the requirements to schedule records, and we do not contribute to the federal paperwork burden on the public. However, in fulfillment of NARS government-wide program responsibilities,

...we are willing to participate in inspection programs, studies, and information clearinghouse operations--to the extent that these activities are focused on productive goals and provision is made for our responsibility to protect intelligence sources and methods information.

Sincerely,

/s/ Michael J. Malanick

John F. Blake
Deputy Director
for
Administration

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Washington, DC 20405

10/15/78
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JUN 15 1978

MEMORANDUM FOR HEADS OF EXECUTIVE AGENCIES AND ESTABLISHMENTS

SUBJECT: Transmittal of Draft Reports - Administrative
Services Reorganization Project

Enclosed is the last of four draft task force reports of the Administrative Services Reorganization Project -- Supply and Support Services.

Please review the enclosed draft and give us your written comments by July 7, 1978. Comments should be sent to the Executive Director, Administrative Services Reorganization Project (XS), GS Building, 18th and F Streets, NW, Washington, DC 20405. If you have questions or would like additional information, please contact the Supply and Support Services Task Force Leader, Mr. David Phillips, at 235-2420.

Joseph F. Malaga
Joseph F. Malaga
Executive Director

110-2-11/6
O-11-5
21 JUN 1978

Mr. Joseph F. Malaga, Executive Director
Administrative Services Reorganization Project (XR)
GS Building
18th and F Streets, N.W.
Washington, D.C. 20405

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Sincerely,

/s/ Michael J. Malonick

John F. Blake
Deputy Director
for
Administration

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President's Reorganization Project

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JUN 15 1978

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SUBJECT: Transmittal of Draft Reports - Administrative Services Reorganization Project

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Joseph F. Malaga
Joseph F. Malaga
Executive Director

President's
Reorganization
Project



Administrative Services
Reorganization Project

Supply and Support Services
Task Force

Findings and Alternatives

DRAFT

June 15, 1978

PRESIDENT'S REORGANIZATION PROJECT

ADMINISTRATIVE SERVICES REORGANIZATION PROJECT

SUPPLY AND SUPPORT SERVICES

TASK FORCE

FINDINGS AND ALTERNATIVES

JUNE 15, 1978

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Executive Summary
Supply & Support Services

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ADMINISTRATIVE SERVICES REORGANIZATION PROJECT
SUPPLY AND SUPPORT SERVICES TASK FORCE
EXECUTIVE SUMMARY

BACKGROUND

The First Hoover Commission led to enactment of the Federal Property and Administrative Services Act of 1949, which established the General Services Administration (GSA), and vested in its Administrator responsibility for developing a comprehensive Federal system for the delivery of supplies and related support services. This system was to be mandatory for all agencies of the Executive Branch, except that the Secretary of Defense could exempt the Department of Defense from the provisions of the Act. Under the Act, the Administrator was:

- o Empowered to prescribe policies and directives necessary to ensure compliance with the purposes and goals of the Act.
- o Granted broad latitude to determine whether to perform functions or responsibilities within GSA, or delegate them to other agencies.
- o Granted similar flexibility in establishing or revising GSA's internal organization.
- o Directed to consult with other interested agencies to secure their advice and assistance in implementing the Act.

To carry out the responsibilities related to supply and support services, the Federal Supply Service (FSS) was created as a key element in the new Administration. FSS is responsible for the following major functions:

- o Regulatory, covering responsibility for developing, maintaining and revising Federal Procurement Regulations, Federal Property Management Regulations, Federal Travel Regulations and other Government-wide regulations.
- o Supply, encompassing the economical and efficient procurement and supply of a wide range of common-use, commercially available items and services for all Federal agencies including the Department of Defense.
- o Support Services, including assistance in negotiating long-term public utilities contracts and transportation rates; representing the civilian agencies before Federal, State and local transportation and utility regulatory bodies; ensuring timely utilization,

rehabilitation or disposition of excess or surplus property; operating interagency motor pools and providing centralized interagency traffic management and transportation services; and auditing of all agencies' transportation payments. It is also responsible for acquisition, inspection, storage, maintenance and shipment of materials for the Strategic and Critical Materials Stockpile.

Although this system was established to be the central, Government-wide supply mechanism, there is less than total use of it by Federal agencies. Agency officials with responsibility for administrative functions are critical of many aspects of the current system. Clearly, the potential for development of a Government-wide system for the delivery of supplies and support services has not been fully realized.

SCOPE OF STUDY

A task force of the Administrative Services Reorganization Project (ASRP) was established to examine the adequacy of supply and support services on a Government-wide basis and consider organizational options and management improvements. The task force conducted extensive interviews and gathered data from executives and operating personnel of Federal departments and agencies; officials of GSA, GAO and OMB, manufacturing, retailing and services industry executives; state government officials; and representatives of trade, special interest and professional organizations. The task force listened to and evaluated the concerns of Government contractors and vendors. It reviewed the constraints imposed on the delivery of services by legislation, Congressional overview and the budget.

ISSUES

The issues described below were selected for study as having the greatest potential for improvement in the delivery of supply and support services. Issues S-3, Supply Operations, S-4, Customer Services, and S-5, Vendors and the FSS Procurement Process, are GSA oriented. Alternatives and recommendations included for these three issues are compatible with the ultimate development of a National Supply System as presently covered by issues S-1 and S-2. ASRP recommends that the criteria for any future changes in the supply operation of FSS be based on the National Supply System plans and policies. Review of issues S-1, a National Supply System, and S-2, Consolidation of Depots, were jointly sponsored by the ASRP and OMB's Office of Federal Procurement Policy (OFPP). ASRP also recommends that work on these two issues be continued on a systematic basis. The S-1 and S-2 issue summaries, therefore, do not represent final findings and alternatives, but rather are current status reports.

FINDINGS AND ALTERNATIVES

A. SUPPLY FUNCTIONS

S-1: A National Supply System - Major supply systems are operated by numerous Federal agencies, including GSA, Veterans Administration, Defense Logistics Agency and each of the military services. Each system is essentially independent of the others, resulting in significant duplication of policies, procedures, data systems and corresponding overhead staffs. A joint ASRP-OFPP task group was established to develop a design concept for a National Supply System which would eliminate avoidable duplication among the existing systems and reduce operating costs. The Task Group has prepared a preliminary definition of a National Supply System, including a description of its principal features and characteristics, and has also developed a plan and schedule for further defining and describing the system in all of its detailed policies, programs and procedures. By reducing the redundancy in present Federal supply activities, it is estimated that personnel and related savings can eventually amount to \$100 million a year or more. After approval, the task group's reports will serve as the basis for the work of an implementation task group to be established. The latter group will develop a detailed description of the National Supply System and a phased integrated plan for implementing that system.

S-2: Consolidation of Depots - A total of 67 major wholesale general depots are operated by 10 Federal agencies, primarily the DOD, GSA, and VA. DOD and GSA have completed studies of intra-agency depot consolidations. To promote further Government-wide consolidations, a joint ASRP-OFPP task group was established as an adjunct to the National Supply System concept. The task group has prepared a comprehensive inventory of the Government's wholesale depots and is completing its work on criteria for further consolidating those facilities. The DOD and GSA studies could result in as many as 20 fewer depots. It is estimated that a substantially greater number of depots could be consolidated through full implementation of the National Supply System. A 20 percent reduction in the current operating costs of the existing 67 common supply depots for personnel, space and transportation activities could eventually result in savings amounting to more than \$200 million a year. After approval, the task group's report on recommended criteria will serve as the basis for the work of an implementation task group to be established. The latter group will develop a detailed consolidation plan and a uniform, Government-wide depot operation procedure.

S-3: FSS Supply Operations - FSS supply policies are developed at the headquarters level by four different functionally oriented offices. Supply operations are fragmented among

several FSS offices in Washington, D.C., the ten GSA regional offices and three commodity centers. Overall effectiveness and responsiveness could be improved with a corresponding reduction in costs by removing supply operations out of Washington and by consolidating field operations. At the central office level, another Deputy Commissioner position responsible for coordinating all supply management policy should be established. At the field level, all procurement, inventory management and specifications development operational activities should be transferred into one or more commodity centers or assigned to selected GSA regional offices. Major process improvements recommended for FSS include: full cost disclosure pricing; acceleration of civil agency participation in the Federal Catalog System; stocking items closer to customers; reduction of depots; improved ADP programs for distribution programs; and further refinement of the supply economic decision making model.

S-4: Customer Services - Among the significant findings concerning customer services are that: (1) insufficient resources prevent the opening of additional GSA self-service stores, although studies confirm the need and demand by agencies for these popular retail supply outlets; (2) marketing activities are not effective or responsive to customer requirements; (3) the customer liaison function performed by customer service representatives is decentralized to the GSA regions with little central direction; and (4) ordering and order processing is complex, fragmented and highly system-centered. Improvements recommended are: (1) give customers the option of buying locally; (2) expand the number of retail outlets for GSA supplies; (3) strengthen marketing organizationally and functionally, increase customer information sources and develop customer profiles; (4) establish a national customer liaison program with strong central direction and increase the number of field customer service representatives; and (5) adopt standard requisition forms, implement a telephone ordering system for small users, and centralize order processing at a single facility.

S-5: Vendors and the FSS Procurement Process - Federal procurement procedures, forms, and specifications are frequently criticized by vendors as unnecessarily complex. Certain process improvements have been initiated by FSS in concert with OFPP to simplify regulations, contract forms, and contract language, and to minimize the use of design specifications in favor of functional specifications and emphasis on procurement of commercial products. Further, the dollar levels for activating those requirements in Government contracts which promote various Federal social and economic policies lack uniformity and do not reflect changes in economic conditions. A uniform \$25,000 for application of all such social and economic policies, with provision for future adjustments, is recommended.

B. SUPPORT SERVICES

S-6: Personal Property Utilization - GSA is responsible for Government-wide utilization of excess personal property and sale of surplus personal property. DOD is responsible for internal screening of excess property generated by the military services prior to referral to GSA and for worldwide sale of surplus DOD personal property. Other Executive Branch agencies sell certain types of property by separate legislative exemptions or delegations of authority. The disposal of excess personal property can be improved by assigning GSA Government-wide responsibility for the domestic sales functions, thereby eliminating the duplication that now exists among GSA, DOD and other Executive Branch agencies. DOD would continue to be responsible for the disposition of DOD foreign excess property and demilitarization of DOD material and equipment. In addition, the disposal process can be facilitated by providing holding centers for agency excess personal property awaiting disposition.

S-7: Printing Services - Present arrangements for printing and reprographic services do not effectively meet the needs of the Executive Branch. The Legislative Branch, through the Joint Committee on Printing and GPO, controls the total Government printing program. There appears to be some redundancy of staff between GPO and the larger Executive Branch agencies, and nowhere in the Executive Branch is there any central policy overview on printing matters. If the duplicative procurement processes are eliminated, organization and operational responsibilities clarified, the total printing and reprographic expenditures could be substantially reduced. ASRP suggests two alternatives: (1) a policy management and review office to provide leadership and direction in the delivery of printing, reprographic, and publication services; (2) reactivate the Interdepartmental Committee on Printing and Processing. Both would provide a single point within the Executive Branch for policy development and standards work, needed legislative proposals for Presidential consideration, program review and coordination of requirements, technological assessments and market analyses.

S-8: Strategic and Critical Materials Stockpiling - National Stockpile policy and goal setting functions are the responsibility of GSA's Federal Preparedness Agency (FPA), which is being recommended for consolidation with other Federal emergency preparedness and response activities into a new agency. Remaining stockpile operations are fragmented among GSA's Federal Supply Service (acquisition, inspection, storage and maintenance), Office of Finance (inventory records keeping), and FPA (stockpile disposal). Under the present arrangement, no single official below the level of the Administrator is responsible for all stockpile operations. To improve control, coordination and accountability, all GSA stockpile operations should be consolidated into a single office within the Federal Supply Service.

S-9: Public Utilities Management - Public utilities services to Federal agencies are reliable and effective, but because there is no aggressive central management of Federal/public utilities policies, the Government probably has excess costs of over \$30 million annually. Emphasis should be placed on procedures to eliminate late payment liability of utility bills, reduce peak-demand costs through improved load-management and conservation, and reduce total cost of utilities through rate or tariff reductions in cost-of-service cases. It is recommended that GSA's role be expanded and enhanced with a new charter to develop Government-wide public utilities policies, procedures and management systems.

S-10: Cooperative Support Services - Establishing centralized support services for agencies located in the same building or in close proximity is a viable alternative for delivery of certain administrative services to Federal agencies. This concept has not been fully implemented or supported by Executive agencies. ASRP recommends that GSA, with the support of OMB and Heads of Departments and Agencies, vigorously pursue the application of cooperative support services on a local basis in buildings or complexes where large multi-agency populations exist. ASRP also recommends that GSA conduct feasibility studies for establishing cooperative support service agreements on a nation-wide basis for selected services such as payroll and voucher processing to smaller non-departmental organizations.

S-11: Motor Vehicle Management - The Federal domestic motor vehicle fleet approaches 400,000 with GSA motor pools constituting about 20 percent of the total. Management and operation of the fleet is fragmented among many agencies, with wide variations in costs and effectiveness. Alternatives for improvement are to strengthen GSA's Government-wide fleet management role through legislation and to consolidate duplicative motor pools. Process recommendations to improve management and reduce costs are: establish a separate working capital fund for the Interagency Motor Pool System (IAMPS) with authority for retention of earnings to meet new agency vehicle requirements; depreciate IAMPS vehicles and establish user rates based upon replacement costs rather than acquisition costs to provide adequate reserves for scheduled replacements; capitalize vehicles consolidated into the IAMPS at replacement cost less current market value for the same reason; replace IAMPS sedans and station wagons every 3 years or 50,000 miles; and establish a uniform system of inventory and cost reporting. Savings up to \$60 million annually could be expected from these and other improvements.

S-12: Transportation and Traffic Management - GSA has not been aggressive in exercising its statutory responsibilities for Government-wide transportation and traffic management.

The present organizational arrangement, which combines this function with unrelated activities, tends to de-emphasize transportation management. A separate organization to perform GSA's present statutory responsibilities could improve management. The following process recommendations could also result in cost savings of up to \$14 million annually: establishing a comprehensive routing control system for large civil agency shipments, do more FOB origin procurement rather than FOB destination, and additional transportation audits.

Issues
Supply & Support Services

ISSUE NO. S-1: A NATIONAL SUPPLY SYSTEM

I. INTRODUCTION

This is a status report on an interagency effort to define and describe a National Supply System for use by agencies of the Federal Government.

National Supply System Task Group No. 1 was formally established on February 3, 1978, under the aegis of the National Supply System Advisory Board in cooperation with Administrative Services Reorganization Project. It was charged with (a) preparing a preliminary definition of a National Supply System, including a description of its principal features and characteristics, and (b) developing a plan and schedule for further defining and describing the system in all of its detailed policies, programs, and procedures. The task group is composed of representatives of Treasury, DOD, GSA, VA, DOT, DHEW, OEPF, and the ASRP.

II. BACKGROUND AND CURRENT STATUS

A "National Supply System", i.e., a single, integrated Government-wide system for the procurement and supply of materials used by Federal agencies, does not now exist. Instead there is a proliferation of diverse, non-integrated logistics procedures among Federal agencies. Many of these procedures, developed on the basis of limited perspectives and in response to immediate needs, are restricted in application and redundant in terms of Government-wide supply needs. Certain mechanisms, such as the Federal Catalog System, offer the potential for Government-wide use, but this potential has not been developed. In summary, the present Federal logistics system is marked by duplication in functions, inefficiency in operation and fragmentation of responsibilities.

To eliminate these conditions and promote economy in Federal procurement and supply practices, the Administrator for Federal Procurement Policy established the National Supply System Advisory Board in October 1976. The Advisory Board is a high level, interagency forum consisting of representatives from DOD, Interior, DOT, GSA, VA, and DHEW. In January 1978, arrangements were made to combine the Advisory Board effort to define the National Supply System with closely-related efforts of the ASRP.

On March 14, 1978, Task Group No. 1 completed and forwarded the preliminary definition of the National Supply System to the National Supply System Steering Committee. On April 10, 1978, the Steering Committee, consisting of representatives of DOD, GSA, VA, OFPP, and the ASRP, unanimously approved the definition, as modified in minor respects, and forwarded it to the Advisory Board for approval. (A copy of the preliminary definition is attached as Appendix A). Pending final approval of the definition by the Advisory Board and formal submission to the ASRP, Task Group No. 1 was authorized to develop the proposed plan and schedule for further defining and describing the National Supply System. On May 17, 1978, Task Group No. 1 completed the proposed plan and schedule and forwarded it to the Steering Committee for review (copy attached as Appendix B). It is expected that the Steering Committee and the Advisory Board will have completed their deliberations on the products of the Task Group by July 1, 1978.

The concept of the National Supply System, as developed to date, involves the establishment of Federal-wide uniform policies and procedures that cover all the logistics processes associated with the wholesale supply of items of personal property: acquisition, supply distribution, requisitioning, depot and warehousing processes, transportation, cataloging, financial procedures and automated data processing. It envisions a single, top-level executive authority, reporting to the President, with responsibilities for issuing uniform policies procedures and management standards governing the operation of the system. Operational roles and responsibilities of National Supply System participants will be developed following approval of the functional aspects (policies and procedures) of the National Supply System.

By reducing the redundancy in the present system, it is estimated that personnel and related savings will eventually amount to an estimated \$100,000,000 a year. The savings will be realized over a period of several years as the proposed policy, functional and ADP reforms are implemented.

NATIONAL SUPPLY SYSTEM

PHASE I — PRELIMINARY DEFINITION AND DESCRIPTION

I. PREAMBLE

The purpose of this document is to provide a definition of a National Supply System (NSS), along with a brief description of the principal features and characteristics of that System.

II. DEFINITION

The National Supply System (NSS) is a single, uniform, integrated Federal-wide system for the acquisition, supply, and distribution of personal property and related services, with authority to establish, enforce, and monitor policies and procedures, world-wide in scope and application.

III. OBJECTIVES

The System will be one which is designed to accommodate both normal peacetime, as well as emergency and defense-wartime requirements. The System will seek to:

- A. Eliminate overlap and duplication, improve cost-effectiveness and provide for more effective utilization of existing Executive Branch personnel in the management of acquisition and supply programs.
- B. Establish a single, coherent, predictable, and responsive process for use by Executive Branch agencies in acquiring supplies and related services necessary for mission performance with flexibility essential to accommodate the diverse needs and capabilities of the participants.
- C. Provide for a greater degree of reliance on the private sector in meeting supply and logistics needs so that:
 1. Government duplication of private sector capabilities can be eliminated; and
 2. The Government's potential for benefiting from competition within the private sector can be enhanced.
- D. Establish a Government-wide comprehensive approach to the resolution of acquisition and supply problems in the Executive Branch.
- E. Create a single body of complementary procedures for use by manufacturers and suppliers in responding to the supply and service needs of Executive Branch agencies.
- F. Facilitate the implementation, in a more rapid fashion, of technical and systems improvements on a Government-wide basis.
- G. Assure that policies associated with acquisition and supply reflect and respond to the national security and other national interests, as directed by the President.

IV. FUNCTIONS

The System would encompass the following:

- A. A single, unified body of supply policies, program directives, and related central management activity.
- B. A cataloging system for the identification, specification, and standardization of items.
- C. A standard system for the acquisition of material.
- D. An item management system for designating managers for individual items and/or classes of items which will optimize the one item/one manager concept.
- E. A standardized requisitioning and issue procedure with automated and manual capabilities, and an order status tracking capability.
- F. A standardized logistics communications system.
- G. A system of contract administration to include quality assurance.
- H. A single, integrated distribution system to accommodate the receipt, inspection, storage, issue, and movement of material in which the depot facilities will be used on a common-use basis.
- I. A single integrated system for the reutilization and disposal of excess and surplus property.
- J. A system for collecting, developing, communicating, and disseminating acquisition and property management data which takes into account the needs of the Congress, the Executive Branch, and the private sector.
- K. Representation before appropriate Federal and State regulatory bodies.
- L. Continuous close cooperation with the Central Personnel Management Authority to promote programs for improved qualification and position classification standards and similar activities towards improving the recruitment, training, career development, motivation and performance evaluation of acquisition and supply personnel.

V. STRUCTURE

- A. The System will be applicable to each department, agency, committee, commission, and board of the Federal Government. Each entity will participate in the system as a manager, operator, or user, or in a combination of these roles. Executive Branch entities will participate under a mandatory charter; the Legislative and Judicial Branches may participate on a voluntary basis; however, if they choose to participate, they will do so within the same parameters and restrictions as the Executive Branch. NATO and other friendly foreign countries will also be participants in selected aspects of the System. Contractors and quasi-governmental agencies may become users of the System when sponsored by participants.
- B. The System will include:
 - 1. A single, top level, central, governing executive authority, designated by and reporting to the President;
 - 2. Full and continuing representation in major policy and program formulation and key decision making by system participants, at the level of

department/agency head, and in relation to the size and significance of such participants' contributions to, and reliance on the System;

3. Consultative mechanisms to assure continuing advisory and supportive inputs from recognized, knowledgeable private sector expertise to assure that full consideration is given to commercial, industrial, and socio-economic aspects and impacts of Federal supply activities; and
4. A policy and management structure to assure fulfillment of statutory and Executive Branch requirements by developing standardized policies, procedures and management standards governing the operation of the System, and to provide for evaluation and compliance. Operational mechanisms will assure that implementation of National Supply System policies and programs associated with the acquisition and control of principal end — and related depot-level repairable — items of personal property which are mission-unique to a single department or agency will be the responsibility of that department or agency unless specifically excepted by law or Presidential direction.

NATIONAL SUPPLY SYSTEM

PHASE II — PLAN AND SCHEDULE FOR COMPLETING PRELIMINARY DEFINITION AND DESCRIPTION

I. INTRODUCTION

The purpose of this document is to provide a recommended plan and schedule for completing the Preliminary Definition and Description of the National Supply System which was submitted by Task Group No. 1 to the National Supply System Steering Committee on March 14, 1978, and tentatively approved by the National Supply System Advisory Board (NSSAB) on April 20, 1978.

II. SCOPE OF PLAN AND SCHEDULE

Completion of the definition and description of the National Supply System (NSS) will include:

- A. The further definition and delineation of the NSS, description of its functions and their components, and, upon approval by the NSSAB, development of the respective roles and responsibilities of the participants, proposed policy setting authority, and organizational structures;
- B. The development of the implementing charter, policy statements, orders and similar directives for bringing the National Supply System into existence;
- C. The clearance and coordination of such implementing documents with all participants and other interested parties, including publication in the Federal Register;
- D. Revisions to such implementing documents, as required, on the basis of comments received; and
- E. The development and coordination of all transition plans, schedules and other arrangements for phasing into the new National Supply System.

For each of the functions described in Part IV of this report, there has been included a listing of examples of a number of significant components. Also noted, are known projects or studies toward the enhancement of the National Supply System objectives. In addition, specific reference is made to some activities uniquely required to further define, describe and implement that function with respect to the National Supply System. These should all become part of, and integrated into, the plan and schedule of work for the development of the National Supply System, and should be coordinated by the National Supply System Implementation Task Force.

Unified policies, programs, directives, procedures and standard forms are required for all of the functions, as referenced in IV, A below, so these will not be repeated as a required item under each function.

NATIONAL SUPPLY SYSTEM STEERING COMMITTEE
TASK GROUP NO. 1

III. NATIONAL SUPPLY SYSTEM IMPLEMENTATION TASK FORCE (NSSITF)

The organization through and by which the work of completing the definition and description of the National Supply System will be accomplished, will be known as the National Supply System Implementation Task Force (NSSITF). This Task Force should be staffed by personnel from Executive departments and agencies, on full time detail assignments. Details would be based on the cooperation and concurrence of the agencies affected, and with regard to the relative degree of participation of each department or agency in the National Supply System, as well as on the need for top level, functional expertise and analytical ability. The Task Force will consist of a senior level Director, a Functional Coordinator for each major function identified in the National Supply System Definition, and Work Groups for each function and/or major sub-function.

The Task Force Director and the Functional Coordinators, to the extent practicable, should be collocated to assure close coordination in development of unified National Supply System plans and policies.

In addition to the staffing requirements referenced above, a budget allocation should be provided for the operation of the National Supply System Implementation Task Force, for adequate support staff, and for all logistical and travel requirements.

IV. FUNCTIONS

The specific functions, components, related ongoing and scheduled projects, and activities uniquely required for each function, are indicated below:

A. *A Unified Body of Supply Policies, Program Directives, and Other Central Management Activity.*

Components:

- Policies
- Program Directives
- Plans and Schedules
- System-Subsystem Designs
- Standard Forms
- Participant Role Definitions
- Management Concepts
- Organizational Structures
- Budget and Accounting System Design
- Evaluation Plan
- Public Information Program
- Transition/Phasing Arrangements

1. **Currently Underway:**

See listings of specific projects associated with Functions B through L, below.

2. **Scheduled:**

See listings associated with Functions B through L below.

3. **Required:**

In addition to those National Supply System projects currently underway, or scheduled, as identified for Functions B through L below, it is necessary to develop:

- (a) Unified, Federal-wide policies, programs, systems, directives, procedures, and standard forms for each of the functions, in consonance with Section III, Objectives, of the Preliminary Definition and Description of the National Supply System;

- (b) Specific plans and policy and program directives to assure a fully integrated and consistent, phased implementation of each system, program and procedure, as described in Functions B through L.
- (c) Unified Government-wide budget, finance and accounting policies and procedures to assure orderly funds transfers, property accountability, and other requirements associated with common service acquisition and supply;
- (d) Programs to improve understanding of Federal acquisition and supply policies, both within the Service, and by organizations and individuals doing business with the Government;
- (e) Programs for identifying, evaluating and correcting, on a continuing basis, overlappings, duplications, inadequacies, inconsistencies, inefficiencies, and other errors or omissions in Government supply policies, procedures, regulations and directives, and in other policies, regulations, and laws affecting supply;
- (f) A detailed transition plan for the orderly phasing of sub-systems into the National Supply System, and for reviewing such sub-systems to identify excess system resources (facilities, equipment, personnel, software).

B. A Cataloging System for the Identification, Specification and Standardization of Items.

Components:

- Identification of items
- Assignment of National Stock Numbers
- Registration of all National Supply System participants in the Federal Catalog System
- An integrated data base of cataloging data for common use by National Supply System participants
- Item Management data
- Control of the entry and exit of items
- Standardization of items
- Cataloging publications to satisfy user needs
- NATO and other friendly foreign government participation

1. Currently Underway:

Office of Federal Procurement Policy/DoD/GSA joint project for development of specification management improvement program.

2. Scheduled:

National Supply System Task Group #3 is to develop programs and procedures to assure systematic entry and control of items into the NSS, and NSS Task Group #4 is to develop means to maximize Civil Agency participation in the Federal Catalog System.

3. Required:

Development of a program to require registration of items in the Federal Catalog System.

C. A Standard System for the Acquisition of Material.

Components:

- Includes all functions associated with acquisition of material, other than those listed elsewhere, ie:
 - Requirements Forecasting
 - Source Determination
 - Centralized/Decentralized Procurement
 - Schedules
 - Local Purchase
 - Advertising
 - Solicitation
 - Negotiation
 - Evaluation
 - Award

1. Currently Underway:

- (a) A single, unified acquisition regulation (Federal Acquisition Regulation). Also, see Function J.
- (b) Unified policy guidelines for implementation of the Commercial Products Acquisition/Distribution Program.
- (c) Improved Multiple Award Schedule Contract Program.
- (d) Market Research and Analysis Programs.

2. Required:

Specific procurement assignment criteria as required for Functions C and D.

D. An Item Management System for Designating Managers for Individual Items or Classes Which Will Optimize the One Item/One Manager Concept.

Components:

- Standard Inventory management systems
- Inventory Management Assignments
- Supply Support Assignments

1. Currently Underway:

An effort by OFPP/DoD/VA/GSA/DHEW to establish a single government-wide system to procure and assure quality of medical and nonperishable subsistence items.

2. Required:

Specific item and procurement assignment criteria as required for Functions C and D.

E. Standardized Requisitioning and Issue Procedures with Automated and Manual Capabilities and An Order Status Tracking Capability.

Components:

- Requisitioning and Issue System
- Uniform Priority System

- Reporting System
- Transportation System
- Intransit Item Visibility System

F. A Standardized Logistics Communications System.

Components:

- System-wide automated digital network
- System-wide automated addressing capability
- Standard Input/Output Codes and formats
- Communications systems dedicated to logistics traffic transmission
- Manual and mechanical Interface with the Digital Network

G. A System of Contract Administration to Include Quality Assurance.

Components:

- Standard quality assurance procedures
- Adherence to specifications, contract delivery dates, and production schedules
- Pre-award and post-award audit of contractors
- Contractor compliance with affirmative action and socio-economic program requirements

1. Currently Underway:

- (a) Consolidation of contractor affirmative action compliance within the Department of Labor
- (b) Development of the Federal Acquisition Data System (See Function J).

H. An Integrated Distribution System to Accommodate the Receipt, Inspection, Storage, Issue and Movement of Material in which the Depot Facilities will be Used on a Common-use Basis.

Components:

- | | |
|---|--------------------------------|
| • Depot Operating Systems | • Depot Transportation Systems |
| • Receiving | • Expediting and monitoring |
| • Issuing | • Material marking |
| • Packing/Crating/Handling | • Consolidation/Staging |
| • Stock Control | • Material Movement |
| • Storage (Physical Inventory, Warehousing, and Preservation) | • Traffic Management |
| • Retail Stores Operations | • Positioning/Repositioning |

1. Currently Underway:

- (a) National Supply System Task Group #2 is to develop criteria for consolidating wholesale government supply distribution facilities.
- (b) The preliminary efforts of DoD in reviewing their thirty-four general purpose depots for potential consolidation.

(c) The preliminary effort and plans of GSA/FSS to reduce their depots.

I. *An Integrated System for the Reutilization and Disposal of Excess and Surplus Property.*

Components:

- Utilization Screening
- Reporting
- Repair, Rehabilitation and Reclamation
- Reutilization and Reassignment
- Donation
- Sales

J. *A System for Collecting, Developing, Communicating, and Disseminating Acquisition and Property Management Data Which Takes Into Account the Needs of the Congress, the Executive Branch, and the Private Sector.*

Components:

- National Supply Data System
- Ability to provide required and recurring reports
- Additional related systems to program plans, budgets, costs, personnel data and other information as required

1. *Currently Underway:*

A Federal Procurement Data System, including a Federal Data Procurement Center, for assembling, organizing and presenting contract placement data for the Federal Government, is to commence operation October 1, 1978.

2. *Required:*

- (a) An advisory group to recommend additions, deletions and changes to the National Supply Data System.
- (b) An interagency committee to determine required programs and data elements, and to test, implement and oversee the development of programs for the National Supply Data System.

K. *Representation Before Appropriate Federal and State Regulatory Bodies.*

Components:

- Represents the National Supply System participants in all matters pertaining to transportation, public utilities and telecommunications.

L. *Continuous Close Cooperation with Central Personnel Management Authority to Promote Programs for Improved Qualification and Position Classification Standards and Similar Activities Towards Improving the Recruitment, Training, Career Development, Motivation, and Performance Evaluation Of Acquisition and Supply Personnel.*

Components:

- Classification standards
- Qualification and performance standards and appraisal methods
- Analysis and development of recruitment sources for qualified personnel
- Training and career development programs
- Recognition and awards programs
- Certification and Licensing programs

1. Currently Underway:

Federal Acquisition Institute is developing career programs for acquisition and contracting personnel. These should be expanded, in cooperation with GSA and CSC, to include all supply personnel.

2. Required:

A task group to develop a code of ethics, examination, licensing and certification programs, and to develop an awards and recognition program, for special achievements of supply, and acquisition personnel.

IV. SCHEDULE

Note: Actions to be completed by the dates shown, but with full input and consultation with agencies affected, and approval by National Supply System Advisory Board. It also envisions continuing coordination with other related projects, studies and cost-benefit analyses, underway elsewhere in the Federal Service, in the development of the products needed to complete the definition and description of the NSS.

A. September 1, 1978

- Approval of the National Supply System Project Summary by the President
- Charter for Task Force and appointment of Task Force Director
- Appointment of Functional Coordinators
- Organization of Work Groups including necessary administrative support

B. January 1, 1979

- Development of completed, formal National Supply System definition, and of *initial* drafts of major policy and program directives
- Coordination of the above with NSS participants and other interested parties
- Negotiation and resolution of comments by the National Supply System Advisory Board

C. April 1, 1979

- Development of *initial drafts* of comprehensive descriptions and of policy and program directives for each of the *functional areas*
- Coordination of the above with NSS participants and other interested parties

- Approval by the National Supply System Advisory Board of completed, formal National Supply System definition, and final drafts of major policy and program directives

D. July 1, 1979

Approval by the National Supply System Advisory Board, of *final drafts* of comprehensive descriptions, and of policy and program directives for each of the *functional areas*.

E. September 1, 1979

Subsequent to completion and approval by NSSAB, of comprehensive functional descriptions, policy and programs directives, as per D above, delineation of roles and responsibilities of NSS participants, and of management authorities and organizational structures. Coordination with all interested parties, negotiation and resolution of comments and approval by the National Supply System Advisory Board.

F. January 1, 1980

Issuance of all policy, program and management directives, establishing the National Supply System, with *phased implementation to begin April 1, 1980*—this gives a six month lead in, transition period for actions to be effected at the beginning of FY 81, ie October 1, 1980.

ISSUE NO. S-2: CRITERIA FOR CONSOLIDATING GOVERNMENT SUPPLY DEPOTS

I. INTRODUCTION

This is a status report on an interagency effort to develop a series of viable, realistic criteria for consolidating Government wholesale distribution facilities.

National Supply System Task Group No. 2 was established on March 2, 1978, under the aegis of the National Supply System Advisory Board and the Administrative Services Reorganization Project. It was asked to prepare an inventory of the Government's wholesale distribution facilities in the 50 states and to develop criteria for reducing the number of these facilities. The task group is composed of representatives of DOD, GSA, VA, NASA, DOT, OFPP and the ASRP.

II. BACKGROUND AND CURRENT STATUS

On January 10, 1978, the National Supply System Advisory Board authorized the establishment of Task Group No. 2 as the first step in a project to establish a single consolidated network of Federal depot facilities for Government-wide use. The National Supply System Advisory Board also directed that the efforts of Task Group No. 2 be thoroughly integrated with the work of the Administrative Services Reorganization Project (ASRP) and that the work products of this task group, as approved by the National Supply System Advisory Board, be contributed to ASRP.

Scores of agency depots exist, many of which are located in close geographical proximity, store and issue similar kinds of items, and often issue these items to the same customers. Some depot facilities are poorly located to effectively serve their customers, are housed in overaged, obsolete facilities, and utilize agency-unique procedures. Because of the impact of the commercial product acquisition program and other factors, future capacity requirements for depots may be reduced. The GSA, for example, has reported that nearly 60% of items stocked in depots have been removed from stock since 1970. Moreover, both DOD and GSA have completed consolidation studies of their respective facilities and, in the case of GSA, have begun to implement their findings.

On April 26, 1978, Task Group No. 2 completed and forwarded its inventory of Government wholesale depots to the National Supply System Steering Committee where it is presently under review. That inventory, a summary of which is attached as Appendix A, reveals that 67 general purpose depots are owned and operated by 10 Federal agencies in the 50 states.

The task group is also completing its deliberations on criteria for further consolidating those facilities. Criteria under development relate to user responsiveness, cost effectiveness, management considerations and numerous other aspects of depot effectiveness. It is expected that the task group report on criteria will be submitted to the Steering Committee in early June, and subsequently to the Advisory Board for approval. As soon as the consolidation criteria are approved by the National Supply System Advisory Board, a task group for transitional planning is scheduled to be established. ASRP estimates that 6 months will be required for this stage of the program.

The 67 common supply depots operated by the 10 Federal agencies have annual operating costs of \$1.2 billion. These depots take up 190 million square feet of space and employ 22,946 people. The studies currently underway in DOD and GSA could result in as many as 20 fewer depots. It is believed that a substantially greater number of depots could be consolidated through full implementation of the National Supply System and that a 20 percent reduction in current operating costs for personnel, space and transportation would result. Based on the 20 percent estimate, annual savings would be \$240,000,000. Projected savings have been rounded off to \$200,000,000.

Wholesale Depot Consolidation StudyTask Group #2Depot Inventory Summary

Reporting Agency	No. of Depots	Space Gr. Sq. Ft.	Inventory Dollars	Depot Personnel
Agriculture	2	45,050	\$404,000	8
Commerce NOAA	3	118,363	6,580,490	45
DOD	34*	126,219,000**	25,000,000,000**	21,000 est.**
GSA	18	12,883,985	203,160,195	1,214
HEW	1	66,419	2,422,600	51
Interior	1	39,680	3,982,306	23
Justice	1	150,000	250,000	2
NASA	1	81,475	35,643,507	Contr.
DOT	3	863,144	187,900,000	286
VA	3	1,084,366	40,784,958	317
Totals	67	141,551,482	\$25,481,128,056	22,946

*Excludes 81 Fuel Terminals and 15 Ammunition Depots

**Does not include Bulk Petroleum, Oils Lubricants; Ammunition; Chemical, Biological, Radiological Materials; Perishable Subsistence; Industrial Plant Equipment; or most Major End items.

ISSUE NO. S-3: FSS SUPPLY OPERATIONS

I. INTRODUCTION

This study memorandum provides an assessment of the GSA/FSS organization and the policies, programs, and procedures employed in providing supply support to civil and military customers.

The study involved a review of the entire FSS supply management function. Nationwide interviews were conducted with FSS Central Office and regional staffs, as well as with officials of commercial enterprise and state governments. Extensive reviews were made of the GSA/FSS organization statements, FSS operating procedures, GAO reports, GSA Internal Audit Reports, consultant studies, operating program surveys, reports of Congressional Committee Hearings, and OFPP policy statements.

FSS supply management activities, in support of a central supply mission, were authorized by Public Law 152, the Act establishing GSA in 1949. In the intervening 29 years, the scope, volume and complexity of activity has expanded markedly. Support provided worldwide to civilian and military activities amounts to approximately \$3 billion annually. Many management and operational improvements have been instituted over the years to handle the increased workloads. Included were development of more sophisticated procurement and inventory management concepts and procedures, increased utilization of ADP systems, installation of more mechanized equipment and internal movement systems in depot operations, better management information systems, as well as some organization changes and advanced financial controls. Review of the current FSS organizational structure, including the Central Office and the regional offices indicated that alternatives are available to improve system effectiveness, improve responsiveness to the customer, and reduce costs in the delivery of supplies and services. A cost/benefit analysis should be made prior to implementing any of the alternatives.

II. BACKGROUND AND CURRENT SITUATION

A. ORGANIZATION PROBLEMS

The organization of the FSS has been subjected to numerous studies and adjustments over the years. Frequent changes in top management have brought new management philosophy and policy direction. However, pressures from political interests, employee unions, and trade associations have sometimes thwarted efforts to make other organizational adjustments considered necessary.

The supply management functions in FSS are performed by a Central Office with 7 major headquarters offices, 4 staff offices, and 3 commodity centers reporting to the FSS Commissioner. The field organization consists of 10 regional offices and 20 supply distribution facilities. Procurement is accomplished by 17 separate elements located in 11 geographic areas, and inventory management operations are performed by 12 separate activities throughout the FSS.

The FSS depot stock program, which currently involves approximately 22,000 items, is subject to reduction as a result of the OFPP "Commercial Products Policy", which would increase reliance on the commercial distribution system. The degree of impact is dependent on the results of current OFPP/FSS negotiations to clarify the policy. Literal interpretation of this policy would drastically affect the FSS depot stock program as well as FSS supply policies and organizational structure.

Washington level attention to the development of policy in FSS is reduced because of operational responsibilities assigned to the central office. The present structure forces operational decisions to the level of the Commissioner or Deputy Commissioner that should not be made at that level. Moving supply operations from the Central Office to the field would provide a clear division between policy development and operations and would promote more consistent and integrated supply management policies. Assigning operational control to the field organization would increase management control, improve effectiveness of operations and improve responsiveness to customers.

B. POLICY AND PROCEDURAL PROBLEMS

FSS as a major central supply support organization conducts a number of management programs and operating functions including planning, budgeting, funding, program review, procurement, method of supply determinations, logistics data management, supply distribution, and inventory management. The effectiveness of supply management efforts is influenced by other factors such as the Commercial Products Policy as sponsored by the Office of Federal Procurement Policy.

Review of the current FSS policies, programs, and procedures indicates that although improvements have been made in recent years, and others are planned, there are still a number of areas which offer potential for improving supply system responsiveness and effectiveness, or reducing costs. Each area is identified and discussed below.

III. CRITERIA FOR IMPROVEMENT

- Improve managerial control
- Reduce costs
- Improve responsiveness
- Improve effectiveness
- Improve FSS/customer relationships

IV. ORGANIZATIONAL ALTERNATIVES

A. CENTRAL OFFICE ORGANIZATION

Reassign all supply management operations presently being performed in the Central Office to the FSS field activities, retaining only policy and procedures within the Central Office; create a Deputy Commissioner for Supply Management responsible for the total supply management function and a Deputy Commissioner for Support Services heading up other FSS activities. This proposal must be considered in conjunction with field organization structures discussed in paragraph B below.

Several operational functions are assigned to the Central Office: all FSS cataloging operations; procurement of general products, office and photographic equipment, and office supplies and paper products; some specification, standards, and quality control operations; and all supply operations performed by the three commodity centers.

FSS supply management policy responsibilities are currently diluted by supply operations activities in the Central Office and are split among 4 Assistant Commissioners. Resolution of policy/program differences in the best interest of the supply support system and the customer must be resolved at the Commissioner/Deputy Commissioner level.

Moving supply operations from the Central Office to the field and centralizing supply management policy responsibilities under a Deputy Commissioner for Supply Management would establish the organizational structure needed to assure consistent and integrated system wide policy guidance on a continuing basis. This would increase management control of operations and improve effectiveness and responsiveness to customers. By having the policy managers for the various supply management functions operating at the same organizational level and reporting to the Deputy Commissioner for Supply Management, who would integrate the various policies involved, a more cohesive and balanced effort to carry out the supply support responsibilities will result.

Significant realignment of detailed functions at the office level under the Deputy Commissioner for Supply Management is considered necessary. The responsibilities of the Office of Procurement would be limited to the procuring and acquisition of material. The proposed Office of Supply Operations would be established with the responsibility for inventory management to include: requirements computations, related budget/financial responsibilities, stock control, order processing, inventory adjustments, and method of supply determinations. An Office of Cataloging would be established for staff support of this function.

Customer service functions would support both Supply Management and Support Services and would be established as a separate organizational entity reporting directly to the FSS Commissioner.

Another alternative for the organizational placement of these customer service and assistance functions is discussed in Issue No. S-4, "Customer Services". This alternative would have the Customer Service Office report to the GSA Administrator and provide service for all of GSA.

Pros:

- Increased stability of workforce
- Reduced total GSA personnel costs through lower average grade
- Increased managerial control
- Improved responsiveness to customers
- Improved flexibility of workload planning and control

Cons:

- Loss of some experienced personnel
- Temporary degradation of performance during transition period
- Possible temporary personnel overstrength
- Initial costs for relocating personnel, establishing new systems, and revising communications network

B. FIELD ORGANIZATION

1. Establish a single National Commodity Management Center (CMC) responsible for all operational functions; procurement, inventory management, distribution, cataloging,

specifications, standards, and quality control. Eliminate these operations at FSS headquarters and at the regional offices and integrate the functions into the CMC. Disestablish existing commodity centers and integrate the functions into the CMC. Revise ADP system requirements to support FSS supply operations. Establish direct communications links between the National Center and each distribution facility.

Pros:

Improve management control

Reduce personnel and investment costs

Improve supply responsiveness and effectiveness

Cons:

Initial costs for relocating personnel, establishing new systems, and revising communications network

Loss of some experienced personnel

Temporary degradation of performance during transition period

2. Extend the current commodity center concept - Continue the present tools, furniture and automotive commodity centers and establish additional centers for paper products and general supplies and incorporate current Central Office operations and regional supply management operations into the centers, all of which would be field activities.

Transfer operational functions for procurement, inventory management, distribution, cataloging, specifications, standards and quality control, to be consistent with commodity management by individual centers. Eliminate these operations at FSS headquarters and regional offices. Centers would assume supply management functions for assigned classes and would report to FSS headquarters.

Pros:

Improve management control

Reduce personnel and investment costs

Provide commodity visibility and improve customer relations

Cons:

Supply management remains decentralized and fragmented

Does not maximize responsiveness or effectiveness

Savings less than the centralized commodity management center alternative

3. Strengthen and refine the regional structure - retain the present 10 region structure; eliminate the present commodity centers and assign their functions to the regions; and improve the process and system in and among the regions.

Establish all supply management functions within a region for the classes/items assigned to that region. Eliminate these functions from FSS headquarters.

Pros:

Eliminates fragmentation between regions and commodity centers

Eliminates system duplications

Improves management control by separating policy and operations

Concentrates inventory management and procurement responsibility in each region for the class/items assigned.

Cons:

Continued fragmentation of supply management functions

Minimum savings from consolidation of commodity centers

No obvious increase in responsiveness to customers

4. Continue the present structure for the regions and commodity centers with the supply management operation functions presently performed in the Central Office assigned to the regions.

Existing procurement, standards, specifications, and quality control operations would move from Central Office to the regions or to a new commodity center or a combination of both.

Commodity centers would become field organizations.

Pros:

- Minimum disruption of personnel and systems
- Provides separation of policy and operations

Cons:

- Supply management functions remain fragmented
- Minimum reduction in operating costs
- No improvement in effectiveness or responsiveness to customer

5. Reduce the number of regions - Consolidate the present 10 regional FSS supply support operations into a lesser number. Should it be decided to perpetuate FSS supply operations in the regional offices, savings could be realized by consolidation of these functions in fewer regions. For example, the number of regions involved in FSS supply support operations could conceivably be reduced from the current 10 to 3; one East Coast, one West Coast, and one Mid U.S.

Pros:

- Some reduced costs from consolidation
- Some increased management control
- Decreases system development and implementation problems

Cons:

- Supply management functions remain fragmented
- No improvement of responsiveness and effectiveness to customer
- Minimum reduction of operating costs

A limited procurement capability would be retained in the regions to support retail operations and provide internal regional local purchasing support regardless of the organizational alternative selected.

V. PROCESS IMPROVEMENTS

A. FUNDING METHODS

FSS supply management operations are funded from 3 sources: appropriations which cover all operating costs, a revolving

account - the General Supply Fund which finances the cost of purchases in both the stock and nonstock programs, and reimbursements from other agencies for special work performed. By law, the General Supply Fund may be used only to recover the purchase price of property and the transportation and maintenance costs involved. FSS prices stock items to recover those costs which for the period October - December 1977 amounted to a markup of 12.1%. For nonstock support, the customer is charged only the amount billed FSS by the vendor.

One of the major recommendations of the Commission on Government Procurement was that interagency supply support activities should institute a program of industrial funding which would recover all costs of supplying products and services which in turn would foster efficiency in use of resources by both the supplying activity and the user.

FSS, with the assistance of the Office of Finance staff, GSA, prepared a study entitled "Full Cost Recovery for the FSS" (November 15, 1973). The conclusion was that industrial funding had advantages for FSS and that its stock, nonstores and schedules programs would remain cost effective despite the cost add-ons necessary. At that time, FSS would have had to mark-up stock by 33%, and add a 5% surcharge for nonstores and schedules products. Despite this, FSS prices would still have been 16.3% below the commercial market prices on stocked items and 13.6% below for nonstores and schedules. A comparable situation exists today.

Based on the indicated feasibility of implementing industrial funding in FSS, a decision was made to prepare draft legislation to amend PL 152. During this period however, DOD voiced opposition to using industrial funding in supply operations as being a costly and unsatisfactory accounting method for DLA items and agreed to FSS using it only if storage and distribution costs were funded by GSA appropriations and DOD had full freedom to use alternate supply sources when more economical. Since OFPP could not resolve the matter, FSS cancelled their plans for introducing industrial funding.

FSS then proceeded to consider the possibility of applying a system of full cost disclosure. It identifies costs of the supply management operation for improved management control but does not provide for collection of overhead and imputed interest expenses from the customer. FSS expects to have a complete cost disclosure system in use by FY 1980.

Recommended Process Improvements

FSS should continue the revision of its accounting systems to identify and collect all costs attributable to the supply man-

agement program (including ADP and telecommunications costs) as a prerequisite to instituting full cost disclosure under present funding arrangements.

Upon resolution of the roles of the various agencies under the National Supply System, consideration should be given to initiating legislation to provide for industrial funding of the supply management operations of the NSS.

B. LOGISTICS DATA MANAGEMENT

The Administrator of GSA is authorized by law to establish and maintain a uniform Federal Catalog System to identify and classify personal property under the control of Federal agencies. Under this law, each Federal agency is required to utilize the Federal Catalog System except as the GSA Administrator shall otherwise provide. The Defense Cataloging and Standardization Act authorized the Secretary of Defense to develop a single supply catalog system for DOD. Both laws require coordination to avoid unnecessary duplication.

Chapter 101-30 of the Federal Property Management Regulations delineates Federal agency and GSA responsibilities in identifying and recording items in the Federal Catalog System. These regulations also prescribe the procedures to be followed by Federal civil agencies in requesting exemptions from the program.

While substantial progress has been made in the identification and recording of items required by Federal civil agencies in the Federal Catalog System since 1949, it is estimated that 374,000 items used by civil agencies have not yet been reviewed for assignment of National Stock Numbers. Locally assigned stock numbers and individual civil agency management of these items negate the economies of a centrally managed system. Review of these items for assignment of National Stock Numbers is also essential to realize a fully effective National Supply System. The current staffing level of the FSS Logistics Data Management Division has not permitted any significant progress in reviewing these 374,000 items nor has it been possible to initiate item reduction studies in the 69 Federal Supply Classes assigned to GSA.

Another problem is the current FSS policy which results in rejecting civil agency requests for supply support when projected annual demand is less than \$25,000 for an item.

Recommended Process Improvements

FSS should continue its plan for prioritizing agency participation and seek the additional resources necessary to accelerate review of the civil agency items not assigned NSN's and to conduct a more effective Item Reduction Program.

FSS should pursue full agency participation in the Federal Catalog System.

FSS should re-examine the current policy for rejecting civil agency supply support requests when projected annual demand is less than \$25,000 and utilize the economic decision-making model in determining the appropriate method of supply.

C. SUPPLY DISTRIBUTION

FSS supports agencies worldwide on some 22,000 common use items from 20 facilities comprising 14.4 million square feet located throughout the U.S. Sales for FY 1977 amounted to \$697.9 million. A number of problems were noted in reviewing the operations. Several facilities visited had substantial amounts of underutilized space thought to result from recent item support transfers to DLA, need for realignment of stocking patterns and reduction in number of stocked items. Actions to resolve this situation include the application of a simulation technique to determine the optimum number of facilities needed and an annual Supply Distribution/Inventory Management effort to assure that items are stocked in the facilities nearest the customers.

Another area for improvement is the need for separate ADP output for controlling hazardous material shipments. Currently this process is performed manually creating an unnecessary expense.

Adjustments were being made without verification to stock item record balances by activities outside of the depot on the basis of customer complaints indicating over or under shipments from the depot. This increases the potential for erroneous inventory balances.

There is also the possibility of increased costs of depot operations if the FSS policy of accepting "commercial pack" from vendors is widely implemented without further definition. With the wide variances in unit packages by different vendors for the same items under the same National Stock Number, errors in receiving, inventorying and issuing can be expected.

Finally, improved ADP programs are needed for more effective stock location control, compression of receipt processing time, improved shipment consolidation and elimination of time delays in delivering depot work packages from the distant computer processing sites. These improvements are not scheduled for inclusion in the ADP design effort scheduled for implementation in 1980.

Recommended Process Improvements

FSS should pursue its plan to consolidate the number of distribution facilities from 20 to a range of 8 to 12. Central Office

Inventory Management should pursue early implementation of the April 1978 item stocking plan.

Obtain a computer program change as soon as possible which will provide separate documents for hazardous items so that required packing and shipping controls can be applied automatically.

Establish a requirement that the Supply Distribution Inventory Sampling Staff conduct an interim physical inventory before making any adjustments to book balances now being made automatically on the basis of customer reports of over or under depot shipments.

FSS re-examine implementation of the commercial pack policy to assure judicial and selective application.

FSS re-evaluate the urgency of need for major system improvements in the distribution facilities. In the event required improvements cannot be included in the ADP support system for 1980, the Office of Supply Distribution should seek to achieve operational improvements manually, if necessary, at the earliest practicable date.

D. COMMERCIAL PRODUCTS POLICY

OFPP policy provides that Federal government activities are to make maximum use of the commercial distribution channels to meet requirements for common use type items. The need for complex federal specifications will be reduced and the cost of government storage and distribution will be minimized. The rationale is that greater reliance on the commercial sector will result in lower costs of doing business with no adverse impact on supply system responsiveness. Pursuant to this policy, FSS subjected 2,296 items to the GSA developed computerized economic model for making cost effective method of procurement and supply decisions. This analysis recommended 1,529 or 66.6 percent be retained in the FSS stock program, 746 or 32.5 percent be placed on supply schedules, and 21 or 0.9 percent be designated for local purchase. FSS plans to complete analysis of all of the stocked items in the next twelve months.

The FSS analysis established that economic factors must be taken into consideration in arriving at the optimum method of supply. This position was included in a letter to OFPP dated April 3, 1978. If the OFPP policy is to be literally implemented without reference to economic considerations on an item-by-item basis, the FSS depot program would be virtually eliminated.

Recommended Process Improvements

FSS and OFPP should resolve policy concerning acquisition and distribution of commercial products.

E. METHOD OF SUPPLY DETERMINATION

FSS uses a computerized program to assist management in reaching item-by-item decisions regarding which method of supply would produce the lowest total landed cost to the Government. A number of constant data elements are stored on the system, such as costs of item management, procuring, requisitioning, receiving, inspection, inventory holding, issue, transportation, billing and collection. Different levels of cost are assigned for each of three major methods of supply: supply from stock, supply by Federal Supply Schedule, and agency local purchase. (A fourth method of supply used by FSS, called non-stores procurement, is not yet included in the Economic Model.) Other constant data included are information compiled annually showing percentage price savings obtained by FSS compared to prices which agencies would have to pay locally. Variable data are run against the model including anticipated demand, different cost levels by item depending on the expenses applicable to receiving, inventory holding, method of procurement selection, etc. The computer program matches these data and indicates the cost for each method of supply.

Several problems were noted. Currently, the accuracy of the model cannot be verified since detailed program documentation was not compiled during construction of the model although detailed write-ups will commence shortly. The model is currently used only to determine the appropriate method of supply for items now in stock or being considered for such type of support. Apparently, data on Federal Supply Schedules, Non-stock Procurements, and local buys by agencies are not sufficient to use the model in calculating whether a change in the method of supply for these millions of items would be economically desirable.

The model has not been formally reviewed by other Government or private sector activities although GAO has initiated an effort in this regard and OFPP has also been provided a general description of the model for review and comment. FSS is refining the model to replace a number of cost averages now used with more meaningful data based on expense variances which exist among supply items and among the methods of procurement used.

Recommended Process Improvements

Immediate action should be taken to fully document the current economic decision making model as well as the refined approach as it is developed.

FSS should establish an approach to review all assigned items.

Other non-GSA activities in Government and the private sector should be requested to review and critique the economic decision making model.

ISSUE No. S-4: CUSTOMER SERVICES

I. INTRODUCTION

This study memorandum provides an assessment of GSA/FSS services to its Federal customers.

Central supply systems of the federal government should serve one basic purpose - effective support of the federal customer. A growing communication gap, caused by increased GSA centralization, inhibits customer feedback on system operations and design. The system too often is perceived as not responsive to customer needs.

Customer satisfaction has been assessed across all supply support programs (Stores, Schedules, National Buy) at user and agency level through questionnaires, interviews, and analysis of objective and perceptive data. The analysis encompassed all aspects of delivery of services from product selection and availability through order and delivery processes, and final acceptability or adjustment.

The principal bases for this analysis are:

- o Review of the Federal Supply Service - This involved examination of the concepts, attitudes, knowledge and processes of the central system as managed and operated by GSA.

- o Customer Support Questionnaire (CSQ) - This questionnaire was sent to more than 9,000 customer activities to obtain their needs and perceptions. (See the Appendix for specifics.)

- o Meetings with representatives of customer activities - This provided additional insight on how the customer viewed the central system.

- o Outside visits - The basic management concepts of major industries and several states were likewise examined and documented.

II. THE ISSUE

Overall, the analysis of GSA coupled with the meetings and CSQ findings indicate a broad degree of customer acceptance and satisfaction with the centralized system. However, a number

of areas need significant modification and improvement in order to be responsive to customer requirements. For example, GSA operates on a regional mode, when, in fact, several customer service activities should be a single national effort. Currently, the system itself lacks responsiveness and timeliness in terms of order processing and customer delivery. Part of this is due to inadequate resources and an outdated ADP system, which is not responsive to either the customer or GSA management. Furthermore, management relies on a regional management organizational concept which perpetrates "production of economy measures" causing a deterioration of the quality of responsiveness to customers. In effect, this philosophy and management process promote system-centered thinking resulting in customer dissatisfaction with day-to-day operations.

The Customer Services issue is organized into 5 sections each of which is a principal area of customer interaction with the system. These are examined separately in the context of recommended improvements to the management, process/system, procedure and policy aspects of each. Conclusions and recommendations are enumerated in detail under the following headings in Sections A through E below.

- A. General Customer Perspective
- B. Retail Services and Systems
- C. Marketing and Cataloging
- D. Customer and Agency Liaison
- E. Ordering and Order Processing

The criteria for improvement utilized in examining these areas are:

- o Increase responsiveness.
- o Reduce operating costs.
- o Simplify Federal customer tasks.
- o Separate regulation from guidance.
- o Separate policy from operations.
- o Align responsibility and authority.
- o Offer greater use of commercial products.

A. GENERAL CUSTOMER PERSPECTIVE

Too often the needs of the customer are overlooked in favor of institutional requirements of the centralized supply system. The different procedures and forms used by the individual systems; the stringent, mandatory system requirements; mandatory use of specifications; and the need for compliance

with system parameters (degree or lack of flexibility), all affect upon the users.

The general customer perspective findings were developed through meetings with representatives of customer agencies and through a "Customer Support Questionnaire" (CSQ) which was mailed to 9,286 addressees world-wide. Analysis of the comments and recommendations made during the meetings and the responses to the questionnaire indicate the following:

Regulations and Procedures - 90% of those responding felt that Requisition/ordering procedures are complete and understandable", but that they need to be consolidated and simplified. Too much effort is required of agencies to conform and comply with the regulatory and procedural dictates. A "cross reference guide" employing generic names of items and products must be developed. All forms in the system should be standardized.

Range of Products - Generally satisfactory, however, additional coverage is needed in certain Federal Supply Schedule areas.

Quality of Products - Complaint procedures regarding quality of items do not produce satisfactory results. The FED/MILSPEC's are not kept current. Many are obsolete. Few reflect current state-of-the-art.

Adequacy of Delivery - Delivery time received one of the lowest overall ratings of the CSQ - 70% favorable. Many of the standard commercial items have inordinately long delivery times. Items which are readily available on the open market have 60-90 day delivery times when purchased through the system.

Follow-up on Requisitions - 76% gave an affirmative rating to follow-up response - again not strongly favorable. Requests should only be required to be sent to a single organization representative.

Customer Assistance - Strongly negative evaluation, particularly in response to the statement concerning visits - 78% gave an unfavorable rating.

Catalogs and Price Lists - An 86% favorable rating was given to adequacy of catalogs/ price lists. GSA needs

to ensure timely delivery of contractor's catalogs and price lists to customers.

Adjustments - The adjustment process is difficult and very time consuming; there are too many forms and too many contact points. The system should only require a single report to be prepared and submitted to a single servicing organization, regardless of the reason the adjustment is being requested.

Special Order/Buying Procedures (SO/BP) - The SO/BP has enormous potential; however, the lack of attentiveness to the customers' needs has "turned them off".

CONCLUSIONS/RECOMMENDATIONS

1. CONSOLIDATION OF REGULATIONS AND PROCEDURES: Emphasize standardization, uniformity, clarity and simplicity. Avoid jargon, codes and complex procedures. Tone down mandatory aspects, emphasize guidance and assistance.

This recognizes that many users are in low graded non-professional positions and are not supply "oriented"; it also would reduce the time required for training of user personnel and enhance users' view and use of the system. Costs of development of a fully integrated regulatory system must be carefully considered.

2. SIMPLIFY THE ADJUSTMENT/CREDIT PROCEDURE: Adopt a "No fault - customer is always right" concept. Institute a one-stop procedure. This would substantially reduce the time, paperwork and confusion for the customer and the consolidated support activity, however, it does require some internal system adjustment.

3. ENSURE THAT THE CENTRALIZED SUPPORT AGENCIES ADOPT A SERVICE ATTITUDE: Requires some internal system adjustment.

4. ESTABLISH CUSTOMER SERVICE REPRESENTATIVE (CSR) AS THE SINGLE FOCAL POINT FOR CUSTOMERS OF THE CONSOLIDATED SYSTEM: Customers desiring follow-up information, general assistance, resolution of problems (such as adjustment/credits, quality complaints, delivery problems, etc.) should only be required to make a single contact. The CSR should have the authority to cross organizational and territorial boundaries. The benefits include increased emphasis on the needs of the customer, savings in time and resources and establishing a means and focal point for the customer to easily communicate

with the centralized system. Substantially increased CSR costs and workload would result.

5. IMPLEMENT IMMEDIATELY THE RECOMMENDATIONS OF THE GAO AND OF THE COMMISSION ON GOVERNMENT PROCUREMENT WITH REGARD TO FED/MILSPEC SYSTEMS: Purge those that are obsolete or unnecessary and update the remainder to reflect the current state-of-the-art. More reliance must be placed on competitive, commercial products. This would allow customers to take advantage of those products which best suit their needs.

6. EXPEDITE THE DELIVERY OF CATALOGS AND PRICE LISTS TO CUSTOMER AGENCIES: This would emphasize the service aspects of the system and increase purchases through the system which, due to a lack of such information, are now made on the open market.

7. IMPROVE THE SPECIAL ORDER/BUYING PROCEDURE (SO/BP): That portion of the system should be revitalized to make it more responsive and visible to the customer. The requirements of various customers referred to the centralized SO/BP activity would be combined to produce the cost benefits available through consolidated purchasing.

8. ABOLISH THE CURRENT "WAIVER" REQUIREMENTS AND SUBSTITUTE WITH INTERNAL DOCUMENTATION: Current "waiver" requirements are too cumbersome, time-consuming and unnecessarily complicate the acquisition process. Internal agency review, with appropriate notification to GSA, will suffice.

9. REMOVE "MANDATORY" REQUIREMENTS FROM FEDERAL SUPPLY SCHEDULE CONTRACTS: FSS contracts should be "available for use" as opposed to being "mandatory for use" by customer activities.

10. RAISE THE DOLLAR CRITERIA FOR MANDATORY USE OF THE STOCK/NON-STOCK SYSTEM: Amount should be increased from the current \$10 (GSA) and \$25 (DLA) limits to a more reasonable level of \$100 (possibly as high as \$500 after thorough analysis). Present limitations are considerably behind today's cost of doing business. The cost to comply with the dollar criteria may be more than value of item ordered.

B. RETAIL SERVICES AND SYSTEMS

Retail services and systems cover a range of activities to assist users, particularly smaller units, in obtaining support from the central system.

RETAIL STORES PROGRAM

The program is well supported by customer agencies from both an economic and convenience viewpoint. Increasing demand exists for FSS to open additional stores.

GSA has not acquired nor identified resources sufficient to open all the stores which studies have shown would be most effective to the Government.

The CSQ indicated support for the retail stores and for the expansion of facilities and services:

	YES		NO	
	<u>Almost Always</u>	<u>Often</u>	<u>Sometimes</u>	<u>Almost Never</u>
Locations convenient/ accessible	46%	20%	12%	22%
Required items available	25%	38%	28%	10%
Personnel knowledge- able/responsive	47%	38%	10%	5%
Credit on returns/ adjustments made promptly	52%	31%	10%	8%
Item range should be expanded	49%	26%	16%	8%
Open market arrange- ments would be preferable	26%	21%	31%	22%

The stores are in an excellent position to offer ordering assistance to the customer, both for schedule items and items in GSA stock. Resource limitations, policy decisions and management direction have tended to restrict these services.

RETAIL INTERSERVICING

No effort has been undertaken to identify the local support potential and to promote interagency arrangements. Effective interagency "interservicing" need not have a "resource problem" since it relies on existing capabilities put fully to use.

FEDERAL RETAIL ORGANIZATIONS

Federal agencies have each developed a retail structure without criteria or basic management and organizational concepts. The structure reflects that agency's best effort to cope with a basic requirement - the need to bring items carried in Government wholesale inventories into the hands of the end user who is in fact an operator or administrator and not a supply clerk or officer. The retail system gives him tailored support in a simple, direct arrangement.

OPEN MARKET/LOCAL PURCHASE PROGRAMS

The CSQ indicates a general customer preference for Government sources as opposed to local purchase. This preference recognizes that the government source offers an advantageous price. The following table summarizes the customer attitudes on local purchase (open market) as a source:

	YES		NO	
	<u>Almost Always</u>	<u>Often</u>	<u>Sometimes</u>	<u>Almost Never</u>
Open market sources are available	53%	28%	10%	8%
Open market sources are preferred	20%	20%	35%	25%
Open market prices advantageous	8%	15%	38%	38%

The customer preference for Government sources increases the opportunity for customer satisfaction by leaving options open. In effect, the customer will tend to use the system even if he is given local options to purchase on the open market; the system stands to lose little business and will gain increased customer appreciation. For example, it is clear that the local purchase option on stocked items could be raised from the present \$10 (GSA)/\$25 (DLA) to a level on the order of \$100 to \$500 with little impact on the system and with benefit in eliminating small, uneconomic orders. The CSQ strongly supports an increase in the exception criteria.

In the area of Federal Supply Schedules there is an opportunity to give the customer a wider range of choice and to promote greater use of commercial products. Improved management of the schedule program has to be a prerequisite to its optimum use by the customer. The major weaknesses indicated in the CSQ are ease of understanding, vendor responsiveness, and GSA responsiveness to waiver requests.

CONCLUSIONS/RECOMMENDATIONS

1. EXPAND RETAIL STORE ACTIVITIES: Expand the number of self-service stores and range of items and services offered, including ordering assistance. This will greatly increase customer responsiveness, simplicity of customer operations and increase use of commercial sources and products. This will increase the cost of operations to GSA, but it will be more than offset by reduced customer agency costs.

2. DEVELOP RETAIL SERVICES AND SYSTEMS: Promote the development of retail services and systems and develop supporting policies, practices, and systems. This recommendation would reduce costs through better management and organization of the multitude of fragmented user systems. On the other hand, it involves a major effort on GSA's part to develop and promote the program with attendant resources and management support.

3. INCREASE INTERAGENCY SUPPORT: Promote the use of inter-agency support arrangements among and between Government agencies. This will reduce costs and increase responsiveness, but it will require some initial effort by all parties to seek out and make the initial arrangements.

4. IMPLEMENT GOVERNMENT-WIDE STORE CONSOLIDATION: Consolidate all Government self-service stores under GSA. This concept potentially reduces costs through consolidation and uniform management systems/procedures. This will, however, cause a loss of flexibility to the major agencies, particularly in adapting to internal finance and accounting systems.

5. INCREASE LOCAL PURCHASE OPTIONS FOR STOCK AND SCHEDULE ITEMS TO A MINIMUM OF \$100 AND POSSIBLY TO \$500 PER LINE ITEM: This will greatly increase customer satisfaction and responsiveness while reducing system costs. On the other hand, it will increase costs to users for more expensive commercial products.

C. MARKETING

An effective marketing management program which emphasizes customer service and satisfaction offers large savings by assuring:

Better information on products and services to customers and government/agency suppliers.

That the customer's perspective has the attention of the highest organizational levels.

That responding to customer and his needs is the overriding organization-wide objective.

Increased system knowledge of customer needs and requirements.

In the private sector, the "customer is always right". Profit motivated companies invest a considerable percentage of their resources in providing the customer with information, ordering assistance, product information and a variety of other types of support. Currently, information about the Federal customer is not available in a timely manner in a consolidated location. The expenditures necessary to improve the marketing capability of the central supply system are not significant compared to the amounts of public monies being lost as a result of more expensive open market purchases by agencies. Improvements in the customer support system will enhance the customer agencies' ability to accomplish their missions.

Publications - GSA catalogs have been published only at irregular intervals and do not include all items available from the various procurement and supply programs. Information is not always well cross-referenced, clear, concise, or easy to use. Continued improvement and expansion of the catalogs is necessary.

Data Base - Data on customers, their buying practices, preferences, and scope of operation, as well as data on the potential existing in the Federal marketplace for common commercial supply items is inadequate, often outdated and unsatisfactory for marketing requirements. Identification of customer requirements and capabilities to deal with the central administrative services system are paramount to the system's success.

Product/Support System Strategies - Identification of the customer's product needs and the turning of those needs into product availability must be improved. Product knowledge encompassing marketing, merchandising, technical and procurement aspects would allow a positive, aggressive posture in merchandising, as opposed to the existing "reactionary" approach.

The performance measurement of all elements of the central supply system should reflect the customer emphasis rather than divided internal considerations.

CONCLUSIONS/RECOMMENDATIONS

1. **STRENGTHEN THE MARKETING COMPONENT:** Marketing should be a component of customer service and support reporting to the Commissioner, FSS, with increased resources. It should be highlighted both organizationally and functionally, emphasizing external, customer-oriented service and responsiveness rather than internal system-oriented efficiency. The stress should be on customers' satisfaction, not sales targets as the premier measure of market system effectiveness.
2. **ESTABLISH A COMPREHENSIVE CUSTOMER DATA BASE AND PROFILE:** A complete up-to-date profile and directory of Federal customers should be maintained. This would provide capabilities similar to those in private industry. There would, however, be increased costs for "start-up" and continuing operations.
3. **ENSURE THAT A SINGLE ORGANIZATION DISSEMINATES "EXTERNAL" INFORMATION:** This would bring together information on products, services and methods of procurement/supply in catalogs, price lists, and brochures to facilitate easier customer use of ordering material.
4. **IMPROVE THE SUPPLY CATALOG PROGRAM BY:**
 - o Upgrading information provided in the catalog; better descriptions of items, illustrations, etc.
 - o Inclusion of Federal Supply Schedule publications and information into a single package prepared by the central marketing organization.
5. **PUBLISH CATALOG AND ORDERING INFORMATION ON A FIRM, YEARLY SCHEDULE.**
6. **DEVELOP SPECIFIC PROGRAMS TO MEASURE CUSTOMER SATISFACTION.**
7. **DEVELOP A SIMPLE SYSTEM WITH VISIBILITY AND INFLUENCE TO MAKE MANAGEMENT AND OPERATIONS AWARE OF AND RESPONSIVE TO CUSTOMER DISSATISFACTION SURFACED BY FEEDBACK.**

D. AGENCY/CUSTOMER LIAISON PROGRAM

This highlights changes to the present system which will improve customer responsiveness and deals specifically with the agency/customer liaison activity. The objective is to develop an effective customer liaison program that represents GSA, not only FSS.

The agency/customer liaison organization provides the primary interface with FSS Federal customers on a day-to-day basis, assists customers in using the central supply system for commercial support requirements and in resolution of problems encountered by the customer.

Seven National Liaison Representatives deal with the major agencies and departments at the headquarters level, and 25 Customer Service Representatives throughout the 10 regions support all Federal activities in the field for Federal Supply Service programs and functions.

The basic agency/customer liaison functions are not properly positioned within GSA's organizational structure. As a result, GSA lacks a single "GSA service" concept. Currently, GSA's customers must deal with several different organizational entities within GSA as the CSR does not represent GSA across the board. Additionally, customers receive varying degrees and levels of service from region to region. The chart below clearly illustrates the wide disparity regarding levels of customer service visits (data from the CSQ).

RANGE OF POSITIVE RESPONSES REGARDING CSR VISITS

CUSTOMER	POSITIVE RESPONSES		AVERAGE
	lowest	highest	
CIVILIAN (except USPS)	8.4%	to 31.4%	17.8%
MILITARY	20.0%	to 47.8%	31.0%
TOTAL	15.5%	to 33.9%	23.4%

Although the customer service representative is known, accessible, and resourceful, the customer rarely sees the CSR.

Measuring levels of CSR effectiveness is extremely important, but because the present liaison program is so highly decentralized and fragmented, measurement is impossible. A single centralized program with accountable objectives, action plans, etc., will permit comparative measurement of CSR activity and levels of GSA customer service.

CONCLUSIONS/RECOMMENDATIONS

Based on the analysis from the CSQ, field interviews, reports, etc., the following recommendations are proposed for consideration:

1. ESTABLISH A GSA-WIDE CENTRALIZED NATIONAL LIAISON PROGRAM: This would enable the customer service representative to cross functional organization lines and operate as a representative of

the centralized activity. This will also provide a single point of contact and improve the service-wide information and feedback to the Office of the Administrator.

2. REALLOCATION OF MANPOWER TO INCREASE THE NUMBER OF CSR'S (FROM 25 TO BETWEEN 60 AND 100): This will enable GSA to provide greater attention/responsiveness to the customer; however, that investment could cost nearly \$2.5 million. Sufficient resources must be allocated to actively pursue those Federal agencies now purchasing from the open market (some \$4.5 billion) where direct cost savings can be attained.

3. REVISE AND STRENGTHEN CSR OBJECTIVES AND RESPONSIBILITIES: This will improve their reporting, measurement, accountability and effectiveness to the customer.

E. ORDERING AND ORDER PROCESSING

GSA customers are participants in a highly automated supply system. Most military and some large civilian customers submit requisitions through an automated communications network. Low volume, non-automated customers, both military and civilian, are required to place hard copy orders into the system in FEDSTRIP/MILSTRIP format. The requisitioning process has been described as complicated, cumbersome and non-responsive by a number of customers.

The order processing operation is decentralized at ten (10) GSA regional offices. The system appears to foster discontinuity, evidenced by its inability to respond to immediate requirements and inquiries, proliferation of status, invoices, GBL's, etc. The requisitioning procedure and order processing system should be simplified to foster customer satisfaction through responsive service.

ORDERING SYSTEMS

No major programs have been mounted or efforts made to increase the use of electrical/electronic transmission from civil agency ordering activities, thus a major slowdown in placing requisitions into the system exists. The implementation of a national telephone ordering system for low volume non-automated domestic customers could simplify ordering procedures resulting in greater responsiveness and customer satisfaction.

Simplification of procedures and reduction in lead time could be achieved if GSA would interlock their present system of handling civilian off-line customers with their on-line communications military network.

The use of standard requisitioning forms for all civilian agencies and the military would simplify coordination, eliminate overlap and duplication and realize substantial cost savings.

The results of the CSQ indicate that customers understand and can cope with the system. GSA could, however, simplify and expand the customers' avenues of entering the system to obtain current status of orders in process. The regional mode of operation may be responsible for (1) the system being inaccessible to handle customer needs and (2) the lack of control and visibility as to where orders are in the system. Customer reaction to the ordering system/process is tabulated below:

	YES		NO	
	<u>Almost Always</u>	<u>Often</u>	<u>Sometimes</u>	<u>Almost Never</u>
Requisitioning/ ordering procedures are complete and understandable	52%	37%	8%	3%
Status reports, when requested, are received on a timely basis	46%	37%	13%	4%
Shipping documentation is adequate for receiving purposes	64%	28%	6%	2%
Response to requisition follow-up is adequate	39%	36%	18%	7%
Internal department/ agency ordering procedures are published and adequate	52%	35%	10%	3%

ORDER PROCESSING

During the first six months of FY 1978, a total of 4.1 million orders were processed. Nearly 500,000 of the 4.1 million orders were submitted in hard copy form (mail, message or telephone order). In each case, hard copy orders must be manually converted to machine processable format (MILSTRIP/FEDSTRIP) for processing.

The present order processing system involves approximately 300 people in the GSA headquarters and regions. Centralization of this operation at a single processing point would simplify the operation and realize cost benefits in terms of efficiency, staff reduction and elimination of operations at headquarters. This single processing point would also buffer customers from GSA's internal system and enhance relations.

CONCLUSIONS/RECOMMENDATIONS

1. TELEPHONE ORDERING: Implement pilot program with an "800" telephone number similar to phone service offered to customers by commercial type call-in ordering systems and review Touchtone Telephone Requisitioning System. This will eliminate preparation of manual requisitions for low dollar volume customers and more timely responsiveness. However, it will result in a cost to relocate and/or retrain affected personnel.
2. QUICK ORDER SYSTEM: A simplified processing system for small orders and repetitive customer orders with the goal of 36-hour processing turnaround. The advantages will be reduced labor costs for small orders and increased productivity. The major disadvantage will be the cost of inventory to assure responsiveness.
3. ELECTRONIC FACILITIES: Tie civilian customers to existing electronic communication facilities. The autodin (DOD) network has provided customer satisfaction. This will provide rapid communication capabilities for system processing. Again, cost of establishing and implementing programs linking each agency with the military network could be significant.
4. ADOPT STANDARD REQUISITIONING FORMS: Standardization would simplify coordination and eliminate duplication.
5. CENTRALIZE ORDER PROCESSING: The processing is now performed by ten (10) regions and headquarters should be performed at a single processing point. The order processing policy and procedures function should be in the same organization as inventory management. This will centralize and consolidate this function achieving substantial savings. In addition, it relieves headquarters from the order processing operation and provides greater customer satisfaction/efficiency and responsiveness. However, it will have an impact on personnel relocation.

APPENDIX

CUSTOMER SUPPORT QUESTIONNAIRE (CSQ)

This Appendix furnishes background on the development of the CSQ and records the basic findings as reflected in over 2,400 responses. This is the first such comprehensive survey of customer satisfaction and it is documented for continued analysis.

The objective of the Customer Interest Group (CIG) was to obtain information on who the "customers" are and how they perceive: (1) the consolidated supply system and (2) the products they receive through the system. The questionnaire (a copy of which is enclosed) was developed in three parts.

Part A was formatted to provide data about the respondent, i.e. the organization; location, size (in dollar volume of business); major commodity usage; who they purchase/order from; whether the respondent provides or receives supply and/or procurement support; etc. This information would permit the stratification of responses to Parts B and C to determine if trends exist by state, activity, dollar volume, etc.

Part B asked the respondent to evaluate support programs or functions of the General Services Administration (GSA), Defense Logistics Agency (DLA), and the Veterans Administration (VA) systems. Part B was prepared in four (4) sections; each section dealing with a different program or functional aspect. Section 1 covered the stock/nonstock programs of GSA, DLA and VA; Section 2 those agencies' customer assistance programs; Section 3 the GSA Federal Supply Schedules; Section 4 the GSA Self-Service Stores.

Part C asked the respondent to evaluate the commodities received from each of the support agencies (GSA Stock/nonstock, GSA Federal Supply Schedule, DLA and VA). Nineteen major commodity groupings were identified. The statements about each commodity grouping related to (1) the range of products offered, (2) the quality/performance aspects, (3) delivery times, (4) adequacy of catalogs and price lists, (5) whether the requisitioning/ordering procedures were complete and understandable, and (6) whether open market sources are (i) available, (ii) preferred, or (iii) more advantageous.

Respondents were asked to use numbered ratings 1 through 5 to evaluate the statements in Parts B and C.

- 1 - Almost always or definitely yes
- 2 = Often or yes
- 3 = Sometimes or no
- 4 = Almost never or definitely no
- 5 = Not applicable, no exposure or no experience

The CSQ also solicited written comments.

FINDINGS

GENERAL

The overall response to the support programs of GSA, DLA and VA was favorable, on the order of 80% satisfactory. However, the favorable rating is not an indication that the system does not need to be improved. To illustrate the full magnitude of unfavorable ratings, it is only necessary to apply the percentages to:

- the number of customers: If the system has 50,000 customers and 20% of those customers indicated dissatisfaction, it would mean 10,000 customers are dissatisfied; or
- the number of orders processed: If 8,000,000 orders are processed by the system, the 20% would mean 1,600,000 orders could have produced some unsatisfactory results.

The vastness of the system requires that the analysis give consideration to the individual parts of the system as well as to the whole.

The following table summarizes the overall response to the major subject areas by the actual number of responses and by the percentage of each response:

Subject Area	Responses			
	YES		NO	
	Almost Always	Often	Sometimes	Almost Never
a. Stock/Nonstock Programs (GSA, DLA & VA)	# 7,429	5,533	2,363	948
	% 46	34	15	6

Subject Area

Responses

	YES		NO	
	Almost Always	Often	Sometimes	Almost Never
b. Customer Assistance Services (GSA, DLA and VA)	# 2,865 % 36	1,854 23	1,304 16	1,995 25
c. GSA Federal Supply Schedule	# 4,561 % 39	4,437 37	2,071 17	813 7
d. GSA Self-Service Stores	# 2,540 40	1,813 29	1,156 18	807 13
e. Range of Products is sufficient (GSA, DLA & VA)	# 9,481 % 37	10,427 41	4,014 16	1,763 4
f. Quality/Performance is satisfactory (GSA, DLA & VA)	#10,282 % 41	10,976 44	2,729 11	805 3
g. Delivery Time is adequate (GSA, DLA & VA)	# 7,043 % 29	10,274 42	5,344 22	1,929 8
h. Catalogs/Price are adequate (GSA, DLA & VA)	#11,319 % 45	10,179 41	2,463 10	1,100 4
i. Requisitioning/Ordering Procedures are complete and understandable (GSA, DLA & VA)	#12,960 % 51	9,944 39	1,965 8	793 3
j. Overall commodity evaluation (GSA, DLA & VA)	#51,066 % 41	51,784 41	16,510 13	6,383 5
k. Open Market Sources are available	# 6,932 % 53	3,701 28	1,351 10	1,044 5
l. Open Market Sources are Preferred	# 2,358 % 20	2,468 20	4,217 35	3,043 25
m. Open Market Prices are Advantageous	# 959 % 8	1,754 15	4,372 38	4,307 38

ISSUE NO. S-5: VENDORS AND THE FSS PROCUREMENT PROCESS

I. INTRODUCTION

This paper summarizes the findings of an examination of the relationship of the Federal Supply Service (FSS) with suppliers. The discussion below explores two major problem areas: contract complexity and complexity of specifications.

This study was focused primarily on policy, procedural, and management matters rather than organizational adjustments, which are dealt with elsewhere in the report. The study also avoided duplicating the comprehensive three-year explorations of the Commission on Government Procurement. The Office of Federal Procurement Policy (OFPP) is rapidly implementing the Commission's recommendations. In these circumstances the task became one of verifying the needs for improvement and evaluating ongoing actions in meeting these needs.

The literature on government-vendor relations was examined, e.g., reports of the Commission on Government Procurement, GAO reports, Congressional Committee hearings, and reports of the Paperwork Commission. A questionnaire was sent to 248 vendors and to 60 trade and commodity associations, and 116 responses were received from vendors. Task Force members also visited vendors, government agencies, and trade and commodity associations in the field.

II. CONTRACT COMPLEXITY

This section explores how Federal contracting methods affect various types and sizes of suppliers and what might be done to correct problems.

Most vendors sell only a small portion of their product to FSS. Half of the respondents stated that they sold less than 5 percent of their production to the Government. Such firms cannot become expert on Government contracting, so it makes sense to simplify contracts whenever possible to encourage them to do business with the Government.

However, contract complexity problems appear to be more an irritant than a major impediment to most vendors. The majority of respondents indicated that organization and content of bid packages had little or no influence on their willingness to bid or their price. Still nearly nine percent of respondents claimed that these issues precluded bidding.

CONTRACT FORM SIMPLIFICATION

FSS is now experimenting with standard formats on a limited basis. Government standard forms for solicitation, offer and award have been revised to present a more attractive and logical arrangement of provisions. This concentration on format rather than forms may lead to some proliferation of solicitation and award instruments. If combined with improved readability, the overall result should be beneficial.

If FSS moves away from the use of standard forms, procurement staff may need to consult the body of regulations more frequently. A computer based regulation information retrieval system could provide easier access.

For small purchases (\$10,000 and under), the Paperwork Commission concluded that standardization of forms can be helpful. A single government small purchase form along the lines of the FSS experiment should be tried.

Recommendations:

The testing of the experimental format by FSS (GSA Form 1424 A, B, and C) should be carefully reviewed by OFPP to determine whether this approach is more useful than standard forms for universal application.

The Federal Acquisition Institute (FAI) should conduct a feasibility study of the applicability of ADP to management of acquisition regulations.

READABILITY

There is a growing demand for using plain language in laws, regulations, contracts, and other legal instruments. The President recently directed that Federal regulations be written in language a small business person can understand. The National Institute of Education (DHEW) has solicited proposals for research on clear writing and effective design of documents. Several teams in GSA and DOD working on new Federal Acquisition Regulation are giving careful consideration to drafting simple, clear, and understandable regulations.

SOCIO-ECONOMIC PROVISIONS

Government procurement contracts are used to promote Federal social and economic policies concerning such goals as fair employment practices and improving our balance of payments. In 1972 the Commission on Government Procurement recommended that the thresholds for applying such policies to procurement be raised to \$10,000. The Paperwork Commission also recommended

\$10,000 threshold. Currently a threshold of \$25,000 seems more appropriate, with future periodic adjustments.

The ASRP vendor questionnaire included the question, "How does time required for invoice processing and payments influence your approach on government contracts?". Respondents claimed:

No effect	49.1%
Inconvenient/No substantial impact on bid price	20.7%
Bid price increased and/or discourages bidding	18.4%
Precludes bidding	1.7%

A thorough GAO study (FGMSD 78-16) concluded that "Contractors were generally satisfied with the Government's (payment) performance". Comparing the Government's payments with commercial firms respondents stated that commercial firms pay:

Faster	43%
Slower	21%
Same	36%

The GAO did find room for improvement and recommended administrative changes such as developing due date standards and increased use of imprest funds.

Though there is a common notion that the Government does not pay its bills promptly, the conclusion of this study is to the contrary. Potential vendors should be more widely informed of the results of studies like these to counter misapprehension about late payment by the Government.

III. COMPLEXITY OF SPECIFICATIONS

This section deals with criticism of Government specifications used in the procurement of commercial products. Vendors, members of Congress, the Commission on Government Procurement, the GAO and more recently the Office of Federal Procurement Policy have all found fault with various aspects of procurement specifications. Many critics favor local purchasing or multiple award contracting, which are said to make more efficient use of existing commercial marketing and distribution facilities.

Specifications are also criticized for:

- o Length and complexity
- o Excessive referencing of subordinate specifications and standards
- o Unnecessary divergence from current commercial product characteristics (unique government item)
- o Obsolete design or formulation manufacturing technology specified

Fifty-seven percent of the vendor respondents to the ASRP questionnaire reported substantial problems with specifications. This contrasts with twenty-five percent reporting major problems with bid package complexity. Interviews with several industry associations confirmed this conclusion.

A PROPOSED APPROACH TO SPECIFICATION SELECTION

The organizations involved in developing specifications operate somewhat in a vacuum and often fail to give proper consideration to the needs of all elements interested in the procurement process. In many instances complex rather than simplified specifications are developed. Positive integration of all supply management decisions is required to reconcile the diverse needs of all interested customers, suppliers and supply management officers. Through this improved coordination, the most favorable selection can be made from the specification options which range from brand name to the more complex design specification forms.

As can be seen from Figure 1, different item and industry characteristics should determine the appropriate specification option. Merchandising (or supply management) decisions, however, should intervene and control this logical process. For example, low aggregate volume, necessity for item choices or a logical decision to decentralize an item for local purchase may dictate some "lesser" form of item specification. When this occurs the potential or actual capability to prepare and maintain a detailed technical purchase specification should be overridden.

For specification management to become a subordinate element in a rational supply system, some changes are needed in present productivity measurement and resource allocation practices. This will encourage better specifications, cancellation of unnecessary documents, and more externally developed specifications.

FIGURE 1

PURCHASE SPECIFICATION TYPES	CONTRACT TYPE					PURCHASE SPECIFICATION OPTIONS MATRIX	OPTIONAL PROCEDURES							PREPARING ACTIVITY OPTIONS	
	Sole Source-Single Award	Multi-Source-Single Award	New Item Schedule Intro	Schedule Multiple Award	Schedule		Life Cycle Cost	BID Samples	QUALIFIED PRODUCT List	Preferred Bidder	Industry Association	ANST/ET AL	GOVERNMENT		
BRAND NAME	x	0	x	0		. Patented or Proprietary	0	0	0	0	x	0	0	0	
BRAND NAME OR EQUAL	0	x	0	x		. Brands are comparable . Low aggregate demand . Low risk of inferior item BID	0	x	0	x	x	0	0	x	
BRAND NAME OR EQUAL WITH SALIENT FEATURES	0	x	0	x		. Not all brands comparable . Low-to-moderate demand . Moderate Risk of Inferior Item BID	x	x	x	x	x	0	0	x	
DESIGN/FORMULATION	0	x	0	0		. Moderate to high demand . High risk of inferior item BID . Stable production technology . Design-formulation Spec. Effective	x	x	x	x	0	x	x	x	
PERFORMANCE	0	x	0	0		. Moderate to high demand . High Risk of Inferior Item BID . Dynamic or multiple production technology . Design-Formulation approach ineffective	x	x	x	x	0	x	x	x	
COMBINATION DESIGN/ PERFORMANCE	0	x	0	0		. Moderate to high demand . High risk of inferior item BID . Dynamic/multiple production technology . Performance Spec/test difficult	x	x	x	x	0	x	x	x	

GREATER RELIANCE ON VOLUNTARY CONSENSUS STANDARDS ORGANIZATIONS

Many experienced procurement professionals believe that where purchase specifications are appropriate, a better and more acceptable commercial item specification could be produced by voluntary consensus standards writing bodies such as the American Society for Testing and Materials. Wider use of such specifications would assure greater industry technical support and would avoid some of the technical deficiencies of today's Federal specifications.

INTERGOVERNMENTAL COOPERATION

More cooperative efforts among government specification writers at Federal, state and local levels should enable FSS to obtain satisfactory specifications at lower direct cost. Even the limited information gathered in this survey indicates that a great deal of fragmented technical effort is underway. Though past efforts suggest that the task of organizing such an effort is difficult, the potential exists for more effective use of resources. The appropriate forum for this coordinated effort may be the voluntary standards process.

RECOMMENDATIONS

The Government, under current procurement statutes cannot abolish Federal purchase specifications--nor does the evidence suggest that this would be an optimum solution. There is, however, substantial evidence that specifications can be significantly improved both in format, content, and through selective application of the appropriate level of specification for each procurement. FSS should increase management emphasis on the OFPP tasks, refine and update Government specifications, improve application of technical resources by developing better channels of communication with industry and voluntary consensus standards groups, other Federal specification components and state and local government specification writers. In summary the recommendations are:

- o Develop merchandising planning system to guide supply, procurement, specification efforts, product mix, item entry, item elimination

- o Use brand name and other less complex descriptions where possible

- o Support ASTM purchase specification developments to replace Federal purchase specifications

- o Seek state/Federal cooperative specification development

ISSUE NO. S-6: PERSONAL PROPERTY UTILIZATION

I. INTRODUCTION

This is an assessment of personal property utilization and disposal activities in the Federal Government.

This study concentrated on GSA and DoD, the two largest managers of personal property utilization and disposal activities. The study included research on applicable laws, regulations, previous studies and correspondence; questionnaires to 17 Federal cabinet and major independent agencies; interviews with State government organizations; and, evaluation of the solicited views of trade associations, professional groups, other state and local government organizations and private citizens.

II. BACKGROUND/CURRENT SITUATION

The Federal Property and Administrative Services Act of 1949, assigned the responsibility for the supervision and direction of the disposition of excess and surplus property to the Administrator of General Services. The Act further assigned the responsibility for supervision and direction of the disposition of DoD foreign excess property to the Secretary of Defense. The responsibility for the sale of domestic surplus property generated by DoD is accomplished through a delegation of authority from GSA. Other agencies are authorized to sell surplus property either by legislative exemption, delegation of authority from GSA or by agreement with GSA. Examples of agencies engaged in these activities are the U.S. Postal Service, Department of Energy, Tennessee Valley Authority, and Department of the Treasury. Agencies engaged in sales activities generally do so for selected types of property only.

Within GSA, responsibility for utilization of excess and disposal of surplus personal property is assigned to the Office of Personal Property Disposal, FSS. The present organization has an authorized ceiling of 580 positions including Wage Grade and temporary positions. The actual end-of-year employment in Fiscal Year 1977 was 452 with an annual budget of \$9,503,000. The Office of Personal Property Disposal has division structures in the ten GSA regions. GSA operates 12 Personal Property Centers (PPC's) and two Sales Centers (SC's).

The Office of Personal Property Disposal is organized by program responsibility. The Utilization Program efforts result in the annual retention for Federal use of excess property valued at over \$1 billion (original acquisition cost) out of approximately \$3.5 billion of excess property each

year which includes DoD reportable property. The Rehabilitation Program, is designed to preclude new procurement, by extending the useful life of many common use items of property. At present, there are approximately 2,600 small firms contracted to perform repair and rehabilitation work under this program. The Donation Program makes available to eligible State and local donees property which has been determined surplus to the Federal Government's needs. Donations currently average about \$400 million out of a total annual availability of approximately \$2.4 billion (original acquisition cost) declared surplus to the Federal Government's needs. GSA, responsible for the general supervision of the sale of all Government personal property, operates its Sales Program with appropriated funds. Annual sales proceeds for FY 1977 reached \$30 million as a result of selling usable, salvagable and scrap property.

In summary, out of \$3.5 billion of excess property reported in FY 1977, about \$1.1 billion was reutilized, about \$0.4 billion was donated and about \$0.1 billion sold. The approximately \$1.9 billion remaining (in terms of original acquisition cost), is either otherwise disposed of or remains in inventories for future screening.

Within DoD, responsibility for the worldwide integrated management of the Defense Personal Property Disposal Program is assigned to the Defense Logistics Agency (DLA). The Defense Property Disposal Service (DPDS), an element of DLA, is assigned the operational and organizational responsibility. The DPDS has five Defense Property Disposal Regions (DPDR's), three in the continental U.S. and one each in the Pacific and Europe. There are 156 Defense Property Disposal Offices (DPDO's) and 73 Defense Property Holding Activities (DPHA's) which although separately located are part of the DPDO's. The three DPDR's in the United States employ approximately 3,431 civilians. DoD accounted for over \$4.8 billion in excess personal property generations in FY 1977. This figure includes both reportable (to GSA) and non-reportable property. It does not include \$620 million of overseas excess personal property. During FY 1977, \$278 million in DoD excess personal property was made available for the GSA operated Donation Program. During this same period sales totaled \$121.8 million (including approximately \$21.2 million from overseas sales).

GSA and DoD both operate personal property sales activities. Duplication exists in personnel, mailing and printing costs, warehousing and storage, advertising, market research and evaluation, automated systems, conduct of sales and associated activities.

The Departments and agencies that responded to ASRP inquiries concerning personal property utilization and disposal brought forth three principal conclusions: (a) screening and disposal actions take too long; (b) agencies frequently incur excessive storage costs for property being stored while awaiting disposition; and (c) central "holding facilities" or "one-stop property centers" should be established in areas with large Federal populations or where large volumes of excess/ surplus are generated.

III. CRITERIA FOR IMPROVEMENT

- o Minimize fragmentation and overlap of domestic sales of personal property.
- o Reduce overhead and operations cost.
- o Reduce total time requirements for disposal cycle.
- o Establish improved systems and processes to increase efficiency and savings.
- o Improve services to the buying public and to other agencies of the Executive Branch.

IV. ALTERNATIVES

A. TOTAL CENTRALIZATION OF DOMESTIC SALES FUNCTIONS

Consolidate and transfer all domestic sales functions performed by GSA, DLA and other Executive Branch agencies to the Office of Personal Property Disposal, GSA. The required transfer of personnel and other resources from the Defense Property Disposal Service (DPDS), DLA would not interfere with DPDS's continuing accomplishment of its missions related to demilitarization of Defense property and foreign excess property. GSA would, under this alternative, propose necessary legislative changes, rescind its delegation of authority to DoD for domestic sales, and revoke existing agreements with other Executive Branch agencies based on a time-phased implementation plan worked out with all parties concerned. The essence of this recommendation is that GSA should assume appropriate responsibilities for the domestic sale of all Government-owned personal property.

1. Advantages

Increased efficiency and effectiveness of sales activities.

Reduced costs through the elimination of duplication of efforts, facilities, systems and overhead.

Offers a central source of information to the buying public.

Can conduct sales under a standardized set of procedures and practices.

Provide a single organization responsible for market research, analysis and sales evaluation.

Provide a single organization (DoD) responsible for foreign excess personal property.

2. Disadvantages

Personnel turbulence resulting from reorganization transfers from DoD to GSA.

Increase cost to deliver goods to a central point.

Resistance by Executive Branch agencies performing own sales activities.

Loss of efficiency during transition phase.

B. PARTIAL CENTRALIZATION OF DOMESTIC SALES ACTIVITIES

Transfer to and consolidate in GSA carefully selected domestic sales activities performed by GSA, DLA and other Executive Branch agencies. Transfers would be contingent upon a comprehensive feasibility study, under GSA's leadership, to determine whether consolidation of sales activities and the delegation of certain sales authorities to agencies are economically justified on an installation-by-installation basis.

1. Advantages

Increased efficiency and effectiveness of sales activities.

Reduced costs through the elimination of duplication of efforts, facilities, systems and overhead.

Offers reduced number of sources of information to the public.

2. Disadvantages

Personnel turbulence resulting from reorganization transfers.

Resistance by Executive Branch agencies performing own sales activities.

Loss of efficiency during transition phase.

C. PROCESS IMPROVEMENTS

1. Establish GSA operated property utilization and disposal centers to provide a facility for all Federal agencies for: temporary storage; screening for utilization; display for inspection by Federal, State and local agencies and other eligible donees and the general public; rehabilitation; and sales activities. Locations would be based on proximity of large Federal agency populations and/or large volumes of excess generations. Upon physical transfer of property to a center GSA would accept accountability for same.

2. Accelerate the implementation of a standardized automated management information system in GSA; insure its compatibility with existing systems of DoD and other agencies. FSS-23 (GSA's Excess/Surplus Personal Property Disposal System) is not fully operational.

3. Provide for greater availability by inter-regional utilization screening where feasible rather than restricting to present regional screening.

4. Make rehabilitated excess personal property available to agencies on a reimbursable basis to avoid new procurements.

ISSUE NO. S-7: PRINTING SERVICES

I. INTRODUCTION

This is an assessment of the printing and reprographic function in the Executive Branch and an exploration of suggested organizational and management improvements.

The study included interviews with State Government officials and solicitation of opinions from Executive Branch agencies by both interviews and questionnaires. Major reprographic equipment manufacturers and other industry representatives were interviewed. Historical research was undertaken to identify the evolution of Federal printing policy and regulatory documents.

The estimated cost in FY 1978 of total Federal printing and reprographic services is \$1.49 billion. It is believed that substantial annual savings could be achieved through procedural and operational changes.

II. BACKGROUND/CURRENT SITUATION/PROBLEM AREAS

The legal basis for Federal printing is Title 44 of the U.S. Code. This basic legislation was enacted in 1895, and has been updated and revised through the years; it was last codified in 1968.

Title 44 provides for a Congressional Joint Committee on Printing. It is chartered to use "any measure it considers necessary to remedy neglect, delay, duplication, or waste in the public printing and binding and the distribution of Government publications."

The Joint Committee on Printing issues the Government Printing and Binding Regulations for the guidance of Federal agencies, controlling items of equipment and production processes as well as the sources of printing production and procurement.

There are four principal sources of procuring printed matter for the Executive Branch: agency internal plants; Government Printing Office; direct commercial procurement; and GSA plants. The total annual cost for printing and reprographic services is not precisely known due to a variety of funding mechanisms and inconsistent accounting procedures. However, a summary of agency costs by source is as follows:

	<u>Cost</u>
Agency internal	\$752 million
GPO	
A) Commercial (75%)	258 "
B) Plants (25%)	86 "
Agency direct procurement	55 "
GSA	7 "
	<hr/> \$1,158 million
Estimate of indirect overhead cost for agency plant operations	<hr/> 340 "
TOTAL	\$1,498 million

The total number of JCP-authorized printing plants is approximately 300, with agency internal plants accounting for 281, GPO 7, and GSA 12.

The above summary indicates an emphasis on the utilization of in-house production sources. Agency responses to a survey questionnaire confirmed this situation. In addition, the following comments were noted:

(a) Thirteen agencies (\$347M) said all four sources of printing were required; five agencies (including most of DOD) (\$333M) did not use GSA, as a source.

(b) The first consideration in selecting a printing source is time.

(c) Each of the printing sources provides different levels of service in terms of time and complexity with GPO handling the majority of contract printing; agencies producing urgent and classified printing and duplicating as provided by law; and GSA providing Standard Forms and reprographic services.

(d) Six large agencies of those sampled, identified a necessity for change in the current structure and a clarification of the roles of the Joint Committee on Printing/Government Printing Office and the Executive Branch. Chapter 5, Title 44, USC requires that:

"All printing, binding, and blank-book work for Congress, the Executive Office, the Judiciary, except for the Supreme Court of the United States, and every independent office and establishment of the Government, shall be done at the Government Printing Office, except...

- (1) classes of work the Joint Committee on Printing considers to be urgent or necessary to have done elsewhere; and
- (2) printing in field printing plants..., and the procurement of printing, if approved by the Joint Committee on Printing."

"Printing or binding may be done at the Government Printing Office only when authorized by law."

Although waivers are issued in certain situations, the GPO is essentially a mandatory source of printing supply, especially in the area of commercial procurement. Although many agencies support both the utility and economy of GPO, the mandatory aspect of its role has caused operational difficulties and excessive costs in some instances.

The Legislative Branch, through the JCP and GPO, controls the Executive Branch printing program (vested by Title 44). President Wilson's veto of an appropriations bill on May 13, 1920 recognized that legislative control of Executive printing could be a violation of the separation of powers clause of the Constitution. The controversial provision stipulated that no journal, magazine, periodical or similar government publication could be printed, issued or discontinued by any branch or office of the government service unless authorized under regulations prescribed by the Joint Committee on Printing. His veto message stated, in part that, "the Congress and the Executive should function within their respective spheres. Otherwise efficient and responsible management will be impossible and progress impeded by wasteful forces of disorganization and obstruction..."

Control by the Legislative Branch has caused operational difficulties in the Executive Branch:

(a) JCP controls the procurement of printed products and printing equipment, resulting in inefficiencies in both the purchase and production of printed matter.

(b) The JCP regulates only specific items of equipment and production processes and does not provide an optimum means of evaluating and implementing state-of-the-art developments in word processing, reprographics, micropublishing and computer driven printing devices.

There is no central point in the Executive Branch for providing agencies with coherent policy or program guidance in the printing and reprographic areas:

(a) Technological assessments and market analyses are conducted autonomously. Many agencies are expending management resources to evaluate identical systems or procedures.

(b) In the reprographic area some individual agencies have attempted to manage an effective copying/duplicating program. The costs of reprographics (conservatively estimated to be \$478 million) are controlled only to the extent managed by individual agencies. Each agency performs individual cost studies, analyses and hardware evaluations. Savings in this area could be as high as 20% with a coordinated effort and sufficient funds to purchase rather than lease when economies so dictate.

(c) A comprehensive Federal Government clearing house (or information system) does not exist to collect government-generated material nor to index, abstract, or advertise its availability.

(d) The impact of emerging technologies on the way information is handled, generated, duplicated, distributed and stored is not coordinated within the Federal Government.

(e) A wide range of printing and lithographic pay rates and classifications presently exists which should be rationalized. Additionally, the GS-1654 Printing Management Series has not been revised in 20 years. It fails to recognize technological developments and program management requirements.

(f) There have been difficulties in applying the provisions of Circular A-76 to the procurement of printing in Executive Branch agencies.

(g) Previous studies which reflected potential savings through management improvements have not been implemented due to procedural difficulties. The savings from central guidance could accrue in: (1) Improved procurement and use of reprographic equipment, (2) modernization of internal agency printing plants, (3) establishment of standards for storage, warehousing and other related distribution processes, (4) reduction of overhead costs, and (5) technical assistance in printing management processes.

III. CRITERIA FOR IMPROVEMENTS

- o Reduce costs of printing.
- o Improve the kind and quality of printing.
- o Improve delivery and service for printing.

IV. ALTERNATIVES

A. Establish a policy management and review office in the Executive Branch for the purpose of providing leadership, coordination and guidance in the delivery of printing, reprographic and publication services.

1. Advantages

This office would provide a single central and responsive point within the Executive Branch for:

Development of legislative proposals for Presidential consideration designed to clarify Legislative/Executive roles.

Development of policy and standards.

Coordinating and reviewing program requirements.

Making state-of-the-art or technological assessments and market analyses.

Developing a comprehensive clearing house (information system) to index, abstract, identify and control distribution of government-generated material.

2. Disadvantages

There would be initial costs of creating a small office staff. (Cooperative arrangements with Departments and major Agencies could be used to start the program.)

There may be Legislative Branch opposition.

B. Reactivate the Interdepartmental Committee on Printing and Processing (Executive Order 7998 of October 29, 1938) and give it a suitable Secretariat and resources for policy management and review of printing, reprographic and publication services in the Executive Branch.

1. Advantages

No new Executive or legislative action required to establish this committee.

This Committee and its Secretariat would provide a single central control point within the Executive Branch for:

Developing policy and establishing standards

Coordinating and reviewing program requirements

Making state-of-the-art or technological assessments, market analyses, and new product reviews.

Developing a comprehensive clearing house (information system) to index, abstract, indentify, and distribute Government-generated materials.

2. Disadvantages

Initial start-up costs and ongoing program costs.

Functional management problems which are endemic to committees (this maybe overcome to some extent if a strong Secretariat director can be installed).

Legislative Branch opposition.

Committee would not have authority to modernize internal agency printing plants, improve other printing costs, or reduce printing overhead.

ISSUE NO. S-8: STRATEGIC AND CRITICAL MATERIALS STOCKPILE

I. INTRODUCTION

This is an assessment of GSA's organizational arrangement for carrying out certain residual operating responsibilities of the Strategic and Critical Materials Stockpile. This study assumes the implementation of a recommendation by the Federal Emergency Preparedness and Response Project that the stockpile policy and planning functions now performed by GSA's Federal Preparedness Agency be transferred to a proposed Civil Emergency Management Administration. Under this concept, all stockpile operations, including FPA's Office of Stockpile Disposal, FSS's Office of Property Management and the Office of Finance's Stockpile Inventory Branch, would continue to be performed by GSA under authorities contained in the Strategic and Critical Materials Stock Piling Act of 1946.

The assessment required an examination of all organizational responsibilities for the full spectrum of stockpile operations from stockpile acquisition through disposal. This effort included meetings with concerned Congressional committee staffs, assessment of prior studies and reports on this subject, meetings with key Federal agency representatives, review of Federal statutes concerning stockpile management and policies, consideration of involvement with the Federal Emergency Preparedness and Response Project, and review of pending legislation.

The project, however, did not review the economics or effectiveness of the present warehousing and locations or the alternatives to physically stockpiling needed materials as a means of supporting the stockpile goals. In addition, the project did not look at other stockpiling related activities performed by other agencies such as the Commodity Credit Corporation and the stockpiling of oil reserves under the Energy Reserve Act of 1974 by the Department of Energy.

II. BACKGROUND AND CURRENT SITUATION

Although the United States has a wealth of natural resources, experience has established that it is far from self-sufficient in a variety of raw materials necessary to conduct a major war. Therefore, the U.S. stockpiles strategic and critical materials in sufficient quantities to protect itself against a dangerous and costly dependence upon foreign sources of supply in time of national emergency as an essential element of national security.

The responsibility for the management and operation of the Strategic and Critical Materials Stock Piling Act is assigned to the Administrator of GSA. The Administrator has redelegated these functions to the Director, Federal Preparedness Agency, the Commissioner, Federal Supply Service, and the Director, Office of Finance, Office of Administration.

As of March 31, 1978, the estimated market value of strategic materials held in Government inventories amounted to \$8.6 billion. The materials are being stored at 115 locations: 34 military depots, 28 GSA depots, 14 other Government-owned sites, 10 leased commercial sites, and 29 industrial plant sites.

During the period from World War II to July 1973, the operating responsibility was carried out in a single mission-oriented organization. On July 1, 1973, the organization was abolished and the Office of Property Management was functionally transferred to the FSS, while the Office of Stockpile Disposal was concurrently reassigned as a staff function to the Office of the Administrator and later transferred to the Federal Preparedness Agency.

As a result, the operating responsibility for the National Stockpile is currently fragmented within GSA among the Federal Supply Service, the Federal Preparedness Agency, and the Office of Finance. FSS's Office of Property Management has physical custody of the stockpile and is responsible for acquisition, inspection, storage, maintenance, and shipment of all stockpile materials. Within the FPA, the Stockpile Policy and Objectives Division determines the commodities to be included in the stockpile, and the quantities of each. In addition, the Office of Stockpile Disposal, which is located in FPA, is responsible for selling or otherwise disposing of stockpile materials which are no longer required. The Office of Finance operates and maintains both the stockpile financial general ledger accounts, as required by law, and the inventory records of materials in the stockpile.

Under GSA's present organizational alignment, the operating responsibilities of the National Stockpile have several drawbacks: (1) no single individual below the level of Administrator of GSA has overall responsibility or accountability for all aspects of the stockpile program; (2) coordination between FSS, FPA, and Office of Finance is frequently cumbersome and incomplete; (3) some redundancy in overhead staffs exist; (4) competing organizational objectives are difficult to resolve due to communications and coordination problems; and, (5) maintenance of out-of-date inventory records due to difficulties in coordination between organizations.

III. CRITERIA FOR IMPROVEMENTS

- o Minimize fragmentation and overlap of operating responsibilities.
- o Minimize potential for stockpile management conflicts.
- o Increase accountability for management of stockpile operations.
- o Improve national emergency response capability.
- o Minimize program disruptions.
- o Reduce overhead costs.

IV. PROCESS IMPROVEMENT

Consolidate functions of the Stockpile Inventory Branch of the Office of Finance, the Office of Property Management of FSS, and the Office of Stockpile Disposal of FPA into a single office of stockpile management which would be responsible for all stockpile activities.

ISSUE NO. S-9: PUBLIC UTILITY MANAGEMENT

I. INTRODUCTION

This is an assessment of the Public Utility Services aspects of Contracting, Management, and Rate Intervention, provided by GSA to other Federal user agencies.

The study included interviews of selected Federal user agencies, utility company suppliers, State Regulatory Commissions, the Federal Energy Regulatory Commission, State Governments, private sector users, and GSA personnel.

The Federal Government spends an estimated \$2.4 billion for purchased public utility services and for operations costs for Federally-owned heating and generating plants (exclusive of utility services supplied under total building leases).

II. BACKGROUND AND CURRENT SITUATION

Section 201 of the Federal Property and Administrative Services Act (FPASA) of 1949, as amended (40 USC 481), provides that the Administrator of GSA shall procure and supply non-personal services for the use of the executive agencies and perform functions related to procurement and supply and that he shall represent other agencies in negotiations with public utilities and in proceedings before Federal and State regulatory bodies. The Secretary of Defense may exempt DoD whenever he determines it in the best interest of national security.

The procedures by which public utility services are acquired for Federal agency users is quite varied. Approximately 25% of purchased utility services are paid by GSA for buildings operated by GSA. These utility charges are included in the GSA Standard Level User Charge (SLUC) system wherein tenant agencies pay a total unit rate for space. The remaining 75% represents usage by military and civilian agencies with large self-contained installations.

The military services arrange for public utility services, usually by negotiating a contract with a utility supplier under provision of Supplement 5 to the Armed Services Procurement Regulations (ASRP), or by a contract based upon an Area-wide Agreement (negotiated by GSA) which may be in existence for the service area of interest. A delegation of authority signed between the Administrator of GSA and the Secretary of Defense on October 11, 1954 allows DoD to handle its own utility requirements.

Several agencies have authorities for procuring utility services (and other services as well) under their original agency authorizations, or under Section 602 of the FPASA (40 USC 473). Examples include the Federal Aviation Administration (now a part of the Department of Transportation), Veteran's Administration, Federal Reserve Board, U.S. Department of Agriculture, DHUD, TVA, CIA, the Bonneville Power Administration, the U.S. Postal Service, and NASA. In some instances a contract may be negotiated with a public utility company using much of an existing GSA Area-Wide Agreement; in others the commercial utility company commercial service forms may be used. In some instances, the GSA contracting process causes extended delays to agency programs.

The GSA Area-Wide Agreement is a comprehensive contract negotiated with utility companies for their entire service area, usually for a ten-year term (or for one-year renewable terms), and provides for the inclusion of various Federal users by the completion of a contract-appendix form, which resembles a utility company commercial agreement.

The outstanding feature of the GSA Area-Wide Agreements (and of the military service contracts) is the inclusion of some 17 mandatory clauses and seven optional clauses (FPR 1-4,410-4,5; GSA Form 1685). These clauses cover a variety of socio-economic subjects which have been mandated by Federal law and by Executive Order for inclusion in Federal purchase or supply contracts. These clauses are now being interpreted to also apply to various levels of sub-contractors and suppliers and that a utility company or contractor must enforce compliance upon its suppliers. This requirement for contractor enforcement of mandatory clauses upon sub-contractors is causing problems and incurs added costs, which State commissions are concerned about. These added costs are discriminatory to other customers of the utility company. There are also serious questions of contract law and performance thereunder which must be resolved.

As a result of recent enforcement actions against utility companies, many utilities are refusing to sign or to renew the GSA Area-wide Agreements or to accept GSA contracts for services. This makes it necessary for GSA to sign the commercial form to receive service. In these instances, the Public Buildings Service/GSA makes up monthly purchase orders (as obligating documentation) which the utility companies would prefer not to receive.

Officials of the Federal Procurement Regulation staff cite existing legislation (31 USC 200 (a)(1)) as requiring a written agreement between Federal agencies and suppliers.

The text of this statute reads:

"(a) After August 26, 1954, no amount shall be recorded as an obligation of the United States unless it is supported by documentary evidence of --

(1) a binding agreement in writing between the parties thereto,...or"
(Followed by 7 alternatives or exceptions).

The Federal Procurement Regulation staff has not accepted subsection 7 of this same statute which cites as an exception

"(7)... services performed by public utilities...".

This appears to provide that the approved tariffs of State public service commissions and the service agreements of public utility companies are acceptable as "documentary evidence" of an obligation by the United States Government.

There are additional cases now pending in the Supreme Court (U.S. vs. New Orleans Public Service, Inc., and U.S. versus Mississippi Power & Light Co.) that may further complicate the contractual situation between the Federal Government and public utility companies (both energy and transportation companies). Since it has been well established that utility companies are covered by the Federal law, simplifying the contracting process by legislation that affirms the intent of 31 USC 200 (a)(7) would make it possible to use commercial utility contract forms in many cases.

Inquiries disclosed that the only documentation relating to utility service arrangements used in private industry and by State government institutions were copies of approved rate and service tariffs and the utility company service agreement form. Auditors will accept this documentation as sufficient support for checks drawn in payment of utility bills.

The Commission on Government Procurement in its Recommendation 18 stated that Federal procurement should --

"Encourage procuring activities, when it is deemed in the best interest of the Government, to purchase supplies or services from public utilities by accepting the commercial forms and provisions that are used in the utilities' sales to industry and the general public, provided that the service contract provisions are not in violation of public law."

There is a periodic requirement to review tariff schedules to assure that the most advantageous rate or rate combination is being used. A consulting service for agency users would be helpful in this review.

The payment of utility bills involves a phenomenon endemic to public utilities - the need for bill-payment cash flow to finance continuing operations. Utility companies are financed by their customer payments to furnish working capital.

This need for cash flow has resulted in short payment times for utility bills -- 10, 15, 20, or 25 days are common. More recently, State commissions have approved late-payment charges for customers who are tardy in making payments. These are in the order of 3% or 3-1/2% for a first month and additional amounts up to 5% per month, or 1-1/2% per month with no limitation on the interest amounts on unpaid balances. Also, State commissions permit the cessation of service for chronic late-payment or nonpayment of bills (This has happened to Federal user agencies).

Some Federal user agencies incur late charges on their utility bills. Late-payment charges are paid largely as a result of not really understanding the nature of utility bills and not having a system to accommodate them. The Department of Agriculture handles utility bills from over 4,000 points across the United States at their National Finance Center in New Orleans. They have averaged less than four days from receipt to final action. U.S. Postal Service bills are paid on time.

Precise data on Federal late-payment charges are not available, but from various sources including sample studies under way in several agencies it appears likely that obligations of \$7 to \$10 million per year are now being accrued by Federal agencies. Much of this can be avoided, as demonstrated by those agencies who have developed systems to cope with it.

Load-management systems are being used in many areas of the United States for both residential and commercial-building energy load control. Home air-conditioners and hot-water heaters are equipped with remote activated switches in Georgia, Michigan and Ohio. The Georgia Building Authority is installing a computer controlled load-management system for the Georgia State Capital Building complex. GSA has several test installations in various parts of the United States.

This concept of peak-demand reduction through load-management - "peak shaving" - is a very significant technique that merits strong emphasis. The savings are attractive and can be widely achieved.

Public utility service rates are established after hearings and presentations before State and Federal Regulatory Commissions. Utility companies and utility users present cost-of-service or rate-of-return information with economic, engineering, accounting, or financial data relating to the utility services provided.

Many States have a People's Utility Counsel to represent residential and non-commercial users. Representatives of the Federal Government sometimes appear at such rate hearings and proceedings, either as observers, or as intervenors representing the Federal Government as a large user. As a general rule, any one with an interest may be an intervenor in such hearings.

The effectiveness of GSA and other Federal Government participants in regulatory intervention cases appears to be mixed. Performance ranges from the GSA appearance in the Arkansas hearings on automatic indexing for utility costs (the proposal was denied, but whether it was achieved by reason of the GSA intervention is not certain) to recent hearings before the Florida commission in which two sets of Federal Government witnesses presented diametrically opposite views. For the most part, it appears that participation is limited to observing or questioning expert witnesses. GSA has made full-scale rate-of-return presentations at past hearings.

III. CRITERIA FOR IMPROVEMENT

o Improved Federal management practices to reduce costs of utility services.

IV. PROCESS IMPROVEMENTS

To enhance the public utility management function GSA should expand the existing public utilities management activity with a new charter to develop policies, procedures, and management systems. There is a need for the Administrator to work closely with industry/Government experts to identify various aspects of public utility management, organize a program of work, and provide an ongoing reference for forward progress.

Agencies should assure that public utility bills are paid within stated payment periods on a schedule which is most

advantageous to the Government. There may be need to revise existing systems or establish new ones to provide for paying utility bills prior to making adjustments.

Agencies should make post-payment audits of utility bills. This is a new function that would parallel the present post-audit function for transportation bills. Review would cover the tariff schedule used, special rates, and the like.

GSA should seek better rates to reduce total cost of utilities. The Federal Government as a large user requires a continuing block of energy from many utilities that could warrant a base block rate lower than other rates by virtue of economies of size.

Agencies should use systems that reduce peak-loads. The peak-demand for any given instant that is greater than at any other period in the year will establish the demand rate for the next annual period. There are several techniques for managing (controlling) and reducing this peak demand. These controls also may reduce the total annual load and cost.

GSA should develop recommendations to Congress to improve the method for Government utility contracting. The Commission on Federal Procurement recommended Federal contracting for public utility services should be reserved for rare, exceptional cases, and commercial forms and procedures should be used to the greatest extent possible.

Expected Benefits:

Reduced peak-demand costs through load-management and other conservation programs	\$15 - 16 million
Reduced total costs through management -- improvements such as rates or tariffs (cost-of-service cases)	10 - 14 million
Paying utility bills on a scheduled basis	<u>7 - 10 million</u>
Total Annual Savings	\$32 - 40 million

ISSUE NO. S-10: COOPERATIVE SUPPORT SERVICES

I. INTRODUCTION

This is an assessment of the potential for delivering certain administrative services more efficiently and at reduced cost. These services will be called "cooperative support services". It replaces the former title "common services" as it more accurately describes the intent and nature of the concept.

Two cooperative support service concepts are discussed in this study: (1) central administrative support services and facilities provided to agencies in a common building/complex in lieu of each agency providing the same services or facilities for its own use; and, (2) centralized services provided on a nation-wide basis to smaller agencies with inadequate resources to provide the same services individually.

The study included examination of applicable laws, regulations, previous studies and correspondence; questionnaires to 17 Federal cabinet and major independent agencies; visits/interviews with small Federal agencies and State government organizations; and evaluation of the solicited views of trade associations, professional groups, other state and local government organizations and private citizens.

II. BACKGROUND/CURRENT SITUATION

The Bureau of the Budget, now OMB, on August 28, 1964 published Circular No. A-68, "Establishment of central supporting service facilities in headquarters and field office locations". The Federal Property Management Regulations (FPMR), Part 101-5, "Centralized Services in Federal Buildings", implemented Circular A-68.

Although Circular No. A-68 was the initial movement by the Federal government towards centralized service centers, the real push did not come until 1971 when GSA's Office of Management Services established a pilot project at the Arcade Plaza Building in Seattle, Washington.

The Seattle Federal Regional Council was utilized to provide the needed framework. Seattle seemed an ideal site to establish the pilot "cooperative support services" project because the Arcade Plaza Building housed the five FRC charter agencies; the Department of Health, Education, and Welfare (DHEW); the Department of Housing and Urban Development (DHUD), the Department of Labor (DOL), the Department of Transportation (DOT), and the Office of Economic Opportunity (OEO). Following two years of planning the project became operational in

1971 with six initial services (mail and messenger; procurement; receiving and shipping; laboring services; self-service supply room; and library) being provided to a population of 975. It was estimated that the centralization of these services would result in a 25% reduction in costs.

An evaluation of the pilot project was conducted in 1972 by GSA in cooperation with OMB. This evaluation concluded that the pilot project was efficient, economical, and provided a high level of customer satisfaction. The evaluation team recommended that the Arcade Plaza arrangement be made permanent and the concept be extended to all locations where feasible.

In early 1973, OMB Circular No. A-68 was cancelled when centralized support services and other government-wide functions were transferred to GSA. Subsequently, GSA issued Federal Management Circular (FMC) 73-4, Central Support Services. Within FSS the responsibility was levied on the Office of Customer Service and Support, which intended to establish a Common Services Branch, but never pursued it when application of the program was not supported outside of the Seattle project.

In 1975, only three of the original five participants remained in the Seattle pilot project, i.e., DHEW, DHUD, and CSA (formerly OEO). A new review of the project was requested by the Working Group on Administration, composed of representatives of the three remaining agencies, in May 1975.

The National Archives and Records Service (NARS) of GSA conducted the study and recommended common services should continue in its present form, at least in the short run. Ultimately, the transfer of DOL and DOT out of the Arcade Plaza did lead to the discontinuance of common services except for library services which may also be terminated due to funding cutbacks in FY 79.

The current thinking of those who participated in the Seattle experiment is that cooperative support services would work effectively and economically on a localized basis provided that understanding and support of cooperative support services in philosophy and resources exist at all levels in headquarters and the field.

GSA tried to initiate agreements at new Federal installations in Honolulu, San Diego, and Fort Worth. However, the resistance encountered in trying to work out a means of obtaining manpower ceilings for the consolidated services was never overcome and all new initiatives were dropped.

Also reviewed was the Kluczynski Building in Chicago, a large Federal building occupied by several Federal agencies. The intent of this review of the delivery of administrative services was to determine if duplication existed in 23 selected types of services. It was concluded that duplication did exist and a feasibility study would be warranted.

The potential for a national approach to the delivery of certain kinds of administrative services to smaller agencies was examined. The model chosen for study was the USDA's consolidated payment center in New Orleans. In 1970, the USDA estimated that by consolidating the processing of payment vouchers a reduction of 473 man-years of effort and \$3,845,000 in total costs could be realized. The National Finance Center was fully implemented in 1977 with the addition of nine more systems. Projected savings for 1977 with the total system operational is \$4,345,630.

Using the USDA voucher processing feasibility study format from 1970, statistics were collected for the same activity in ACTION, FCC, ICC, NSF, and TVA. The results show that approximately 236 man-years are being devoted to voucher processing. Although no firm conclusions about efficiency of operations can be derived from this limited statistical sampling, the figures do indicate that duplicative voucher processing systems exist and that there is considerable volume in smaller Federal organizations. This could be analogous to what existed in the USDA prior to establishment of the National Payment Center.

Agency responses to the ASRP inquiries indicate that they generally agree with the theory of economy that cooperative support services projects, but there is great disparity in their views about what services should be included/excluded and the advantages/disadvantages involved.

A recent example of centralization of administrative services is the establishment of a Office of Administration in the Executive Office of the President (EOP). The Office of Administration consolidated services previously being supplied from many different sources with a wide variation in the quality and completeness of services. Services included were: personnel, accounting, mail, library facilities, computer operations, messengers, payroll, etc. Previous fragmentation of these services produced: numerous service duplications; inconsistent distribution of services; excess capacity in some units and deficiencies in others; missed opportunities for economies of scale; and lack of cost control.

Three of the advantages expected from the establishment of the Office of Administration were: estimated savings of approximately \$1.1 million and 40 positions; an administrative base on which to develop service; a management focus for accountability, responsibility and monitoring of administrative services in EOP.

Accounting, the first service fully centralized in the Office of Administration, is meeting with great success in terms of increased customer satisfaction, improved management information and more expeditious service.

III. CRITERIA FOR IMPROVEMENT

- o Eliminate duplicative costs for the delivery of support services.
- o Improve the delivery of support services.
- o Identify actual costs of support services.
- o Upgrade the efficiency and quality of support services required by non-departmental agencies.
- o Reduce excess capacity and fill deficiencies where they exist.

IV. PROCESS IMPROVEMENTS

A. Have GSA, with the firm support of OMB and Heads of Departments and Agencies vigorously pursue the application of cooperative support services on a local basis in buildings or complexes where large multi-agency populations exist. This effort should be accomplished through full and complete coordination and cooperation with the Federal Executive Boards and Federal Regional Councils.

B. Have GSA, with the firm support of OMB, and the necessary resources from appropriate agencies, investigate the feasibility of establishing cooperative support service agreements on a National basis for non-departmental agencies. This alternative would entail an in-depth feasibility study for selected services such as payroll, voucher processing, property accounting, etc.

C. Revise the FPMR, Part 101-5 to reflect the local and national basis concept of cooperative support services, and specify in detail the accomplishment of feasibility studies, the roles of the Federal Executive Boards (FEB's), the Federal Regional Councils (FRC's), OMB and the Departments and Agencies.

D. Establish flexible cooperative support service agreements, which permit addition of new services, and elimination of services which cease to be cost-efficient.

E. Provide for annual reviews of all cooperative support service agreements.

ISSUE NO. S-11: MOTOR VEHICLE MANAGEMENT

I. INTRODUCTION

This is an assessment of the management and operation of motor vehicles used in the Federal Government.

The Federal fleet for the purposes of this report is classified as commercial type, general purpose vehicles such as sedans, station wagons, ambulances, buses, and trucks operated by the Executive Branch agencies. Excluded are military tactical vehicles, special purpose vehicles such as fire trucks and trucks with permanently mounted special equipment, motorcycles, trailers, trailer vans, and some law enforcement vehicles. The domestic Federally-owned fleet as of FY 1976 consisted of 392,000 vehicles with a current capitalized replacement value of approximately \$3.3 billion. The annual operating and maintenance cost of this fleet was approximately \$600 million.

GSA operates 78,000 vehicles; other civil agencies 75,000; USPS 123,000; and DOD 116,000. This report concentrates on those vehicles operated by GSA and other civilian agencies, and DOD vehicles operated off-base. It excludes vehicles operated by USPS.

The study involved interviews with OMB, GSA, GAO, USPS, and other Federal agency personnel; members of Interagency Motor Equipment Advisory Councils in three GSA regions; officials of three state governments; officials of corporations involved in the leasing and management of vehicles; manufacturers of vehicles; and responses to questionnaires sent to Federal agencies.

Customer agency dissatisfaction with the level of motor equipment support services provided by GSA has been on the increase and is substantiated by agency interviews, questionnaires and letters. Contributing to this situation are: age, condition, and availability of vehicles in the GSA fleet; GSA's need to better understand customer agency mission requirements; and inadequate funding for motor equipment services.

The study examines the economies of centralized motor vehicle fleet management for the civilian and off-base military domestic fleet. Once the deficiencies in the Interagency Motor Pool System (IAMPS) have been corrected, motor pools and vehicles should be consolidated as determined feasible.

II. BACKGROUND/CURRENT SITUATION

OMB and the GSA General Counsel believe that PL 81-152 does not grant GSA authority to establish standards for agency-owned fleets.

Legislation proposed by GSA in 1976 to designate GSA as the Government-wide motor vehicle fleet management authority was not pursued because funding restraints precluded the assumption of further responsibilities by GSA. A 1977 proposal was not acted upon because it was GSA's opinion that the merits of the proposal were a matter for consideration by the President's Reorganization Project.

In 1954, PL 83-766 and E.O. 10579 established the Interagency Motor Pool System and gave GSA (Subject to economy, efficiency or service considerations and with due regard to the program activities of agencies concerned) the authority to consolidate, take over, acquire, or arrange for the operation by any executive agency of motor vehicles for the purpose of establishing, maintaining, and operating Interagency Motor Vehicle Pools or Systems.

PL 83-766 exempted military vehicles used principally within the confines of a post, camp, or depot. However, these vehicles can be consolidated into the IAMPS if the agency operating the vehicles so requests. However, requests for consolidation into the IAMPS have been denied by GSA, recently due to lack of funds. PL 83-766 also exempted Postal Service vehicles.

1. Fleet Management

GSA does not have legislative authority to prescribe Government-wide fleet management practices such as utilization and assignment criteria; operations; maintenance; cost and inventory controls; procurement standards and options; or authority to conduct Government-wide fleet management surveys or reviews and, as a result, prescribe corrective actions.

There is no standard or uniform motor vehicle management system within the Government. The lack of a standardized or common measurement system has resulted in fragmentation and duplication of the various motor vehicle services resulting in overall increased expense for the Government.

GSA does not now provide fleet management assistance to other agencies. The FPMR presently contains management directives relating to replacement criteria; vehicle identification and licensing; reporting certain fleet inventory data, limited

operational data and statistics; preventive maintenance advisory guidelines; storage advisory guidelines; and use of the U.S. Government National Credit Card.

2. Interagency Motor Pools

GSA operates an Interagency Motor Pool System (IAMPS) consisting of 100 motor pools in major metropolitan areas or areas where there is a concentration of Federal activity. These pools provide assigned vehicles as well as dispatch vehicles to individuals and organized elements of the Government for essentially exclusive use. These pools range in size from 2,549 vehicles in the Washington, D.C. Motor Pool (assigned and dispatch) to 155 in the Parker Arizona Motor Pool. All of these pools have some maintenance and repair capability. Often vehicles in a IAMPS pool are not operated near the pool headquarters, but are assigned to customer agencies over a wide area.

There is no uniform application of a vehicle reconditioning prior to sale program among the IAMPS. The judicious reconditioning of vehicles can substantially increase net proceeds from vehicle sales.

Replacement of IAMPS vehicles has been deferred due to lack of funds. At the end of fiscal year 1977, 30,000 vehicles out of 78,000 in the IAMPS fleet were eligible for replacement. GSA allocated \$66.8 million from the General Supply Fund to purchase about 15,000 vehicles during FY 77. This situation has also been aggravated by higher vehicle acquisition costs. For example, the base cost of a sedan has increased from about \$1,700 in 1969 to \$2,700 in 1977. The average delivered cost (options & transp.) is now \$3,750.

Due to a lack of resources only limited action has been taken by FSS/GSA to meet increased customer agency needs created by Congressionally or Presidentially mandated programs assigned to the customer agencies. Of the 16 agencies which responded to the questionnaire concerning the effectiveness of GSA motor vehicle services, more than two-thirds replied that GSA's service is "poor". Agencies also indicated that service was erratic, and varied from region to region. Operational dependability declined as over-age/mileage vehicles required frequent additional maintenance.

GSA reported that it turned down agency requests for about 9,000 vehicles during 1976. As a result, customer agencies were forced to acquire vehicle support through more costly alternatives such as commercial leases, agency funded purchases and privately-owned vehicles (POV).

In FY 76 there were approximately 4,800 vehicles being leased by Government agencies. This number increased to approximately 10,500 in FY 77. This includes 5,800 sedans and station wagons leased by GSA in support of agency needs.

All sixteen of the agencies responding to the agency questionnaire said they leased vehicles "because the vehicles needed were not available from GSA".

A GAO study "Opportunities to Reduce the Cost of Government Operations", LCD-77-215 February 28, 1978, and a May 1977 GSA study -- Government Ownership vs. Centralized and Decentralized Leasing -- showed that Government ownership was far less expensive than commercial leasing. Basic capital cost per vehicle per month for GSA-owned vehicles was \$52.15; centralized GSA lease cost was \$71.36; and decentralized agency leasing cost was \$123.49.

Agency funded purchases result from IAMPS inability to provide vehicles. This forces agencies to either seek a supplemental appropriation or reallocate existing funds. This circumstance frequently results in the agency not being able to submit a requisition to the GSA Automotive Center in time for inclusion in a consolidated purchase, resulting in higher vehicle price.

The increased use of privately-owned vehicles (POV) in lieu of Government-owned vehicles is an expensive alternative. The permissible reimbursement rate for POV has risen from 11 cents a mile in FY 73 to 17 cents per mile in FY 77 (projected to go to 18.5 cents in FY 79) versus 12.2 cents per mile for a GSA sedan in FY 77. Except for immediate manager control, there are no systems currently available which can be used to collect data and monitor POV use. POV also can become an unreliable source of transportation due to factors such as: employee refusal, union action, energy crises, and insurance.

3. Repair and Service Contracting

GSA mandatory repair and service contracts have created serious problems for both the IAMPS and customer agencies because of the poor quality of service and contractor accessibility. Twelve of the seventeen Federal agencies which replied to the agency questionnaire concerning GSA mandatory contracts stated that the quality of repairs and the responsiveness of the contractors were poor. Commercial organizations minimize these problems by contracting with national repair and maintenance firms which offer simplified billing procedures and standardized rates -- as well as good service.

III. CRITERIA FOR IMPROVEMENT

- o More responsive and better service to agencies.
- o Reduced cost of operating motor vehicles
- o Creation of management data bank for better control of costs and vehicle inventory.

IV. ALTERNATIVES

A. Establish a new organization in GSA with a specific charter to develop a Government-wide fleet management system and expand the IAMPS.

1. Advantages

Increased management control and effectiveness leading to quantitative savings.

Correct existing fragmentation/duplication of vehicle management throughout the Federal fleet.

Savings through: uniformity of policies, procedures, guidelines; vehicle inventory reductions; facility reductions; vehicle inventory and operating data.

Improved service to user agencies.

Lower Government fleet costs (approximately \$400 per pooled vehicle per year based on IAMPS costs compared with prior to pooling costs developed in GSA feasibility studies).

Better fleet control

Elimination of duplicative fleet inventories, facilities, equipment and personnel.

2. Disadvantages

Legislation required

Will require reallocation of resources when facilities and manpower are transferred from other agencies to the IAMPS.

3. Expected Benefits

Expanding IAMPS	\$44 million
Reduce Commercial Leasing	\$ 9 million
Change Sedan/St. Wagon Replacement Criteria 6 yrs./60,000 to 3 yrs./50,000 miles	\$ 5 million
Vehicle prior to sale reconditioning program	\$ 2 million

B. Secure all or some requirements commercially

1. Advantages

Reduction of Government capital outlays
Provide tax income to Federal Government
Reduce operational personnel

2. Disadvantages

Increased costs
Loss of controls
Mass reorganization and agency impact

C. Decentralize operations to using agencies (No IAMPS)
but with GSA policy direction.

1. Advantages

Greater flexibility for agencies in securing
motor vehicle support.

2. Disadvantages

Loss of control
Increased costs
Expensive duplication and fragmentation
Special problems for small agencies
Legislation required

D. PROCESS IMPROVEMENTS

Legislation needed to:

1. Assign to one agency authority for Government-wide fleet management if alternative A is selected. This authority would include but not be limited to:

Prescribing of Government-wide policy on vehicle acquisition, utilization, operation, maintenance, replacement and disposition; management reviews to evaluate and correct vehicle management and operational inefficiencies; and energy conservation measures and programs.

Establishing a common management information inventory and reporting system. (In a report "How Passenger Sedans In The Federal Government Are Used and Managed" B-158712, dated September 6, 1974, GAO reported that most Federal Agencies did not have central records showing, by location, the number and types of light vehicles in use throughout the agency. Similarly, GAO reported that "GSA does not have any management control over these vehicles". The data furnished GSA by the agencies is "incomplete and inaccurate".)

2. Establish a separate motor vehicle working capital fund (WCF) for the IAMPS to segregate IAMPS financial operations from the procurement/supply financial operations to allow:

Retention of surplus earnings in the IAMPS WCF to provide for the acquisition of vehicles to meet agency needs.

Depreciation of vehicles and establishment of user rates based upon replacement cost rather than original acquisition cost. This would correct the financial difficulties created by inflationary factors over the vehicle replacement cycle and insure that adequate reserves are created for the purchase of replacement vehicles. (The U.S. Forest Service presently has the authority to depreciate vehicles on a replacement cost basis.)

Capitalization of vehicles consolidated into the IAMPS at replacement cost less current value.

3. Eliminate the statutory price limitations imposed on the purchase of sedans and station wagons. The current base price limitation of \$2,700 for sedans and \$3,100 for station wagons has not kept pace with inflation and other cost factors.

4. Increase the appropriated capital of the General Supply Fund in the amount of \$100 million to provide for acquisition of additional vehicles in the IAMPS to meet requirements of customer agencies and to replace vehicles eligible for replacement. This would be a temporary measure pending approval of legislation to establish the separate IAMPS working capital fund in the manner described herein.

Administrative action is needed to:

1. Reduce operating costs of IAMPS vehicles by changing current sedan/station wagon replacement cycle from 6 yrs./ 60,000 miles to 3 yrs./50,000 miles. Various GAO and GSA studies have substantiated that the current 6 year/ 60,000 mile replacement standard is clearly not the most economical. A 3 year/50,000 mile replacement cycle vs. a 6 year/60,000 mile cycle would produce annual savings of approximately \$2.2 million in depreciation, maintenance, repair, and tire costs; a 6-year saving of \$21 million in fuel cost; and the conservation of 28 million gallons of gasoline.

2. Reduce costs by establishing a Government-wide prior-to-sale vehicle reconditioning program. Judicious reconditioning of vehicles by the IAMPS could increase net sales proceeds by an estimated \$1.1 million annually; government-wide implementation would result in an additional \$1.3 million in net sales proceeds annually.

3. Establish interagency motor pools after feasibility studies have proven pooling to be cost beneficial. A recent GAO study of 20 motor pools operated by agencies shows that 8 of the 20 pools should be consolidated into the IAMP system, at an actual dollar savings of \$743,000 annually. Establishment of motor pools in other areas would save an additional \$780,000 annually through a reduction in facilities and manpower, as well as better vehicle inventory control and utilization.

ISSUE NO. S-12: TRANSPORTATION AND TRAFFIC MANAGEMENT

I. INTRODUCTION

This is an assessment of domestic transportation and traffic management practices, including transportation audit and rate intervention, of the civilian executive agencies.

The annual expenditure for domestic transportation procured from carriers is about \$3 billion, of which \$700 million is civil agencies. This paper concentrates on the latter.

The study involved questionnaires and interviews with officials of Federal agencies; visits to commercial concerns such as J.C. Penney, Sears Roebuck, Mobil Oil, and Montgomery Ward; and contacts with transportation carrier associations, e.g., the Transportation Association of America, Household Goods Carriers Bureau, Middle Atlantic Conference, Rocky Mountain Motor Tariff Bureau, Movers and Warehousemen Association of America, and Air Transport Association of America.

The results of the study substantiate that the application of traffic management expertise to civilian agency passenger and freight movements could result in substantial annual savings and should provide improved services to the executive agencies.

II. BACKGROUND/CURRENT SITUATION

GSA has authority for Government-wide traffic management policy, under the Federal Property and Administrative Services Act of 1949 (PL 81-152) with exceptions such as DoD, USDA price support programs, DOE, and USPS. GSA has not fully executed the authority or responsibilities of PL 81-152. Traffic management lacks central direction; does not have sufficient program emphasis; and is not adequately funded to perform the full range of functions specified in PL 81-152. GSA issues advisory rather than mandatory FPMR's and provides assistance on a request basis. There is little policy direction on an affirmative basis.

Traffic management liaison with executive agencies is an integral part of GSA's Government-wide responsibility as traffic manager. This liaison program has been placed in GSA's Region 3 for agency headquarters liaison.

The traffic management function in GSA has achieved measurable savings of over \$15 million per year on traffic moving under GSA's supply system; on traffic managed by GSA for a few agencies such as the Bureau of the Mint and Department

of Agriculture Food Stamp Program; and by transportation contracts for office relocations and other special types of movements. However, since GSA does not have detailed data on the majority of the civil agencies' traffic, potential savings are not realized through shipment routing control opportunities for rate negotiations and other traffic management actions.

The civilian executive agencies of the Federal Government procure a large volume of supplies on a delivered basis, i.e., FOB destination. Hence, the Government is not able to control the transportation costs related to such procurement. Civilian agency FOB destination procurement potentially subject to GSA transportation management is \$6 billion annually. A minimum of 5% of the procurement dollar on FOB destination prices is estimated to be transportation cost or \$300 million annually. The application of traffic management expertise in the procurement cycle could yield minimum savings of \$3 million per year.

Civil agency expenditures for passenger transportation on Government transportation requests are approximately \$100 million annually. A management system to identify instances where interagency group or charter ticketing are feasible could result in significant annual savings.

GSA represents the civil agencies as users of transportation services in proceedings of transportation regulatory bodies such as the Interstate Commerce Commission and in docket actions of carrier rate bureaus. In this capacity, in FY 1977, GSA reviewed 122 thousand carrier docket proposals for rate or rule changes, filed 871 docket actions with carrier rate bureaus, and participated in 51 regulatory agency proceedings.

Before 1940, payments to transportation carriers were pre-audited by fiscal officers and post-audited by GAO, with certifying officers liable for incorrect payments. This system presented few problems until shipments volume exceeded the pre-audit capabilities of certifying officers. The Transportation Act of 1940 provided that carrier bills were to be paid on presentation without pre-audit by certifying officers.

The transportation audit function was transferred from GAO to GSA in 1975. The function was placed in GSA's Federal Supply Service, Office of Transportation and Public Utilities.

Audits are made of payments to carriers of all modes of transportation by all executive agencies (civilian and military) for shipments of material on Government Bills of Lading (GBL)

and movement of persons on Government Transportation Requests (GTR). Federal Property Management Regulations (FPMR) are prepared which provide direction to Executive agencies and carriers in the format and preparation of GBL's and GTR's; vouchering and payment of bills for services rendered by carriers and filing of claims by or against carriers. These regulations place the audit function in a highly visible and sensitive position vis-a-vis the multi-billion dollar transportation industry. The value of payments audited in FY 1977 were \$1.8 billion; overcharges recovered from carriers were \$11.3 million.

At the time of the transfer of the transportation audit function to GSA, GAO transferred 417 employees to GSA. The present staffing level is 323. The reduction of staffing ceilings, inability to hire technicians from the carrier industry, and loss of technicians through retirement has reduced the technical staff of the transportation audit activity.

Where audit systems cannot be computerized, the audit of payments below certain minimum amounts is not cost beneficial. The practice of a secondary audit by an independent auditor, paid a percentage of money recovered, is employed by many private companies, but has never been used by the Government.

III. CRITERIA FOR IMPROVEMENT

- o Reduced cost of transportation services.
- o Increased cost effectiveness through enhanced audit effort.
- o Improved services to customer agencies.

IV. ALTERNATIVES

A. Establish a new organization in GSA with a specific charter and expanded resources to develop a Government-wide transportation program to include policies and procedures, management systems and audit. Operational control would remain with the agencies except where a small agency requests GSA to perform these functions for it. Program management would include policy; regulations; rate intervention; rate negotiations; maintenance of a tariff library; furnishing rates, routes and technical assistance; management reviews and training; and rate audit. Operations would include shipment planning; obtaining rate and routing information from the central traffic manager; shipment documentation; ordering equipment from designated carrier; filing of claims; bid/contract evaluation (FOB origin vs. destination) using rate data furnished by the central traffic manager.

1. Advantages

Increased management control and effectiveness leading to significant savings.

Better service to civilian agencies.

A pre-shipment control system.

Capability of establishing a data management base from audit function data which will generate savings.

Capability of establishing a passenger traffic management system which should result in considerable savings, the magnitude of which has not been identified.

2. Disadvantages

Perception by agencies that increased controls would delay shipments.

3. Expected Benefits

Pre-shipment Routing Control System	\$10 million
Use of FOB Origin Contracts	3 million
Secondary Audit	1.6 million

B. Centralize both management and operations in GSA.

1. Advantages

Advantages of centralized operations would accrue only to small agencies.

2. Disadvantages

Centralized operations would require that many functions best performed at the site of shipment be removed to a more distant location with resulting reduction in support response.

C. Combine civil and military in GSA. It is inadvisable to combine civilian and military traffic management because the DoD mission responsibilities override any possible benefits that would be derived. The Second Hoover Commission of March 1955 stated that "The transportation functions of DoD are so vast and so different from those of the civilian agencies that they should be handled separately." While the Second Hoover Commission also recommended

that DoD perform its own transportation rate audit, DoD at the time of the transfer of the audit function from GAO to GSA in 1975, took the position that the audit function was sufficiently removed from its mission that DoD need not perform its own audit.

D. PROCESS IMPROVEMENTS

1. Establish a pre-shipment routing control system to determine the best cost mode and carrier.

2. Establish a post-shipment evaluation system to ensure compliance with routing specified on particular shipments and to develop data on traffic not included in the routing control system.

3. Institute a secondary audit procedure using contractors on a shared reimbursement basis through legislative action or OMB direction.

4. Make FPMR's mandatory for appropriate transportation functions.

5. Establish a passenger travel management system to determine the best cost mode and carrier including group and charter arrangements where feasible.

Executive Summary
Regulatory & Advisory
Services

ADMINISTRATIVE SERVICES REORGANIZATION PROJECT
SUPPLY AND SUPPORT SERVICES TASK FORCE
REGULATORY AND ADVISORY TASK TEAM

EXECUTIVE SUMMARY

BACKGROUND

The Federal Property and Administrative Services Act of 1949 assumed that the General Services Administration (GSA) would exercise a Government-wide leadership role in the delivery of administrative services. To carry out its mission, GSA has issued guidance to agencies in the form of Federal Property Management Regulations (FPMR), Federal Travel Regulations (FTR), and Federal Procurement Regulations (FPR). In a more service-oriented view, GSA provides assistance to agencies by offering training programs and conducting consultant-type advisory studies.

The study involved extensive interviews with GSA and customer agency personnel, interviews with officials of large corporations and state governments, analysis of questionnaires, and review of existing statutes, GSA and agency regulations.

ISSUES

The adequacy of three principal activities were addressed by the Task Team:

- o GSA regulatory activities
- o Interagency training
- o Advisory services to agencies

FINDINGS AND ALTERNATIVES

GSA REGULATORY ACTIVITIES

With respect to the FPMR and the FTR, there is no consistent institutionalized system for obtaining customer participation in the development of regulatory material. There is evidence of overemphasis on intra-GSA coverage versus inter-agency guidance. In varying degrees, required changes to regulations are not timely, language is overly complex, implementation of changes by the Federal establishment is costly, and there is no adequate system for either agency feedback or determining the level of agency compliance.

Organizational Alternatives. The structure of GSA has inhibited its ability to present a strong, coherent and service-oriented regulatory image to the Federal agencies it was created to serve. Three alternatives were considered:

- o Centralize development and control of regulations on the staff of the GSA Administrator.
- o Centralize coordination and monitoring of regulations on the staff of the GSA Administrator.
- o Strengthen staff of each GSA service to develop and control regulations.

Process Improvements. GSA should make the following improvements:

- o Increase agency participation in regulatory development and feedback.
- o Establish an improved compliance system.
- o Simplify regulatory language.
- o Write regulations which minimize the need for duplicative agency implementation.

INTERAGENCY TRAINING

Training and motivation of personnel are an integral element of administrative services. The quality and quantity of training provided to administrative services personnel varies by GSA Service. Moreover, some duplication of training effort between the Civil Service Commission and GSA requires resolution. Department of Defense training courses and the Federal Acquisition Institute are excellent models to emulate in establishing training and career development programs for administrative services personnel at all grade levels.

Alternatives. The fragmented approach to training within GSA lends itself to the following options to improve service delivery:

- o Consolidate administrative services training effort in GSA on the staff of the Administrator.
- o Consolidate administrative services training effort in the Civil Service Commission.
- o Continue current fragmented approach and work on product improvement.
- o Contract-out training.

Process Improvements. Initiate action within GSA and working with other agencies to:

- o Initiate a Government-wide career development program for administrative services personnel.
- o Establish a system to receive customer agency input.
- o Insure strong ties between training and program operations.
- o Improve training evaluation.

ADVISORY SERVICES TO AGENCIES

Based on customer agency response, there is a place in the GSA for an institutional group of high-quality consultants. The current approach to providing this type of service varies considerably among the GSA Services.

Organizational Alternatives.

- o Establish an organization on the Administrator's staff to plan, control and monitor advisory services.
- o Establish an organization within each GSA Service to plan, control, and monitor advisory services.

Process Improvements. Initiate action within GSA and working with other agencies to:

- o Conduct market surveys to pinpoint customer demand.
- o Establish a customer feed-back system.
- o Make program fully reimbursable and emphasize quality performance.
- o Avoid the audit image in providing advisory services.

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Issues
Regulatory & Advisory
Services

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ISSUE RA-1: GSA'S REGULATORY ACTIVITIES

I. INTRODUCTION

This paper presents an assessment of GSA's role in the development and issuance of, and monitoring agency compliance to the Federal Property Management Regulations (FPMR), Federal Travel Regulations (FTR), and Federal Procurement Regulations (FPR). FPMR's are the primary means by which GSA manages the Government's property management practices and are applicable to almost all executive agencies. The FTR governs all travel by civil service employees. FPR's prescribe procurement policies and procedures and, are applicable to almost all civilian agencies. The study included interviews with GSA and other agency personnel, interviews with officials of several large corporations and state governments, analysis of responses to several questionnaires sent to major departments and agencies, and review of existing statutes, applicable GSA regulations, and agency implementing regulations. The results of this assessment indicate that GSA has not adequately fulfilled its regulatory role as envisioned in enabling legislation.

II. BACKGROUND/CURRENT SITUATION

A. FEDERAL PROPERTY MANAGEMENT REGULATIONS (FPMR)

GSA authority for the FPMR can be found in the Federal Property and Administrative Services Act of 1949, Section 205.(c).

The FPMR system is the vehicle by which GSA prescribes regulations, policies, procedures and delegations of authority pertaining to property management and records. FPMR's are applicable to all executive branch departments or agencies, with a few legislative exemptions. The FPMR system is the primary method used by GSA to regulate the Government's property management practices and covers Federal Travel, Archives and Records, Defense Materials, Public Buildings and Space, Supply and Procurement, Telecommunications and Public Utilities, Transportation and Motor Vehicles, and Utilization and Disposal.

All four GSA Services contribute to the FPMR. Federal Supply Service (FSS), for example, has cognizance over regulatory coverage dealing with federal travel, defense materials, supply, public utilities, transportation and motor vehicles, and utilization and disposal.

Since many subjects have a direct or indirect impact on all Services, a significant amount of coordination effort is required. In addition to multi-Service preparation and coordination of regulations, numerous offices within a Service contribute to the development of the FPMR. In the National Archives and Records Service (NARS), eight offices draft FPMR material. Table 1 identifies the number of offices and people involved in FPMR development for each GSA Service.

TABLE 1 .

<u>GSA INVOLVEMENT</u> <u>IN FPMR</u>		
<u>GSA Service</u>	<u>No. of GSA Divisions</u>	<u>No. of Persons</u>
PBS	10	43
ADTS	1	4
NARS	8	30
FSS	<u>19</u>	<u>81</u>
TOTAL	38	158

Each of the GSA Services developing Government-wide regulations also has responsibility for GSA operational programs. Even within a Service, an office developing FPMR material may also have cognizance over an operating program. For example, the Office of Personal Property Disposal in FSS operates a Government-wide utilization program and, at the same time, develops regulations governing utilization of property within an executive department or agency. Much of the FPMR prescribes procedures applicable to the use of GSA services rather than policy and procedures pertaining to the management of other agencies' internal property management practices. For example, of 145 pages in the FPMR dealing with supply and procurement, 100 pages involve procedures relative to obtaining FSS material and services.

Agency involvement in the development of regulations is typically minimal, and there is no standard procedure for user participation. For example, a recent regulation on first-class air travel was not coordinated with agencies, while a regulation concerning shipment of household goods was fully coordinated with agencies through an interagency committee. The implementation of the FPMR by other agencies ranges from zero to the extensive use of implementing documents. These documents are issued in a variety of publications including handbooks, department orders, administrative manuals and the Code of Federal Regulations (CFR).

Depending on how thoroughly the FPMR prescribes policies or procedures on a specific subject, agency implementing procedures may be brief or extremely detailed. For example, the Federal Travel Section of the FPMR is 100 pages in length; Department of Transportation's implementing manual is 300 pages long. Table 2 is based on data from several agencies and indicates typical agency involvement in implementing the FPMR.

TABLE 2

AGENCY IMPLEMENTATION
OF THE FPMR

<u>FPMR Subtitle</u>	<u>FPMR Pages</u>	<u>Average No. of Pages of Agency Instructions</u>	<u>Average No. of Persons Involved in Implementation</u>	<u>Average Cost of Agency Changes FY 1977</u>
General	55	105	10	\$ 4,768
Federal Travel	104	671	11	57,901
Archives & Records	58	1,481	22	139,190
Public Bldgs. & Space	79	262	11	30,207
Supply & Procurement	145	661	22	29,997
Telecommunications & Public Utilities	20	105	13	8,410
Transportation & Motor Veh. Utilization & Disposal	77	218	13	29,540
	<u>157</u>	<u>153</u>	<u>18</u>	<u>18,985</u>
TOTAL	695	3,656	120	\$318,988

There is no Government-wide system for monitoring agencies' property management practices or implementing regulations. GSA neither receives nor reviews the implementing procedures of other agencies. For the most part, GSA does not review agencies' property management practices. Agencies, responding to a questionnaire, identified their internal audit and/or GAO as activities that are, and should be, responsible for monitoring property management practices. These audits typically focus on specific operating problems as opposed to systems reviews. GSA neither receives nor reviews agency internal audit or GAO reports relative to agencies' property management practices. Some agencies conduct "management reviews" which involve review of all aspects of property management for a specific activity.

B. FEDERAL TRAVEL REGULATIONS (FTR)

Before 1971, OMB was responsible for development and issuance of travel regulations. This authority was exercised on behalf of the President pursuant to Public Law 89-554, dated September 6, 1966. By Executive Order No. 11609, dated July 22, 1971, this authority was transferred to GSA. The Administrator of General Services was empowered to exercise the authority of the President to prescribe regulations relating to travel, subsistence and certain transportation expenses, and mileage allowances.

Federal Travel Regulations are published in handbook format in Part 7 of the Federal Property Management Regulations. The FTR is applicable to all civil service employees. Travel entitlements for uniformed service personnel are covered in Vol. 1 of the Joint Travel Regulations, which are published by DOD's Per Diem Committee. The State Department issues regulations prescribing travel entitlements for Foreign Service personnel. In addition, GSA delegated responsibility to the State Department for determination of per diem rates for overseas locations.

Federal Travel Regulations are prepared in one of the four branches of the Transportation Services Division in the FSS Office of Transportation and Public Utilities. The other three branches are responsible for negotiating transportation contracts, providing traffic management services, and representing the Government before transportation rate-setting agencies. Numerous levels of review are required before issuance of an FTR: five offices in FSS, one in the Office of Administration, and one in the Office of General Counsel. Changes to the regulations are not made in a timely manner. In 1977, at least five changes, proposed in 1972, were finally published, e.g., the Comptroller General's March 27, 1972, decision concerning reimbursement for cost of travelers checks was not implemented in the FTR until June 1, 1977.

There is no standard system to provide for agency participation in development of the regulation. GSA's decision to solicit agency comments or approval is purely judgmental. Forty-five percent of the agencies responding to study group inquiries indicated that current participatory mechanisms are inadequate. Agency implementation of the FTR is extensive. The FTR is approximately 100 pages in length while Department of Treasury's implementation totals over 1,200 pages. As a specific example, per diem is covered in 5 pages in the FTR and 30 pages in Department of Transportation regulations. Much of this implementation is required because the FTR: (1) does not provide examples applicable to specific travel

situations; and, (2) uses extremely complex language and sentence structure.

With respect to monitoring compliance to the FTR, the discussion of monitoring compliance to the FPMR is applicable.

C. FEDERAL PROCUREMENT REGULATIONS (FPR)

GSA authority to issue regulations pertaining to procurement is contained in Section 205(c) of the "Federal Property Act". This authority is subject to regulations prescribed by the Administrator of Federal Procurement Policy pursuant to the Office of Federal Procurement Policy Act, Public Law 93-400, dated August 30, 1974. The FPR is applicable to all executive agencies except the Department of Defense, NASA and the Coast Guard. The Armed Services Procurement Regulations (ASPR), developed by DOD, generally governs procurement by these three agencies.

The FPR is developed by the Federal Procurement Regulation Staff which is on the staff of the Commissioner, FSS. Changes to the FPR are coordinated with agencies through the Inter-agency Procurement Policy Committee. Agencies responding to study group inquiries indicated that this type of participation is satisfactory. Agencies are generally satisfied with FPR content. However, a number of agencies indicated that guidance concerning procurement of non-personal services was inadequate. With respect to monitoring compliance to the FPR, the discussion of monitoring compliance to the FPMR, above, is applicable.

Public Law 93-400 authorized the Administrator of Federal Procurement Policy to establish "a system of coordinated, and to the extent feasible, uniform procurement regulations for the executive agencies". On January 31, 1978, OFPP requested that DOD and GSA "play a lead role to assist in developing a single Government-wide procurement regulation", entitled the Federal Acquisition Regulation (FAR). The primary objectives of the FAR project are to consolidate and replace ASPR, FPR, NASA PR and other acquisition regulations containing material applicable to more than one agency; create a new single regulation that is understandable and comprehensive; and, provide new material not currently in the basic procurement regulations. OFPP, through DOD and GSA, plans to have all revised sections available for public comment no later than January 31, 1979, and to have a completely reviewed FAR ready for publication August 30, 1979. To date, no plans have been made to develop mechanisms for maintenance of the FAR subsequent to its planned publication date in 1979.

III. CRITERIA FOR IMPROVEMENT

Recognize GSA's statutory responsibility for developing and issuing regulations, through adequate professional staff resources, and enhanced acceptance of GSA leadership in property management, travel and procurement matters.

Distinguish between a staff role in the development of regulatory coverage for user agencies and an internal GSA line operating role.

Reduce organizational fragmentation of responsibilities for development and issuance of regulations, to facilitate communication and increase uniformity of policy.

Promote early user participation in the development of regulatory coverage to facilitate coordination, increase user understanding, and enhance cooperation.

Promote prompt resolution of policy or procedural conflicts and timely issuance of changes to regulations.

IV. OPTIONS

A. ORGANIZATIONAL OPTIONS

1. Establish an organization, on the staff of the Administrator, responsible for development, coordination, control and promulgation of all regulatory material. Appropriate Service personnel responsible for this function would form the core of this organization.

a) Advantages:

Enhances organizational recognition of GSA's regulatory role.

Provides separation of staff and line operating responsibilities and reduces organizational fragmentation of responsibility for development and issuance of regulatory material.

Promotes uniformity in the regulations issued by GSA and implementing procedures issued by the agencies and facilitates timely issuance of regulatory change.

Enhances the opportunity to provide uniform and effective mechanisms for agency participation in regulatory development and improves the opportunity to establish uniform and effective mechanisms to monitor agency compliance.

Improves lines of communication for customer agencies and the Administrator.

b) Disadvantages:

User agencies may prefer existing system, which is relatively lax and permits wide latitude in developing, issuing, and monitoring implementing regulations and procedures.

GSA Services may be reluctant to relinquish their traditional role in the regulatory area.

Separates the regulatory function from the technically knowledgeable personnel in the GSA Services.

2. Establish an organization, on the staff of the Administrator, responsible for coordination, control and promulgation of all regulatory material. Development of regulations would continue to be the responsibility of each GSA Service.

a) Advantages:

Improves lines of communication for customer agencies and the Administrator.

Provides the opportunity to oversee development of effective mechanisms for agency participation in regulatory development and improves opportunity to oversee development of effective mechanisms to monitor agency compliance.

b) Disadvantages:

Organizations responsible for regulatory development would continue to be responsible for both staff functions and operational programs.

Organizational fragmentation of responsibility for regulatory development would continue.

Timeliness of issuing changes to the regulations is adversely affected by the addition of review levels.

Impairs resolution of policy conflict because personnel knowledgeable in content of the regulation are located in several operational organizations separate from the organization that is the focal point for communications with agencies and the Administrator.

3. For each Service, consolidate the regulatory functions into one organization. Each organization would be responsible for the development, coordination, control and promulgation of all regulatory material applicable to the functions performed by that Service.

a) Advantages:

Improves separation of staff and line responsibility at the Service level.

Reduces organizational fragmentation of responsibility within each Service. Lines of communication for agencies would be improved in that a single organization in each Service, instead of several organizations, would be the focal point of communication.

Concentration of authority to issue regulations within a Service will provide for more uniform policies, eliminate duplication of functions, and lead to development of a strong coordinated top-management team.

Enhances opportunity within each Service to provide effective mechanisms for agency participation in regulatory development and to install effective mechanisms to monitor agency compliance.

Facilitates staff coordination with the technical experts in the Service.

b) Disadvantages:

Organization would be located in an agency that is primarily a "line" operation.

Multiple lines of communication for the Administrator.

Dispersion of authority in the separate Services fosters opportunity for non-uniform policies and duplication of effort.

Mechanisms within GSA for agency participation in regulatory development and for monitoring agency compliance may vary between Services.

B. PROCESS IMPROVEMENTS

1. Institute a formal committee structure for development of regulatory material. Committee members would include representatives from GSA operational programs and customer agencies.

2. Establish a project which has as its objectives: (a) a review of existing regulatory coverage to determine its completeness and implement appropriate changes designed to reduce redundant implementation by all users, (b) improvement in the readability of the material, and (c) adoption of a uniform format.

3. Staff the regulatory function with exceptionally well-qualified personnel who will provide the leadership required. Staff personnel should be rotated periodically to retain currency of subject matter expertise.

4. Adopt state-of-the-art processing techniques for the publication and issuance of regulations.

5. To insure uniformity in agency implementing regulations, agencies should publish their implementation in Title 41 of the Code of Federal Regulations. Until such time as agencies begin to publish their implementation in the CFR, they should send copies of their implementation to GSA.

6. Agencies should provide GSA with copies of appropriate audit material covering those aspects of property management, travel management, or procurement under the purview of GSA regulations. GSA would use this information to identify problem areas requiring regulatory change.

7. GSA, in cooperation with the other agencies, should institute a system of agency-conducted management reviews to evaluate the functions of property management, travel management, and procurement. Agencies should provide appropriate findings to GSA so that GSA can resolve any problems requiring regulatory change.

ISSUE NO. RA-2: INTERAGENCY TRAINING

I. INTRODUCTION

This paper presents an assessment of GSA's role in providing training for Federal employees whose work involves supply and procurement, transportation and traffic management, travel, motor pool management, space management, and records management.

The study involved interviews with GSA and other agency officials in Washington and in the field, analysis of responses to questionnaires submitted by major departments and agencies, and review of existing statutes, Executive Orders, and Civil Service Commission (CSC) Regulations.

The results of this assessment indicate that the interagency training now being provided by GSA is meeting many critical training needs of Federal agencies. However, customer agencies who sponsor employees for the program say it is deficient in several respects.

II. BACKGROUND/CURRENT SITUATION

A. GSA TRAINING

At the present time, interagency training is fragmented within GSA. No single organizational unit has responsibility for promoting, coordinating, or administering "the program". However, the Director, Training and Development Division, Office of Administration, serves as liaison with CSC. He collects information about courses to be offered and statistical data on training provided by GSA Services to customer agencies.

Federal Supply Service (FSS). The Training Division of the FSS offers nine five-day courses in the supply and procurement field on a reimbursable basis. The courses are taught by a staff of eight instructors who work out of Washington. The program is growing to meet the demand for it--over 5,000 trainees will probably participate in FY-1978. FSS' Office of Transportation and Public Utilities offers 15 short inter-agency seminars relating to transportation, traffic management, and travel on a non-reimbursable basis. Most of the seminars are 2 - 3 hours in duration; a few are 8 - 10 hours long. The seminars usually are led by local FSS Transportation personnel.

National Archives and Records Service (NARS). NARS offered 20 "paperwork management" courses, from 20 - 80 hours, on a reimbursable basis in FY 1977. Some of these courses were scheduled for interagency participation and others were conducted by

special arrangement for individual agencies in both Washington and the field. These courses are taught by local NARS personnel.

Automated Data and Telecommunications Service (ADTS).
ADTS offered only 2 one-hour "courses" in FY 1977. Both courses were offered on a non-reimbursable basis and were tied to the installation of FTS systems in a few locations. Although these programs meet the definition for interagency training, they are really "orientation" programs designed to acquaint agency personnel with newly installed telephone systems.

Public Buildings Service (PBS) and Federal Preparedness Agency (FPA). PBS and the FPA reported no administrative services interagency training in FY 1977.

Officials of NARS and FSS' Office of Transportation and Public Utilities point to the value of using "program practitioners" as instructors in their courses. They value the close linkages between people who run their programs, provide advice and assistance to agencies, and who serve as instructors in their training courses. Often the same people do all of these things, or, at a minimum, work closely together. These kinds of linkages are valuable.

B. CSC TRAINING

CSC offered 20 reimbursable interagency courses in the procurement field in FY 1977 including two courses relating to grants administration. Course offerings vary from 2 - 10 days in length and are offered in Washington and in the field. Most of the courses are taught for the CSC by contract instructors.

Three of the CSC procurement courses cover the same subject matter that is covered by FSS Training Division courses. The CSC also has a space management course which it offers infrequently and a new "Travel Regulations and Procedures" course which it has offered twice in FY 1978 in Washington and plans to conduct in the regions. FSS' Office of Transportation and Public Utilities helped the CSC develop this course. This latter course seems to duplicate a similar course offered by GSA Regional Offices. (NOTE: Statistical data on FSS, NARS, and CSC interagency training is summarized in Appendix A. Cost data is summarized in Appendix B).

C. DEPARTMENT OF DEFENSE (DOD) TRAINING

DOD has extensive training programs in administrative services fields, especially supply and procurement. All

of these courses are designed for DOD civilian and military personnel. DOD is doing a good job of meeting its needs. DOD makes extensive use of the supply and procurement courses offered by GSA and the CSC. DOD admits some trainees from the non-Defense agencies (1 - 2 percent of the total number trained by DOD). These spaces are eagerly sought as DOD courses are considered to be better than GSA and CSC courses. The civilian agencies which use DOD courses get far fewer "slots" than they want. DOD does not charge agencies tuition, but travel and per diem expenses usually exceed what it would cost to send a trainee to a local GSA or CSC course.

D. FEDERAL ACQUISITION INSTITUTE (FAI)

FAI is an interagency organization administered by DOD under the guidance of an interagency board of directors. It has responsibility for upgrading the quality of the Federal procurement work force. This responsibility includes the coordination of Government-wide career programs for procurement personnel. It is not responsible for conducting all Federal procurement training as is widely believed.

Although FAI is a new organization, it has a number of programs underway which should result in the improvement of procurement training. For example, it is working on a task analysis of the major procurement occupations. This project will provide detailed information on what procurement personnel do, how they do it, how long it takes, how often they do it, and what "tools" they use. This information will be used to redesign existing procurement training so that it relates precisely to the needs of the procurement work force. This information will be shared with GSA.

The FAI is also working on programs which will help DOD and civilian agency procurement schools improve their training through more effective course evaluation. This will be especially beneficial to civilian agencies. FAI's work on career programs for procurement personnel will be a major step forward. It should do for civilian agency procurement personnel what has already been done for DOD personnel--i.e., provide for systematic training and development. A similar program is needed for other personnel in administrative services occupations. Agency managers of administrative services are almost unanimous in their call for such a program. They think GSA should take the lead, with help from CSC. One of the issues addressed by the newly created General Services Council relates to this need.

E. EVALUATION OF GSA INTERAGENCY TRAINING

Interviews with agency managers of administrative services organizations (17 agency Central Office managers in Washington and approximately the same number in the Regions were interviewed), disclosed numerous criticisms of GSA and CSC conducted interagency training. A number of the managers thought GSA courses left something to be desired. A lesser number criticized CSC courses. It should be noted that the criticisms generally did not include NARS courses. The supply and procurement courses received the most criticism, although transportation and traffic management seminars were also criticized. The most frequent criticisms are listed below.

- o Course content is too general and too basic (directed toward procurement and transportation courses).
- o In some courses, too much emphasis is placed on GSA procedures and not enough on the customer agency needs (directed toward procurement courses).
- o Courses are not offered often enough in the field (directed toward all subject matter areas).
- o The quality of instruction is inconsistent.
- o There are additional training courses which should be offered by GSA. These training courses are listed in Appendix C.

The Supply and Support Services Task Force questionnaire responses yielded similar results, although agency comments were generally less specific than the oral comments obtained in interviews. More than half of the questionnaire respondents rated GSA training as deficient. Some rated it "satisfactory", but only two agencies called the training "good" or "excellent".

It should be noted that the FSS Training Division, which offers supply and procurement courses, regularly collects participant evaluation data from its attendees when they complete training. This data indicates that the majority of participants are satisfied with the training they receive. It should be noted, however, that experts in the training field put little stock in these so called "happiness" sheets. They are useful, but tend to be misleading.

F. REIMBURSABLE VS. NON-REIMBURSABLE FINANCING

Most interagency Government training is accomplished on a

reimbursable basis. The CSC, which operates the largest interagency program in Government operates on this basis for the following reasons:

- o Training is designed primarily to meet operating program needs; it should therefore be treated as a program cost chargeable to program operations.

- o If customers have to pay for training out of their own funds, they will tend to sponsor only essential requirements.

- o The use of a reimbursable system provides flexibility to meet changing requirements.

III. CRITERIA FOR IMPROVEMENT

Provide enhanced recognition to the importance of training and career development of administrative services personnel.

Reduction of organizational fragmentation.

Courses should be offered in all subjects which meet the essential training needs of the target population.

The needed courses should be offered on a timely basis.

The courses should be available in geographic locations which minimize travel costs for the largest number of trainees.

Course content and coverage should be relevant to the trainee work situation.

The training provided should have a positive benefit/cost ratio.

IV. OPTIONS

A. Consolidate all administrative services interagency training now being provided by GSA and CSC into one centralized organization on the staff of the GSA Administrator. The centralized organization would have a delivery capability in each GSA Region. All training delivered by the new organization would normally be reimbursable.

1. Advantages:

Would assign responsibility for promoting, developing and conducting administrative services interagency training

to one organizational unit in GSA. This step should improve program administration, and could lead to improvements in course quality. It would also provide a focal point for customer agency input to the program--an essential step to facilitate improvement.

Would increase the perceived status of interagency training in GSA.

Would aggregate resources now devoted to interagency training thereby enhancing the opportunity to increase organizational efficiency and effectiveness.

Would tend to eliminate duplication in course development and delivery, as well as in program administration. Savings achieved could be used to upgrade the quality of the program and increase course offerings.

2. Disadvantages:

Would remove training from GSA sub-units which have functional responsibility related to the training.

Would require establishing a field delivery capability; therefore, reassignment of some personnel would be necessary.

B. Transfer all GSA interagency training to some other agency, probably the CSC. The training would be centralized in that agency and would be reimbursable.

1. Advantages:

Except for an increase in the perceived status of GSA training, would have of the advantages cited for Option A above.

In the case of CSC, would assign the training responsibility to an agency which has more experience conducting interagency training and which has an existing delivery system.

2. Disadvantages:

Would have the disadvantages cited in Option A.

Would remove the training from the organization in Government which has functional responsibility for administrative services and place it in an agency with no functional expertise in the subject matter fields covered.

In the case of CSC, would place the training in an agency whose "track record" for administrative services training has been criticized. In addition, the CSC would oppose the option as it conflicts with stated CSC policy, i.e., interagency training should be done by the agency with functional responsibility.

Would deny GSA an opportunity to improve its image by improving its training programs.

C. Leave administrative services interagency training where it is now, i.e., in the various GSA Services and the CSC, and continue to offer it on the same terms. Concentrate on improving the program in terms of better quality and quantity of course offerings.

1. Advantages:

Would leave the training development and administration in close proximity to the Service with the functional responsibility it relates to.

Minimal personnel disruption.

2. Disadvantages:

Existing, dispersed staffs would be too few, and in some organizational units, not qualified, to bring about the improvements needed.

Does not provide a top management focal point.

D. Discontinue some, or all GSA and CSC administrative services interagency training, and contract it out to the private sector.

1. Advantages:

Would permit diversion of GSA and CSC personnel now working on administrative services training to other program areas.

Would permit coverage of training subject-matter areas that are not now covered without adding additional staff resources.

2. Disadvantages:

Would assign the training to organizations which do not have functional responsibility for the program areas covered and which would need considerable help from either

GSA or the user agencies in developing the training. The CSC now uses contract instructors for most of its procurement courses and there is considerable criticism of their work.

Greater costs--CSC analyses have consistently demonstrated that interagency training is far less costly than training provided by the private sector.

In order to be effective, would require that one or more GSA units monitor the program, thereby further increasing the cost.

Would deny GSA the opportunity to improve its image by improving its in-house training programs.

V. CONCLUSIONS, PROCESS IMPROVEMENTS, COST IMPLICATIONS

A. CONCLUSIONS.

In this paper, it cannot be proven conclusively that a given increase in the quantity and quality of training for the Federal administrative services work force will result in a given increase in the efficiency and effectiveness of that work force. But, it is reasonable to assume that more and better training will result in better work force performance. American public and private investments in education have made major contributions to increases in productivity in our society--these investments have reaped returns which far exceed the amounts invested.

As the administrative services training needs of most agencies are similar, it is economical and efficient to meet these needs on an interagency basis.

There is a considerable amount of interagency administrative services training being accomplished by GSA and CSC. However, the criticism directed at this training indicates that it is not nearly as effective as it should be. This training must be improved.

Although some additional financial and staff resources would be needed to achieve full program effectiveness, some improvement could be achieved by reorganizing resources. Consolidation of GSA and CSC interagency training could result in savings of \$150,000 - \$200,000 per year, while at the same time improving program administration and delivery. These savings should be "plowed back" into the program to achieve further quality improvement and provide new course offerings.

B. PROCESS IMPROVEMENTS

1. A resource enhanced centralized organization should be funded to conduct a series of task analyses for the major administrative services occupations (other than procurement). These task analyses should be similar to those now being planned by the FAI for the procurement occupations. Data obtained from these analyses could then be used to improve existing courses and to develop needed courses.

2. A Government-wide career development program for administrative services personnel should be developed. The FAI is developing such a program for procurement personnel, but similar action is needed for the other administrative services occupations. The new centralized administrative services training organization should be assigned responsibility to administer this program. However, the program should be developed in cooperation with the recently established General Services Council. That Council has already decided to consider GSA's role in such a program.

3. Course content must be reviewed and revised where necessary, and different methods of instruction should be considered. The centralized organization should employ or contract for specialists who are well-qualified for instructional development. CSC and DOD can provide this assistance.

4. The new consolidated training organization should establish an effective system for improving course evaluation to ensure that its course offerings are responding to the needs they are designed to meet. The CSC has a staff of well-qualified consultants who should be able to help in establishing the evaluation system.

5. Steps must be taken to ensure that linkages between program operations and training are maintained. For example, GSA and customer agency personnel should be routinely used in the development of the training program. They should help to decide what courses to offer and should serve as advisors in developing course content. They should also be used as instructors. Some functional specialists could be rotated through the training office on two - three year assignments. This latter practice is now being used by several excellent Government training organizations. Agency and GSA operating programs input to the centralized training program would also be enhanced by establishing two "advisory boards", one made up of customer agency managers of administrative services, perhaps a committee of the new General Services Council; and the other made up of managers from the GSA Services.

C. COST IMPLICATIONS.

Appendix B indicates that GSA Services and the CSC spent about \$1.9 million for interagency training for the administrative services in FY 1977 (all but \$70,500 of this was reimbursable). That amount will probably increase to about \$2.1 million in FY 1978 and \$2.3 million in FY 1979 if the program continues to operate without change.

Although significant program improvement can be achieved without additional funding, the interagency training program could be made more effective if additional funding were provided at the outset. These additional funds would be used to further improve course maintenance, to develop new courses, to develop new course delivery systems (e.g., programmed courses, correspondence courses, etc.), to conduct task analyses, and to develop a career system.

The following is a five-year projection of costs:

Additional Appropriated Funding
in thousands of dollars
FY 1979-1983

	<u>FY-79</u>	<u>FY-80</u>	<u>FY-81</u>	<u>FY-82</u>	<u>FY-83</u>
Course Maintenance	100	100	100	50	---
New Course Development	100	100	100	50	---
New Delivery Systems	100	100	100	50	---
Task Analyses	50	50	50	50	---
Career System Development and Maintenance	<u>35</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>
Totals	\$385	\$375	\$375	\$225	\$25

An Overview of Training Offered by GSA and
CSC in the Administrative Services, FY-1977

	No. of Courses	No. of Sessions Wash/Field	No. of Partic. Wash/Field	Reimb./ Non-Reimb.	Staff Size	Operating Cost
FSS - Training Div.	9	53/63	1,875/2,200	Reimb.	14.0	\$426,000
FSS - Off. of Trans. and P.U.	15	61/19	530/1,678	Non-Reimb.	3.7	70,500
NARS	20	9/91	268/1,482	Reimb.	10.0	572,000
CSC	20	63/117	2,100/1,314	Reimb.	13.8	822,000
119 Totals	64	186/290	4,773/6,674	N/A	41.5	\$1,890,500

NOTES:

- o CSC uses contractor instructors extensively, therefore, staff figures are deflated.
- o DOD figures not included, as DOD training is designed to meet DOD needs, and not interagency needs (however, some non-DOD employees (about 2%) do participate in DOD courses).
- o ADTS not included because its interagency training is really orientation training.
- o PBS and FPA not included because they offered no interagency training in FY-1977.

Analysis of Program Costs (in thousands) in FY-1977

	<u>Administration</u>	<u>Course Delivery</u>	<u>Course Devel. & Maintenance</u>	<u>Totals</u>
FSS - Training Division	\$61.0 (14%)	\$221.0 (52%)	\$144.0 (34%)	\$426.0 (100%)
FSS - Office of Trans. & PU	10.3 (15%)	38.0 (54%)	22.2 (31%)	70.5 (100%)
NARS	60.0 (11%)	482.0 (84%)	*30.0 (5%)	572.0 (100%)
CSC	57.5 (7%)	608.3 (74%)	*156.2 (19%)	822.0 (100%)
Totals	\$188.8 (10%)	\$1,349.3 (71%)	\$352.4 (19%)	\$1,890.5 (100%)

* NARS and CSC course development and maintenance costs were abnormal in FY-1977; therefore, the actual figures were adjusted to depict a "normal" year.

Appendix C

Courses Needed to Meet Needs of
Federal Administrative Services Workforce

1. Interviews and questionnaire responses revealed some administrative services training needs that are not now being met. The list includes:
 - o Energy Conservation
 - o Personal Property Management
 - o Real Property Management and Administration
 - o Transportation Management (as opposed to operations)
 - o Contracting for Research and Development
 - o Space Management*
 - o Administrative Officer Training
 - o Administrative Services Manager Training
- * Now offered periodically, but not nearly enough.
2. Most administrative services managers had not analyzed their staff training needs and could not identify specific needs. They had a vague belief that needs existed and could be identified if systematic analyses were made. In fact, this is true. Systematic task analyses of the various administrative services occupations would identify other training needs.
3. One of the major responsibilities of the proposed consolidated interagency training organization would be to keep abreast of training needs as they develop and to design and offer training to meet these needs. An interagency committee (perhaps a subcommittee of the newly established General Services Council) should be set up to advise the training organization on training needs.

ISSUE NO. RA-3: ADVISORY SERVICES TO AGENCIES

I. INTRODUCTION

This paper presents an assessment of GSA's role in providing advisory services to other Government departments and agencies. Most advisory services consist of management consultant-type studies of administrative functions. These studies typically result from an agency request for GSA experts to solve a particular problem or improve a management system.

The ASRP study involved interviews with GSA and other agency personnel, interviews with officials of large corporations and state governments, analysis of responses to questionnaires submitted by major departments and agencies, and review of existing statutes and regulations.

This assessment suggests that, with limited exceptions, GSA has not adequately fulfilled its advisory role.

II. BACKGROUND/CURRENT SITUATION

The GSA Services have provided consultant-type services to other departments and agencies since the early 1950's. In replies to a study questionnaire, the majority of agencies replying indicated a continuing interest in being able to obtain these services.

The involvement in providing advisory services varies considerably within GSA. Data on consultant services provided by each GSA Service in FY-1977 are shown in the attachment.

FPMR coverage relating to the availability of consultant-type services and how to obtain the services varies by GSA Service. Coverage relating to the functions of NARS, ADTS, and PBS is extensive and provides information on the advisory services available. Coverage relating to the availability of advisory services in FSS is incomplete. Only transportation and public utilities are covered in any depth. Moreover, information on how to obtain advisory services from any of the Services is incomplete.

There is a great demand for consultative assistance on space management which PBS is unable to meet for lack of resources. The need for this assistance can probably be reduced to some extent by providing more space management training.

There is no single organizational entity within GSA with the responsibility for providing leadership and coordination of the advisory services function. Within FSS, the Market Research and Marketing Division has as part of its mission: "upon request, perform supply management studies in Federal agencies and coordinate with the National Liaison Division in providing recommendations to improve internal supply management and operating programs . . ." There is no permanent staff assigned to this function. With the exception of a major study conducted for the Republic of Liberia, this division has done little in providing advisory services of the type described in this paper.

Agency responses to an ASRP questionnaire and interviews with agency managers of administrative services yielded mixed responses regarding GSA advisory services. Most managers of GSA administrative services think:

- o GSA should provide consultant-type advisory services in all its major functions;

- o Agencies would be willing to pay for advisory services if accomplished professionally by competent people. However, these officials have reservations about GSA's ability to provide the requisite number of skilled personnel to produce a professional product. An exception to this view is work performed by NARS.

- o GSA must become more service-oriented if it is to do the advisory services job well. Agencies state that some of the consultant help they get now is more oriented to GSA needs than it is to customer agency needs.

III. CRITERIA FOR IMPROVEMENT

A cadre of highly qualified, service-oriented, professional personnel.

A single point of contact for potential customers capable of evaluating customer needs and GSA's ability to provide them.

Uniform policies and procedures applicable to the availability of advisory services and how to obtain them.

A continuing monitoring and evaluation of advisory services being performed for customers.

An effective feed-back mechanism from customer agencies.

Adherence to government policies regarding government competition with private enterprise as set forth in OMB Circular A-76.

IV. OPTIONS

A. ORGANIZATIONAL OPTIONS

1. Establish a small organization on the staff of the Administrator responsible for the planning, control, coordination, and monitoring of GSA's advisory services program. This organization would: conduct market surveys of potential customer needs; assess GSA abilities to satisfy these needs; serve as the focal point in relations with customer agencies; establish uniform policies and procedures; develop regulatory coverage and monitor work performance. The actual consultant-type work would be performed by personnel from the applicable GSA Service on a fully reimbursable basis.

a) Advantages:

Permits a realistic determination of user needs for advisory services and GSA's ability to provide them.

Enhances the planning for and utilization of GSA resources.

Improves communication with customer agencies.

Permits the adoption of uniform policies and procedures together with appropriate regulatory coverage.

Insures that actual work performed satisfies the customer agency.

Identifies subjects requiring additional policy guidance and/or training assistance.

Facilitates measuring the cost effectiveness of the advisory services program.

Facilitates the view of the Administrator vis-a-vis service to other agencies.

Enhances the service orientation image of GSA.

b) Disadvantages:

Will require additional personnel resources.

May adversely affect existing relationships between individual GSA Services and customers.

2. For each GSA Service, establish an organization that would be responsible for the planning, control, coordination, and monitoring of that Service's advisory service function. This organizational element would perform the same functions previously identified under the first option.

a) Advantages:

Same advantages as set forth under the first option with the exception of proximity to the Administrator.

Lower staffing requirements.

b) Disadvantages:

Reduces the opportunity for uniform policies, procedures, and regulations on an agency-wide basis.

Location in a Service which has a line responsibility may diminish the objectivity and effectiveness of the advisory function.

B. PROCESS IMPROVEMENTS

Regardless of the organizational structure, the following process reforms should be adopted:

1. Conduct an annual survey of government department and agencies aimed at determining the extent and type of advisory services which GSA may be asked to provide.

2. Assess GSA's ability to meet potential customer needs and their impact on GSA's resources, budget, and mission performance.

3. All advisory work should be fully reimbursable.

4. Provide for a continuing monitoring of all work being performed and a reporting system that ascertains user evaluation of the work.

5. Document all costs associated with performance and establish a customer feed-back system to obtain results of the advisory recommendations.

GSA Consultant-Type Advisory Services, FY-1977

	<u>Staff Yrs. Expended</u>	<u>Avg. Grade</u>	<u>Non-Reimb. Service Provided</u>	<u>Reimbursable Income</u>
ADTS	54.0	GS-13	\$ 134,000 (10%)	\$1,200,000 (90%)
NARS	48.0	GS-13	None	1,200,000 (100%)
PBS	47.8	GS-12	1,200,000 (60%)	825,000 (40%)
FSS	3.0	GS-13	80,000 (57%)	60,000 (43%)
FPA	7.0	GS-14	225,000 (100%)	None
TOTALS	159.8	GS-13	\$1,600,000 (30%)	\$3,800,000 (70%)

DATE	SUBJECT	
Nov 1977	Administrative Services Reorganization Project	OL 7 5025
24 May 78	Trans of Draft Rpts - Admin Services Reorg Proj	OL 8 2385
13 Jun 78	Letter to Joseph F. Malaga Real Prop Task Force Findings and Alternatives	OL 8 2385a
15 Jun 78	Trans of Draft Rpts - Admin Services Reorg Proj	OL 8 2790
15 Jun 78	Copy of Publication PRESIDENT'S REORGANIZATION PROJECT One final copy - One reproduced copy	
3 Jul 78 U	MEMO FOR P&PS FR RECD Comments on Issue S-9, Public Utility Management, Administrative Services	OL 8 3072
5 Jul 78	Draft Task Force Reports	
5 Jul 78	MEMO FOR P&PS FR P&PD Admin Services Reorg Proj	
5 Jul 78	MEMO FOR P&PS FR SD Presidents Reorganization Project Findings and Alternatives	OL 8 3088
7 Jul 78	Letter to Joseph F. Malaga SUB Administrative Services Reorganization Project	OL 8 2790a
7 Feb 79	Copies of letters and memoranda concerning the President's Reorganization Project FR DL for DDA	OL 9 0535
11 Jun 79	NOTE FOR Comptroller FR Don I. Wortman DDA Presidential Management Improvement Council	OL 9 2409
10 Sep 79	MEMO P&PS FR OSB SUB National Supply System	OL 9 3643a

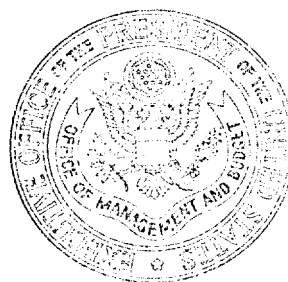
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President's
Reorganization
Project



Administrative Services
Reorganization Project

Supply and Support Services
Task Force

Findings and Alternatives

DRAFT

June 15, 1978

PRESIDENT'S REORGANIZATION PROJECT

ADMINISTRATIVE SERVICES REORGANIZATION PROJECT

SUPPLY AND SUPPORT SERVICES

TASK FORCE

FINDINGS AND ALTERNATIVES

JUNE 15, 1978

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ADMINISTRATIVE SERVICES REORGANIZATION PROJECT
SUPPLY AND SUPPORT SERVICES TASK FORCE
EXECUTIVE SUMMARY

BACKGROUND

The First Hoover Commission led to enactment of the Federal Property and Administrative Services Act of 1949, which established the General Services Administration (GSA), and vested in its Administrator responsibility for developing a comprehensive Federal system for the delivery of supplies and related support services. This system was to be mandatory for all agencies of the Executive Branch, except that the Secretary of Defense could exempt the Department of Defense from the provisions of the Act. Under the Act, the Administrator was:

- o Empowered to prescribe policies and directives necessary to ensure compliance with the purposes and goals of the Act.
- o Granted broad latitude to determine whether to perform functions or responsibilities within GSA, or delegate them to other agencies.
- o Granted similar flexibility in establishing or revising GSA's internal organization.
- o Directed to consult with other interested agencies to secure their advice and assistance in implementing the Act.

To carry out the responsibilities related to supply and support services, the Federal Supply Service (FSS) was created as a key element in the new Administration. FSS is responsible for the following major functions:

- o Regulatory, covering responsibility for developing, maintaining and revising Federal Procurement Regulations, Federal Property Management Regulations, Federal Travel Regulations and other Government-wide regulations.
- o Supply, encompassing the economical and efficient procurement and supply of a wide range of common-use, commercially available items and services for all Federal agencies including the Department of Defense.
- o Support Services, including assistance in negotiating long-term public utilities contracts and transportation rates; representing the civilian agencies before Federal, State and local transportation and utility regulatory bodies; ensuring timely utilization,

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rehabilitation or disposition of excess or surplus property; operating interagency motor pools and providing centralized interagency traffic management and transportation services; and auditing of all agencies' transportation payments. It is also responsible for acquisition, inspection, storage, maintenance and shipment of materials for the Strategic and Critical Materials Stockpile.

Although this system was established to be the central, Government-wide supply mechanism, there is less than total use of it by Federal agencies. Agency officials with responsibility for administrative functions are critical of many aspects of the current system. Clearly, the potential for development of a Government-wide system for the delivery of supplies and support services has not been fully realized.

SCOPE OF STUDY

A task force of the Administrative Services Reorganization Project (ASRP) was established to examine the adequacy of supply and support services on a Government-wide basis and consider organizational options and management improvements. The task force conducted extensive interviews and gathered data from executives and operating personnel of Federal departments and agencies; officials of GSA, GAO and OMB, manufacturing, retailing and services industry executives; state government officials; and representatives of trade, special interest and professional organizations. The task force listened to and evaluated the concerns of Government contractors and vendors. It reviewed the constraints imposed on the delivery of services by legislation, Congressional overview and the budget.

ISSUES

The issues described below were selected for study as having the greatest potential for improvement in the delivery of supply and support services. Issues S-3, Supply Operations, S-4, Customer Services, and S-5, Vendors and the FSS Procurement Process, are GSA oriented. Alternatives and recommendations included for these three issues are compatible with the ultimate development of a National Supply System as presently covered by issues S-1 and S-2. ASRP recommends that the criteria for any future changes in the supply operation of FSS be based on the National Supply System plans and policies. Review of issues S-1, a National Supply System, and S-2, Consolidation of Depots, were jointly sponsored by the ASRP and OMB's Office of Federal Procurement Policy (OFPP). ASRP also recommends that work on these two issues be continued on a systematic basis. The S-1 and S-2 issue summaries, therefore, do not represent final findings and alternatives, but rather are current status reports.

FINDINGS AND ALTERNATIVES

A. SUPPLY FUNCTIONS

S-1: A National Supply System - Major supply systems are operated by numerous Federal agencies, including GSA, Veterans Administration, Defense Logistics Agency and each of the military services. Each system is essentially independent of the others, resulting in significant duplication of policies, procedures, data systems and corresponding overhead staffs. A joint ASRP-OFPP task group was established to develop a design concept for a National Supply System which would eliminate avoidable duplication among the existing systems and reduce operating costs. The Task Group has prepared a preliminary definition of a National Supply System, including a description of its principal features and characteristics, and has also developed a plan and schedule for further defining and describing the system in all of its detailed policies, programs and procedures. By reducing the redundancy in present Federal supply activities, it is estimated that personnel and related savings can eventually amount to \$100 million a year or more. After approval, the task group's reports will serve as the basis for the work of an implementation task group to be established. The latter group will develop a detailed description of the National Supply System and a phased integrated plan for implementing that system.

S-2: Consolidation of Depots - A total of 67 major wholesale general depots are operated by 10 Federal agencies, primarily the DOD, GSA, and VA. DOD and GSA have completed studies of intra-agency depot consolidations. To promote further Government-wide consolidations, a joint ASRP-OFPP task group was established as an adjunct to the National Supply System concept. The task group has prepared a comprehensive inventory of the Government's wholesale depots and is completing its work on criteria for further consolidating those facilities. The DOD and GSA studies could result in as many as 20 fewer depots. It is estimated that a substantially greater number of depots could be consolidated through full implementation of the National Supply System. A 20 percent reduction in the current operating costs of the existing 67 common supply depots for personnel, space and transportation activities could eventually result in savings amounting to more than \$200 million a year. After approval, the task group's report on recommended criteria will serve as the basis for the work of an implementation task group to be established. The latter group will develop a detailed consolidation plan and a uniform, Government-wide depot operation procedure.

S-3: FSS Supply Operations - FSS supply policies are developed at the headquarters level by four different functionally oriented offices. Supply operations are fragmented among

several FSS offices in Washington, D.C., the ten GSA regional offices and three commodity centers. Overall effectiveness and responsiveness could be improved with a corresponding reduction in costs by removing supply operations out of Washington and by consolidating field operations. At the central office level, another Deputy Commissioner position responsible for coordinating all supply management policy should be established. At the field level, all procurement, inventory management and specifications development operational activities should be transferred into one or more commodity centers or assigned to selected GSA regional offices. Major process improvements recommended for FSS include: full cost disclosure pricing; acceleration of civil agency participation in the Federal Catalog System; stocking items closer to customers; reduction of depots; improved ADP programs for distribution programs; and further refinement of the supply economic decision making model.

S-4: Customer Services - Among the significant findings concerning customer services are that: (1) insufficient resources prevent the opening of additional GSA self-service stores, although studies confirm the need and demand by agencies for these popular retail supply outlets; (2) marketing activities are not effective or responsive to customer requirements; (3) the customer liaison function performed by customer service representatives is decentralized to the GSA regions with little central direction; and (4) ordering and order processing is complex, fragmented and highly system-centered. Improvements recommended are: (1) give customers the option of buying locally; (2) expand the number of retail outlets for GSA supplies; (3) strengthen marketing organizationally and functionally, increase customer information sources and develop customer profiles; (4) establish a national customer liaison program with strong central direction and increase the number of field customer service representatives; and (5) adopt standard requisition forms, implement a telephone ordering system for small users, and centralize order processing at a single facility.

S-5: Vendors and the FSS Procurement Process - Federal procurement procedures, forms, and specifications are frequently criticized by vendors as unnecessarily complex. Certain process improvements have been initiated by FSS in concert with OFPP to simplify regulations, contract forms, and contract language, and to minimize the use of design specifications in favor of functional specifications and emphasis on procurement of commercial products. Further, the dollar levels for activating those requirements in Government contracts which promote various Federal social and economic policies lack uniformity and do not reflect changes in economic conditions. A uniform \$25,000 for application of all such social and economic policies, with provision for future adjustments, is recommended.

B. SUPPORT SERVICES

S-6: Personal Property Utilization - GSA is responsible for Government-wide utilization of excess personal property and sale of surplus personal property. DOD is responsible for internal screening of excess property generated by the military services prior to referral to GSA and for worldwide sale of surplus DOD personal property. Other Executive Branch agencies sell certain types of property by separate legislative exemptions or delegations of authority. The disposal of excess personal property can be improved by assigning GSA Government-wide responsibility for the domestic sales functions, thereby eliminating the duplication that now exists among GSA, DOD and other Executive Branch agencies. DOD would continue to be responsible for the disposition of DOD foreign excess property and demilitarization of DOD material and equipment. In addition, the disposal process can be facilitated by providing holding centers for agency excess personal property awaiting disposition.

S-7: Printing Services - Present arrangements for printing and reprographic services do not effectively meet the needs of the Executive Branch. The Legislative Branch, through the Joint Committee on Printing and GPO, controls the total Government printing program. There appears to be some redundancy of staff between GPO and the larger Executive Branch agencies, and nowhere in the Executive Branch is there any central policy overview on printing matters. If the duplicative procurement processes are eliminated, organization and operational responsibilities clarified, the total printing and reprographic expenditures could be substantially reduced. ASRP suggests two alternatives: (1) a policy management and review office to provide leadership and direction in the delivery of printing, reprographic, and publication services; (2) reactivate the Interdepartmental Committee on Printing and Processing. Both would provide a single point within the Executive Branch for policy development and standards work, needed legislative proposals for Presidential consideration, program review and coordination of requirements, technological assessments and market analyses.

S-8: Strategic and Critical Materials Stockpiling - National Stockpile policy and goal setting functions are the responsibility of GSA's Federal Preparedness Agency (FPA), which is being recommended for consolidation with other Federal emergency preparedness and response activities into a new agency. Remaining stockpile operations are fragmented among GSA's Federal Supply Service (acquisition, inspection, storage and maintenance), Office of Finance (inventory records keeping), and FPA (stockpile disposal). Under the present arrangement, no single official below the level of the Administrator is responsible for all stockpile operations. To improve control, coordination and accountability, all GSA stockpile operations should be consolidated into a single office within the Federal Supply Service.

S-9: Public Utilities Management - Public utilities services to Federal agencies are reliable and effective, but because there is no aggressive central management of Federal/public utilities policies, the Government probably has excess costs of over \$30 million annually. Emphasis should be placed on procedures to eliminate late payment liability of utility bills, reduce peak-demand costs through improved load-management and conservation, and reduce total cost of utilities through rate or tariff reductions in cost-of-service cases. It is recommended that GSA's role be expanded and enhanced with a new charter to develop Government-wide public utilities policies, procedures and management systems.

S-10: Cooperative Support Services - Establishing centralized support services for agencies located in the same building or in close proximity is a viable alternative for delivery of certain administrative services to Federal agencies. This concept has not been fully implemented or supported by Executive agencies. ASRP recommends that GSA, with the support of OMB and Heads of Departments and Agencies, vigorously pursue the application of cooperative support services on a local basis in buildings or complexes where large multi-agency populations exist. ASRP also recommends that GSA conduct feasibility studies for establishing cooperative support service agreements on a nation-wide basis for selected services such as payroll and voucher processing to smaller non-departmental organizations.

S-11: Motor Vehicle Management - The Federal domestic motor vehicle fleet approaches 400,000 with GSA motor pools constituting about 20 percent of the total. Management and operation of the fleet is fragmented among many agencies, with wide variations in costs and effectiveness. Alternatives for improvement are to strengthen GSA's Government-wide fleet management role through legislation and to consolidate duplicative motor pools. Process recommendations to improve management and reduce costs are: establish a separate working capital fund for the Interagency Motor Pool System (IAMPS) with authority for retention of earnings to meet new agency vehicle requirements; depreciate IAMPS vehicles and establish user rates based upon replacement costs rather than acquisition costs to provide adequate reserves for scheduled replacements; capitalize vehicles consolidated into the IAMPS at replacement cost less current market value for the same reason; replace IAMPS sedans and station wagons every 3 years or 50,000 miles; and establish a uniform system of inventory and cost reporting. Savings up to \$60 million annually could be expected from these and other improvements.

S-12: Transportation and Traffic Management - GSA has not been aggressive in exercising its statutory responsibilities for Government-wide transportation and traffic management.

The present organizational arrangement, which combines this function with unrelated activities, tends to de-emphasize transportation management. A separate organization to perform GSA's present statutory responsibilities could improve management. The following process recommendations could also result in cost savings of up to \$14 million annually: establishing a comprehensive routing control system for large civil agency shipments, do more FOB origin procurement rather than FOB destination, and additional transportation audits.

Issues: Supply & Support Services

ISSUE NO. S-1: A NATIONAL SUPPLY SYSTEM

I. INTRODUCTION

This is a status report on an interagency effort to define and describe a National Supply System for use by agencies of the Federal Government.

National Supply System Task Group No. 1 was formally established on February 3, 1978, under the aegis of the National Supply System Advisory Board in cooperation with Administrative Services Reorganization Project. It was charged with (a) preparing a preliminary definition of a National Supply System, including a description of its principal features and characteristics, and (b) developing a plan and schedule for further defining and describing the system in all of its detailed policies, programs, and procedures. The task group is composed of representatives of Treasury, DOD, GSA, VA, DOT, DHEW, OFPP, and the ASRP.

II. BACKGROUND AND CURRENT STATUS

A "National Supply System", i.e., a single, integrated Government-wide system for the procurement and supply of materials used by Federal agencies, does not now exist. Instead there is a proliferation of diverse, non-integrated logistics procedures among Federal agencies. Many of these procedures, developed on the basis of limited perspectives and in response to immediate needs, are restricted in application and redundant in terms of Government-wide supply needs. Certain mechanisms, such as the Federal Catalog System, offer the potential for Government-wide use, but this potential has not been developed. In summary, the present Federal logistics system is marked by duplication in functions, inefficiency in operation and fragmentation of responsibilities.

To eliminate these conditions and promote economy in Federal procurement and supply practices, the Administrator for Federal Procurement Policy established the National Supply System Advisory Board in October 1976. The Advisory Board is a high level, interagency forum consisting of representatives from DOD, Interior, DOT, GSA, VA, and DHEW. In January 1978, arrangements were made to combine the Advisory Board effort to define the National Supply System with closely-related efforts of the ASRP.

On March 14, 1978, Task Group No. 1 completed and forwarded the preliminary definition of the National Supply System to the National Supply System Steering Committee. On April 10, 1978, the Steering Committee, consisting of representatives of DOD, GSA, VA, OFPP, and the ASRP, unanimously approved the definition, as modified in minor respects, and forwarded it to the Advisory Board for approval. (A copy of the preliminary definition is attached as Appendix A). Pending final approval of the definition by the Advisory Board and formal submission to the ASRP, Task Group No. 1 was authorized to develop the proposed plan and schedule for further defining and describing the National Supply System. On May 17, 1978, Task Group No. 1 completed the proposed plan and schedule and forwarded it to the Steering Committee for review (copy attached as Appendix B). It is expected that the Steering Committee and the Advisory Board will have completed their deliberations on the products of the Task Group by July 1, 1978.

The concept of the National Supply System, as developed to date, involves the establishment of Federal-wide uniform policies and procedures that cover all the logistics processes associated with the wholesale supply of items of personal property: acquisition, supply distribution, requisitioning, depot and warehousing processes, transportation, cataloging, financial procedures and automated data processing. It envisions a single, top-level executive authority, reporting to the President, with responsibilities for issuing uniform policies procedures and management standards governing the operation of the system. Operational roles and responsibilities of National Supply System participants will be developed following approval of the functional aspects (policies and procedures) of the National Supply System.

By reducing the redundancy in the present system, it is estimated that personnel and related savings will eventually amount to an estimated \$100,000,000 a year. The savings will be realized over a period of several years as the proposed policy, functional and ADP reforms are implemented.

NATIONAL SUPPLY SYSTEM

PHASE I — PRELIMINARY DEFINITION AND DESCRIPTION

I. PREAMBLE

The purpose of this document is to provide a definition of a National Supply System (NSS), along with a brief description of the principal features and characteristics of that System.

II. DEFINITION

The National Supply System (NSS) is a single, uniform, integrated Federal-wide system for the acquisition, supply, and distribution of personal property and related services, with authority to establish, enforce, and monitor policies and procedures, world-wide in scope and application.

III. OBJECTIVES

The System will be one which is designed to accommodate both normal peacetime, as well as emergency and defense-wartime requirements. The System will seek to:

- A. Eliminate overlap and duplication, improve cost-effectiveness and provide for more effective utilization of existing Executive Branch personnel in the management of acquisition and supply programs.
- B. Establish a single, coherent, predictable, and responsive process for use by Executive Branch agencies in acquiring supplies and related services necessary for mission performance with flexibility essential to accommodate the diverse needs and capabilities of the participants.
- C. Provide for a greater degree of reliance on the private sector in meeting supply and logistics needs so that:
 1. Government duplication of private sector capabilities can be eliminated; and
 2. The Government's potential for benefiting from competition within the private sector can be enhanced.
- D. Establish a Government-wide comprehensive approach to the resolution of acquisition and supply problems in the Executive Branch.
- E. Create a single body of complementary procedures for use by manufacturers and suppliers in responding to the supply and service needs of Executive Branch agencies.
- F. Facilitate the implementation, in a more rapid fashion, of technical and systems improvements on a Government-wide basis.
- G. Assure that policies associated with acquisition and supply reflect and respond to the national security and other national interests, as directed by the President.

IV. FUNCTIONS

The System would encompass the following:

- A. A single, unified body of supply policies, program directives, and related central management activity.
- B. A cataloging system for the identification, specification, and standardization of items.
- C. A standard system for the acquisition of material.
- D. An item management system for designating managers for individual items and/or classes of items which will optimize the one item/one manager concept.
- E. A standardized requisitioning and issue procedure with automated and manual capabilities, and an order status tracking capability.
- F. A standardized logistics communications system.
- G. A system of contract administration to include quality assurance.
- H. A single, integrated distribution system to accommodate the receipt, inspection, storage, issue, and movement of material in which the depot facilities will be used on a common-use basis.
- I. A single integrated system for the reutilization and disposal of excess and surplus property.
- J. A system for collecting, developing, communicating, and disseminating acquisition and property management data which takes into account the needs of the Congress, the Executive Branch, and the private sector.
- K. Representation before appropriate Federal and State regulatory bodies.
- L. Continuous close cooperation with the Central Personnel Management Authority to promote programs for improved qualification and position classification standards and similar activities towards improving the recruitment, training, career development, motivation and performance evaluation of acquisition and supply personnel.

V. STRUCTURE

- A. The System will be applicable to each department, agency, committee, commission, and board of the Federal Government. Each entity will participate in the system as a manager, operator, or user, or in a combination of these roles. Executive Branch entities will participate under a mandatory charter; the Legislative and Judicial Branches may participate on a voluntary basis; however, if they choose to participate, they will do so within the same parameters and restrictions as the Executive Branch. NATO and other friendly foreign countries will also be participants in selected aspects of the System. Contractors and quasi-governmental agencies may become users of the System when sponsored by participants.
- B. The System will include:
 1. A single, top level, central, governing executive authority, designated by and reporting to the President;
 2. Full and continuing representation in major policy and program formulation and key decision making by system participants, at the level of

- department/agency head, and in relation to the size and significance of such participants' contributions to, and reliance on the System;
3. Consultative mechanisms to assure continuing advisory and supportive inputs from recognized, knowledgeable private sector expertise to assure that full consideration is given to commercial, industrial, and socio-economic aspects and impacts of Federal supply activities; and
 4. A policy and management structure to assure fulfillment of statutory and Executive Branch requirements by developing standardized policies, procedures and management standards governing the operation of the System, and to provide for evaluation and compliance. Operational mechanisms will assure that implementation of National Supply System policies and programs associated with the acquisition and control of principal end — and related depot-level repairable — items of personal property which are mission-unique to a single department or agency will be the responsibility of that department or agency unless specifically excepted by law or Presidential direction.

NATIONAL SUPPLY SYSTEM

PHASE II — PLAN AND SCHEDULE FOR COMPLETING PRELIMINARY DEFINITION AND DESCRIPTION

I. INTRODUCTION

The purpose of this document is to provide a recommended plan and schedule for completing the Preliminary Definition and Description of the National Supply System which was submitted by Task Group No. 1 to the National Supply System Steering Committee on March 14, 1978, and tentatively approved by the National Supply System Advisory Board (NSSAB) on April 20, 1978.

II. SCOPE OF PLAN AND SCHEDULE

Completion of the definition and description of the National Supply System (NSS) will include:

- A. The further definition and delineation of the NSS, description of its functions and their components, and, upon approval by the NSSAB, development of the respective roles and responsibilities of the participants, proposed policy setting authority, and organizational structures;
- B. The development of the implementing charter, policy statements, orders and similar directives for bringing the National Supply System into existence;
- C. The clearance and coordination of such implementing documents with all participants and other interested parties, including publication in the Federal Register;
- D. Revisions to such implementing documents, as required, on the basis of comments received; and
- E. The development and coordination of all transition plans, schedules and other arrangements for phasing into the new National Supply System.

For each of the functions described in Part IV of this report, there has been included a listing of examples of a number of significant components. Also noted, are known projects or studies toward the enhancement of the National Supply System objectives. In addition, specific reference is made to some activities uniquely required to further define, describe and implement that function with respect to the National Supply System. These should all become part of, and integrated into, the plan and schedule of work for the development of the National Supply System, and should be coordinated by the National Supply System Implementation Task Force.

Unified policies, programs, directives, procedures and standard forms are required for all of the functions, as referenced in IV, A below, so these will not be repeated as a required item under each function.

NATIONAL SUPPLY SYSTEM STEERING COMMITTEE
TASK GROUP NO. 1

III. NATIONAL SUPPLY SYSTEM IMPLEMENTATION TASK FORCE (NSSITF)

The organization through and by which the work of completing the definition and description of the National Supply System will be accomplished, will be known as the National Supply System Implementation Task Force (NSSITF). This Task Force should be staffed by personnel from Executive departments and agencies, on full time detail assignments. Details would be based on the cooperation and concurrence of the agencies affected, and with regard to the relative degree of participation of each department or agency in the National Supply System, as well as on the need for top level, functional expertise and analytical ability. The Task Force will consist of a senior level Director, a Functional Coordinator for each major function identified in the National Supply System Definition, and Work Groups for each function and/or major sub-function.

The Task Force Director and the Functional Coordinators, to the extent practicable, should be collocated to assure close coordination in development of unified National Supply System plans and policies.

In addition to the staffing requirements referenced above, a budget allocation should be provided for the operation of the National Supply System Implementation Task Force, for adequate support staff, and for all logistical and travel requirements.

IV. FUNCTIONS

The specific functions, components, related ongoing and scheduled projects, and activities uniquely required for each function, are indicated below:

A. *A Unified Body of Supply Policies, Program Directives, and Other Central Management Activity.*

Components:

- Policies
- Program Directives
- Plans and Schedules
- System-Subsystem Designs
- Standard Forms
- Participant Role Definitions
- Management Concepts
- Organizational Structures
- Budget and Accounting System Design
- Evaluation Plan
- Public Information Program
- Transition/Phasing Arrangements

1. **Currently Underway:**

See listings of specific projects associated with Functions B through L, below.

2. **Scheduled:**

See listings associated with Functions B through L below.

3. **Required:**

In addition to those National Supply System projects currently underway, or scheduled, as identified for Functions B through L below, it is necessary to develop:

- (a) Unified, Federal-wide policies, programs, systems, directives, procedures, and standard forms for each of the functions, in consonance with Section III, Objectives, of the Preliminary Definition and Description of the National Supply System;

- (b) Specific plans and policy and program directives to assure a fully integrated and consistent, phased implementation of each system, program and procedure, as described in Functions B through L.
- (c) Unified Government-wide budget, finance and accounting policies and procedures to assure orderly funds transfers, property accountability, and other requirements associated with common service acquisition and supply;
- (d) Programs to improve understanding of Federal acquisition and supply policies, both within the Service, and by organizations and individuals doing business with the Government;
- (e) Programs for identifying, evaluating and correcting, on a continuing basis, overlappings, duplications, inadequacies, inconsistencies, inefficiencies, and other errors or omissions in Government supply policies, procedures, regulations and directives, and in other policies, regulations, and laws affecting supply;
- (f) A detailed transition plan for the orderly phasing of sub-systems into the National Supply System, and for reviewing such sub-systems to identify excess system resources (facilities, equipment, personnel, software).

B. A Cataloging System for the Identification, Specification and Standardization of Items.

Components:

- Identification of items
- Assignment of National Stock Numbers
- Registration of all National Supply System participants in the Federal Catalog System
- An integrated data base of cataloging data for common use by National Supply System participants
- Item Management data
- Control of the entry and exit of items
- Standardization of items
- Cataloging publications to satisfy user needs
- NATO and other friendly foreign government participation

1. Currently Underway:

Office of Federal Procurement Policy/DoD/GSA joint project for development of specification management improvement program.

2. Scheduled:

National Supply System Task Group #3 is to develop programs and procedures to assure systematic entry and control of items into the NSS, and NSS Task Group #4 is to develop means to maximize Civil Agency participation in the Federal Catalog System.

3. Required:

Development of a program to require registration of items in the Federal Catalog System.

C. A Standard System for the Acquisition of Material.

Components:

- Includes all functions associated with acquisition of material, other than those listed elsewhere, ie:
 - Requirements Forecasting
 - Source Determination
 - Centralized/Decentralized Procurement
 - Schedules
 - Local Purchase
 - Advertising
 - Solicitation
 - Negotiation
 - Evaluation
 - Award

1. Currently Underway:

- (a) A single, unified acquisition regulation (Federal Acquisition Regulation). Also, see Function J.
- (b) Unified policy guidelines for implementation of the Commercial Products Acquisition/Distribution Program.
- (c) Improved Multiple Award Schedule Contract Program.
- (d) Market Research and Analysis Programs.

2. Required:

Specific procurement assignment criteria as required for Functions C and D.

D. An Item Management System for Designating Managers for Individual Items or Classes Which Will Optimize the One Item/One Manager Concept.

Components:

- Standard Inventory management systems
- Inventory Management Assignments
- Supply Support Assignments

1. Currently Underway:

An effort by OFPP/DoD/VA/GSA/DHEW to establish a single government-wide system to procure and assure quality of medical and nonperishable subsistence items.

2. Required:

Specific item and procurement assignment criteria as required for Functions C and D.

E. Standardized Requisitioning and Issue Procedures with Automated and Manual Capabilities and An Order Status Tracking Capability.

Components:

- Requisitioning and Issue System
- Uniform Priority System

- Reporting System
- Transportation System
- Intransit Item Visibility System

F. A Standardized Logistics Communications System.

Components:

- System-wide automated digital network
- System-wide automated addressing capability
- Standard Input/Output Codes and formats
- Communications systems dedicated to logistics traffic transmission
- Manual and mechanical Interface with the Digital Network

G. A System of Contract Administration to Include Quality Assurance.

Components:

- Standard quality assurance procedures
- Adherence to specifications, contract delivery dates, and production schedules
- Pre-award and post-award audit of contractors
- Contractor compliance with affirmative action and socio-economic program requirements

1. Currently Underway:

- (a) Consolidation of contractor affirmative action compliance within the Department of Labor
- (b) Development of the Federal Acquisition Data System (See Function J).

H. An Integrated Distribution System to Accommodate the Receipt, Inspection, Storage, Issue and Movement of Material in which the Depot Facilities will be Used on a Common-use Basis.

Components:

- | | |
|---|--------------------------------|
| • Depot Operating Systems | • Depot Transportation Systems |
| • Receiving | • Expediting and monitoring |
| • Issuing | • Material marking |
| • Packing/Crating/Handling | • Consolidation/Staging |
| • Stock Control | • Material Movement |
| • Storage (Physical Inventory, Warehousing, and Preservation) | • Traffic Management |
| • Retail Stores Operations | • Positioning/Repositioning |

1. Currently Underway:

- (a) National Supply System Task Group #2 is to develop criteria for consolidating wholesale government supply distribution facilities.
- (b) The preliminary efforts of DoD in reviewing their thirty-four general purpose depots for potential consolidation.

(c) The preliminary effort and plans of GSA/FSS to reduce their depots.

I. An Integrated System for the Reutilization and Disposal of Excess and Surplus Property.

Components:

- Utilization Screening
- Reporting
- Repair, Rehabilitation and Reclamation
- Reutilization and Reassignment
- Donation
- Sales

J. A System for Collecting, Developing, Communicating, and Disseminating Acquisition and Property Management Data Which Takes Into Account the Needs of the Congress, the Executive Branch, and the Private Sector.

Components:

- National Supply Data System
- Ability to provide required and recurring reports
- Additional related systems to program plans, budgets, costs, personnel data and other information as required

1. Currently Underway:

A Federal Procurement Data System, including a Federal Data Procurement Center, for assembling, organizing and presenting contract placement data for the Federal Government, is to commence operation October 1, 1978.

2. Required:

- (a) An advisory group to recommend additions, deletions and changes to the National Supply Data System.
- (b) An interagency committee to determine required programs and data elements, and to test, implement and oversee the development of programs for the National Supply Data System.

K. Representation Before Appropriate Federal and State Regulatory Bodies.

Components:

- Represents the National Supply System participants in all matters pertaining to transportation, public utilities and telecommunications.

L. Continuous Close Cooperation with Central Personnel Management Authority to Promote Programs for Improved Qualification and Position Classification Standards and Similar Activities Towards Improving the Recruitment, Training, Career Development, Motivation, and Performance Evaluation Of Acquisition and Supply Personnel.

Components:

- Classification standards
- Qualification and performance standards and appraisal methods
- Analysis and development of recruitment sources for qualified personnel
- Training and career development programs
- Recognition and awards programs
- Certification and Licensing programs

1. Currently Underway:

Federal Acquisition Institute is developing career programs for acquisition and contracting personnel. These should be expanded, in cooperation with GSA and CSC, to include all supply personnel.

2. Required:

A task group to develop a code of ethics, examination, licensing and certification programs, and to develop an awards and recognition program, for special achievements of supply, and acquisition personnel.

IV. SCHEDULE

Note: Actions to be completed by the dates shown, but with full input and consultation with agencies affected, and approval by National Supply System Advisory Board. It also envisions continuing coordination with other related projects, studies and cost-benefit analyses, underway elsewhere in the Federal Service, in the development of the products needed to complete the definition and description of the NSS.

A. September 1, 1978

- Approval of the National Supply System Project Summary by the President
- Charter for Task Force and appointment of Task Force Director
- Appointment of Functional Coordinators
- Organization of Work Groups including necessary administrative support

B. January 1, 1979

- Development of completed, formal National Supply System definition, and of *initial* drafts of major policy and program directives
- Coordination of the above with NSS participants and other interested parties
- Negotiation and resolution of comments by the National Supply System Advisory Board

C. April 1, 1979

- Development of *initial drafts* of comprehensive descriptions and of policy and program directives for each of the *functional areas*
- Coordination of the above with NSS participants and other interested parties

- Approval by the National Supply System Advisory Board of completed, formal National Supply System definition, and final drafts of major policy and program directives

D. July 1, 1979

Approval by the National Supply System Advisory Board, of *final drafts* of comprehensive descriptions, and of policy and program directives for each of the *functional areas*.

E. September 1, 1979

Subsequent to completion and approval by NSSAB, of comprehensive functional descriptions, policy and programs directives, as per D above, delineation of roles and responsibilities of NSS participants, and of management authorities and organizational structures. Coordination with all interested parties, negotiation and resolution of comments and approval by the National Supply System Advisory Board.

F. January 1, 1980

Issuance of all policy, program and management directives, establishing the National Supply System, with *phased implementation to begin April 1, 1980*—this gives a six month lead in, transition period for actions to be effected at the beginning of FY 81, ie October 1, 1980.

ISSUE NO. S-2: CRITERIA FOR CONSOLIDATING GOVERNMENT SUPPLY DEPOTS

I. INTRODUCTION

This is a status report on an interagency effort to develop a series of viable, realistic criteria for consolidating Government wholesale distribution facilities.

National Supply System Task Group No. 2 was established on March 2, 1978, under the aegis of the National Supply System Advisory Board and the Administrative Services Reorganization Project. It was asked to prepare an inventory of the Government's wholesale distribution facilities in the 50 states and to develop criteria for reducing the number of these facilities. The task group is composed of representatives of DOD, GSA, VA, NASA, DOT, OFPP and the ASRP.

II. BACKGROUND AND CURRENT STATUS

On January 10, 1978, the National Supply System Advisory Board authorized the establishment of Task Group No. 2 as the first step in a project to establish a single consolidated network of Federal depot facilities for Government-wide use. The National Supply System Advisory Board also directed that the efforts of Task Group No. 2 be thoroughly integrated with the work of the Administrative Services Reorganization Project (ASRP) and that the work products of this task group, as approved by the National Supply System Advisory Board, be contributed to ASRP.

Scores of agency depots exist, many of which are located in close geographical proximity, store and issue similar kinds of items, and often issue these items to the same customers. Some depot facilities are poorly located to effectively serve their customers, are housed in overaged, obsolete facilities, and utilize agency-unique procedures. Because of the impact of the commercial product acquisition program and other factors, future capacity requirements for depots may be reduced. The GSA, for example, has reported that nearly 60% of items stocked in depots have been removed from stock since 1970. Moreover, both DOD and GSA have completed consolidation studies of their respective facilities and, in the case of GSA, have begun to implement their findings.

On April 26, 1978, Task Group No. 2 completed and forwarded its inventory of Government wholesale depots to the National Supply System Steering Committee where it is presently under review. That inventory, a summary of which is attached as Appendix A, reveals that 67 general purpose depots are owned and operated by 10 Federal agencies in the 50 states.

The task group is also completing its deliberations on criteria for further consolidating those facilities. Criteria under development relate to user responsiveness, cost effectiveness, management considerations and numerous other aspects of depot effectiveness. It is expected that the task group report on criteria will be submitted to the Steering Committee in early June, and subsequently to the Advisory Board for approval. As soon as the consolidation criteria are approved by the National Supply System Advisory Board, a task group for transitional planning is scheduled to be established. ASRP estimates that 6 months will be required for this stage of the program.

The 67 common supply depots operated by the 10 Federal agencies have annual operating costs of \$1.2 billion. These depots take up 190 million square feet of space and employ 22,946 people. The studies currently underway in DOD and GSA could result in as many as 20 fewer depots. It is believed that a substantially greater number of depots could be consolidated through full implementation of the National Supply System and that a 20 percent reduction in current operating costs for personnel, space and transportation would result. Based on the 20 percent estimate, annual savings would be \$240,000,000. Projected savings have been rounded off to \$200,000,000.

Wholesale Depot Consolidation StudyTask Group #2Depot Inventory Summary

Reporting Agency	No. of Depots	Space Gr. Sq. Ft.	Inventory Dollars	Depot Personnel
Agriculture	2	45,050	\$404,000	8
Commerce NOAA	3	118,363	6,580,490	45
DOD	34*	126,219,000**	25,000,000,000**	21,000 est.**
GSA	18	12,883,985	203,160,195	1,214
HEW	1	66,419	2,422,600	51
Interior	1	39,680	3,982,306	23
Justice	1	150,000	250,000	2
NASA	1	81,475	35,643,507	Contr.
DOT	3	863,144	187,900,000	286
VA	3	1,084,366	40,784,958	317
Totals	67	141,551,482	\$25,481,128,056	22,946

*Excludes 81 Fuel Terminals and 15 Ammunition Depots.

**Does not include Bulk Petroleum, Oils Lubricants; Ammunition; Chemical, Biological, Radiological Materials; Perishable Subsistence; Industrial Plant Equipment; or most Major End items.

ISSUE NO. S-3: FSS SUPPLY OPERATIONS

I. INTRODUCTION

This study memorandum provides an assessment of the GSA/FSS organization and the policies, programs, and procedures employed in providing supply support to civil and military customers.

The study involved a review of the entire FSS supply management function. Nationwide interviews were conducted with FSS Central Office and regional staffs, as well as with officials of commercial enterprise and state governments. Extensive reviews were made of the GSA/FSS organization statements, FSS operating procedures, GAO reports, GSA Internal Audit Reports, consultant studies, operating program surveys, reports of Congressional Committee Hearings, and OFPP policy statements.

FSS supply management activities, in support of a central supply mission, were authorized by Public Law 152, the Act establishing GSA in 1949. In the intervening 29 years, the scope, volume and complexity of activity has expanded markedly. Support provided worldwide to civilian and military activities amounts to approximately \$3 billion annually. Many management and operational improvements have been instituted over the years to handle the increased workloads. Included were development of more sophisticated procurement and inventory management concepts and procedures, increased utilization of ADP systems, installation of more mechanized equipment and internal movement systems in depot operations, better management information systems, as well as some organization changes and advanced financial controls. Review of the current FSS organizational structure, including the Central Office and the regional offices indicated that alternatives are available to improve system effectiveness, improve responsiveness to the customer, and reduce costs in the delivery of supplies and services. A cost/benefit analysis should be made prior to implementing any of the alternatives.

II. BACKGROUND AND CURRENT SITUATION

A. ORGANIZATION PROBLEMS

The organization of the FSS has been subjected to numerous studies and adjustments over the years. Frequent changes in top management have brought new management philosophy and policy direction. However, pressures from political interests, employee unions, and trade associations have sometimes thwarted efforts to make other organizational adjustments considered necessary.

The supply management functions in FSS are performed by a Central Office with 7 major headquarters offices, 4 staff offices, and 3 commodity centers reporting to the FSS Commissioner. The field organization consists of 10 regional offices and 20 supply distribution facilities. Procurement is accomplished by 17 separate elements located in 11 geographic areas, and inventory management operations are performed by 12 separate activities throughout the FSS.

The FSS depot stock program, which currently involves approximately 22,000 items, is subject to reduction as a result of the OFPP "Commercial Products Policy", which would increase reliance on the commercial distribution system. The degree of impact is dependent on the results of current OFPP/FSS negotiations to clarify the policy. Literal interpretation of this policy would drastically affect the FSS depot stock program as well as FSS supply policies and organizational structure.

Washington level attention to the development of policy in FSS is reduced because of operational responsibilities assigned to the central office. The present structure forces operational decisions to the level of the Commissioner or Deputy Commissioner that should not be made at that level. Moving supply operations from the Central Office to the field would provide a clear division between policy development and operations and would promote more consistent and integrated supply management policies. Assigning operational control to the field organization would increase management control, improve effectiveness of operations and improve responsiveness to customers.

B. POLICY AND PROCEDURAL PROBLEMS

FSS as a major central supply support organization conducts a number of management programs and operating functions including planning, budgeting, funding, program review, procurement, method of supply determinations, logistics data management, supply distribution, and inventory management. The effectiveness of supply management efforts is influenced by other factors such as the Commercial Products Policy as sponsored by the Office of Federal Procurement Policy.

Review of the current FSS policies, programs, and procedures indicates that although improvements have been made in recent years, and others are planned, there are still a number of areas which offer potential for improving supply system responsiveness and effectiveness, or reducing costs. Each area is identified and discussed below.

III. CRITERIA FOR IMPROVEMENT

- Improve managerial control
- Reduce costs
- Improve responsiveness
- Improve effectiveness
- Improve FSS/customer relationships

IV. ORGANIZATIONAL ALTERNATIVES

A. CENTRAL OFFICE ORGANIZATION

Reassign all supply management operations presently being performed in the Central Office to the FSS field activities, retaining only policy and procedures within the Central Office; create a Deputy Commissioner for Supply Management responsible for the total supply management function and a Deputy Commissioner for Support Services heading up other FSS activities. This proposal must be considered in conjunction with field organization structures discussed in paragraph B below.

Several operational functions are assigned to the Central Office: all FSS cataloging operations; procurement of general products, office and photographic equipment, and office supplies and paper products; some specification, standards, and quality control operations; and all supply operations performed by the three commodity centers.

FSS supply management policy responsibilities are currently diluted by supply operations activities in the Central Office and are split among 4 Assistant Commissioners. Resolution of policy/program differences in the best interest of the supply support system and the customer must be resolved at the Commissioner/Deputy Commissioner level.

Moving supply operations from the Central Office to the field and centralizing supply management policy responsibilities under a Deputy Commissioner for Supply Management would establish the organizational structure needed to assure consistent and integrated system wide policy guidance on a continuing basis. This would increase management control of operations and improve effectiveness and responsiveness to customers. By having the policy managers for the various supply management functions operating at the same organizational level and reporting to the Deputy Commissioner for Supply Management, who would integrate the various policies involved, a more cohesive and balanced effort to carry out the supply support responsibilities will result.

Significant realignment of detailed functions at the office level under the Deputy Commissioner for Supply Management is considered necessary. The responsibilities of the Office of Procurement would be limited to the procuring and acquisition of material. The proposed Office of Supply Operations would be established with the responsibility for inventory management to include: requirements computations, related budget/financial responsibilities, stock control, order processing, inventory adjustments, and method of supply determinations. An Office of Cataloging would be established for staff support of this function.

Customer service functions would support both Supply Management and Support Services and would be established as a separate organizational entity reporting directly to the FSS Commissioner.

Another alternative for the organizational placement of these customer service and assistance functions is discussed in Issue No. S-4, "Customer Services". This alternative would have the Customer Service Office report to the GSA Administrator and provide service for all of GSA.

Pros:

Increased stability of workforce

Reduced total GSA personnel costs through lower average grade

Increased managerial control

Improved responsiveness to customers

Improved flexibility of workload planning and control

Cons:

Loss of some experienced personnel

Temporary degradation of performance during transition period

Possible temporary personnel overstrength

Initial costs for relocating personnel, establishing new systems, and revising communications network

B. FIELD ORGANIZATION

1. Establish a single National Commodity Management Center (CMC) responsible for all operational functions; procurement, inventory management, distribution, cataloging,

specifications, standards, and quality control. Eliminate these operations at FSS headquarters and at the regional offices and integrate the functions into the CMC. Disestablish existing commodity centers and integrate the functions into the CMC. Revise ADP system requirements to support FSS supply operations. Establish direct communications links between the National Center and each distribution facility.

Pros:

Improve management control

Reduce personnel and investment costs

Improve supply responsiveness and effectiveness

Cons:

Initial costs for relocating personnel, establishing new systems, and revising communications network

Loss of some experienced personnel

Temporary degradation of performance during transition period

2. Extend the current commodity center concept - Continue the present tools, furniture and automotive commodity centers and establish additional centers for paper products and general supplies and incorporate current Central Office operations and regional supply management operations into the centers, all of which would be field activities.

Transfer operational functions for procurement, inventory management, distribution, cataloging, specifications, standards and quality control, to be consistent with commodity management by individual centers. Eliminate these operations at FSS headquarters and regional offices. Centers would assume supply management functions for assigned classes and would report to FSS headquarters.

Pros:

Improve management control

Reduce personnel and investment costs

Provide commodity visibility and improve customer relations

Cons:

Supply management remains decentralized and fragmented
Does not maximize responsiveness or effectiveness
Savings less than the centralized commodity management center alternative

3. Strengthen and refine the regional structure - retain the present 10 region structure; eliminate the present commodity centers and assign their functions to the regions; and improve the process and system in and among the regions.

Establish all supply management functions within a region for the classes/items assigned to that region. Eliminate these functions from FSS headquarters.

Pros:

Eliminates fragmentation between regions and commodity centers

Eliminates system duplications

Improves management control by separating policy and operations

Concentrates inventory management and procurement responsibility in each region for the class/items assigned.

Cons:

Continued fragmentation of supply management functions

Minimum savings from consolidation of commodity centers

No obvious increase in responsiveness to customers

4. Continue the present structure for the regions and commodity centers with the supply management operation functions presently performed in the Central Office assigned to the regions.

Existing procurement, standards, specifications, and quality control operations would move from Central Office to the regions or to a new commodity center or a combination of both.

Commodity centers would become field organizations.

Minimum disruption of personnel and systems

Provides separation of policy and operations

Cons:

Supply management functions remain fragmented

Minimum reduction in operating costs

No improvement in effectiveness or responsiveness to customer

5. Reduce the number of regions - Consolidate the present 10 regional FSS supply support operations into a lesser number. Should it be decided to perpetuate FSS supply operations in the regional offices, savings could be realized by consolidation of these functions in fewer regions. For example, the number of regions involved in FSS supply support operations could conceivably be reduced from the current 10 to 3; one East Coast, one West Coast, and one Mid U.S.

Pros:

Some reduced costs from consolidation

Some increased management control

Decreases system development and implementation problems

Cons:

Supply management functions remain fragmented

No improvement of responsiveness and effectiveness to customer

Minimum reduction of operating costs

A limited procurement capability would be retained in the regions to support retail operations and provide internal regional local purchasing support regardless of the organizational alternative selected.

V. PROCESS IMPROVEMENTS

A. FUNDING METHODS

FSS supply management operations are funded from 3 sources: appropriations which cover all operating costs, a revolving

account - the General Supply Fund which finances the cost of purchases in both the stock and nonstock programs, and reimbursements from other agencies for special work performed. By law, the General Supply Fund may be used only to recover the purchase price of property and the transportation and maintenance costs involved. FSS prices stock items to recover those costs which for the period October - December 1977 amounted to a markup of 12.1%. For nonstock support, the customer is charged only the amount billed FSS by the vendor.

One of the major recommendations of the Commission on Government Procurement was that interagency supply support activities should institute a program of industrial funding which would recover all costs of supplying products and services which in turn would foster efficiency in use of resources by both the supplying activity and the user.

FSS, with the assistance of the Office of Finance staff, GSA, prepared a study entitled "Full Cost Recovery for the FSS" (November 15, 1973). The conclusion was that industrial funding had advantages for FSS and that its stock, nonstores and schedules programs would remain cost effective despite the cost add-ons necessary. At that time, FSS would have had to mark-up stock by 33%, and add a 5% surcharge for nonstores and schedules products. Despite this, FSS prices would still have been 16.3% below the commercial market prices on stocked items and 13.6% below for nonstores and schedules. A comparable situation exists today.

Based on the indicated feasibility of implementing industrial funding in FSS, a decision was made to prepare draft legislation to amend PL 152. During this period however, DOD voiced opposition to using industrial funding in supply operations as being a costly and unsatisfactory accounting method for DLA items and agreed to FSS using it only if storage and distribution costs were funded by GSA appropriations and DOD had full freedom to use alternate supply sources when more economical. Since OFPP could not resolve the matter, FSS cancelled their plans for introducing industrial funding.

FSS then proceeded to consider the possibility of applying a system of full cost disclosure. It identifies costs of the supply management operation for improved management control but does not provide for collection of overhead and imputed interest expenses from the customer. FSS expects to have a complete cost disclosure system in use by FY 1980.

Recommended Process Improvements

FSS should continue the revision of its accounting systems to identify and collect all costs attributable to the supply man-

agement program (including ADP and telecommunications costs) as a prerequisite to instituting full cost disclosure under present funding arrangements.

Upon resolution of the roles of the various agencies under the National Supply System, consideration should be given to initiating legislation to provide for industrial funding of the supply management operations of the NSS.

B. LOGISTICS DATA MANAGEMENT

The Administrator of GSA is authorized by law to establish and maintain a uniform Federal Catalog System to identify and classify personal property under the control of Federal agencies. Under this law, each Federal agency is required to utilize the Federal Catalog System except as the GSA Administrator shall otherwise provide. The Defense Cataloging and Standardization Act authorized the Secretary of Defense to develop a single supply catalog system for DOD. Both laws require coordination to avoid unnecessary duplication.

Chapter 101-30 of the Federal Property Management Regulations delineates Federal agency and GSA responsibilities in identifying and recording items in the Federal Catalog System. These regulations also prescribe the procedures to be followed by Federal civil agencies in requesting exemptions from the program.

While substantial progress has been made in the identification and recording of items required by Federal civil agencies in the Federal Catalog System since 1949, it is estimated that 374,000 items used by civil agencies have not yet been reviewed for assignment of National Stock Numbers. Locally assigned stock numbers and individual civil agency management of these items negate the economies of a centrally managed system. Review of these items for assignment of National Stock Numbers is also essential to realize a fully effective National Supply System. The current staffing level of the FSS Logistics Data Management Division has not permitted any significant progress in reviewing these 374,000 items nor has it been possible to initiate item reduction studies in the 69 Federal Supply Classes assigned to GSA.

Another problem is the current FSS policy which results in rejecting civil agency requests for supply support when projected annual demand is less than \$25,000 for an item.

Recommended Process Improvements

FSS should continue its plan for prioritizing agency participation and seek the additional resources necessary to accelerate review of the civil agency items not assigned NSN's and to conduct a more effective Item Reduction Program.

FSS should pursue full agency participation in the Federal Catalog System.

FSS should re-examine the current policy for rejecting civil agency supply support requests when projected annual demand is less than \$25,000 and utilize the economic decision-making model in determining the appropriate method of supply.

C. SUPPLY DISTRIBUTION

FSS supports agencies worldwide on some 22,000 common use items from 20 facilities comprising 14.4 million square feet located throughout the U.S. Sales for FY 1977 amounted to \$697.9 million. A number of problems were noted in reviewing the operations. Several facilities visited had substantial amounts of underutilized space thought to result from recent item support transfers to DLA, need for realignment of stocking patterns and reduction in number of stocked items. Actions to resolve this situation include the application of a simulation technique to determine the optimum number of facilities needed and an annual Supply Distribution/Inventory Management effort to assure that items are stocked in the facilities nearest the customers.

Another area for improvement is the need for separate ADP output for controlling hazardous material shipments. Currently this process is performed manually creating an unnecessary expense.

Adjustments were being made without verification to stock item record balances by activities outside of the depot on the basis of customer complaints indicating over or under shipments from the depot. This increases the potential for erroneous inventory balances.

There is also the possibility of increased costs of depot operations if the FSS policy of accepting "commercial pack" from vendors is widely implemented without further definition. With the wide variances in unit packages by different vendors for the same items under the same National Stock Number, errors in receiving, inventorying and issuing can be expected.

Finally, improved ADP programs are needed for more effective stock location control, compression of receipt processing time, improved shipment consolidation and elimination of time delays in delivering depot work packages from the distant computer processing sites. These improvements are not scheduled for inclusion in the ADP design effort scheduled for implementation in 1980.

Recommended Process Improvements

FSS should pursue its plan to consolidate the number of distribution facilities from 20 to a range of 8 to 12. Central Office

Inventory Management should pursue early implementation of the April 1978 item stocking plan.

Obtain a computer program change as soon as possible which will provide separate documents for hazardous items so that required packing and shipping controls can be applied automatically.

Establish a requirement that the Supply Distribution Inventory Sampling Staff conduct an interim physical inventory before making any adjustments to book balances now being made automatically on the basis of customer reports of over or under depot shipments.

FSS re-examine implementation of the commercial pack policy to assure judicial and selective application.

FSS re-evaluate the urgency of need for major system improvements in the distribution facilities. In the event required improvements cannot be included in the ADP support system for 1980, the Office of Supply Distribution should seek to achieve operational improvements manually, if necessary, at the earliest practicable date.

D. COMMERCIAL PRODUCTS POLICY

OFPP policy provides that Federal government activities are to make maximum use of the commercial distribution channels to meet requirements for common use type items. The need for complex federal specifications will be reduced and the cost of government storage and distribution will be minimized. The rationale is that greater reliance on the commercial sector will result in lower costs of doing business with no adverse impact on supply system responsiveness. Pursuant to this policy, FSS subjected 2,296 items to the GSA developed computerized economic model for making cost effective method of procurement and supply decisions. This analysis recommended 1,529 or 66.6 percent be retained in the FSS stock program, 746 or 32.5 percent be placed on supply schedules, and 21 or 0.9 percent be designated for local purchase. FSS plans to complete analysis of all of the stocked items in the next twelve months.

The FSS analysis established that economic factors must be taken into consideration in arriving at the optimum method of supply. This position was included in a letter to OFPP dated April 3, 1978. If the OFPP policy is to be literally implemented without reference to economic considerations on an item-by-item basis, the FSS depot program would be virtually eliminated.

Recommended Process Improvements

FSS and OFPP should resolve policy concerning acquisition and distribution of commercial products.

FSS uses a computerized program to assist management in reaching item-by-item decisions regarding which method of supply would produce the lowest total landed cost to the Government. A number of constant data elements are stored on the system, such as costs of item management, procuring, requisitioning, receiving, inspection, inventory holding, issue, transportation, billing and collection. Different levels of cost are assigned for each of three major methods of supply: supply from stock, supply by Federal Supply Schedule, and agency local purchase. (A fourth method of supply used by FSS, called non-stores procurement, is not yet included in the Economic Model.) Other constant data included are information compiled annually showing percentage price savings obtained by FSS compared to prices which agencies would have to pay locally. Variable data are run against the model including anticipated demand, different cost levels by item depending on the expenses applicable to receiving, inventory holding, method of procurement selection, etc. The computer program matches these data and indicates the cost for each method of supply.

Several problems were noted. Currently, the accuracy of the model cannot be verified since detailed program documentation was not compiled during construction of the model although detailed write-ups will commence shortly. The model is currently used only to determine the appropriate method of supply for items now in stock or being considered for such type of support. Apparently, data on Federal Supply Schedules, Non-stock Procurements, and local buys by agencies are not sufficient to use the model in calculating whether a change in the method of supply for these millions of items would be economically desirable.

The model has not been formally reviewed by other Government or private sector activities although GAO has initiated an effort in this regard and OFPP has also been provided a general description of the model for review and comment. FSS is refining the model to replace a number of cost averages now used with more meaningful data based on expense variances which exist among supply items and among the methods of procurement used.

Recommended Process Improvements

Immediate action should be taken to fully document the current economic decision making model as well as the refined approach as it is developed.

FSS should establish an approach to review all assigned items.

Other non-GSA activities in Government and the private sector should be requested to review and critique the economic decision making model.

ISSUE No. S-4: CUSTOMER SERVICES

I. INTRODUCTION

This study memorandum provides an assessment of GSA/FSS services to its Federal customers.

Central supply systems of the federal government should serve one basic purpose - effective support of the federal customer. A growing communication gap, caused by increased GSA centralization, inhibits customer feedback on system operations and design. The system too often is perceived as not responsive to customer needs.

Customer satisfaction has been assessed across all supply support programs (Stores, Schedules, National Buy) at user and agency level through questionnaires, interviews, and analysis of objective and perceptive data. The analysis encompassed all aspects of delivery of services from product selection and availability through order and delivery processes, and final acceptability or adjustment.

The principal bases for this analysis are:

- o Review of the Federal Supply Service - This involved examination of the concepts, attitudes, knowledge and processes of the central system as managed and operated by GSA.

- o Customer Support Questionnaire (CSQ) - This questionnaire was sent to more than 9,000 customer activities to obtain their needs and perceptions. (See the Appendix for specifics.)

- o Meetings with representatives of customer activities - This provided additional insight on how the customer viewed the central system.

- o Outside visits - The basic management concepts of major industries and several states were likewise examined and documented.

II. THE ISSUE

Overall, the analysis of GSA coupled with the meetings and CSQ findings indicate a broad degree of customer acceptance and satisfaction with the centralized system. However, a number

of areas need significant modification and improvement in order to be responsive to customer requirements. For example, GSA operates on a regional mode, when, in fact, several customer service activities should be a single national effort. Currently, the system itself lacks responsiveness and timeliness in terms of order processing and customer delivery. Part of this is due to inadequate resources and an outdated ADP system, which is not responsive to either the customer or GSA management. Furthermore, management relies on a regional management organizational concept which perpetrates "production of economy measures" causing a deterioration of the quality of responsiveness to customers. In effect, this philosophy and management process promote system-centered thinking resulting in customer dissatisfaction with day-to-day operations.

The Customer Services issue is organized into 5 sections each of which is a principal area of customer interaction with the system. These are examined separately in the context of recommended improvements to the management, process/system, procedure and policy aspects of each. Conclusions and recommendations are enumerated in detail under the following headings in Sections A through E below.

- A. General Customer Perspective
- B. Retail Services and Systems
- C. Marketing and Cataloging
- D. Customer and Agency Liaison
- E. Ordering and Order Processing

The criteria for improvement utilized in examining these areas are:

- o Increase responsiveness.
- o Reduce operating costs.
- o Simplify Federal customer tasks.
- o Separate regulation from guidance.
- o Separate policy from operations.
- o Align responsibility and authority.
- o Offer greater use of commercial products.

A. GENERAL CUSTOMER PERSPECTIVE

Too often the needs of the customer are overlooked in favor of institutional requirements of the centralized supply system. The different procedures and forms used by the individual systems; the stringent, mandatory system requirements; mandatory use of specifications; and the need for compliance

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with system parameters (degree or lack of flexibility), all
affect upon the users.

The general customer perspective findings were developed through meetings with representatives of customer agencies and through a "Customer Support Questionnaire" (CSQ) which was mailed to 9,286 addressees world-wide. Analysis of the comments and recommendations made during the meetings and the responses to the questionnaire indicate the following:

Regulations and Procedures - 90% of those responding felt that Requisition/ordering procedures are complete and understandable", but that they need to be consolidated and simplified. Too much effort is required of agencies to conform and comply with the regulatory and procedural dictates. A "cross reference guide" employing generic names of items and products must be developed. All forms in the system should be standardized.

Range of Products - Generally satisfactory, however, additional coverage is needed in certain Federal Supply Schedule areas.

Quality of Products - Complaint procedures regarding quality of items do not produce satisfactory results. The FED/MILSPEC's are not kept current. Many are obsolete. Few reflect current state-of-the-art.

Adequacy of Delivery - Delivery time received one of the lowest overall ratings of the CSQ - 70% favorable. Many of the standard commercial items have inordinately long delivery times. Items which are readily available on the open market have 60-90 day delivery times when purchased through the system.

Follow-up on Requisitions - 76% gave an affirmative rating to follow-up response - again not strongly favorable. Requests should only be required to be sent to a single organization representative.

Customer Assistance - Strongly negative evaluation, particularly in response to the statement concerning visits - 78% gave an unfavorable rating.

Catalogs and Price Lists - An 86% favorable rating was given to adequacy of catalogs/ price lists. GSA needs

to ensure timely delivery of contractor's catalogs and price lists to customers.

Adjustments - The adjustment process is difficult and very time consuming; there are too many forms and too many contact points. The system should only require a single report to be prepared and submitted to a single servicing organization, regardless of the reason the adjustment is being requested.

Special Order/Buying Procedures (SO/BP) - The SO/BP has enormous potential; however, the lack of attentiveness to the customers' needs has "turned them off".

CONCLUSIONS/RECOMMENDATIONS

1. CONSOLIDATION OF REGULATIONS AND PROCEDURES: Emphasize standardization, uniformity, clarity and simplicity. Avoid jargon, codes and complex procedures. Tone down mandatory aspects, emphasize guidance and assistance.

This recognizes that many users are in low graded non-professional positions and are not supply "oriented"; it also would reduce the time required for training of user personnel and enhance users' view and use of the system. Costs of development of a fully integrated regulatory system must be carefully considered.

2. SIMPLIFY THE ADJUSTMENT/CREDIT PROCEDURE: Adopt a "No fault - customer is always right" concept. Institute a one-stop procedure. This would substantially reduce the time, paperwork and confusion for the customer and the consolidated support activity, however, it does require some internal system adjustment.

3. ENSURE THAT THE CENTRALIZED SUPPORT AGENCIES ADOPT A SERVICE ATTITUDE: Requires some internal system adjustment.

4. ESTABLISH CUSTOMER SERVICE REPRESENTATIVE (CSR) AS THE SINGLE FOCAL POINT FOR CUSTOMERS OF THE CONSOLIDATED SYSTEM: Customers desiring follow-up information, general assistance, resolution of problems (such as adjustment/credits, quality complaints, delivery problems, etc.) should only be required to make a single contact. The CSR should have the authority to cross organizational and territorial boundaries. The benefits include increased emphasis on the needs of the customer, savings in time and resources and establishing a means and focal point for the customer to easily communicate

with the centralized system. Substantially increased CSR costs and workload would result.

5. IMPLEMENT IMMEDIATELY THE RECOMMENDATIONS OF THE GAO AND OF THE COMMISSION ON GOVERNMENT PROCUREMENT WITH REGARD TO FED/MILSPEC SYSTEMS: Purge those that are obsolete or unnecessary and update the remainder to reflect the current state-of-the-art. More reliance must be placed on competitive, commercial products. This would allow customers to take advantage of those products which best suit their needs.

6. EXPEDITE THE DELIVERY OF CATALOGS AND PRICE LISTS TO CUSTOMER AGENCIES: This would emphasize the service aspects of the system and increase purchases through the system which, due to a lack of such information, are now made on the open market.

7. IMPROVE THE SPECIAL ORDER/BUYING PROCEDURE (SO/BP): That portion of the system should be revitalized to make it more responsive and visible to the customer. The requirements of various customers referred to the centralized SO/BP activity would be combined to produce the cost benefits available through consolidated purchasing.

8. ABOLISH THE CURRENT "WAIVER" REQUIREMENTS AND SUBSTITUTE WITH INTERNAL DOCUMENTATION: Current "waiver" requirements are too cumbersome, time-consuming and unnecessarily complicate the acquisition process. Internal agency review, with appropriate notification to GSA, will suffice.

9. REMOVE "MANDATORY" REQUIREMENTS FROM FEDERAL SUPPLY SCHEDULE CONTRACTS: FSS contracts should be "available for use" as opposed to being "mandatory for use" by customer activities.

10. RAISE THE DOLLAR CRITERIA FOR MANDATORY USE OF THE STOCK/NON-STOCK SYSTEM: Amount should be increased from the current \$10 (GSA) and \$25 (DLA) limits to a more reasonable level of \$100 (possibly as high as \$500 after thorough analysis). Present limitations are considerably behind today's cost of doing business. The cost to comply with the dollar criteria may be more than value of item ordered.

B. RETAIL SERVICES AND SYSTEMS

Retail services and systems cover a range of activities to assist users, particularly smaller units, in obtaining support from the central system.

RETAIL STORES PROGRAM

The program is well supported by customer agencies from both an economic and convenience viewpoint. Increasing demand exists for FSS to open additional stores.

GSA has not acquired nor identified resources sufficient to open all the stores which studies have shown would be most effective to the Government.

The CSQ indicated support for the retail stores and for the expansion of facilities and services:

	YES		NO	
	<u>Almost Always</u>	<u>Often</u>	<u>Sometimes</u>	<u>Almost Never</u>
Locations convenient/ accessible	46%	20%	12%	22%
Required items available	25%	38%	28%	10%
Personnel knowledge- able/responsive	47%	38%	10%	5%
Credit on returns/ adjustments made promptly	52%	31%	10%	8%
Item range should be expanded	49%	26%	16%	8%
Open market arrange- ments would be preferable	26%	21%	31%	22%

The stores are in an excellent position to offer ordering assistance to the customer, both for schedule items and items in GSA stock. Resource limitations, policy decisions and management direction have tended to restrict these services.

RETAIL INTERSERVICING

No effort has been undertaken to identify the local support potential and to promote interagency arrangements. Effective interagency "interservicing" need not have a "resource problem" since it relies on existing capabilities put fully to use.

Federal agencies have each developed a retail structure without criteria or basic management and organizational concepts. The structure reflects that agency's best effort to cope with a basic requirement - the need to bring items carried in Government wholesale inventories into the hands of the end user who is in fact an operator or administrator and not a supply clerk or officer. The retail system gives him tailored support in a simple, direct arrangement.

OPEN MARKET/LOCAL PURCHASE PROGRAMS

The CSQ indicates a general customer preference for Government sources as opposed to local purchase. This preference recognizes that the government source offers an advantageous price. The following table summarizes the customer attitudes on local purchase (open market) as a source:

	YES		NO	
	<u>Almost Always</u>	<u>Often</u>	<u>Sometimes</u>	<u>Almost Never</u>
Open market sources are available	53%	28%	10%	8%
Open market sources are preferred	20%	20%	35%	25%
Open market prices advantageous	8%	15%	38%	38%

The customer preference for Government sources increases the opportunity for customer satisfaction by leaving options open. In effect, the customer will tend to use the system even if he is given local options to purchase on the open market; the system stands to lose little business and will gain increased customer appreciation. For example, it is clear that the local purchase option on stocked items could be raised from the present \$10 (GSA)/\$25 (DLA) to a level on the order of \$100 to \$500 with little impact on the system and with benefit in eliminating small, uneconomic orders. The CSQ strongly supports an increase in the exception criteria.

In the area of Federal Supply Schedules there is an opportunity to give the customer a wider range of choice and to promote greater use of commercial products. Improved management of the schedule program has to be a prerequisite to its optimum use by the customer. The major weaknesses indicated in the CSQ are ease of understanding, vendor responsiveness, and GSA responsiveness to waiver requests.

CONCLUSIONS/RECOMMENDATIONS

1. EXPAND RETAIL STORE ACTIVITIES: Expand the number of self-service stores and range of items and services offered, including ordering assistance. This will greatly increase customer responsiveness, simplicity of customer operations and increase use of commercial sources and products. This will increase the cost of operations to GSA, but it will be more than offset by reduced customer agency costs.

2. DEVELOP RETAIL SERVICES AND SYSTEMS: Promote the development of retail services and systems and develop supporting policies, practices, and systems. This recommendation would reduce costs through better management and organization of the multitude of fragmented user systems. On the other hand, it involves a major effort on GSA's part to develop and promote the program with attendant resources and management support.

3. INCREASE INTERAGENCY SUPPORT: Promote the use of inter-agency support arrangements among and between Government agencies. This will reduce costs and increase responsiveness, but it will require some initial effort by all parties to seek out and make the initial arrangements.

4. IMPLEMENT GOVERNMENT-WIDE STORE CONSOLIDATION: Consolidate all Government self-service stores under GSA. This concept potentially reduces costs through consolidation and uniform management systems/procedures. This will, however, cause a loss of flexibility to the major agencies, particularly in adapting to internal finance and accounting systems.

5. INCREASE LOCAL PURCHASE OPTIONS FOR STOCK AND SCHEDULE ITEMS TO A MINIMUM OF \$100 AND POSSIBLY TO \$500 PER LINE ITEM: This will greatly increase customer satisfaction and responsiveness while reducing system costs. On the other hand, it will increase costs to users for more expensive commercial products.

C. MARKETING

An effective marketing management program which emphasizes customer service and satisfaction offers large savings by assuring:

Better information on products and services to customers and government/agency suppliers.

That the customer's perspective has the attention of the highest organizational levels.

That responding to customer and his needs is the overriding organization-wide objective.

Increased system knowledge of customer needs and requirements.

In the private sector, the "customer is always right". Profit motivated companies invest a considerable percentage of their resources in providing the customer with information, ordering assistance, product information and a variety of other types of support. Currently, information about the Federal customer is not available in a timely manner in a consolidated location. The expenditures necessary to improve the marketing capability of the central supply system are not significant compared to the amounts of public monies being lost as a result of more expensive open market purchases by agencies. Improvements in the customer support system will enhance the customer agencies' ability to accomplish their missions.

Publications - GSA catalogs have been published only at irregular intervals and do not include all items available from the various procurement and supply programs. Information is not always well cross-referenced, clear, concise, or easy to use. Continued improvement and expansion of the catalogs is necessary.

Data Base - Data on customers, their buying practices, preferences, and scope of operation, as well as data on the potential existing in the Federal marketplace for common commercial supply items is inadequate, often outdated and unsatisfactory for marketing requirements. Identification of customer requirements and capabilities to deal with the central administrative services system are paramount to the system's success.

Product/Support System Strategies - Identification of the customer's product needs and the turning of those needs into product availability must be improved. Product knowledge encompassing marketing, merchandising, technical and procurement aspects would allow a positive, aggressive posture in merchandising, as opposed to the existing "reactionary" approach.

The performance measurement of all elements of the central supply system should reflect the customer emphasis rather than divided internal considerations.

CONCLUSIONS/RECOMMENDATIONS

1. **STRENGTHEN THE MARKETING COMPONENT:** Marketing should be a component of customer service and support reporting to the Commissioner, FSS, with increased resources. It should be highlighted both organizationally and functionally, emphasizing external, customer-oriented service and responsiveness rather than internal system-oriented efficiency. The stress should be on customers' satisfaction, not sales targets as the premier measure of market system effectiveness.
2. **ESTABLISH A COMPREHENSIVE CUSTOMER DATA BASE AND PROFILE:** A complete up-to-date profile and directory of Federal customers should be maintained. This would provide capabilities similar to those in private industry. There would, however, be increased costs for "start-up" and continuing operations.
3. **ENSURE THAT A SINGLE ORGANIZATION DISSEMINATES "EXTERNAL" INFORMATION:** This would bring together information on products, services and methods of procurement/supply in catalogs, price lists, and brochures to facilitate easier customer use of ordering material.
4. **IMPROVE THE SUPPLY CATALOG PROGRAM BY:**
 - o Upgrading information provided in the catalog; better descriptions of items, illustrations, etc.
 - o Inclusion of Federal Supply Schedule publications and information into a single package prepared by the central marketing organization.
5. **PUBLISH CATALOG AND ORDERING INFORMATION ON A FIRM, YEARLY SCHEDULE.**
6. **DEVELOP SPECIFIC PROGRAMS TO MEASURE CUSTOMER SATISFACTION.**
7. **DEVELOP A SIMPLE SYSTEM WITH VISIBILITY AND INFLUENCE TO MAKE MANAGEMENT AND OPERATIONS AWARE OF AND RESPONSIVE TO CUSTOMER DISSATISFACTION SURFACED BY FEEDBACK.**

D. AGENCY/CUSTOMER LIAISON PROGRAM

This highlights changes to the present system which will improve customer responsiveness and deals specifically with the agency/customer liaison activity. The objective is to develop an effective customer liaison program that represents GSA, not only FSS.

The agency/customer liaison organization provides the primary interface with FSS Federal customers on a day-to-day basis, assists customers in using the central supply system for commercial support requirements and in resolution of problems encountered by the customer.

Seven National Liaison Representatives deal with the major agencies and departments at the headquarters level, and 25 Customer Service Representatives throughout the 10 regions support all Federal activities in the field for Federal Supply Service programs and functions.

The basic agency/customer liaison functions are not properly positioned within GSA's organizational structure. As a result, GSA lacks a single "GSA service" concept. Currently, GSA's customers must deal with several different organizational entities within GSA as the CSR does not represent GSA across the board. Additionally, customers receive varying degrees and levels of service from region to region. The chart below clearly illustrates the wide disparity regarding levels of customer service visits (data from the CSQ).

RANGE OF POSITIVE RESPONSES REGARDING CSR VISITS

CUSTOMER	POSITIVE RESPONSES		AVERAGE
	lowest	highest	
CIVILIAN (except USPS)	8.4%	to 31.4%	17.8%
MILITARY	20.0%	to 47.8%	31.0%
TOTAL	15.5%	to 33.9%	23.4%

Although the customer service representative is known, accessible, and resourceful, the customer rarely sees the CSR.

Measuring levels of CSR effectiveness is extremely important, but because the present liaison program is so highly decentralized and fragmented, measurement is impossible. A single centralized program with accountable objectives, action plans, etc., will permit comparative measurement of CSR activity and levels of GSA customer service.

CONCLUSIONS/RECOMMENDATIONS

Based on the analysis from the CSQ, field interviews, reports, etc., the following recommendations are proposed for consideration:

1. ESTABLISH A GSA-WIDE CENTRALIZED NATIONAL LIAISON PROGRAM: This would enable the customer service representative to cross functional organization lines and operate as a representative of

the centralized activity. This will also provide a single point of contact and improve the service-wide information and feedback to the Office of the Administrator.

2. REALLOCATION OF MANPOWER TO INCREASE THE NUMBER OF CSR'S (FROM 25 TO BETWEEN 60 AND 100): This will enable GSA to provide greater attention/responsiveness to the customer; however, that investment could cost nearly \$2.5 million. Sufficient resources must be allocated to actively pursue those Federal agencies now purchasing from the open market (some \$4.5 billion) where direct cost savings can be attained.

3. REVISE AND STRENGTHEN CSR OBJECTIVES AND RESPONSIBILITIES: This will improve their reporting, measurement, accountability and effectiveness to the customer.

E. ORDERING AND ORDER PROCESSING

GSA customers are participants in a highly automated supply system. Most military and some large civilian customers submit requisitions through an automated communications network. Low volume, non-automated customers, both military and civilian, are required to place hard copy orders into the system in FEDSTRIP/MILSTRIP format. The requisitioning process has been described as complicated, cumbersome and non-responsive by a number of customers.

The order processing operation is decentralized at ten (10) GSA regional offices. The system appears to foster discontinuity, evidenced by its inability to respond to immediate requirements and inquiries, proliferation of status, invoices, GBL's, etc. The requisitioning procedure and order processing system should be simplified to foster customer satisfaction through responsive service.

ORDERING SYSTEMS

No major programs have been mounted or efforts made to increase the use of electrical/electronic transmission from civil agency ordering activities, thus a major slowdown in placing requisitions into the system exists. The implementation of a national telephone ordering system for low volume non-automated domestic customers could simplify ordering procedures resulting in greater responsiveness and customer satisfaction.

Simplification of procedures and reduction in lead time could be achieved if GSA would interlock their present system of handling civilian off-line customers with their on-line communications military network.

The use of standard requisitioning forms for all civilian agencies and the military would simplify coordination, eliminate overlap and duplication and realize substantial cost savings.

The results of the CSQ indicate that customers understand and can cope with the system. GSA could, however, simplify and expand the customers' avenues of entering the system to obtain current status of orders in process. The regional mode of operation may be responsible for (1) the system being inaccessible to handle customer needs and (2) the lack of control and visibility as to where orders are in the system. Customer reaction to the ordering system/process is tabulated below:

	YES		NO	
	Almost Always	Often	Sometimes	Almost Never
Requisitioning/ ordering procedures are complete and understandable	52%	37%	8%	3%
Status reports, when requested, are received on a timely basis	46%	37%	13%	4%
Shipping documentation is adequate for receiving purposes	64%	28%	6%	2%
Response to requisition follow-up is adequate	39%	36%	18%	7%
Internal department/ agency ordering procedures are published and adequate	52%	35%	10%	3%

ORDER PROCESSING

During the first six months of FY 1978, a total of 4.1 million orders were processed. Nearly 500,000 of the 4.1 million orders were submitted in hard copy form (mail, message or telephone order). In each case, hard copy orders must be manually converted to machine processable format (MILSTRIP/FEDSTRIP) for processing.

The present order processing system involves approximately 300 people in the GSA headquarters and regions. Centralization of this operation at a single processing point would simplify the operation and realize cost benefits in terms of efficiency, staff reduction and elimination of operations at headquarters. This single processing point would also buffer customers from GSA's internal system and enhance relations.

CONCLUSIONS/RECOMMENDATIONS

1. TELEPHONE ORDERING: Implement pilot program with an "800" telephone number similar to phone service offered to customers by commercial type call-in ordering systems and review Touchtone Telephone Requisitioning System. This will eliminate preparation of manual requisitions for low dollar volume customers and more timely responsiveness. However, it will result in a cost to relocate and/or retrain affected personnel.
2. QUICK ORDER SYSTEM: A simplified processing system for small orders and repetitive customer orders with the goal of 36-hour processing turnaround. The advantages will be reduced labor costs for small orders and increased productivity. The major disadvantage will be the cost of inventory to assure responsiveness.
3. ELECTRONIC FACILITIES: Tie civilian customers to existing electronic communication facilities. The autodin (DOD) network has provided customer satisfaction. This will provide rapid communication capabilities for system processing. Again, cost of establishing and implementing programs linking each agency with the military network could be significant.
4. ADOPT STANDARD REQUISITIONING FORMS: Standardization would simplify coordination and eliminate duplication.
5. CENTRALIZE ORDER PROCESSING: The processing is now performed by ten (10) regions and headquarters should be performed at a single processing point. The order processing policy and procedures function should be in the same organization as inventory management. This will centralize and consolidate this function achieving substantial savings. In addition, it relieves headquarters from the order processing operation and provides greater customer satisfaction/efficiency and responsiveness. However, it will have an impact on personnel relocation.

APPENDIX

CUSTOMER SUPPORT QUESTIONNAIRE (CSQ)

This Appendix furnishes background on the development of the CSQ and records the basic findings as reflected in over 2,400 responses. This is the first such comprehensive survey of customer satisfaction and it is documented for continued analysis.

The objective of the Customer Interest Group (CIG) was to obtain information on who the "customers" are and how they perceive: (1) the consolidated supply system and (2) the products they receive through the system. The questionnaire (a copy of which is enclosed) was developed in three parts.

Part A was formatted to provide data about the respondent, i.e. the organization; location, size (in dollar volume of business); major commodity usage; who they purchase/order from; whether the respondent provides or receives supply and/or procurement support; etc. This information would permit the stratification of responses to Parts B and C to determine if trends exist by state, activity, dollar volume, etc.

Part B asked the respondent to evaluate support programs or functions of the General Services Administration (GSA), Defense Logistics Agency (DLA), and the Veterans Administration (VA) systems. Part B was prepared in four (4) sections; each section dealing with a different program or functional aspect. Section 1 covered the stock/nonstock programs of GSA, DLA and VA; Section 2 those agencies' customer assistance programs; Section 3 the GSA Federal Supply Schedules; Section 4 the GSA Self-Service Stores.

Part C asked the respondent to evaluate the commodities received from each of the support agencies (GSA Stock/nonstock, GSA Federal Supply Schedule, DLA and VA). Nineteen major commodity groupings were identified. The statements about each commodity grouping related to (1) the range of products offered, (2) the quality/performance aspects, (3) delivery times, (4) adequacy of catalogs and price lists, (5) whether the requisitioning/ordering procedures were complete and understandable, and (6) whether open market sources are (i) available, (ii) preferred, or (iii) more advantageous.

Respondents were asked to use numbered ratings 1 through 5 to evaluate the statements in Parts B and C.

- 1 - Almost always or definitely yes
- 2 = Often or yes
- 3 = Sometimes or no
- 4 = Almost never or definitely no
- 5 = Not applicable, no exposure or no experience

The CSQ also solicited written comments.

FINDINGS

GENERAL

The overall response to the support programs of GSA, DLA and VA was favorable, on the order of 80% satisfactory. However, the favorable rating is not an indication that the system does not need to be improved. To illustrate the full magnitude of unfavorable ratings, it is only necessary to apply the percentages to:

- the number of customers: If the system has 50,000 customers and 20% of those customers indicated dissatisfaction, it would mean 10,000 customers are dissatisfied; or
- the number of orders processed: If 8,000,000 orders are processed by the system, the 20% would mean 1,600,000 orders could have produced some unsatisfactory results.

The vastness of the system requires that the analysis give consideration to the individual parts of the system as well as to the whole.

The following table summarizes the overall response to the major subject areas by the actual number of responses and by the percentage of each response:

Subject Area	Responses			
	YES		NO	
	Almost Always	Often	Sometimes	Almost Never
a. Stock/Nonstock Programs (GSA, DLA & VA)	# 7,429	5,533	2,363	948
	% 46	34	15	6

Subject Area	YES		NO	
	Almost Always	Often	Sometimes	Almost Never
b. Customer Assistance Services (GSA, DLA and VA)	# 2,865 % 36	1,854 23	1,304 16	1,995 25
c. GSA Federal Supply Schedule	# 4,561 % 39	4,437 37	2,071 17	813 7
d. GSA Self-Service Stores	# 2,540 40	1,813 29	1,156 18	807 13
e. Range of Products is sufficient (GSA, DLA & VA)	# 9,481 % 37	10,427 41	4,014 16	1,763 4
f. Quality/Performance is satisfactory (GSA, DLA & VA)	#10,282 % 41	10,976 44	2,729 11	805 3
g. Delivery Time is adequate (GSA, DLA & VA)	# 7,043 % 29	10,274 42	5,344 22	1,929 8
h. Catalogs/Price are adequate (GSA, DLA & VA)	#11,319 % 45	10,179 41	2,463 10	1,100 4
i. Requisitioning/Ordering Procedures are complete and understandable (GSA, DLA & VA)	#12,960 % 51	9,944 39	1,965 8	793 3
j. Overall commodity evaluation (GSA, DLA & VA)	#51,066 % 41	51,784 41	16,510 13	6,383 5
k. Open Market Sources are available	# 6,932 % 53	3,701 28	1,351 10	1,044 5
l. Open Market Sources are Preferred	# 2,358 % 20	2,468 20	4,217 35	3,043 25
m. Open Market Prices are Advantageous	# 959 % 8	1,754 15	4,372 38	4,307 38

ISSUE NO. S-5: VENDORS AND THE FSS PROCUREMENT PROCESS

I. INTRODUCTION

This paper summarizes the findings of an examination of the relationship of the Federal Supply Service (FSS) with suppliers. The discussion below explores two major problem areas: contract complexity and complexity of specifications.

This study was focused primarily on policy, procedural, and management matters rather than organizational adjustments, which are dealt with elsewhere in the report. The study also avoided duplicating the comprehensive three-year explorations of the Commission on Government Procurement. The Office of Federal Procurement Policy (OFPP) is rapidly implementing the Commission's recommendations. In these circumstances the task became one of verifying the needs for improvement and evaluating ongoing actions in meeting these needs.

The literature on government-vendor relations was examined, e.g., reports of the Commission on Government Procurement, GAO reports, Congressional Committee hearings, and reports of the Paperwork Commission. A questionnaire was sent to 248 vendors and to 60 trade and commodity associations, and 116 responses were received from vendors. Task Force members also visited vendors, government agencies, and trade and commodity associations in the field.

II. CONTRACT COMPLEXITY

This section explores how Federal contracting methods affect various types and sizes of suppliers and what might be done to correct problems.

Most vendors sell only a small portion of their product to FSS. Half of the respondents stated that they sold less than 5 percent of their production to the Government. Such firms cannot become expert on Government contracting, so it makes sense to simplify contracts whenever possible to encourage them to do business with the Government.

However, contract complexity problems appear to be more an irritant than a major impediment to most vendors. The majority of respondents indicated that organization and content of bid packages had little or no influence on their willingness to bid or their price. Still nearly nine percent of respondents claimed that these issues precluded bidding.

FSS is now experimenting with standard formats on a limited basis. Government standard forms for solicitation, offer and award have been revised to present a more attractive and logical arrangement of provisions. This concentration on format rather than forms may lead to some proliferation of solicitation and award instruments. If combined with improved readability, the overall result should be beneficial.

If FSS moves away from the use of standard forms, procurement staff may need to consult the body of regulations more frequently. A computer based regulation information retrieval system could provide easier access.

For small purchases (\$10,000 and under), the Paperwork Commission concluded that standardization of forms can be helpful. A single government small purchase form along the lines of the FSS experiment should be tried.

Recommendations:

The testing of the experimental format by FSS (GSA Form 1424 A, B, and C) should be carefully reviewed by OFPP to determine whether this approach is more useful than standard forms for universal application.

The Federal Acquisition Institute (FAI) should conduct a feasibility study of the applicability of ADP to management of acquisition regulations.

READABILITY

There is a growing demand for using plain language in laws, regulations, contracts, and other legal instruments. The President recently directed that Federal regulations be written in language a small business person can understand. The National Institute of Education (DHEW) has solicited proposals for research on clear writing and effective design of documents. Several teams in GSA and DOD working on new Federal Acquisition Regulation are giving careful consideration to drafting simple, clear, and understandable regulations.

SOCIO-ECONOMIC PROVISIONS

Government procurement contracts are used to promote Federal social and economic policies concerning such goals as fair employment practices and improving our balance of payments. In 1972 the Commission on Government Procurement recommended that the thresholds for applying such policies to procurement be raised to \$10,000. The Paperwork Commission also recommended

\$10,000 threshold. Currently a threshold of \$25,000 seems more appropriate, with future periodic adjustments.

The ASRP vendor questionnaire included the question, "How does time required for invoice processing and payments influence your approach on government contracts?". Respondents claimed:

No effect	49.1%
Inconvenient/No substantial impact on bid price	20.7%
Bid price increased and/or discourages bidding	18.4%
Precludes bidding	1.7%

A thorough GAO study (FGMSD 78-16) concluded that "Contractors were generally satisfied with the Government's (payment) performance". Comparing the Government's payments with commercial firms respondents stated that commercial firms pay:

Faster	43%
Slower	21%
Same	36%

The GAO did find room for improvement and recommended administrative changes such as developing due date standards and increased use of imprest funds.

Though there is a common notion that the Government does not pay its bills promptly, the conclusion of this study is to the contrary. Potential vendors should be more widely informed of the results of studies like these to counter misapprehension about late payment by the Government.

III. COMPLEXITY OF SPECIFICATIONS

This section deals with criticism of Government specifications used in the procurement of commercial products. Vendors, members of Congress, the Commission on Government Procurement, the GAO and more recently the Office of Federal Procurement Policy have all found fault with various aspects of procurement specifications. Many critics favor local purchasing or multiple award contracting, which are said to make more efficient use of existing commercial marketing and distribution facilities.

Specifications are also criticized for:

- o Length and complexity
- o Excessive referencing of subordinate specifications and standards
- o Unnecessary divergence from current commercial product characteristics (unique government item)
- o Obsolete design or formulation manufacturing technology specified

Fifty-seven percent of the vendor respondents to the ASRP questionnaire reported substantial problems with specifications. This contrasts with twenty-five percent reporting major problems with bid package complexity. Interviews with several industry associations confirmed this conclusion.

A PROPOSED APPROACH TO SPECIFICATION SELECTION

The organizations involved in developing specifications operate somewhat in a vacuum and often fail to give proper consideration to the needs of all elements interested in the procurement process. In many instances complex rather than simplified specifications are developed. Positive integration of all supply management decisions is required to reconcile the diverse needs of all interested customers, suppliers and supply management officers. Through this improved coordination, the most favorable selection can be made from the specification options which range from brand name to the more complex design specification forms.

As can be seen from Figure 1, different item and industry characteristics should determine the appropriate specification option. Merchandising (or supply management) decisions, however, should intervene and control this logical process. For example, low aggregate volume, necessity for item choices or a logical decision to decentralize an item for local purchase may dictate some "lesser" form of item specification. When this occurs the potential or actual capability to prepare and maintain a detailed technical purchase specification should be overridden.

For specification management to become a subordinate element in a rational supply system, some changes are needed in present productivity measurement and resource allocation practices. This will encourage better specifications, cancellation of unnecessary documents, and more externally developed specifications.

FIGURE 1

PURCHASE SPECIFICATION TYPES	CONTRACT TYPE					PURCHASE SPECIFICATION OPTIONS MATRIX	OPTIONAL PROCEDURES							PREPARING ACTIVITY OPTIONS
	Sole Source-Single Award	Multi-Source-Single Award	New Item Schedule	Multiple Intro	Schedule Award		SELECTION CRITERIA	Life Cycle	Cost	BID Samples	QUALIFIED PRODUCT List	Preferred Item	Bidder	
BRAND NAME	x	0	x	0		. Patented or Proprietary	0	0	0	0	x	0	0	0
BRAND NAME OR EQUAL	0	x	0	x		. Brands are comparable . Low aggregate demand . Low risk of inferior item BID	0	x	0	x	x	0	0	x
BRAND NAME OR EQUAL WITH SALIENT FEATURES	0	x	0	x		. Not all brands comparable . Low-to-moderate demand . Moderate Risk of Inferior Item BID	x	x	x	x	x	0	0	x
DESIGN/FORMULATION	0	x	0	0		. Moderate to high demand . High risk of inferior item BID . Stable production technology . Design-formulation Spec. Effective	x	x	x	x	0	x	x	x
PERFORMANCE	0	x	0	0		. Moderate to high demand . High Risk of Inferior Item BID . Dynamic or multiple production technology . Design-Formulation approach ineffective	x	x	x	x	0	x	x	x
COMBINATION DESIGN/ PERFORMANCE	0	x	0	0		. Moderate to high demand . High risk of inferior item BID . Dynamic/multiple production technology . Performance Spec/test difficult	x	x	x	x	0	x	x	x

GREATER RELIANCE ON VOLUNTARY CONSENSUS STANDARDS ORGANIZATIONS

Many experienced procurement professionals believe that where purchase specifications are appropriate, a better and more acceptable commercial item specification could be produced by voluntary consensus standards writing bodies such as the American Society for Testing and Materials. Wider use of such specifications would assure greater industry technical support and would avoid some of the technical deficiencies of today's Federal specifications.

INTERGOVERNMENTAL COOPERATION

More cooperative efforts among government specification writers at Federal, state and local levels should enable FSS to obtain satisfactory specifications at lower direct cost. Even the limited information gathered in this survey indicates that a great deal of fragmented technical effort is underway. Though past efforts suggest that the task of organizing such an effort is difficult, the potential exists for more effective use of resources. The appropriate forum for this coordinated effort may be the voluntary standards process.

RECOMMENDATIONS

The Government, under current procurement statutes cannot abolish Federal purchase specifications--nor does the evidence suggest that this would be an optimum solution. There is, however, substantial evidence that specifications can be significantly improved both in format, content, and through selective application of the appropriate level of specification for each procurement. FSS should increase management emphasis on the OFPP tasks, refine and update Government specifications, improve application of technical resources by developing better channels of communication with industry and voluntary consensus standards groups, other Federal specification components and state and local government specification writers. In summary the recommendations are:

- o Develop merchandising planning system to guide supply, procurement, specification efforts, product mix, item entry, item elimination
- o Use brand name and other less complex descriptions where possible
- o Support ASTM purchase specification developments to replace Federal purchase specifications
- o Seek state/Federal cooperative specification development

ISSUE NO. S-6: PERSONAL PROPERTY UTILIZATION

I. INTRODUCTION

This is an assessment of personal property utilization and disposal activities in the Federal Government.

This study concentrated on GSA and DoD, the two largest managers of personal property utilization and disposal activities. The study included research on applicable laws, regulations, previous studies and correspondence; questionnaires to 17 Federal cabinet and major independent agencies; interviews with State government organizations; and, evaluation of the solicited views of trade associations, professional groups, other state and local government organizations and private citizens.

II. BACKGROUND/CURRENT SITUATION

The Federal Property and Administrative Services Act of 1949, assigned the responsibility for the supervision and direction of the disposition of excess and surplus property to the Administrator of General Services. The Act further assigned the responsibility for supervision and direction of the disposition of DoD foreign excess property to the Secretary of Defense. The responsibility for the sale of domestic surplus property generated by DoD is accomplished through a delegation of authority from GSA. Other agencies are authorized to sell surplus property either by legislative exemption, delegation of authority from GSA or by agreement with GSA. Examples of agencies engaged in these activities are the U.S. Postal Service, Department of Energy, Tennessee Valley Authority, and Department of the Treasury. Agencies engaged in sales activities generally do so for selected types of property only.

Within GSA, responsibility for utilization of excess and disposal of surplus personal property is assigned to the Office of Personal Property Disposal, FSS. The present organization has an authorized ceiling of 580 positions including Wage Grade and temporary positions. The actual end-of-year employment in Fiscal Year 1977 was 452 with an annual budget of \$9,503,000. The Office of Personal Property Disposal has division structures in the ten GSA regions. GSA operates 12 Personal Property Centers (PPC's) and two Sales Centers (SC's).

The Office of Personal Property Disposal is organized by program responsibility. The Utilization Program efforts result in the annual retention for Federal use of excess property valued at over \$1 billion (original acquisition cost) out of approximately \$3.5 billion of excess property each

year which includes DoD reportable property. The Rehabilitation Program, is designed to preclude new procurement, by extending the useful life of many common use items of property. At present, there are approximately 2,600 small firms contracted to perform repair and rehabilitation work under this program. The Donation Program makes available to eligible State and local donees property which has been determined surplus to the Federal Government's needs. Donations currently average about \$400 million out of a total annual availability of approximately \$2.4 billion (original acquisition cost) declared surplus to the Federal Government's needs. GSA, responsible for the general supervision of the sale of all Government personal property, operates its Sales Program with appropriated funds. Annual sales proceeds for FY 1977 reached \$30 million as a result of selling usable, salvagable and scrap property.

In summary, out of \$3.5 billion of excess property reported in FY 1977, about \$1.1 billion was reutilized, about \$0.4 billion was donated and about \$0.1 billion sold. The approximately \$1.9 billion remaining (in terms of original acquisition cost), is either otherwise disposed of or remains in inventories for future screening.

Within DoD, responsibility for the worldwide integrated management of the Defense Personal Property Disposal Program is assigned to the Defense Logistics Agency (DLA). The Defense Property Disposal Service (DPDS), an element of DLA, is assigned the operational and organizational responsibility. The DPDS has five Defense Property Disposal Regions (DPDR's), three in the continental U.S. and one each in the Pacific and Europe. There are 156 Defense Property Disposal Offices (DPDO's) and 73 Defense Property Holding Activities (DPHA's) which although separately located are part of the DPDO's. The three DPDR's in the United States employ approximately 3,431 civilians. DoD accounted for over \$4.8 billion in excess personal property generations in FY 1977. This figure includes both reportable (to GSA) and non-reportable property. It does not include \$620 million of overseas excess personal property. During FY 1977, \$278 million in DoD excess personal property was made available for the GSA operated Donation Program. During this same period sales totaled \$121.8 million (including approximately \$21.2 million from overseas sales).

GSA and DoD both operate personal property sales activities. Duplication exists in personnel, mailing and printing costs, warehousing and storage, advertising, market research and evaluation, automated systems, conduct of sales and associated activities.

The Departments and agencies that responded to ASRP inquiries concerning personal property utilization and disposal brought forth three principal conclusions: (a) screening and disposal actions take too long; (b) agencies frequently incur excessive storage costs for property being stored while awaiting disposition; and (c) central "holding facilities" or "one-stop property centers" should be established in areas with large Federal populations or where large volumes of excess/ surplus are generated.

III. CRITERIA FOR IMPROVEMENT

- o Minimize fragmentation and overlap of domestic sales of personal property.

- o Reduce overhead and operations cost.

- o Reduce total time requirements for disposal cycle.

- o Establish improved systems and processes to increase efficiency and savings.

- o Improve services to the buying public and to other agencies of the Executive Branch.

IV. ALTERNATIVES

A. TOTAL CENTRALIZATION OF DOMESTIC SALES FUNCTIONS

Consolidate and transfer all domestic sales functions performed by GSA, DLA and other Executive Branch agencies to the Office of Personal Property Disposal, GSA. The required transfer of personnel and other resources from the Defense Property Disposal Service (DPDS), DLA would not interfere with DPDS's continuing accomplishment of its missions related to demilitarization of Defense property and foreign excess property. GSA would, under this alternative, propose necessary legislative changes, rescind its delegation of authority to DoD for domestic sales, and revoke existing agreements with other Executive Branch agencies based on a time-phased implementation plan worked out with all parties concerned. The essence of this recommendation is that GSA should assume appropriate responsibilities for the domestic sale of all Government-owned personal property.

1. Advantages

Increased efficiency and effectiveness of sales activities.

Reduced costs through the elimination of duplication of efforts, facilities, systems and overhead.

Offers a central source of information to the buying public.

Can conduct sales under a standardized set of procedures and practices.

Provide a single organization responsible for market research, analysis and sales evaluation.

Provide a single organization (DoD) responsible for foreign excess personal property.

2. Disadvantages

Personnel turbulence resulting from reorganization transfers from DoD to GSA.

Increase cost to deliver goods to a central point.

Resistance by Executive Branch agencies performing own sales activities.

Loss of efficiency during transition phase.

B. PARTIAL CENTRALIZATION OF DOMESTIC SALES ACTIVITIES

Transfer to and consolidate in GSA carefully selected domestic sales activities performed by GSA, DLA and other Executive Branch agencies. Transfers would be contingent upon a comprehensive feasibility study, under GSA's leadership, to determine whether consolidation of sales activities and the delegation of certain sales authorities to agencies are economically justified on an installation-by-installation basis.

1. Advantages

Increased efficiency and effectiveness of sales activities.

Reduced costs through the elimination of duplication of efforts, facilities, systems and overhead.

Offers reduced number of sources of information to the public.

2. Disadvantages

Personnel turbulence resulting from reorganization transfers.

Resistance by Executive Branch agencies performing own sales activities.

Loss of efficiency during transition phase.

C. PROCESS IMPROVEMENTS

1. Establish GSA operated property utilization and disposal centers to provide a facility for all Federal agencies for: temporary storage; screening for utilization; display for inspection by Federal, State and local agencies and other eligible donees and the general public; rehabilitation; and sales activities. Locations would be based on proximity of large Federal agency populations and/or large volumes of excess generations. Upon physical transfer of property to a center GSA would accept accountability for same.

2. Accelerate the implementation of a standardized automated management information system in GSA; insure its compatibility with existing systems of DoD and other agencies. FSS-23 (GSA's Excess/Surplus Personal Property Disposal System) is not fully operational.

3. Provide for greater availability by inter-regional utilization screening where feasible rather than restricting to present regional screening.

4. Make rehabilitated excess personal property available to agencies on a reimbursable basis to avoid new procurements.

ISSUE NO. S-7: PRINTING SERVICES

I. INTRODUCTION

This is an assessment of the printing and reprographic function in the Executive Branch and an exploration of suggested organizational and management improvements.

The study included interviews with State Government officials and solicitation of opinions from Executive Branch agencies by both interviews and questionnaires. Major reprographic equipment manufacturers and other industry representatives were interviewed. Historical research was undertaken to identify the evolution of Federal printing policy and regulatory documents.

The estimated cost in FY 1978 of total Federal printing and reprographic services is \$1.49 billion. It is believed that substantial annual savings could be achieved through procedural and operational changes.

II. BACKGROUND/CURRENT SITUATION/PROBLEM AREAS

The legal basis for Federal printing is Title 44 of the U.S. Code. This basic legislation was enacted in 1895, and has been updated and revised through the years; it was last codified in 1968.

Title 44 provides for a Congressional Joint Committee on Printing. It is chartered to use "any measure it considers necessary to remedy neglect, delay, duplication, or waste in the public printing and binding and the distribution of Government publications."

The Joint Committee on Printing issues the Government Printing and Binding Regulations for the guidance of Federal agencies, controlling items of equipment and production processes as well as the sources of printing production and procurement.

There are four principal sources of procuring printed matter for the Executive Branch: agency internal plants; Government Printing Office; direct commercial procurement; and GSA plants. The total annual cost for printing and reprographic services is not precisely known due to a variety of funding mechanisms and inconsistent accounting procedures. However, a summary of agency costs by source is as follows:

	<u>Cost</u>
Agency internal	\$752 million
GPO	
A) Commercial (75%)	258 "
B) Plants (25%)	86 "
Agency direct procurement	55 "
GSA	7 "
	<hr/> \$1,158 million
Estimate of indirect overhead cost for agency plant operations	340 "
	<hr/>
TOTAL	\$1,498 million

The total number of JCP-authorized printing plants is approximately 300, with agency internal plants accounting for 281, GPO 7, and GSA 12.

The above summary indicates an emphasis on the utilization of in-house production sources. Agency responses to a survey questionnaire confirmed this situation. In addition, the following comments were noted:

(a) Thirteen agencies (\$347M) said all four sources of printing were required; five agencies (including most of DOD) (\$333M) did not use GSA, as a source.

(b) The first consideration in selecting a printing source is time.

(c) Each of the printing sources provides different levels of service in terms of time and complexity with GPO handling the majority of contract printing; agencies producing urgent and classified printing and duplicating as provided by law; and GSA providing Standard Forms and reprographic services.

(d) Six large agencies of those sampled, identified a necessity for change in the current structure and a clarification of the roles of the Joint Committee on Printing/Government Printing Office and the Executive Branch. Chapter 5, Title 44, USC requires that:

"All printing, binding, and blank-book work for Congress, the Executive Office, the Judiciary, except for the Supreme Court of the United States, and every independent office and establishment of the Government, shall be done at the Government Printing Office, except...

- (1) classes of work the Joint Committee on Printing considers to be urgent or necessary to have done elsewhere; and
- (2) printing in field printing plants...., and the procurement of printing, if approved by the Joint Committee on Printing."

"Printing or binding may be done at the Government Printing Office only when authorized by law."

Although waivers are issued in certain situations, the GPO is essentially a mandatory source of printing supply, especially in the area of commercial procurement. Although many agencies support both the utility and economy of GPO, the mandatory aspect of its role has caused operational difficulties and excessive costs in some instances.

The Legislative Branch, through the JCP and GPO, controls the Executive Branch printing program (vested by Title 44). President Wilson's veto of an appropriations bill on May 13, 1920 recognized that legislative control of Executive printing could be a violation of the separation of powers clause of the Constitution. The controversial provision stipulated that no journal, magazine, periodical or similar government publication could be printed, issued or discontinued by any branch or office of the government service unless authorized under regulations prescribed by the Joint Committee on Printing. His veto message stated, in part that, "the Congress and the Executive should function within their respective spheres. Otherwise efficient and responsible management will be impossible and progress impeded by wasteful forces of disorganization and obstruction..."

Control by the Legislative Branch has caused operational difficulties in the Executive Branch:

(a) JCP controls the procurement of printed products and printing equipment, resulting in inefficiencies in both the purchase and production of printed matter.

(b) The JCP regulates only specific items of equipment and production processes and does not provide an optimum means of evaluating and implementing state-of-the-art developments in word processing, reprographics, micropublishing and computer driven printing devices.

There is no central point in the Executive Branch for providing agencies with coherent policy or program guidance in the printing and reprographic areas:

(a) Technological assessments and market analyses are conducted autonomously. Many agencies are expending management resources to evaluate identical systems or procedures.

(b) In the reprographic area some individual agencies have attempted to manage an effective copying/duplicating program. The costs of reprographics (conservatively estimated to be \$478 million) are controlled only to the extent managed by individual agencies. Each agency performs individual cost studies, analyses and hardware evaluations. Savings in this area could be as high as 20% with a coordinated effort and sufficient funds to purchase rather than lease when economies so dictate.

(c) A comprehensive Federal Government clearing house (or information system) does not exist to collect government-generated material nor to index, abstract, or advertise its availability.

(d) The impact of emerging technologies on the way information is handled, generated, duplicated, distributed and stored is not coordinated within the Federal Government.

(e) A wide range of printing and lithographic pay rates and classifications presently exists which should be rationalized. Additionally, the GS-1654 Printing Management Series has not been revised in 20 years. It fails to recognize technological developments and program management requirements.

(f) There have been difficulties in applying the provisions of Circular A-76 to the procurement of printing in Executive Branch agencies.

(g) Previous studies which reflected potential savings through management improvements have not been implemented due to procedural difficulties. The savings from central guidance could accrue in: (1) Improved procurement and use of reprographic equipment, (2) modernization of internal agency printing plants, (3) establishment of standards for storage, warehousing and other related distribution processes, (4) reduction of overhead costs, and (5) technical assistance in printing management processes.

III. CRITERIA FOR IMPROVEMENTS

- o Reduce costs of printing.
- o Improve the kind and quality of printing.
- o Improve delivery and service for printing.

IV. ALTERNATIVES

A. Establish a policy management and review office in the Executive Branch for the purpose of providing leadership, coordination and guidance in the delivery of printing, reprographic and publication services.

1. Advantages

This office would provide a single central and responsive point within the Executive Branch for:

Development of legislative proposals for Presidential consideration designed to clarify Legislative/Executive roles.

Development of policy and standards.

Coordinating and reviewing program requirements.

Making state-of-the-art or technological assessments and market analyses.

Developing a comprehensive clearing house (information system) to index, abstract, identify and control distribution of government-generated material.

2. Disadvantages

There would be initial costs of creating a small office staff. (Cooperative arrangements with Departments and major Agencies could be used to start the program.)

There may be Legislative Branch opposition.

B. Reactivate the Interdepartmental Committee on Printing and Processing (Executive Order 7993 of October 29, 1938) and give it a suitable Secretariat and resources for policy management and review of printing, reprographic and publication services in the Executive Branch.

1. Advantages

No new Executive or legislative action required to establish this committee.

This Committee and its Secretariat would provide a single central control point within the Executive Branch for:

Developing policy and establishing standards

Coordinating and reviewing program requirements

Making state-of-the-art or technological assessments, market analyses, and new product reviews.

Developing a comprehensive clearing house (information system) to index, abstract, identify, and distribute Government-generated materials.

2. Disadvantages

Initial start-up costs and ongoing program costs.

Functional management problems which are endemic to committees (this maybe overcome to some extent if a strong Secretariat director can be installed).

Legislative Branch opposition.

Committee would not have authority to modernize internal agency printing plants, improve other printing costs, or reduce printing overhead.

ISSUE NO. S-8: STRATEGIC AND CRITICAL MATERIALS STOCKPILE

I. INTRODUCTION

This is an assessment of GSA's organizational arrangement for carrying out certain residual operating responsibilities of the Strategic and Critical Materials Stockpile. This study assumes the implementation of a recommendation by the Federal Emergency Preparedness and Response Project that the stockpile policy and planning functions now performed by GSA's Federal Preparedness Agency be transferred to a proposed Civil Emergency Management Administration. Under this concept, all stockpile operations, including FPA's Office of Stockpile Disposal, FSS's Office of Property Management and the Office of Finance's Stockpile Inventory Branch, would continue to be performed by GSA under authorities contained in the Strategic and Critical Materials Stock Piling Act of 1946.

The assessment required an examination of all organizational responsibilities for the full spectrum of stockpile operations from stockpile acquisition through disposal. This effort included meetings with concerned Congressional committee staffs, assessment of prior studies and reports on this subject, meetings with key Federal agency representatives, review of Federal statutes concerning stockpile management and policies, consideration of involvement with the Federal Emergency Preparedness and Response Project, and review of pending legislation.

The project, however, did not review the economics or effectiveness of the present warehousing and locations or the alternatives to physically stockpiling needed materials as a means of supporting the stockpile goals. In addition, the project did not look at other stockpiling related activities performed by other agencies such as the Commodity Credit Corporation and the stockpiling of oil reserves under the Energy Reserve Act of 1974 by the Department of Energy.

II. BACKGROUND AND CURRENT SITUATION

Although the United States has a wealth of natural resources, experience has established that it is far from self-sufficient in a variety of raw materials necessary to conduct a major war. Therefore, the U.S. stockpiles strategic and critical materials in sufficient quantities to protect itself against a dangerous and costly dependence upon foreign sources of supply in time of national emergency as an essential element of national security.

The responsibility for the management and operation of the Strategic and Critical Materials Stock Piling Act is assigned to the Administrator of GSA. The Administrator has redelegated these functions to the Director, Federal Preparedness Agency, the Commissioner, Federal Supply Service, and the Director, Office of Finance, Office of Administration.

As of March 31, 1978, the estimated market value of strategic materials held in Government inventories amounted to \$8.6 billion. The materials are being stored at 115 locations: 34 military depots, 28 GSA depots, 14 other Government-owned sites, 10 leased commercial sites, and 29 industrial plant sites.

During the period from World War II to July 1973, the operating responsibility was carried out in a single mission-oriented organization. On July 1, 1973, the organization was abolished and the Office of Property Management was functionally transferred to the FSS, while the Office of Stockpile Disposal was concurrently reassigned as a staff function to the Office of the Administrator and later transferred to the Federal Preparedness Agency.

As a result, the operating responsibility for the National Stockpile is currently fragmented within GSA among the Federal Supply Service, the Federal Preparedness Agency, and the Office of Finance. FSS's Office of Property Management has physical custody of the stockpile and is responsible for acquisition, inspection, storage, maintenance, and shipment of all stockpile materials. Within the FPA, the Stockpile Policy and Objectives Division determines the commodities to be included in the stockpile, and the quantities of each. In addition, the Office of Stockpile Disposal, which is located in FPA, is responsible for selling or otherwise disposing of stockpile materials which are no longer required. The Office of Finance operates and maintains both the stockpile financial general ledger accounts, as required by law, and the inventory records of materials in the stockpile.

Under GSA's present organizational alignment, the operating responsibilities of the National Stockpile have several drawbacks: (1) no single individual below the level of Administrator of GSA has overall responsibility or accountability for all aspects of the stockpile program; (2) coordination between FSS, FPA, and Office of Finance is frequently cumbersome and incomplete; (3) some redundance in overhead staffs exist; (4) competing organizational objectives are difficult to resolve due to communications and coordination problems; and, (5) maintenance of out-of-date inventory records due to difficulties in coordination between organizations.

III. CRITERIA FOR IMPROVEMENTS

- o Minimize fragmentation and overlap of operating responsibilities.
- o Minimize potential for stockpile management conflicts.
- o Increase accountability for management of stockpile operations.
- o Improve national emergency response capability.
- o Minimize program disruptions.
- o Reduce overhead costs.

IV. PROCESS IMPROVEMENT

Consolidate functions of the Stockpile Inventory Branch of the Office of Finance, the Office of Property Management of FSS, and the Office of Stockpile Disposal of FPA into a single office of stockpile management which would be responsible for all stockpile activities.

ISSUE NO. S-9: PUBLIC UTILITY MANAGEMENT

I. INTRODUCTION

This is an assessment of the Public Utility Services aspects of Contracting, Management, and Rate Intervention, provided by GSA to other Federal user agencies.

The study included interviews of selected Federal user agencies, utility company suppliers, State Regulatory Commissions, the Federal Energy Regulatory Commission, State Governments, private sector users, and GSA personnel.

The Federal Government spends an estimated \$2.4 billion for purchased public utility services and for operations costs for Federally-owned heating and generating plants (exclusive of utility services supplied under total building leases).

II. BACKGROUND AND CURRENT SITUATION

Section 201 of the Federal Property and Administrative Services Act (FPASA) of 1949, as amended (40 USC 481), provides that the Administrator of GSA shall procure and supply non-personal services for the use of the executive agencies and perform functions related to procurement and supply and that he shall represent other agencies in negotiations with public utilities and in proceedings before Federal and State regulatory bodies. The Secretary of Defense may exempt DoD whenever he determines it in the best interest of national security.

The procedures by which public utility services are acquired for Federal agency users is quite varied. Approximately 25% of purchased utility services are paid by GSA for buildings operated by GSA. These utility charges are included in the GSA Standard Level User Charge (SLUC) system wherein tenant agencies pay a total unit rate for space. The remaining 75% represents usage by military and civilian agencies with large self-contained installations.

The military services arrange for public utility services, usually by negotiating a contract with a utility supplier under provision of Supplement 5 to the Armed Services Procurement Regulations (ASRP), or by a contract based upon an Area-wide Agreement (negotiated by GSA) which may be in existence for the service area of interest. A delegation of authority signed between the Administrator of GSA and the Secretary of Defense on October 11, 1954 allows DoD to handle its own utility requirements.

Several agencies have authorities for procuring utility services (and other services as well) under their original agency authorizations, or under Section 602 of the FPASA (40 USC 473). Examples include the Federal Aviation Administration (now a part of the Department of Transportation), Veteran's Administration, Federal Reserve Board, U.S. Department of Agriculture, DHUD, TVA, CIA, the Bonneville Power Administration, the U.S. Postal Service, and NASA. In some instances a contract may be negotiated with a public utility company using much of an existing GSA Area-Wide Agreement; in others the commercial utility company commercial service forms may be used. In some instances, the GSA contracting process causes extended delays to agency programs.

The GSA Area-Wide Agreement is a comprehensive contract negotiated with utility companies for their entire service area, usually for a ten-year term (or for one-year renewable terms), and provides for the inclusion of various Federal users by the completion of a contract-appendix form, which resembles a utility company commercial agreement.

The outstanding feature of the GSA Area-Wide Agreements (and of the military service contracts) is the inclusion of some 17 mandatory clauses and seven optional clauses (FPR 1-4, 410-4,5; GSA Form 1685). These clauses cover a variety of socio-economic subjects which have been mandated by Federal law and by Executive Order for inclusion in Federal purchase or supply contracts. These clauses are now being interpreted to also apply to various levels of sub-contractors and suppliers and that a utility company or contractor must enforce compliance upon its suppliers. This requirement for contractor enforcement of mandatory clauses upon sub-contractors is causing problems and incurs added costs, which State commissions are concerned about. These added costs are discriminatory to other customers of the utility company. There are also serious questions of contract law and performance thereunder which must be resolved.

As a result of recent enforcement actions against utility companies, many utilities are refusing to sign or to renew the GSA Area-wide Agreements or to accept GSA contracts for services. This makes it necessary for GSA to sign the commercial form to receive service. In these instances, the Public Buildings Service/GSA makes up monthly purchase orders (as obligating documentation) which the utility companies would prefer not to receive.

Officials of the Federal Procurement Regulation staff cite existing legislation (31 USC 200 (a)(1)) as requiring a written agreement between Federal agencies and suppliers.

The text of this statute reads:

"(a) After August 26, 1954, no amount shall be recorded as an obligation of the United States unless it is supported by documentary evidence of --

(1) a binding agreement in writing between the parties thereto,...or"
(Followed by 7 alternatives or exceptions).

The Federal Procurement Regulation staff has not accepted subsection 7 of this same statute which cites as an exception

"(7)... services performed by public utilities...".

This appears to provide that the approved tariffs of State public service commissions and the service agreements of public utility companies are acceptable as "documentary evidence" of an obligation by the United States Government.

There are additional cases now pending in the Supreme Court (U.S. vs. New Orleans Public Service, Inc., and U.S. versus Mississippi Power & Light Co.) that may further complicate the contractual situation between the Federal Government and public utility companies (both energy and transportation companies). Since it has been well established that utility companies are covered by the Federal law, simplifying the contracting process by legislation that affirms the intent of 31 USC 200 (a)(7) would make it possible to use commercial utility contract forms in many cases.

Inquiries disclosed that the only documentation relating to utility service arrangements used in private industry and by State government institutions were copies of approved rate and service tariffs and the utility company service agreement form. Auditors will accept this documentation as sufficient support for checks drawn in payment of utility bills.

The Commission on Government Procurement in its Recommendation 18 stated that Federal procurement should --

"Encourage procuring activities, when it is deemed in the best interest of the Government, to purchase supplies or services from public utilities by accepting the commercial forms and provisions that are used in the utilities' sales to industry and the general public, provided that the service contract provisions are not in violation of public law."

There is a periodic requirement to review tariff schedules to assure that the most advantageous rate or rate combination is being used. A consulting service for agency users would be helpful in this review.

The payment of utility bills involves a phenomenon endemic to public utilities - the need for bill-payment cash flow to finance continuing operations. Utility companies are financed by their customer payments to furnish working capital.

This need for cash flow has resulted in short payment times for utility bills -- 10, 15, 20, or 25 days are common. More recently, State commissions have approved late-payment charges for customers who are tardy in making payments. These are in the order of 3% or 3-1/2% for a first month and additional amounts up to 5% per month, or 1-1/2% per month with no limitation on the interest amounts on unpaid balances. Also, State commissions permit the cessation of service for chronic late-payment or nonpayment of bills (This has happened to Federal user agencies).

Some Federal user agencies incur late charges on their utility bills. Late-payment charges are paid largely as a result of not really understanding the nature of utility bills and not having a system to accommodate them. The Department of Agriculture handles utility bills from over 4,000 points across the United States at their National Finance Center in New Orleans. They have averaged less than four days from receipt to final action. U.S. Postal Service bills are paid on time.

Precise data on Federal late-payment charges are not available, but from various sources including sample studies under way in several agencies it appears likely that obligations of \$7 to \$10 million per year are now being accrued by Federal agencies. Much of this can be avoided, as demonstrated by those agencies who have developed systems to cope with it.

Load-management systems are being used in many areas of the United States for both residential and commercial-building energy load control. Home air-conditioners and hot-water heaters are equipped with remote activated switches in Georgia, Michigan and Ohio. The Georgia Building Authority is installing a computer controlled load-management system for the Georgia State Capital Building complex. GSA has several test installations in various parts of the United States.

This concept of peak-demand reduction through load-management - "peak shaving" - is a very significant technique that merits strong emphasis. The savings are attractive and can be widely achieved.

Public utility service rates are established after hearings and presentations before State and Federal Regulatory Commissions. Utility companies and utility users present cost-of-service or rate-of-return information with economic, engineering, accounting, or financial data relating to the utility services provided.

Many States have a People's Utility Counsel to represent residential and non-commercial users. Representatives of the Federal Government sometimes appear at such rate hearings and proceedings, either as observers, or as intervenors representing the Federal Government as a large user. As a general rule, any one with an interest may be an intervenor in such hearings.

The effectiveness of GSA and other Federal Government participants in regulatory intervention cases appears to be mixed. Performance ranges from the GSA appearance in the Arkansas hearings on automatic indexing for utility costs (the proposal was denied, but whether it was achieved by reason of the GSA intervention is not certain) to recent hearings before the Florida commission in which two sets of Federal Government witnesses presented diametrically opposite views. For the most part, it appears that participation is limited to observing or questioning expert witnesses. GSA has made full-scale rate-of-return presentations at past hearings.

III. CRITERIA FOR IMPROVEMENT

- o Improved Federal management practices to reduce costs of utility services.

IV. PROCESS IMPROVEMENTS

To enhance the public utility management function GSA should expand the existing public utilities management activity with a new charter to develop policies, procedures, and management systems. There is a need for the Administrator to work closely with industry/Government experts to identify various aspects of public utility management, organize a program of work, and provide an ongoing reference for forward progress.

Agencies should assure that public utility bills are paid within stated payment periods on a schedule which is most

advantageous to the Government. There may be need to revise existing systems or establish new ones to provide for paying utility bills prior to making adjustments.

Agencies should make post-payment audits of utility bills. This is a new function that would parallel the present post-audit function for transportation bills. Review would cover the tariff schedule used, special rates, and the like.

GSA should seek better rates to reduce total cost of utilities. The Federal Government as a large user requires a continuing block of energy from many utilities that could warrant a base block rate lower than other rates by virtue of economies of size.

Agencies should use systems that reduce peak-loads. The peak-demand for any given instant that is greater than at any other period in the year will establish the demand rate for the next annual period. There are several techniques for managing (controlling) and reducing this peak demand. These controls also may reduce the total annual load and cost.

GSA should develop recommendations to Congress to improve the method for Government utility contracting. The Commission on Federal Procurement recommended Federal contracting for public utility services should be reserved for rare, exceptional cases, and commercial forms and procedures should be used to the greatest extent possible.

Expected Benefits:

Reduced peak-demand costs through load-management and other conservation programs	\$15 - 16 million
Reduced total costs through management -- improvements such as rates or tariffs (cost-of-service cases)	10 - 14 million
Paying utility bills on a scheduled basis	<u>7 - 10 million</u>
Total Annual Savings	\$32 - 40 million

I. INTRODUCTION

This is an assessment of the potential for delivering certain administrative services more efficiently and at reduced cost. These services will be called "cooperative support services". It replaces the former title "common services" as it more accurately describes the intent and nature of the concept.

Two cooperative support service concepts are discussed in this study: (1) central administrative support services and facilities provided to agencies in a common building/complex in lieu of each agency providing the same services or facilities for its own use; and, (2) centralized services provided on a nation-wide basis to smaller agencies with inadequate resources to provide the same services individually.

The study included examination of applicable laws, regulations, previous studies and correspondence; questionnaires to 17 Federal cabinet and major independent agencies; visits/interviews with small Federal agencies and State government organizations; and evaluation of the solicited views of trade associations, professional groups, other state and local government organizations and private citizens.

II. BACKGROUND/CURRENT SITUATION

The Bureau of the Budget, now OMB, on August 28, 1964 published Circular No. A-68, "Establishment of central supporting service facilities in headquarters and field office locations". The Federal Property Management Regulations (FPMR), Part 101-5, "Centralized Services in Federal Buildings", implemented Circular A-68.

Although Circular No. A-68 was the initial movement by the Federal government towards centralized service centers, the real push did not come until 1971 when GSA's Office of Management Services established a pilot project at the Arcade Plaza Building in Seattle, Washington.

The Seattle Federal Regional Council was utilized to provide the needed framework. Seattle seemed an ideal site to establish the pilot "cooperative support services" project because the Arcade Plaza Building housed the five FRC charter agencies; the Department of Health, Education, and Welfare (DHEW); the Department of Housing and Urban Development (DHUD), the Department of Labor (DOL), the Department of Transportation (DOT), and the Office of Economic Opportunity (OEO). Following two years of planning the project became operational in

1971 with six initial services (mail and messenger; procurement; receiving and shipping; laboring services; self-service supply room; and library) being provided to a population of 975. It was estimated that the centralization of these services would result in a 25% reduction in costs.

An evaluation of the pilot project was conducted in 1972 by GSA in cooperation with OMB. This evaluation concluded that the pilot project was efficient, economical, and provided a high level of customer satisfaction. The evaluation team recommended that the Arcade Plaza arrangement be made permanent and the concept be extended to all locations where feasible.

In early 1973, OMB Circular No. A-68 was cancelled when centralized support services and other government-wide functions were transferred to GSA. Subsequently, GSA issued Federal Management Circular (FMC) 73-4, Central Support Services. Within FSS the responsibility was levied on the Office of Customer Service and Support, which intended to establish a Common Services Branch, but never pursued it when application of the program was not supported outside of the Seattle project.

In 1975, only three of the original five participants remained in the Seattle pilot project, i.e., DHEW, DHUD, and CSA (formerly OEO). A new review of the project was requested by the Working Group on Administration, composed of representatives of the three remaining agencies, in May 1975.

The National Archives and Records Service (NARS) of GSA conducted the study and recommended common services should continue in its present form, at least in the short run. Ultimately, the transfer of DOL and DOT out of the Arcade Plaza did lead to the discontinuance of common services except for library services which may also be terminated due to funding cutbacks in FY 79.

The current thinking of those who participated in the Seattle experiment is that cooperative support services would work effectively and economically on a localized basis provided that understanding and support of cooperative support services in philosophy and resources exist at all levels in headquarters and the field.

GSA tried to initiate agreements at new Federal installations in Honolulu, San Diego, and Fort Worth. However, the resistance encountered in trying to work out a means of obtaining manpower ceilings for the consolidated services was never overcome and all new initiatives were dropped.

Also reviewed was the Kluczynski Building in Chicago, a large Federal building occupied by several Federal agencies. The intent of this review of the delivery of administrative services was to determine if duplication existed in 23 selected types of services. It was concluded that duplication did exist and a feasibility study would be warranted.

The potential for a national approach to the delivery of certain kinds of administrative services to smaller agencies was examined. The model chosen for study was the USDA's consolidated payment center in New Orleans. In 1970, the USDA estimated that by consolidating the processing of payment vouchers a reduction of 473 man-years of effort and \$3,845,000 in total costs could be realized. The National Finance Center was fully implemented in 1977 with the addition of nine more systems. Projected savings for 1977 with the total system operational is \$4,345,630.

Using the USDA voucher processing feasibility study format from 1970, statistics were collected for the same activity in ACTION, FCC, ICC, NSF, and TVA. The results show that approximately 236 man-years are being devoted to voucher processing. Although no firm conclusions about efficiency of operations can be derived from this limited statistical sampling, the figures do indicate that duplicative voucher processing systems exist and that there is considerable volume in smaller Federal organizations. This could be analogous to what existed in the USDA prior to establishment of the National Payment Center.

Agency responses to the ASRP inquiries indicate that they generally agree with the theory of economy that cooperative support services projects, but there is great disparity in their views about what services should be included/excluded and the advantages/disadvantages involved.

A recent example of centralization of administrative services is the establishment of a Office of Administration in the Executive Office of the President (EOP). The Office of Administration consolidated services previously being supplied from many different sources with a wide variation in the quality and completeness of services. Services included were: personnel, accounting, mail, library facilities, computer operations, messengers, payroll, etc. Previous fragmentation of these services produced: numerous service duplications; inconsistent distribution of services; excess capacity in some units and deficiencies in others; missed opportunities for economies of scale; and lack of cost control.

Three of the advantages expected from the establishment of the Office of Administration were: estimated savings of approximately \$1.1 million and 40 positions; an administrative base on which to develop service; a management focus for accountability, responsibility and monitoring of administrative services in EOP.

Accounting, the first service fully centralized in the Office of Administration, is meeting with great success in terms of increased customer satisfaction, improved management information and more expeditious service.

III. CRITERIA FOR IMPROVEMENT

- o Eliminate duplicative costs for the delivery of support services.
- o Improve the delivery of support services.
- o Identify actual costs of support services.
- o Upgrade the efficiency and quality of support services required by non-departmental agencies.
- o Reduce excess capacity and fill deficiencies where they exist.

IV. PROCESS IMPROVEMENTS

A. Have GSA, with the firm support of OMB and Heads of Departments and Agencies vigorously pursue the application of cooperative support services on a local basis in buildings or complexes where large multi-agency populations exist. This effort should be accomplished through full and complete coordination and cooperation with the Federal Executive Boards and Federal Regional Councils.

B. Have GSA, with the firm support of OMB, and the necessary resources from appropriate agencies, investigate the feasibility of establishing cooperative support service agreements on a National basis for non-departmental agencies. This alternative would entail an in-depth feasibility study for selected services such as payroll, voucher processing, property accounting, etc.

C. Revise the FPMR, Part 101-5 to reflect the local and national basis concept of cooperative support services, and specify in detail the accomplishment of feasibility studies, the roles of the Federal Executive Boards (FEB's), the Federal Regional Councils (FRC's), OMB and the Departments and Agencies.

D. Establish flexible cooperative support service agreements, which permit addition of new services, and elimination of services which cease to be cost-efficient.

E. Provide for annual reviews of all cooperative support service agreements.

ISSUE NO. S-11: MOTOR VEHICLE MANAGEMENT

I. INTRODUCTION

This is an assessment of the management and operation of motor vehicles used in the Federal Government.

The Federal fleet for the purposes of this report is classified as commercial type, general purpose vehicles such as sedans, station wagons, ambulances, buses, and trucks operated by the Executive Branch agencies. Excluded are military tactical vehicles, special purpose vehicles such as fire trucks and trucks with permanently mounted special equipment, motorcycles, trailers, trailer vans, and some law enforcement vehicles. The domestic Federally-owned fleet as of FY 1976 consisted of 392,000 vehicles with a current capitalized replacement value of approximately \$3.3 billion. The annual operating and maintenance cost of this fleet was approximately \$600 million.

GSA operates 78,000 vehicles; other civil agencies 75,000; USPS 123,000; and DOD 116,000. This report concentrates on those vehicles operated by GSA and other civilian agencies, and DOD vehicles operated off-base. It excludes vehicles operated by USPS.

The study involved interviews with OMB, GSA, GAO, USPS, and other Federal agency personnel; members of Interagency Motor Equipment Advisory Councils in three GSA regions; officials of three state governments; officials of corporations involved in the leasing and management of vehicles; manufacturers of vehicles; and responses to questionnaires sent to Federal agencies.

Customer agency dissatisfaction with the level of motor equipment support services provided by GSA has been on the increase and is substantiated by agency interviews, questionnaires and letters. Contributing to this situation are: age, condition, and availability of vehicles in the GSA fleet; GSA's need to better understand customer agency mission requirements; and inadequate funding for motor equipment services.

The study examines the economies of centralized motor vehicle fleet management for the civilian and off-base military domestic fleet. Once the deficiencies in the Interagency Motor Pool System (IAMPS) have been corrected, motor pools and vehicles should be consolidated as determined feasible.

II. BACKGROUND/CURRENT SITUATION

OMB and the GSA General Counsel believe that PL 81-152 does not grant GSA authority to establish standards for agency-owned fleets.

Legislation proposed by GSA in 1976 to designate GSA as the Government-wide motor vehicle fleet management authority was not pursued because funding restraints precluded the assumption of further responsibilities by GSA. A 1977 proposal was not acted upon because it was GSA's opinion that the merits of the proposal were a matter for consideration by the President's Reorganization Project.

In 1954, PL 83-766 and E.O. 10579 established the Interagency Motor Pool System and gave GSA (Subject to economy, efficiency or service considerations and with due regard to the program activities of agencies concerned) the authority to consolidate, take over, acquire, or arrange for the operation by any executive agency of motor vehicles for the purpose of establishing, maintaining, and operating Interagency Motor Vehicle Pools or Systems.

PL 83-766 exempted military vehicles used principally within the confines of a post, camp, or depot. However, these vehicles can be consolidated into the IAMPS if the agency operating the vehicles so requests. However, requests for consolidation into the IAMPS have been denied by GSA, recently due to lack of funds. PL 83-766 also exempted Postal Service vehicles.

1. Fleet Management

GSA does not have legislative authority to prescribe Government-wide fleet management practices such as utilization and assignment criteria; operations; maintenance; cost and inventory controls; procurement standards and options; or authority to conduct Government-wide fleet management surveys or reviews and, as a result, prescribe corrective actions.

There is no standard or uniform motor vehicle management system within the Government. The lack of a standardized or common measurement system has resulted in fragmentation and duplication of the various motor vehicle services resulting in overall increased expense for the Government.

GSA does not now provide fleet management assistance to other agencies. The FPMR presently contains management directives relating to replacement criteria; vehicle identification and licensing; reporting certain fleet inventory data, limited

operational data and statistics; preventive maintenance advisory guidelines; storage advisory guidelines; and use of the U.S. Government National Credit Card.

2. Interagency Motor Pools

GSA operates an Interagency Motor Pool System (IAMPS) consisting of 100 motor pools in major metropolitan areas or areas where there is a concentration of Federal activity. These pools provide assigned vehicles as well as dispatch vehicles to individuals and organized elements of the Government for essentially exclusive use. These pools range in size from 2,549 vehicles in the Washington, D.C. Motor Pool (assigned and dispatch) to 155 in the Parker Arizona Motor Pool. All of these pools have some maintenance and repair capability. Often vehicles in a IAMPS pool are not operated near the pool headquarters, but are assigned to customer agencies over a wide area.

There is no uniform application of a vehicle reconditioning prior to sale program among the IAMPS. The judicious reconditioning of vehicles can substantially increase net proceeds from vehicle sales.

Replacement of IAMPS vehicles has been deferred due to lack of funds. At the end of fiscal year 1977, 30,000 vehicles out of 78,000 in the IAMPS fleet were eligible for replacement. GSA allocated \$65.8 million from the General Supply Fund to purchase about 15,000 vehicles during FY 77. This situation has also been aggravated by higher vehicle acquisition costs. For example, the base cost of a sedan has increased from about \$1,700 in 1969 to \$2,700 in 1977. The average delivered cost (options & transp.) is now \$3,750.

Due to a lack of resources only limited action has been taken by FSS/GSA to meet increased customer agency needs created by Congressionally or Presidentially mandated programs assigned to the customer agencies. Of the 16 agencies which responded to the questionnaire concerning the effectiveness of GSA motor vehicle services, more than two-thirds replied that GSA's service is "poor". Agencies also indicated that service was erratic, and varied from region to region. Operational dependability declined as over-age/mileage vehicles required frequent additional maintenance.

GSA reported that it turned down agency requests for about 9,000 vehicles during 1976. As a result, customer agencies were forced to acquire vehicle support through more costly alternatives such as commercial leases, agency funded purchases and privately-owned vehicles (POV).

In FY 76 there were approximately 4,800 vehicles being leased by Government agencies. This number increased to approximately 10,500 in FY 77. This includes 5,800 sedans and station wagons leased by GSA in support of agency needs.

All sixteen of the agencies responding to the agency questionnaire said they leased vehicles "because the vehicles needed were not available from GSA".

A GAO study "Opportunities to Reduce the Cost of Government Operations", LCD-77-215 February 28, 1978, and a May 1977 GSA study -- Government Ownership vs. Centralized and Decentralized Leasing -- showed that Government ownership was far less expensive than commercial leasing. Basic capital cost per vehicle per month for GSA-owned vehicles was \$52.15; centralized GSA lease cost was \$71.36; and decentralized agency leasing cost was \$123.49.

Agency funded purchases result from IAMPS inability to provide vehicles. This forces agencies to either seek a supplemental appropriation or reallocate existing funds. This circumstance frequently results in the agency not being able to submit a requisition to the GSA Automotive Center in time for inclusion in a consolidated purchase, resulting in higher vehicle price.

The increased use of privately-owned vehicles (POV) in lieu of Government-owned vehicles is an expensive alternative. The permissible reimbursement rate for POV has risen from 11 cents a mile in FY 73 to 17 cents per mile in FY 77 (projected to go to 18.5 cents in FY 79) versus 12.2 cents per mile for a GSA sedan in FY 77. Except for immediate manager control, there are no systems currently available which can be used to collect data and monitor POV use. POV also can become an unreliable source of transportation due to factors such as: employee refusal, union action, energy crises, and insurance.

3. Repair and Service Contracting

GSA mandatory repair and service contracts have created serious problems for both the IAMPS and customer agencies because of the poor quality of service and contractor accessibility. Twelve of the seventeen Federal agencies which replied to the agency questionnaire concerning GSA mandatory contracts stated that the quality of repairs and the responsiveness of the contractors were poor. Commercial organizations minimize these problems by contracting with national repair and maintenance firms which offer simplified billing procedures and standardized rates -- as well as good service.

III. CRITERIA FOR IMPROVEMENT

- o More responsive and better service to agencies.
- o Reduced cost of operating motor vehicles
- o Creation of management data bank for better control of costs and vehicle inventory.

IV. ALTERNATIVES

A. Establish a new organization in GSA with a specific charter to develop a Government-wide fleet management system and expand the IAMPS.

1. Advantages

Increased management control and effectiveness leading to quantitative savings.

Correct existing fragmentation/duplication of vehicle management throughout the Federal fleet.

Savings through: uniformity of policies, procedures, guidelines; vehicle inventory reductions; facility reductions; vehicle inventory and operating data.

Improved service to user agencies.

Lower Government fleet costs (approximately \$400 per pooled vehicle per year based on IAMPS costs compared with prior to pooling costs developed in GSA feasibility studies).

Better fleet control

Elimination of duplicative fleet inventories, facilities, equipment and personnel.

2. Disadvantages

Legislation required

Will require reallocation of resources when facilities and manpower are transferred from other agencies to the IAMPS.

3. Expected Benefits

Expanding IAMPS	\$44 million
Reduce Commercial Leasing	\$ 9 million
Change Sedan/St. Wagon Replacement Criteria 6 yrs./60,000 to 3 yrs./50,000 miles	\$ 5 million
Vehicle prior to sale reconditioning program	\$ 2 million

B. Secure all or some requirements commercially

1. Advantages

Reduction of Government capital outlays
Provide tax income to Federal Government
Reduce operational personnel

2. Disadvantages

Increased costs
Loss of controls
Mass reorganization and agency impact

C. Decentralize operations to using agencies (No IAMPS)
but with GSA policy direction.

1. Advantages

Greater flexibility for agencies in securing
motor vehicle support.

2. Disadvantages

Loss of control
Increased costs
Expensive duplication and fragmentation
Special problems for small agencies
Legislation required

D. PROCESS IMPROVEMENTS

Legislation needed to:

1. Assign to one agency authority for Government-wide fleet management if alternative A is selected. This authority would include but not be limited to:

Prescribing of Government-wide policy on vehicle acquisition, utilization, operation, maintenance, replacement and disposition; management reviews to evaluate and correct vehicle management and operational inefficiencies; and energy conservation measures and programs.

Establishing a common management information inventory and reporting system. (In a report "How Passenger Sedans In The Federal Government Are Used and Managed" B-158712, dated September 6, 1974, GAO reported that most Federal Agencies did not have central records showing, by location, the number and types of light vehicles in use throughout the agency. Similarly, GAO reported that "GSA does not have any management control over these vehicles". The data furnished GSA by the agencies is "incomplete and inaccurate".)

2. Establish a separate motor vehicle working capital fund (WCF) for the IAMPS to segregate IAMPS financial operations from the procurement/supply financial operations to allow:

Retention of surplus earnings in the IAMPS WCF to provide for the acquisition of vehicles to meet agency needs.

Depreciation of vehicles and establishment of user rates based upon replacement cost rather than original acquisition cost. This would correct the financial difficulties created by inflationary factors over the vehicle replacement cycle and insure that adequate reserves are created for the purchase of replacement vehicles. (The U.S. Forest Service presently has the authority to depreciate vehicles on a replacement cost basis.)

Capitalization of vehicles consolidated into the IAMPS at replacement cost less current value.

3. Eliminate the statutory price limitations imposed on the purchase of sedans and station wagons. The current base price limitation of \$2,700 for sedans and \$3,100 for station wagons has not kept pace with inflation and other cost factors.

4. Increase the appropriated capital of the General Supply Fund in the amount of \$100 million to provide for acquisition of additional vehicles in the IAMPS to meet requirements of customer agencies and to replace vehicles eligible for replacement. This would be a temporary measure pending approval of legislation to establish the separate IAMPS working capital fund in the manner described herein.

Administrative action is needed to:

1. Reduce operating costs of IAMPS vehicles by changing current sedan/station wagon replacement cycle from 6 yrs./ 60,000 miles to 3 yrs./50,000 miles. Various GAO and GSA studies have substantiated that the current 6 year/ 60,000 mile replacement standard is clearly not the most economical. A 3 year/50,000 mile replacement cycle vs. a 6 year/60,000 mile cycle would produce annual savings of approximately \$2.2 million in depreciation, maintenance, repair, and tire costs; a 6-year saving of \$21 million in fuel cost; and the conservation of 28 million gallons of gasoline.

2. Reduce costs by establishing a Government-wide prior-to-sale vehicle reconditioning program. Judicious reconditioning of vehicles by the IAMPS could increase net sales proceeds by an estimated \$1.1 million annually; government-wide implementation would result in an additional \$1.3 million in net sales proceeds annually.

3. Establish interagency motor pools after feasibility studies have proven pooling to be cost beneficial. A recent GAO study of 20 motor pools operated by agencies shows that 8 of the 20 pools should be consolidated into the IAMP system, at an actual dollar savings of \$743,000 annually. Establishment of motor pools in other areas would save an additional \$780,000 annually through a reduction in facilities and manpower, as well as better vehicle inventory control and utilization.

I. INTRODUCTION

This is an assessment of domestic transportation and traffic management practices, including transportation audit and rate intervention, of the civilian executive agencies.

The annual expenditure for domestic transportation procured from carriers is about \$3 billion, of which \$700 million is civil agencies. This paper concentrates on the latter.

The study involved questionnaires and interviews with officials of Federal agencies; visits to commercial concerns such as J.C. Penney, Sears Roebuck, Mobil Oil, and Montgomery Ward; and contacts with transportation carrier associations, e.g., the Transportation Association of America, Household Goods Carriers Bureau, Middle Atlantic Conference, Rocky Mountain Motor Tariff Bureau, Movers and Warehousemans Association of America, and Air Transport Association of America.

The results of the study substantiate that the application of traffic management expertise to civilian agency passenger and freight movements could result in substantial annual savings and should provide improved services to the executive agencies.

II. BACKGROUND/CURRENT SITUATION

GSA has authority for Government-wide traffic management policy, under the Federal Property and Administrative Services Act of 1949 (PL 81-152) with exceptions such as DoD, USDA price support programs, DOE, and USPS. GSA has not fully executed the authority or responsibilities of PL 81-152. Traffic management lacks central direction; does not have sufficient program emphasis; and is not adequately funded to perform the full range of functions specified in PL 81-152. GSA issues advisory rather than mandatory FPMR's and provides assistance on a request basis. There is little policy direction on an affirmative basis.

Traffic management liaison with executive agencies is an integral part of GSA's Government-wide responsibility as traffic manager. This liaison program has been placed in GSA's Region 3 for agency headquarters liaison.

The traffic management function in GSA has achieved measurable savings of over \$15 million per year on traffic moving under GSA's supply system; on traffic managed by GSA for a few agencies such as the Bureau of the Mint and Department

of Agriculture Food Stamp Program; and by transportation contracts for office relocations and other special types of movements. However, since GSA does not have detailed data on the majority of the civil agencies' traffic, potential savings are not realized through shipment routing control opportunities for rate negotiations and other traffic management actions.

The civilian executive agencies of the Federal Government procure a large volume of supplies on a delivered basis, i.e., FOB destination. Hence, the Government is not able to control the transportation costs related to such procurement. Civilian agency FOB destination procurement potentially subject to GSA transportation management is \$6 billion annually. A minimum of 5% of the procurement dollar on FOB destination prices is estimated to be transportation cost or \$300 million annually. The application of traffic management expertise in the procurement cycle could yield minimum savings of \$3 million per year.

Civil agency expenditures for passenger transportation on Government transportation requests are approximately \$100 million annually. A management system to identify instances where interagency group or charter ticketing are feasible could result in significant annual savings.

GSA represents the civil agencies as users of transportation services in proceedings of transportation regulatory bodies such as the Interstate Commerce Commission and in docket actions of carrier rate bureaus. In this capacity, in FY 1977, GSA reviewed 122 thousand carrier docket proposals for rate or rule changes, filed 871 docket actions with carrier rate bureaus, and participated in 51 regulatory agency proceedings.

Before 1940, payments to transportation carriers were pre-audited by fiscal officers and post-audited by GAO, with certifying officers liable for incorrect payments. This system presented few problems until shipments volume exceeded the pre-audit capabilities of certifying officers. The Transportation Act of 1940 provided that carrier bills were to be paid on presentation without pre-audit by certifying officers.

The transportation audit function was transferred from GAO to GSA in 1975. The function was placed in GSA's Federal Supply Service, Office of Transportation and Public Utilities.

Audits are made of payments to carriers of all modes of transportation by all executive agencies (civilian and military) for shipments of material on Government Bills of Lading (GBL)

and movement of persons on Government Transportation Requests (GTR). Federal Property Management Regulations (FPMR) are prepared which provide direction to Executive agencies and carriers in the format and preparation of GBL's and GTR's; vouchering and payment of bills for services rendered by carriers and filing of claims by or against carriers. These regulations place the audit function in a highly visible and sensitive position vis-a-vis the multi-billion dollar transportation industry. The value of payments audited in FY 1977 were \$1.8 billion; overcharges recovered from carriers were \$11.3 million.

At the time of the transfer of the transportation audit function to GSA, GAO transferred 417 employees to GSA. The present staffing level is 323. The reduction of staffing ceilings, inability to hire technicians from the carrier industry, and loss of technicians through retirement has reduced the technical staff of the transportation audit activity.

Where audit systems cannot be computerized, the audit of payments below certain minimum amounts is not cost beneficial. The practice of a secondary audit by an independent auditor, paid a percentage of money recovered, is employed by many private companies, but has never been used by the Government.

III. CRITERIA FOR IMPROVEMENT

- o Reduced cost of transportation services.
- o Increased cost effectiveness through enhanced audit effort.
- o Improved services to customer agencies.

IV. ALTERNATIVES

A. Establish a new organization in GSA with a specific charter and expanded resources to develop a Government-wide transportation program to include policies and procedures, management systems and audit. Operational control would remain with the agencies except where a small agency requests GSA to perform these functions for it. Program management would include policy; regulations; rate intervention; rate negotiations; maintenance of a tariff library; furnishing rates, routes and technical assistance; management reviews and training; and rate audit. Operations would include shipment planning; obtaining rate and routing information from the central traffic manager; shipment documentation; ordering equipment from designated carrier; filing of claims; bid/contract evaluation (FOB origin vs. destination) using rate data furnished by the central traffic manager.

1. Advantages

Increased management control and effectiveness leading to significant savings.

Better service to civilian agencies.

A pre-shipment control system.

Capability of establishing a data management base from audit function data which will generate savings.

Capability of establishing a passenger traffic management system which should result in considerable savings, the magnitude of which has not been identified.

2. Disadvantages

Perception by agencies that increased controls would delay shipments.

3. Expected Benefits

Pre-shipment Routing Control System	\$10 million
Use of FOB Origin Contracts	3 million
Secondary Audit	1.6 million

B. Centralize both management and operations in GSA.

1. Advantages

Advantages of centralized operations would accrue only to small agencies.

2. Disadvantages

Centralized operations would require that many functions best performed at the site of shipment be removed to a more distant location with resulting reduction in support response.

C. Combine civil and military in GSA. It is inadvisable to combine civilian and military traffic management because the DoD mission responsibilities override any possible benefits that would be derived. The Second Hoover Commission of March 1955 stated that "The transportation functions of DoD are so vast and so different from those of the civilian agencies that they should be handled separately." While the Second Hoover Commission also recommended

that DoD perform its own transportation rate audit, DoD at the time of the transfer of the audit function from GAO to GSA in 1975, took the position that the audit function was sufficiently removed from its mission that DoD need not perform its own audit.

D. PROCESS IMPROVEMENTS

1. Establish a pre-shipment routing control system to determine the best cost mode and carrier.

2. Establish a post-shipment evaluation system to ensure compliance with routing specified on particular shipments and to develop data on traffic not included in the routing control system.

3. Institute a secondary audit procedure using contractors on a shared reimbursement basis through legislative action or OMB direction.

4. Make FPMR's mandatory for appropriate transportation functions.

5. Establish a passenger travel management system to determine the best cost mode and carrier including group and charter arrangements where feasible.

Executive Summary: Regulatory & Advisory Services

Approved For Release 2002/01/08 : CIA-RDP85-00759R000100150001-9
ADMINISTRATIVE SERVICES REORGANIZATION PROJECT
SUPPLY AND SUPPORT SERVICES TASK FORCE
REGULATORY AND ADVISORY TASK TEAM

EXECUTIVE SUMMARY

BACKGROUND

The Federal Property and Administrative Services Act of 1949 assumed that the General Services Administration (GSA) would exercise a Government-wide leadership role in the delivery of administrative services. To carry out its mission, GSA has issued guidance to agencies in the form of Federal Property Management Regulations (FPMR), Federal Travel Regulations (FTR), and Federal Procurement Regulations (FPR). In a more service-oriented view, GSA provides assistance to agencies by offering training programs and conducting consultant-type advisory studies.

The study involved extensive interviews with GSA and customer agency personnel, interviews with officials of large corporations and state governments, analysis of questionnaires, and review of existing statutes, GSA and agency regulations.

ISSUES

The adequacy of three principal activities were addressed by the Task Team:

- o GSA regulatory activities
- o Interagency training
- o Advisory services to agencies

FINDINGS AND ALTERNATIVES

GSA REGULATORY ACTIVITIES

With respect to the FPMR and the FTR, there is no consistent institutionalized system for obtaining customer participation in the development of regulatory material. There is evidence of overemphasis on intra-GSA coverage versus inter-agency guidance. In varying degrees, required changes to regulations are not timely, language is overly complex, implementation of changes by the Federal establishment is costly, and there is no adequate system for either agency feedback or determining the level of agency compliance.

Organizational Alternatives. The structure of GSA has inhibited its ability to present a strong, coherent and service-oriented regulatory image to the Federal agencies it was created to serve. Three alternatives were considered:

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o Centralize development and control of regulations on the staff of the GSA Administrator.

o Centralize coordination and monitoring of regulations on the staff of the GSA Administrator.

o Strengthen staff of each GSA service to develop and control regulations.

Process Improvements. GSA should make the following improvements:

o Increase agency participation in regulatory development and feedback.

o Establish an improved compliance system.

o Simplify regulatory language.

o Write regulations which minimize the need for duplicative agency implementation.

INTERAGENCY TRAINING

Training and motivation of personnel are an integral element of administrative services. The quality and quantity of training provided to administrative services personnel varies by GSA Service. Moreover, some duplication of training effort between the Civil Service Commission and GSA requires resolution. Department of Defense training courses and the Federal Acquisition Institute are excellent models to emulate in establishing training and career development programs for administrative services personnel at all grade levels.

Alternatives. The fragmented approach to training within GSA lends itself to the following options to improve service delivery:

o Consolidate administrative services training effort in GSA on the staff of the Administrator.

o Consolidate administrative services training effort in the Civil Service Commission.

o Continue current fragmented approach and work on product improvement.

o Contract-out training.

Process Improvements. Initiate action within GSA and working with other agencies to:

- o Initiate a Government-wide career development program for administrative services personnel.
- o Establish a system to receive customer agency input.
- o Insure strong ties between training and program operations.
- o Improve training evaluation.

ADVISORY SERVICES TO AGENCIES

Based on customer agency response, there is a place in the GSA for an institutional group of high-quality consultants. The current approach to providing this type of service varies considerably among the GSA Services.

Organizational Alternatives.

- o Establish an organization on the Administrator's staff to plan, control and monitor advisory services.
- o Establish an organization within each GSA Service to plan, control, and monitor advisory services.

Process Improvements. Initiate action within GSA and working with other agencies to:

- o Conduct market surveys to pinpoint customer demand.
- o Establish a customer feed-back system.
- o Make program fully reimbursable and emphasize quality performance.
- o Avoid the audit image in providing advisory services.

Issues: Regulatory & Advisory Services

ISSUE RA-1: GSA'S REGULATORY ACTIVITIES

I. INTRODUCTION

This paper presents an assessment of GSA's role in the development and issuance of, and monitoring agency compliance to the Federal Property Management Regulations (FPMR), Federal Travel Regulations (FTR), and Federal Procurement Regulations (FPR). FPMR's are the primary means by which GSA manages the Government's property management practices and are applicable to almost all executive agencies. The FTR governs all travel by civil service employees. FPR's prescribe procurement policies and procedures and, are applicable to almost all civilian agencies. The study included interviews with GSA and other agency personnel, interviews with officials of several large corporations and state governments, analysis of responses to several questionnaires sent to major departments and agencies, and review of existing statutes, applicable GSA regulations, and agency implementing regulations. The results of this assessment indicate that GSA has not adequately fulfilled its regulatory role as envisioned in enabling legislation.

II. BACKGROUND/CURRENT SITUATION

A. FEDERAL PROPERTY MANAGEMENT REGULATIONS (FPMR)

GSA authority for the FPMR can be found in the Federal Property and Administrative Services Act of 1949, Section 205.(c).

The FPMR system is the vehicle by which GSA prescribes regulations, policies, procedures and delegations of authority pertaining to property management and records. FPMR's are applicable to all executive branch departments or agencies, with a few legislative exemptions. The FPMR system is the primary method used by GSA to regulate the Government's property management practices and covers Federal Travel, Archives and Records, Defense Materials, Public Buildings and Space, Supply and Procurement, Telecommunications and Public Utilities, Transportation and Motor Vehicles, and Utilization and Disposal.

All four GSA Services contribute to the FPMR. Federal Supply Service (FSS), for example, has cognizance over regulatory coverage dealing with federal travel, defense materials, supply, public utilities, transportation and motor vehicles, and utilization and disposal.

Since many subjects have a direct or indirect impact on all Services, a significant amount of coordination effort is required. In addition to multi-Service preparation and coordination of regulations, numerous offices within a Service contribute to the development of the FPMR. In the National Archives and Records Service (NARS), eight offices draft FPMR material. Table 1 identifies the number of offices and people involved in FPMR development for each GSA Service.

TABLE 1

<u>GSA INVOLVEMENT IN FPMR</u>		
<u>GSA Service</u>	<u>No. of GSA Divisions</u>	<u>No. of Persons</u>
PBS	10	43
ADTS	1	4
NARS	8	30
FSS	<u>19</u>	<u>81</u>
TOTAL	38	158

Each of the GSA Services developing Government-wide regulations also has responsibility for GSA operational programs. Even within a Service, an office developing FPMR material may also have cognizance over an operating program. For example, the Office of Personal Property Disposal in FSS operates a Government-wide utilization program and, at the same time, develops regulations governing utilization of property within an executive department or agency. Much of the FPMR prescribes procedures applicable to the use of GSA services rather than policy and procedures pertaining to the management of other agencies' internal property management practices. For example, of 145 pages in the FPMR dealing with supply and procurement, 100 pages involve procedures relative to obtaining FSS material and services.

Agency involvement in the development of regulations is typically minimal, and there is no standard procedure for user participation. For example, a recent regulation on first-class air travel was not coordinated with agencies, while a regulation concerning shipment of household goods was fully coordinated with agencies through an interagency committee. The implementation of the FPMR by other agencies ranges from zero to the extensive use of implementing documents. These documents are issued in a variety of publications including handbooks, department orders, administrative manuals and the Code of Federal Regulations (CFR).

Depending on how thoroughly the FPMR prescribes policies or procedures on a specific subject, agency implementing procedures may be brief or extremely detailed. For example, the Federal Travel Section of the FPMR is 100 pages in length; Department of Transportation's implementing manual is 300 pages long. Table 2 is based on data from several agencies and indicates typical agency involvement in implementing the FPMR.

TABLE 2

AGENCY IMPLEMENTATION
OF THE FPMR

<u>FPMR Subtitle</u>	<u>FPMR Pages</u>	<u>Average No. of Pages of Agency Instructions</u>	<u>Average No. of Persons Involved in Implementation</u>	<u>Average Cost of Agency Changes FY 1977</u>
General	55	105	10	\$ 4,768
Federal Travel	104	671	11	57,901
Archives & Records	58	1,481	22	139,190
Public Bldgs. & Space	79	262	11	30,207
Supply & Procurement	145	661	22	29,997
Telecommunications & Public Utilities	20	105	13	8,410
Transportation & Motor Veh. Utilization & Disposal	77	218	13	29,540
	<u>157</u>	<u>153</u>	<u>18</u>	<u>18,985</u>
TOTAL	695	3,656	120	\$318,988

There is no Government-wide system for monitoring agencies' property management practices or implementing regulations. GSA neither receives nor reviews the implementing procedures of other agencies. For the most part, GSA does not review agencies' property management practices. Agencies, responding to a questionnaire, identified their internal audit and/or GAO as activities that are, and should be, responsible for monitoring property management practices. These audits typically focus on specific operating problems as opposed to systems reviews. GSA neither receives nor reviews agency internal audit or GAO reports relative to agencies' property management practices. Some agencies conduct "management reviews" which involve review of all aspects of property management for a specific activity.

Before 1971, OMB was responsible for development and issuance of travel regulations. This authority was exercised on behalf of the President pursuant to Public Law 89-554, dated September 6, 1966. By Executive Order No. 11609, dated July 22, 1971, this authority was transferred to GSA. The Administrator of General Services was empowered to exercise the authority of the President to prescribe regulations relating to travel, subsistence and certain transportation expenses, and mileage allowances.

Federal Travel Regulations are published in handbook format in Part 7 of the Federal Property Management Regulations. The FTR is applicable to all civil service employees. Travel entitlements for uniformed service personnel are covered in Vol. 1 of the Joint Travel Regulations, which are published by DOD's Per Diem Committee. The State Department issues regulations prescribing travel entitlements for Foreign Service personnel. In addition, GSA delegated responsibility to the State Department for determination of per diem rates for overseas locations.

Federal Travel Regulations are prepared in one of the four branches of the Transportation Services Division in the FSS Office of Transportation and Public Utilities. The other three branches are responsible for negotiating transportation contracts, providing traffic management services, and representing the Government before transportation rate-setting agencies. Numerous levels of review are required before issuance of an FTR: five offices in FSS, one in the Office of Administration, and one in the Office of General Counsel. Changes to the regulations are not made in a timely manner. In 1977, at least five changes, proposed in 1972, were finally published, e.g., the Comptroller General's March 27, 1972, decision concerning reimbursement for cost of travelers checks was not implemented in the FTR until June 1, 1977.

There is no standard system to provide for agency participation in development of the regulation. GSA's decision to solicit agency comments or approval is purely judgmental. Forty-five percent of the agencies responding to study group inquiries indicated that current participatory mechanisms are inadequate. Agency implementation of the FTR is extensive. The FTR is approximately 100 pages in length while Department of Treasury's implementation totals over 1,200 pages. As a specific example, per diem is covered in 5 pages in the FTR and 30 pages in Department of Transportation regulations. Much of this implementation is required because the FTR: (1) does not provide examples applicable to specific travel

situations; and, (2) uses extremely complex language and sentence structure.

With respect to monitoring compliance to the FTR, the discussion of monitoring compliance to the FPMR is applicable.

C. FEDERAL PROCUREMENT REGULATIONS (FPR)

GSA authority to issue regulations pertaining to procurement is contained in Section 205(c) of the "Federal Property Act". This authority is subject to regulations prescribed by the Administrator of Federal Procurement Policy pursuant to the Office of Federal Procurement Policy Act, Public Law 93-400, dated August 30, 1974. The FPR is applicable to all executive agencies except the Department of Defense, NASA and the Coast Guard. The Armed Services Procurement Regulations (ASPR), developed by DOD, generally governs procurement by these three agencies.

The FPR is developed by the Federal Procurement Regulation Staff which is on the staff of the Commissioner, FSS. Changes to the FPR are coordinated with agencies through the Inter-agency Procurement Policy Committee. Agencies responding to study group inquiries indicated that this type of participation is satisfactory. Agencies are generally satisfied with FPR content. However, a number of agencies indicated that guidance concerning procurement of non-personal services was inadequate. With respect to monitoring compliance to the FPR, the discussion of monitoring compliance to the FPMR, above, is applicable.

Public Law 93-400 authorized the Administrator of Federal Procurement Policy to establish "a system of coordinated, and to the extent feasible, uniform procurement regulations for the executive agencies". On January 31, 1978, OFPP requested that DOD and GSA "play a lead role to assist in developing a single Government-wide procurement regulation", entitled the Federal Acquisition Regulation (FAR). The primary objectives of the FAR project are to consolidate and replace ASPR, FPR, NASA PR and other acquisition regulations containing material applicable to more than one agency; create a new single regulation that is understandable and comprehensive; and, provide new material not currently in the basic procurement regulations. OFPP, through DOD and GSA, plans to have all revised sections available for public comment no later than January 31, 1979, and to have a completely reviewed FAR ready for publication August 30, 1979. To date, no plans have been made to develop mechanisms for maintenance of the FAR subsequent to its planned publication date in 1979.

III. CRITERIA FOR IMPROVEMENT
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Recognize GSA's statutory responsibility for developing and issuing regulations, through adequate professional staff resources, and enhanced acceptance of GSA leadership in property management, travel and procurement matters.

Distinguish between a staff role in the development of regulatory coverage for user agencies and an internal GSA line operating role.

Reduce organizational fragmentation of responsibilities for development and issuance of regulations, to facilitate communication and increase uniformity of policy.

Promote early user participation in the development of regulatory coverage to facilitate coordination, increase user understanding, and enhance cooperation.

Promote prompt resolution of policy or procedural conflicts and timely issuance of changes to regulations.

IV. OPTIONS

A. ORGANIZATIONAL OPTIONS

1. Establish an organization, on the staff of the Administrator, responsible for development, coordination, control and promulgation of all regulatory material. Appropriate Service personnel responsible for this function would form the core of this organization.

a) Advantages:

Enhances organizational recognition of GSA's regulatory role.

Provides separation of staff and line operating responsibilities and reduces organizational fragmentation of responsibility for development and issuance of regulatory material.

Promotes uniformity in the regulations issued by GSA and implementing procedures issued by the agencies and facilitates timely issuance of regulatory change.

Enhances the opportunity to provide uniform and effective mechanisms for agency participation in regulatory development and improves the opportunity to establish uniform and effective mechanisms to monitor agency compliance.

Improves lines of communication for customer agencies and the Administrator.

b) Disadvantages:

User agencies may prefer existing system, which is relatively lax and permits wide latitude in developing, issuing, and monitoring implementing regulations and procedures.

GSA Services may be reluctant to relinquish their traditional role in the regulatory area.

Separates the regulatory function from the technically knowledgeable personnel in the GSA Services.

2. Establish an organization, on the staff of the Administrator, responsible for coordination, control and promulgation of all regulatory material. Development of regulations would continue to be the responsibility of each GSA Service.

a) Advantages:

Improves lines of communication for customer agencies and the Administrator.

Provides the opportunity to oversee development of effective mechanisms for agency participation in regulatory development and improves opportunity to oversee development of effective mechanisms to monitor agency compliance.

b) Disadvantages:

Organizations responsible for regulatory development would continue to be responsible for both staff functions and operational programs.

Organizational fragmentation of responsibility for regulatory development would continue.

Timeliness of issuing changes to the regulations is adversely affected by the addition of review levels.

Impairs resolution of policy conflict because personnel knowledgeable in content of the regulation are located in several operational organizations separate from the organization that is the focal point for communications with agencies and the Administrator.

3. For each Service, consolidate the regulatory functions into one organization. Each organization would be responsible for the development, coordination, control and promulgation of all regulatory material applicable to the functions performed by that Service.

a) Advantages:

Improves separation of staff and line responsibility at the Service level.

Reduces organizational fragmentation of responsibility within each Service. Lines of communication for agencies would be improved in that a single organization in each Service, instead of several organizations, would be the focal point of communication.

Concentration of authority to issue regulations within a Service will provide for more uniform policies, eliminate duplication of functions, and lead to development of a strong coordinated top-management team.

Enhances opportunity within each Service to provide effective mechanisms for agency participation in regulatory development and to install effective mechanisms to monitor agency compliance.

Facilitates staff coordination with the technical experts in the Service.

b) Disadvantages:

Organization would be located in an agency that is primarily a "line" operation.

Multiple lines of communication for the Administrator.

Dispersion of authority in the separate Services fosters opportunity for non-uniform policies and duplication of effort.

Mechanisms within GSA for agency participation in regulatory development and for monitoring agency compliance may vary between Services.

B. PROCESS IMPROVEMENTS

1. Institute a formal committee structure for development of regulatory material. Committee members would include representatives from GSA operational programs and customer agencies.

2. Establish a project which has as its objectives: (a) a review of existing regulatory coverage to determine its completeness and implement appropriate changes designed to reduce redundant implementation by all users, (b) improvement in the readability of the material, and (c) adoption of a uniform format.

3. Staff the regulatory function with exceptionally well-qualified personnel who will provide the leadership required. Staff personnel should be rotated periodically to retain currency of subject matter expertise.

4. Adopt state-of-the-art processing techniques for the publication and issuance of regulations.

5. To insure uniformity in agency implementing regulations, agencies should publish their implementation in Title 41 of the Code of Federal Regulations. Until such time as agencies begin to publish their implementation in the CFR, they should send copies of their implementation to GSA.

6. Agencies should provide GSA with copies of appropriate audit material covering those aspects of property management, travel management, or procurement under the purview of GSA regulations. GSA would use this information to identify problem areas requiring regulatory change.

7. GSA, in cooperation with the other agencies, should institute a system of agency-conducted management reviews to evaluate the functions of property management, travel management, and procurement. Agencies should provide appropriate findings to GSA so that GSA can resolve any problems requiring regulatory change.

ISSUE NO. RA-2: INTERAGENCY TRAINING

I. INTRODUCTION

This paper presents an assessment of GSA's role in providing training for Federal employees whose work involves supply and procurement, transportation and traffic management, travel, motor pool management, space management, and records management.

The study involved interviews with GSA and other agency officials in Washington and in the field, analysis of responses to questionnaires submitted by major departments and agencies, and review of existing statutes, Executive Orders, and Civil Service Commission (CSC) Regulations.

The results of this assessment indicate that the interagency training now being provided by GSA is meeting many critical training needs of Federal agencies. However, customer agencies who sponsor employees for the program say it is deficient in several respects.

II. BACKGROUND/CURRENT SITUATION

A. GSA TRAINING

At the present time, interagency training is fragmented within GSA. No single organizational unit has responsibility for promoting, coordinating, or administering "the program". However, the Director, Training and Development Division, Office of Administration, serves as liaison with CSC. He collects information about courses to be offered and statistical data on training provided by GSA Services to customer agencies.

Federal Supply Service (FSS). The Training Division of the FSS offers nine five-day courses in the supply and procurement field on a reimbursable basis. The courses are taught by a staff of eight instructors who work out of Washington. The program is growing to meet the demand for it--over 5,000 trainees will probably participate in FY-1978. FSS' Office of Transportation and Public Utilities offers 15 short interagency seminars relating to transportation, traffic management, and travel on a non-reimbursable basis. Most of the seminars are 2 - 3 hours in duration; a few are 8 - 10 hours long. The seminars usually are led by local FSS Transportation personnel.

National Archives and Records Service (NARS). NARS offered 20 "paperwork management" courses, from 20 - 80 hours, on a reimbursable basis in FY 1977. Some of these courses were scheduled for interagency participation and others were conducted by

special arrangement for individual agencies in both Washington and the field. These courses are taught by local NARS personnel.

Automated Data and Telecommunications Service (ADTS). ADTS offered only 2 one-hour "courses" in FY 1977. Both courses were offered on a non-reimbursable basis and were tied to the installation of FTS systems in a few locations. Although these programs meet the definition for interagency training, they are really "orientation" programs designed to acquaint agency personnel with newly installed telephone systems.

Public Buildings Service (PBS) and Federal Preparedness Agency (FPA). PBS and the FPA reported no administrative services interagency training in FY 1977.

Officials of NARS and FSS' Office of Transportation and Public Utilities point to the value of using "program practitioners" as instructors in their courses. They value the close linkages between people who run their programs, provide advice and assistance to agencies, and who serve as instructors in their training courses. Often the same people do all of these things, or, at a minimum, work closely together. These kinds of linkages are valuable.

B. CSC TRAINING

CSC offered 20 reimbursable interagency courses in the procurement field in FY 1977 including two courses relating to grants administration. Course offerings vary from 2 - 10 days in length and are offered in Washington and in the field. Most of the courses are taught for the CSC by contract instructors.

Three of the CSC procurement courses cover the same subject matter that is covered by FSS Training Division courses. The CSC also has a space management course which it offers infrequently and a new "Travel Regulations and Procedures" course which it has offered twice in FY 1978 in Washington and plans to conduct in the regions. FSS' Office of Transportation and Public Utilities helped the CSC develop this course. This latter course seems to duplicate a similar course offered by GSA Regional Offices. (NOTE: Statistical data on FSS, NARS, and CSC interagency training is summarized in Appendix A. Cost data is summarized in Appendix B).

C. DEPARTMENT OF DEFENSE (DOD) TRAINING

DOD has extensive training programs in administrative services fields, especially supply and procurement. All

of these courses are designed for DOD civilian and military personnel. DOD is doing a good job of meeting its needs. DOD makes extensive use of the supply and procurement courses offered by GSA and the CSC. DOD admits some trainees from the non-Defense agencies (1 - 2 percent of the total number trained by DOD). These spaces are eagerly sought as DOD courses are considered to be better than GSA and CSC courses. The civilian agencies which use DOD courses get far fewer "slots" than they want. DOD does not charge agencies tuition, but travel and per diem expenses usually exceed what it would cost to send a trainee to a local GSA or CSC course.

D. FEDERAL ACQUISITION INSTITUTE (FAI)

FAI is an interagency organization administered by DOD under the guidance of an interagency board of directors. It has responsibility for upgrading the quality of the Federal procurement work force. This responsibility includes the coordination of Government-wide career programs for procurement personnel. It is not responsible for conducting all Federal procurement training as is widely believed.

Although FAI is a new organization, it has a number of programs underway which should result in the improvement of procurement training. For example, it is working on a task analysis of the major procurement occupations. This project will provide detailed information on what procurement personnel do, how they do it, how long it takes, how often they do it, and what "tools" they use. This information will be used to redesign existing procurement training so that it relates precisely to the needs of the procurement work force. This information will be shared with GSA.

The FAI is also working on programs which will help DOD and civilian agency procurement schools improve their training through more effective course evaluation. This will be especially beneficial to civilian agencies. FAI's work on career programs for procurement personnel will be a major step forward. It should do for civilian agency procurement personnel what has already been done for DOD personnel--i.e., provide for systematic training and development. A similar program is needed for other personnel in administrative services occupations. Agency managers of administrative services are almost unanimous in their call for such a program. They think GSA should take the lead, with help from CSC. One of the issues addressed by the newly created General Services Council relates to this need.

E. EVALUATION OF GSA INTERAGENCY TRAINING

Interviews with agency managers of administrative services organizations (17 agency Central Office managers in Washington and approximately the same number in the Regions were interviewed), disclosed numerous criticisms of GSA and CSC conducted interagency training. A number of the managers thought GSA courses left something to be desired. A lesser number criticized CSC courses. It should be noted that the criticisms generally did not include NARS courses. The supply and procurement courses received the most criticism, although transportation and traffic management seminars were also criticized. The most frequent criticisms are listed below.

- o Course content is too general and too basic (directed toward procurement and transportation courses).
- o In some courses, too much emphasis is placed on GSA procedures and not enough on the customer agency needs (directed toward procurement courses).
- o Courses are not offered often enough in the field (directed toward all subject matter areas).
- o The quality of instruction is inconsistent.
- o There are additional training courses which should be offered by GSA. These training courses are listed in Appendix C.

The Supply and Support Services Task Force questionnaire responses yielded similar results, although agency comments were generally less specific than the oral comments obtained in interviews. More than half of the questionnaire respondents rated GSA training as deficient. Some rated it "satisfactory", but only two agencies called the training "good" or "excellent".

It should be noted that the FSS Training Division, which offers supply and procurement courses, regularly collects participant evaluation data from its attendees when they complete training. This data indicates that the majority of participants are satisfied with the training they receive. It should be noted, however, that experts in the training field put little stock in these so called "happiness" sheets. They are useful, but tend to be misleading.

F. REIMBURSABLE VS. NON-REIMBURSABLE FINANCING

Most interagency Government training is accomplished on a

reimbursable basis. The CSC, which operates the largest interagency program in Government operates on this basis for the following reasons:

- o Training is designed primarily to meet operating program needs; it should therefore be treated as a program cost chargeable to program operations.

- o If customers have to pay for training out of their own funds, they will tend to sponsor only essential requirements.

- o The use of a reimbursable system provides flexibility to meet changing requirements.

III. CRITERIA FOR IMPROVEMENT

Provide enhanced recognition to the importance of training and career development of administrative services personnel.

Reduction of organizational fragmentation.

Courses should be offered in all subjects which meet the essential training needs of the target population.

The needed courses should be offered on a timely basis.

The courses should be available in geographic locations which minimize travel costs for the largest number of trainees.

Course content and coverage should be relevant to the trainee work situation.

The training provided should have a positive benefit/cost ratio.

IV. OPTIONS

A. Consolidate all administrative services interagency training now being provided by GSA and CSC into one centralized organization on the staff of the GSA Administrator. The centralized organization would have a delivery capability in each GSA Region. All training delivered by the new organization would normally be reimbursable.

1. Advantages:

Would assign responsibility for promoting, developing and conducting administrative services interagency training

to one organizational unit in GSA. This step should improve program administration, and could lead to improvements in course quality. It would also provide a focal point for customer agency input to the program--an essential step to facilitate improvement.

Would increase the perceived status of interagency training in GSA.

Would aggregate resources now devoted to interagency training thereby enhancing the opportunity to increase organizational efficiency and effectiveness.

Would tend to eliminate duplication in course development and delivery, as well as in program administration. Savings achieved could be used to upgrade the quality of the program and increase course offerings.

2. Disadvantages:

Would remove training from GSA sub-units which have functional responsibility related to the training.

Would require establishing a field delivery capability; therefore, reassignment of some personnel would be necessary.

B. Transfer all GSA interagency training to some other agency, probably the CSC. The training would be centralized in that agency and would be reimbursable.

1. Advantages:

Except for an increase in the perceived status of GSA training, would have of the advantages cited for Option A above.

In the case of CSC, would assign the training responsibility to an agency which has more experience conducting interagency training and which has an existing delivery system.

2. Disadvantages:

Would have the disadvantages cited in Option A.

Would remove the training from the organization in Government which has functional responsibility for administrative services and place it in an agency with no functional expertise in the subject matter fields covered.

In the case of CSC, would place the training in an agency whose "track record" for administrative services training has been criticized. In addition, the CSC would oppose the option as it conflicts with stated CSC policy, i.e., interagency training should be done by the agency with functional responsibility.

Would deny GSA an opportunity to improve its image by improving its training programs.

C. Leave administrative services interagency training where it is now, i.e., in the various GSA Services and the CSC, and continue to offer it on the same terms. Concentrate on improving the program in terms of better quality and quantity of course offerings.

1. Advantages:

Would leave the training development and administration in close proximity to the Service with the functional responsibility it relates to.

Minimal personnel disruption.

2. Disadvantages:

Existing, dispersed staffs would be too few, and in some organizational units, not qualified, to bring about the improvements needed.

Does not provide a top management focal point.

D. Discontinue some, or all GSA and CSC administrative services interagency training, and contract it out to the private sector.

1. Advantages:

Would permit diversion of GSA and CSC personnel now working on administrative services training to other program areas.

Would permit coverage of training subject-matter areas that are not now covered without adding additional staff resources.

2. Disadvantages:

Would assign the training to organizations which do not have functional responsibility for the program areas covered and which would need considerable help from either

GSA or the user agencies in developing the training. The CSC now uses contract instructors for most of its procurement courses and there is considerable criticism of their work.

Greater costs--CSC analyses have consistently demonstrated that interagency training is far less costly than training provided by the private sector.

In order to be effective, would require that one or more GSA units monitor the program, thereby further increasing the cost.

Would deny GSA the opportunity to improve its image by improving its in-house training programs.

V. CONCLUSIONS, PROCESS IMPROVEMENTS, COST IMPLICATIONS

A. CONCLUSIONS.

In this paper, it cannot be proven conclusively that a given increase in the quantity and quality of training for the Federal administrative services work force will result in a given increase in the efficiency and effectiveness of that work force. But, it is reasonable to assume that more and better training will result in better work force performance. American public and private investments in education have made major contributions to increases in productivity in our society--these investments have reaped returns which far exceed the amounts invested.

As the administrative services training needs of most agencies are similar, it is economical and efficient to meet these needs on an interagency basis.

There is a considerable amount of interagency administrative services training being accomplished by GSA and CSC. However, the criticism directed at this training indicates that it is not nearly as effective as it should be. This training must be improved.

Although some additional financial and staff resources would be needed to achieve full program effectiveness, some improvement could be achieved by reorganizing resources. Consolidation of GSA and CSC interagency training could result in savings of \$150,000 - \$200,000 per year, while at the same time improving program administration and delivery. These savings should be "plowed back" into the program to achieve further quality improvement and provide new course offerings.

B. PROCESS IMPROVEMENTS

1. A resource enhanced centralized organization should be funded to conduct a series of task analyses for the major administrative services occupations (other than procurement). These task analyses should be similar to those now being planned by the FAI for the procurement occupations. Data obtained from these analyses could then be used to improve existing courses and to develop needed courses.

2. A Government-wide career development program for administrative services personnel should be developed. The FAI is developing such a program for procurement personnel, but similar action is needed for the other administrative services occupations. The new centralized administrative services training organization should be assigned responsibility to administer this program. However, the program should be developed in cooperation with the recently established General Services Council. That Council has already decided to consider GSA's role in such a program.

3. Course content must be reviewed and revised where necessary, and different methods of instruction should be considered. The centralized organization should employ or contract for specialists who are well-qualified for instructional development. CSC and DOD can provide this assistance.

4. The new consolidated training organization should establish an effective system for improving course evaluation to ensure that its course offerings are responding to the needs they are designed to meet. The CSC has a staff of well-qualified consultants who should be able to help in establishing the evaluation system.

5. Steps must be taken to ensure that linkages between program operations and training are maintained. For example, GSA and customer agency personnel should be routinely used in the development of the training program. They should help to decide what courses to offer and should serve as advisors in developing course content. They should also be used as instructors. Some functional specialists could be rotated through the training office on two - three year assignments. This latter practice is now being used by several excellent Government training organizations. Agency and GSA operating programs input to the centralized training program would also be enhanced by establishing two "advisory boards", one made up of customer agency managers of administrative services, perhaps a committee of the new General Services Council; and the other made up of managers from the GSA Services.

C. COST IMPLICATIONS.

Appendix B indicates that GSA Services and the CSC spent about \$1.9 million for interagency training for the administrative services in FY 1977 (all but \$70,500 of this was reimbursable). That amount will probably increase to about \$2.1 million in FY 1978 and \$2.3 million in FY 1979 if the program continues to operate without change.

Although significant program improvement can be achieved without additional funding, the interagency training program could be made more effective if additional funding were provided at the outset. These additional funds would be used to further improve course maintenance, to develop new courses, to develop new course delivery systems (e.g., programmed courses, correspondence courses, etc.), to conduct task analyses, and to develop a career system.

The following is a five-year projection of costs:

Additional Appropriated Funding
in thousands of dollars
FY 1979-1983

	<u>FY-79</u>	<u>FY-80</u>	<u>FY-81</u>	<u>FY-82</u>	<u>FY-83</u>
Course Maintenance	100	100	100	50	---
New Course Development	100	100	100	50	---
New Delivery Systems	100	100	100	50	---
Task Analyses	50	50	50	50	---
Career System Development and Maintenance	<u>35</u>	<u>25</u>	<u>25</u>	<u>25</u>	<u>25</u>
Totals	\$385	\$375	\$375	\$225	\$25

An Overview of Training Offered by GSA and
CSC in the Administrative Services, FY-1977

	No. of Courses	No. of Sessions Wash/Field	No. of Partic. Wash/Field	Reimb./ Non-Reimb.	Staff Size	Operating Cost
FSS - Training Div.	9	53/63	1,875/2,200	Reimb.	14.0	\$426,000
FSS - Off. of Trans. and P.U.	15	61/19	530/1,678	Non-Reimb.	3.7	70,500
NARS	20	9/91	268/1,482	Reimb.	10.0	572,000
CSC	20	63/117	2,100/1,314	Reimb.	13.8	822,000
Totals	64	186/290	4,773/6,674	N/A	41.5	\$1,890,500

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NOTES:

- o CSC uses contractor instructors extensively, therefore, staff figures are deflated.
- o DOD figures not included, as DOD training is designed to meet DOD needs, and not interagency needs (however, some non-DOD employees (about 2%) do participate in DOD courses).
- o ADTS not included because its interagency training is really orientation training.
- o PBS and FPA not included because they offered no interagency training in FY-1977.

Appendix A

Analysis of Program Costs (in thousands) in FY-1977

	<u>Administration</u>	<u>Course Delivery</u>	<u>Course Devel. & Maintenance</u>	<u>Totals</u>
FSS - Training Division	\$61.0 (14%)	\$221.0 (52%)	\$144.0 (34%)	\$426.0 (100%)
FSS - Office of Trans. & PU	10.3 (15%)	38.0 (54%)	22.2 (31%)	70.5 (100%)
NARS	60.0 (11%)	482.0 (84%)	*30.0 (5%)	572.0 (100%)
CSC	57.5 (7%)	608.3 (74%)	*156.2 (19%)	822.0 (100%)
Totals	\$188.8 (10%)	\$1,349.3 (71%)	\$352.4 (19%)	\$1,890.5 (100%)

* NARS and CSC course development and maintenance costs were abnormal in FY-1977; therefore, the actual figures were adjusted to depict a "normal" year.

Courses Needed to Meet Needs of
Federal Administrative Services Workforce

1. Interviews and questionnaire responses revealed some administrative services training needs that are not now being met. The list includes:
 - o Energy Conservation
 - o Personal Property Management
 - o Real Property Management and Administration
 - o Transportation Management (as opposed to operations)
 - o Contracting for Research and Development
 - o Space Management*
 - o Administrative Officer Training
 - o Administrative Services Manager Training
- * Now offered periodically, but not nearly enough.
2. Most administrative services managers had not analyzed their staff training needs and could not identify specific needs. They had a vague belief that needs existed and could be identified if systematic analyses were made. In fact, this is true. Systematic task analyses of the various administrative services occupations would identify other training needs.
3. One of the major responsibilities of the proposed consolidated interagency training organization would be to keep abreast of training needs as they develop and to design and offer training to meet these needs. An interagency committee (perhaps a subcommittee of the newly established General Services Council) should be set up to advise the training organization on training needs.

I. INTRODUCTION

This paper presents an assessment of GSA's role in providing advisory services to other Government departments and agencies. Most advisory services consist of management consultant-type studies of administrative functions. These studies typically result from an agency request for GSA experts to solve a particular problem or improve a management system.

The ASRP study involved interviews with GSA and other agency personnel, interviews with officials of large corporations and state governments, analysis of responses to questionnaires submitted by major departments and agencies, and review of existing statutes and regulations.

This assessment suggests that, with limited exceptions, GSA has not adequately fulfilled its advisory role.

II. BACKGROUND/CURRENT SITUATION

The GSA Services have provided consultant-type services to other departments and agencies since the early 1950's. In replies to a study questionnaire, the majority of agencies replying indicated a continuing interest in being able to obtain these services.

The involvement in providing advisory services varies considerably within GSA. Data on consultant services provided by each GSA Service in FY-1977 are shown in the attachment.

FPMR coverage relating to the availability of consultant-type services and how to obtain the services varies by GSA Service. Coverage relating to the functions of NARS, ADTS, and PBS is extensive and provides information on the advisory services available. Coverage relating to the availability of advisory services in FSS is incomplete. Only transportation and public utilities are covered in any depth. Moreover, information on how to obtain advisory services from any of the Services is incomplete.

There is a great demand for consultative assistance on space management which PBS is unable to meet for lack of resources. The need for this assistance can probably be reduced to some extent by providing more space management training.

There is no single organizational entity within GSA with the responsibility for providing leadership and coordination of the advisory services function. Within FSS, the Market Research and Marketing Division has as part of its mission: "upon request, perform supply management studies in Federal agencies and coordinate with the National Liaison Division in providing recommendations to improve internal supply management and operating programs . . ." There is no permanent staff assigned to this function. With the exception of a major study conducted for the Republic of Liberia, this division has done little in providing advisory services of the type described in this paper.

Agency responses to an ASRP questionnaire and interviews with agency managers of administrative services yielded mixed responses regarding GSA advisory services. Most managers of GSA administrative services think:

- o GSA should provide consultant-type advisory services in all its major functions;

- o Agencies would be willing to pay for advisory services if accomplished professionally by competent people. However, these officials have reservations about GSA's ability to provide the requisite number of skilled personnel to produce a professional product. An exception to this view is work performed by NARS.

- o GSA must become more service-oriented if it is to do the advisory services job well. Agencies state that some of the consultant help they get now is more oriented to GSA needs than it is to customer agency needs.

III. CRITERIA FOR IMPROVEMENT

A cadre of highly qualified, service-oriented, professional personnel.

A single point of contact for potential customers capable of evaluating customer needs and GSA's ability to provide them.

Uniform policies and procedures applicable to the availability of advisory services and how to obtain them.

A continuing monitoring and evaluation of advisory services being performed for customers.

An effective feed-back mechanism from customer agencies.

Adherence to government policies regarding government competition with private enterprise as set forth in OMB Circular A-76.

IV. OPTIONS

A. ORGANIZATIONAL OPTIONS

1. Establish a small organization on the staff of the Administrator responsible for the planning, control, coordination, and monitoring of GSA's advisory services program. This organization would: conduct market surveys of potential customer needs; assess GSA abilities to satisfy these needs; serve as the focal point in relations with customer agencies; establish uniform policies and procedures; develop regulatory coverage and monitor work performance. The actual consultant-type work would be performed by personnel from the applicable GSA Service on a fully reimbursable basis.

a) Advantages:

Permits a realistic determination of user needs for advisory services and GSA's ability to provide them.

Enhances the planning for and utilization of GSA resources.

Improves communication with customer agencies.

Permits the adoption of uniform policies and procedures together with appropriate regulatory coverage.

Insures that actual work performed satisfies the customer agency.

Identifies subjects requiring additional policy guidance and/or training assistance.

Facilitates measuring the cost effectiveness of the advisory services program.

Facilitates the view of the Administrator vis-a-vis service to other agencies.

Enhances the service orientation image of GSA.

b) Disadvantages:

Will require additional personnel resources.

May adversely affect existing relationships between individual GSA Services and customers.

2. For each GSA Service, establish an organization that would be responsible for the planning, control, coordination, and monitoring of that Service's advisory service function. This organizational element would perform the same functions previously identified under the first option.

a) Advantages:

Same advantages as set forth under the first option with the exception of proximity to the Administrator..

Lower staffing requirements.

b) Disadvantages:

Reduces the opportunity for uniform policies, procedures, and regulations on an agency-wide basis.

Location in a Service which has a line responsibility may diminish the objectivity and effectiveness of the advisory function.

B. PROCESS IMPROVEMENTS

Regardless of the organizational structure, the following process reforms should be adopted:

1. Conduct an annual survey of government department and agencies aimed at determining the extent and type of advisory services which GSA may be asked to provide.

2. Assess GSA's ability to meet potential customer needs and their impact on GSA's resources, budget, and mission performance.

3. All advisory work should be fully reimbursable.

4. Provide for a continuing monitoring of all work being performed and a reporting system that ascertains user evaluation of the work.

5. Document all costs associated with performance and establish a customer feed-back system to obtain results of the advisory recommendations.

GSA Consultant-Type Advisory Services, FY-1977

	<u>Staff Yrs. Expended</u>	<u>Avg. Grade</u>	<u>Non-Reimb. Service Provided</u>	<u>Reimbursable Income</u>
ADTS	54.0	GS-13	\$ 134,000 (10%)	\$1,200,000 (90%)
NARS	48.0	GS-13	None	1,200,000 (100%)
PBS	47.8	GS-12	1,200,000 (60%)	825,000 (40%)
FSS	3.0	GS-13	80,000 (57%)	60,000 (43%)
FPA	7.0	GS-14	225,000 (100%)	None
TOTALS	159.8	GS-13	\$1,600,000 (30%)	\$3,800,000 (70%)