

**STATEMENT OF**

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**BEFORE THE**

**UNITED STATES HOUSE OF REPRESENTATIVES  
SMALL BUSINESS COMMITTEE  
SUBCOMMITTEE ON CONTRACTING AND WORKFORCE**

**“Effects of Strategic Sourcing Initiatives on  
Small Business”**

**June 13, 2013**



Good morning Chairman Hanna, Ranking Member Meng, and Members of the Subcommittee. My name is Jeffrey Koses and I am the Director of Acquisition Operations of the U.S. General Services Administration's (GSA) Federal Acquisition Service (FAS), General Supplies and Services portfolio.

I want to thank you for the opportunity to discuss GSA's accomplishments under the Federal Strategic Sourcing Initiative (or FSSI), our efforts to modernize the Multiple Award Schedules (MAS) program to keep pace with federal agency needs and industry changes, and small business success with GSA's government-wide contracts (GWACs). As America's buyer, GSA contracts with the private sector to provide commercial services and products that support Federal agencies. We strive to acquire the best possible deal for the taxpayer and to increase small business opportunity as part of helping federal agencies operate more efficiently.

Several highlights of GSA's success in ensuring significant small business participation while delivering high value contracts include:

- 76 percent of dollars went to small business in GSA's strategically sourced solution for office supplies
- 34 percent of dollars awarded through the GSA Multiple Award Schedule (MAS) going to small business;
- More than 19 percent of Request for Quotes (RFQs) set-aside through GSA's E-Buy System for small businesses on MAS as a result of the Small Business Jobs Act of 2010;
- An A+ small business rating for GSA by the Small Business Administration for two consecutive years; and
- 25 percent of all dollars awarded between GSA's Alliant and Alliant Small Business contracts are going to small businesses.

### **Strategic Sourcing**

For many years, strategic sourcing has been a best practice in the private sector, and has resulted in significant savings. The Government Accountability Office (GAO) has found in a series of audits that the federal government can save billions of dollars through the application of strategic sourcing principles. In 2005, under former President Bush, the Office of Management Budget (OMB) launched a formal effort to promote strategic sourcing across government through a memorandum to Chief Acquisition Officers.

Strategic sourcing received a renewed emphasis across government through a December 2012 memo from former Acting Director of OMB Jeffrey Zients creating a Strategic Sourcing Leadership Council (SSLC) comprised of the seven largest spending agencies, as well the Small Business Administration (SBA). This memorandum, among other things, directed GSA to establish 10 new strategic sourcing solutions: five each in 2013 and 2014. To achieve this ambitious goal, GSA is working closely with OMB and the agencies making up the SSLC. The agencies participating in these efforts have strongly emphasized the importance of meeting their small business utilization objectives; GSA couldn't agree more. FSSI seeks to leverage the federal government's collective buying power in order to efficiently and effectively utilize taxpayer dollars and to increase dollars spent with small business.

The Office Supplies (OS2) solution has served as the test case for this generation of federal strategic sourcing. GSA has used OS2 to realize substantial benefits for taxpayers. In audit GAO-12-178, GAO confirmed that agencies were saving money through the FSSI OS2 program.

On June 1, 2010, GSA awarded BPAs to 15 contractors, 13 of whom were small businesses. Of these, 11 qualified under a socio-economic subcategory. There are 5 women owned small businesses, 2 service disabled veteran owned small businesses, 3 small disadvantaged, and 1 disadvantaged woman-owned small business. In the office supplies industry, there are some consortia made up as coops of individual small businesses. One of the winners was a consortia, with over 100 individual small businesses participating in OS2.

OS2 has resulted in direct savings of \$88.7 million on spending of \$607.9 million through April 2013. This savings is calculated as the difference between what agencies spend through strategic sourcing and what they would have spent had they received non-strategic sourcing pricing.

GSA found that the FSSI had the added benefit of lowering prices charged by non-OS2 vendors. Prices for non-OS2 vendors are 10 percent lower, against a standard industry benchmark, than they were in 2010. This improved pricing has resulted in further savings of over \$98 million beyond what's been directly saved through OS2.

One of, if not the most significant, new element of OS2 is the ability to have greater transparency into pricing and how taxpayer dollars are being spent to drive even greater savings. OS2 contractors are required to report transactional data on all program sales. This level of financial information collection provides us for the first time with a deep vision into agency spending behavior. Over the last several months, GSA used this data to show contractors their pricing item by item, compared with their competitors. This empowered FSSI Office Supply contractors to understand their competitive position, and in many cases go back to their suppliers and strike better deals. After GSA shared this data, every one of the OS2 contractors sharply reduced prices. If the same ordering pattern holds for the period June 2013 through May 2014 (same contractor, same item and same quantity) there would be a savings of \$12 million as a result of these price reductions.

Key successes of OS2 program include:

- An increase from 67 percent to over 76 percent of dollars spent with small business.
- A decrease from more than 250 percent to 10 percent in price variability (the difference between high and low price for the same item).
- A reduction in contract duplication and administrative costs, a reduction in bid and proposal costs for industry, and an increase in time for acquisition professionals to work on mission priorities.
- Greater accountability of vendors for meeting performance goals.
- Knowledge and experience to help agencies implement future strategic sourcing solutions.

Based on OMB's direction, GSA is working towards establishing strategic sourcing solutions for Fiscal Year 2013 in the areas of:

- Wireless rate plans and devices (awarded May 20, 2013)
- Large Desktop Publisher Software
- Print Management Phase 2
- Maintenance, Repair, and Operations Supplies, and
- Janitorial and Sanitation Supplies,

GSA is exploring many other potential solutions for Fiscal Year 2014, and will announce these areas as the Strategic Sourcing Leadership Council approves standup of a Government-wide commodity team.

In conducting the commodity or service overview for strategic sourcing, one of our foundational questions addresses the impact of the solution on small business. Acting Administrator Tangherlini has made clear that expanded opportunity for small business is a crucial strategic sourcing success metric that will be monitored closely.

We include the opportunity to expand percent of dollars going to small business, directly or as subcontractors, as a foundational element of strategic sourcing, and we are committed to ensuring small business opportunity all along the path of strategic sourcing. GSA believes strategic sourcing and small business success not only are not mutually exclusive, but can actively be harmonized.

GSA has taken several specific steps to ensure small business opportunity, standardize process, simplify rules, show an open and transparent process, and demonstrate that the competition is fair.

In the case of both Janitorial and Sanitation Supplies and our Maintenance and Repair Operations Supplies strategic sourcing initiatives, we are setting aside the majority of the awards for small business and we have broken down these categories in ways that maximize the opportunities for small business success.

GSA's commitment to small business goes well beyond FSSI. We have received an A+ rating from the Small Business Administration for 2010 and 2011, and we look forward to building further on these successes.

## **Multiple Award Schedules**

GSA believes that the Multiple Award Schedules (MAS) program represents the best opportunity for well-prepared, highly competitive small businesses anywhere in the government procurement world. Small businesses represent an estimated 80 percent of all MAS vendors, and approximately 34 percent of the \$38 billion dollars in sales go to small businesses. More importantly, when agencies use the MAS program the majority of users have a higher percentage of spending that goes to small business than when they use other acquisition vehicles.

Federal agencies tell GSA that they use schedules because it saves them time and money. Agencies can experience up to a 50 percent time savings using schedules over more traditional procurement practices. Still, we believe that there is substantial room for improvement in the MAS program.

Over the last year, we have worked diligently with both small businesses and federal agencies, asking for input on how the MAS program can better meet their needs and how GSA can improve its support. We received and are working to implement many of the important suggestions yielded in these industry and agency conversations. Similarly, we are eager to hear your input as we work towards the common goals of achieving taxpayer savings and ensuring small business opportunity.

When small businesses are informed, properly trained and ready to compete they succeed. For example, on GSA's National Information Technology Commodity Program, GSA awarded 44 BPAs to small businesses under schedule 70 for IT Commodities and ancillary services. The goals of this program are to drive down the cost of acquisition, and establish a more efficient and cost-effective buying process. We are only six months into the program, but the preliminary results are positive: federal agencies are reporting significant savings, an improved, easier to use process, and excellent customer service.

To achieve greater savings, GSA must have greater visibility into key data across the MAS program. We know data is not a free good. However, if we extrapolate from the Office Supplies example and can achieve the same results on our other product based schedules, it could result in significant savings.

In addition, by making the right transactional data available to small business, we can help them be more competitive and make good decisions about when and how to pursue federal business.

## **Small Business Set-Asides**

One area of success for small business under the Multiple Award Schedules program is through our training focused on the discretionary set-aside rule, which came about as a result of section 1331 of the Small Business Jobs Act of 2010. Since April 1, 2012, through GSA's e-Buy system, we have set aside 15,942 Requests for Quotation (RFQ) (more than 19 percent) for small business. For the month of April 2013, we set aside 22.5 percent of all RFQs -- great progress as the buying season kicks into high gear.

GSA employs several methods to deliver our training, including classroom training, webinars, blogs, Continuous Learning Modules in the Federal Acquisition Institute (FAI) and Defense Acquisition University (DAU) portals, and GSA's YouTube channel.

To date, we have trained more than 9,700 members of the acquisition workforce on proper use of Multiple Award Schedules and the utilization of Small Business, resulting in 32,071 Continuous Learning Points being issued to acquisition workforce members. The government-wide and industry interest in this training is growing; more than 1,000 people participated in a recent GSA web training on "GSA Schedules and Small Business Utilization."

We are very proud of our work to ensure the successful implementation of Section 1331. However, the true measure of success lies in the results, we are looking to see an increase in the percent of dollars going to Small Business..

### **Government-Wide Contracts (GWACS)**

In early 2009, GSA awarded two sets of contracts to create a GWAC. These contracts, known as Alliant and Alliant Small Business, were designed for long term planning of large scale customized IT solution while strengthening opportunities for small businesses.

To date, small businesses have won \$1.3 billion under Alliant Small Business -- 25.9 percent of all dollars awarded between the two programs.

In addition, under the prime Alliant contract, small businesses have been awarded \$534 million in subcontracts.

We are looking to replicate these successes with a new government-wide contract vehicle that would provide for integrated professional services. We see our proposed One Acquisition Solution for Integrated Services (OASIS) contract as a key to simplifying the acquisition of integrated professional services, and moving us to common labor category definitions, thus furthering a better dialogue within government and between government and industry.

### **Conclusion**

At GSA, it is our goal to be good stewards of taxpayer dollars. This includes a focus on increasing small business opportunities for vendors committed to delivering the best value to the taxpayer.

As we look to the future, GSA will continue to focus on strategic sourcing, modernizing the schedules program, improving our pricing and tools, raising our standards, offering the best training and customer service we can, and collecting the information and data that will help save taxpayer dollars. GSA will continue being a leader in opening dialogue with industry and our program will remain a doorway to opportunity for highly competitive small business.

On behalf of GSA, thank you for this opportunity to appear before the committee and I would be happy to answer your questions.