COMMITTEE OF SMALL BUSINESS AND COMMITTEE OF VETERANS AFFAIRS

WRITTEN STATEMENT OF

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Federal Acquisition Service

General Services Administration

BEFORE

THE SUBCOMMITTEE ON INVESTIGATIONS, OVERSIGHT AND REGULATIONS AND THE

SUBCOMMITTEE ON OVERSIGHT AND INVESTIGATIONS, RESPECTIVELY

ON

MANIPULATION AND FRAUD IN THE REPORTING OF VA SMALL BUSINESS GOALS

June 23, 2015

<u>Introduction</u>

Good afternoon, Chairmen Coffman and Hardy, Ranking Members Kuster and Adams, and

honorable members of the Subcommittees. My name is Kevin Youel Page, and I am the Deputy

Commissioner for the General Services Administration's (GSA) Federal Acquisition Service. I

previously served as the Assistant Commissioner of the Integrated Award Environment (IAE). I

started working for GSA in September 2011 as the Deputy Assistant Commissioner for the

Integrated Technology Service, and led the IAE program from July 2013 until November 2014,

including responsibilities for the Federal Procurement Data System (FPDS). I appreciate the

opportunity to appear here today to discuss GSA's role in providing Federal contract award

reporting capabilities and GSA SmartPay purchase cards to government agencies, including the

Department of Veterans Affairs.

Integrated Award Environment

The Integrated Award Environment (IAE), which was created as a Presidential eGov initiative under the E-Government Act of 2002, is designed to streamline and unify the Federal award process for Government and non-government participants in the grants, loans and contracting communities.

The largest and most complex of the E-Government initiatives, the IAE's main goal, in concert with our governance and oversight bodies, is to evolve the existing shared portfolio of ten systems (of which FPDS is one) into a user-centric, open source, secure, common services platform that will improve operations for those who award and administer contracts or grants. This work will enable the Government to be more efficient, reduce burden, and will provide more transparent Federal award information to enable continuous monitoring and improved Federal award management.

Importantly, IAE plays a government-wide role, and is therefore managed through a variety of interagency working groups of which the Small Business Administration and Department of Veterans Affairs are members. These working groups, represented by Chief Financial Officer Act agencies, provide guidance, add extensive experience and expertise, and help provide direction on the priorities for IAE development.

Federal Procurement Data System

GSA serves as the executive agent for the management of all Government-wide award systems, including, through interagency cooperation, FPDS. 41 U.S.C. § 1122 establishes the requirement

for agencies to report data into a federal procurement data system. FPDS provides a comprehensive web-based tool for agencies to report their contract actions, in accordance with the statute and as prescribed by Federal Acquisition Regulation (FAR), Subpart 4.6. Agencies report contract actions to FPDS either directly through a web portal or through real-time integration via their Contract Writing Systems. As of May 2015, there are more than 8 million Fiscal Year 2015 civilian and defense actions reported to FPDS, reporting obligations of $262 billion.

The requirement for reporting data in FPDS is based upon the Federal Acquisition Regulation, Subpart 4.6. Agencies operating under the FAR are required to report contract actions over the micro-purchase threshold, which is currently $3,000.   FAR Subpart 4.606 provides specific guidance to agencies for reporting contract actions. If an agency wants to enter non-FAR based actions, they can send a request to the IAE, which is then evaluated by an interagency board. . The purpose of this governance is to ensure that IAE remains a good steward of agency data in FPDS data and that the appropriate changes are made to the system.

FPDS captures summary information on each contract action. Summary data includes information such as what was purchased, the obligated amount, the contracting activity that purchased it, the funding agency that is paying for it, the contractor that will provide it, the place of performance, and the socio-economic status of the contractor. Procurement data in FPDS are made publicly available via USASpending.gov without a password and via registration in FPDS if access to additional reports is desired.

As prescribed in FAR Subpart 4.604, each agency's Senior Procurement Executive, in coordination with the head of the contracting activity, is responsible for developing and monitoring a process to ensure timely and accurate reporting of contractual actions to FPDS. Further, the Chief Acquisition Officer of each agency required to report its contract actions must submit to GSA, within 120 days after the end of each fiscal year, an annual certification regarding whether, and to what degree, agency contract action data for the preceding fiscal year are complete and accurate in FPDS.

Small Business Goaling Report

The Small Business Goaling Report (SBGR) is used by agencies to measure their respective accomplishments in relation to their annual small business program goals. The SBGR provides summary information about small business purchasing for all the departments in the Federal government. The IAE collaborates annually with the Office of Federal Procurement Policy (OFPP) and the Small Business Administration (SBA) to define the specific functional system requirements based on applicable statutes, policies and regulations to calculate the SBGR. Procurement data is captured in FPDS as required by the FAR and is used by IAE to produce the SBGR on behalf of the SBA. The SBGR, once complete, is made publicly available on the FPDS website. The accuracy of the information submitted is the responsibility of each agency. Neither IAE nor SBA alter or update agency data collected in FPDS.

Increasing Usability & Transparency

Working with the acquisition and financial assistance communities, along with other governmental and non-governmental stakeholders, IAE is on an approved path to modernize all

systems in the Integrated Award Environment, including FPDS. IAE has conducted numerous focus groups with federal, contractor, reporting and oversight stakeholders and users in order to design, develop and launch new interfaces into a consolidated site. The program plan for modernization is using agile and iterative development and has launch cycles through FY 2018.

Several key areas for user enhancement include single, authenticated sign-on capabilities, improved identification of authorized persons and roles, as well updated and customized visualization of data. The earliest changes to FPDS will be in regard to accessing reports. IAE has made significant progress in developing the underlying new cloud infrastructure, architecture, and technical governance for the new environment.

GSA SmartPay® Government-wide Purchase Card Program

The GSA SmartPay® government-wide commercial charge card program started in 1998. The main objectives of the program are to streamline government purchasing and save money. Under this program, GSA competitively awards contracts to commercial banks, known as "issuers," to provide charge cards and related card management services and data systems to customer agency-designated cardholders. These cards are not "credit" cards in that balances are paid in full each billing cycle. No revolving credit is extended. The program consists of purchase, travel, fleet and integrated (a single card which combines two or more card types) charge cards, as well as other commercial payment solutions. The current iteration of the program, known as "GSA SmartPay® 2," includes contracts with 3 issuers: Citi, JPMorganChase, and U.S. Bank. Through yet another level of competition, these banks compete for task order awards to service specific agencies.

Since its inception, the GSA SmartPay® program has enabled a total of $416 billion in purchases through 1.4 billion transactions, generating $2.9 billion in agency refunds to reinvest in mission delivery. The cards also reduce procurement administrative processing costs across the government, supporting the ability to quickly acquire goods and services under the micro-purchase threshold (currently $3,000) and freeing up highly trained contracting staffs to focus on larger, more complex acquisitions where their training and expertise is of the most benefit. The cards have all but eliminated the issuance of cash advances for travel, enabled and supported strategic sourcing for items like domestic shipping and office supplies, and provide an audit trail for activity that previously had little visibility. Under the GSA SmartPay® program contracts, customer agencies have zero liability for external fraud, meaning the government has no financial liability for fraudulent transactions perpetrated by criminals who use cards to make purchases.

In terms of purchase cards alone, agencies in FY14 spent $17.1 billion through 20 million transactions using approximately 263,000 accounts. According to FY14 data, VA spent $8.4 billion through 6.7 million transactions and 46,222 accounts, 49% of total government-wide purchase card spending.

GSA SmartPay® Agency Management & Oversight

The charge cards are provided to customer agencies at no up-front cost. These agencies decide which employees are issued the cards, and also determine the spending limits on those cards within specified guidelines. Each agency is responsible for its system of management controls

and overseeing cardholders' use of the program. GSA, through its contractor banks, provides card account management and oversight tools, training and business rules to assist them in doing so. Known as "Electronic Access Systems (EAS)," the card management systems allow agencies to establish accounts and access information on every purchase their cardholders transact. These systems are provided at no cost to customer agencies. There are standard reports to identify potential "split purchases," instances of attempts to circumvent spending limits by acquiring an item costing greater than $3,000 by breaking it into repeated purchases under the micro-purchase limit. The GSA SmartPay® master contracts require the issuers to provide over 50 standard reports to assist in card program management. Examples of these reports include the following:

- Account Activity Report: Provides transaction details for active accounts and spending during a billing cycle

- Declined Authorization Report: Identifies cardholders that attempted transactions which exceed limits or which were attempted with blocked merchant categories

- Disputes Report: Provides information on the number of cardholder transaction disputes

- Unusual Spending Activity Report: Identifies transactions which may require additional review and follow-up

- Lost/Stolen Card Report: Identifies cards that are reported as lost or stolen

In addition, agencies can run ad hoc reports focusing on specific issues like a particular transaction amount, merchant or cardholder. For example, it is possible to identify all purchase card spend, by cardholder, in excess of the micro-purchase threshold.

In addition to the EAS and standard/ad hoc reporting capabilities, GSA requires the issuing

contractor banks to offer data mining systems, such as VISA® Intellilink and MasterCard® Expert Management System (EMS). Customer agencies can load business rules into these systems and identify transactions which fall outside of these parameters. Other oversight tools available for customer agency use include Citibank's Program Audit Tool (PAT) and U.S. Bank's Payment Analytics. To manage their purchase cards, VA uses U.S. Bank's EAS, known as "Access On-line," and U.S. Banks "Payment Analytics" data mining tool, in combination with VA-unique in-house systems.

As part of the internal control framework for the purchase cards, every cardholder has an approving official, who is responsible for reviewing their transactions for appropriateness. Also, groups of cardholders are managed by a card manager within their agency, known as an "Agency/Organization Program Coordinator" (A/OPC), who works with management to ensure cardholders are trained, establish accounts, set spending limits, monitor transaction activity, and cancel/close accounts.

41 U.S.C. § 1909, OMB Memo M-13-21, and OMB Circular A-123, Appendix B, "Improving the Management of Government Charge Card Programs" provide the main statutory and policy requirements for charge card management. Customer agencies often supplement these requirements with their own agency-unique policies. These policies typically define employee disciplinary actions or reference "tables of penalties" for card misuse/abuse. All purchase cardholders must be trained prior to card issuance.

As mentioned previously, purchase cards serve as both a procurement and payment method for

purchases of $3,000 or less, known as "micro-purchases." For purchases above that amount, the card can be used only as a payment method under a contractual instrument (purchase/delivery/task order, contract, etc.). FAR 4.603 requires all contracting actions over $3,000 to be reported in FPDS, unless they are classified.

Commercial charge card transaction data includes information such as: merchant name, location, transaction date and transaction amount. In some cases, when the merchant point of sale system provides it, line item description data is also captured. But the commercial transaction data does not provide specific information as to whether or not a purchase was made under a particular contract. As every purchase must be reconciled by the cardholder, most bank and agency reconciliation systems provide a comment field where information, such as a contract number, could be entered.

To further aid agencies in effective charge card management, in addition to publications, training sessions, workshops and regularly scheduled card manager meetings, GSA's Office of Charge Card Management (OCCM) has embarked on a government-wide charge card metrics and benchmarking program focused upon CFO Act agencies. The initial metrics, released earlier this month, include: (1) Use of a data mining tool, (2) merchant spend concentration, (3) number of transaction disputes, and (4) number of confirmed violations (by an agency Inspector General) as reported pursuant to 41 U.S.C.1909. The metrics and benchmarks are designed to indicate potential card management emphasis areas for the agencies to examine, and will therefore evolve over time.

Chairmen Coffman and Hardy, Ranking Members Kuster and Adams, and honorable members of the Subcommittees, thank you for the opportunity to discuss IAE's Federal Procurement Data System and the GSA SmartPay® government-wide purchase card program. I am happy to answer any questions you and the members of the Subcommittees may have.