



Testimony of

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House Small Business Committee

***“Are Governmentwide Contracts Helping or
Hurting Small Contractors?”***

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Chair Velazquez, Ranking Member Luetkemeyer, and Members of the Committee, thank you for the opportunity to testify before you today. My name is Amber Hart, and I am the Co-Founder and Co-Owner of The Pulse of GovCon LLC. The Pulse of GovCon is a small, self-funded, women-owned business focused on empowering Government Contractors and breaking down barriers across the contracting ecosystem by bridging the fundamental gaps surrounding federal procurement. In addition to The Pulse, I serve as an active member of the Professional Services Council (PSC), am the President Elect of Women in Technology (WIT), and I sit on the advisory board for the Center for Government Contracting at George Mason University (GMU). I also received a Bachelor's degree in International Conflict Analysis and Resolution from GMU.

The Pulse focuses on telling the full U.S. federal procurement story by taking complex federal procurement information, developing actionable insights, and delivering critical context to the Government Contracting Industrial Base and its stakeholders. We consider ourselves students of industry. Every day we work at the ground level supporting contractors in responding to Requests for Proposals (RFPs), identifying opportunities, and educating the workforce by sharing our personal lessons learned gained over our collective decades of experience. Our day-to-day involvement has allowed us to not only observe the impacts of Governmentwide Acquisition Contracts (GWACs) on our Small Business clients, but to actively participate in the realities of strategic sourcing initiatives (i.e., Category Management) and its unintended consequences.

As a Founder and Owner of a woman-owned small business that supports Government Contractors ranging from new entrants to Fortune 100, the topic of this hearing is important to me and extremely relevant to our mission. I appreciate the opportunity to describe how Category Management (CM) and governmentwide contracts relate to the concerning trend that the Small Business base is decreasing at a rapid rate, thereby narrowing competition in the marketplace and limiting innovative solutions to the government.

Over the last six years, we have seen a move to consolidate federal procurement pathways under the CM initiative. Small Businesses spend tens of thousands of dollars trying to secure a place on specific GWAC Best-in-Class (BIC) contracts because they know their survival in this marketplace could depend on it.

Today, I will offer some considerations and data that I urge you to consider as your Committee evaluates the impact of governmentwide contracts, CM, and potential changes to the current process. They include:

- **Formally and Legally Define BICs.** The mixed messages surrounding these procurement vehicles, which are meant to simplify acquisition, has instead devolved into chaos. The standardization of BIC criteria, how it's managed, and how Small Business contractors get a spot on these contracts is of critical importance.
- **Create Governmentwide IDIQ's with Explicit Technical Focus.** Unfocussed contract vehicles with never-ending technical functional areas often yield protests and provide very little funding to Small Businesses. GWACs with more explicit technical focuses, such as GSA OASIS SB, are more viable long term.
- **Encourage Stand-Alone Contracts with a Purpose.** Implementation of a one-size-fits-all approach across the entire federal government is limiting and detrimental to federal agencies.

This strategy not only limits the flexibility of agencies to pursue unique solutions but could also further prevent access to innovative Small Businesses.

To understand the full impact of CM and strategic sourcing, one must first understand the historical context of pertinent initiatives. The concept of federal strategic sourcing was initially introduced in 2005 through an Office of Management and Budget (OMB) memo, which led to the establishment of the Federal Strategic Sourcing Initiative (FSSI) by the Chief Acquisition Officers Council (CAOC) in collaboration with the Office of Federal Procurement Policy (OFPP).¹² In 2014, OFPP under OMB, announced its CM initiative (an evolution of FSSI) to further streamline and manage entire categories of spending across the government to act more like a single enterprise. Both initiatives were established to accomplish the same goals: achieve significant savings, decrease administrative redundancy, and improve business intelligence while meeting or exceeding small business and sustainability goals. CM meant to succeed where FSSI failed – in the implementation, utilization, and adoption of GWACs.

Under CM, GWACs serve as the motivating force through the utilization of BIC solutions across a variety of federal agencies. BICs allow CM to achieve its objective to buy “as one” by consolidating all requirements into a limited number of preferred governmentwide contracts and thereby increasing procurement efficiencies for the federal workforce.

However, these collective initiatives have resulted in less access and transparency into government procurement activity and opportunities, and has increased requirement bundling, vendor consolidation, and market uncertainty. The unintended consequences of strategic sourcing and governmentwide contracts impact the critical elements that sustain the Government Contracting Industrial Base – competition, innovation, and economic stimulus. These consequences have been felt by businesses of all sizes in industry, but have proven to be detrimental to the Small Business contractor community.

In a world of uncertainties, Small Businesses just want clarity by way of clear, concise, and consistent regulations to ensure compliance. However, mixed messages and the usage of these procurement vehicles meant to simplify acquisition have proven catastrophic to small businesses and their bid & proposal (B&P) bottom line. With limited resources and demands on time and money in the bidding process, cancellations can prove costly to small firms that have dedicated months and years to their contract capture efforts. This is demonstrated through recent governmentwide acquisition activities summarized below:

BIC Vehicle Name	Status	Ceiling/Potential Dollar Value	Est. Procurement Action Lead Time (PALT)	# of Protests	Impacted # of SB Vendors
GSA Alliant 2 Small Business (A2SB)	Canceled	\$15B	>601 days	14	>81

¹“Federal Procurement: Smarter Buying Initiatives Can Achieve Additional Savings, but Improved Oversight and Accountability Needed”

² “Office of Federal Procurement Policy Strategic Sourcing | The White House”

GSA 8(a) STARS III	Awarded	\$50B	>347 days	5	>1,047
HHS NITAAC \$40B CIO-SP4	Source Selection	\$40B	>780 days	27	>358
GSA Polaris	Paused	\$15B	>569	25	TBD

GSA A2SB: 601 days after being released on June 24, 2016, A2SB awards were made on February 14, 2018. 14 protests were filed following the award, ultimately leading GSA to cancel the procurement on July 2, 2020. Task orders were moved elsewhere, and the many firms who invested 18 months of time and resources into the bidding process were left empty-handed. As a result, Small Businesses were denied access to a critical federal market. Large businesses, however, have retained access to this market through Alliant 2.

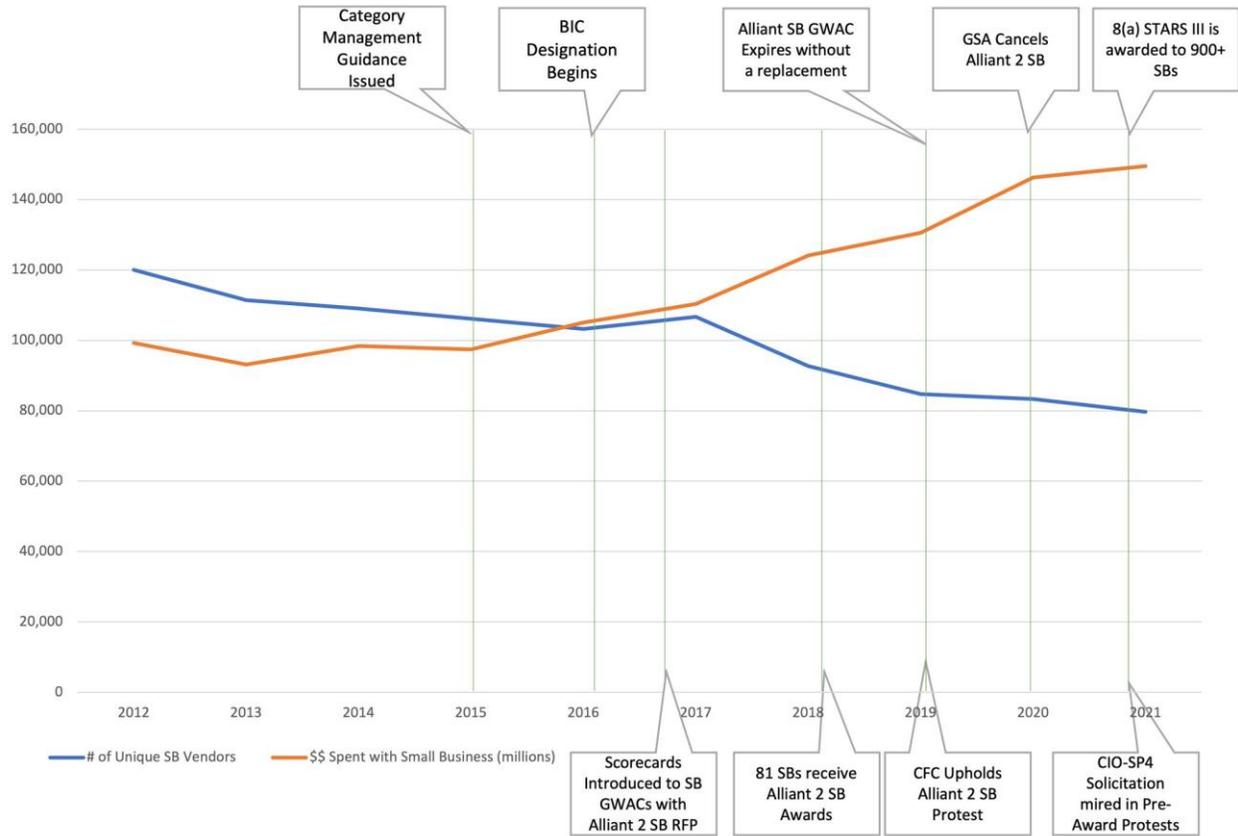
GSA 8(a) STARS III: Nearly 1,000 Small Businesses have been awarded an on-ramp to STARS III. A pool of this size not only overwhelms contracting officers, but also encourages aggressive price competition amongst firms. As a result, there is an overemphasis on price and insufficient consideration of quality. Further, although the contract was successfully awarded, STARS III also received five protests, one of which remains ongoing.

HHS NITAAC \$40B CIO-SP4: CIO-SP4 has been mired in challenges since its initial draft release, with more than 24 RFP amendments being made between May 2021 and February 2022. These challenges have been further exacerbated by the 27 filed protests that have necessitated bidders revising and/or resubmitting proposals. Though CIO-SP4 was meant to absorb some of the task orders from the failed A2SB procurement, those have now gone elsewhere as well. In turn, Small Businesses are once again losing access to the market while also contending with ever-rising proposal costs.

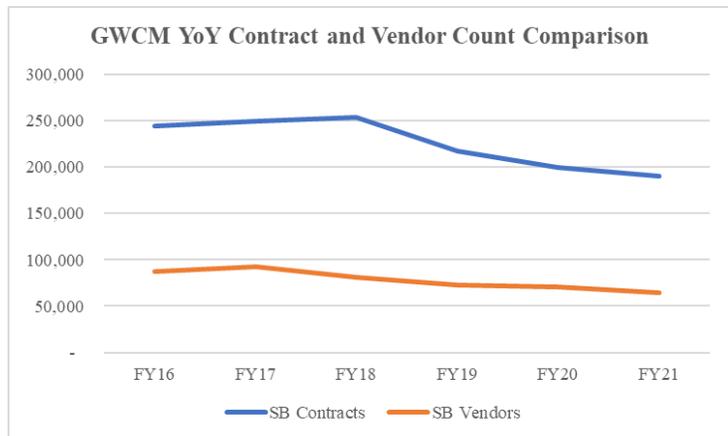
GSA Polaris: First introduced on November 17, 2020, and paused on April 8, 2022 (only 15 days after the RFP was released) Polaris has already received more than 25 protests. Though the contract is meant to support the growth of Small Businesses, contract experience requirements greatly limit accessibility. In its current form, successful firms must either be prolific in the IT market or must partner with enough other firms such that collective experience rivals that of large businesses.

Colloquially, industry now refers to these governmentwide contracts as “Biggest in Class” rather than “Best in Class.” That is because to receive a contract award on one of these GWACs, a Small Business Prime must either be one of the biggest players in the market or team up with enough companies to turn into one.

Further, per data furnished by GSA’s GWAC Dashboard, the government simply isn’t utilizing available BIC Small Business contract vehicles. In FY21, awards to Other than Small Businesses on Alliant 2 totaled nearly 6x the combined spending on Small Business vehicles GSA 8(a) STARS III and GSA VETS 2. Further, Small Businesses won fewer than 2% of dollars awarded on Alliant 2 in FY21. These data indicate that a move towards greater use of BIC vehicles will result in a drastically reduced number of awards to Small Businesses across the federal enterprise.



There was a noticeable shift in the market when BIC designation began in 2016. Though Small Business spending has increased in the total market throughout the subsequent years, the number of Small Business vendors has steadily declined. This indicates that fewer and fewer Small Businesses have been successful in accessing, competing, and remaining in the market since the shift to BICs. Consequences of this squeeze include increased consolidation of Small Business firms (<1,000 employees) through private equity (PE) and/or other acquisitions, diversification into commercial or foreign markets, and decreased ability to support and grow an internal workforce required to compete in the market.



At its core, strategic sourcing initiatives minimizes channels for acquisition and reduces lanes where contractors can supply services and products. Since its establishment in FY16, CM has resulted in a 26.32% decrease in Small Business vendor utilization across BICs. This is nearly identical to its predecessor (FSSI)

which shrunk the office supplies industrial base by 26% over six years.³ Furthermore, the number of Small Business contracts awarded under BICs and CM has decreased by 22% over the past six fiscal years. **Simply put - Small Business dollars have increased but have been consolidated into a shrinking competition pool through fewer vendors and fewer contract opportunities.**

GWCM YoY Contract and Vendor Count Comparison						
	FY16	FY17	FY18	FY19	FY20	FY21
SB Contracts	244,700	249,100	253,800	217,400	199,700	190,200
SB Vendors	87,400	92,600	80,900	73,200	70,300	64,400

Data Source: <https://d2d.gsa.gov/report/small-business-dashboard>

Formally and Legally Define BICs

The Government Contracting Industrial Base relies heavily on the Federal Acquisition Regulations (FAR) to provide a set of rules and definitions to keep procurement fair and equitable. However in the development of BICs, the federal government forged ahead – without a FAR definition or quantifiable selection metrics – by evaluating and selecting from their personal collection multiple award contract (MAC) vehicles. To support these vehicle selections, OMB released the following subject criteria in lieu of a definition. To be a BIC, the contracts must have:

- Rigorous requirements definitions and planning processes;
- Appropriate pricing strategies;
- Data-driven strategies to change buying and consumption behavior (i.e., demand management);
- Category and performance management strategies;
- Independently validated reviews; and
- Government-wide or multi-agency availability.

In 2019, OMB issued M-19-13 which stated, *“Initial designations of BIC contracts have been based largely on demonstrated use of strong contract management strategies. Designations will become more outcome-based as prices paid, performance and other information about agency vehicles within a given category becomes more readily available.”*⁴ Three years later, and no further attempt at definition has been made.

Standardization of BIC criteria, how it’s managed, and how Small Business contractors receive a seat is of critical importance. This includes establishing individual definitions for the Federal Civilian and the Defense markets. Current BICs are all over the map when it comes to important Small Business factors like size standard recertification, bid requirement (i.e. Cybersecurity Maturity Model Certification [CMMC], Defense Contract Audit Agency [DCAA] compliant accounting system, etc.), performance/experience qualifications, on/off-ramp timelines and

³ “Strategic sourcing: Evolving or devolving?”

⁴ March 20, 2019 M-19-13 SUBJECT: Category Management: Making Smarter Use of Common Contract Solutions and Practices

procedures, and how the set-asides are tracked. Standardizing this gives predictability and lowers the barriers of entry by lowering the tuition for “GovCon 101.”

Create Governmentwide IDIQs with Explicit Technical Focus

As cited above, one of the most important pieces of the BIC criteria is having “*rigorous requirements definitions and planning processes.*” Meaning that any BIC should have specific service and/or technical focus areas. However, most BICs are now being created to support the broadest spectrum possible creating requirements gymnastics for all bidders. For example, GSA Polaris is supposed to serve as GSA’s future Small Business GWAC of record to deliver complex IT services. The performances areas laid out in the final RFP (2022) do encompass these types of requirements such as cloud services, cybersecurity, and system design but in RFP Section C.5 the government does also list out ancillary support services including supplies and construction – which do not consistent complex IT.

Vague contract vehicles with never-ending technical functional areas often result in protests with very little funding ever making it to Small Businesses. This creates two distinct consequences. First, the bundling and consolidation required by CM (strategic sourcing) has required the industry to buy competitors or buy into a sector to increase revenue, and mergers and acquisitions reduced the number of Small Businesses eligible for Prime contracts. Second, in the end, it’s very likely that the same vendors will be on GSA Polaris, as well as on HHS CIO-SP4, and most of them also on GSA 8(a) STARS III – with no differentiation between the focus areas of the vehicles. As a result, the government does not gain access to a wide range of solutions and services from the actual federal marketplace.

BIC Contract Vehicle	# of Task Orders	Total Obligations (FY18 – FY22)
OASIS SB	1,283	\$17B
HcaTS SB	165	\$242M
VETS 2	159	\$749M
CIO-SP3 SB	1,331	\$5.8B

Governmentwide contracts with more explicit technical focuses, such as GSA OASIS SB, are more viable long term. With tailored scopes and a more focused vendor set, these types of vehicles provide customers with a clear understanding of how they can be used to acquire services.

Encourage Stand-Alone Contracts with a Purpose

Implementation of a one-size-fits-all approach across the entire federal government is limiting and detrimental to federal agencies. One of the goals of federal procurement is to receive the best value products and/or services to support the achievement of the agency’s mission by maximizing commercial products/services, promoting competition, and awarding contracts that minimize risk. CM, however, can potentially limit an agency’s ability to achieve this objective if the agency is required to use certain acquisition vehicles, and therefore only the contractors on those vehicles.

This strategy not only limits the flexibility of agencies to pursue unique solutions but could further limit access to innovative technologies and processes from companies that are not current contract holders.

The federal government needs to consider developing entry-level, focused vehicles that help springboard smaller companies into the marketplace on smaller, more focused efforts and programs. Small Businesses need the opportunity to build federal Prime contractor experience, and it doesn't have to be in support of a \$25M task order with ten different scope areas. Vehicles that don't require mentor-protégé or Joint Venture (JV) arrangements are required to build that Prime portfolio for real Small Businesses.

While agency-level, stand-alone contracts are considered a step below BIC, they still fit into the overall CM framework. If government customers are hesitant for the administrative burden of managing these stand-alone contracts, Congress should focus on addressing this for them to encourage this for their benefit.

Conclusion

Surviving and thriving in this marketplace is not easy for any vendor, but it is made especially difficult for Small Businesses who could prove real value to our country. The move to CM, further contract consolidation, shrinking contracting offices, bundling of requirements, and the strict focus on socio-economic spending dollars vs. the quality of the small business requirements being competed, has had a significant impact on Small Businesses in the federal market.

These impacts coupled with the crushing administrative costs required to respond to each one of these BICs has unintentionally created a quandary between the federal government and Small Businesses – and some of them are choosing not to navigate these hurdles at all.

The U.S. economy is firmly dependent on healthy market competition. Competition for federal contracts breeds innovative solutions and passes on cost savings to the taxpayer. To increase competition there must be equal opportunity to contribute to each agency's unique missions. The federal government has implemented various avenues to stimulate usages of socio-economically diverse business owners (8(a), WOSB/EDWOSB, SDVOSB, HUBZone, etc.). Without these and further considerations, entrepreneurs, non-traditional contractors, and Small Businesses may flounder in the wake of large business conglomerates.

If the federal government wants Small Businesses to continue to thrive in the market, we need to re-think how new, innovative, and qualified players can enter the market while structuring vehicles that allow agencies to procure the right solutions that truly fit their mission needs.

On behalf of The Pulse of GovCon, I thank you for your attention to this important issue. As always, I am available at your convenience to address any questions or concerns the committee has now and in the future. I will try to answer any questions you may have.