STATEMENT OF

STEPHEN A. PERRY
ADMINISTRATOR

U.S. GENERAL SERVICES ADMINISTRATION

BEFORE THE

COMMITTEE ON GOVERNMENT REFORM

UNITED STATE HOUSE OF REPRESENTATIVES

MARCH 16, 2005

GOOD MORNING CHAIRMAN DAVIS, CONGRESSMAN WAXMAN AND MEMBERS OF THE COMMITTEE. THANK YOU FOR INVITING ME HERE TODAY TO DISCUSS A TOPIC THAT HAS BEEN OF CONTINUING INTEREST TO YOU AND TO THE MEMBERS OF THE HOUSE COMMITTEE ON GOVERNMENT REFORM, NAMELY THE U.S. GENERAL SERVICES ADMINISTRATION'S (GSA'S) EFFORTS TO IMPROVE PERFORMANCE BY REORGANIZING AND CONSOLIDATING ITS FEDERAL TECHNOLOGY SERVICE (FTS) AND FEDERAL SUPPLY SERVICE (FSS).

WE BELIEVE IT IS IMPORTANT FOR ORGANIZATIONS THAT DESIRE TO ACHIEVE HIGH PERFORMANCE AND CONTINUOUS IMPROVEMENT TO PERIODICALLY REVIEW THEIR OPERATIONS AND ORGANIZATIONAL STRUCTURES IN ORDER TO MAKE IMPROVEMENTS WHERE POSSIBLE. SINCE GSA BEGAN TO MORE EFFECTIVELY MEASURE PROGRAM PERFORMANCE ON A QUARTERLY BASIS, IT HAS BECOME CLEAR THAT, THERE ARE

OPERATIONS IN FTS AND FSS THAT CAN BE ACCOMPLISHED MORE EFFECTIVELY AND THERE ARE ORGANIZATIONAL STRUCTURES THAT CAN BE STREAMLINED TO IMPROVE PERFORMANCE IN MEETING OUR CUSTOMER AGENCIES' REQUIREMENTS FOR ACQUISITION SERVICES AT BEST VALUE FOR THE AMERICAN TAXPAYER.

CONSEQUENTLY, GSA IS IN THE PROCESS OF DEVELOPING A DETAILED ACTION PLAN TO ACCOMPLISH THESE OPERATIONAL AND STRUCTURAL CHANGES NECESSARY TO COMBINE FTS AND FSS. THIS ACTION IS IN LINE WITH GSA'S MISSION TO PROVIDE BEST VALUE SERVICES. IT IS IN LINE WITH THE PRINCIPLES OUTLINED IN PRESIDENT BUSH'S MANAGEMENT AGENDA TO IMPROVE PERFORMANCE OF ALL FEDERAL AGENCIES, AND IT IS IN LINE WITH YOUR PLEDGE TO STREAMLINE THE FEDERAL GOVERNMENT.

I WOULD LIKE TO EMPHASIZE A FEW KEY POINTS TODAY.

FIRST THIS INITIATIVE IS DESIGNED TO:

-- STRENGTHEN GSA'S CAPABILITY TO MEET INCREASING CUSTOMER REQUIREMENTS FOR EXCELLENCE IN THE ACQUISITION OF INFORMATION AND OTHER PRODUCTS AND SERVICES;

-- MAKE IT EASIER FOR INDUSTRY CONTRACTORS TO UNDERSTAND AND USE OUR ACQUISITION PROCESSES; AND

-- ENHANCE THE EFFICIENCY OF GSA'S ADMINISTRATIVE SUPPORT FUNCTIONS BY CONSOLIDATING CERTAIN ACTIVITIES THAT ARE NOW PERFORMED IN SEPARATE UNITS.

SECOND, THE REORGANIZATION AND CONSOLIDATION PLANNING PROCESS IS ALREADY UNDER WAY. A STEERING TEAM AND SEVERAL TASK FORCE TEAMS OF SENIOR GSA MANAGERS AND SUBJECT MATTER EXPERTS HAVE BEGUN TO DOCUMENT THE SCOPE OF THE WORK, IDENTIFY AREAS OF OPPORTUNITY AND DEVELOP PROPOSED CHANGES AND SOLUTIONS. THESE TEAMS ARE SCHEDULED TO COMPLETE THE FIRST DRAFT OF A DETAILED REORGANIZATION AND CONSOLIDTION IMPLEMENTATION PLAN BY MAY 31, 2005 AND TO COMPLETE THE FINAL PLAN IN JULY 2005. THIS APPROACH WILL ENABLE IMPLEMENTATION TO BEGIN IN THE VERY NEAR FUTURE.

THIRD, ONE CHANGE WHICH WILL SIGNIFICANTLY STREAMLINE THE ADMINISTRATIVE AND FINANCIAL MANAGEMENT ASPECTS OF FTS AND FSS OPERATIONS IS COMBINING WHAT IS NOW THE GENERAL SUPPLY FUND AND THE INFORMATION TECHNOLOGY FUND INTO A SINGLE FUND. THE PRESIDENT'S FISCAL YEAR 2006 BUDGET CALLS ON CONGRESS TO PROVIDE GSA WITH THE AUTHORITY NECESSARY TO ESTABLISH THIS PROPOSED SINGLE, REVOLVING FUND.

AUTHORITY NECESSARY TO ESTABLISH THIS PROPOSED SINGLE, REVOLVING FUND.

LASTLY, IT IS IMPORTANT FOR EVERYONE, ESPECIALLY OUR CUSTOMER AGENCIES, TO UNDERSTAND THAT WHILE THE REORGANIZATION AND CONSOLIDATION OF FTS AND FSS TAKES PLACE, MOMENTUM WILL NOT BE SLOWED ON SEVERAL OTHER IMPORTANT GSA INITIATIVES. THESE RANGE FROM ACQUISITION INITIATIVES SUCH AS OUR "GET IT RIGHT" CAMPAIGN TO ENSURING PROPER USE OF GSA'S CONTRACTING VEHICLES, TO CITIZEN-ORIENTED ELECTRONIC GOVERNMENT INITIATIVES LIKE FIRSTGOV.GOV, TO PROVIDE FASTER AND EASIER PUBLIC ACCESS TO INFORMATION ABOUT GOVERNMENT ACTIVITIES AND SERVICES.

BACKGROUND

EACH YEAR, FEDERAL AGENCIES SPEND APPROXIMATELY $300 BILLION ON GOODS AND SERVICES IN ORDER TO MEET THEIR MISSIONS OF SERVICE FOR THE AMERICAN PEOPLE. GSA, THE

BUYER FOR THESE AGENCIES MUST OPERATE AT AN OPTIMAL LEVEL, CONTINUALLY IMPROVING INTERNAL EFFICIENCY, EFFECTIVENESS AND ACCOUNTABILITY.

OVER THE YEARS, OUR AGENCY HAS GROWN FROM A PRODUCT SUPPLY ORGANIZATION TO ONE THAT HELPS AGENCIES BUY MORE SOPHISTICATED SERVICES, INCLUDING THOSE THAT INTEGRATE INFORMATION TECHNOLOGY PRODUCTS AND SERVICES.

GIVEN THE EVOLUTION OF HOW INFORMATION TECHNOLOGY IS ACQUIRED—BUYING SOLUTIONS THAT ARE A MIX OF PRODUCTS AND SERVICES RATHER THAN STAND--ALONE HARDWARE OR SERVICES – WE REALIZED THAT SEPARATE SUPPLY AND TECHNOLOGY SERVICES ARE NO LONGER NEEDED. REORGANIZING AND CONSOLIDATING THE TWO SERVICES INTO ONE WILL BREAK DOWN ARTIFICIAL BARRIERS AND CREATE NEW EFFICIENCIES.

IMPROVING FINANCIAL ACCOUNTABILITY AND ENHANCING SERVICE DELIVERY

WE ALSO BELIEVE THAT HAVING TWO SEPARATE FUNDS, A GENERAL SUPPLY FUND AND AN INFORMATION TECHNOLOGY FUND, CREATES ANOTHER SET OF BARRIERS. THE GENERAL SUPPLY FUND IS A FULL COST RECOVERY REVOLVING FUND THAT FINANCES THE ACQUISITION OF SERVICES AND SUPPLIES FOR FEDERAL AGENCIES. THESE INCLUDE A NATIONAL SUPPLY DISTRIBUTION SYSTEM, COST OF CONTRACTING FOR COMMERCIAL PRODUCTS ACQUIRED DIRECTLY FROM CONTRACTORS AT DISCOUNTED PRICES, VEHICLE ACQUISITION AND LEASING, DISCOUNTED TRAVEL AND TRANSPORTATION SERVICES, AND THE SALE OF SURPLUS FEDERAL PERSONAL PROPERTY.

THE INFORMATION TECHNOLOGY FUND IS A FULL COST RECOVERY REVOLVING FUND THAT FINANCES THE ACQUISITION OF INFORMATION TECHNOLOGY SOLUTIONS AND TELECOMMUNICATIONS SERVICES FOR FEDERAL AGENCIES.

THESE INCLUDE INFORMATION TECHNOLOGY SOLUTIONS, LOCAL TELECOMMUNICATIONS AND LONG-DISTANCE PRODUCTS AND SERVICES.

AS YOU KNOW, THE FEDERAL TECHNOLOGY SERVICE ASSISTS AGENCIES WITH BOTH THEIR INFORMATION TECHNOLOGY AND PROFESSIONAL SERVICES NEEDS. WHILE THIS MEANS AGENCIES CAN GO TO THEM FOR EITHER OF THESE NEEDS, THIS ALSO MEANS THAT MULTIPLE FINANCIAL PRACTICES AND PROCEDURES MUST BE USED TO PROVIDE ACQUISITION SERVICES, ONE FOR INFORMATION TECHNOLOGY AND ONE FOR SERVICES INSTEAD OF A SINGLE, STREAMLINED FINANCIAL MANAGEMENT SYSTEM FOR BOTH.

GSA FREQUENTLY RECEIVES REQUESTS FROM VARIOUS AGENCIES TO PROCURE COMPREHENSIVE SOLUTIONS THAT INVOLVE A MIX OF INFORMATION AND TECHNOLOGY PROGRAM SERVICES. FOR EXAMPLE, THE DEPARTMENT OF STATE CONTACTED GSA'S FEDERAL SYSTEMS INTEGRATION

MANAGEMENT (FEDSIM) FOR A UNIFIED, SINGLE, INTEGRATED ACQUISITION FOR CONTINGENCY PLANNING, CONTINUITY OF OPERATIONS (COOP), AND MANAGEMENT SUPPORT.

THEIR REQUIREMENTS FOR CONTINGENCY PLANNING AND COOP INCLUDED INFORMATION TECHNOLOGY REQUIREMENTS SUCH AS HARDWARE, SOFTWARE, DATA NETWORK INFRASTRUCTURE, VOICE COMMUNICATIONS, SYSTEM OPERATIONS AND ADMINISTRATION. THEY ALSO INCLUDED NON-INFORMATION TECHNOLOGY REQUIREMENTS SUCH AS PERSONAL PROPERTY (FURNITURE AND SUPPLIES), TRANSPORATION, UTILITIES, AND ADDITIONAL SERVICES, AND TRAINING MATERIALS.

BECAUSE THESE REQUIREMENTS INCLUDED BOTH INFORMATION TECHNOLOGY AND PROFESSIONAL SERVICES SUPPORT, FEDSIM WAS REQUIRED TO ISSUE TWO SEPARATE ACQUISITIONS – ONE USING AN INFORMATION TECHNOLOGY VEHICLE AND THE INFORMATION TECHNOLOGY FUND, AND ANOTHER USING A SEPARATE CONTRACT VEHICLE AND THE GENERAL SUPPLY FUND.

IN THE END, BECAUSE OF THE DUPLICATIVE ACQUISITION COSTS TO THE DEPARTMENT OF STATE AND THE LENGTH OF TIME IT WOULD HAVE TAKEN TO COMPLETE BOTH ACQUISITIONS, AS OPPOSED TO ONE, THE DEPARTMENT OF STATE DIDN'T USE FEDSIM TO FILL THEIR INFORMATION TECHNOLOGY PROCUREMENT NEEDS. AT THIS TIME, THE DEPARTMENT OF STATE HAS NOT PURSUED OTHER OPTIONS IN ACQUIRING THEIR INFORMATION TECHNOLOGY REQUIREMENTS IN SUPPORT OF THIS PROJECT.

THE ESTABLISHMENT OF A SINGLE FUND WOULD NOT ONLY LEAD TO INTEGRATED ACQUISITION SERVICES, IT COULD ALSO IMPROVE FINANCIAL MANAGEMENT.

BY CREATING A SINGLE FUND, THE AGENCY WOULD BE ABLE TO STANDARDIZE AND CENTRALIZE FINANCIAL MANAGEMENT. WE BELIEVE THIS WOULD RESULT IN BETTER COST AND CAPITAL PLANNING, INCREASED FINANCIAL MANAGEMENT OVERSIGHT BY

THE AGENCY'S CHIEF FINANCIAL OFFICER (CFO), AND CONSISTENT FEE SETTING. ALL OF THESE CHANGES COULD LEAD TO OPERATING EFFICENCIES AND REDUCED TRANSACTIONAL COSTS.

IN ANTICIPATION THAT THE LEGISLATION WILL BE ENACTED INTO LAW THIS YEAR, OUR CFO IS DEVELOPING STRONG MANAGEMENT CONTROLS, POLICIES AND PROCEDURES FOR OPERATIONS UNDER A SINGLE FUND.

WE BELIEVE THAT THIS INITIATIVE WOULD YIELD SIGNIFICANT ORGANIZATIONAL EFFICIENCIES, STREAMLINED PROCESSES, AND INCREASED AGENCY SAVINGS.

THE PROCESS OF REORGANIZATION AND CONSOLIDATION

IN THE MEANTIME, THE AGENCY RECENTLY ESTABLISHED A STEERING COMMITTEE TO OVERSEE THE REORGANIZATION AND CONSOLIDATION OF FTS AND FSS. IT IS MADE UP OF TEN AGENCY EXECUTIVES WHO ARE EXPERTS ON GSA'S BUSINESS LINES,

POLICIES AND PROCEDURES. TOGETHER, THIS TEAM DECIDED THAT THREE TASK FORCES--ACQUISITION SERVICES, INFORMATION TECHNOLOGY MANAGEMENT AND FINANCIAL MANAGEMENT--SHOULD BE RESPONSIBLE FOR DEVELOPING DETAILED ORGANIZATIONAL DESIGN PLANS AND STRATEGIES BY JULY 2005.

EACH OF THESE TASK FORCES IS COMPRISED OF AT LEAST A DOZEN OR MORE SUBJECT MATTER EXPERTS, IS SUPPORTED BY A RECENTLY HIRED CONTRACTOR AND IS LED BY SOME OF GSA'S MOST SENIOR EXECUTIVES. FOR EXAMPLE, THE ACQUISITION SERVICES TASK FORCE IS CO-CHAIRED BY BARBARA SHELTON, ACTING COMMISSIONER, FEDERAL TECHNOLOGY SERVICE AND DONNA BENNETT, COMMISSIONER, FEDERAL SUPPLY SERVICE. THE FINANCIAL MANAGEMENT TEAM IS CHAIRED BY KATHLEEN TURCO, CHIEF FINANCIAL OFFICER, AND THE INFORMATION TECHOLOGY MANAGEMENT TEAM IS CHAIRED BY MICHAEL CARLETON, CHIEF INFORMATION OFFICER.

BECAUSE THE CONTRACTOR IS FAMILIAR WITH GSA'S OPERATIONS AND IS A LEADER IN FACILITATION, ORGANIZATIONAL DESIGN AND CHANGE MANAGEMENT SERVICES, WE BELIEVE THE CONTRACTOR WILL BE A VITAL RESOURCE TO ALL OF THE TEAMS DURING THIS PROCESS. THEY WILL PROVIDE THE TEAMS WITH ALTERNATIVE ORGANIZATIONAL MODELS FOR CONSIDERATION, HELP TO ACHIEVE MUTUALLY AGREED UPON OBJECTIVES, PROVIDE PROGRESS REPORTS, AND HELP CREATE THE MOST EFFICIENT AND EFFECTIVE ORGANIZATIONAL STRUCTURE POSSIBLE.

IN THE END, THESE TASK FORCES WILL DEVELOP BUSINESS STRATEGIES THAT MEET THE FOLLOWING FOUR OBJECTIVES:

1) PROVIDE EXCELLENT ACQUISITION SERVICES TO CUSTOMER AGENCIES BY CHANGING THE ORGANIZATION STRUCTURE OF FTS AND FSS AND MODIFY POLICIES, PROCEDURES, AND BUSINESS MODELS CURRENTLY USED BY THE BUSINESS LINES IN THESE SERVICES.

2) ENSURE ACQUISITION SERVICES ARE COMPLIANT WITH FEDERAL ACQUISITION REGULATION, POLICIES AND INCORPORATE BEST PRACTICES,

3) SIMPLIFY PROCESSES, THEREBY ALLOWING INDUSTRY CONTRACTORS TO INTERACT WITH GSA'S ACQUISITION PROCESSES AND PARTICIPATE EFFECTIVELY IN THE SUPPLY CHAIN TO MEET CUSTOMER REQUIREMENTS, AND

4) ENHANCE EFFICIENCY AND EFFECTIVENESS OF GSA'S INTERNAL FINANCIAL MANAGEMENT PROCESSES, INFORMATION TECHNOLOGY MANAGEMENT PROCESSES AND OTHER ADMINISTRATIVE SUPPORT FUNCTIONS BY REORGANIZING AND COMBINING SIMILAR ACITIVITIES CURRENTLY PERFORMED BY MULTIPLE UNITES THROUGHOUT GSA'S NATIONAL AND REGIONAL OPERATIONS.

AFTER THE TEAMS ARRIVE AT THEIR FINDINGS AND RECOMMENDATIONS, THEY WILL PRESENT THEM TO THE STEERING COMMITTEE, WHICH WILL DETERMINE IF THE PROPOSALS MEET THE REORGANIZATION GOALS.

THROUGHOUT THIS PROCESS WE INTEND TO WORK WITH YOU, WITH OTHER MEMBERS OF CONGRESS, AND THE ADMINISTRATION TO ACHIEVE THE BEST RESULTS FOR THE AMERICAN PEOPLE.

WE BELIEVE GSA WILL BE ABLE TO PROVIDE "BEST VALUE" SERVICES NOW AND IN THE FUTURE DUE TO OUR COMMITMENT TO YOU – CONGRESS, THE ADMINISTRATION AND OUR AGENCY CUSTOMERS.

I WOULD LIKE TO THANK THIS COMMITTEE – AS WELL AS THE ADMINISTRATION – FOR ITS SUPPORT OF THIS REORGANIZATION EFFORT AND LOOK FORWARD TO WORKING WITH YOU TO PASS

LEGISLATION THAT WILL ALLOW US TO IMPROVE OUR FINANCIAL ACCOUNTABILITY AND IMPROVE SERVICE TO OUR CUSTOMER AGENCIES THROUGH THE ESTABLISHMENT OF A SINGLE UNIFIED REVOLVING FUND.

THANK YOU AGAIN FOR THE OPPORTUNITY TO APPEAR BEFORE YOU TODAY.

I WOULD BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.