



November 16, 2012

MEMORANDUM TO:

Joseph Jordan
Administrator for Federal Procurement Policy
Office of Management and Budget

Richard Ginman
Director of Defense Procurement and
Acquisition Policy
Department of Defense

Anne Rung
Senior Advisor to the Administrator and
Chief Acquisition Officer
General Services Administration

Subject: Contract Duplication Study

The Coalition for Government Procurement recently conducted a contract duplication survey of our member companies looking at the prevalence and cost impacts associated with this government-wide trend. In the interest of improving the Federal procurement system, we would like to share our findings with you and our recommendations to limit the growth of duplicative contracts.

The Coalition for Government Procurement is a non-profit association of firms selling commercial services and products to the Federal government. Our members collectively account for approximately 70% of the sales generated through the General Services Administration's (GSA's) Federal Supply Schedule (FSS) program and about half of the commercial item solutions purchased annually by the Federal government. Coalition members include small, medium and large business concerns. The Coalition is proud to have worked *with* government officials over the past 30 years towards the mutual goal of common sense acquisition.

About Contract Duplication

Contract duplication is an increasing government-wide trend that decreases efficiency and cost savings in Federal procurement. According to Bloomberg Government, the number of multiple award contracts (MACs) government-wide increased by more than 750 between 2006 and 2011. Many of these contracts offer the same or similar services and products, which the Coalition considers "contract duplication". When both the government and private companies invest in duplicative contracts, the result is increased government and contractor administrative, bid and proposal costs without added value for the American taxpayer. Overlapping, redundant contracts

also have to be managed by both the public and private sectors causing inefficiencies within and across Federal agencies and in companies for the life of these contracts.

Contract duplication in the government is both horizontal and vertical. The proliferation of contracts across agencies for the same or very similar requirements represents horizontal duplication. Generic multiple award contracts that rely on subsequent task order competitions add an extra and unnecessary layer to the ordering process. These contracts represent vertical contract duplication and also increase costs for both government and industry.

Contract Duplication Survey

The Coalition conducted a survey of MAS Schedule contractors regarding the impact of contract duplication on their business and the costs involved – which are inevitably passed on to the government in the prices paid for services and products. Twenty-six companies participated in the survey spanning small, medium, and large businesses. Industries represented in this group include information technology, professional services, buildings supplies, medical equipment, and furniture. The following is an overview of the impact of contract duplication based on the results of the survey.

Prevalence

According to Bloomberg Government, the number of multiple award contracts (MACs) has increased from 427 in 2006 to 1,182 in 2011, an increase of more than 275% in five years. MAS Schedule contractors that participated in our survey also noted this trend. Twenty of the 26 respondents (77%) reported that within the past 12 months, their company had seen an increase in contract duplication for the services/products that they offered to the government. Further, more than 40% of all respondents said that they manage 15 or more duplicative contracts.

Cost of Duplication

The Coalition asked MAS Schedule contractors in the survey about their *investment* in contracts that offer the same or similar products as their GSA Schedule. Of the companies that responded, 88.5 percent reported that participating in contracts offering the same or similar services/products as their GSA Schedules added to their companies costs. Respondents reported that these costs include:

- multiple government systems to learn and monitor
- multiple contracts to maintain
- multiple and unique reporting requirements
- different contract language requiring legal review
- different subcontractor management plans
- unique marketing materials to support duplicative contracts
- multiple e-commerce sites to maintain
- capture management and sales

Based on the Coalition's survey, duplicative investments in these areas are common. Two-thirds of the respondents stated that their company invested in every category listed above. The costs required for these activities varied based on the company size. Large companies in the information technology, security, and services industries reported that within the past 12 months, they had invested over \$2 million each in contracts that offer the same or similar services/products as their GSA Schedules. Smaller companies on the other hand, had fewer resources available, but still indicated that they had incurred additional costs associated with contract duplication. The small business survey responses are reflected in the results for those respondents who incurred expenses at or below \$500,000.

In addition to the investments listed above, contractors will typically establish a program office to manage individual contracts. Contractors that hold multiple contracts for the same goods and services must increase investment in these overhead activities to accommodate the unique requirements of each contract. For example, a service contractor could have multiple contracts for the same services yet have very different qualifications for the labor categories under each contract that must be monitored and tracked during performance. Not only does the government pay for these costs in prices offered by the contractor, but there are significant pre-award and post-award costs involved in the administration and management of duplicative contracts for the government. Thus, costs of contract duplication are often borne by the government through increased contractor overhead/administrative costs. Ultimately the American taxpayer foots the bill for contract duplication.

Small Business Concerns

Small businesses comprised 27% of all respondents to the contract duplication survey. These MAS contractors offer information technology, office solutions, medical equipment, furniture, hardware and tools to the Federal government. Eighty-six percent of these small businesses stated that participating in contracts that offer the same or similar services/products as their GSA Schedules added to the cost of doing business with the government. Like large companies, small business participants in the study reported having to invest in a number of areas to support duplicative contracts – with fewer resources. Investments made were in:

- Multiple government systems to learn and monitor for bids, response submissions and awards
- Multiple contracts to maintain relating to the services/products offered and pricing changes
- Multiple and unique reporting requirements
- Different contract language requiring legal review
- Subcontractor management
- Unique marketing materials to support duplicate but unique contracts
- Multiple e-commerce sites to maintain
- Capture management and sales

Based on the results of our study, small businesses are making duplicative investments in nearly all the same areas as large companies. All small business respondents reported having to cover the cost of multiple and unique reporting requirements for duplicative contracts. Eighty-six percent described burdens associated with having to maintain contracts that offer services and products already available under their GSA Schedules, including managing pricing changes. Only 25% reported having funds available to conduct legal reviews of the unique contract language in duplicative contracts.

Compared with larger businesses, small business concerns do not have the time and money to respond and participate in every new enterprise-wide contract that is developed. As a result, small business concerns are under pressure to select the “right” contracts and invest wisely. Small businesses, in particular, would benefit from fewer duplicative contracts and more robust sales through already established contract vehicles.

Consequences of Contract Duplication

As shown by the results of our survey, government-wide contract duplication leads to increased costs to the Federal government and the private sector through increased bid, proposal, and contract administration costs. At the same time, duplicative contracts add no real value to the federal market since, by their very nature, these contracts provide for products and services already available under governmentwide contracts such as the GSA schedules, the IT GWACs and other pre-existing multi-agency contracts. In addition, continually developing duplicative contracts reduces competition in the long run because the level of participation by firms is inevitably unable to keep pace with these new contracts. Companies of all sizes must limit the number of duplicative contracts to participate in which in turn limits the number of suppliers and degree of competition within individual contracts. Further, contract duplication limits Federal agencies access to services and products and unnecessarily divides the Federal market.

The Coalition contends that in the current budget environment, the growth of duplicative contracts is unsustainable. If the government expects to receive lower prices from the private sector, the inefficiencies and unnecessary costs of contract duplication among other issues, must be addressed.

Importance of the Business Case

The Coalition understands that certain agencies, with unique requirements will occasionally need to acquire services through unique means. An additional contract may be warranted in cases where one agency contract vehicle has unique requirements in alignment with the agency’s specific needs and mission. However, on balance, the explosive growth of duplicative contracts adds to the government’s cost and hinders business operations of contractors that are attempting to provide best value services/products at lower prices.

The Office of Federal Procurement Policy (OFPP) September 29, 2011 memorandum on the Development, Review and Approval of Business Cases for Certain Interagency and Agency-

Specific Acquisitions is a good first step. The memorandum provides a framework for development, review and analysis of business cases for new procurements. In particular, the memorandum addresses agency consideration of pre-existing contract vehicles when developing a business case for a new contract vehicle.

Recommendations to Reduce Contract Duplication

As the government continues to seek additional contract efficiencies and competitive pricing from industry, reducing unnecessary contract duplication can drive savings for government, industry and the American taxpayer. In order to increase the effectiveness and efficiency of our procurement system through reductions in duplicative contracts, the Coalition recommends:

1. Strengthening the OFPP memorandum on Business Cases for Interagency and Agency-specific Acquisitions by lowering the threshold for business cases.
2. For any acquisition exceeding the simplified acquisition threshold, contracting officers should be required to document and explain why existing contract vehicles do not meet the agency's needs prior to establishing new contracts. This explanation should specifically address why creating a new contract is the best procurement method to meet the government's needs.
3. The regulatory preferences for utilizing pre-existing contracts like the FSS program and IT GWACs should be strengthened in FAR 8.002. Agencies should be advised that they must consider these programs and document any decision not to use these contract vehicles.
4. GSA, in consultation with customer agencies and departments, should establish a cost-reimbursement contracting capability through the FSS program. Authorizing a cost-reimbursement capability on FSS contracts, as requested by GSA's biggest customer the Department of Defense, would further reduce the incentive for agencies to create separate stand-alone contracts for services.

The Coalition appreciates the opportunity to share our contract duplication survey with OFPP, DPAP, and GSA. In addition, we would like to request a meeting with each of your organizations to further discuss duplicative contracts and our recommendations. Please let me know if you have any questions and we look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read "Roger Waldron", with a long horizontal flourish extending to the right.

Roger Waldron
President