

# Off the Shelf

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## WILLIAMS STATES SUPPORT FOR STRONG SCHEDULES PROGRAM

In a meeting with Coalition members at the end of September Federal Acquisition Service (FAS) Commissioner Jim Williams affirmed his support for a strong GSA Multiple Award Schedules (MAS) program and asked industry for help in key areas. Williams acknowledged challenges that lie ahead for FAS, but feels confident that his plans for the future will again make FAS contracts and assisted procurement services the first choice of many government buyers.

Significantly, Williams stated his strong support for central operational management of the MAS program. The schedules program must have common negotiation objectives, common contract terms, and clear ordering rules. Though specific contracts will continue to be managed across the country, Williams believes that core commonal-

ities are critical in order for schedule contracts to continue to be customer friendly. Too many different terms, he feels, will lead to customer confusion and decreased schedule use.

At the same meeting, acting Assistant Commissioner for Acquisition Management Jeff Koses outlined several steps FAS is taking to improve consistency, reduce schedule negotiation time, and make sure that those applying for schedule contracts are a good fit for the program's objectives. These steps are designed to meet GSA Administrator Lurita Doan's desire to reduce schedule negotiation times to 30 days and are in response to several suggestions submitted on this topic by the Coalition.

Making sure that potential contractors know what it means to be on schedule, the process to get on,

realistic business expectations, and contract management responsibilities are one part of this process. This was a key Coalition recommendation with which GSA seems to agree. Too often companies come to the schedules program without the infrastructure to properly manage a schedule contract and with the expectation that having a contract will lead to overnight success. FAS wants to add companies to the schedules program that understand what is required of them from both a sales and contract management standpoint.

Koses is also taking steps to automate the schedule negotiation processes for greater consistency across the program. Using new tools, as well as exist-

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## DENETT TO FOCUS ON ACQUISITION WORK FORCE, STRATEGIC SOURCING

In recent discussions with Coalition members, staff, and others, Office of Federal Procurement Policy Administrator Paul Denett has indicated that he believes strengthening the federal acquisition work force is an important priority. That, along with moving forward with the implementation of Strategic Sourcing and Competitive Sourcing, may well make up the top three areas of focus for the new Administrator.

In addition to a distinguished federal career, Denett also has extensive private sector experience. This includes time with several Coalition member companies, making him the first OFPP Administrator we are aware of to have been a Coalition member. His

public-private experience may be just what the Bush Administration needs to bring a steady hand to this part of OMB.

Denett's federal background, for instance, has given him a unique perspective on acquisition workforce issues. Like many others in the field, Denett believes that there is a need to stem the tide of reductions in the acquisition field. Attracting, retaining, and properly training new acquisition professionals is critical if the government is to continue to meet its growing and increasingly time sensitive missions.

A key part of this, Denett believes, is proper recognition of acquisition

work corps success. As such, OFPP is in the midst of collecting information on the different types of awards and professional recognition programs currently in place to take note of acquisition workforce excellence. The Coalition, for example, has provided OFPP with information on the Excellence In Partnership Awards that recognize federal customers, GSA individuals and organizations, and industry for positive developments in schedule and GWAC procurement programs. Denett hopes that the many good things acquisition professionals accomplish will get at least

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## Lower Costs & Greater Marketability through Purchase Card Acceptance & Level III Processing

Wade Tetsuka is a C.P.A., and Executive Vice President of Diamond Mind

Each year more companies and government agencies expand their purchase card programs. While the federal government's SmartPay program is the largest, state and local government purchase card programs combined are nearly as large. And a full 72% of Fortune 500 companies pay extensively with purchase cards.

In fact, spending on purchase cards in 2005 reached \$110 billion, a 37.5% increase over 2003. Looking forward, purchase card spending is expected to reach \$180 billion by 2010. In most cases, accepting purchase cards is required in order to do business effectively with the organizations that want to pay this way.

Purchase card acceptors do value the faster payment, streamlined A/R, and increased float that accompanies credit card payments. At the same time, they are increasingly scrutinizing the rates and transaction cost they incur. Switching to Level III processing is a concrete and cost-effective step that will minimize the costs, provide an opportunity to better serve your existing customers and possibly open new doors.

While Level III processing has considerable advantages, it is not that frequently available. According to Larry Allen, Executive Vice President of the Coalition for Government Procurement, "Most companies that accept SmartPay are not doing so in the ideal manner- meaning they are not passing Level III invoice detail". An April 2002 study by Celent Communications, "Purchasing Cards in the U.S.", indicates that **fewer than 15% of U.S. merchants are equipped to transmit Level III data** and that **only 35% of all purchasing card transactions carry this level of detail**. The main reasons why a supplier cannot capture and pass Level III data are:

- incorrect credit card processing technology
- lack of well defined procedures or untrained staff processors' inability to accept or transmit the data

If any one of these conditions exists, the Level III data will not transmit, and processing costs will be higher than they need be. These conditions often exist for one of two reasons. **The first** is that the existing processor (or bank) sales staff did not possess the knowledge, technical capability or financial incentive to educate suppliers and to set them up correctly. **The second** is that some vendors have the outdated and mistaken belief that Level III capable technology is cost prohibitive.

A processing system capable of Level III data transmission needs to (1) understand what processor platforms are certified for proper Level III transmission, (2) have staff that can explain the Visa and MasterCard criteria for each Level III interchange rate, (3) are willing to educate and explain proper procedures, and (4) have access to the new Level III systems that are inexpensive and easy to implement.

Working with a processor that possess the above attributes, a supplier accepting purchase cards and passing Level III is at an advantage for two reasons:

**Cost savings** - Level III processing can lower the suppliers discount rate by as much as 1 - 1.5%

**Increased marketability** - Level III is what some buyers prefer and increasingly require. Failure to pass it can limit suppliers ability to sell to such customers

**Cost savings for the Supplier** – MasterCard and Visa have created special rates to support purchase card programs by reducing the supplier's transaction costs if Level III line item detail is captured and transmitted with the financial settlement. These special rates are intended to be an incentive to pass Level III, which in turn will assist buyers in managing their purchase card programs. These special rates are between .5% and 1.5% lower than non-Level III processing, depending upon card type and size of the transaction.

**Increased Marketability** - Level III data is extremely valuable to the managers of purchase card programs. It saves them time and helps them run their purchase card programs more effectively. Susan Avery, Senior Writer for Purchasing Magazine reported that "maximizing cost savings is dependent upon integrating the cards into the financial supply chain. As such, purchasing card program managers are saying that they need Level III data with their transactions." Increasingly these government and corporate purchase card managers are influencing supplier selection and vendor reduction efforts, so assisting them in obtaining the data they need is a prudent step.

**Federal Government Need for Level III** – According to a presentation given in August 2006 at the GSA Smartpay conference by David Shea, **only 15.9% of GSA SmartPay® transactions and 16.3% of transaction spend have Level III line item data** and the "Lack of (Level III) data remains a significant customer agency concern". For the upcoming GSA SmartPay® 2 contract, purchase card program bidders will receive

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## Membership Corner

### Coalition Reminder: New Membership Database System

We are proud to announce that our new database system through Timberlake Publishing will be up and running for member use by November 1! The Coalition is still in the process of migrating all of our member information into this new database system and we will be in touch with members in regard to any clarifications we may need. We are excited about all of the new features and benefits of the new system and are anxious to put them to use! As you well know, when migrating from one system to another, it is very seldom a perfect fit so please bear with us as we continue this process.

Now for the good news! The new platform will enable you to manage your own account with the Coalition. The primary point of contact (POC) in each company will have the ability to add or delete those individuals on the distribution list and renew your membership. You will be able to make credit card payments on line and you will be able to register for events on line! That's right, no more faxes!

You will have the ability to go on line to access Committee Meeting minutes and you will also be able to see a list of Committee Members. All of this will be protected by a unique identifier for each company. Once we have completed our initial scrub of the data, we will notify the primary POC with access codes and ask that you log on to verify and/or update your corporate account. To help you prepare, below is a list of committees that Coalition members can belong to. Take some time to discuss committee membership with your colleagues at your company to see who fits best with the various committees as your POC will be signing you up for them in the new database. If you have questions about committee membership and committee meeting notices before the database goes live, make sure to contact Elizabeth Burrell at [eburrell@thecgp.org](mailto:eburrell@thecgp.org).

#### **Coalition Standing Committees**

Furniture, Healthcare, IT, KC-FW General Products, Office & Scientific,  
Office Supplies, Services, & Security

evaluation points for proposing a plan to increase the number of merchants providing Level III data. This situation represents an opportunity for contractors who are not passing Level III to begin doing so and position themselves as more customer-centric organizations.

**Corporate Need for Level III** – While the federal government cannot require suppliers to pass Level III, large corporations can and do. To assist corporations in finding Level III capable suppliers, Visa and MasterCard maintain supplier locator databases that identify the suppliers that can pass the Level of detail they require. Katherine Novikov, CEO of Diamond Mind, Inc. says “Corporations need for Level III data can also be seen in the significant number of RFPs that explicitly state Level III is a requirement. Suppliers without this capability can miss opportunities.”

Purchase cards have gained considerable momentum and recently taken the lead in commercial-card charge volume. Purchase card buyers, both government and corporate, value suppliers who accept their purchase cards and transmit accurate Level III data. Despite the inherent cost savings in doing this, only a minority of government contractors offer Level III processing at this time. This is a result of perceptions, now outdated, about the cost and effort needed to become Level III capable.

Technological advances in inexpensive POS technology are putting Level III capability into the hands of any vendor wishing to lower costs and display greater responsiveness to purchase card buyers. Companies that seize the moment and take the initiative to be set up properly to transmit Level III data stand to enhance their positioning and reduce their costs.

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## BUNDLING LANGUAGE AGAIN IN LEGISLATIVE LIMBO

Though opponents to contract bundling had hoped that this would be the year for Congress to enact meaningful anti-bundling legislation, prospects for such change, and for broader changes to the Small Business Administration (SBA) Reauthorization Act, seem dim as the 109<sup>th</sup> Congress draws to a close. Although small business participation in the federal market continues to attract substantial Congressional interest from a constituent service perspective, the passage of broad-based legislation remains a challenge.

Most of the legislative action this year has taken place in the Senate. The Senate Small Business and Entrepreneurship Committee has been exploring new anti-bundling language in S.3778 – the Small Business Reauthorization Act of 2006. The bill was introduced by Chairwoman of the Small Business and Entrepreneurship Committee Olympia Snowe (R-ME) last month and is intended to reauthorize and improve upon the Small Business Act of 1958. The bill's anti-bundling language states that "it is the policy of Congress that each Federal agency shall endeavor to promote competition and small business procurement opportunities by unbundling Government contracts in accordance with the Presidential policy on contract bundling of March 19, 2002."

The bill received strong bi-partisan support from Senator John Kerry (D-MA) in a floor statement on the bill in early August where he spoke on a number of its merits. Mr. Kerry is the ranking Democratic member on the Committee.

In recent testimony SBA Inspector General Eric Thorson discussed obstacles to small businesses receiving more contracts and sub-contracting opportunities. He noted many problems in enforcing small business statutes are due to contractor error in reporting their proper size. Mr. Kerry placed

much of the blame on contracting officers, arguing they do not pay enough attention to small business requirements and as a result small businesses suffer.

Mr. Kerry further stated that Procurement Center Representatives (PCR's), who are responsible for advocating on behalf of small businesses, are not getting the job done and that S. 3778 would require the SBA to assign no less than one PCR for every major procurement center. According to Mr. Kerry, the bill will better enforce current subcontracting and bundling laws and require that firms bidding on small business contracts certify annually as a small business.

The House version of the bill – H.R. 5352, was introduced by House Small Business Committee Chairman Don Manzullo (IL) in May, and did not contain the anti-bundling language. The House bill did not receive the same bi-partisan support as the Senate's. The bill was met with much opposition by ranking Democratic member Nydia Velázquez. Ms. Velázquez emphasized the same argument as Mr. Kerry in that small businesses are too frequently left out of the federal market, and the House bill did not go far enough to restore fairness to the federal procurement system.

With time running out in the current session and many appropriation matters still unfinished, the prospects for the Small Business Reauthorization Act are not certain. According to a majority staff member of the Senate Small Business and Entrepreneurship Committee the Republican leadership will have the final say in whether or not the bill receives any more consideration before the 109<sup>th</sup> Congress adjourns.

The Coalition will continue to follow the issues contained in these bills.

### Want to Know the Ins and Outs of Selling to the Federal Government?

#### The Coalition Presents: Learn the Secrets of Selling to the Federal Government

Come listen to our experts talk about the new direction of GSA, application of the Trade Agreements Act, the federal IT market, and how to get an office in DC!

Wednesday, October 18, 2006

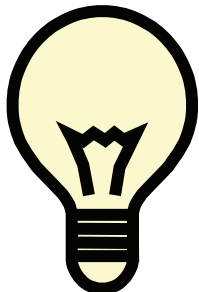
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76 East Monroe Street

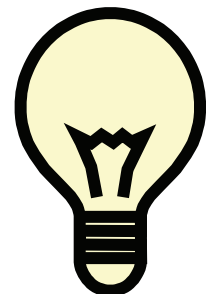
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Member Fee: \$75 per person - Non-Member Fee: \$100



**Need a registration form or have questions?**

Contact Melynda Cutler at [mcutler@thecgp.org](mailto:mcutler@thecgp.org).



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ing ones such as e-mod, helps ensure Jim Williams' stated goal of consistent practices and will, optimally, reduce negotiation time lines.

Lastly, FAS hopes to create a pilot program in at least some acquisition centers for a central offer intake point inside each one. Each intake point will review new offers for completeness and accuracy. If offers are found to be substantively complete and have all of the pertinent information needed, they will be eligible to be put on a 30 day "fast track" for award. If they do not meet those criteria, they will be assigned to the "regular track" for more traditional processing. The Facilities Maintenance and Hardware Center claims that new offers coming in through its intake center are approved in an average of 31 days.

FAS officials are seeking help from industry in three key areas. First, is assistance in keeping single agency MAC proliferation at bay. The Coalition has been working on this point for nearly a year and has met several times with OFPP leaders who also have a similar objective. Second is identifying areas of misinformation in customer agencies, particularly DOD, where buyers feel they cannot use schedule contracts. Again, the Coalition is working with DOD to issue clarifications on this topic. Third, is assistance with information on how the Trade Agreements Act impacts schedule contractors and customers. Though there are no easy solutions here, the Coalition shares a desire to inject a healthy dose of common sense into this area to allow the schedules program to offer federally the same solutions routinely available in the commercial market.

In addition to our common goals, however, FAS officials also cautioned Coalition members on potential developments for schedule contracts that are currently being discussed internally. The first has to do in areas where there is a government specification or standard for commercial item performance. In these areas, such as HSPD 12, FAS may move to remove schedule items that do not meet government-only standards and allow only those items meeting the standard to remain on contract. Though current member feeling on this issue is unknown, historically members have been strongly opposed to such actions, pointing out that customers may have valid reasons to bypass federal standards and that the schedules program should have solutions readily available to meet what is likely to be a tight performance deadline.

Second, FAS officials continue to indicate that federal customers are demanding more "spend analysis" information from GSA when they buy through schedule contracts. Interestingly, this topic has not come up in any Coalition forum where members who interact with customers daily come together to discuss current issues. In any event, FAS may look to contractors to provide more detailed information on what customers buy from them, how they buy it and how much of it they buy. This issue will likely be discussed at upcoming Coalition committee meetings to garner member opinion.

Whatever the future of these topics may be, Commissioner Williams indicated that he plans to make several recommendations to Administrator Doan on restructuring the Federal Acquisition Service. He feels these changes will improve overall Service operations and better meet today's customer demands. Details on any reorganization may be made public in early October. The Coalition will keep you informed of any changes and what they mean for your business.

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equal attention with the smaller amount of problems regularly brought to light today.

Strategic Sourcing looks likely to continue moving forward during Denett's tenure as well. Under Strategic Sourcing, OFPP hopes that agencies will continue to leverage their collective buying power to reduce acquisition overhead, cost, and logistical issues. Denett apparently plans to continue OFPP efforts to educate federal agencies on the benefits of Strategic Sourcing and prod more and more of them into making Strategic Sourcing part of their daily acquisition lives. In the meantime, though, Denett realizes that small business participation must continue to be encouraged and be a part of government-wide Strategic Sourcing implementation.

Competitive Sourcing, under which contractors are eligible to bid on the performance of non-inherently governmental functions, will also continue to receive much attention. Denett is the latest in a string of Bush Administration OFPP executives who will be responsible for maximizing competitive sourcing opportunities. Despite legislation designed to make such actions more difficult, Denett is expected to continue to look for ways to implement Competitive Sourcing whenever and wherever possible.

**Administrator Denett will be the keynote speaker at the Coalition's Fall Conference November 14<sup>th</sup>. Come hear first hand his plans for the post and what it means to you. Register today for the Fall Conference at <http://www.thecgp.org>.**

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