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Testimony

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PROCUREMENT REFORM

Competition and Notice
under the Federal Acquisition
Streamlining Act of 1994

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Madam Chair and Members of the Committee:

It is a pleasure to be here this morning to discuss a number of aspects of the Federal Acquisition Streamlining Act of 1994 (FASA) and the regulations being developed to implement the law. The Act represented a significant step towards simplifying the acquisition system. Among other things, FASA:

- lessened restrictions for purchases under \$2,500, or "micro-purchases";
- created a \$100,000 simplified acquisition threshold below which procurements are exempted from a number of statutory requirements; and
- called for the conversion of the procurement system from a paper-based system to an electronic-based Federal Acquisition Computer Network (FACNET).

We recently testified before your Committee on the preliminary results of our ongoing reviews of the implementation of key aspects of FASA. My brief testimony today focuses on the competition and notice procedures that will apply to the various dollar categories of purchases defined in last year's legislation, and their interrelationship with FACNET. The chart accompanying my testimony is designed to illustrate those procedures and how they work for both FACNET and non-FACNET purchases.

FASA in effect sets up three dollar categories for government buys: (1) micro-purchases; (2) purchases up to \$100,000, the "simplified acquisition threshold"; and (3) purchases over \$100,000. The extent of competition required, the procurement procedures to be used, including the notice to be given the vendor community, and the basis for vendor selection, are different for each one.

Micropurchases

FASA established a procurement category of "micro-purchases," or purchases of \$2,500 or less. The Act allows agencies to make micro-purchases without obtaining competitive quotations from suppliers; permits purchases from large business as well as small; and exempts them from the Buy American Act. The micro-purchases category was intended to expedite the procurement process and reduce administrative costs - micro-purchases comprise about 85 percent of the government's procurement transactions. Basically, an agency buyer can walk across the street to buy an item, so long as the purchase price is reasonable. Alternatively, for an agency using FACNET the buyer can advertise a need over the system, and make a quick and efficient purchase that way.

Simplified Acquisition Threshold and Procedures

FASA replaced the \$25,000 small purchase limit with a \$100,000 simplified acquisition threshold. The law then authorized simplified procedures for those purchases, although whether an agency actually can use simplified procedures up to the threshold depends on whether the agency has a so-called "interim FACNET capability." Interim capability means, basically, that the agency can electronically provide public notice of contract opportunities and solicit and receive responses to solicitations. If an agency has interim FACNET capability, it can use simplified procedures up to the \$100,000 threshold; agencies not yet ready for FACNET can use simplified procedures only for purchases up to \$50,000.

FASA requires an agency to promote competition in this category only to the maximum extent practicable, in contrast to the requirement for full and open competition in other government purchases. These \$2,500 to \$100,000 purchases are reserved for small businesses if at least two small businesses can submit competitive quotations. A FACNET-capable activity could solicit for its needs electronically, and select from among the responses. If a non-FACNET purchase does not exceed \$25,000, according to the regulations issued to implement this part of FASA, and consistent with the standard for pre-FASA small purchases, a contracting official need only solicit three vendors. Since the regulations also encourage the use of oral solicitations, this means that the procurement can be accomplished through as few as three telephone calls. For purchases over \$25,000 and up to \$100,000, an agency not using FACNET would have to publish notice of the acquisition in the Commerce Business Daily. FASA requires that the notice describe, among other things, the procedures to be used and the timeframe for receiving responses and making the award. FASA also requires that vendors be given a reasonable opportunity to respond, and that any timely offer must be considered.

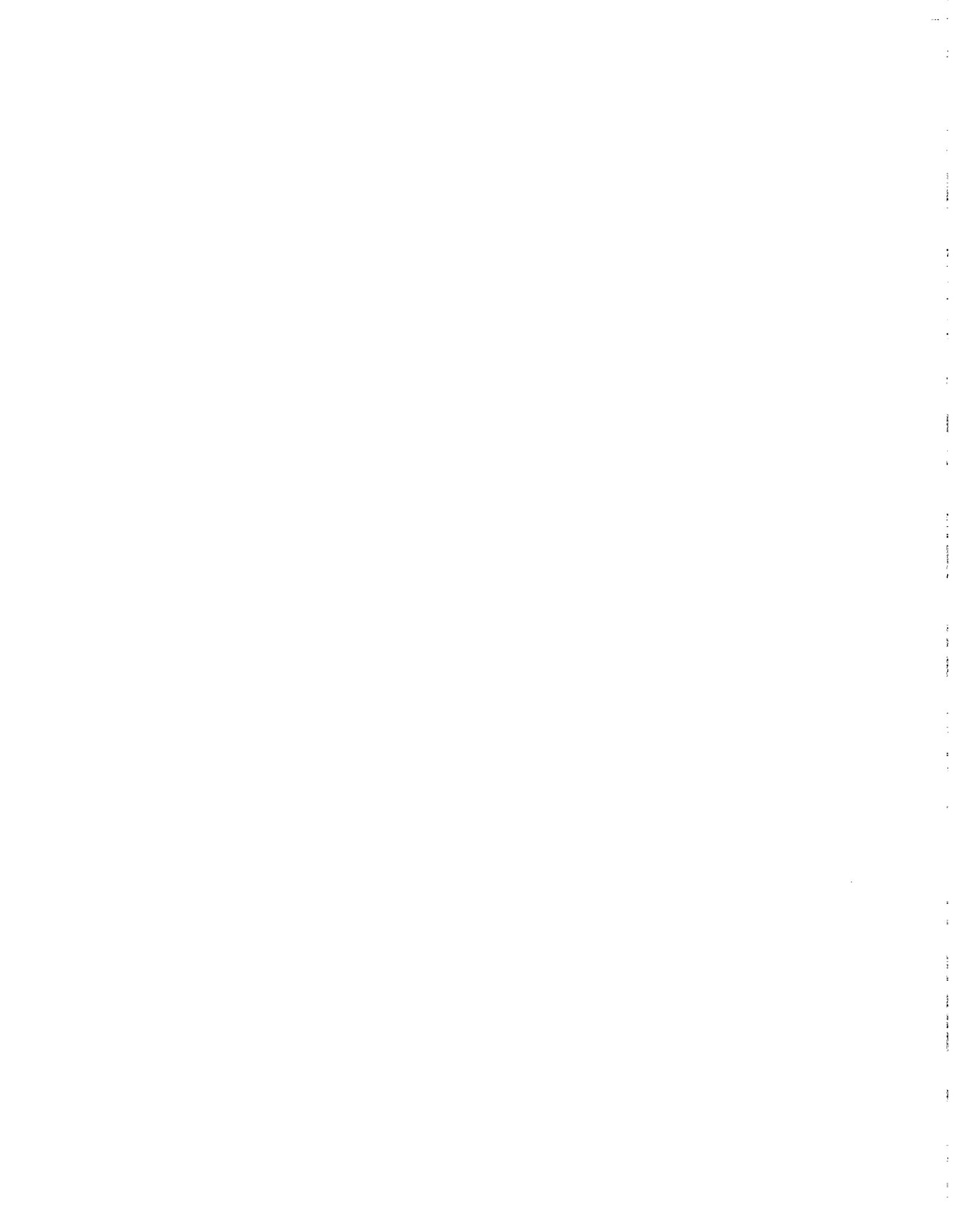
Over-threshold purchases

This category would include any purchase over the \$100,000 simplified acquisition threshold. An agency would have to generate "full and open" competition, which for a non-FACNET agency means publication of the need in the Commerce Business Daily, and consideration of all responses to the agency's solicitation.

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Madam Chair, that concludes my prepared remarks. I would be happy to address any questions you might have.

	BELOW \$ 2,500	\$ 2,500 TO \$ 100,000	OVER \$ 100,000
NOTICE	NONE REQUIRED (MAY USE FACNET)	\$ 25,000 AND BELOW - LOCAL POSTING OVER \$ 25,000 UP TO \$100,000 - COMMERCE BUSINESS DAILY (NO SEPARATE NOTICE REQUIRED IF USING FACNET)	COMMERCE BUSINESS DAILY FOR 15 DAYS
COMPETITION	NONE REQUIRED (PRICE MUST BE REASONABLE)	"MAXIMUM EXTENT PRACTICABLE"	"FULL AND OPEN"
BIDDING TIME	NOT APPLICABLE	"REASONABLE OPPORTUNITY"	30 OR 45 DAYS
BASIS FOR SELECTION	LOW PRICE OR BEST VALUE	LOW PRICE OR BEST VALUE	LOW PRICE OR BEST VALUE



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