



August 3, 2016

Kay Ely

Deputy Assistant Commissioner for ITS

General Services Administration

1800 F Street, N.W.

Washington, D.C. 20405

Subject: Supply Chain Risk Management

Dear Kay:

Thank you for the opportunity to meet with GSA's Integrated Technology Services (ITS) to discuss potential strategies to enhance supply chain risk management through the Multiple Award Schedules (MAS) program. The Coalition sincerely appreciates you and your team for addressing GSA's supply chain security objectives with us as well as your openness to industry feedback in response to the Supply Chain Risk Management (SCRM) RFI.

The Coalition for Government Procurement ("The Coalition") is a non-profit association of firms selling commercial services and products to the Federal Government. Our members collectively account for a significant percentage of the sales generated through the GSA MAS program and about half of the commercial item solutions purchased annually by the Federal Government. Coalition members are both large and small businesses, including original equipment manufacturers (OEMs) and resellers in the IT industry. The Coalition is proud to have worked with Government officials for more than 35 years towards the mutual goal of common sense acquisition.

The SCRM RFI describes a Supply Chain Risk Management Provenance Pilot Program whereby a commercial solution would validate the authenticity of information and communication technology (ICT) products and track all changes in ownership from manufacture, through the supply chain, to the final point of sale. As discussed in the meeting, the system as envisioned in the RFI, cannot produce the desired results without critical input from the OEM. Further, it is not realistically achievable across brands because much of the information required to develop such a

system is proprietary to individual OEMs. It was also noted during the meeting that the pilot system proposed in the RFI would initially track equipment that was already procured and delivered to the government which defeats the purpose of mitigating risk to the government. The cost to return and reprocure the equipment can be cost prohibitive.

The Coalition supports GSA's effort to increase the security of the Schedules supply chain and reduce risk for Federal agency customers. We believe that it is critical that proactive steps be taken prior to the actual purchase of ICT products to most effectively mitigate risk. To meet this objective, we recommend that GSA:

- Identify authorized distributors and resellers by publishing a list of these resources and distinguishing them for agencies via a newly developed icon
- Strengthen GSA's validation requirements and review criteria to more effectively address reseller status
- Identify a resource within GSA for industry and government to report potential irregularities, investigate these reports, and take appropriate action
- Develop Supply Chain Management Training for the acquisition workforce
- Commit to continued industry-government communications to discuss progress made increasing supply chain security and any new or emerging threats

I. Identify Authorized Distributors and Resellers

The Coalition recommends that GSA identify OEM authorized distributors and resellers for Federal purchasers. This could be accomplished by both publishing a cumulative list of OEM-authorized distributors and resellers and making them easily identifiable via an icon on GSA Advantage.

Publication of a list of OEM authorized distributors and resellers would ensure contractors that are authorized to sell specific products under the Schedules program are more transparent to customers, and therefore reduce the risk of purchasing gray market and/or counterfeit items. In order to make the list widely available, we suggest that it be posted on GSA.gov, GSA Advantage! and the Acquisition Gateway. In addition, a newly developed icon could help Federal customers identify authorized distributors and resellers while conducting market research or making purchases on GSA Advantage! and other GSA resources.

The Coalition would also be willing to work with GSA to strengthen reseller provisions in the Schedules solicitation and review provisions regarding an offeror's reseller status, including a review of the reseller provisions and underlying processes of various GWAC vehicles, and make other suggestions that would assist GSA in mitigating the ability of contractors to add counterfeit equipment to GSA contracts. GSA needs a solid contractual basis to take action against those contractors who knowingly misrepresent their relationship with the manufacturers or the provenance of the products they offer, thus putting buyers at risk and harming the integrity of the Schedules program.

II. Identify a Resource for Reporting Potential Irregularities

To our knowledge, there is not a central point of contact within the Schedules program for industry or government to report cases in which gray market items may be sold under GSA Schedule contracts. It would be helpful for GSA to have a resource responsible for investigating reports of potential gray market items. Our members report that contract programs like NASA SEWP have been successful in reducing supply chain risk by being proactive in this regard. Such a resource would help in identifying and reducing gray market items currently on GSA Advantage and also serve as a deterrent of such activities in the future. GSA should consider referring contractors that consistently misrepresent country of origin to suspension and debarment officials to make it clear that the GSA Schedules program is not a channel for counterfeit and gray market offerings into the Federal market.

III. Develop Supply Chain Management Training

A critical component of mitigating supply chain risk is educating the government buyer. We recommend that GSA develop acquisition training and other resources on this topic. In addition, Schedule users should be educated about strategies that may inadvertently increase supply chain risk. For example, we suggest including some of the following messages in such training:

- Reverse auctions and low price technically acceptable (LPTA) evaluation methodologies may attract lower quality or gray market items and discourage OEMs or authorized resellers that traditionally participate in more best value trade-off procurements
- Conveying the risks associated with gray market purchases, and how to use the tools GSA provides to help mitigate grey market risks

- Sharing how to use GSA tools to identify used vs. new offers, and the additional protections buyers gain by adding “new only from authorized resources” where appropriate in RFQs

IV. Continue the Myth-busters Dialogue

The Coalition sincerely appreciates the government and industry dialogue thus far on how to improve the security of the supply chain through the MAS program. We suggest that the Mythbuster’s dialogue with Schedule contractors and OEMs continue as GSA develops a common sense solution to this challenge. Our members also support efficient and effective measures that address gray market and counterfeit items and would appreciate the opportunity to continue to provide input to GSA based on commercial best practices.

Thank you again for considering the Coalition’s comments on supply chain management. We look forward to meeting you again to address next steps. If there are any questions, please contact me at (202) 331-0975 or rwaldron@thecgp.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'RWaldron', with a long horizontal flourish extending to the right.

Roger Waldron

President