



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

THE UNDER SECRETARY OF DEFENSE

3010 DEFENSE PENTAGON
WASHINGTON, DC 20301-3010

MEF

16 MAY 2003

The Honorable Duncan Hunter
Chairman, Committee on Armed Services
United States House of Representatives
Washington, DC 20515-6035

Dear Mr. Chairman:

The Department of Defense (DoD) has conducted the assessment required by Section 824 of the National Defense Authorization Act for Fiscal Year 2003 (Pub. L. 107-314) of DoD purchases of products and services through contracts with other Federal departments and agencies. The requested data on the total amount paid by DoD to other agencies as fees for the acquisition of such products and services during fiscal years 2000 through 2002 is summarized in the enclosure to this letter.

While the total amount paid by the Department in such fees for these three fiscal years is substantial, we do not believe that it is excessive – particularly in view of the very high dollar volume and large numbers of DoD orders placed against other agencies' contracts during this period. The total fees paid by DoD averaged approximately one percent of the total dollars spent by the Department under other agencies' contracts over these three years. We also note that the General Services Administration (GSA), which accounts for approximately 93 percent of the total dollars that DoD spends under other agencies' contracts, charges no fee at all for its area-wide public utility contracts and will be lowering the fee for its Federal Supply Schedule contracts from the current one percent to 0.75 percent beginning in FY 2004. Although much smaller participants than GSA in this arena, the National Aeronautics and Space Administration only charges a 0.6 percent fee for use of its Scientific and Engineering Workstation Procurement III contract, capped at \$5,000, and the Veterans Administration normally charges a 0.5 percent fee for its schedule contracts.

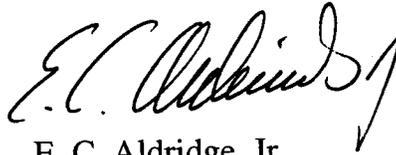
DoD, like the rest of the Federal Government, has benefited from placing orders against GSA's and other agencies' schedule and Government-wide acquisition contracts for many years. Not only does such centralized buying of commonly used commercial items permit the Government to leverage its buying power to obtain the best prices in the marketplace, but it also allows the Department to focus its limited acquisition workforce on the purchase of unique and highly sophisticated defense equipment. However, we recognize that these pricing and efficiency benefits are goals that are not always achieved, and we have taken steps to ensure the judicious use of other agencies' contracts



by DoD components. Most notable among these was our implementation of Section 803 of the National Defense Authorization Act for Fiscal Year 2002 (Pub. L. 107-107), which requires that we obtain competition for purchases of services in excess of \$100,000 under all Government-wide multiple award schedule contracts.

I trust this adequately addresses the issues raised in Section 824. A similar letter is being sent to the Chairman of the Senate Committee on Armed Services.

Sincerely,

A handwritten signature in black ink, appearing to read "E. C. Aldridge, Jr.", written in a cursive style.

E. C. Aldridge, Jr.

Enclosure:

As stated

cc: The Honorable Ike Skelton
Ranking Member

Fees Paid by DoD for Purchases Under Other Agencies' Contracts

| <u>Fiscal Year</u> | <u>Fees (Millions)</u> | <u>Actions</u> | <u>Purchases (Millions)</u> |
|---------------------------|-------------------------------|-----------------------|------------------------------------|
| 2000* | \$63.3 | 32,897 | \$6,355.2 |
| 2001** | \$96.6 | 44,310 | \$9,368.2 |
| 2002** | \$125.8 | 69,961 | \$12,495.3 |

*Data only available on DoD direct orders against other agencies' contracts from Defense Department (DD) Form 350 reports. (The Standard Form 279 used to collect data for the Federal Procurement Data System (FPDS) was modified to identify the funding department starting in FY 2001.)

**Data includes DoD direct orders against other agencies' contracts from DD Form 350 reports and orders placed for DoD by other agencies against other agencies' contracts from FPDS.

Enclosure