

**REVIEW OF THE GSA ADVANTAGE! SYSTEM  
REPORT NUMBER A040246/F/T/V05003**

**September 29, 2005**



U.S. GENERAL SERVICES ADMINISTRATION  
Office of Inspector General

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Date: September 29, 2005

Reply to: Deputy Assistant Inspector General for  
Attn of: Information Technology Audits (JA-T)

To: Barbara Shelton  
Acting Commissioner, Federal Supply Service (F)

Subject: Review of the GSA Advantage! System  
Report Number A040246/F/T/V05003

This report presents the results of our review of the GSA Advantage!<sup>TM</sup> System (Advantage). Advantage is the Internet catalog and ordering system that allows registered Federal Government customers worldwide access to products and services from GSA, its warehouses, and the Department of Veteran's Affairs Schedule vendor contracts. Our review identified four key areas that require management attention to ensure the continued success of the Advantage system. First, Advantage needs an effective management structure with the sufficient authority necessary to ensure it reaches its full sales potential and continued success. Second, system specific performance measures to guide the selection and prioritization of new requirements are needed. Third, specific improvements in processes for uploading vendor product data are needed to address vendor concerns and improve the overall efficiency of Advantage. Finally, a more thorough analysis of the costs and benefits for virtual stores being offered with Advantage is needed to identify lessons learned and best practices for marketing the system. Taking specific steps to strengthen overall managerial, operational, and technical controls for Advantage at this critical juncture will help GSA to meet evolving customer needs and ensure the long-term success of the system.

I wish to express my sincere appreciation to you, your staff, and officials associated with Advantage for their cooperation during the audit. If you have any questions regarding our review of Advantage, please contact me or Gwendolyn McGowan, Deputy Assistant Inspector General for Information Technology Audits on 703-308-1223.

Brenda Abrams  
Audit Manager  
Information Technology Audit Office (JA-T)

241 18th Street S., CS4, Suite 607, Arlington, VA 22202-3402

REVIEW OF THE GSA ADVANTAGE! SYSTEM  
REPORT NUMBER A040246/F/T/V05003

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**EXECUTIVE SUMMARY**

**Purpose**

The General Services Administration (GSA) Federal Supply Service (FSS) provides Federal agencies and managers with commercial products and services by leveraging the Federal Government's enormous buying power and negotiating volume-purchase arrangements. GSA Advantage!<sup>TM</sup> (Advantage) is the Internet catalog and ordering system that allows registered Federal Government customers worldwide access to products and services from GSA, its warehouses, and the Department of Veteran's Affairs Schedule vendor contracts. The objective of this review was to assess: (1) whether strategic planning and funding strategy for Advantage is ensuring long-term success for the system; (2) if adequate controls are in place to provide vendors and government buyers secure online capabilities; and (3) if the system is providing adequate functional capability to keep up with changing user demands. If not, what changes are needed to improve the system? This report addresses findings and recommendations for improving Advantage to the Acting Commissioner of FSS.

**Background**

In 1995, Advantage was initially envisioned as an online ordering system for agencies to purchase stock items from FSS warehouses, but increasing emphasis on electronic commerce, the complexity of the acquisition environment, and customer requirements has necessitated an increase in the scope of Advantage. To facilitate customer navigation of the Federal acquisition process, FSS added functionality into Advantage and expanded its catalog to incorporate Schedule services. Advantage now includes virtual stores that enable agencies to filter catalog offerings presented to their staff that highlight special types of items, such as Blanket Purchase Agreements and unique purchase requirements.

**Results-in-Brief**

Advantage is the Internet catalog and ordering system intended to provide "one-stop" shopping for Federal government customers at best value. Advantage provides electronic acquisition support by replacing direct contact with multiple vendors, offline use of other FSS systems, and the need for users to maintain paper copies of GSA schedule documents and catalogs. Sales have increased on Advantage since 1995, and many enhancements have been made to the system to better meet customer needs. However, Advantage orders account for only about 10% of all potential product sales. Our review identified four key areas that require management attention to ensure the continued success of the Advantage system. First, Advantage needs an effective management structure with the sufficient authority necessary to ensure it reaches its full sales potential and other goals for continued success. Second, system specific performance measures to guide the selection and prioritization of new system requirements for Advantage are needed. Third, improvements in processes for uploading vendor product data are needed to address concerns raised by vendors and to improve the overall efficiency of Advantage. Finally, a more

thorough analysis of the costs and benefits for virtual stores being offered with Advantage is needed to identify lessons learned and best practices for marketing the system. Taking specific steps to strengthen overall managerial, operational, and technical controls for Advantage at this critical juncture will help GSA to meet evolving customer needs and ensure the long-term success of the system.

### **Recommendations**

We recommend that the Acting Commissioner, Federal Supply Service, take the necessary actions to:

1. Establish a management structure with adequate authority and responsibility for the management, funding, and strategic planning of Advantage to ensure the system's continued success and that all business line and support office requirements are met.
2. Develop and implement specific performance measures for Advantage to guide the selection and prioritization of new system requirements.
3. Ensure that adequate processes are in place to minimize potential delays of vendor product data uploads on Advantage by:
  - a. Enhancing or replacing the existing vendor product data upload program with a more robust and user-friendly tool for vendors.
  - b. Re-evaluating the current vendor file validation and update software for enhancement or replacement.
  - c. Adjusting the maximum daily file upload capacity in order to keep pace with the growing number of vendors and quantity of files submitted.
  - d. Improving the turnaround time for the approval of vendor files by contracting officers.
4. Analyze virtual stores for Advantage to ensure that the tangible and intangible benefits of these investments exceed their development and maintenance cost.

### **Management Comments**

In her September 26, 2005 response to our draft report, which is included in its entirety as Appendix A, the Acting FSS Commissioner generally concurred with the findings and recommendations presented in our report. Written comments provided by the Acting Commissioner describe current and planned activities towards resolving issues raised in the report.

REVIEW OF THE GSA ADVANTAGE! SYSTEM  
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**INTRODUCTION**

GSA Advantage!<sup>TM</sup> (Advantage) is the Internet catalog and ordering system accessible 24 hours a day, seven days a week, that allows over 400,000 registered Federal government customers worldwide to access over nine million products and services from more than 14,000 General Services Administration (GSA) and the Department of Veteran's Affairs Schedule vendor contracts and from GSA warehouses. Advantage is a major Information Technology investment that, as of May 2005, has achieved \$1.3 billion in sales since 1995, for 2.2 million orders. Sales for FY 2005 through Advantage have grown from \$4.9 million in Fiscal Year (FY) 1996 to nearly \$300 million as of August. Advantage is the "one-stop" shopping source for Federal Government purchasing agents implemented to provide an effective way for Government personnel to order from GSA and its Schedule vendors electronically using their Government credit cards or Federal agency account codes. Thus, the system enables electronic "Government to Government" business with customers and "Government to Business" operations with contractors who supply goods and services to the Federal government. Two new tools with Advantage are E-Buy and E-Library. E-Buy is an online Request for Quote tool which provides customers with the capability to issue and receive quotes for goods and services from Schedule vendors and E-Library is the online source for information on Schedules and established contracts. Virtual stores, offered with Advantage, provide a customized view of the system to agencies for a tailored on-line shopping experience. Through separate web addresses for each virtual store, agencies can post their Blanket Purchase Agreements (BPAs) on their agency store. Advantage also provides an online purchasing and acquisition research environment in support of the GSA strategic goals to provide best value to the customer and operate efficiently and effectively. The system directly supports the FSS business line of the Office of Commercial Acquisition and is managed by multiple groups including the Systems Management Center (FXS) in the Office of Acquisition Management and the E-Business Division (FIB) within the Office of the Chief Information Officer.

**Objectives, Scope, and Methodology**

Our overall objective for this review was to assess whether: (1) FSS' strategic planning and funding strategy for Advantage is ensuring long-term success for the system; (2) adequate controls are in place to provide vendors and government buyers secure online capabilities; and if (3) the system is providing adequate functional capability to keep up with changing user demands, and if not, what changes are needed to improve the system?

Information on Advantage was gathered through interviews with key management officials within FSS and through analysis of goals and documentation for the system. We met with and obtained information from the acting FSS-Chief Information Officer; the Advantage Project Manager; the Director of the E-Business Division; the Assistant Commissioner of the Office of Commercial Acquisition; the Information System Security

Manager and Officer; and Directors of support organizations within the Office of Acquisition Management. We gathered information on vendor satisfaction with a phone survey of a sampling of 60 out of approximately 14,000 vendors, who actively sell products on Advantage.

We analyzed the GSA Advantage Budget Year 2006 Business Case, GSA Advantage Business Case Analysis, August 2004; FSS Information Technology Strategic Plan - Volume 1 and 2, September 2004; GSA Federal Supply Service e-Catalog System Requirements – v1.0, December 2004; and the GSA IT Capital Planning and Investment Control Guide, December 2002. During the time frames of this audit, specific system security vulnerabilities were reported through the OIG FY 04 Advantage Federal Information Security Management Act (FISMA) reporting process. The FY 2004 Office of Inspector General Review of GSA's Information Technology Security Program report provided the results of our assessment of security controls for nine systems, including Advantage, across GSA's Services, Staff Offices, and Regions, while the FY 2004 Office of Inspector General Information Security Review of GSA Advantage! report detailed results for vulnerability tests for GSA Advantage. To assess security controls for Advantage subsequent to FISMA, we examined the updated system risk assessment, security plan, system testing and evaluation results, certification and accreditation letters, contingency plan, and system-level plan of action and milestones.

We considered applicable Federal laws, regulations, and policies including: Office of Management and Budget (OMB) Circular A-11, Preparation, Submission, and Execution of the Budget, July 2004; OMB Circular A-130, Appendix III, Security of Federal Automated Information Resources, November 2000; Capital Programming Guide, Supplement to Part 7 of OMB Circular A-11, July 1997; the Government Accountability Office (GAO) Report, GAO-03-328 Business Strategy Needed for GSA's Advantage System, February 2003; and the Software Engineering Institute Capability Maturity Model<sup>SM</sup> for Software, Version 1.1, February 1993. Federal Information Security Management Act, Title III of the E-Gov Act, December 2002; the GSA Information Technology (IT) Security Policy, CIO P 2100.1B, November 2004; OMB FY 2004 Reporting Instructions for the Federal Information Security Management Act; National Institute of Standards and Technology (NIST) Special Publication 800-18, Guide for Developing Security Plans for Information Technology Systems, December 1998; NIST Special Publication 800-30, Risk Management Guide for Information Technology Systems, October 2001; NIST Special Publication 800-34, Contingency Planning Guide for Information Technology Systems, June 2002; NIST Special Publication 800-37, Guide for the Security Certification and Accreditation of Federal Information Systems, May 2004; and the GSA's Systems Development Life Cycle (SDLC) Policy Handbook, CIO P 2140.2, April 2004.

We performed our audit work between September 2004 and June 2005 in accordance with generally accepted government auditing standards. Audit work was primarily performed at FSS headquarters in Arlington, Virginia.

## **RESULTS OF AUDIT**

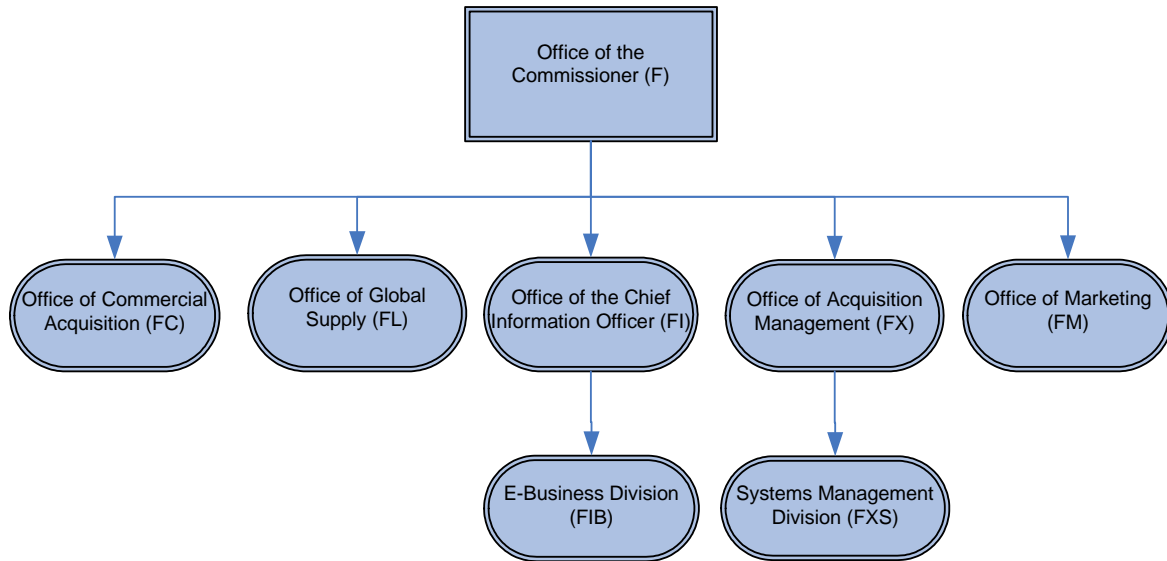
GSA Advantage!<sup>TM</sup> (Advantage) is the Internet catalog and ordering system intended to provide “one-stop” shopping for Federal government customers at best value. Advantage provides electronic acquisition support by replacing direct contact with multiple vendors, offline use of other FSS systems, and the need for users to maintain paper copies of GSA schedule documents and catalogs. Although sales have increased on Advantage since 1995, and many enhancements have been made to the system to better meet customer needs, Advantage orders account for only about 10% of all potential product sales. Our review identified four key areas that require management attention to ensure the continued success of the Advantage system. First, Advantage needs an effective management structure with the sufficient authority necessary to ensure it reaches its full sales potential and continued success. Second, system specific performance measures are needed to guide the selection and prioritization of new system requirements for Advantage. Third, improvements in processes for uploading vendor product data are needed to address concerns raised by the vendors and to improve the overall efficiency of Advantage. Finally, a more thorough analysis of the costs and benefits for virtual stores being offered with Advantage is needed to identify lessons learned and best practices for marketing the system. Taking specific steps to strengthen overall managerial, operational, and technical controls for Advantage at this critical juncture will help GSA to meet evolving customer needs and ensure the long-term success of the system.

### **An Effective Management Structure is Needed to Guide Advantage**

While sales have increased approximately six-fold since Advantage was first implemented, a program manager with overall management authority and responsibility for the system is needed to ensure continued success for the system. The September 2004 FSS Information Technology Strategic Plan states that the FSS management structure has not established a single business owner for Advantage and that it expends valuable resources to coordinate and prioritize system functionality and changes across multiple business owners and decision makers. We found specific shortfalls with the Advantage management and planning process including an absence of a consolidated group or designated individual responsible for the management, funding, and strategic planning for the system. The management of Advantage is split between four offices and decisions about funding and changes to Advantage are made by the FSS Management Council, a committee comprised of the heads of ten different offices and eight regional offices. This management structure for Advantage has not always ensured that necessary managerial, operational, and technical controls are in place for the system. For instance, we found the following areas where improvements are needed: (1) strategic planning for Advantage; (2) procedures for tracking and allocating all system-related costs; and (3) sufficient prioritization of system repairs or enhancements. Specific performance goals and measures are also needed and should be targeted to achieve the system’s full sales potential and other objectives.



Figure 1: Advantage Management Organization Chart



Depicted in Figure 1 above are the primary<sup>1</sup> offices supported by the Advantage system along with the other offices responsible for managing the system on a day-to-day basis. The FSS Office of Commercial Acquisition (FC) is the business line that manages the Federal Supply Schedules (Schedules) program that provides products and services to the Federal Government. Advantage supports FC by providing an on-line ordering system for the Schedules program. The Office of Global Supply is the business line that provides in-stock products to the Federal Government. The Global Supply system can be accessed through Advantage. The E-Business Division (FIB), within the FSS Office of the Chief Information Officer (FI), is the organization responsible for day-to-day operations, technical implementation of Advantage repairs and enhancements, and maintenance of the system. The Systems Management Center (FXS), within the FSS Office of Acquisition Management (FX), is responsible for identifying and developing requirements for Advantage and the FSS Office of Marketing (FM) is responsible for marketing the system. Each of these offices formulates its own budget, of which Advantage expenses are one piece. These budgets are reviewed by the FSS Management Council comprised of the FSS Commissioner, Assistant Commissioners, and Assistant Regional Administrators to determine which projects are funded, including those related to Advantage.

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<sup>1</sup> Chart does not depict all business lines supported by Advantage.

This management structure and decision making approach has not consistently provided effective management and planning for Advantage. OMB recommends an integrated project and process development approach to manage capital assets using a program manager chartered with the authority and accountability for the system. We observed specific issues that have not garnered sufficient attention under the dispersed management structure for Advantage, including a lack of: (1) a strategic plan to guide Advantage; (2) procedures for tracking and allocating system costs; and (3) sufficient prioritization of system repairs. In GSA's current changing business environment a program manager vested with the overall authority and responsibility for management, funding, and strategic planning for the system would provide the cohesive management structure necessary to guide Advantage to continued success.

Advantage Strategy Not Developed. While the FSS IT Strategic Plan discusses enhancements to Advantage, such as E-Buy and E-Library, the system lacks a fully developed strategic plan to ensure that it achieves established goals and objectives. In August 2004 a GSA Advantage Business Case Analysis was completed, which provided an alternatives analysis and recommendations for the system that should be part of a strategic plan for Advantage. With Advantage, there is not a specified individual or group responsible for a fully developed strategic plan, including performance measures and metrics. Further, Advantage lacks performance measures and metrics for FY (FY) 2006 and beyond, as demonstrated in the FY 2006 OMB Exhibit 300 budget submission (Exhibit 300) for the system, to ascertain how it supports organizational strategic goals and plans. While there are \$2-3 billion worth of products, out of approximately \$16 billion in total product sales that could be purchased through Advantage, only \$200 million, or about 10%, is actually processed through the system. Without a comprehensive strategy for Advantage that contains performance measures for increasing sales and meeting other objectives, it is unlikely that the system will meet its full potential. A program manager, with the overall responsibility for Advantage, would work in conjunction with other business lines and support offices to ensure the development of a strategic plan that includes both business and IT strategy for the system, including measures and metrics to assess the progress with Advantage.

Not All System-Related Costs Considered. Budgeted costs for Advantage are not completely accounted for and tracked in the system's FY 2006 Exhibit 300 as required by OMB. According to FXS' personnel, their budget is not reflected in the Exhibit 300 for Advantage since costs are allocated to the business lines rather than individual systems. FI budget personnel reported to us that the exclusion of the Advantage related FXS budget, approximately \$5.12 million, from the Advantage Exhibit 300 was unintentional and stated that it should have been included. In this case, incomplete data for Advantage may have led to a misrepresentation of the system's budget, historical, and lifecycle costs. Further, five-year budget projections for the system may not be fully developed. These

costs are omitted because a process is not yet in place to account for and track all costs, at the system level, associated with Advantage. With incomplete budget submissions for Advantage, important projects may have been put on hold due to insufficient funds. Establishing an Advantage program manager would better focus responsibility for: (1) ensuring that a process is in place to account for and track all costs related to the system as required; and (2) securing adequate resources for Advantage.

### **Improved Process Needed for Prioritizing System Requirements**

We observed that processes by which system requirements are selected and prioritized for Advantage are unclear, and selection and prioritization decisions do not appear to be based on established criteria. Performance measures, identified in the BY 2006 Exhibit 300, may not be sufficient to support the measurement of requirements for system enhancements identified in this business case. Furthermore, system specific performance measures for FY 06 and beyond, which could provide management with information upon which to base business decisions are not yet established. New Requirements for Advantage are generated from information and suggestions from a variety of sources, the majority of which comes from customers, customer-service directors, focus groups, technical staff, and mandates from management. We observed that collecting information on requested changes to Advantage is a manual process and a clear method for organizing the data is not always followed, making it difficult to easily analyze and manage the information. System officials in FXS are responsible for deciding which suggestions become official requirements for the system. While system change requests are used to document requirements once they have been decided, a formal method or process is not in place for formulating and prioritizing requirements prior to that decision. In this environment, we found instances where important system changes may not have received adequate consideration. One problem with Advantage that has not been given high priority is the Sched-Run batch process, where, although funds were allotted for the redesign of Sched-Run in the BY 2005 Advantage business case, a redesign has not yet been initiated. System specific performance measures are needed to guide the selection and prioritization of new requirements and to ensure that needed system improvements are implemented promptly.

### **Vendor File Updates can be Delayed**

Results from our phone survey of 60 randomly selected vendors, out of approximately 14,000 vendors who sell products on Advantage, indicate that some vendors are dissatisfied with instances of delayed visibility of their products on Advantage. Our survey revealed that one of the top three reasons vendors call the Vendor Support Center (VSC) is to report product file upload problems. In one instance, vendor product data updates were delayed by as much as 20 days before becoming visible on Advantage. We identified four main conditions contributing to the delayed visibility of vendor products on Advantage: (1) deficiencies in the Schedule Input Program (SIP) used by vendors to transfer product data to Advantage; (2) deficiencies in the batch process (Sched-Run) used by the system to validate vendor catalog and price information submitted through

SIP; (3) insufficient Sched-Run vendor file-load capacity; and (4) slow approval process of vendor files by contracting officers. If vendor files are delayed or updated information is not available on Advantage, buyers may not be presented with all possible product choices on Advantage. Enhancements to the SIP tool and Sched-Run software, an increase in upload capacity, and improvements to the manual contract review process could reduce delayed uploads and improve the overall efficiency of Advantage.

SIP. While the SIP tool has been used since 1995 by vendors to upload files into Advantage, this tool is not meeting their needs. According to our survey respondents, the number one reason out of the top three that vendors called the VSC was to report problems with the SIP tool. Although updates to SIP occur frequently, vendors told us that the tool is cumbersome and time-consuming. We identified several concerns related to the SIP tool: (1) the upload process from the time of logon to file submission is lengthy; (2) the process of uploading photos in SIP is not scalable; and (3) third party contract administrators who use SIP to upload files for various vendors cannot simultaneously upload multiple contracts, due to a SIP software limitation. To address problems associated with the SIP tool, FSS plans to develop a new tool called e-Catalog as an alternative for vendors to upload files. According to FI and FX personnel, eCatalog is intended to eventually replace the SIP tool. The e-Catalog project goal is to provide support to FSS by improving and streamlining the Advantage catalog submission, reduce the burden on vendors by providing a more flexible and intuitive process for the submission of electronic catalogs, and to improve the quality of product information submitted. A more robust and user-friendly tool is needed for vendors to upload their files and increased vendor involvement in the decision-making process for functional enhancements is necessary for continued success of the system.

Sched-Run. Technical issues with the Sched-Run software, used by Advantage to validate vendor catalog and price information submitted through SIP, also contribute to potential delayed visibility of vendor files on the system. When executing the vendor file upload, Sched-Run deletes the existing file before uploading the new file. However, if there is a system problem in-between the file deletion and upload steps, the new file may not be uploaded in a timely manner and the vendors' products are not visible on Advantage. According to FXS personnel, FSS has had frequent problems with Sched-Run and file deletions have occurred several times a year. Although Sched-Run is shown in the FSS Budget Year (BY) 2005 Office of Management and Budget (OMB) Exhibit 300 budget submission (Exhibit 300) as scheduled to be addressed in Fiscal Year (FY) 2004, this project was not carried out and does not appear in the FSS BY 2006 Exhibit 300. Without timely, updated vendor product files, Advantage customers cannot consistently view the most recent products and prices through the system. Consequently, reported issues with Sched-Run should be re-evaluated to determine if the software should be fixed or replaced.

Insufficient Capacity. Advantage may not have sufficient capacity to handle the increasing number of vendor product files. Currently, the system has a daily load capacity limitation of 100,000 products per day, Monday through Thursday, causing a potential backlog of file uploads almost weekly. Sched-Run uploads as many vendor files as possible per day until it hits this limit. Once this limit is reached, the remaining files in the queue are held until the next day or weekend before being loaded to Advantage. Vendor files are loaded in the order they were approved by the Contracting Officer, depending on size. Approved files that may cause the product limit to be exceeded are held for the next business day while smaller files are loaded until capacity is reached. Vendor files that have more than 100,000 products each are automatically held until the weekend to be uploaded, as there is no upload limit for Friday through Sunday. Our analysis showed, on average, daily load capacity is reached Monday through Thursday every week, potentially causing weekly delayed uploads of vendor files. If vendor files are delayed and their products are not available on Advantage, buyers may not be presented with all possible product choices through the system. According to our survey, vendors seek improvements in the upload process that would decrease the time it takes for their files to be visible on Advantage. Improved system capacity could reduce delayed uploads of vendor files on the system. An examination of the Advantage system to ascertain how to adjust capacity to keep pace with the growing number of vendors and the quantity of files submitted is needed.

Vendor File Approval Process. Contracting Officers manually approve vendor files before they are uploaded to Advantage, which also delays visibility of product information. After vendors submit their files to Advantage, the Contracting Officers check the vendor's newly submitted files, residing in the Contracting Officers Review System, and manually compare them to a contract master file. Contracting Officers endeavor to review a vendor's file within five days of receiving the file. However, our survey indicated that some vendors find this approval process too lengthy and that it may contribute to delayed visibility of products on Advantage for up to three weeks. Without timely, updated vendor product files, Advantage customers cannot consistently view the most recent products and prices through the system. Analyzing turnaround times for the approval of vendor files by Contracting Officers could identify possible improvements for Advantage and thus better meet vendor needs.

### **Investments in Virtual Stores Require Clear Understanding of Benefits**

FSS provides virtual stores to allow agencies to create a customized view of Advantage to facilitate their shopping experience. However, the virtual stores have been developed without a clear understanding of the benefits they provide and whether expected benefits outweigh the costs and resources required to develop and maintain the stores. Virtual Store projects are intended to: (1) provide customized storefronts and reduced costs of purchases through Schedules or customer Blanket Purchase Agreements; and (2) promote centralized control over purchasing and integration with financial reconciliation. FXS

personnel stated they are using virtual stores as a marketing device for Advantage and that the customization of Advantage virtual stores has helped FSS gain and retain customers, who otherwise may not have used the system to make purchases. FSS has developed five virtual stores to date, all at no charge to the customer agencies. FX and FI have spent more than \$1.9 million on all virtual stores, however not all virtual stores are being utilized by the customer agencies as expected. For example, according to FXS, the Department of Defense (DOD) virtual store (VITM) has barely been used since it was developed in November 2002 and FSS continues to expend resources to maintain and support VITM. FSS reported that a cost-benefit analysis has not been completed for virtual stores and that these stores provide intangible and non-monetary benefits. By continuing to develop virtual stores, which may or may not be utilized, GSA could be expending resources that would be better utilized on other Advantage projects. Further, a method for tracking the impact of virtual stores on Advantage sales has not been developed, and without clear goals and measures, FSS has not linked investments for virtual stores to business objectives. A complete cost-benefit analysis is needed to determine if the benefits, tangible and intangible, of virtual stores are exceeding the costs of development and whether additional virtual stores should be pursued. This analysis could also help FSS establish long-term goals and measures for virtual stores reflecting lessons learned and best practices for marketing the system.

### **Recommendations**

We recommend that the Acting Commissioner, Federal Supply Service, take the necessary actions to:

1. Establish a management structure with adequate authority and responsibility for the management, funding, and strategic planning of Advantage to ensure the system's continued success and that all business line and support office requirements are met.
2. Develop and implement specific performance measures for Advantage to guide the selection and prioritization of new system requirements.
3. Ensure that adequate processes are in place to minimize potential delays of vendor product data uploads on Advantage by:
  - a. Enhancing or replacing the existing vendor product data upload program (SIP) with a more robust and user-friendly tool for vendors.
  - b. Re-evaluating the current vendor file validation and update software (Sched-Run) for enhancement or replacement.
  - c. Adjusting the maximum daily file upload capacity in order to keep pace with the growing number of vendors and quantity of files submitted.
  - d. Improving the turnaround time for the approval of vendor files by contracting officers.
4. Analyze virtual stores for Advantage to ensure that the tangible and intangible benefits of these investments exceed their development and maintenance cost.

## **Management Comments**

In her September 26, 2005 response to our draft report, which is included in its entirety as Appendix A, the Acting FSS Commissioner generally concurred with the findings and recommendations presented in our report. Written comments provided by the Acting Commissioner describe current and planned activities towards resolving issues raised in the report.

## **Internal Controls**

Our overall objective for this review was to assess whether: (1) FSS' strategic planning and funding strategy for Advantage is ensuring long-term success for the system; (2) adequate controls are in place to provide vendors and government buyers secure online capabilities; and if (3) the system is providing adequate functional capability to keep up with changing user demands, and if not, what changes are needed to improve the system? We conducted a limited review of internal controls for Advantage as outlined in GAO standards. We focused our review on management, operational and technical controls for Advantage, as well as vendor satisfaction with functionality of the system. The Results of Audit and Recommendations sections of this report state in detail the need to strengthen specific managerial and technical controls with Advantage. Our review did not include a detailed analysis of all controls or capabilities within Advantage or contract related issues pertaining to the system.

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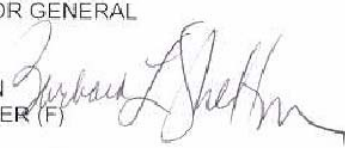
**FSS RESPONSE TO DRAFT AUDIT REPORT**



GSA Federal Supply Service

SEP 26 2005

MEMORANDUM FOR EUGENE WASZILY  
ASSISTANT INSPECTOR GENERAL  
FOR AUDITING (JA)

FROM: BARBARA L. SHELTON   
ACTING COMMISSIONER (F)

SUBJECT: GSA Draft Report, "Review of the GSA Advantage!  
System" (A040246), dated September 12, 2005

We appreciate the work that the auditors have done on this review and appreciate the opportunity to comment. Our specific comments on the four recommendations are provided in the attached statement.

Attachment

cc:  
Gwendolyn A. McGowan (JA-T)

U.S. General Services Administration  
1901 S. Bell Street  
Arlington, VA 20406-0003  
www.gsa.gov



**COMMENTS OF THE OIG DRAFT REPORT "REVIEW OF THE GSA  
ADVANTAGE! SYSTEM" (A040246)**

Recommendation 1:

Establish a management structure with adequate authority and responsibility for the management, funding, and strategic planning of Advantage to ensure the system's continued success and that all business line and support office requirements are met.

Comment:

We generally agree that the management, funding, and strategic planning of Advantage can be improved. To that end we are looking forward to the implementation of the Federal Acquisition Service (FAS) organization that will align the E-Business Division (FIB) within the FSS Office of the CIO and the Systems Management Center (FXS) within the FSS Office of Acquisition Management in the new Office of the FAS CIO.

In FY2005, the Federal Supply Service (FSS) was already in the process of improving IT governance but had to put its implementation on hold because of the FTS-FSS reorganization effort. When the reorganization is formalized, the new FAS CIO Office will be able to direct a more disciplined governance process that will be based on an integrated framework to include: strategic planning; performance measurement; capital planning and investment control (CPIC); systems life-cycle management (SLCM); and configuration management (CM) plus EA alignment. IT governance will include the new business lines of Integrated Technology Services, General Supplies and Services, and Travel, Motor Vehicles and Card Services, plus the new support offices of Customer Accounts & Research, and Acquisition Management.

Recommendation 2:

Develop and implement specific performance measures for Advantage to guide the selection and prioritization of new system requirements.

Comment:

We generally agree that new performance measures other than annual sales are important to Advantage. Two areas of value to Advantage customers that have never been adequately measured are Cost Savings and Cost Avoidance. The GSA Advantage Business Case (August 2004) is the first effort to quantify Cost Savings (*Benefits Assumptions for Competitive Pricing, B-5*) and Cost Avoidance

*(Benefits Assumptions for e-Transaction Processing, B-6)*. These new measures were used in the cost/benefit analysis of the Business Case and will be added as new specific performance measures for Advantage.

For the first time ever, we combined both the tactical customer satisfaction surveys and the strategic customer satisfaction surveys into one integrated customer satisfaction survey plan. Results from both these integrated surveys will become new performance measures for Advantage.

New system requirements and enhancements are derived from user requests that are generated through many channels like training sessions, helpdesk, surveys, phone, and email. New performance measures and the IT governance process will be used to prioritize new requirements.

Recommendation 3:

Ensure that adequate processes are in place to minimize potential delays of vendor product data uploads on Advantage by:

- a. Enhancing or replacing the existing vendor product data upload program (SIP) with a more robust and user-friendly tool for vendors.
- b. Re-evaluating the current vendor file validation and update software (Sched-Run) for enhancement or replacement.
- c. Adjusting the maximum daily file upload capacity in order to keep pace with the growing number of vendors and quantity of files submitted.
- d. Improving the turnaround time for the approval of vendor files by contracting officers.

Comment:

a. We agree that vendor product data uploads on Advantage need to be improved. To that end, an integrated project team (IPT) has been working on the new GSA e-Catalog application that will replace SIP. Significant market research has been conducted, and we are currently in the acquisition-planning phase of this new requirement.

b. The current vendor file validation and update software (Sched-Run) will be enhanced or replaced within the framework of the e-Catalog project.

c. The maximum daily upload capacity has been increased to 110,000 products, and will gradually increase to 200,000 products per day by January 2006.

d. We agree and will work to improve the turnaround time for approval of vendor files. We are able to make one immediate change to partially address this

recommendation. To that end, we will improve the Contracting Officer Review System (CORS) efficiency by reassigning responsibility to the FSS Systems Support Division (FSS). This division manages other contracting officer support systems such as the Offer Registration System (ORS), eOffer, and eMod. Reassigning responsibility for CORS will enable this division to work to improve efficiency and turnaround time.

In addition, as FAS is implemented, we will examine the alternative ways to speed review and approval on contractor files.

Recommendation 4:

Analyze virtual stores for Advantage to ensure that the tangible and intangible benefits of these investments exceed their development and maintenance cost.

Comment:

We generally agree that a more disciplined cost/benefit and Return on Investment (ROI) analysis for virtual store investment are needed. Virtual stores are a relatively new concept in the 10 year life of Advantage. Virtual stores began as prototypes to test new technologies and new functionality for specific customers. FSS accepted these start-up costs as new research and development expenses. The virtual store testing phase is now complete, and this new concept has been recognized as an effective e-tool for agencies to partner with GSA to meet their Strategic Sourcing initiatives. With limited funding and increasing demand, we will use improved IT governance and disciplined business case development to prioritize virtual store investment.

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