

OFFICE OF MANAGEMENT AND BUDGET

WASHINGTON, D.C. 20503

MAY 16 1972

Honorable Rod Kroger
Acting Administrator
General Services Administration
Washington, D. C. 20403

Dear Mr. Kroger:

Approved by:	F
Concurred:	B
Revised by:	
Action:	Information
Frequency of:	IT
Initiative of:	PPPL
Comments:	1. Direct purchase from GSA inventories and stores. 2. Direct purchase from manufacturers via Government contracts. 3. Direct purchase from GSA buying centers.
Reply Due:	5-25-72

As you know, there has been increasing concern in the business community, the Congress and the executive branch regarding an authorization of the General Services Administration which permits Federal grantees to buy supplies and services directly from GSA and from other Federal sources of supply.

The provision at issue, as set forth in the Federal Property Management Regulations 41 CFR Sec. 101-33, authorizes other Government agencies to, in turn, authorize grantees of such agencies, to buy from GSA inventories and stores, and to order directly from manufacturers via Government contracts. Additionally, the authorization has been extended to the practice of allowing grantees to place orders with GSA regions or buying centers for direct purchase, and also allows grantees access to Federal sources of excess personal property.

The above authorizations are not consistent with the purpose of the Administration's policy of reliance on the private enterprise system and is particularly objectionable in this sense because the burden of GSA competition falls more heavily on small businesses throughout the country. To the extent that grants are components of State or local governments, the authorizations are also not consistent with the intent of Congress as expressed in the Inter-governmental Cooperation Act and implementing regulations (Circular A-27) of OMB.

It is our conclusion, in view of the above, that GSA should discontinue all authorizations and practices which now permit the use of Federal sources of supply or services by Federal grantees.

I am requesting, therefore, that immediate steps be taken to propose an amendment to GSA regulations that would rescind all authorizations of GSA under which Federal grantees are

1.0.1

5-11-72

7

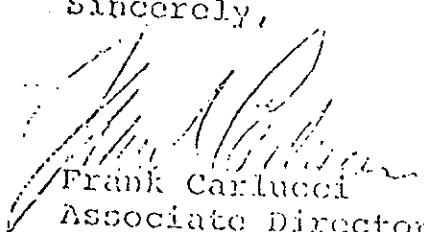
mitted to use Federal sources of supply. The proposed regulation should, of course, be made available under OMB Circular No. A-85 for comment by State and local governments prior to issuance.

Upon issuance of the amendment, action should be taken to notify the agencies of the determination and request that they immediately advise their grantees that access to Federal sources, i.e., depots, stores, warehouses, contracts, excess personal property, or other such sources is no longer authorized. Appropriate action consistent with the above should also be taken with respect to existing arrangements and unfilled requisitions.

As you know, studies of the Commission on Government Procurement have extended to all phases of supply support and the Commission's final report may include recommendations concerning grantee use of Federal supply sources. We will, of course, review the above conclusion in the light of any such recommendation which the Commission may propose.

Your cooperation and assistance in accomplishing the foregoing will be appreciated. Should you have any questions regarding this matter, we would be happy to discuss it further.

Sincerely,


Frank Carlucci
Associate Director

6/2/81

7

Salters

Sept. 19, 1972

Honorable Arthur F. Sampson
Acting Administrator of
General Services
Washington, D. C. 20405

Dear Mr. Sampson:

We have considered your letters of August 14 and September 6, 1972, regarding the proposed discontinuance of grantees' use of Federal supply sources and excess property.

We would question the desirability of holding public hearings concerning the proposed regulation changes since the purpose of such hearings has already been accomplished through publication and solicitation of comments in the Federal Register. In view of the voluminous written response which has already been received from a broad cross section of interested parties, the views gathering hearing proposed would not, in our opinion, contribute significantly to the information already collected and would serve only to unnecessarily delay a final determination in this matter.

It is our conclusion, based on consideration of the views received and the existing policies and objectives of this Administration, that immediate steps should be taken by the General Services Administration to terminate authorities under which Federal grantees may be permitted to purchase from Federal supply sources, including schedule contracts, and also to terminate the procurement services performed by certain Federal purchasing centers on behalf of grantees. To facilitate implementation of this action, agencies should be promptly notified of the regulation change and be requested to immediately advise their grantees that access to Federal Supply Service sources is no longer authorized. Appropriate action consistent with the foregoing should also be taken with respect to existing arrangements and unfilled requisitions.

With respect to grantee use of excess personal property, we believe it would be desirable to explore possibilities along the lines of the proposal contained in your September 6 letter. A concentrated effort in this direction should provide a basis for managing these valuable national assets in a way which assures their fullest use in the public interest. The suggestion made in your letter of August 14 concerning an interagency ad hoc group to study this matter is an appropriate step to carry out the above objective. We would appreciate the opportunity for CME staff to participate in such an interagency group. We also would suggest that other participants include representatives of the Department of Health, Education, and Welfare, the Department of Labor, Office of Economic Opportunity, ACTION, and the National Science Foundation.

In this connection a similar study group, perhaps under HEW leadership, should be considered to review the regulations governing the donation of surplus property for the purpose of extending these benefits to all grantees who may be authorized as eligible donees under the Federal Property Act. That study group should also consider possible measures that would increase the effectiveness of the screening of available surplus property and its assignment to appropriate users. The end objective should be that every piece of usable surplus property is donated and delivered promptly to recipients for purposes which best serve the public good.

Mr. James Currie of my staff will be the CME representative to the interagency group. He is also available to answer any questions or provide assistance you may require in connection with this matter. Mr. Currie can be reached on IDS Code 103-3324 or 395-3824.

Your cooperation and assistance are vital to the successful accomplishment of the objectives outlined above and are very much appreciated. You may be assured of our full support.

Sincerely,

James S. Dwight, Jr.

James S. Dwight, Jr.
Associate Director