

GENERAL SERVICES ADMINISTRATION

[OMB Control No. 3090-0121]

[Docket No. 2017-0001; Sequence 1]

**General Services Administration Acquisition Regulation;
Information Collection; Industrial Funding Fee and Sales
Reporting**

AGENCY: Office of Acquisition Policy, General Services Administration (GSA).

ACTION: Notice of request for comments regarding an extension to an existing OMB clearance.

SUMMARY: Under the provisions of the Paperwork Reduction Act, the Regulatory Secretariat Division is submitting a request to the Office of Management and Budget (OMB) to review and approve an extension of a previously approved information collection associated with General Services Administration Acquisition Regulation clause 552.238-74, Industrial Funding Fee and Sales Reporting. GSA uses this information to collect the Industrial Funding Fee and administer the Federal Supply Schedule (FSS) program.

DATES: Submit comments on or before: **[Insert date 60 days after date of publication in the Federal Register].**

ADDRESSES: Submit comments identified by Information Collection 3090-0121, Industrial Funding Fee and Sales Reporting, by any of the following methods:

- Regulations.gov: <http://www.regulations.gov>.

Submit comments via the Federal eRulemaking portal by searching the OMB control number. Select the link "Submit a Comment" that corresponds with "Information Collection 3090-0121, Industrial Funding Fee and Sales Reporting." Follow the instructions provided at the "Submit a Comment" screen. Please include your name, company name (if any), and "Information Collection 3090-0121, Industrial Funding Fee and Sales Reporting" on your attached document.

- Mail: General Services Administration, Regulatory Secretariat Division (MVCB), 1800 F Street NW, Washington, DC 20405. ATTN: Ms. Flowers/IC 3090-0121, Industrial Funding Fee and Sales Reporting.

Instructions: Please submit comments only and cite Information Collection 3090-0121, Industrial Funding Fee and Sales Reporting, in all correspondence related to this collection. All comments received will be posted without change to <http://www.regulations.gov>, including any personal and/or business confidential information provided.

FOR FURTHER INFORMATION CONTACT: Matthew McFarland, Senior Policy Advisor, GSA Acquisition Policy Division, at 202- 690-9232 or matthew.mcfarland@gsa.gov.

SUPPLEMENTARY INFORMATION:

A. Purpose

GSA's Federal Supply Schedule (FSS) program, commonly known as the GSA Schedules program or Multiple Award Schedule (MAS) program provides federal agencies with a simplified process for acquiring commercial supplies and services. The FSS program is the Government's preeminent contracting vehicle, accounting for approximately 10 percent of all federal contract dollars with \$33 billion of purchases made through the program in fiscal year 2016.

Activities placing orders against a GSA Schedule contract must pay an Industrial Funding Fee (IFF) that reimburses GSA's Federal Acquisition Service (FAS) for the costs of operating the FSS program. FAS recoups its operating costs from ordering activities (i.e. customers) as set forth in 40 U.S.C. 321: Acquisition Services Fund. Net operating revenues generated by the IFF are also applied to fund initiatives benefitting other authorized FAS programs, in accordance with 40 U.S.C. 321. The IFF, currently set at 0.75 percent, is included in the order price, so when a vendor is paid for an FSS order, it is also collecting the IFF. Collection is similar to a state sales tax, where a customer pays the tax due to a merchant,

and then the merchant remits the taxes collected to the state government.

GSA requires vendors to report their FSS sales each quarter so it can determine the amount of IFF the vendors have collected from customers, and therefore must remit to GSA. However, GSA also uses this information for other purposes, including budgeting, determining whether vendors have met the minimum sales requirement,¹ evaluating the program's performance, and monitoring small business participation.

Vendor reporting and remittance requirements are set forth in General Services Administration Acquisition Regulation (GSAR) clause 552.238-74, Industrial Funding Fee and Sales Reporting, or Alternate I of that clause. While both clause versions govern how the IFF is calculated and remitted, the reporting requirements differ between the basic version and Alternate I:

Clause 552.238-75: Basic Version: This version requires vendors to report their FSS contract sales to GSA once a quarter. GSA then calculates the IFF due based on the total amount of sales reported, and the vendor must

¹ The FSS Contract Sales Criteria clause requires vendors to have at least \$25,000 in sales over the first two years of a contract and then \$25,000/year in sales for each year thereafter. Vendors that have not satisfied the minimum sales requirement are subject to cancellation in accordance with GSAR clause 552.238-73 *Cancellation*.

remit that amount within 30 days after the end of the quarter. The basic version of the clause applies to approximately 72 percent of GSA Schedule contracts.

Clause 552.238-75: Alternate I: While the basic version requires vendors to report their total FSS sales each quarter, Alternate I requires vendors to report the transactional data generated from orders each month. GSA then calculates the IFF due based on the transactional data reported, and the vendor must remit that amount within 30 days after the end of the quarter. Alternate I of the clause applies to FSS contracts participating in the Transactional Data Reporting pilot. The pilot commenced on June 23, 2016 and will run for at least a year before substantial changes are considered. Approximately 28 percent of GSA Schedule contracts are eligible to participate in the pilot.

Since the reporting requirements vary by the two versions of clause 552.238-74, separate Paperwork Reduction Act information collections have been established for each version. The information collection associated with OMB control number 3090-0306, which expires on 8/31/2019, applies to Alternate I. This information collection (OMB control number 3090-0121) applies to the basic version of the clause.

Information Collection Changes and Updates

- The population of vendors subject to this information collection is smaller than the previous version, as FSS contracts eligible to participate in the Transactional Data Reporting pilot (approximately 28 percent of all GSA Schedule contracts) are now included under OMB control number 3090-0306.
- Previous justifications for this information collection limited the burden to the amount of time needed for vendors to input sales data in the 72A Reporting System and remit IFF payments. However, GSA now recognizes recordkeeping, quality assurance, reporting, and remittance should be included in the burden estimates. Since recordkeeping and quality assurance are the largest burden drivers for both vendors and the Government, the burden estimates for both the public and Government have increased.

B. Annual Reporting Burden

Population Overview: The basic version of clause 552.238-74 is included in 14,306 contracts held by 12,254 vendors. This includes 1,128 new contracts awarded to 819

vendors.²

Cost Estimates: The estimated cost burden for respondents was calculated by multiplying the burden hours by an estimated cost of \$68/hour (\$50/hour with a 36% overhead rate).³

Categorization of Vendors by Quarterly Sales Revenue: Sales reporting imposes a progressive burden – one that increases with a vendor's sales volume. Quarterly reporting times will increase with a vendor's applicable sales volume, as vendors with lower to no reportable sales will spend little time on quarterly reporting, while those with more reportable sales will face a higher reporting burden.

GSA separated vendors into categories based on average quarterly sales volume⁴ in order to account for the differences in reporting burden. These categories are:

- Category 1: No sales activity (average quarterly sales of \$0)

² These are approximations based on FY2015 data. The number of vendors equals the number of unique Data Universal Numbering System (DUNS) numbers, which are assigned to business entities.

³ The 36% overhead rate was used in reference Office of Management and Budget (OMB) Circular No. A-76. Circular A-76 requires agencies to use standard cost factors to estimate certain costs of government performance. These cost factors ensure that specific government costs are calculated in a standard and consistent manner to reasonably reflect the cost of performing commercial activities with government personnel. The standard cost factor for fringe benefits is 36.25%; GSA opted to round to the nearest whole number for the basis of its burden estimates.

⁴ Average quarterly sales volume was computed by taking a vendor's total annual sales volume and dividing it by 4. All sales data is from FY2015.

- Category 2: Average quarterly sales between \$0 and \$60,000
- Category 3: Average quarterly sales between \$60,000 and \$600,000
- Category 4: Average quarterly sales between \$600,000 and \$3 million
- Category 5: Average quarterly sales over \$3 million

The distribution of vendors by sales category is as follows:

FSS and Vendors by Sales Category		
	FSS Vendors (Count)	FSS Vendors (Percentage)
Category 1	4,217	34%
Category 2	4,020	33%
Category 3	2,768	23%
Category 4	970	8%
Category 5	279	2%
Total	12,254	100.00%

Automated vs. Manual Reporting Systems: Vendors subject to these clauses must create systems or processes to produce and report accurate data. Generally, vendors will use automated or manual systems to identify the quarter's reportable sales. An automated system is one that relies on information technology, such as an accounting system or data management software, to identify and compile reportable data. These systems can tremendously streamline

the reporting process but require upfront configuration to perform the tasks, such as coding the sales types to be retrieved. Conversely, a manual system is one that incorporates little to no automation and instead relies on personnel to manually identify and compile the reportable data. An example of a manual system would be an accountant reviewing invoices to identify the reportable data and then transferring the findings to a spreadsheet. In contrast to automation, a manual system requires relatively little setup time but the reporting effort will generally increase with the vendor's sales volume.

The likelihood of a vendor adopting an automated system increases with their applicable sales volume. Vendors with little to no reportable data are unlikely to expend the effort needed to establish an automated reporting system since it will be relatively easy to identify and report a limited amount of data. In fiscal year 2015, 34 percent of FSS vendors subject to this collection reported \$0 sales, while another 33 percent reported average quarterly sales between \$1 and \$60,000 per quarter. However, as a vendor's applicable average quarterly sales increase, they will be increasingly likely to establish an automated system to reduce the quarterly reporting burden. Consequently, vendors with higher

reportable sales will likely bear a higher setup burden to create an automated system, or absorb a high quarterly reporting burden if they choose to rely on manual reporting methods.

The following chart depicts the likelihood of the population of vendors adopting manual and automated reporting systems:

Vendors by Reporting System Type (Manual vs. Automated)				
	Manual System (Vendor Percentage)	Automated System (Vendor Percentage)	Manual System (Vendor Count)	Automated System (Vendor Count)
Category 1	100%	0%	4,217	0
Category 2	100%	0%	4,020	0
Category 3	90%	10%	2,491	277
Category 4	50%	50%	485	485
Category 5	10%	90%	28	251
Total Vendor Count by System Type			11,241	1,013
Vendor Percentage by System Type			92%	8%

Initial Setup: Vendors with active FSS contracts already have procedures in place to meet these longstanding reporting requirements. However, new FSS vendors will absorb a one-time setup burden to establish reporting systems. The estimated setup time varies between automated and manual reporting systems. Vendors implementing a manual system must acclimate themselves with the new reporting requirements and train their staff as accordingly, while

those with automated systems must perform these tasks in addition to configuring information technology resources. GSA is attributing the setup burden by vendor, not by contracts, because a vendor holding multiple contracts subject to this rule will likely use a single reporting system.

GSA estimates the average one-time setup burden is 8 hours for vendors with a manual system and 40 hours for those with an automated system. GSA also attributes the same system type probabilities (manual system 92%, automated system 8%) to the population of new vendors. These estimates apply to the 819 vendors awarded FSS contracts in fiscal year 2015.

Quarterly Reporting: Vendors are required to report sales within 30 calendar days after the end of each quarter. The average reporting times vary by system type (manual or automated) and by sales categories. GSA estimates vendors using a manual system will have average quarterly reporting times ranging from 15 minutes (0.25 hours) per quarter for vendors with \$0 sales, to an average of 8 hours per quarter for vendors with quarterly sales over \$3 million. On the other hand, GSA projects vendors with automated systems will have reporting times of 2 hours per quarter, irrespective of quarterly sales volume, as a

result of efficiencies achieved through automated processes. The following table shows GSA's projected quarterly reporting times per sales category and system type.

Quarterly Reporting Hours by System Type and Category		
	Manual Systems	Automated Systems
Category 1	0.25	2.00
Category 2	1.00	2.00
Category 3	2.00	2.00
Category 4	4.00	2.00
Category 5	8.00	2.00

Annualized Public Burden Estimates

The burden estimates consist of quarterly reporting times for all 12,254 participating vendors and a one-time setup burden for the 819 new vendors:

Quarterly Reporting

Annual Burden (Hours): 56,983.

Annual Burden (Cost): \$3,874,817.

Initial Setup

Annual Burden (Hours): 8,718.

Annual Burden (Cost): \$592,846.

Total Information Collection Burden

Number of Respondents: 12,254.

Response per Respondent: 4.

Total Annual Responses: 49,016.

Hours Per Response: 1.3404.

Total Burden (Hours): 65,701.

Annual Burden (Cost): \$4,467,663.

C. Public Comments

Public comments are particularly invited on: Whether this collection of information is necessary and whether it will have practical utility; whether our estimate of the public burden of this collection of information is accurate, and based on valid assumptions and methodology; ways to enhance the quality, utility, and clarity of the information to be collected.

OBTAINING COPIES OF PROPOSALS: Requesters may obtain a copy of the information collection documents from the General Services Administration, Regulatory Secretariat Division (MVCB), 1800 F Street, NW, Washington, DC 20405, telephone 202-501-4755. Please cite OMB Control No. 3090-0235, Price Reductions Clause, in all correspondence.

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