

**SUPPORTING STATEMENT
FOR PAPERWORK REDUCTION ACT SUBMISSION
3090-0121, INDUSTRIAL FUNDING FEE AND SALES REPORTING**

A. Justification

1. Explain the circumstances that make the collection of information necessary.

The General Services Administration'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.

Ordering activities placing orders against a GSA Schedule contract must pay an Industrial Funding Fee (IFF) that covers GSA's costs of operating the FSS program. The fee is currently set at 0.75% and is included in the prices ordering activities pay vendors when purchasing from an FSS contract.¹ FSS vendors then remit the IFF collected from ordering activities to GSA once a quarter.

General Services Administration Acquisition Regulation (GSAR) clause 552.238-74, Industrial Funding Fee and Sales Reporting, or Alternate I of that clause, is included in every GSA Schedule contract. The clause governs how the IFF is calculated and remitted, although the 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 remit that amount within 30 days after the end of the quarter. The basic version of the clause applies to approximately 72% 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% 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.

¹ The IFF for Schedule 599, Special Item Number 599-2 is \$1.50 per transaction.

**SUPPORTING STATEMENT
FOR PAPERWORK REDUCTION ACT SUBMISSION
3090-0121, INDUSTRIAL FUNDING FEE AND SALES REPORTING**

2. Indicate how, by whom, and for what purpose the information is to be used.

GSA uses the information collected to calculate the amount of IFF due from customers and to evaluate activity under its FSS contracts.

The IFF 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 due for each transaction is included in the order price, so when a vendor is paid for an FSS order, it is also collecting the IFF. This 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,² evaluating the program's performance, and monitoring small business participation.

3. Describe whether, and to what extent, the collection of information involves the use of information technology.

Vendors will submit all information associated with this collection electronically through the 72A Sales Reporting System, found at <https://72a.gsa.gov>. Vendors are also encouraged to electronically remit IFF payments, via credit card or online check, through the 72A site.

4. Describe efforts to identify duplication.

Vendor-provided FSS sales data is necessary for GSA to calculate the IFF and evaluate FSS program performance. GSA has explored several alternatives for obtaining this data - internal applications; GSA ordering platforms such as eBuy and GSA Advantage!®; the SmartPay credit card purchase program; and upgrades to the Federal Procurement Data System. GSA concluded these options would not provide the breadth of data needed to support the Government's objectives or would be unable to do so in the foreseeable future.

While GSA can collect some sales data through purchase card transactions, doing so would only provide data for a fraction of the sales conducted under the FSS program. Increasing purchase card usage in order for purchase card data to be a viable solution would require numerous regulatory, procedural, and security changes to implement, which could not be accomplished in the near future and therefore would not support the Government's immediate needs.

² 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*.

**SUPPORTING STATEMENT
FOR PAPERWORK REDUCTION ACT SUBMISSION
3090-0121, INDUSTRIAL FUNDING FEE AND SALES REPORTING**

Additionally, the Government's electronic invoicing initiative was assessed as a potential alternative.³ However, following meetings regarding electronic invoicing implementation with representatives from the Department of Defense, Department of Energy, Department of Transportation, Department of Treasury, and Department of Veterans Affairs, it was determined these electronic invoicing platforms will not provide a solution in the near term.

On June 23, 2016, GSA published the Transactional Data Reporting final rule, which established a pilot program including certain Schedules and Special Item Numbers (i.e. subcategories). Approximately 28% of GSA's FSS contracts are eligible for the pilot.⁴ Vendors that participate in the pilot are required to report transactional data, including prices paid and part numbers, in lieu of reporting sales amount each quarter through the 72A Sales Reporting System. Those vendors are also no longer subject to the FSS Pricing Disclosures information collection (OMB control number 3090-0235) requirements. GSA believes Transactional Data Reporting will prove to be a more effective method for collecting the data it needs to operate the FSS program, but must first test its assumptions through the pilot program. In the interim, GSA must continue to require the quarterly sales reporting under this information collection for contracts not participating in the Transactional Data Reporting pilot.

5. If the collection of information impacts small businesses or other small entities, describe any methods used to minimize burden.

Small businesses hold most of the contracts in the GSA Schedules program and account for a smaller but still very significant share of the overall sales volume. In FY2015, small businesses held 80 percent of the FSS contracts and accounted for 30 percent of the overall sales. In fiscal year 2015, 36 percent of the FSS contracts held by small businesses had no sales activity, and another 36 percent had sales less than \$250,000. The vendors who hold these contracts are typically not expending tremendous resources to administer contracts that do not produce high sales.

Small businesses have participated in this information collection for over 20 years.⁵ As such, existing FSS contract holders have the procedures in place to comply with the IFF and quarterly sales reporting requirements. New vendors must develop the capacity to identify reportable information, although vendors do not need to do so until they have received sales under their contracts.

As noted in Section 4, GSA has launched a Transactional Data Reporting pilot for certain Schedules and Special Item Numbers. Of the 5,452 contracts eligible to join the pilot, 4,358

³ See Office of Management and Budget memorandum M-15-19, "Improving Government Efficiency and Saving Taxpayer Dollars Through Electronic Invoicing", July 17, 2015, available at <https://www.whitehouse.gov/sites/default/files/omb/memoranda/2015/m-15-19.pdf>

⁴ Based on FY2015 figures, the Schedules and Special Item Numbers included in the Transactional Data Reporting pilot included 5,452 contracts (28% of all GSA FSS contracts), which were held by 4,978 vendors (30% of total GSA FSS vendors).

⁵ On April 18, 1995, GSA implemented the IFF for FSS contracts. Two clauses, 552.238-76 *Industrial Funding Fee* and 552.238-74 *Contractor's Report of Sales*, as well as instructions for quarterly sales reporting, were included in the solicitation for each FSS contract. On July 11, 2003, those two clauses were consolidated into a single clause, 552.238-74 *Industrial Funding Fee and Sales Reporting*.

**SUPPORTING STATEMENT
FOR PAPERWORK REDUCTION ACT SUBMISSION
3090-0121, INDUSTRIAL FUNDING FEE AND SALES REPORTING**

are held by small businesses.⁶ Small businesses that opt-in to the pilot will no longer be subject to this information collection (OMB control number 3090-0121) or the FSS pricing disclosures information collection (OMB control number 3090-0235). GSA believes the combined burdens of these legacy information collection requirements are higher than the Transactional Data Reporting information collection (OMB control number 3090-0306) burden. If the Transactional Data Reporting pilot confirms this assumption, GSA will consider including additional Schedules and Special Item Numbers under Transactional Data Reporting. This would further decrease the reporting burden on vendors, including small businesses.

6. Describe the consequence to Federal program or policy activities if the collection is not conducted or is conducted less frequently, as well as any technical or legal obstacles to reducing burden.

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 to administer the FSS program. Without this collection, GSA would not have a means to collect the IFF, and therefore cover the costs of operating the FSS program, nor would it be unable to monitor macro-level performance under the FSS program.

Regarding frequency, GSA cannot allow less frequent IFF remittance because doing so would negatively impact GSA FAS, which is partially funded by IFF collections. Additionally, GSA cannot decouple the reporting and remittance requirements because then it would be unable to determine how much IFF is owed by customer agencies. As a result, neither facet of this collection can be conducted less frequently.

7. Explain any special circumstances.

GSA does not require this information more often than quarterly unless it has been reported incorrectly, in which case an amended report is submitted. Otherwise, none of the special circumstances apply to this information collection.

8. Describe efforts to consult with persons outside the agency.

A notice was published in the Federal Register at 82 FR 4337 on January 13, 2017. No comments were received. A 30-day notice was published in the Federal Register at 82 FR 16211 on April 3, 2017. No comments were received.

9. Explain any decision to provide any payment or gift to respondents, other than remuneration of contractors or grantees.

GSA makes no such payments under this collection.

10. Describe any assurance of confidentiality provided to respondents and the basis for assurance in statute, regulation, or agency policy.

⁶ Based on FY2015 data.

**SUPPORTING STATEMENT
FOR PAPERWORK REDUCTION ACT SUBMISSION
3090-0121, INDUSTRIAL FUNDING FEE AND SALES REPORTING**

The sales information collected is posted publicly on the Schedule Sales Query (SSQ) website (<https://ssq.gsa.gov>). The IFF is static, so the public can calculate the amount due based on data from SSQ. However, GSA does not publicly release information regarding IFF remittance, including IFF balances, remittance timeliness, and delinquencies.

11. Provide additional justification for any questions of a sensitive nature.

No sensitive questions are involved.

12 & 13. Provide estimates of the hour burden of the collection of information.

Number of Respondents	12,254
Responses per Respondent	4
Total Annual Responses	49,016
Hours per Response	1.340397418
Total Burden Hours	65,701
Hourly Rate	\$68.00
Total Cost	\$4,467,662.55

Population Overview

This information collection applies to GSA FSS contracts that include the basic version of GSAR clause 552.238-74, Industrial Funding Fee and Sales Reporting; Alternate I of the clause is covered by a separate information collection, OMB control number 3090-0306. The basic version of clause 552.238-74 is included in 14,306 contracts held by 12,254 vendors. These figures include 1,128 new contracts awarded to 819 vendors.⁷

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).⁸ The estimated cost per response is \$91.14.

Reporting Requirements

The basic version of GSAR clause 552.238-74 requires vendors to report their total sales by Special Item Number (SIN) once a quarter in the 72A Reporting System.⁹ Vendors must file

⁷ 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.

⁸ 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.

⁹ <https://72a.gsa.gov>

**SUPPORTING STATEMENT
FOR PAPERWORK REDUCTION ACT SUBMISSION
3090-0121, INDUSTRIAL FUNDING FEE AND SALES REPORTING**

these reports within 30 days after the end of each of the following quarters:

- January 1 to March 31
- April 1 to June 30
- July 1 to September 30
- October 1 to December 31

After vendors report their sales, the 72A Reporting System calculates the IFF due for the quarter. The system then prompts users to “Pay Now” or “Pay Later.” Vendors can remit IFF payments via credit card, online check, or paper check. Regardless of whether a vendor remits the IFF at the time sales are reported or at a later date, the IFF due must be remitted within the same 30 day deadline following the end of the reporting quarters.

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 monthly reporting, while those with more reportable sales will face a higher reporting burden.

GSA separated vendors into categories based on average quarterly sales volume¹⁰ in order to account for the differences in reporting burden. These categories are:

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

¹⁰ 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.

**SUPPORTING STATEMENT
FOR PAPERWORK REDUCTION ACT SUBMISSION
3090-0121, INDUSTRIAL FUNDING FEE AND SALES REPORTING**

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 month. 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 monthly 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 (Percentage)	Automated System (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 Count of Vendors by System Type			11,241	1,013
Percentage of Vendors 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

**SUPPORTING STATEMENT
FOR PAPERWORK REDUCTION ACT SUBMISSION
3090-0121, INDUSTRIAL FUNDING FEE AND SALES REPORTING**

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 monthly 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:

Monthly 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 participating vendors and a one-time setup burden for the 819 new vendors:

FSS Burden Estimates	
Quarterly Reporting (Time)	56,983 Hours
Quarterly Reporting (Cost)	\$3,874,817
Initial Setup (Time)	8,718 Hours
Initial Setup (Cost)	\$592,846
Total Annual Time	65,701 Hours

**SUPPORTING STATEMENT
FOR PAPERWORK REDUCTION ACT SUBMISSION
3090-0121, INDUSTRIAL FUNDING FEE AND SALES REPORTING**

Total Average Annual Cost	\$4,467,663
---------------------------	-------------

14. Provide estimates of annualized costs to the Federal Government.

The Government also incurs costs through this rule relating to collecting data and performing quality assurance functions. These functions are performed by Industrial Operations Analysts (IOAs), who conduct compliance reviews and analyze the completeness and accuracy of reported data. IOAs are also responsible for reviewing reported data and data corrections, as necessary. IOAs reported spending 62,769 hours on compliance reviews in fiscal year 2014. GSA personnel spent approximately 1 hour reviewing 2,851 sales adjustments over that same time period, a task that has since been transferred to IOAs. The total estimated time burden for IOAs is 65,620 hours a year.

To arrive at a cost estimate, GSA is applying an hourly rate of \$41.48, which is derived from a GS-12, Step 5 salary in the Washington, DC locality area.¹¹ Therefore, the total estimated annual cost for IOAs is \$2,721,927.97. However, since the contracts under the Transactional Data Reporting requirement are subject to a different information collection (OMB control number 3090-0306), the time and cost for the Government for those contracts is not counted under these burden estimates. Since the contracts with quarter sales reporting requirements now represent 56.8 percent of the total fiscal year 2015 FSS sales, GSA is allocating the same share for the FSS burden relating to IOAs, which amounts to \$1,546,055.09.

15. Explain the reasons for any program changes or adjustments reported in Items 13 or 14.

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. Additionally, the number of applicable contracts; namely, contracts included in the Transactional Data Reporting pilot are no longer included in this collection. Finally, the hourly rate for the Government has been updated to use a more current hourly rate.

16. For collections of information whose results will be published, outline plans for tabulation and publication.

The sales information collected is posted publicly on the Schedule Sales Query (SSQ) website (<https://ssq.gsa.gov>). The information is updated after sales are reported each quarter.

17. If seeking approval to not display the expiration date for OMB approval of the information collection, explain the reasons that display would be inappropriate.

¹¹ Office of Personnel Management Salary Table 2015-DCB Washington-Baltimore-Northern Virginia, DC-MD-VA-WV-PA, effective January 2015

**SUPPORTING STATEMENT
FOR PAPERWORK REDUCTION ACT SUBMISSION
3090-0121, INDUSTRIAL FUNDING FEE AND SALES REPORTING**

GSA is not seeking such approval for this collection.

18. Explain each exception to the certification statement identified in Item 19, “Certification for Paperwork Reduction Act Submissions”.

None.

B. Collections of Information Employing Statistical Methods

Statistical methods are not used in this information collection.