



Procurement Through Commercial E-Commerce Portals

Phase III Report: Program Implementation Guidance

May 2020

Signature Page

GSA is pleased to submit the Phase 3 implementation plan, which details the program's approach, provides implementation guidance, and outlines key management and measurement processes in support of the program's implementation. This plan was developed in close consultation with the Office of Management and Budget, as outlined in Section 846 of the FY18 National Defense Authorization Act (NDAA). We look forward to continuing to work with Congress, agency stakeholders, and industry partners in support of this important initiative.



Emily W. Murphy, Administrator
General Services Administration

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1. Executive Summary

The National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2018, Section 846 “Procurement Through Commercial E-Commerce Portals” directs the General Services Administration (GSA) in partnership with the Office of Management and Budget (OMB) to establish a program to enable Federal agencies to procure commercial off-the-shelf (COTS) items through commercial e-commerce portals. Section 846 seeks to align Government purchasing to commercial practices and technology through a phased implementation approach.

As required by Section 846, this report addresses Phase III of the implementation plan: Program Implementation Guidance. Per legislation, the Phase III report outlines “guidance to implement and govern the use of the program” including protocols for “oversight of procurement through the program, and compliance with laws pertaining to supplier and product screening requirements, data security, and data analytics.” The information contained in this report will focus on implementation efforts for the proof of concept launching in fiscal year 2020.

With a potential \$6 billion addressable market for the e-commerce channel, Federal agencies are looking to leverage commercial capabilities while obtaining data they can use to analyze spend, reduce supply chain risk, and improve internal controls. Some early adopter agencies have already begun using e-commerce channels to gain insight into what’s being bought, who’s selling it, and where it’s coming from but without the benefits GSA’s program will offer. Agencies want to take a proactive approach when it comes to topics like supply chain risk management and counterfeiting, which have become areas of increasing concern related to e-commerce platforms. The recent DHS Report, *Combating Trafficking in Counterfeit and Pirated Goods*,¹ outlines best practices that can provide a framework for approaching these topics within a GSA-led, Governmentwide approach to purchasing from e-marketplace platforms.

GSA’s role in Government provides a unique opportunity to change Federal buying behaviors by partnering with multiple e-marketplace platform providers who offer business-to-business (B2B) capabilities. There are several key advantages to taking this unified, cross-agency approach. For example, commercial terms may vary by provider and do not include mandatory Government requirements, but this approach allows GSA to establish certain standard terms and conditions rather than simply agreeing to various, potentially incompatible commercial terms. This approach also permits a holistic view of spend data which, in turn, can be used to reduce supply chain risk, develop better buying strategies, and, potentially, drive better pricing. In fact, some agencies that were already considering one-off contracts with portal providers have agreed to partner with GSA to implement a proof of concept, recognizing the benefits of a whole-of-government approach.

The Phase III report outlines GSA’s approach to the implementation of the proof of concept, to include critical efforts to maximize competition, ensure opportunities for AbilityOne, provide easy access to small business concerns, and manage supply chain risk and counterfeit goods. In addition, the report discusses how data security, data analytics and ordering procedures are accounted for within the proof of concept. The report concludes by detailing program performance measurement as well as future areas of research for Section 846 implementation, including plans for other identified e-commerce models.

GSA and OMB look forward to continuing to work with interested stakeholders in the implementation of the initial proof of concept, and demonstrating how a Governmentwide approach to purchasing through commercial e-commerce platforms can assist in better understanding managed open-market spend.

¹ https://www.dhs.gov/sites/default/files/publications/20_0124_plcy_counterfeit-pirated-goods-report_01.pdf

2. Program Approach

In the Phase II report, GSA outlined several key decisions around implementation of Section 846 of the FY18 NDAA.

- GSA will take an iterative implementation approach driven by an initial proof of concept;
- Spend will be scoped to the \$10,000 micro-purchase threshold;
- GSA will start with testing the e-marketplace model and will award to multiple platforms; and
- The proof of concept will be available to individual agency buyers, with a focus on a small group of Federal agencies to ensure adequate feedback throughout the proof of concept.

This approach allows GSA to start small, test, and refine as lessons are learned throughout the proof of concept. The micro-purchase threshold represents the point where Federal acquisition rules and regulations most closely approximate commercial terms and conditions, representing a logical starting point for implementation of Section 846. The following sections of the Phase III report outline GSA's approach to launching this initial proof of concept.

2.1 Competition

A requirement of the Section 846 legislation, as well as something that GSA publicly committed to in order to ensure strong competition, was an award to multiple e-marketplace platform providers for the initial proof of concept. The e-marketplace model encourages robust competition not only at the platform level by offering millions of products across thousands of suppliers, but also at the product level, with multiple suppliers competing to sell a given product.

Having multiple e-marketplaces is a critical protection both for Federal agencies and for small business suppliers. Over the short term, Federal agencies benefit by having greater access and choice across a large pool of suppliers and increased potential to support critical items. Over the longer run, having multiple e-marketplaces mitigates the risk of vendor lock-in, encourages continual innovation by the e-marketplace operators, and assures further development of workflow tools and business-to-business capabilities. Key areas of interest for agencies include account hierarchies, workflow approvals, socioeconomic filters and data analytics. Such tools not only help the individual buyer easily buy routine commercial products, but also allow agencies to better manage this area of spend, with more controls and improved compliance capabilities relative to what may be available on private sector sites.

For suppliers, multiple e-marketplace platforms provide a choice in whom they can partner with, meaning that suppliers can work with platforms that best match their business strategy and goals. Suppliers (many of whom are small businesses) have the ability to use the e-marketplace platforms to reach the Government market the same way many reach their consumer customers today. In addition, the ability to select from multiple e-marketplace platforms places a vital check on the power the e-marketplace has over suppliers selling through it.

The GSA program team will track participation, usage, and performance on each of the e-marketplace platforms and gather feedback from agency buyers and supplier communities to assist in better understanding the competitive usage of these e-marketplace platforms.

2.2 Compliance with AbilityOne

Mandatory sources of supply defined in Federal Acquisition Regulation (FAR) Subpart 8.7² represent a public policy priority, long recognized in statute and Governmentwide policy. GSA is committed to ensuring that mandatory sources such as AbilityOne are effectively represented and promoted in this program.

Rather than simply state that e-marketplaces are required to “block and sub” the commercial item for the AbilityOne item, GSA requires platform providers prevent the sale of a commercial item which is “essentially the same” as an item on the [AbilityOne Procurement List](#). In addition, GSA requires platform providers to ensure the vendors selling AbilityOne products are, in fact, authorized distributors. This aligns with the direction of Section 846 to take on existing commercial practices to the maximum extent practicable as to how these goals are accomplished, while also complying with the Government’s mandatory source requirements.

A key element to ensuring successful access to AbilityOne products is participation from AbilityOne distributors within the e-marketplace platforms. Throughout the Section 846 implementation, GSA and AbilityOne have had regular meetings to discuss the inclusion of the AbilityOne product catalog and the importance of having those products available for agency buyers within the proof of concept. Through the spend data associated with the proof of concept, valuable insight will be gained into micro-purchase spend, and the usage of the AbilityOne program. To ensure compliance and assist agencies in gaining access to this spend, GSA will be tracking the sale of AbilityOne items as a key metric for the program.

2.3 Supply Chain Security

Supply chain risk management (SCRM) has been an evolving topic throughout the implementation of Section 846. Numerous SCRM challenges (i.e., cyber risks, counterfeit items) have been identified through market research, within both the commercial and the Government market. Currently, agencies have minimal visibility into the growing portion of Federal spend taking place using the Government Purchase Card (GPC) via commercial e-commerce portals (from \$135M in FY14 to almost \$260M in FY18)³, introducing significant risk into the Federal supply chain. These transactions are dispersed across a high number of sources, further heightening this risk. The continued growth of e-commerce buying presents a scenario where the risk will likely continue to increase without further action at the Governmentwide level.

The Department of Homeland Security report, *Combating Trafficking in Counterfeit and Pirated Goods*, highlights the significant growth (154%) in counterfeit trading internationally, from \$200 billion in 2005 to \$509 billion in 2016.⁴ Counterfeit trafficking exposes American consumers to significant health and safety risks— in addition to significant economic impacts and, in some cases, threats to national security. In addition to counterfeit goods, the introduction of high-risk telecommunications and video surveillance services or equipment into the Government supply chain has been of significant concern and a focus within the Government regulatory community.

² FAR Subpart 8.7, link: <https://www.acquisition.gov/content/part-8-required-sources-supplies-and-services#i1116916>

³ GPC Sales are from a representative ‘market basket’ sampling of online portals from FY14-FY18 purchased using the GSA SmartPay® card. These figures include sales to online-only portals and do not include spend data for purchases from companies that have both brick and mortar and online storefronts.

⁴ https://www.dhs.gov/sites/default/files/publications/20_0124_plcy_counterfeit-pirated-goods-report_01.pdf

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The challenges associated with SCRM are not unique to GSA and Section 846, but in fact represent critical areas that both Government and industry are looking to address through comprehensive and collaborative regulation and guidance. These are additional considerations GSA will need to balance throughout implementation of the proof of concept, particularly in light of existing commercial practices and capabilities that GSA was directed to follow as part of Section 846. The Administration has looked to address these critical areas of SCRM through the following actions:

- **Section 1634**⁵, prohibition on products and services developed or provided by Kaspersky Lab. (December 12, 2017);
- **Section 889** of the FY2019 National Defense Authorization Act (P.L. 115-232)⁶, prohibition on Federal use of covered telecommunications equipment from ZTE, Huawei, Dahua, Hikvision, and Hytera (or any subsidiary or affiliate of such entities). (August 13, 2018);
- **Strengthening and Enhancing Cyber-capabilities by Utilizing Risk Exposure (SECURE) Technology Act**⁷, contains three primary components, one of which is to establish a Federal process to address critical supply chain risks. (December 21, 2018);
- **Federal Acquisition Security Council**⁸, made up of senior leaders from across the government to protect Government acquisition of critical information and communications technologies. (December 21, 2018);
- **DHS Report to the President of the United States, Combating Trafficking in Counterfeit and Pirated Goods**, outlines proactive measures that DHS will undertake and recommended best practices for the private sector to combat the trafficking of counterfeit and pirated goods. (January 24, 2020); and
- **Executive Order 13904, Ensuring Safe and Lawful E-Commerce for United States Consumers, Businesses, Government Supply Chains, and Intellectual Property Rights Holders**⁹ (January 31, 2020).

To address vulnerabilities within the global supply chain, GSA is implementing a number of solutions within the proof of concept to create additional visibility and reduce concerns related to supply chain security. The approach is two-fold and addresses removal of both prohibited vendors, as well as prohibited products. It includes:

1. Limiting or prohibiting the purchase of certain items, based on statutory requirements that apply to all Federal purchases, including purchases from Kaspersky Lab;
2. Curating or filtering what Federal buyers can purchase, by allowing agencies to prohibit categories of items from purchase, where necessary;
3. Recommending best practices for e-commerce platforms and third-party marketplaces, as described in the DHS report, *Combating Trafficking in Counterfeit and Pirated Goods*, from January 24, 2020.¹⁰

⁵ FY18 NDAA Section 1634

⁶ FY19 NDAA Section 889 - Prohibition on certain telecommunications and video surveillance services or equipment

⁷ Public Law 115-390

⁸ 41 U.S. Code § 1322

⁹ Executive Order 13904 is available at:

<https://www.whitehouse.gov/presidential-actions/ensuring-safe-lawful-e-commerce-us-consumers-businesses-government-supply-chains-intellectual-property-rights/>

¹⁰ See Appendix A for a listing of best practices as described by DHS.

4. Leveraging commercial SCRM practices e-marketplace platforms already possess around counterfeit and supply chain concerns, to include data associated with country of origin, and detailed product descriptions, as well as quality control practices, and supplier performance; and
5. Reviewing spend data post-purchase to identify any suspect purchases that might have slipped through the cracks and warrant further review.

An additional area of supply chain risk management that GSA has actively begun implementing for the proof of concept is Section 889 from the 2019 NDAA.¹¹ The prohibition on procurement, referred to as Part A, and use, referred to as Part B, of certain telecommunication and video surveillance equipment applies every bit as much to the commercial e-commerce program as it does to every other Federal contract. GSA included all of the necessary FAR requirements for Part A in the e-marketplace platform provider solicitation and will plan accordingly for Part B as additional guidance on implementation will come as a future FAR rule.

Specifically, the inclusion of the relevant provision and clauses within the e-marketplace platform provider contracts, coupled with buyer education on product restrictions, will significantly help implementation of Section 889 Part A.¹² According to statute, Part B will prohibit the federal Government from “enter[ing] into a contract (or extend or renew a contract) with an entity that uses any equipment, system, or service that uses covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system”. The implied broad scope of this prohibition requires all entities that contract with the Government to conduct an extensive analysis of the entire enterprise to assess where banned components and equipment are used.

In light of these challenges, GSA will closely monitor the Federal supply chain security environment and follow the rules and related guidance developed through continued implementation of Section 889, the SECURE Act, Executive Order 13904, the DHS report, *Combating Trafficking in Counterfeit and Pirated Goods*, and other applicable laws and regulations. In particular, GSA anticipates that the handling of supply chain requirements in the program will mature as the SECURE Act is implemented and through the guidance and oversight provided by the Federal Acquisition Security Council. Through the proactive supply chain risk management activities identified above, GSA intends to make spending through its program safer than it is today.

The initial proof of concept is intended to be a viable channel for commercial purchases that also produce several short-term benefits for supply chain security at the agency level, particularly vis-a-vis open market buys today. Participating buyers will continue to be responsible for ensuring the selection and receipt of genuine products; however, common portal features, as well as ones unique to B2B e-marketplaces, will help to better inform the buyers’ decisions (e.g. product / supplier reviews, restricted product flags, identification of prohibited

¹¹ SEC. 889. PROHIBITION ON CERTAIN TELECOMMUNICATIONS AND VIDEO SURVEILLANCE SERVICES OR EQUIPMENT.

(a) PROHIBITION ON USE OR PROCUREMENT.—(1) The head of an executive agency may not—

(A) procure or obtain or extend or renew a contract to procure or obtain any equipment, system, or service that uses covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system; or

(B) enter into a contract (or extend or renew a contract) with an entity that uses any equipment, system, or service that uses covered telecommunications equipment or services as a substantial or essential component of any system, or as critical technology as part of any system.

Full text: www.congress.gov/bill/115th-congress/house-bill/5515/text/enr#toc-H4350A53097BD46409287451A50C4F397

¹² (c) Effective Dates.—The prohibition under subsection (a)(1)(A) shall take effect one year after the date of the enactment of this Act, and the prohibitions under subsections (a)(1)(B) and (b)(1) shall take effect two years after the date of the enactment of this Act.

vendors, supplier screening, customer service capabilities and additional ongoing efforts being taken by e-marketplace platforms to address counterfeit products). The data collected through the proof of concept and provided back to the agencies will provide better insight into what buyers are purchasing; as well as where supply chain risk lies so the program can consider additional protections that may be needed for buyers.

2.4 Ease of Vendor Access

A cornerstone of the e-marketplace model is the number of suppliers who participate on each platform and the relative ease of access to become a supplier. This is particularly appealing from the Government's standpoint as it lowers the barrier for new businesses to begin selling to the Government market, who might not already participate through other buying channels. This lower barrier to entry can broaden the supply base for harder to source items, which is of particular benefit during times of national emergency. Additionally, further efficiencies are gained as suppliers are able to reach Government buyers in the same manner they reach their private sector customers. There are a few key areas outlined below that GSA is utilizing to assist small businesses and encourage their participation within the proof of concept.

Extending their Commercial Reach

Through market research, GSA learned that small businesses make up the majority of suppliers on many e-marketplace platforms. Many small businesses do not have the resources to manage costly e-commerce portals, let alone manage a portal targeting more complex B2B and business to Government (B2G) buyers. Instead, they opt to work with e-marketplace platforms who already manage the infrastructure, customer experience, and promotion of the platform. By making this a more formal channel for Government buyers, small businesses will now have an additional entry point to the Government market, with limited additional investment.

Diversity of Product Categories

To promote participation by a wide range of suppliers, to include small business concerns, e-marketplace platforms are required to provide access to multiple categories of commercially available products.¹³ GSA is not starting with specialized marketplaces, to include those focused only on a single Governmentwide category (such as IT or Healthcare products), and will not consider them until it has performed appropriate research to know when and how such specialty marketplaces/categories add value. The proof of concept will help to inform how GSA grows the program, to include the product categories offered.

Data Protections

Congress enacted Section 838¹⁴ of the FY19 NDAA to address potential conflicts of interest posed by e-marketplace platform providers who are also suppliers on their platform. The e-marketplace platform providers are able to collect spend related data; however purchasing trends or spending habits related to a product from a third-party supplier cannot be used for pricing, marketing, or other purposes under this program. GSA intends to use the proof of concept to monitor the impacts of the data protection clarifications to better understand and assess these concerns across e-marketplace platforms and the supplier community and to evaluate whether further statutory clarifications are needed.

Agency Small Business Credit

¹³ The Category Management categories from the Category Management Leadership Council are available at: <https://www.acquisition.gov/content/category-management>

¹⁴ Link: www.congress.gov/bill/115th-congress/house-bill/5515/text/enr#toc-H29B6122B050D41AD8F0FB003315C02D9

Lastly, in an effort to incentivize agencies to purchase from small businesses, Section 846 of the FY18 NDAA allows agencies to earn small business credit for purchases made through this program. This is an area where GSA is committed to partnering with the Small Business Administration to continue to fully explore the best means of achieving this objective to ensure small business concerns and agencies are benefiting from this program.

Data Visibility to Identify Leakage

Agencies view access to spend data for all purchases as a significant value of participating in the proof of concept. Whereas this online spend data has previously been difficult to track, the data available through the proof of concept will allow an agency the ability to identify purchases that could be going to AbilityOne distributors, small business suppliers, excluded entities, or spend outside of strategic or mandatory-use agency contracts. This then allows the agency to take the necessary action in an effort to appropriately manage this spend.

2.5 Data Insights

One of the key areas of feedback obtained from meeting with agencies on the use of e-marketplace platforms is that visibility to the spend data is a critical component of the program. Agencies see this product and spend data as important to gaining a better understanding of how to manage open market spend. The ability exists Governmentwide to significantly improve insights into spending that can be leveraged for savings, supply chain risk management and internal controls.

To enable this insight, GSA included solicitation requirements that will result in aggregated spend data from all e-marketplace platform providers. The data will initially be provided to GSA on a monthly basis, and as the program matures, GSA intends to make this a more dynamic feed for real-time ingestion. This data will be available to agencies through on-demand reports and dashboards, allowing them to see line-level spend from all e-marketplace platforms. Buyers will also have real-time, account level access to their purchasing data through the e-marketplace platforms for purchase card reconciliation and spend analysis.

In addition to significant supply chain and agency benefits, GSA is able to utilize purchase and spend data to assess the merits of various program decisions, for a relatively minor investment of resources. This review will enable GSA to analyze such areas as participant expansion, specialty marketplaces, and the features/benefits of additional e-commerce models.

3. Agency Engagement

GSA has heavily engaged with Federal agencies to better understand their objectives and concerns related to use of e-marketplace platforms. This has occurred through a series of different interactions including interagency workshops, one-on-one meetings, and other communication channels. Overall, there is a shared sense of enthusiasm and excitement from the Governmentwide purchasing community to be a part of the small group (5-10) of participating agencies helping GSA test and refine this program through the proof of concept.

The varied roles and responsibilities between the participating agency and GSA have been outlined to clarify and guide a partnership during the proof of concept and potentially beyond. [See Appendix B] GPC holders from participating agencies will make purchases through the e-marketplace platforms, while agencies develop and implement, as appropriate, new internal policies and/or controls. In return, GSA is working with agencies to appropriately align GPC program policies and goals with their desired outcomes for the proof of concept.

To encourage adoption and assist with change management efforts, GSA is providing agencies with a variety of change management resources. This 'toolkit' includes documents such as ordering guidance and Frequently Asked Questions, as well as access to a program specific community on GSA Interact where agencies can exchange ideas, get answers to questions and request additional change management materials. GSA is also holding regular interagency forums, webinars, and distributing a bi-monthly newsletter to keep all participating agencies informed. GSA will continue to evolve and expand the change management tools and resources based on agency feedback from one-on-one meetings, user surveys and the online community feedback.

4. Implementation Guidance

The Section 846 statute challenges GSA to modernize the buying experience by reducing the compliance burden on buyers and to instead adopt commercial terms as much as practicable. While the legislation grants no relief from existing compliance rules, GSA intends to use the proof of concept to better understand how to balance compliance requirements with existing commercial practices offered by platform providers. The information contained in this section is not inclusive of all requirements but represents those that are of the most critical importance for program success.

4.1 Regulations / Compliance Requirements

4.1.1 Supplier and Product Screening

GSA is actively implementing varied requirements supporting supply chain risk management within the proof of concept. This includes limiting purchases from specific vendors based on statutory requirements that apply to all Federal purchases, to include companies such as Kaspersky Lab. GSA is also implementing Section 889 (of the FY19 NDAA) prohibiting the purchase of covered telecommunications equipment from select vendors to include ZTE, Huawei, Dahua, Hikvision, and Hytera. Best practices identified to combat counterfeiting, as outlined in the DHS report, *Combating Trafficking in Counterfeit and Pirated Goods*, are being shared with e-marketplace platform providers for use within the proof of concept implementation. As referenced above in Section 3.4, by utilizing this approach and requirements, the buying process through this channel will be safer than it is today via commercial channels.

For the agency buyer, it is important to note that these supply chain requirements already apply to all purchasing channels in the micro-purchase environment, and must be adhered to within the purchase process. While buyer education around compliance will be part of the proof of concept launch process, GSA has also included SCRM objectivest as part of the solicitation. E-marketplace platforms will restrict both the purchase from excluded suppliers as well as of prohibited items, therefore resulting in a user experience where certain vendors and/or products on the e-marketplace platforms are unavailable or marked as restricted. Data elements such as country of origin will be visible, if available, on the e-marketplace platforms for consideration by a buyer as part of market research. Buyers may also see restrictions on certain product categories, if their agency determines that this is a feature that they wish to employ at the time of implementation.

Buyers are also able to leverage the commercial supply chain risk practices that e-marketplaces already possess, such as real-time detailed product descriptions, quality control, and the monitoring of supplier performance. Through market research, GSA learned about the varied supplier vetting processes that takes place prior to onboarding new suppliers. While each platform assesses supplier risk profiles in different ways, the screening process typically considers a number of different factors. These often include company profile assessments, financial reviews, and fulfillment audits to ensure the supplier can responsibly conduct business on the platforms. The e-marketplace platforms will utilize their capabilities related to supplier screening, particularly as

it relates to promoting competition, while also ensuring security of the supply chain. These ever-evolving tools and commercial screening processes will help buyers better navigate the inherent risks.

The above features coupled with product and spend data available through the proof of concept will result in a more informed micro-purchase environment. Agencies will have an enhanced ability to utilize data from the e-marketplace platforms to identify the sale of a prohibited item, and therefore take action in real-time to remove it from its network, and alert the buyer. Overall, GSA believes that the proof of concept will provide the Government with enhanced tools to help identify and better manage supply chain risk.

4.1.2 AbilityOne Compliance

Support of the AbilityOne program within the e-marketplace platforms proof of concept is a key priority for GSA. Buyers will still remain responsible for following the appropriate micro-purchase rules for buying from mandatory sources, such as AbilityOne. However, a goal of the proof of concept is to have features available to streamline the compliance process. The sales data that GSA provides to agencies from the proof of concept will enable them to analyze purchases and identify which are not adhering to proper regulations and to promote future compliance of AbilityOne requirements.

4.1.3 Data Security

A primary concern heard from 3rd party suppliers regarding implementation of Section 846 was data protections surrounding the use of e-marketplace platform provider data. Within the solicitation for the proof of concept, GSA has included data security language as set forth by Section 838, restricting platform providers' use of data for marketing, competitive, and other purposes except as necessary to manage their platform. GSA plans to monitor platform providers' activities and data usage throughout the proof of concept and will use these findings to fine-tune the program's approach.

4.1.4 Data Analytics

A key intended benefit of the e-marketplace platforms proof of concept is to gain better insight into what is being purchased under the micro-purchase threshold. To enable this benefit, e-marketplace platform providers will provide GSA purchasing and spend data. In addition, platforms are required to provide data analytics and dashboard capabilities similar in nature to those offered to other B2B customers.

GSA intends to aggregate data received from platform providers and make it available to agencies. Overall, the data received will provide agencies with a holistic view across all e-marketplace platforms, allowing them the ability to better manage micro-purchase spend.

4.2 Ordering Procedures

GSA will issue detailed ordering procedures to educate participating agency buyers on the applicable rules and regulations when purchasing through this proof of concept. These procedures will be prominently displayed on www.GSA.gov, and aligned with program content for fast and easy reference when buyers are accessing the e-marketplace platforms. These ordering procedures are meant to reinforce that buyers shall adhere to all micro-purchase purchasing regulations. See below for a sample of areas that the ordering procedures will address (for the complete Ordering Procedures document, see Appendix C).

- Competition is to be promoted by reviewing similar items and their prices and price related terms and conditions, such as delivery and warranty terms, from at least two suppliers within a single e-marketplace platform or across the different platforms.
- Existing reviews are to be used as part of the market research process, but the buyer cannot post product ratings and vendor reviews until GSA disseminates further guidance.

- The buyer is to determine that the price of an item is fair and reasonable and that the purchase of the item will result in the best value to the Government.

When completing a purchase, the buyer is asked to:

- utilize the GSA SmartPay® GPC as the only authorized method of payment for purchases;
- follow all laws, regulations and/or agency policy(s);
- comply with FAR §8.002 regarding mandatory sources, to include the purchase of AbilityOne items;
- purchase sustainable products to the maximum extent practicable in accordance with FAR Part 23;
- consider items manufactured or supplied by small businesses, in accordance with FAR Part 19;
- not purchase restricted items or items from restricted suppliers; and
- consider a product's Country of Origin as part of their buying criteria, when made available.

The utilization of these ordering procedures are meant to help guide the agency buyer in purchasing through the proof of concept, in a manner that facilitates the fast, easy and effective acquisition of commercial products. While buyers will be responsible for following applicable acquisition regulations, the features and benefits of the e-marketplace portals are meant to facilitate easier compliance and access to a competitive buying environment.

5. Program Management and Measurement

GSA will perform the program management and measurement functions necessary to ensure that stated outcomes are being met by all participating e-marketplace platform providers. If shortcomings are identified with any of the platforms, GSA will take the appropriate action. This includes monitoring all areas in the contract through spend data analysis and buyer feedback, with a particular focus on supply chain risk management, data security, AbilityOne compliance, small business participation, price competitiveness, and the impact to other GSA programs.

Within the Phase II report, GSA outlined several key questions or objectives to be answered in the assessment of both the initial proof of concept, as well as the program at large. GSA has publicized these objectives to key stakeholders (particularly agencies that will be utilizing the proof of concept) to gather feedback and ensure that the developed Key Performance Indicators are clearly defined and clearly linked to stakeholder interests.

1. To what extent is the program successfully **modernizing the commercial item buying experience**?
2. To what extent is the program attracting buyers and thus **shifting work away from contracting officers** to allow them to focus on higher value and more complex work, and what changes would need to be addressed for a broader expansion?
3. To what extent can the program's increased transparency, both in terms of spending data visibility and access to mandatory source and socioeconomic programs, **drive better buying strategies and decisions**?

5.1 GSA's Approach to Program Measurement

To adequately measure the effectiveness of the initiative in meeting these objectives, the program is using a two prong approach, employing both quantitative and qualitative measures. Quantitative measures allow GSA and agencies to take product and spend data and analyze it in relation to such program details as small business utilization and AbilityOne compliance. This data will inform program key performance indicators (KPIs) and will

help determine how better buying strategies and decisions can be made through the use of these e-marketplace platforms.

At the same time, the user experience is an equally important measure as it speaks to the agency buyer's satisfaction in utilizing a managed channel for open market spend. Are buyers finding that the e-marketplace platforms provide easy and compliant access to commercial products? By employing a user experience framework, such as Google HEART,¹⁵ to structure the metrics, GSA will be able to organize analysis around areas such as satisfaction, adoption, retention and task success.

To effectively share measurement data across key stakeholders, GSA is utilizing the following performance management tools:

1. A **program scorecard**, will be made available to customer agencies to provide easy access to quantitative measures and their results with the ability to review the underlying data to support the agencies' spend analysis and spend management efforts.
2. A **proof of concept report card**, will be utilized by GSA and key stakeholders to diagnose the overall health of the proof of concept in an effort to assess and address issues and concerns prior to any further implementation efforts. The scorecard will be a mix of both qualitative and quantitative measures meant to look across all stated program objectives.

The ongoing analysis of the program utilizing both quantitative and qualitative data will allow GSA and partner agencies to assess the merit and health of the program and to inform future implementation efforts. GSA anticipates that the first 6 to 12 months of the proof of concept will focus primarily on expanding the measurement capabilities and data capture for the benefit of participating agencies and program review.

5.2 Program Scorecard - Key Performance Indicators (KPIs) by Audience

As displayed below, GSA has identified measures that would inform program objectives as well as a variety of key stakeholders. Throughout agency engagement efforts, GSA has validated these KPIs with the stated audiences. The resulting KPIs in Figure 1 will serve as a starting point for program measurement and will continue to be refined throughout implementation of the proof of concept.

¹⁵ Kerry Rodden, Hilary Hutchinson, and Xin Fu, "Measuring the User Experience on a Large Scale: User-Centered Metrics for Web Applications", Google Research, <https://research.google/pubs/pub36299/>.

Audience	Key Performance Indicators
Executives (GSA + Agency leadership)	<ul style="list-style-type: none"> Buyer Adoption Rate Distribution of Sales Across E-Marketplace Platforms Online Spend through Proof of Concept as % of Total Open Market Spend Net Financial Impact
Agency Managers + Buyers	<ul style="list-style-type: none"> Price Competitiveness % Small Business Spend % AbilityOne Spend 1st vs. 3rd Party Sales

Figure 1: Representative Program Scorecard: KPIs by Stakeholder Group

Note: See Appendix D for a more detailed description of each of these KPIs.

5.3 Proof of Concept Report Card

As displayed below in Figure 2, GSA has developed a series of quantitative measures to assess the overall health of the user experience within the proof of concept. While the report card will contain both quantitative and qualitative metrics, the representative sample in Figure 2 outlines quantitative measures that will help GSA best understand the ways in which the agency buyer is interacting with and utilizing the e-marketplace platforms. This data will be collected through a variety of methods, to include incoming portal provider data, outgoing user surveys and GSA-led focus groups.

Evaluation Objective	Goal	Sample Signal	Sample Metric
Modernize - Implement attributes of the commercial item buying experience to provide an improved user experience for government buyers and sellers	Users indicate e-marketplaces satisfy their expectation of a commercial e-commerce experience	Positive feedback about overall satisfaction in a user survey and/or focus group	Customer Satisfaction Score (e.g. User Experience, Pricing, Delivery Times)
Streamline - Streamline COTS item purchasing to allow more time for agency contracting officers (COs) & program staff to focus on higher value mission-oriented tasks	Program enables efficient purchasing transactions (especially vs. current platforms)	Positive feedback in a user survey and/or focus group	Transaction Efficiency
	Program minimizes errors/issues and addresses them effectively	Low rates/frustration from errors (returns, customer service intervention via call/chat/email)	Ease of Reconciliation
Analyze - Provide agencies the data and analytics to support COTS item procurement decisions	Makes it easier to conduct research & comparison	Positive feedback about ease of market research, in a user survey and/or focus group	Product/Price Info Availability & Usefulness
	Contributes to better outcomes (cost/value, risk)	Positive feedback about transaction-level data helping to	Price Competitiveness

	etc.) at the contract-level and order-level.	manage spend, in a user survey and/or focus group	
Operate - Improve cost efficiency for COTS purchasing while self-funding the program	Registered users are purchasing from the platforms and are moving open market spend to the program.	Buyers are registering, and making purchases, on the e-marketplaces	# of Active Buyers

Figure 2: Representative Measures for Program Report Card

6. Further Areas of Research

The launch of the proof of concept is a significant step forward in the implementation of Section 846. Not only is the data important to participating agencies as they look to manage their online spend with greater visibility into the supply chain, but it is also critical for GSA in determining the path forward for the program in key areas.

6.1 Program Growth / Expansion

When evaluating future growth and the expansion of Section 846 implementation, it is important that GSA utilize the data to make smart and informed decisions. There are various scenarios that could apply to the expansion of the program, from the number of buyers participating within a single agency, to an expansion in the number of agencies buying through the program. Those agencies that plan to participate initially in the proof of concept are, in most cases, doing so with a limited number of buyers and will look to further expand based on user feedback, adoption, savings and more. GSA will continue to engage agency leadership to broaden the potential base of agencies participating within the proof of concept.

Beyond the number of buyers, GSA is also considering the types of categories offered, which may include adding areas such as, specialty marketplaces and/or services. GSA will evaluate those options based on data obtained through the proof of concept and through feedback from participating agencies. New capabilities from platform providers, such as commoditized services, may also inform ways in which GSA approaches any future expansion. As GSA learns more about program usage, and analyzes data sets throughout the proof of concept, the discussion surrounding further expansion of the program will become more informed, and will start to answer more detailed questions.

6.2 Purchasing Channel Review

Launching the initial proof of concept up to the micro-purchase threshold allows GSA to focus on gaining insights into micro-purchase level spend and how the e-marketplace platforms fit into the overall purchasing environment. While this may add some competition to existing Government purchasing programs, such an impact is not anticipated to be significant given the size and scope of this initial proof of concept. The impacts to other purchasing programs could be more significant above the micro-purchase threshold, but at this time, this is not a focus of the proof of concept.

This initial test will allow the Government to move from open market spend with limited visibility to a more managed channel where deeper analysis of the spend can occur. For the first time, the Government is looking at how existing commercial channels can be used for low-dollar, routine commercial items. Through this implementation, GSA will help to facilitate fast, easy and effective acquisition all while shifting the work to purchase card holders. In turn, this will open up the ability for contracting officers and the acquisition workforce to focus on more mission-oriented acquisitions.

6.3 Other Commercial Models

In the Phase I and Phase II reports, GSA provided detail around the three main provider models that emerged through research: e-commerce, e-marketplace, and e-procurement. As stated, GSA is committed to evaluating the e-procurement and e-commerce models throughout implementation of the e-marketplace proof of concept, and determining how to best integrate capabilities from those models into the overall program. The initial proof of concept will inform investment decisions and will allow GSA to make course corrections based on collected evidence.

In Section 827 of the FY20 NDAA, Congress requested a cost estimate for the three models for commercial e-commerce portals as identified in section 4.1 of *'Procurement Through Commercial E-Commerce Portals Phase II Report: Market Research & Consultation'* issued by the GSA Administrator in April 2019. This cost estimate covers the two additional provider models, e-commerce and e-procurement, and will include a range of potential costs or a general order of magnitude for each model, and is requested within one year from the award of the initial proof of concept contracts. GSA will continue to further its understanding of these other models, to include the costs associated with each, and will use the initial lessons learned from the proof of concept to deliver on this requirement.

GSA will develop and validate inputs to cost estimates for the three commercial e-commerce models (e-marketplace, private marketplace, and e-procurement) using a variety of potential sources and materials that may include:

- Third-party case studies of costs;
- Federal and state/local government implementation costs;
- Primary research with solution provider executives and customer executives;
- Lifecycle acquisition costs; and
- Subscriptions or licensing fees.

GSA will continue to learn about the dynamic models that exist within the commercial e-commerce market, and utilize that information to best determine how the available and evolving models can assist the agency buyer with open market spend below the micro-purchase threshold.

7. Conclusion

By approaching implementation of Section 846 through a whole-of-government approach, agencies are provided with a unique opportunity to change buying behaviors for online spend occurring via the open market. Testing this buying environment through a proof of concept will enable agencies to gain critical insights into online spend, leverage the Government's buying power, ensure small business participation and increase supply chain visibility. This approach will allow GSA to move forward on a small scale and expand the program based on lessons learned.

Throughout implementation, GSA will continue to conduct extensive agency engagement, measure program success with both quantitative and qualitative measures, and use lessons learned to inform future program expansion. GSA will continue to collaborate with interested stakeholders, as it looks to share critical insights into purchases through e-marketplace platforms.

Appendix A - DHS Recommended Best Practices for E-Commerce Platforms

Recommended DHS-Identified Best Practices for E-Commerce Platforms and Third-Party Marketplaces from the DHS Report, *Combating Trafficking in Counterfeit and Pirated Goods*¹⁶ (January 24, 2020)

<i>Best Practices for E-Commerce Platforms and Third-Party Marketplaces</i>
1. Comprehensive "Terms of Service" Agreements
2. Significantly Enhanced Vetting of Third-Party Sellers
3. Limitations on High Risk Products
4. Rapid Notice and Takedown Procedures
5. Enhanced Post-Discovery Actions
6. Indemnity Requirements for Foreign Sellers
7. Clear Transactions Through Banks that Comply with U.S. Enforcement Requests for Information (RFI)
8. Pre-Sale Identification of Third-Party Sellers
9. Establish Marketplace Seller ID
10. Clearly Identifiable Country of Origin Disclosures

¹⁶ https://www.dhs.gov/sites/default/files/publications/20_0124_plcy_counterfeit-pirated-goods-report_01.pdf

Appendix B - Roles and Responsibilities

Commercial Platforms Proof of Concept Roles and Responsibilities

Background

In response to Section 846 of the National Defense Authorization Act (NDAA) for Fiscal Year 2018 (FY18), Procurement Through Commercial e-Commerce Portals, GSA has been working in close coordination with federal agencies and stakeholders since December 2017 to develop a program to procure commercial products through commercial e-commerce portals.

GSA is taking an iterative implementation approach driven by an initial proof of concept with multiple providers. GSA will start small, test, refine, and ultimately grow the program based on lessons learned.

Purpose

The purpose of this document is to clarify and guide a partnership during the Commercial Platforms proof of concept and potentially beyond. The tone of this roles and responsibilities document will be collaborative and flexible in nature with a pointed intent of having each agency educate and learn from one another.

Outcomes



Modernize

Modernize the commercial product buying experience



Streamline

Streamline commercial product purchasing to allow agencies time to focus on mission oriented acquisition



Analyze

Increase visibility and analysis of online spend to allow for better buying decisions

Timeline



In the spirit of collaboration, growth, and learning:

GSA Agrees

- To manage the acquisition of Commercial Platforms service providers with full adherence to FAR and a focus on providing an effective solution for agencies
- To engage with assigned contact(s) in an effort to understand and align with **Agency's** government purchase card (GPC) program policies and goals.
- To work with **Agency** contacts to communicate phases and deliverables for proof of concept
- To collaborate with **Agency** to align success criteria of proof of concept with Agency GPC goals
- To provide resources and materials to help **Agency** effectively manage the change and encourage adoption among participants

 Laura Stanton, Date
 Deputy Asst Commissioner for Category Mgmt,
 Information Technology Category,
 U.S. General Services Administration

Agency Agrees

- To authorize GPC cardholders* to participate in the Proof of Concept for appropriate purchases and acknowledge ordering procedures
- To lead agency change management activities:
 - To identify agency champion(s) and key decision makers
 - To raise awareness, encourage adoption, and assist with onboarding efforts
 - To participate in feedback sessions to improve the program (both pre-and post-implementation)
 - To share best practices and concerns with GSA to be addressed in the wider program roll-out
- To share current e-commerce spend data and insights
- To assess existing internal policies and assist with developing new internal policies and controls, as appropriate

 Agency GPC Program Manager Date
 [or]
 Senior Procurement Executive

* Can be any subset of bureaus / orgs with GPC cardholders. This roles and responsibilities document does not create or constitute any legally binding or enforceable obligations or liabilities between the agencies, and may be subject in the future to further amendment or modification.

Appendix C - Ordering Procedures

Draft Ordering Procedures - Commercial Platforms

1. Ordering Procedures

1.1 Definitions

The following definitions are provided:

E-marketplace Platform: An online platform where Government Purchase Card holders can evaluate and order products via a portal operated by a vendor—the portal provider. The e-marketplace platforms can offer portal provider products and/or third party vendor products. Portal providers and third-party vendors are generally responsible for fulfilling orders for their respective products.

Purchase Cardholder: An individual issued and authorized to use a Government Purchase Card (GPC) on behalf of his or her agency / organization.

Micro-purchase threshold: “Micro-purchase” means the threshold set forth in FAR §2.101 or in any agency deviation.

Suppliers: Third-party vendors who offer products on e-marketplace platforms.

1.2 Approved Payment Method: Government Purchase Cards

The GSA SmartPay® Government Purchase Card (GPC) is the only authorized method of payment for purchases placed on the e-marketplace platforms. Government buyers are not allowed to use any other forms of payment, including 3rd party payment processors (e.g. PayPal, Venmo, Google Wallet, WePay, etc) or payments using any form of cryptocurrency. The GPC shall be the only allowable method of payment and all GPCs must be used by an authorized purchase cardholder.

1.3 Permissible Purchases on E-marketplace Platforms

The purchase cardholder may buy any commercially available product on the e-marketplace platforms that is/are:

- Within their authorized spending limits

- Within the micro-purchase threshold of the e-marketplace platforms
- Not prohibited by law, regulation, or agency policy or
- Ancillary services affiliated with the purchased items (only if allowed per the authorized cardholder's agency policy).

All micro-purchase purchasing rules apply and must be complied with for all purchases made on the e-marketplace platforms. See FAR 13.2 and 13.301 and consult your agency's GPC coordinator for additional guidance.

The following items **cannot** be purchased:

- Services with the exception of ancillary services affiliated with purchased items (only if allowed per the authorized cardholder's agency policy)
- Long-term rental or lease of land or buildings
- Travel or travel-related expenses (not including conference rooms, meeting spaces, and local transportation services)
- Items that pose security vulnerability, including any product or service prohibited by statute, regulation or other Federal policy, e.g. Department of Homeland Security Binding Operational Directive, the Federal Acquisition Security Council, as well as:
 - Hardware, software, or services developed or provided by Kaspersky Labs or other covered entities per FAR Subpart 4.20;
 - Covered telecommunications and video surveillance services or equipment per Section 889 of the John S. McCain National Defense Authorization Act for Fiscal Year 2019, including:
 - Telecommunications equipment produced by Huawei Technologies Company or ZTE Corporation (or any subsidiary or affiliate of such entities)
 - Video surveillance and telecommunications equipment produced by Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, or Dahua Technology Company (or any subsidiary or affiliate of such entities)

1.4 Mandatory Sources

Prior to purchasing through the e-marketplace platforms, authorized purchase cardholders shall comply with FAR §8.002 regarding priorities for use of mandatory Government sources¹⁷ (see footnote for

¹⁷ Agencies shall satisfy requirements for supplies and services from or through the sources and publications listed below in descending order of priority:

(1) Supplies.

(i) Inventories of the requiring agency.

complete list) when purchasing through the e-marketplace platforms. As available, mandatory sources such as AbilityOne will be identified as such on the e-marketplace platforms; however, the authorized purchase cardholder is ultimately responsible for ensuring compliance with the mandatory source requirements in FAR Part 8.

Buyers are responsible for ensuring all applicable Federal Prison Industry (FPI) / UNICOR product requirements are followed, including any needed waivers for purchases over \$3,500. As directed by 10 U.S.C. §2410 and 18 U.S.C. 4124 note, agency buyers must consider FPI / UNICOR products in the buying decision. Market research must first be conducted to determine whether an FPI product is comparable to products available from the private sector which best meet the agency's needs in terms of price, quality and time of delivery. Determining comparability is a unilateral decision made at the discretion of the agency's contracting official.

1.5 Sustainable Products

Federal agencies are required to purchase sustainable products and services to the maximum extent practicable in accordance with FAR Part 23. Authorized purchase cardholders may visit the GSA [Green Procurement Compilation](#) for a comprehensive list of sustainable product and service requirements for Federal purchases. The authorized purchase cardholder is ultimately responsible for ensuring compliance with FAR Part 23 requirements.

1.6 Small Business

Authorized purchase cardholders are encouraged to consider items manufactured or supplied by small businesses when using the e-marketplace platforms, in accordance with FAR Part 19.

1.7 Country of Origin

Authorized purchase cardholders may consider a product's Country of Origin when made available on the e-marketplace platforms as a part of their buying criteria.

1.8 Product Ratings and Vendor Reviews

(ii) Excess from other agencies

(iii) Federal Prison Industries, Inc

(iv) Supplies which are on the Procurement List maintained by the Committee for Purchase From People Who Are Blind or Severely Disabled

(v) Wholesale supply sources, such as stock programs of the General Services Administration (GSA), the Defense Logistics Agency, the Department of Veterans Affairs, and military inventory control points.

(2) Services. Services that are on the Procurement List maintained by the Committee for Purchase From People Who Are Blind or Severely Disabled

Authorized purchase cardholders shall not post product ratings and vendor reviews until GSA disseminates guidance for the appropriate policy and procedures for such reviews, however authorized purchase cardholders may use the existing reviews as part of market research prior to the purchase of an item.

1.9 Placing of Orders

Purchases may be made through any awarded e-marketplace platform. For purposes of this program, the authorized purchase cardholder should promote competition by reviewing similar items and their prices and price related terms and conditions, such as delivery and warranty terms, from at least two suppliers within a single e-marketplace portal or across the different portals. Through this review, the authorized purchase cardholder shall determine that the price of an item is fair and reasonable and that the purchase of the item will result in the best value to the Government. The e-marketplace platform is expected to provide a means for the authorized purchase cardholder to document this review. This function will be useful both for purposes of review and approval prior to placement of orders and to maintain a record of purchases.

Authorized purchase cardholders shall follow all applicable guidance in FAR Part 13 and agency-specific policies governing the use of the GPC.

Appendix D - Key Performance Indicators (KPIs) Descriptions

KPI	Description	Why a Program KPI
Customer Satisfaction Score	Measurement (via survey) of buyer and supplier satisfaction with the e-marketplace platforms	Primary indicator of program success; will help adjust user experience for the proof of concept
Exceptions and Exception Handling	Measure of error rates (returns, errors, etc.) and user satisfaction with e-marketplace platforms' exception handling	Leading indicator of e-commerce capability and ability to consistently provide a satisfactory user experience
Buyer Adoption Rate	Increase in active buyers (unique buyers making purchases) month over month	Growth in user base indicates platform viability and user value
1st vs. 3rd Party Sales	% of total spend directed towards first-party platform providers vs. third-party suppliers	Ensures third-party sellers can access and truly compete on the marketplaces (vs. "white-label" products)
Distribution of Sales Across E-Marketplace Platforms	% of total program spend on each platform	Indicates the level of competition among platform providers
Online Spend via Program as % Open Market Spend	% online spend via program / by % online open market spend	Measures the ability of the program to capture open market spend and thus increase government visibility
% Small Business Spend	% of total spend directed to small business concerns	Demonstrates program's ability to support agency small business goals
% AbilityOne Spend	% of total spend directed to AbilityOne	Demonstrates program's ability to support AbilityOne requirements
Price Competitiveness	Market basket comparison of product purchases made through the e-marketplace platforms versus relevant commercial benchmarks	Demonstrates competitiveness of e-marketplace platform prices versus existing open-market channels
Transactional Data Usage: Agency/Organization Program Coordinators & Agency Leadership	Qualitative evidence of transactional data being used by agency managers to improve order-level buying outcomes	Assesses the degree to which agency leaders/ managers utilize data provided by the program to improve spend management
Transactional Data Usage: Buyers	Qualitative evidence of transactional data being used by buyers at the order-level	Assesses the degree to which buyers utilize data provided via the e-marketplace platforms to improve their order-level decision-making
Net Financial Impact	Accounts for fee revenue, less reserve draw-downs and operating expenses	Indicates the financial health and viability of the program