

STATEMENT OF
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U.S. GENERAL SERVICES ADMINISTRATION

BEFORE THE

COMMITTEE ON ENERGY AND COMMERCE
SUBCOMMITTEE ON COMMERCE, TRADE
AND CONSUMER PROTECTION

U.S. HOUSE OF REPRESENTATIVES

WEDNESDAY, APRIL 28, 2010



Good morning, and thank you for the opportunity to participate in today's hearing. I am Steven Kempf, from the General Services Administration (GSA).

I am the Acting Commissioner of the Federal Acquisition Service (FAS). FAS provides acquisition and logistics services to Federal agencies, including services managed by our Office of Personal Property Management for the disposal of personal property. Generally speaking, "personal property" is defined as any property except buildings, structures, and land, agency records, and naval vessels. And, disposal refers to the reuse of personal property by means of federal transfers from one agency to another, donations to states and eligible non-profit organizations, and sales, the service that GSA provides to Federal agencies that have surplus and/or exchange/sale property they are willing to sell to the public.

As provided in Title 40 of the United States Code and implemented by the Federal Management Regulations (FMR), federal agencies are required to report excess personal property to GSA's Office of Personal Property Management for screening and redistribution to other federal agencies.

Personal property is reported to GSA through GSAXcess®, a web based program that is also used by our customers to screen and select needed property. Once reported, this property is normally offered for screening for 21 calendar days. Excess personal property which is not selected for transfer within the Federal government is declared to be surplus at the conclusion of the screening period and can be transferred under the Federal Surplus Personal Property Donation Program to the State Agency for Surplus Property (SASP) in each State, territory, and the District of Columbia. The SASPs are established under Title 40 of the U.S. Code.

Surplus property not selected for donation is offered for public sale. Property selected for replacement under the exchange/sale authority can be offered for public sale as well. The exchange/sale authority (40 U.S.C. 503) allows agencies to sell property and use the sale proceeds to acquire similar property. Exchange/sale property is not surplus property as agencies continue to need such property but agencies may sell such property to offset the cost of procuring the replacement property.

The Office of Personal Property Management's Sales Program is an approved Sales Center under the Federal Asset Sales Program (eFAS), one of the initial e-government initiatives. GSA is the only Sales Center approved for nationwide activity for all commodity groups and for all methods of sale. Surplus and exchange/sale property as well as forfeited, property are offered for competitive sales to the general public, most

commonly through GSA Auctions®, our internet auction site. All GSA sales, whether on the Internet, live auctions, or other methods, are listed on GovSales.gov, the eFAS central portal for all government sales. By regulation, Federal agencies must use an approved Sales Center for their public sales. The Federal Emergency Management Agency (FEMA) has selected GSA as its Sales Center.

Regarding the recent auctions of the FEMA owned temporary housing units (THUs) by the GSA; GSA acted as the sales agent for FEMA in these auctions and FEMA retained physical custody and ownership of these units. We conducted the sales through GSA Auctions® selling travel trailers, manufactured housing (mobile homes) and park models, as single units and small and large multiple lots, ranging from as few as 10 units to recent sales of over 22,000 in one lot. As we do with all of our customer agencies, we provide full and complete descriptions, including known deficiencies, if such information is provided by the owning agency.

The first THU sales in significant quantities, post Hurricane Katrina, began in 2007. GSA was not involved in the initial procurement of these items; as such, we do not know which units were specifically purchased for Hurricane Katrina relief, Hurricane Rita relief, or any other subsequent disaster. After learning about questionable formaldehyde levels, particularly with the travel trailers, GSA coordinated with FEMA to develop a certification statement to inform purchasers of the potential formaldehyde levels and other restrictions on the use of the units as housing and GSA's requirement that purchasers pass on these notices to any subsequent buyers or recipients.

The certification statement for purchasers of travel trailers is a binding document and is made in accordance with and subject to the penalties of Title 18, Section 1001, the United States Code, Crime and Criminal Procedures. Prospective bidders were provided a link in each sales listing, where they are required to read and certify acceptance prior to being able to submit a bid. On March 2, 2010, GSA sent an electronic mail message to buyers of travel trailers reminding them of the requirements of the certification. At times when GSA becomes aware of any violations, we refer them to GSA's Office of Inspector General (IG) for investigation. GSA's Office of Personal Property Management has forwarded the name of one buyer to the IG for investigation for such alleged violations.

There were no restrictions on continued use of the usable manufactured housing units because they were built to standards established by the Department of Housing and Urban Development (HUD), which are included in the Code of Federal Regulations (CFR). There are restrictions placed on manufactured housing units sold as scrap.

GSA also placed the health warning notice from the HUD regulations, which is applicable to the sale of new manufactured housing units, in each sales listings.

There are no specific, special requirements for sales of THUs. The Federal Property Management Regulation, 41 CFR 101-42, "Utilization and Disposal of Hazardous Materials and Certain Categories of Property", addresses special requirements for disposal processing of specified categories of items requiring special handling. FEMA did not identify the THUs as falling under any of these identified categories, such as being a hazardous material, a munitions list item, or an item containing asbestos, so no special requirements were applicable. GSA agreed that the THUs did not fall within the parameters for any of these special commodities and the corresponding special requirements.

We recently completed the sales of the remaining significant inventory held by FEMA. At the end of January, the majority of the remaining units, a total of 101,802 units, were sold as 11 lots via GSA Auctions®. Most sales have been successfully completed with the exception of three where the successful bidder defaulted on his contract. Two of the lots have been successfully reoffered for sale and FEMA has elected not to re-offer the units at the remaining site. Instead, FEMA has determined they are excess and are being offered for transfer to other Federal activities or then to State Agencies for Surplus Property through the Federal Surplus Personal Property Donation Program.

The other sales have been approved by the Department of Justice, as their sales proceeds exceeded our \$3,000,000 single award authority, and each has been paid in full with removal process ready to begin.

Thank you again for this opportunity to speak to the Honorable members of this committee. I am happy to answer any questions you may have.