DOT-Wide Strategic Sourcing (DWSS) Program

**Response to Office of Management and Budget (OMB) Memorandum
Dated March 11, 2008 on FY 2007 Strategic Sourcing**

June 2008

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I.   Introduction

This document presents a DWSS Program overview for the Department of Transportation's response to OMB'S Memorandum Dated March 11, 2008 on FY 2007 Strategic Sourcing.

I.1   Background

The Department of Transportation (DOT) spends over $5 billion annually on purchases of goods and services. Of the 11 Operating Administrations (OA) within DOT, the Federal Aviation Administration (FAA) is by far the largest in terms of procurement spend and represents over 50% of total DOT spend on goods and services, or $2.9 Billion.

Over the past year, DOT has made progress in building the DOT-Wide Strategic Sourcing (DWSS) Program despite numerous obstacles. The FAA has continued to drive sourcing savings by implementing contracts through its Strategic Sourcing for the Acquisition of Various Equipment and Supplies (SAVES) initiative. Another major development was the Administrative Management Council's (AMC) acceptance of an oversight role to "champion" strategic sourcing activities for the Department going forward. However, broader DOT-wide strategic sourcing initiatives were impeded by a number of key stakeholders leaving the Department during FY 2007. These personnel changes created a transition period while positions were filled and individuals were brought up to speed.

DOT initiated its strategic sourcing effort in FY 2004 in order to address the need to consolidate information technology in preparation for the Department's transition to a new headquarters building. A policy was established by the Chief Acquisition Officer (CAO) and Chief Information Officer (CIO) and was disseminated department-wide, requiring coordination of information technology (IT) requirements with Operating Administration CIO's. As a result of this process, IT proposals are reviewed by Operating Administration CIOs and forwarded to the Architectural Review Board to determine if a Commodity Council should be formed to further scope the requirement and to perform market research. Enterprise-wide contracts (e.g., Oracle licensing agreement) have resulted from this process. In addition, a Commodity Council for Section 508 software was completed and an Enterprise Information Management Commodity Council was launched in FY 2006 that was initiated by a policy letter cosigned by the CIO and the Senior Procurement Executive (SPE).

Other accomplishments related to strategic sourcing at DOT include the establishment of pricing agreements under the Purchase Card Program with Staples and Office Max to leverage the Department's spend for office supplies in FY 2005. In FY 2006, FAA made significant progress in its strategic sourcing program, SAVES. Other FY 2006 strategic

sourcing activities included the establishment of a Workspace Commodity Council to coordinate the purchasing of furniture and furnishings and an analysis of printing devices and services costs at DOT headquarters to support policy decisions related to printing as part of the transition to the new headquarters building.

I.2   DWSS Program Objectives

In order to achieve this transformation, DOT stakeholders have identified six core objectives for the DWSS Program:

- *Objective 1: Reduce the Total Cost of Ownership for acquired goods and services.* Through an understanding of all costs related to the acquisition, use and disposal of acquired good or service, DWSS will minimize the Total Cost of Ownership. Costs may be internal to DOT or external costs of working with suppliers.
- *Objective 2: Improve and optimize supply relationships.* DWSS will help the Department evolve from a traditional, stove-piped local purchasing orientation and, where appropriate, facilitate the collaborative development of Department-wide sourcing strategies for target commodities.
- *Objective 3: Improve responsiveness to customer needs.* DWSS will enable the Department to be more responsive to the needs of its users by improving the efficiency of DOT procurements as well as developing a more comprehensive understanding of customer requirements.
- *Objective 4: Standardize business processes and practices across the Department.* DWSS aims to improve the efficiency and consistency of DOT procurements by implementing standardized acquisition business processes throughout the Department.
- *Objective 5: Standardize and consolidate requirements, when possible.* DWSS will enable the standardization and consolidation of requirements from across OAs, when possible, to improve procurement efficiency and ensure that maximum value is captured.
- *Objective 6: Meet or exceed socio-economic goals.* DWSS will ensure the utilization of small and disadvantaged businesses and fulfillment of socio-economic programs by matching small business capabilities to the Department's requirements.

II. Program Results

II.1   Summary of FY 2007 Results

The following section describes the progress DOT has made in several key areas during FY 2007.

II.1.1   Governance Structure

The DWSS program design is based on three elements: coordination and collaboration; flexibility; and control. Based on these design considerations, the DWSS governance structure shown in Figure II-1 has been developed. This model emphasizes centralized coordination through cross-functional, cross-OA representation. At the same time, execution of the strategic sourcing process occurs at the Commodity Team level, which is closest to the customers of a commodity. To apply strategic sourcing across the maximum amount of DOT spend, OAs may initiate and execute strategic sourcing at the agency or multi-agency level, not just at the DOT-wide level.

Figure II-1 – DWSS Governance Structure
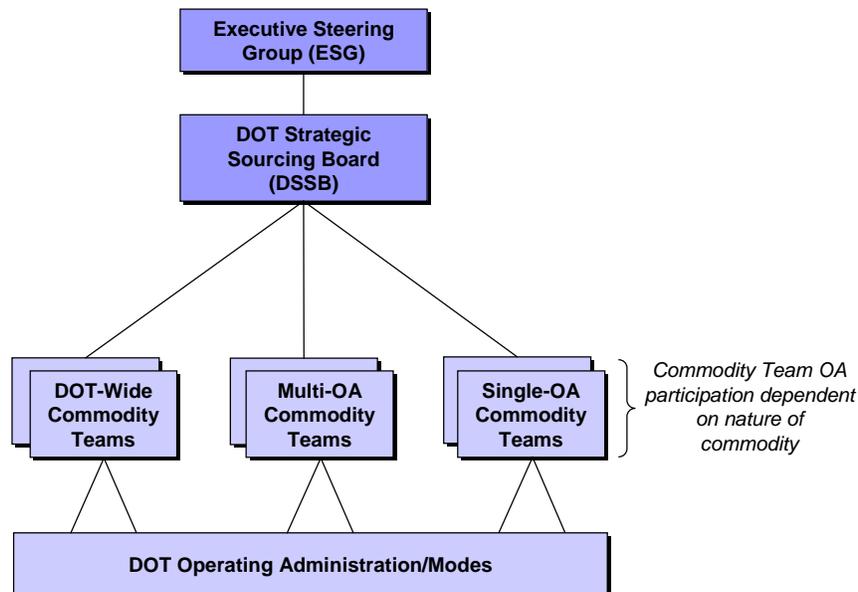
Earlier this year, DOT's Administrative Management Council (AMC) accepted the role of the Executive Steering Group (ESG). The ESG provides overall Program oversight and ensures stakeholder buy-in across the Department and is responsible for the successful implementation of DWSS.

II.1.2   Strategic Sourcing Initiatives

Due to resources and personnel transitions described in section I.1, the strategic sourcing initiatives within DOT were largely initiated through FAA. The primary focus of strategic sourcing for FAA in FY 2007 was the continued implementation of its SAVES contracts. During FY 2007, FAA implemented seven contracts covering five commodity areas and attained at least a 70% compliance level for each contract within four months. The average savings rate was 21.3%.

II.2 DWSS FY 2007 Performance Metrics

The following table provides a summary of DWSS program level metrics for FY 2007:

Program Level Metrics	
Performance Measure	**FY 2007 Results**
Total savings achieved	• Total DOT savings for FY 2007 is estimated at $7 Million. • This savings is primarily due to seven new SAVES contracts in the following commodity areas: office supplies, office equipment, IT hardware, courier, and financial systems support.

# of commodity initiatives established	• DOT has initiated a total of seven (7) commodity initiatives since the establishment of its strategic sourcing efforts in FY 2004: 	
	  – FAA has initiated five (5) commodity teams since the establishment of the SAVES program.
	  – DOT headquarters has initiated two (2) commodity councils through the CIO council.
	• No new commodity teams were launched in FY 2007, although existing teams continued to work to contract awards and implement new contracts.

% of total spend addressed through strategic sourcing	• Quantifying spend addressed through strategic sourcing is a goal for FY 2008.
Customer satisfaction	• DOT achieved a 67% procurement customer satisfaction rate overall in FY 2007. • FAA plans to conduct a customer satisfaction survey in FY 2008 to identify areas of improvement.
Compliance with strategic sourcing agreements	• FAA revised its Acquisition Management System in FY 2007 to endorse the use of all strategic sourcing vehicles and require the use of all strategic sourcing vehicles throughout FAA. • In September 2007, FAA compliance levels with SAVES contracts ranged from 82-96%.
Small business utilization achieved	• Except in the area of veteran-owned small business, DOT met all of its small business prime contract goals. • Additionally, two of the seven SAVES contracts awarded in FY 2007 were set aside for small business. These two contracts total nearly $4 Million of the $26 Million spend on all SAVES contracts (about 15%). – The IT Hardware contract was awarded to a small disabled veteran owned business. • Each of the other five SAVES contracts not awarded to small business has a requirement to have small business subcontracting plans and goals.

Program Level Metrics	
Performance Measure	**FY 2007 Results**
% of total spend where transaction (Level 3) data is being collected	• The ability to collect transaction (Level 3) data is a planned objective for future DOT commodity initiatives.

III. Strategic Sourcing Program Goals

While DOT progress during FY 2007 was largely attributed to FAA, the Department is striving for a broader implementation of the DWSS program across all Operating Administrations. Some of the key goals for FY 2008 include:

- Implement DOT Strategic Sourcing Board (DSSB) component of governance structure. The DSSB is also responsible for overall coordination and program level activities. The DSSB will also be responsible for reviewing and approving sourcing strategies recommended by Commodity Teams, developing policies, setting standards.

- Reevaluate and prioritize commodities for new strategic sourcing initiatives. This will include indentifying opportunities to leverage Federal Strategic Sourcing Initiative (FSSI) and FAA initiatives DOT-wide.

- Develop metrics for use in strategic sourcing decisions. This will include developing baseline data and information for currently identified commodities as well as exploring ways to capture information related to cost savings.

- While DOT is pursuing its small business goals set forth in its Small Business Procurement Scorecard and its customer satisfaction goals under the Balanced Scorecard performance management methodology, the Department will seek to capture information regarding small business participation for commodities which the Department has strategically sourced. The Department will also try to determine if efforts to use strategic sourcing methods impact customer satisfaction.

- Develop a communications platform to ensure a clear and consistent message on strategic sourcing across the Department.

- Achieve FAA Flight Plan target of 10-15% savings for strategic sourcing for selected products and services, totaling between $5–7 Million in savings.

- Reach 80% compliance of FAA strategic sourcing contracts.

IV. Performance Metrics

Performance measurement, both at the program level and at the commodity level, is critical to ensuring success of the DWSS program. The following metrics have been identified to measure and monitor the effectiveness of the program:

DWSS Performance Metrics		
Performance Category	**Performance Metric**	**Description / Methodology**
Price of the goods or services	Total savings achieved	Dollar and/or % savings through reductions vs. baseline of prices of goods and services
Performance	# of commodity teams initiated	Total number of commodity initiatives where personnel are continuously engaged in managing a commodity
	% of addressable spend addressed through strategic sourcing	Total spend volume being sourced through commodity teams as a percentage of total addressable DOT spend
	Overall customer satisfaction	Calculation methodology not yet determined
	Compliance with strategic sourcing agreements	Spend through strategically sourced agreements as a percentage of total commodity spend
Socio-economic goals	Small business utilization achieved (FY07) and projected (FY08)	Dollar and % small business spend achieved and projected per strategically sourced commodity
Information that improves management of commodities and services	% of addressable spend where transaction (Level 3) data is being collected*	Total spend volume for which detailed transaction (Level 3) data is being collected as a percentage of total addressable DOT spend*

* Level three data is currently not captured, but new contracts let to execute strategic souring will levy requirements for the contractor to provide this data.

Although several performance metrics have been identified, DOT is still in the process of establishing baseline data in order to measure many of the above metrics at the program level.

V. Participation in FSSI

V.1   Domestic Delivery Services

DOT is participating in the FSSI express delivery services component through FAA. FAA is not participating in the ground component of the FSSI offering due to an FAA

domestic and international ground Blanket Purchase Agreement with rates geared to FAA's specific use of ground services and NAS logistics support.

V.2   Office Supplies

DOT is currently not participating in the FSSI office supplies contract. FAA has developed its own single source office supplies contract. At the time when that contract was developed, FAA provided input to GSA. As part of any option renewal and re-competition, FAA plans on evaluating the FSSI offering.

V.3   Wireless TEM Services

DOT is currently not participating in the FSSI wireless TEM services contract. This is largely due to an FAA wireless TEM services that was awarded before the FSSI contract was in place. When the FAA wireless TEM services contract expires, FAA is planning on evaluating the FSSI offering.

V.4   Additional FSSI Offerings

DOT does not have any suggestions regarding future FSSI offerings or the FSSI approach.