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Notes from the Administrator

August 2011

In last month's issue of the Notes, I reported to you all about the White House Forum on Accountability in Federal Contracting, which served as an excellent opportunity to highlight some of the overall successes we've achieved by focusing on fiscal responsibility, developing the acquisition workforce, and rebalancing our relationship with contractors. In this month's issue we'll start with more examples of the specific things that our acquisition professionals across the Executive Branch are doing to save taxpayer dollars and increase efficiency.

Spotlight on Success

- In March of 2011, the Veteran's Health Administration's Office of Procurement and Logistics began using a commercial online reverse auction service that is free to the government and requires no software or system installation to use. VHA reports that, from March 1 through June 23, for supply orders that were each valued at \$150,000 or less, they saved \$668,097.40 through the use of this platform. In addition to the cost savings realized, this procedure has also been helpful in supporting socio-economic small business goals, as 63% of the awards went to small businesses and half of those went to veteran-owned small businesses. VHA also experienced reduced procurement lead time by utilizing this service because it saves time with automated feeds to FedBizOpps and provides detailed information to the buyer for each procurement, including all sellers contacted and all bids and no-bids received.
- For a different twist on reverse auction success, GSA decided to avoid utilizing a commercial service to host the reverse auction, and instead conducted it via e-mail. The goal was to establish a blanket purchase agreement (BPA) for enamel, a standard commodity with a long procurement history. In the solicitation, GSA announced that it would use a modified reverse auction. Each day, GSA sent out an email to all competitors announcing the lowest total price currently quoted. GSA then gave the competitors time to respond by lowering their prices. Usually, GSA allowed 24 hours between each 'round'. Ultimately, this simple reverse auction got industry's competitive spirit moving. Round after round, the price dropped. The auction ran for 25 rounds, and the bottom line price was more than 20% lower than the price under the previous competition. Because neither GSA nor the vendors had to pay anyone to run the auction, all of these savings accrued to the federal customers.

- The Department of Education (ED) has centralized their print management function by utilizing a contractor-owned, contractor-operated IT infrastructure contract that provides a wide-array of IT services on a fixed-price and fixed-unit-price basis. Unlike the more traditional IT contracting arrangements, ED purchases fully-managed services from the contractor, and the contractor is completely responsible for the operation, maintenance and refresh of the associated hardware and software. Before implementation of the agency-wide contract, ED was operating with more printers than employees (!), and each program office was responsible for purchasing, storing, and, in some cases, installing the related hardware and consumables. By contrast, the centralized contract established a printer ratio of 10 employees for every one network printer that is capable of satisfying the contractually established functional requirements. In addition, centralization has eliminated the burdens associated with the storage and staging of those devices that had reached their end-of-life and were awaiting disposal. As a result of both centralizing the printing services and standardizing the types of printers based on functional requirements, while mandating that all devices be disposed in accordance with various “greening” clauses, ED has reduced the number of printers within the organization’s landscape and has been relieved of the administrative burden and overhead costs associated with disparate consumable ordering processes and the disposal of printers. I should add that, since GSA is taking the lead in developing a government-wide strategic sourcing vehicle for print management, they’ll certainly want to learn from ED’s success in this area.
- The Defense Logistics Agency (DLA) Troop Support Medical Supply Chain has awarded 59 contracts and contract options that result in a nationwide "virtual depot" for contingency medical material, which the services have identified as 'needed for war.' Michael Medora, the Chief of the DLA Troop Support Medical Contingency Contracting Team, says this approach saves hundreds of millions of dollars annually in procurement, storage, disposal, and replacement costs, because the services will use the contingency contracts to purchase and take custody of the fresh-dated material only if the materials are actually needed for contingencies. Prior to the award of the "virtual depot" contracts, DLA would buy, store, and, if the items were not actually needed, ultimately dispose of millions of dollars worth of contingency material. DLA improved on this process, making it more cost effective and efficient. During FY '10, DLA spent \$35 million to buy guaranteed and immediate access to industry safety stocks valued at \$770 million dollars, which can then be purchased if and when necessary. DLA is very proud of these readiness contracts which make available to the services what they need, when they need it, and at favorable prices. Regarding the applicability of the contingency contract approach to other commodities, Mr. Medora summed it up by saying, "The contingency contract approach is viable to other organizations who stockpile large amounts of material for emergencies."

Small Business Contracting

As we move into the home stretch of the fiscal year, many of you will have the opportunity to help us meet our government-wide goal of getting 23 percent of prime-contract dollars to small businesses, as well as the subgoals for the various subcategories of small businesses. Task and delivery orders under GWACs and other existing contracts, as well as orders under the Schedules, can be a quick and easy way to help us meet those goals, and 8(a) program can also give you a boost. SBA, OMB and the Minority Business Development Agency recently released a memo containing practical suggestions for utilizing small businesses in the 4th-quarter, and we've posted the memo via the MAX website (available here:

<https://max.omb.gov/community/x/xIP9Ig>) for your reference. This is an area where your professional knowledge of the tools in our acquisition toolbox can help your agency users meet their needs while also helping us all meet the small business goals.

Updated Resources from GSA

Many of you have heard me say that BPAs are an important tool about which we have far too little visibility – we simply don't know much about what BPAs are out there, for what goods and services, and with what prices and other terms and conditions. Well, I'm happy to report that we are finally doing something about that. I recently attended a demonstration of the pilot of a BPA directory being established by the Federal Acquisition Services within GSA. That directory, which will be hosted within GSA's MAS and Interact web portals, will fill a critical gap in available information. Stay tuned!

By the way, reference to those two web portals provides a chance to tell that the improved portal, which is available at <http://www.gsa.gov/schedules>, provides access to loads of useful information to help the acquisition workforce. The fresh, navigation-friendly design will link you to:

- Acquisition training courses and webinars
- Educational online videos and podcasts
- News about changes to the FAR and new offerings from GSA
- Access to GSA acquisition experts

GSA's Interact is a collaboration tool for federal, military, state and local acquisition professionals along with GSA vendor partners. To join the conversation, register at <http://interact.gsa.gov/groups/multiple-award-schedules>, and join the Multiple Award Schedules group for in-depth news, webinars, video, and audio podcasts.

Front Line Forum

This month marked the sixth meeting of the Front Line Forum, and it was, as always, an excellent opportunity for me and others in OFPP to hear directly about many of the challenges that face the acquisition workforce, as well as many of the successes. One topic of discussion was improving communication between government and industry -- “vendor engagement,” as we say -- an issue that was highlighted by OFPP’s “myth-busters” memo and that has continued to develop to focus on industry-based myths as well. The conversation on this issue was very lively, and provided us with an opportunity to better understand the pressures faced by contracting professionals, both from within and from outside their agencies. We also discussed the new management support services initiative, and again the feedback was very valuable as we work to understand how to help this savings initiative succeed across the government. (See the next story for more on this.)

Management Support Services Savings Initiative

As you know, we are pushing hard to reduce spending on management support services, an area where spending has gone up fast and furiously over the past decade, and where the spending often involves risk to the government, either through undisciplined use of time & materials pricing or due to overreliance on contractors, or both. In response to feedback, we have refined the list of product and service codes (PSCs) slightly. We deleted the PSCs for cost-benefit analyses, policy review/development services, program evaluation services, and program review/development services, because we don’t want to unintentionally send a signal that we are no longer committed to the value of independent analyses, which contractors can often provide, in evaluating program results. In percentage terms, the impact of deleting these four PSCs will be very small, since, combined, they account for only about 1.5 percent of the spending in the targeted PSCs. We made one addition to the list of targeted PSCs, adding technical assistance services (R421). We did this, both because of overlap between those services and some of the other targeted PSCs, and because of ongoing efforts to update the PSC manual that will merge technical assistance services with engineering and technical services (R425), which is one of the PSCs already targeted for savings. The net impact of all these changes will be to increase the target of opportunity for savings to \$44 billion, and to achieve 15% savings, we will need to bring spending down to \$37.4 billion in FY 12.

Here’s the updated list of targeted PSCs:

- D302 ADP SYSTEMS DEVELOPMENT SERVICES
- D307 AUTOMATED INFORMATION SYSTEM SVCS
- D310 ADP BACKUP AND SECURITY SERVICES
- D314 ADP ACQUISITION SUP SVCS
- R408 PROGRAM MANAGEMENT/SUPPORT SERVICES
- R413 SPECIFICATIONS DEVELOPMENT SERVICES
- R414 SYSTEMS ENGINEERING SERVICES

R421 TECHNICAL ASSISTANCE
R423 INTELLIGENCE SERVICES
R425 ENGINEERING AND TECHNICAL SERVICES
R497 PERSONAL SERVICES CONTRACTS
R707 MGT SVCS/CONTRACT & PROCUREMENT SUP

We appreciate that savings in these areas will be challenging for some agencies, and we are sensitive to the fact that decisions about whether to use contractors for these services is a decision made by program offices, not acquisition personnel. For that reason, we are working to be sure that senior agency leaders, including those from the budget and program offices, are aware of the savings initiative and supportive. Acquisition offices can provide important assistance, such as by identifying large management support contracts that the agency has been using, as well as in recommending steps to save money for services that are needed, such as by seeking discounts and, where it could risk to the agency, shifting to fixed prices. We very much appreciate your contributions in helping us meet the government-wide goal of saving 15 percent in this area.

Workforce Development

- **Effective Vendor Engagement:** Since our February 2, 2011 memo on “Myth-Busting¹,” OFPP has done a lot of outreach to start the conversation at agencies and within industry. In case we haven’t yet visited with your agency or your location, you have an opportunity to understand some popular government myths, gain some practical tools for implementing more effective vendor engagement strategies through actual case studies, and get some great advice from executives who have experience in both the government and private sectors from an Acquisition Learning Seminar recently held by OFPP. Slides from the seminar will be available soon at www.fai.gov as will a video recording of the two hour event.

But the conversation on Myth-Busting does not stop here! OFPP, with help from industry and independent associations, is currently developing a companion memo containing industry myths. Concurrently, the American Council for Technology (ACT) - Industry Advisory Council (IAC) has put up a list of vendor-friendly contract strategies for comment and discussion. Please visit www.BetterGovernmentIT.org to join in the discussion, and to vote on the top vendor-friendly contract strategies. The site will be active *until September 9*. We appreciate your participation!

- **Vendor Communication Plans:** One of the requirements in the February memo was the development of agency Vendor Communication Plans, and we’ve received submissions from most of the agencies. After reviewing the plans with our colleagues in the E-Gov

¹ Available at <http://www.whitehouse.gov/sites/default/files/omb/procurement/memo/Myth-Busting.pdf>, if you have not yet seen it.

office, we had teleconferences with the agencies to give them feedback on their plans and to share best practices from across the agencies. By the end of this month, we anticipate receiving updated plans and, after our review, agencies will have 30 days to post the plans publicly, as appropriate, for agency workforce members and industry.

- **Job Shadow Matching Tool:** In response to the last issue of “Notes from the Administrator,” we were delighted to receive information on a job shadowing program at the Naval Air Warfare Center (NAWC). In this program, NAWC matches job shadowing opportunities with employees who need them. Shadowing opportunities are provided for activities ranging from design reviews and pre-proposal conferences to oral presentations and source selection boards. This is an excellent way to easily develop employees on real-world acquisition scenarios and we’ll be sharing it with the Federal Acquisition Institute to see if other agencies are interested in this initiative.

If you have any acquisition workforce initiatives to share, or anything else that would further our goals of smarter buying and reducing risk, we would love to hear from you - please contact Joanie Newhart at jnewhart@omb.eop.gov.

Notes from the Administrator Photo Caption Contest

In the July issue of the Notes, the OFPP staff conspired to publish the photo below, with a request that readers submit their best, funniest acquisition-related captions. The response was quite impressive, with more than 50 submissions from across the government. To help us select the best captions (and to ensure impartiality), we enlisted the members of the Front Line Forum to vote for their favorites. In case you hadn’t guessed, I had nothing to do with the selection of the photo or the caption – but all of us in OFPP certainly got a good laugh out of this.



In order, the top captions for the photo are:

- 3) “I salute you – live long and prosper, Federal Acquisition Workforce!” (Submitted by Tom Scott of the Pipeline and Hazardous Materials Safety Administration within the Department of Transportation)
- 2) “Just to show you how serious I am about cutting spending, I’ve cut off my left arm to reduce waste!” (Submitted by Chris Lankford of the Department of Veterans Affairs)

And the number one caption:

- 1) “That was a successful acquisition – I only lost an arm!” (Submitted by Kerry Beech of the Department of the Treasury)

That’s all for now, but as we enter the final weeks of the fiscal year, allow me to express appreciation to you for your work all through what must have seemed sometimes like quite a roller coaster of a year. I hope that you got a break during these summer months, and I wish you success as you go through what in many agencies will be an especially challenging end-of-year contracting period. Good luck – and thank you for your service!



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Once you’re registered, you can find the Notes from the Administrator here: <https://max.omb.gov/community/x/cYJ2I>.