

# STRATEGIC SOURCING GROUP OPERATIONS

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## 1. Purpose

This directive establishes the Department of Homeland Security (DHS) Strategic Sourcing Group (SSG) and outlines the SSG's involvement in the investment review process. The SSG will assist in the successful development, deployment, and maintenance of sourcing strategies to enhance DHS' acquisition system, and ensure commodities are acquired in the most efficient and effective manner.

## 2. Scope

This directive applies to all DHS organizational elements (OE) except the Office of Inspector General.

## 3. Authorities

- A. The Homeland Security Act of 2002, codified in Title 6, US Code
- B. 41 U.S.C 426 Use of Electronic Commerce in Federal Procurement
- C. Federal Acquisition Regulation (FAR) Part 7, Acquisition Planning
- D. Federal Aviation Administration Acquisition Management System Section, 3.2.1
- E. Department of Homeland Security Management Directive 1400 Investment Review Process
- F. Department of Homeland Security Management Directive 0731 Strategically Sourced Commodities Policy and Procedures

## 4. Definitions

A. **Acquisition**: Federal Acquisition Regulation (FAR) 2.101 (b) defines Acquisition as "the acquiring by contract with appropriated funds of supplies or services (including construction) by and for the use of the Federal Government through purchase or lease, whether the supplies or services are already in existence or must be created, developed, demonstrated, and evaluated. Acquisition begins at the point when agency needs are established and includes the description of requirements to satisfy agency

needs, solicitation and selection of sources, award of contracts, contract financing, contract performance, contract administration, and those technical and management functions directly related to the process of fulfilling agency needs by contract.”

Note: To the extent that the definition in this MD differs from FAR, the FAR definition prevails.

B. **Acquisition Planning**: FAR 2.101 (b) defines Acquisition Planning as “the process by which the efforts of all personnel responsible for an acquisition are coordinated and integrated through a comprehensive plan for fulfilling the agency need in a timely manner and at a reasonable cost. It includes developing the overall strategy for managing the acquisition.”

Note: To the extent that the definition in this MD differs from FAR, the FAR definition prevails.

C. **Chief Procurement Officer**: The DHS official responsible for managing and overseeing acquisition and procurement functions, as well as sitting on boards and councils involved in DHS’ investment review process.

D. **Commodities**: Goods and services acquired for consumption by DHS OEs.

E. **Enterprise Architecture Board (EAB)**: In accordance with MD 1400, the EAB reviews and approves Level 3 IT investments. The EAB also reviews and makes recommendations to the IRB and the Management Review Council (MRC) regarding Level 1 and Level 2 IT investments. On an annual and ongoing basis, the EAB approves business cases; participates in strategic planning and develops IT strategic guidance; and establishes standing and ad hoc committees as deemed appropriate.

Note: To the extent that this definition differs from MD 1400, MD 1400 prevails.

F. **Investment Review Process**: The system of reviewing DHS investments, capital assets, and services described in MD 1400.

G. **Investment Review Board (IRB)**: The IRB is the executive review board that provides acquisition oversight of DHS Level 1 investments and conducts portfolio management. See DHS MD 1400 for additional information.

H. **Joint Requirements Council (JRC)**: The JRC is a senior requirements review board that conducts program reviews to oversee the requirements generation process, validate mission needs statements, review cross-functional needs and requirements, and make programmatic recommendations to the IRB on proposed new programs.

I. **Level 1, 2, 3 or 4 Investments**: The category level (threshold) at which an investment is reviewed/approved during the investment review process in accordance with MD 1400.

J. **Organizational Elements (OE)**: See DHS MD 0010, paragraph 4.D. for the definition. For the purpose of this MD, the Office of Inspector General is excluded from this definition.

K. **Strategic Sourcing**: the process of managing a Department's spending in a logical category to emphasize various characteristics. These characteristics can include performance, price, total life cycle management costs, small business participation, vendor access to business opportunities, etc and are typically specific to the individual category.

## 5. Responsibilities

A. **The Under Secretary for Management**. The Undersecretary for Management shall authorize the assembly of a DHS SSG to operate according to the policy and procedures prescribed in this MD.

B. **Strategic Sourcing Group (SSG)**. The SSG shall develop and deploy approaches to leverage targeted department-wide commodity spending and will operate in accordance with the Policy and Procedures section below.

## 6. Policy and Procedures

A. **Governance**.

The SSG ensures that Department of Homeland Security's (DHS) sourcing strategy reflects value to and supports the interests of its stakeholders. These stakeholders may include program managers and acquisition professionals within each OE; offices within the Office of the Under Secretary for Management; the Investment Review Board; DHS suppliers, internal customers and end users.

1. The SSG is responsible for:
  - (a) Setting the DHS strategic sourcing direction.
  - (b) Collaborating with stakeholders to develop effective sourcing strategies.
  - (c) Monitoring DHS sourcing activities.
  - (d) (Developing policies and making decisions that ensure the execution of an effective strategic sourcing strategy.
2. The SSG will develop sourcing strategies that result in:
  - (a) Greater acquisition system efficiencies.

- (b) Cost savings or efficiencies.
  - (c) Developing and maintaining effective relationships with SSG stakeholders.
3. At the beginning of each fiscal year, the SSG will, to the extent practicable, set a schedule of agenda items to be discussed during the year.
  4. Additionally, the SSG will review the metrics that were used in the prior year to establish their appropriateness for continued use, consider modifications and, if necessary, develop new metrics.
  5. The group may further refine its responsibilities, duties, and activities as well as develop policies and procedures, as needed.

**B. Metrics.**

The SSG will measure its success using several metrics. These include:

1. Adding value to the DHS investment review process.
2. Generating department-wide savings.
3. Improving the quality and timeliness of the delivery of goods.
4. Maintaining a diverse supplier base.
5. Measuring the SSG's performance and accomplishments against others' strategic sourcing efforts.

**C. Interaction with the Joint Requirements Council (JRC).**

The SSG will be an integral part of JRC, and will participate in program reviews to oversee the requirements generation process, review Exhibit 300s, validate mission needs statements, review cross-functional needs and requirements, and make programmatic recommendations to the IRB on proposed new programs. Commodity Councils will act as the subject matter experts to provide programmatic recommendations when requested to do so by the JRC.

**D. Interaction with the Enterprise Architecture Board (EAB).**

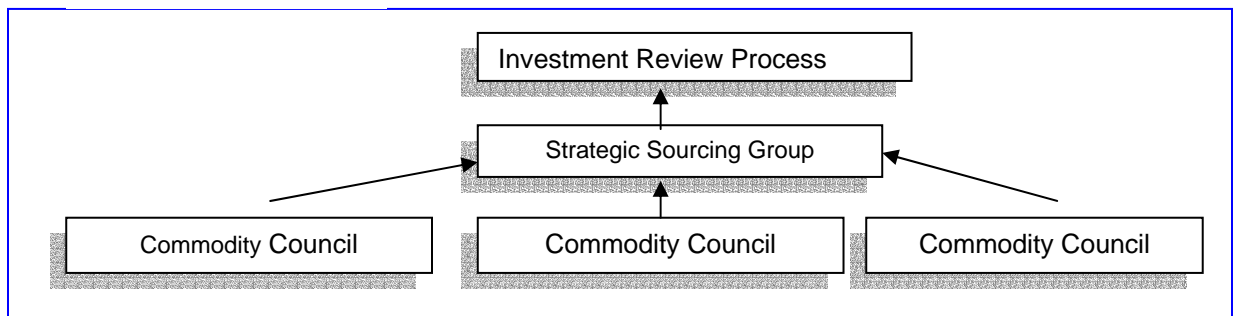
The SSG will be an integral part of EAB by participating in program reviews to oversee the requirements generation process, review Exhibit 300s, validate mission needs statements, review cross-functional needs and requirements, and make programmatic recommendations to the EAB on proposed new programs. Commodity Councils will act as the subject matter experts to provide programmatic recommendations when

requested to do so by the EAB.

E. **SSG Membership.**

1. The SSG will consist of members who represent the best interests of DHS acquisition activities. Membership may include subject matter experts from affected OEs (all OEs will be given the option to provide representation); advisors from the Offices of the Chief Financial Officer and the Chief Information Officer, the Office of Inspector General, the Office of Small and Disadvantaged Business Utilization and a member of the DHS Investment Review Board.
2. The SSG will be chaired by the Chief Procurement Officer, or his or her designee. Members of the SSG are nominated by the Chief Acquisition Council.
3. The SSG will form Commodity Councils as needed. The relationship of the SSG to the investment review process and the Commodity Councils is depicted in Graphic 1.

Graphic 1



F. **Commodity Councils.**

The SSG will assemble *ad hoc* councils for the purpose of developing an optimal strategy for acquiring analogous categories of highly technical, complex, and/or high dollar commodities.

1. Commodity Council formation is to be based on a commodity's:
  - (a) Volume.
  - (b) Complexity.
  - (c) Dollar value, if proven to facilitate supply chain management/on-line collaboration with vendors.
  - (d) Mission criticality that requires special attention.
2. Commodity Councils will aid with:

- (a) Fostering competition.
- (b) Making the acquisition process faster and more flexible.
- (c) Lowering the overall cost of acquiring the commodity.
- (d) Making better-informed acquisition decisions.
- (e) Taking advantage of product/service innovations.
- (f) Developing supply chain management concepts and processes for strategic partners.
- (g) Increasing participation and access to business opportunities by small businesses.

3. Council membership will include representatives from those involved in the process of acquiring the specific commodity and may include end users and logistics managers, as well as representatives from DHS' legal, financial, and information technology offices and the Office of Small and Disadvantaged Business Utilization. Members must possess expert knowledge of the commodity to be acquired and of its marketplace. These persons must also have the ability to analyze issues, concerns, or problems related to acquisition of the commodity, and an understanding of the methodologies that may be used for its acquisition.

4. The councils will be co-chaired by a member of the SSG and the DHS lead program expert.

5. Each Commodity Council is to establish its governance process, or process to exercise oversight and control of the commodity area. The governance process should address:

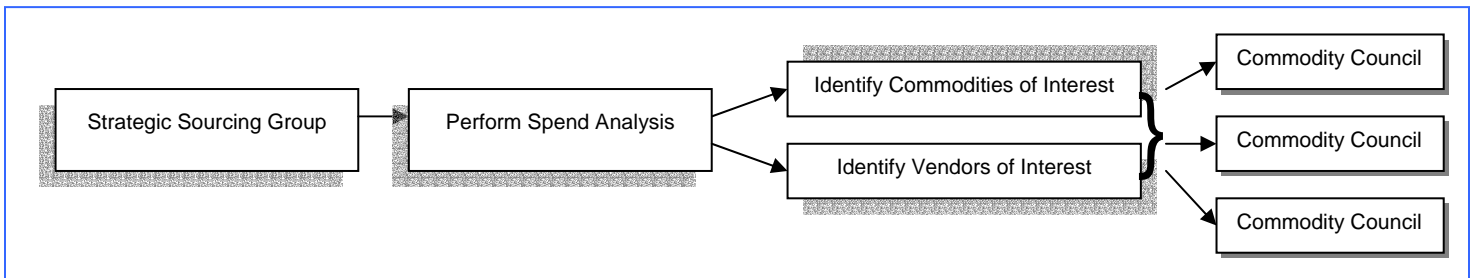
- (a) Establishing a charter/mission statement that includes:
  - 1. Scope of responsibility.
  - 2. Goals and objectives.
- (b) Roles and responsibilities of:
  - 1. Co-Chairs.
  - 2. Membership.

- (c) Procedures for:
  - 1. Accepting new members.
  - 2. Removing/replacing members.
  - 3. Managing current members.
- (d) Operating procedures, as necessary, such as the voting process.
- (e) Sub-council establishment and administration.
- (f) Customer requirements development.
- (g) Metrics for gauging success.
- (h) Off-contract spending.
- (i) Internal and external communication.
- (j) Resolving disputes.
- (k) Waiver request processing and accommodating exceptions in accordance with MD 0731.

G. **Strategic Sourcing Process.**

The SSG will manage DHS’s strategic sourcing activities using the model depicted in Graphic 2 below.

Graphic 2



- 1. Perform Spend Analysis:
  - (a) The SSG will conduct a spend analysis by:
    - 1. Reviewing the DHS investment portfolio.

2. Creating a spend analysis strategy.
3. Utilizing analytic tools to evaluate acquisition data.

(b) The resulting analysis will provide intelligence on what, when, where, how often, and by and from whom the goods and services are being acquired for consumption by DHS.

(c) The analysis will identify commodities that may produce cost savings by aggregating their volume. Commodities of interest will be formulated based on the agency's ability to benefit from economies of scale. Vendors of interest will be identified to enhance commodity delivery and consolidate the number and kinds of vendors.

(d) Spend analysis will be undertaken by the SSG by utilizing analytical tools available through commercial vendors.

## 2. Identifying Commodities of Interest:

(a) This activity will be undertaken by the SSG to analyze the kinds and numbers of transactions being performed by DHS's buying activities to acquire specific commodities. The results will identify potential methods of acquiring commodities faster and more economically while delivering better value to stakeholders.

(b) Reviewing the commodities being acquired by DHS and performing a cost/benefit analysis for each commodity is designed to aid in formulating sourcing strategies that incorporate supply chain management and integrated digital environment concepts.

(c) The JRC will be briefed on the resulting strategy.

## 3. Identifying Vendors of Interest:

(a) The SSG will analyze and provide intelligence on those vendors with whom DHS is or should be doing business. The analysis will involve evaluating the originating marketplace(s) for the commodities, identifying those vendors that can produce them, and aiding in the formulation of the most efficient means of having commodities delivered and placed in service.

(b) Uncovering marketplaces and vendors that can deliver the commodities faster and more economically will result in enhanced value of the commodity to the customer. An added benefit of identifying vendors of interest is the ability to use common tools that can facilitate collaboration and enable electronic buying and payment mechanisms to be directly tied to DHS and the vendor's sourcing systems.



(c) The IRB will be briefed on the results of the analysis.

4. Assembling Commodity Councils:

(a) After performing a spend analysis, identifying commodities of interest, and identifying vendors of interest, Commodity Councils will be assembled. These councils will operate in accordance with the process set forth in the Commodity Council section, above.

(b) These councils will evaluate and identify strategic sourcing alternatives for consideration by the SSG that lead to strategic alliances with partners and stakeholders that participate in strategic DHS acquisitions.

5. Strategic Sourcing Process Cycles:

(a) The process of performing spend analyses, identifying commodities and vendors of interest and establishing Commodity Councils will continue through continuous evolutionary cycles.

(b) Successive cycles will be based on the business cases submitted to the Investment Review Board and fiscal year budget justifications.

6. Strategically Sourced Commodity Policy and Procedures:

Upon the SSG establishing a strategic sourcing approach for a commodity, the policy and procedures governing the commodity will be promulgated through MD 0731 "Strategically Sourced Commodities Policy and Procedures."

H. **SSG Communication Activities.**

1. Communication channels will be devised to provide awareness of the SSG and its activities. Content will be tailored to the communication channel and will be learning-based and strategically oriented to help facilitate change, learning, and to communicate key messages about the SSG. Communication channels will include DHS's Intranet and other electronic means such as e-mail and publications.

2. DHS's Intranet will be used to provide up-to-date, useful, targeted content that reflects the SSG's purpose, intent and accomplishments. The content will provide readers with information that the SSG believes that acquisition professionals need to know and understand regarding strategic sourcing. Examples include preparing acquisition strategies, lessons learned, and current SSG activities.

3. The SSG will also use e-mail to notify DHS acquisition professionals about information relevant to sourcing activities. E-mail messages will be used to aid in developing a uniform understanding of the SSG's role and performance, while serving to enhance awareness of the group's involvement in DHS's sourcing activities. The e-mail listing will be generated at the SSG's intranet site.

4. Another communication channel will be an educational/marketing presentation that explains SSG activities. The presentation will be part of an aggressive public awareness campaign.

5. The SSG will also use other methods to promote its message, such as newsletters. As various publications with wide distribution to the acquisition community are developed or found, articles containing timely information related to sources and the SSG's efforts will be published.

I. **Questions or Concerns Regarding the Process.** Questions or concerns regarding this directive should be addressed to the Director, Strategic Sourcing and Acquisition Systems Division, Office of the Chief Procurement Officer, Management Directorate.