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OFFICE OF MANAGEMENT AND BUDGET
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DEPUTY DIRECTOR
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MEMORANDUM FOR THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

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SUBJECT: Category Management: Making Smarter Use of Common Contract Solutions and Practices

The purpose of this Memorandum is to provide guidance on the use of category management. As used in this document, the term “category management” refers to the business practice of buying common goods and services as an enterprise to eliminate redundancies, increase efficiency, and deliver more value and savings from the Government’s acquisition programs. Teams of experts in each category of spending help agencies increase their use of common contract solutions and practices and bring decentralized spending into alignment with organized agency- and Government-level spending strategies by sharing market intelligence, Government and industry best practices, prices paid data, and other information to facilitate informed buying decisions.

To implement category management, the Office of Management and Budget (OMB) will require agencies to carry out a set of tailored management actions and provide updates on these management actions to evaluate their progress in bringing common spending under management. The expected result is more effectively managed contract spending through a balance of Government-wide, agency-wide, and local contracts; reduced unnecessary contract duplication and cost avoidance; and continued achievement of small business goals and other socio-economic requirements. OMB also expects that this Memorandum will help agencies shift time, effort, and funding currently spent performing repetitive administrative tasks toward accomplishing mission outcomes. See Attachment 1.

This Memorandum supersedes and rescinds the Office of Federal Procurement Policy (OFPP) Memorandum entitled *Development, Review, and Approval of Business Cases for Certain Interagency and Agency Specific Acquisitions*, dated September 29, 2011, and also OMB Memorandum M-13-02, *Improving Acquisition through Strategic Sourcing*, dated December 5, 2012.

Background

Each year, the Federal Government spends hundreds of billions of dollars—over \$325 billion in FY 2018—for common goods and services, such as software, mobile devices and professional services. The lack of mechanisms to support agency collaboration on common contract solutions has resulted in billions of dollars in lost cost avoidance, inappropriate contract duplication, and missed opportunities to adopt Government and industry best practices. These missteps have also unnecessarily added to the workload of the acquisition workforce, whose talents and time could produce greater return if they could focus more on mission critical acquisitions.

The President’s Management Agenda (PMA) establishes a long-term vision for creating a more modern, more responsive Government – one that prioritizes mission outcomes, service delivery, and effective stewardship.¹ Increasing the use of common solutions and practices will allow agencies to focus their attention on critical efforts to modernize our information technology (IT) systems; improve data, accountability, and transparency; and develop a workforce for the 21st century to meet the promise of the PMA. The Government must take action now to buy more like an enterprise, and less like hundreds of individual entities, for common requirements needed to meet core mission goals.

The PMA directs an agency’s Senior Accountable Official (SAO) to reduce unaligned spending, *i.e.*, to bring “Spend Under Management” (SUM), and execute plans to increase use of contract solutions designated as “Best In Class” (BIC).² The General Services Administration (GSA) created a set of dashboards and tools to include SUM,³ so that each agency could regularly monitor its spending profile and bring more spending under smart buying practices, such as exerting strong strategic leadership/oversight and collecting and sharing critical information and data, such as terms, conditions, performance, and prices paid. GSA also launched a small business dashboard,⁴ in consultation with the Small Business Administration (SBA), to help agencies more easily track spending on common goods and services made from small businesses.

This Memorandum is designed to build on these activities in order to help the Government buy as a coordinated enterprise and avoid the waste associated with duplicative contract actions.⁵ The Memorandum also provides guidance to ensure agencies act in a manner

¹ Available at https://www.performance.gov/PMA/Presidents_Management_Agenda.pdf.

² OMB has advised agencies to take advantage of BIC and Government-wide solutions as part of their reorganization activities to save money, avoid wasteful and redundant contracting actions, and free up acquisition staff to accelerate procurements for high-priority mission work. OMB Memorandum M-17-22, *Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce*, dated April 12, 2017, available at <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2017/M-17-22.pdf>.

³ GSA Spend Under Management Dashboard, available to Federal users: <https://d2d.gsa.gov/report/government-wide-category-management-category-reports>

⁴ GSA Small Business Dashboard, <https://d2d.gsa.gov/report/government-wide-category-management-oversight-performance-management-tools>.

⁵ This memorandum rationalizes and highlights direction that previously has been conveyed through OMB Circular A-11, a series of Office of Management and Budget (OMB) Memoranda on specific types of spend, stand-alone guidance by the Office of Federal Procurement Policy (OFPP), and various operating guides.

consistent with their ongoing statutory responsibilities to maximize opportunities for small businesses and acquire certain goods and services from AbilityOne and Federal Prison Industries (FPI).

Equally important, a number of activities in this Memorandum emphasize robust communications, consistent with law and acquisition best practices, between contractors who sell common goods and services and all levels of the Federal Government that have responsibility for category management – namely, category managers, Federal organizations that manage Government-wide smart solutions (BIC solution owners), and agency officials who are responsible for determining the best way to meet their everyday requirements. Effective dialogue is critical at each of these levels to ensure that contractors can perform due diligence and offer their best solutions and that agencies can make informed decisions on how best to meet their requirements. For example, category managers should regularly conduct strategic conversations with industry representatives to understand industry trends and cost drivers and share the Federal Government’s thinking on future requirements in their category. Owners of Government-wide solutions should use dynamic market research tools, such as reverse industry days, that promote two-way dialogue in developing or re-competing contracts, and maintain contract advisory boards for continuous feedback and support when refreshing existing vehicles. SAOs and directors of an agency’s Office of Small and Disadvantaged Business Utilization (OSDBU) should emphasize effective industry engagement and vendor management strategies, both pre- and post-award, to better manage performance and explore opportunities for efficiencies.

Guidance

Agencies shall undertake the following five key category management actions to better position themselves to bring spending under management and leverage common contract solutions and practices:

1. Annually establish plans to reduce unaligned spend and increase the use of BIC solutions for common goods and services, consistent with small business and other statutory socio-economic responsibilities;
2. Develop effective vendor management strategies to improve communications with contractors, especially those that support mission-critical functions;
3. Implement demand management strategies to eliminate inefficient purchasing and consumption behaviors;
4. Share data across the Federal Government to differentiate quality and value of products and services in making buying decisions; and
5. Train and develop the workforce in category management principles and practices.

Agencies should review the roles and responsibilities of the key Government-wide and agency stakeholders that support acquisitions for common goods and services, outlined in Attachment 2, to help ensure each of these actions is carried out effectively.

OMB senior leadership will review the SUM dashboard monthly and will require annual updates from SAOs on these management actions to evaluate the adequacy of agency efforts to bring common spend under management while simultaneously meeting small business goals and meeting other statutory socio-economic requirements.⁶ OMB will recognize achievements at PMC meetings, through the PMA, and at events celebrating excellence in acquisition.

Additional background and specific agency steps for each management action are set forth below.

1. Annually establish goals to reduce unaligned spending and increase the use of BICs for common goods and services, consistent with statutory socio-economic responsibilities

When agencies make purchases informed by market intelligence consistently across the Federal enterprise, they increase cost avoidances and save time. Agencies using common solutions for a wide range of requirements, including for wireless services, human capital, identity protection, airline travel, and building maintenance, have consistently experienced these benefits. Conservative estimates suggest that, regardless of the category, taxpayers are consistently realizing average cost avoidance of at least 10-15%.

To help agencies evaluate their progress in aligning common spending activities with category management principles, OMB and the Category Management Leadership Council (CMLC) have developed a SUM tiered maturity model that assigns tiers to agency spending activity based on attributes demonstrating the agency's progress and sophistication in adopting SUM practices. The model is designed to be an adaptable management tool that can be refined by OMB in consultation with the CMLC based on experience and best practices. A full description of the model and the current maturity tiers is maintained on the Acquisition Gateway,⁷ and is summarized as follows:

- **Tier 0** - *Unaligned spending by the agency*, which involves purchasing in a decentralized manner and not conforming to category management principles, including strategic oversight and disciplined consideration of performance data to understand prices paid by other Federal customers or metrics to improve results;
- **Tier 1** – *Spending managed at the agency-wide level with supporting mandatory-use policies and strong contract management practices*, including data analysis, information sharing across the agency, and use of metrics that are defined, tracked and publicized;

⁶ The dashboard will also be reviewed by PMC members quarterly as part of the Cross Agency Priority Goal process.

⁷ For a description of the Spend Under Management Tiered Maturity Model, see GSA's Acquisition Gateway at <https://hallways.cap.gsa.gov/app/#/gateway/category-management/8586/spend-under-management>.

- **Tier 2** – *Spending managed at Government-wide level through multi-agency or Government-wide solutions*⁸ that are not BIC solutions but reflect strong contract management practices, including data and information sharing across agencies, and use of cross-agency metrics.
- **Tier 3** – *Spending managed at the Government-wide level through use of BIC solutions* that have been identified through a collaborative interagency process by acquisition category experts within the Government as offering the best pricing and terms and conditions within the Federal marketplace and reflecting the strongest contract management practices.⁹

Agencies have worked with OMB to determine that as of the end of FY 2018, 56% of addressable common spending¹⁰ is unaligned (i.e., Tier 0). This statistic confirms that substantial cost-avoidances and performance benefits are going unrealized and underscores the need for greater management attention on collaborative buying at both the Federal and agency levels by increasing the portion of an agency's spend that meets the criteria for Tiers 1, 2, and 3.

To accelerate the pace of agency efforts to implement category management, the PMA sets several annual Government-wide goals and OMB works with agencies to set agency-specific goals, including one focused on SUM (*e.g.*, reducing the percentage of unaligned spend) and one focused on spend through BIC solutions (*e.g.*, spending an appropriate and manageable percent of eligible spend through BIC solutions). The BIC goal is a reflection of the many benefits that have been realized from increasing the visibility and use of model contract solutions – including billions in cost avoidance aided by reduced contract duplication for identical products at wide price variations, increased use of common specifications, and greater reliance on Government and industry best practices.

To qualify as a BIC solution, a contract solution must meet a rigorous set of criteria, including demonstrated use of category and performance management strategies and third-party validation.¹¹ A prospective BIC contract is evaluated through a collaborative, peer-reviewed and consensus-driven process that culminates in approval by OMB following recommendation by a category manager and review of such recommendations by the CMLC. The status of a BIC contract is reviewed annually to ensure solution providers continue to meet criteria. BIC solutions currently include a number of prominent contract programs that have decades' long track records of providing important contract support to agencies across Government as well as newer programs that have distinguished themselves through strong and successful contract

⁸In this document, Government-wide solutions and Government-wide contracts generally refer to Government-wide acquisition contracts for IT, multi-agency contracts for IT, and Government-wide and multi-agency contracts for other than IT.

⁹ For a description of the process and methodology used to designate solutions as BICs, see GSA's Acquisition Gateway at <https://hallways.cap.gsa.gov/app/#/gateway/best-class-bic>

¹⁰ Addressable spend refers to the portion of spend for common goods and services that is considered suitable for the application of category management principles. It is currently identified using product service codes (PSCs).

¹¹ Initial designations of BIC contracts have been based largely on demonstrated use of strong contract management strategies. Designations will become more outcome-based as prices paid, performance, and other information about agency vehicles within a given category becomes more readily available.

management practices. A complete list of current BICs is available on the Acquisition Gateway.¹²

Despite their benefits, BIC solutions are not intended to be one-size-fits-all vehicles; nor are agencies expected to make “all or nothing” decisions when deciding whether to migrate work to a BIC. As explained above, the BIC designation does not mean the solution is best for all circumstances, only that the solution is worthy of careful consideration having demonstrated its value against established benchmarks. Except where OMB guidance states otherwise, it is the agency’s responsibility to determine the extent to which a BIC solution is suitable. In some cases, for example, a BIC contract may be suitable to meet requirements for some agency components and not others. Equally important, use of BIC solutions is just one element of an effective category management strategy.¹³

The size of the BIC goal is designed to reflect a balance that creates more proactive agency consideration and use of BICs while still providing ample flexibility for agencies to take advantage of other Government-wide, agency-wide, and local agency contracts that reflect category management principles. This balanced approach should help ensure agencies can meet small business goals, attract new entrants, build their supplier base, and still get better value for the taxpayer.

Agencies will establish plans to drive tailored efforts that address goals consistent with statutory small business goals and other socio-economic requirements. In addition, OMB will work with agencies on a wide variety of efforts to bring more spending under management, including through use of assisted acquisitions and shared service solutions such as travel and electronic personnel records and other mission support services.

Agency Action:

- a. Establish plans to meet annual goals and update OMB. SAOs shall review the SUM dashboard and establish a plan with their Chief Acquisition Officers (CAOs) and Senior Procurement Executives (SPEs), OSDBUs, and other interested stakeholders. The plan, which shall be aligned to the guidance in the PMA and developed in consultation with OMB, shall support agency efforts to (i) reduce unaligned spend (i.e., Tier 0) by increasing use of managed solutions (i.e., Tiers 1, 2, and 3) and (ii) increase use of BIC solutions (i.e., Tier 3). SAOs shall update OMB on the plan not less than annually—by October 31 each year—on their progress in meeting goals by using the template provided by OMB in connection with the PMA.¹⁴

¹² GSA Acquisition Gateway, <https://hallways.cap.gsa.gov/app/#/gateway/best-class-bic/22576/list-of-best-in-class-solutions>

¹³ In FY 2018, the BIC goal was intended to address approximately \$22 billion in annual spend while the SUM goal covered about \$132 billion in annual spend. This equates to about 6% and 43% respectively of the Government’s total spend for common goods and services, which is roughly \$325 billion.

¹⁴As agencies work to align their spending to category management principles, they should keep in mind that data analytics may be limited to Government transactions and Government-wide solutions and may not be available in many areas of spend. For these reasons, agencies are encouraged to consider, where appropriate, data from commercial sources that specialize in pricing and negotiation data from across the private and public sectors, and other commercial benchmarks, as they plan and conduct acquisitions for common goods and services.

- b. Appoint an official responsible for category management data analytics. The SAO shall identify an individual who will be responsible for working with OMB in explaining an agency's data and contract activity.

- c. Analyze alternatives to support investment decisions. Effective immediately, to support the successful achievement of SUM, BIC, and small business contracting goals, agencies shall develop analyses of alternatives (AoAs) for certain planned acquisitions of common goods and services. AoAs are critical to ensuring that agencies give serious consideration to BIC and Government-wide solutions. AoAs may also help category managers and service providers of these solutions to determine where to strengthen future iterations of vehicles to meet agency needs. Accordingly, agencies shall develop AoAs for acquisitions of common goods and services planned for award that are:
 - o over \$50 million and will be considered "Tier 0" spending;¹⁵ and
 - o over \$100 million and will be considered "Tier 1" spending.

AoAs shall generally be developed no less than 18-24 months prior to award in accordance with Attachment 3, Part A, and reviewed and approved by CAOs and/or SPEs in coordination with SAOs or their designees in accordance with agency guidance. Following procedures outlined by OMB, SAOs shall share a summary of AoAs using the template tables in Attachment 3 as part of its annual update to OMB. Agencies seeking to serve as executive agents for Government-wide acquisition contracts shall continue to prepare business cases to meet statutory requirements, using Attachment 3, Part B. The guidance in Attachment 3 supersedes business case requirements established by OFPP in September 2011.¹⁶

- d. Meet statutory socio-economic responsibilities. This guidance does not change an agency's responsibility to meet its small business contracting goals, including its socioeconomic goals. To further ensure an agency achieves its statutory small business goals, the agency's OSDBU should use the small business dashboard and other information, as appropriate, to help the SAO and the workforce achieve the best balance of BIC, Government-wide, agency-wide and local contracts.

A balanced approach can help the agency leverage the Government's buying power while simultaneously maintaining meaningful opportunities to contract with well-performing incumbent small business contractors and providing a pathway into the Federal market for new entrant small businesses. For this reason, local, decentralized spending (*e.g.*, a small

¹⁵ If an agency plans to award a contract over \$50 million for a new requirement and is not anticipating use of a Tier 1, 2, or 3 vehicle, the agency should confer with OMB.

¹⁶ *Development, Review, and Approval of Business Cases for Certain Interagency and Agency Specific Acquisitions.* See also FAR 17.502-1(c).

dollar definitive contract or a medium-sized indefinite-delivery, indefinite-quantity (IDIQ) contract serving one or a small number of agency customers) would generally be considered Tier 1 spending if it is designed to achieve small business goals and is conducted pursuant to a comprehensive, organized agency-level strategy, as approved by the agency, after consultation with OMB, that also addresses where use of agency-wide, Government-wide, and BIC solutions and vehicles can help the agency meet small business goals. Such strategy should also address the use of on-ramps for agency-wide vehicles, whenever practicable, and working with BIC and Government-wide solution owners to do the same. This will increase opportunities for small businesses at all levels. The strategy should be reflected in internal agency guidance that explains to the workforce when it is appropriate to use each type of contract solution and also explains the process for requesting and/or exercising exceptions from BICs and other Government-wide contract solutions. The guidance should be shared with OMB.

Similarly, agencies remain responsible for meeting certain requirements from AbilityOne Non-Profit Agencies and Federal Prison Industries and shall take steps to ensure continued compliance with these statutory obligations. See Attachment 4.

2. Develop effective industry engagement and vendor management strategies

Vendor relationship management programs are a private sector best practice implemented to achieve better contract outcomes and reduce risk for all parties. These programs typically involve developing collaborative, ongoing partnerships to manage performance and explore opportunities for efficiencies. Industry engagement and vendor management should take into consideration both pre-award and post-award strategies.

In the pre-award environment, examples of industry engagement include highlighting the importance of capturing capacity and capabilities of the industry and knowledge of innovators, new entrants with new capabilities, and key Government and commercial cost drivers. This is accomplished through early and effective engagement with industry through market research, market intelligence, and use of industry days, industry forums, and draft RFPs to solicit industry feedback to gain a clear understanding of the industry supporting our mission. The goal is to have a thorough knowledge of the requirement and the commercial marketplace providing these services and supplies in order to tailor needs and conform to marketplace norms where practical to reduce cost and improve efficiency and performance outcomes.

In the post-award environment, vendor management tenets include ongoing dialogue with industry partners and other Government agencies to gain a common understanding of price/cost drivers, common industry performance and cost measures, terms and conditions and emerging commercial trends to shape demand, acquisition strategies and functional policy to buy smarter, reduce costs and improve performance.

Agency Action:

Develop and maintain a vendor management plan. Agencies shall develop a vendor management plan that, at a minimum:

- i) addresses pre-award industry engagement strategies;
- ii) addresses post-award strategies for vendor dialogue (this may include top suppliers or high priority requirements for a particular segment); and
- iii) improves and streamlines communications with the vendors for consistency of messaging and goals.

Agencies shall report progress on their vendor management plan annually during the October update to OMB using the template provided by OMB in connection with the PMA.

3. Implement demand management strategies

To avoid wasteful spending, agencies must couple efforts to make more informed buying decisions with strengthened demand management. Demand management entails analyzing what and how an agency is buying, with a specific focus on reducing the total cost of ownership.

Agency Action:

To the maximum extent practicable, SAOs shall:

- a. ensure that requiring activities standardize requirements or specifications such as through the adoption of uniform refresh cycles or buying only standard configurations;
- b. coordinate buying events across the agency to leverage the department's buying power (except where local buying offices are conducting separate actions as part of a planned strategy to maintain a strong industrial base and grow the contracting base of small businesses and other new entrants);
- c. as appropriate, share demand management strategies with the relevant Category Manager and on the Acquisition Gateway; and
- d. seek volume-based (tiered) pricing, where opportunities exist.

4. Share prices paid and related data

Traditionally, most buying offices across the Government have operated based on the historical experiences of their own office. As a result, in making decisions for similar types of goods and services, contracting officers have often lacked basic information that could help them be smarter stewards of taxpayer resources, including prices paid, terms and conditions used to

achieve identified pricing, and practices that have routinely resulted in the best contract outcomes.

The PMA identifies data as a key driver for transforming Government and challenges agencies to view data as an asset to increase the effectiveness of Government. To meet this challenge and improve efficiency and effectiveness in buying practices, data available to one Federal agency should be available to all agencies (*i.e.*, agencies should be prepared to share their data with one another). OMB is reviewing data currently collected by agencies (including purchase card data and prices-paid information) to determine what should regularly be made available Government-wide.

Equally important, agencies must assume responsibility for making data-driven decisions. This includes working with GSA on the development of Government-wide data analytics tools and taking steps to ensure members of the workforce with responsibilities for managing common spending are adept at using these tools. (See section 5 below, with respect to agency actions on workforce training.)

Agency Action:

- a. **Share prices paid.** With limited exceptions, agencies (including BIC solution owners) should be prepared to share prices paid information on the Acquisition Gateway of their contracts that align to Tier-1, -2, and -3 spending. Equally important, agencies should not agree to terms and conditions that broadly prohibit the sharing of prices, terms, and conditions for goods and services with other Government agencies, including posting said information to the Government side of the Acquisition Gateway.
- b. **Consult with OMB regarding challenges.** During annual updates, SAOs should be prepared to discuss significant barriers, if any, that are preventing the agency from sharing prices paid and other information on the Acquisition Gateway and steps taken or proposed to eliminate these barriers.

5. Train and develop the workforce in category management principles and practices

The PMA challenges agencies to look at work in a different way – assessing what our key missions and outcomes are and understanding how we can best align the workforce to meet those needs, driving increased efficiency, effectiveness, and value for the taxpayer. Category management has the potential to help agencies significantly improve how human resources are aligned in the acquisition workforce. As agencies make better use of agency-wide, Government-wide, and BIC solutions to reduce the number of duplicative contracts—which are expensive and time consuming to award and administer—the acquisition workforce will be able to spend less time meeting repetitive needs common to all agencies and more time on complex, mission-specific challenges that often lack the level of attention they require.

To facilitate this important shift in human resource allocation, the members of the workforce who will remain dedicated to meeting common needs must be able to execute their responsibilities efficiently and effectively. This requires access to training on the category management principles, practices, and data analytics tools that OMB, GSA, the CMLC, and category managers have developed and continue to create so that managers and front-line personnel make well-informed decisions on when to use BICs, Government-wide, agency-wide, and local contract solutions.

Agency Action:

To support understanding, adoption, and effective application of category management by the workforce, SAOs should:

- a. encourage members of their workforce to review best practices highlighted by CMs on the Acquisition Gateway; and
- b. work with GSA's Category Management Program Management Office (PMO), which will lead the effort to deploy Government-wide training and category management principles, practices, and data analytics tools to increase use of common contract solutions, as well as job aides (e.g., checklists, frequently asked questions) that can be used by contracting professionals, OSDBUs, and other stakeholders to understand and manage the responsibilities outlined in this document at the local level. The PMO will collaborate with OMB, category managers, the Defense Acquisition University (DAU), the Federal Acquisition Institute (FAI) and other civilian agency acquisition training organizations in this effort. These organizations should take into account the varying levels of training required by different members of the acquisition workforce (e.g., entry level contracting personnel, experienced contracting personnel in the field with limited contracting warrants, experienced contracting personnel with responsibility for large enterprise-wide buying, program managers, other members of the integrated project team).

Questions regarding this management guidance should be directed to OFPP; Meredith Romley (mromley@omb.eop.gov) or Mathew Blum (mblum@omb.eop.gov).

Attachments

- Attachment 1. Shifting from Low Value to High Value Work: How this Guidance Helps Agencies Use Their Resources More Effectively
- Attachment 2. Increasing the Use of Common Contract Solutions: Roles and Responsibilities
- Attachment 3. Streamlined Process for the Development, Review and Approval of Analyses of Alternatives and Business Cases for Certain Government-wide and Agency-Specific Acquisitions
- Attachment 4. Addressing the Use of Small Businesses, AbilityOne Sources and Federal Prison Industries in the Acquisition of Common Goods and Services

**Shifting from Low Value to High Value Work:
How this Guidance Helps Agencies Use Their Resources More Effectively**

The PMA and OMB Memorandum M-18-23 direct agencies to shift time, effort, and funding currently spent performing repetitive administrative tasks toward accomplishing mission outcomes. This Memorandum furthers this direction by focusing agencies on the activities they must undertake to make smarter use of common contract solutions and practices and avoid lower value non-strategic repetitive contracting activities. The anticipated outcome is better value from common spending decisions, allowing agencies to redirect resources to mission-specific priorities involving more complex services and systems, where contracting expertise is more important. As explained below, OMB believes the three beneficial outcomes enumerated below for common goods and services made possible by this guidance significantly outweigh the investments this Memorandum requires agencies to take to achieve them.

1. Agencies will be able to more easily determine when use of common contract solutions offer better value and avoid the cost and burden of unnecessary redundant activities.

Historically, there has been only limited visibility, coordination, and collaboration among the 40,000 contracting officers and roughly 3,000 buying offices that cumulatively spend \$325 billion per year on common goods and services, roughly 60% of all annual contract spend. Prior efforts focused on standing up a small number of Government-wide contracts for certain types of spend under the Federal Strategic Sourcing Initiative (FSSI), and little progress was made. In addition, these actions were not supported by broader efforts to help members of the acquisition workforce become smarter buyers, which is a key focus of category management. The initiative is helping to achieve this result by standardizing sharing of prices paid, terms and conditions, and best operational practices within a category of spend.

This Memorandum fully implements category management Government-wide. OMB anticipates a modest learning curve as the acquisition workforce at large acclimates itself to category management and will work with GSA's PMO, DAU, FAI, and other civilian training organizations to consider the varying levels and types of training that will be required by different segments of the workforce. GSA's PMO already has created a number of management tools to help agencies as they navigate through information to guide their decisions. Specifically, workforce training and on-line data management tools are allowing agencies to target expiring contracts to move to enterprise solutions and dashboards to evaluate how small business goals are being met.

The modest burden of these short-term efforts should be significantly outweighed by the anticipated return on investment, including billions of dollars in cost avoidance, and the reduced long-term effort to achieve them.

2. Required agency explanations for using large agency-wide or local contracts will be streamlined and Government-wide solution owners will be able to avoid having to develop explanations for both category managers and OMB.

Since 2011, agencies have been required to develop business cases to justify certain agency-wide and inter-agency activity. Some agencies questioned whether information was being sought in the most efficient manner possible while others pointed out situations involving redundant information collections. The new processes authorized by this memorandum for justifying the use of agency solutions reduces burden for agencies in several ways without adding new agency responsibilities. First, they require significantly less information - information can be briefly summarized on a template using an explanation code. Second, the new process makes it easier for agencies to take advantage of BPAs under the Schedules Program, because the Schedules are considered to be aligned with category management spending principles. Third, the new process simplifies coordination with OMB for Government-wide solution holders who are already working with a category manager.

3. Agencies will have the policy guidance and tools they need to meet their small business contracting goals while simultaneously reaping the benefits of category management

Past Government-wide efforts to promote increased use of common contract solutions were criticized by the small business community for not taking into sufficient account the impact of Government-wide leveraging on small business contractors. Concern has been especially strong about the potential impact on local contracts addressing a small number of requirements and customer needs, which represent the primary contracting tool used by the small business community to bring value and innovation to the Federal marketplace.

OMB has strived to create a policy that enables agencies to simultaneously get the benefits of contracting with small businesses, which contribute to job creation and innovation, and realize the cost avoidance and efficiencies of category management. (The Memorandum also provides guidance to ensure agencies act in a manner consistent with their ongoing statutory responsibilities to maximize opportunities for small businesses and acquire certain goods and services from AbilityOne and Federal Prison Industries (FPI).)

Specifically, OMB's guidance provides a clear pathway for agencies to receive credit towards their SUM goal for work awarded to a small business under a local contract pursuant to a set-aside when such awards are made in accordance with internal agency guidance developed collaboratively by the SAO, OSDBU, CAO, and SPE that takes a balanced approach to addressing the acquisition of common goods and services. A balanced approach is one that takes advantage of a mix of Government-wide, agency-wide, and local contracting, based on category management information made available on the Acquisition Gateway, and the agency's mission and needs. This analysis will require new effort on the part of the OSDBUs, but OMB, SBA, and GSA have worked together to create the small business dashboard to give OSDBUs the information they need to shape their strategies and help agencies successfully achieve their dual goals.

Increasing the Use of Common Contract Solutions: Roles and Responsibilities

The Government's ability to save billions of dollars and avoid wasteful contract duplication requires that it buy as a coordinated and well-informed entity. This, in turn, requires the active participation and collaboration of a number of stakeholders, both at the Government-wide and agency-wide level. The roles and responsibilities of these stakeholders are delineated below.

I. Government-wide stakeholders

- (1) *The Office of Management and Budget (OMB)/The Office of Federal Procurement Policy (OFPP)* – OFPP is responsible for providing overall direction of Government-wide procurement policy,¹⁷ which includes promoting economy, efficiency, and effectiveness for acquisitions of common goods and services. OFPP will:
- (a) set the strategic policy direction to facilitate increased use of common contract solutions (herein referred to as category management or CM);
 - (b) issue CM policies, guidance, instructions and, with approval from OMB's Deputy Director for Management, directives to Federal agencies,¹⁸ in consultation with CFO Act agencies and in partnership with other relevant oversight offices;
 - (c) serve as Chair of the Category Management Leadership Council (CMLC) and identify CMLC member agencies;
 - (d) nominate lead agencies for each category in consultation with the CMLC (see paragraph (3) below);
 - (e) review agency designations of Senior Accountable Officials (SAOs) by each of the CFO Act agencies;
 - (f) determine and measure supporting Cross-Agency Priority Goals or other Government-wide goals and metrics;¹⁹
 - (g) work with the Federal Acquisition Institute, the Defense Acquisition University and other civilian agency acquisition training organizations to identify and/or develop appropriate training to facilitate these requirements;

¹⁷ OFPP Act, 41 U.S.C. § 1101.

¹⁸ Policies and guidance will be posted at <https://www.whitehouse.gov/omb/management/office-federal-procurement-policy/>. Instructions and directives will be posted on the Acquisition Gateway, <https://hallways.cap.gsa.gov>.

¹⁹ Pub. L. No. 111-352, §1(a), Jan. 4, 2011, 124 Stat. 3866, GPRA Modernization Act of 2010.

- (h) make recommendations to the Director regarding the approval of executive agent designations for GWACs; and
 - (i) otherwise shape and monitor the Government's efforts to implement smarter buying practices and use common contract solutions.
- (2) *The CMLC* – The Administrator for Federal Procurement Policy shall chair the CMLC which shall serve as the governing body for category management activities conducted in connection with this Memorandum.²⁰ The Council shall be comprised of interdisciplinary representatives from the largest buying agencies, including the Departments of Defense (Office of the Secretary of Defense, Department of the Army, Department of the Navy, Department of the Air Force, and the Defense Logistics Agency), Energy, Health and Human Services, Homeland Security, Veterans Affairs, the General Services Administration (GSA), and the National Aeronautics and Space Administration. The Small Business Administration (SBA), AbilityOne, Government-wide Category Managers (CMXs) and a representative from the Unified Shared Services Management Office in GSA shall participate as non-voting members along with other appropriate individuals identified by the Administrator. The CMLC shall be responsible for core implementation and execution functions, which include:
- (a) approving Government-wide strategies for core categories and certain subcategories, as appropriate;
 - (b) approving overarching criteria used to identify BIC contract vehicles and any changes made to such criteria;
 - (c) making recommendations to OMB on recommendations by a CMX to designate BIC contract sourcing solutions and on proposed mandatory directives addressing agency migrations and exceptions to use of such solutions;
 - (d) providing advice to OMB on category management strategies, such as demand management practices, supplier/vendor management practices, or practices to increase small business participation in common contract solutions that should be reflected in Government-wide guidance;
 - (e) assessing, on at least an annual basis, the performance of Government-wide strategies and solutions, including small business participation and adherence to requirements for mandatory use of AbilityOne Non-Profit Agencies and FPI; and
 - (f) approving any changes to the Government-wide category structure and governance.
- (3) *Government-wide Category Managers (CMX)* – OMB designates the Government-wide CMX for each category, in consultation with the CMLC. CMXs are market experts - Government-wide leaders and business advisors who:

²⁰ An overview of the CM Governance structure is available via the Acquisition Gateway, <https://hallways.cap.gsa.gov/app/#/gateway/category-management/4410/government-wide-category-management/>.

- (a) manage cross-functional interagency category teams of subject matter experts that understand the Government's requirements, Government buying practices, and industry and market dynamics surrounding a category;
 - (b) through category teams analyze data and share market intelligence that agencies can use to improve their acquisitions of common goods and services and support development of BIC vehicles for use by other agencies;
 - (c) develop category-specific strategic plans, informed by market intelligence, industry outreach, and agency collaboration, that include key strategies to drive success in achieving the targets and goals in accordance with OMB instruction;
 - (d) drive the adoption of CM principles and practices throughout the Government and make recommendations to OMB in cases where agency targets are not being achieved;
 - (e) work with OMB on instructions and directives to improve spend under management and promote adoption of other strategies, best practices and guidance;
 - (f) review agency analyses of alternatives (AoAs) and draft business cases, and make recommendations to OMB;
 - (g) assess customer and stakeholder satisfaction with common contract solutions and strategies;
 - (h) regularly review practices that are suitable for business process reengineering and work with OFPP, CAOs, and other stakeholders to identify and eliminate steps – including those that have traditionally been viewed as foundational – that impede economy and efficiency or whose costs outweigh the benefits;
 - (i) baseline small business participation across categories and develop strategies (e.g., use of small business set-asides, regionalization, use of contract on-ramps or off-ramps, corrective action if participation falls below expectations) in consultation with OMB and SBA, to maintain and grow small business participation, including with each of the socio-economic small business concerns, and evaluate small business participation on a continuous basis to ensure the efficacy of adopted small business strategies and prices paid information submitted by agencies; and
 - (j) develop and help agencies in the development of vendor management strategies and engage with industry and other interested external stakeholders on a continuous basis to inform market intelligence, including industry best practices, strategy development, and appropriate criteria for identifying BIC solutions.
- (4) GSA – In addition to GSA's general leadership role in the acquisition and management of goods and services across the Government, the Agency also serves as the Government-wide Category Management Program Management Office (GWCM PMO) for category

management. The GWCM PMO provides support for the maturation of category management and provides direct support in the areas that include:

- (a) development and management of the resources to support CM to include the Acquisition Gateway, dashboards, and other tools to enable the efficient analysis of spend under management and market intelligence, such as tools to compare prices paid or labor rates based on relevant criteria, such as years of experience, educational level, and personnel security requirements;
- (b) supporting designation of CMXs, in consultation with OMB, and maintenance of strategic plans;
- (c) creation and maintenance of governance process to include standards and procedures for use across the categories to assist in the creation and achievement of category-specific goals, targets, initiatives, and performance management;
- (d) maintenance of the category structure²¹ and taxonomy;
- (e) conducting analyses of Government-wide spending data and other core support for all Government-wide common spend categories;
- (f) supporting CMX development and execution of a data management and performance plan for each Category, in coordination with OMB and the CMLC, that supports centralized data access and includes, but is not limited to, such components as: data conversion & cleansing, data security, data analysis, performance measures and explanation of how the data will be used to achieve business objectives and data dashboards;
- (g) sharing training and educational materials regarding category management; and
- (h) collaborating with Federal agencies, vendors, and other stakeholders to facilitate feedback on customer satisfaction on Government-wide common category solutions and generating ideas for continuous improvement.

II. Agency-level stakeholders

(1) *Senior Accountable Official (SAO)* – Each agency’s mission and buying culture varies, necessitating the designation of an SAO to oversee tailored strategies for reducing unaligned spend and executing plans to increase use of contract solutions designated as BIC. The accountable official shall be the agency’s Deputy Secretary, or equivalent, unless another official is identified by the agency and agreed upon by OMB. Among other duties, the SAO is responsible for:

- (a) approving an agency annual category management plan to increase spend under management while meeting small business goals and other statutory socio-economic

²¹ The CM structure is available via the Acquisition Gateway, <https://hallways.cap.gsa.gov/app/#/gateway/category-management/6673/government-wide-structure>

requirements and ensuring execution and performance relative to goals, including consultation with OMB senior agency officials, the agency's OSDBU, and other senior agency officials as appropriate, and alignment with guidance in the President's Management Agenda; and

- (b) within 120 days of issuance of this Memorandum ensuring processes and policies are in place within the agency to accomplish the goals of this Memorandum.

While agencies other than CFO Act agencies are not required to have identified SAOs, they are encouraged to identify accountable officials who can increase the use of existing contracts, contribute subject matter experts, and drive the adoption of category management principles in their agencies.

- (2) Chief Acquisition Officers and Senior Procurement Executives – The CAO and SPE are responsible for establishing and maintaining efficient processes and policies, in coordination with the SAO, to support the goals of this Memorandum. Other responsibilities include:

- (a) coordinating with OMB, the relevant Government-wide CMXs, and other interested parties on category management issues;
- (b) evaluating current policy to ensure alignment with the requirements of this Memorandum, including the development of AoAs and achievement of small business contracting goals and other statutory socio-economic requirements; and
- (c) sharing information with the CMX and other Federal agencies, including:
 - i) transactional data to be posted on the Acquisition Gateway, including prices offered, prices paid and other non-price information such as terms and conditions, past performance and other factors for contracts and purchase card transactions that can differentiate quality and value of products and services;
 - ii) best practices, including, but not limited to, model statements of work; advice for avoiding or mitigating common Government and industry cost drivers; tips for removing barriers and burdens when acquiring commercial items, such as through the identification of customary commercial practices; and source selection strategies, including how past performance is best used as a differentiator and strategies for maximizing small business participation and meeting other statutory socioeconomic requirements;
 - iii) demand management strategies that help agencies identify and eliminate inefficient purchasing, management, and consumption behaviors and adopt standardized business practices where they make sense, such as setting standard refresh cycles for personal computers or developing a comprehensive inventory of software licenses so

agency software managers can make better purchasing and management decisions;
and

- iv) supplier (vendor) management strategies to improve communication with vendors, especially those that support mission critical functions, and/or have multiple relationships for similar requirements across the enterprise.
- (3) BIC Solution Owners – For solutions that have been designated as BIC, solution holders are required to comply with the requirements outlined in the BIC assessment process,²² including annual reviews as well as sharing the following information on a quarterly basis on the Acquisition Gateway:
- a) prices paid information that supports comparative analytics;
 - b) current and past spending, addressable spend and cost avoidance;
 - c) performance data that demonstrates the value of the solution, including, but not limited to evaluation of pricing, vendor and solution performance, customer feedback, and fees; and
 - d) data on commodity and demand management based on supply analysis, market information, agency spend and usage.

Solution owners shall also be responsible for taking actions that can help agencies meet their socio-economic responsibilities through BIC and Government-wide solutions, including by baselining participation by small businesses, small disadvantaged businesses, women-owned small businesses, service-disabled veteran-owned small businesses, and HUBZone small businesses, and by evaluating the feasibility of creating a set-aside vehicle in connection with the creation of a new or renewal of an existing Government-wide or BIC solution.

- (4) OSDBUs – OSDBUs should work with CAOs, SPEs, and SAOs to help develop an effective strategy for increasing small business participation for common contract solutions. At a minimum, the OSDBU should use the small business dashboard to help the SAO and the workforce understand where use of BIC solutions and other multi-agency and Government-wide contracts facilitates meeting the agency’s small business contracting goals and where opting-out in favor of agency-wide vehicles and or local contracting is more suitable for achieving these goals.

²² The BIC assessment process is available via the Acquisition Gateway, <https://hallways.cap.gsa.gov/app/#/gateway/best-class-bic/19040/i-manage-a-best-in-class>

**Streamlined Process for the Development, Review and Approval of
Analyses of Alternatives and Business Cases
for Certain Government-wide and Agency-Specific Acquisitions**

This attachment provides information and a short table that agencies should use to develop analyses of alternatives (AoAs) and business cases to support achievement of SUM, BIC, and statutory small business contracting goals.

The procedures in this attachment supersede the requirements set forth in OFPP's September 29, 2011 guidance.²³ This guidance shall remain in effect until further notice and will be evaluated by OMB not later than December 1, 2019.

Background: General requirements for the development of business cases was issued in 2011 to reduce risk in the management and use of interagency acquisitions as well as to meet requirements in section 865(b)(2) of P.L. 110-417. While the 2011 guidance has helped to reduce contract duplication in a number of cases, agencies have identified several inefficiencies:

- information often is not shared until the acquisition strategy has been well established and the agency has invested significant time and effort;
- no distinction is made between unaligned agency spend (i.e., spend that is lacking appropriate leadership, strategy, data, metrics, and tools for on-going management and oversight) and spend through managed solutions; and
- no acknowledgment is given for work agencies may already have taken in coordination with category managers to establish an existing vehicle as BIC or create a new BIC vehicle for Government-wide use.

As a result of these inefficiencies, the agency could be subject to duplicative or unnecessary submissions and delays to demonstrate value.

For these reasons, business case requirements are being realigned in accordance with spend under management principles and practices and burden reduction goals articulated in OMB Memorandum M-17-26, *Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda*. With the exception of analyses developed in support of GWACs, the requirement is being renamed "analysis of alternatives" (AoAs) to better reflect the intent of this management practice. However, consistent with statutory requirements, the term "business case" will continue to be used in connection with the justifications agencies prepare to support their requests to OMB for executive agent designations. The new requirements for AoAs and business cases are set forth below.

²³ *Development, Review, and Approval of Business Cases for Certain Interagency and Agency Specific Acquisitions*. <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/procurement/memo/development-review-and-approval-of-business-cases-for-certain-interagency-and-agency-specific-acquisitions-memo.pdf>. See also FAR 17.502-1(c).

Guidance: To establish whether an AoA or business case is required for a planned acquisition, the agency should identify the tier of spending associated with the planned acquisition action, as identified on the agency’s SUM dashboard, and complete the required actions to meet the requisite responsibility, as set forth in the chart and explained further below.

Agency Responsibilities for the Preparation of AoAs and Business Cases

Tier of Spending Associated with Planned Acquisition		Agency Responsibility	Required Actions to meet Responsibility
0		Develop AoA if action planned to be over \$50M.	<ul style="list-style-type: none"> • Complete Table 1. • SAO shall provide Table 1 to OMB as part of the annual update.
1		Develop AoA if action planned to be over \$100M.	<ul style="list-style-type: none"> • Complete Table 2. • SAO shall provide Table 2 to OMB as part of the annual update.
2	Government-wide or multi-agency contract other than GWAC or MAS BPA	Confer with OMB if seeking to sponsor new multi-agency or Government-wide vehicle of any value that is not clearly reflected in a category manager’s strategic plan approved by OMB.	<ul style="list-style-type: none"> • OMB will determine the need for an AoA or business case, taking into consideration whether the planned action has been coordinated with a category manager and whether the action is anticipated by a strategy adopted by the CMLC.
	GWAC	Prepare Business Case and Request to Serve as Executive Agent	<ul style="list-style-type: none"> • See instructions in subsection B.

A. AoAs

Agencies should review the following information to understand their responsibilities for preparing AoAs.

1. Thresholds for AoA preparation. The threshold for preparing an AoA is \$50 million for planned Tier 0 spending and \$100 million for planned Tier 1 spending. This difference reflects the principle that AoAs are most critical for spend that is decentralized and unaligned to an organized agency- or Government-level strategy and, as a result, poses the greatest risk of contract duplication, inefficiency, and uncertain achievement of socio-economic goals and

requirements. That said, AoAs play an important role for agency-wide vehicles in ensuring agencies are regularly evaluating pricing and performance and comparing results to available information on BICs and other Government-wide vehicles. This comparison is necessary for (i) determining if adoption of common contract solutions is appropriate and, if not, (ii) explaining why such solutions are not suitable to help category managers strengthen existing vehicles.

There is no threshold established for the development of an AoA to support a new multi-agency or Government-wide contract for common goods and services. However, an AoA will ordinarily not be required if the agency is seeking to sponsor a new multi-agency or Government-wide contract that is reflected in a category manager's strategic plan approved by OMB. If the planned action is to establish or renew a Government-wide acquisition contract for IT, the agency must prepare a business case to meet statutory requirements. See subsection B, below.

AoAs are not required for any actions related to Defense-centric spend (e.g., related to the development of weapons systems) and agency-wide spend through Multiple Award Schedule Blanket Purchase Agreements (BPAs), since MAS is an approved Government-wide acquisition program that adheres to the general principles of category management.

2. Sharing AoA Information. To help category managers and BIC solution owners understand where agencies have opted out of using BIC and other multi-agency and Government-wide solutions, SAOs shall share a summary of AoAs for large contract actions that are not expected to be migrated to these vehicles with OMB using exhibit tables 1 and 2.²⁴

In preparing the tables, agencies shall –

- include a brief explanation of why Tier 2 or BIC vehicles are not suitable, including identification of the appropriate justification code(s) from the appendix.
- strive, at a minimum, to provide information on actions planned or under consideration generally over at least the next 18-24 months. The goal is to share information before the agency has finalized its acquisition strategy so there is ample time for meaningful collaboration between the agency and the solution owners and, as appropriate, reconsideration of the need to create a new vehicle.

The tables shall be updated and submitted to OMB annually by October 31 each year.

3. Agency decisions. Except where a specific OMB management policy or guidance document states otherwise, agencies retain the authority to move forward with their planned actions to meet SUM and BIC goals. AoAs shall be reviewed and approved by CAOs and/or SPEs in

²⁴ A copy of the exhibit tables is provided in this guidance, but agencies should refer to instructions provided by OMB in connection with the PMA when providing information, as the tables may be refined by OMB based on agency experience and best practices.

coordination with SAOs or their designees in accordance with agency guidance. OMB may share information from the AoA tables with relevant category managers and BIC solution owners both for awareness and to facilitate conversations between agencies and solution owners. In addition, OMB reserves the right to request additional information where the rationale for creating a new vehicle is weak or unsubstantiated in light of existing performance information or other considerations.

B. GWACs

Executive agents for Government-wide acquisitions of IT are required to be approved by the Office of Management and Budget. Business cases for new GWACs or GWAC renewals shall address the following elements:

1. Scope: the scope of the GWAC (the types of goods and services to be acquired, performance period and anticipated amount of annual spend, and contract ceiling);
2. Uniqueness: potential duplication and extent to which the vehicle is filling a unique requirement not otherwise being addressed in the Federal marketplace;
3. Benefits: the expected benefits (price, performance, value, administrative and efficiency improvements; impact on leveraging purchasing power and reducing contract duplication);
4. Prices Paid: how prices paid data provided to allow for comparative analytics will be shared on the Acquisition Gateway on a quarterly basis;
5. Small business opportunities: how the vehicle will promote maximum practicable opportunity for small businesses, such as through the award of a small business set-aside and use of on-ramps and/or off-ramps;
6. Demand: breakdown of expected demand by agency; and
7. Costs and fees: direct and indirect costs to the servicing agency for awarding and administering the proposed contract vehicle, the methodology for setting and adjusting fees, any costs not covered by the fees.

Existing or interested executive agents should confer with CMXs in the development of business cases, or update of business cases. Agencies are also encouraged to consult with the Office of Federal Procurement Policy to discuss plans prior to submitting a formal business case.

GWAC business cases shall be approved within the agency by an authority no lower than the agency's Chief Acquisition Officer or Senior Procurement Executive (SPE) or equivalent official, following coordination with the SAO, the agency's Director of the Office of Small and Disadvantaged Business Utilization (OSDBU) and the agency's Chief Information Officer. The designation request should identify the name of the Category Manager consulted. The agency

shall formally submit the approved business case to OMB for approval, as part of the request by the agency head (or deputy) to the OMB Director requesting that the Director grant the agency an executive-agent designation to award and manage the proposed GWAC.

Opt Out Spending - Analysis of Alternatives²⁵

Table 1. Tier 0 Spending

Describe contracts *over \$50M* that are planned for award over the next 12 months as Tier 0 spending and are not expected to be migrated to Tier 1, 2, or 3 spending. Cite applicable justification codes from the Appendix.

New Award or Existing Contract	Existing Contract Number	Contract Program Name	Point of Contact, Title & email address	Spend Category & Sub-category	Total Contract Value (Base + Options)	Existing Contract Annual Spend	Why Tier 2 or 3 solution not suitable		Why Tier 1 Solution not suitable
							Exception Code(s)	Explanation	
Existing	GSA 0001234F	XYZ Program	Mary Smith, Contracting Officer	Office Mgmt (OM)/OM Services	\$55M	\$9M	B2	Agency's needs cannot be adequately met by existing BICs or other Government-wide contract	The contract is not agency-wide

Table 2. Tier 1 Spending*

Describe contracts *over \$100M* that are planned for award over the next 12 months as Tier 1 spending and are not expected to be migrated to Tier 2 or 3 spending. Cite applicable justification codes from the Appendix.

Existing contract number	Contract Program Name	Point of Contact, Title, & email address	Spend Category & Sub-category	Total Contract Value (Base + Options)	Existing contract annual spend	Meets Data Sharing & Agency-wide Mandatory Use Requirements (Y/N)**	Why Tier 2 or 3 solution not suitable	
							Exception Code(s)	Explanation
GSA 0001234F	XYZ Program	Mary Smith, Contracting Officer	Office Mgmt (OM)/OM Services	\$105M	\$9M	Yes	B2	Agency needs cannot be adequately met by existing BICs or other Government-wide contract

*Agencies shall follow process prescribed on the Acquisition Gateway for updating inventories, available to Federal employees, <https://hallways.cap.gsa.gov/app/#/gateway/data-visualizations-dashboards-reports/19565/contract-inventory-updates-process-and-playbook>

** Agencies must provide a copy of the supporting policy document to OMB.

²⁵ A copy of the exhibit tables is provided in this guidance, but agencies should refer to instructions provided by OMB in connection with the PMA when providing information, as the tables may be refined by OMB based on agency experience and best practices.

Justification Codes

Use the codes below to support the development of (i) analyses of alternatives for new contracts over \$50 million involving unaligned spend and (ii) analyses of alternatives for new contracts over \$100 million involving Tier 1 spend.

In addition to citing applicable codes, the agency should provide sufficient rationale to explain its action. In the case of opt-out plans, identify the basis for the percentage of planned opt-out. For example, if code A1 is selected, describe expected savings or cost avoidance compared to BIC solutions and other pertinent information (e.g., the majority of spend will occur through agency enterprise wide contract XYZ which is identified as SUM Tier 1).

A	BETTER VALUE
1	The agency expects to negotiate better pricing for products or specified services.
2	The agency expects to negotiate better terms and conditions.
B	UNAVAILABILITY
1	The agency expects to use contract types not available on existing BICs or other Government-wide contracts.
2	The agency’s needs cannot be adequately met by existing BICs or other Government-wide contracts (e.g., the agency needs a type of expertise not available on the existing contract).
3	A <u>portion</u> of the agency’s requirements fall outside the scope of the existing BIC or other Government-wide contract (state if the requirements falling outside the existing contract are unique to the agency).
4	There is an established industrial base for the work that is not adequately reflected on existing BICs or other Government-wide contracts.
5	There is no BIC or Government-wide contract for the type of product or service the agency is acquiring.
C	ADMINISTRATIVE COST
1	The agency believes the cost to spend is significantly lower for agency to acquire itself than to pay the stated fee.
D	OTHER CONTRACTING CONSIDERATIONS
1	The agency is at risk of not meeting its small business contracting goals and does not believe its requirement can be adequately met by small businesses on an existing contract or is seeking to grow its small business base. This includes local contracts set aside for small businesses pursuant to a comprehensive, organized agency level strategy, as approved by the agency and OMB pursuant to Attachment 3.
2	The information in the Acquisition Gateway is insufficient for the agency to make a suitability determination
3	Other considerations not captured in the list above – explain.

Addressing the Use of Small Businesses, AbilityOne Sources and Federal Prison Industries in the Acquisition of Common Goods and Services

Small businesses and non-profit agencies that produce goods and services under the AbilityOne program are an important source of job creation and innovation. Federal Prison Industries (FPI) plays a key role in rehabilitating Federal prisoners through training and employment. The important role played by these entities in the Federal marketplace has long been recognized through small business contracting goals that require agencies to maximize participation for small business contractors²⁶ and mandatory source status for qualified non-profit agencies that employ people who are blind or severely disabled²⁷ and FPI.²⁸ The following actions are designed to help agencies address these ongoing obligations while simultaneously meeting their SUM and BIC goals and strengthening their buying practices for common contract solutions generally.

A. Maximizing small business participation

Agencies remain responsible for meeting their small business contracting goals. Promoting the use of small businesses in fulfilling requirements for common goods and services requires that concerted efforts be undertaken at the agency and Government-wide levels in parallel as follows.

1. Agency-level actions

To maintain and grow a healthy base of small businesses that support mission needs requires recognition that every agency's small business contracting goal and industrial base is different and, as a result, the benefits of adopting a given BIC, other Government-wide solution, or agency-wide solution will vary by agency. BICs are not meant to be one-size-fits-all vehicles. However, in many cases, BIC and Government-wide solutions should be able to help agencies meet their small business goals, if balanced with agency-wide and local contracts. A balanced approach can help the agency leverage the Government's buying power while simultaneously maintaining meaningful opportunities to contract with well-performing incumbent small business contractors and providing a pathway into the Federal market for new entrant small businesses. For this reason, local, decentralized spending (e.g., a small dollar definitive contract or a medium-sized IDIQ contract serving one or a small number of agency customers) would not be considered "unaligned" under the tiered maturity model. Generally, such spending would be considered Tier 1 spending if it is designed to achieve small business goals and is conducted pursuant to a comprehensive, organized agency level strategy, as approved by the agency, after consultation with OMB, that also addresses where use of agency-wide, Government-wide, and BIC solutions and vehicles can help the agency meet small business goals. Such strategy should also include the use of on-ramps for agency-wide vehicles, whenever practicable, and working with BIC and Government-wide solution owners

²⁶ 15 U.S.C. 644(g).

²⁷ 41 U.S.C. §§ 8501-06; FAR Subpart 8.7.

²⁸ 18 U.S.C. 4121-4128.

to do the same. This will increase opportunities for small businesses at all levels. The strategy should be reflected in internal agency guidance that explains to the workforce when it is appropriate to use each type of contract solution and also explains the process for requesting and/or exercising exceptions from BICs and other Government-wide contract solutions. The guidance should be shared with OMB.

GSA, in consultation with SBA, developed a small business dashboard,²⁹ to help agencies more easily track spending on common goods and services made from small businesses. Requirements have also been identified for a “BIC Research Tool³⁰” that will allow users to determine what BICs are available to meet small business needs, including options for small business set-asides for the socio-economic categories. To determine the best mix of strategies to leverage the benefits of common contract solutions and small business participation, agency Offices of Small and Disadvantage Business Utilization (OSDBUs) should use the small business dashboard, when it is available, and other appropriate management tools provided on the Acquisition Gateway to meet the following objectives:

- (i) *Support development of SUM and BIC goals*: help the SAO in formulating SUM and BIC goals that are compatible with the agency’s small business goal;
- (ii) *Determine where using BICs and Government-wide contracts can help meet agency small business goals*: identify where use of BICs and Government-wide contracts can facilitate achievement of the agency’s small business contracting goals (e.g., the goods and services are widely available from a large number of small businesses and those on Government-wide vehicles offer better value than those on agency-wide or local contracts);
- (iii) *Help SAO understand where BICs and Government-wide solutions may not be suitable in light of small business goals*: explain where opting out of BICs and Government-wide solutions in favor of agency-wide vehicles and/or local contracting is more suitable, such as where:
 - work requires specialized skills not available through small businesses on the BIC or Government-wide solution but available from small businesses on an agency-wide solution;
 - migration could cause significant harm to the small business industrial base that provides the goods or services that would be migrated; and/or
 - use of the BIC or Government-wide solution would force the agency to rely on a small cadre of small business providers that could create significant mission risk.³¹

²⁹ The small business dashboard is available at: <https://d2d.gsa.gov/report/government-wide-category-management-oversight-performance-management-tools>

³⁰ The BIC Research Tool can be found via Acquisition Gateway, <https://hallways.cap.gsa.gov/app/#/data-visualizer/best-class-research-tool>

³¹ In addition to suitability considerations, agencies could not migrate work that would cause the agency to violate small business program requirements, such as taking away work from a contractor under the section 8(a) business development program without seeking release from SBA.

- (iv) *Maximize small business participation on agency-wide solutions:* where Government-wide solutions are not suitable, help the agency develop agency-wide small business vehicles or take greater advantage of agency-wide solutions, such as through the use of joint ventures under mentor-protégé authorities.³²

This analysis of small business spending will provide critical context for OMB in evaluating the efficacy of an agency's efforts to meet its SUM, BIC, and small business contracting goals.

2. Government-wide actions

In FY 2018, 31% of total category management spend was obligated to small businesses, including 37% of spend on BICs and 55% of vendors on BIC spend to small businesses. The following steps are designed to help maintain and expand this participation:

- i) *Small business representation.* An official designated by SBA shall serve as a non-voting member on the Category Management Leadership Council (CMLC). This representative shall keep the Council apprised of ideas for growing small business participation at both the prime and subcontract levels for common spend, including progress in addressing the actions in this subsection. In addition, OSDBUs and small business directors or members of their offices shall be invited to participate on interagency category management teams.
- ii) *Baselining.* BIC solution owners, working with the category managers, shall ensure that baselines are established for Government-wide solutions, existing BICs, and solutions being considered for BIC designation to maintain and grow small business participation. Separate baselines shall be established to track participation of small disadvantaged businesses, women-owned small businesses, service disabled veteran-owned small businesses, and HUBZone small businesses, in addition to participation of small businesses generally.
- iii) *Small business prime contracting strategies.* The following strategies shall be pursued to increase small business contracting at the prime contract level:
 - Prior to creating new or renewing Government-wide or BIC solutions, category managers and prospective BIC solution owners are expected to work with SBA and OSDBUs to evaluate the feasibility of creating a set-aside vehicle, either as the sole vehicle or in parallel to the establishment of an unrestricted vehicle, as has been done for BICs such as Alliant and OASIS.
 - SBA will work with members of the CMLC to increase use of “on ramps” and “off ramps” in BIC and Government-wide solutions, where appropriate. These efforts will include, to the extent feasible, an “open season” pilot, where a percentage of awards

³² For information on SBA's “All Small Mentor-Protégé Program,” go to <https://www.sba.gov/contracting/government-contracting-programs/all-small-mentor-protege-program/about-all-small-mentor-protege-program>.

are reserved for small businesses to on-ramp during the life of the vehicle. SBA will provide recommendations for adjustments to small business strategic goals for each category area to enhance the ability of BICs to contribute to the achievement of Federal small business and socio-economic goals and promote job creation.

- The small business representatives to the CMLC shall apprise the CMLC no less than annually on any opportunities for potential new Government-wide small business vehicles, especially for HUBZone and women-owned small businesses. In addition, category managers shall partner with SBA to identify opportunities to expand small business offerings on BIC contracts.

B. Meeting responsibilities to buy from AbilityOne Non-Profit Agencies (NPAs) and FPI

1. AbilityOne and FPI representation. An official designated by the U.S. AbilityOne Commission and an official from Federal Prison Industries shall serve on the CMLC as non-voting members. These representatives shall keep the Council apprised of progress in addressing the actions in this subsection and ideas for supporting the use of the AbilityOne and FPI programs and contracting with qualified NPAs, including to address existing Procurement List products and services, as well as with FPI. In addition, representatives of the Commission and FPI shall be invited to participate on interagency category management teams addressing goods or services that may be provided by NPAs and/or FPI.
2. AbilityOne participation on BIC, Government-wide, and agency-wide solutions. NPAs sell a wide range of common goods and services, including many identified on the Procurement List for mandatory use. In some cases, these goods are being sold by other than an NPA as part of, or incidental to, a packaged solution on a BIC, Government-wide solution, or agency-wide solution. Accordingly:
 - Prior to creating new Government-wide or BIC solutions, category managers and prospective BIC solution owners are expected to structure vehicles in a manner that ensures AbilityOne authorized dealers are being used to provide such goods through these vehicles. SAOs shall do the same with respect to agency-wide vehicles.
 - Use of AbilityOne authorized dealers for providing Procurement List items will be considered as part of the annual review of BIC vehicles and the renewal of BIC status. The U.S. AbilityOne Commission member of the CMLC shall be invited to provide input into this process.
3. Annual reviews. The agency official responsible for execution of AbilityOne obligations under FAR Subpart 8.7 and FPI under FAR Subpart 8.6 should provide input to the SAO on any significant concerns regarding challenges associated with the participation of NPAs and FPI respectively.