



Strategic Sourcing and Recent Audit Results

Scott E. Clemons



IG Audit Results

- DOE IG-324 “Implementing Strategic Sourcing”
 - Recognized positive steps taken:
 - Established Cost Savings/Avoidance Guidance
 - Issued Management Commitment Memorandums
 - Developed Performance Goals and Objectives
 - Identified issues needing attention:
 - Misinterpreted definition of strategic sourcing
 - Myriad of controls to prevent or detect errors
 - Improve process to ensure accurate reporting
 - Policy and Training under development



Policy

- Acquisition Letter to establish requirements:
 - Order of Preference
 - Must consider use of existing strategic sourcing agreements prior to issuing new contract vehicles.
 - Office Supplies – Federal Strategic Sourcing Initiative
 - IT Software – OCIO Enterprise-Wide Agreements
 - Justification for Non-use
 - Requirement to document file when available strategic sourcing contract vehicles are not used.
 - HQ/Program may require review and/or concurrence
 - Use of STRIPES for capturing and reporting savings



Training

- DOE Strategic Sourcing training course under development
 - Training will consist of eight separate modules
 - Introduction to and definitions of strategic sourcing
 - Participants different roles and responsibilities
 - Identify available strategic sourcing contract vehicles
 - Cost savings calculating, recording and reporting
 - *2 Continuous Learning Points Available*
- On-line prerequisite DAU CLC-108 Overview of Strategic Sourcing



Definition

- What is Strategic Sourcing?
 - OMB Memorandum dated May 20, 2005, Implementing Strategic Sourcing
 - *Strategic sourcing is the collaborative and structured process of critically analyzing an organization's spending and using this information to make business decisions about acquiring commodities and services more effectively and efficiently.*
 - *Agencies need to leverage spending across the Enterprise to the maximum extent possible through strategic sourcing.*



Strategic Plan



- Strategic Objective 10
 - Effectively Manage Projects, Financial Agreements, Contracts and Contractor Performance
- Goal
 - Expand use of FSSI to Federal Procurement Offices while continuing focus on Contractors
 - Achieve 4% Strategic Sourcing Cost Savings against Actionable Spend



FY 2015 Goals

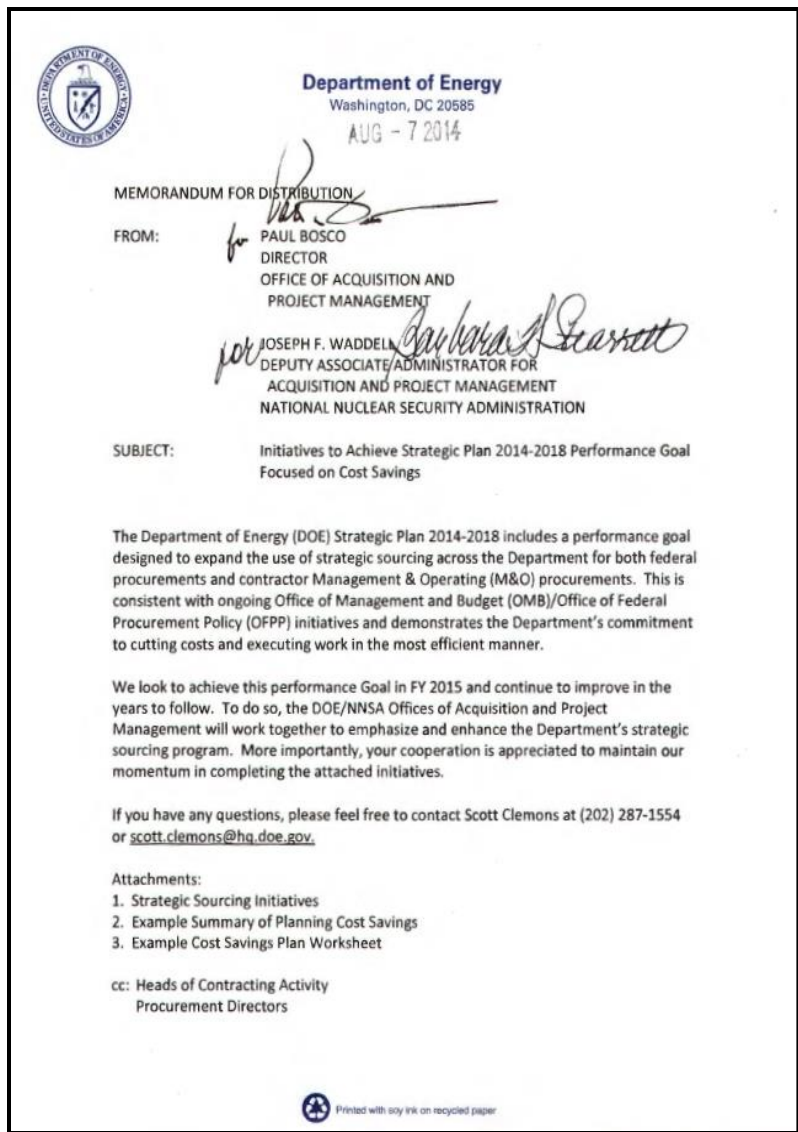
Office	Spend	4% Goal
Golden	\$83,000,000	\$3,320,000
Idaho Ops Office	\$399,622,050	\$15,984,882
DOE-HQ	\$968,168,475	\$38,726,739
Fossil Energy	\$8,000,000	\$320,000
SEPA	\$1,200,000	\$48,000
WAPA	\$90,000,000	\$3,600,000
SWPA	\$15,050,000	\$602,000
SPRO	\$25,000,000	\$1,000,000
Science	\$1,673,252,433	\$66,930,097
NNSA	\$2,398,150,000	\$95,926,000
EM	\$867,609,844	\$34,704,394
Total	\$6,529,052,802	\$261,162,112

Total in \$ Millions

\$261.2



Policy Update



- Policy Flash 2014-39
 - Establishes Strategic Sourcing Cost Savings Goal at 4% of “Actionable Spending” for FY2015.
 - Identifies opportunities and provides strategies/ tools for Sites to consider utilizing to obtain their goals.
 - Requires Review Criteria be established under PMR and PERT/Peer.
 - Develop plan to meet goals



Sample Plan

Attachment 3
to
Initiatives to Achieve Strategic Plan 2014-2018 Performance Goal
Focused on Cost Savings

Example Cost Savings Plan Worksheet

FYXX Actionable Spend	\$ 100,000,000.00	7.63%	% Cost Savings
<u>Strategic Sourcing Opportunities</u>	<u>Estimated Spend</u>	<u>Estimated Savings</u>	<u>% Cost Savings</u>
<u>DOE Federal and Eligible Contractor Use</u>	\$ 60,000.00	\$ 4,000.00	6.67%
<u>DOE Enterprise Wide Agreements</u>	\$ 1,000,000.00	\$ 120,000.00	12.00%
<u>Government-Wide Acquisition Contracts for Federal Use</u>	\$ 12,000,000.00	\$ 1,000,000.00	8.33%
<u>Government-Wide Federal Strategic Sourcing Initiative</u>	\$ 70,000.00	\$ 7,000.00	10.00%
<u>Government-Wide Initiatives for Federal & All Contractor Use</u>	\$ 40,000,000.00	\$ 5,000,000.00	12.50%
<u>One Acquisition Solution for Integrated Services (OASIS)</u>	\$ 10,000,000.00	\$ 1,500,000.00	15.00%
Total		\$ 7,631,000.00	7.63%



OMB/OFPP/GSA

- Category Management Leadership Council (CMLC), formerly Strategic Sourcing leadership Council (SSLC), will focus on:
 - Category Management
 - Common Acquisition Platform (CAP)
 - Spend Under Management
 - Continued oversight for FSSI & other enterprise vehicles



Categories

General Government Categories 1-10 (total FY 2014 spend \$275B)

1. IT – \$49.9B <ul style="list-style-type: none">1.1 IT Software1.2 IT Hardware1.3 IT Consulting1.4 IT Security1.5 IT Outsourcing1.6 Telecommunications	2. Professional Services – \$61.9B <ul style="list-style-type: none">2.1 Business Administration Services2.2 Legal Services2.3 Management Advisory Services (Excludes R&D 17.0)2.4 Marketing and Distribution2.5 Public Relations and Professional Communications Services2.6 Real Estate Services2.7 Trade Policy and Services2.8 Technical and Engineering Services (non-IT) (Excludes 1.0)2.9 Financial Services2.10 Social Services	3. Security and Protection – \$5.5B <ul style="list-style-type: none">3.1 Security Animals & Related Services3.2 Security Systems3.3 Security Services	4. Facilities & Construction – \$75.7B <ul style="list-style-type: none">4.1 Construction Related Materials4.2 Construction Related Services4.3 Facility Related Materials4.4 Facility Related Services4.5 Facilities Purchase & Lease	5. Industrial Products and Services - \$10.5B <ul style="list-style-type: none">5.1 Machinery & Components5.2 Fire/Rescue/Safety/Environmental Protection Equipment5.3 Hardware & Tools5.4 Test & Measurement Supplies5.5 Industrial Products Install/Maintenance/Repair/Rebuild5.6 Basic Materials5.7 Oils, Lubricants, and Waxes
6. Office Management - \$1.9B <ul style="list-style-type: none">6.1 Office Management Products6.2 Office Management Services6.3 Furniture	7. Transportation and Logistics Services – \$26.8B <ul style="list-style-type: none">7.1 Package Delivery & Packaging7.2 Logistics Support Services7.3 Logistics Civil Augmentation Program7.4 Transportation of Things7.5 Motor Vehicles (non-combat)7.6 Transportation Equipment7.7 Fuels	8. Travel and Lodging - \$2.7B <ul style="list-style-type: none">8.1 Passenger Travel8.2 Lodging8.3 Travel Agent & Misc. Services	9. Human Capital - \$4.1B <ul style="list-style-type: none">9.1 Alternative Educational Systems9.2 Educational Facilities9.3 Educational Institutions9.4 Specialized Educational Services9.5 Vocational Training9.6 Human Resources Services	10. Medical - \$36.0B <ul style="list-style-type: none">10.1 Drugs and Pharmaceutical Products10.2 Medical Equipment & Accessories & Supplies10.3 Healthcare Services

Defense- Centric Categories 11-19 (total FY 2014 spend \$153B)

11. Aircraft, Ships/Submarines & Land Combat Vehicles - \$41.6B <ul style="list-style-type: none">11.1 Aircraft11.2 Land Combat Vehicles11.3 Ships & Submarines11.4 Space	12. Weapons & Ammunition - \$15.1B <ul style="list-style-type: none">12.1 Ammunition & Explosives12.2 Fire Control12.3 Guided Missiles12.4 Guns12.5 Nuclear Ordnance12.6 Weapons	13. Electronic & Communication Equipment - \$8.7B <ul style="list-style-type: none">13.1 Communication Equipment13.2 Detection & Coherent Radiation Equipment13.3 Electrical and Electronics Equipment13.4 Night Vision Equipment	14. Sustainment S&E - \$22.7B <ul style="list-style-type: none">14.1 Drones14.2 Engines, Components & Spt Eq14.3 Materials14.4 Supply Parts14.5 Support Ships & Small Craft14.6 Training Aids and Devices	15. Clothing, Textiles & Subsistence S&E - \$7.5B <ul style="list-style-type: none">15.1 Subsistence15.2 Textiles, Clothing & Equipage
16. Miscellaneous S&E - \$839M <ul style="list-style-type: none">16.1 Non-Food Items for Resale16.2 S&E Not Classified Elsewhere	17. Research and Development - \$40.0B <ul style="list-style-type: none">17.1 Systems Development17.2 Operational Systems Development17.3 Technology Base17.4 Commercialization17.5 Pre-FY 1998 2-Digit Category	19. Electronic Communication Services - \$418M <ul style="list-style-type: none">19.1 Equipment Maintenance19.2 Equipment Leases		



Common Acquisition Platform

- **The CAP Mission**

- To be the government's destination for informative, agnostic, and reliable acquisition support and services.
- The CAP approach is to incorporate customer centric design and has adopted agile practices so that customer needs inform our strategic direction.

- **The CAP Vision:**

- To support a common set of processes and systems to make buying better informed, leveraged, and governed through use of expert system thinking that builds compliance and good practice into the fastest, easiest way to get things done.

- **The CAP Goals:**

- Dramatically increase insight into government-wide transactional data to support better buying through expert decision support and category management.
- Reduce GSA and government-wide costs to maintain redundant acquisition systems and/or dramatically enhance the usefulness of those systems to support the continuous improvement of federal acquisition.

- **Website:** <http://www.gsa.gov/portal/category/106839>



FSSI

- Office Supplies <http://www.gsa.gov/portal/content/141857>
- Maintenance, Repairs and Operations (MRO) www.gsa.gov/fssimro
- Janitorial and Sanitation Supplies (JanSan) www.gsa.gov/fssijansan
- FSSI Wireless www.gsa.gov/wirelessfssi
- Domestic Delivery Service <http://www.gsa.gov/dds>
- Print Management <http://www.gsa.gov/portal/content/111983>
- SMARTBuy <http://www.gsa.gov/portal/content/105119>
- Information Services http://www.loc.gov/flicc/strategicsourcing/index_strategic.html



Spend Under Management

Solutions	Est. Date Available	Savings Ratio	FY 14 Actuals	
			Spend (\$)	Savings (\$)
Office Supplies (OS)	Currently available	23%	\$ 1,157,075	\$ 267,389
Domestic Delivery Services (DDS)	Currently available	39%	\$ 893,364	\$ 345,698
Print Management (PM)	Currently available	267%	\$ 1,779	\$ 4,743
Wireless	Currently available	0%	\$ 141,580	\$ -
Maintenance, Repair and Operations Supplies (MRO)	Currently available	1%	\$ 134,190	\$ 1,410
Information Services (IS)	Currently available	4%	\$ -	\$ -
Continuous Diagnostic Monitoring (CDM/CMaas)	Currently available	4%	\$ -	\$ -
Janitorial and Sanitation Supplies (JanSan)	Currently available	10%		
Furniture - Demand Management	Q4 FY15	6%		
IT Workstations - Demand Management	Q4 FY15	30%		
Rental Cars - Policy	Q3 FY15	3%		
Building Maintenance and Operations Services (BMO)	Q2 FY16	5%		
Human Capital and Training Solutions (HCaTS)	Q2 FY16	4%		
Grand Totals			\$ 2,327,988	\$ 619,240



OCIO EWAs

- DOE's OCIO Enterprise-Wide Agreements (EWA) are Department-wide acquisition vehicles for widely used commercial software.
- The EWA Program has two core objectives to achieve the Program mission :
 - Maximizing IT buying power and reducing total cost of ownership;
 - Streamlining the IT total acquisition lifecycle.
- The EWA Program applies a centralized, cross-functional, strategic enterprise software solutions approach that leverages opportunities to create efficiencies and enhances the value of IT acquisition.
- Benefits of the program include:
 - Reducing duplicative enterprise-wide IT components.
 - Promoting technical standardization.
 - Increasing IT contract administration efficiencies.
 - Improving knowledge-sharing of IT acquisition best practices

Link: <http://www.energy.gov/cio/guidance/it-acquisition/enterprise-wide-agreements>



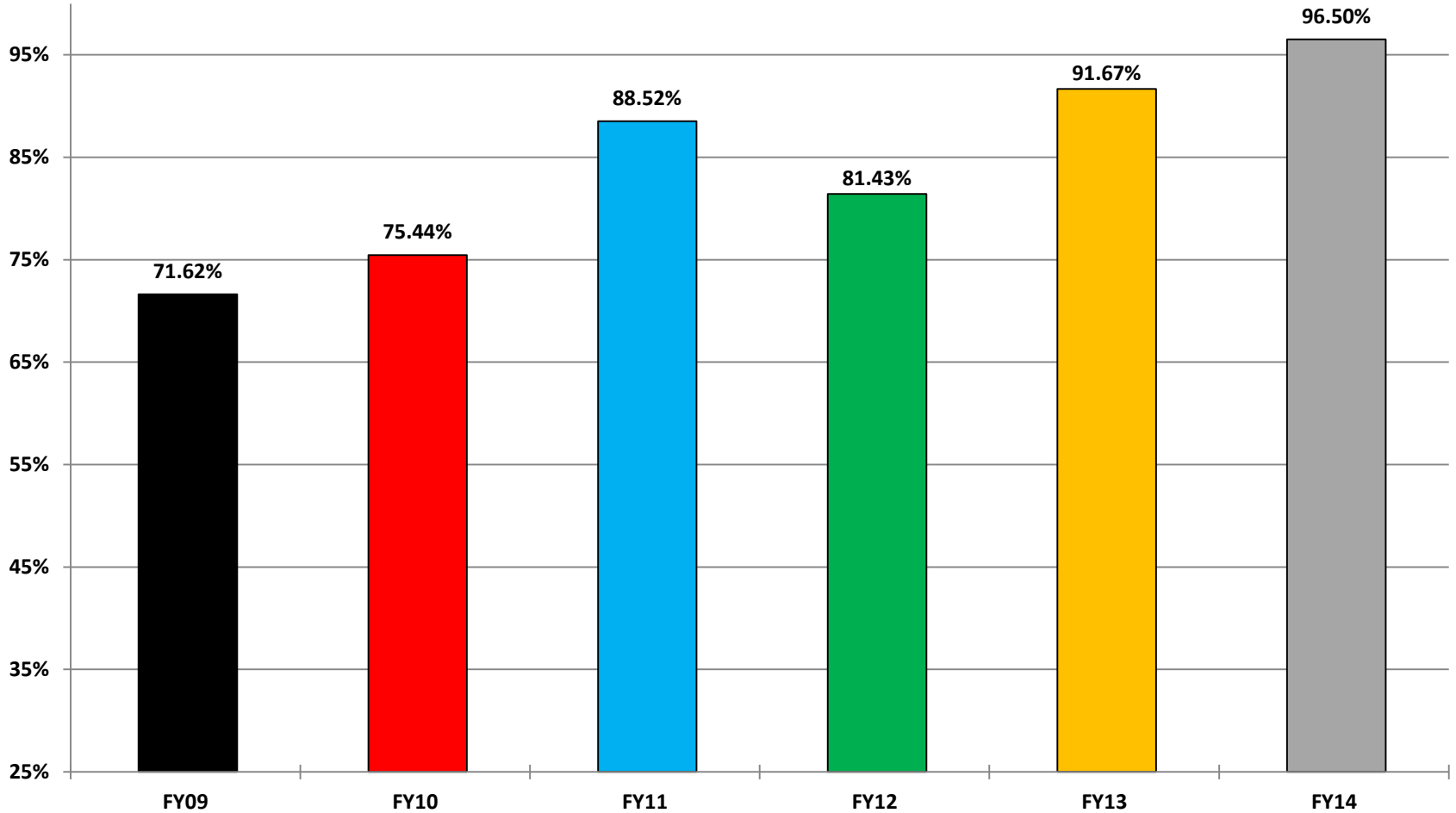
EWA Performance

FY14 EWA SPEND									
Final									
	Total Order Value	Total at List	Total at GSA	Avg off List	Avg off GSA	Small Biz ?	% of total spend	Sum Top 1-5	
Microsoft (Alvarez)	37,530,266	49,506,635	44,060,768	24.2%	14.8%	Y	75.2%	75.2%	
Microsoft (Affigent)	5,471,310	6,847,604	6,095,033	20.1%	10.2%	Y	11.0%	86.2%	
Oracle (Mythics)	2,568,916	7,339,760	3,155,916	65.0%	18.6%	Y	5.1%	91.4%	
Oracle (DLT)	1,454,979	4,157,083	1,787,443	65.0%	18.6%	N	2.9%	94.3%	
Adobe (Emergent)	868,213	1,278,634	1,072,808	32.1%	19.1%	Y	1.7%	96.0%	
Red Hat (Emergent)	478,574	698,233	626,316	31.5%	23.6%	Y	0.9%		
McAfee (Merlin)	443,471	612,870	518,628	27.6%	14.5%	Y	0.8%		
AT&T	392,725	785,450	561,036	50.0%	30.0%	N	0.6%		
Core (IT Federal Sales)	288,493	684,450	496,625	57.9%	41.9%	Y	0.4%		
Troux Technologies	213,196	348,725	260,890	38.9%	18.3%	Y	0.3%		
Safari Books	172,556	506,544	439,334	65.9%	60.7%	Y	1.0%		
Guidance (immixTechnology)	0	0	0			N	0.0%		
Lumension (Technica)	0	0	0			N	0.0%	Small Business	
aggregate	\$49,882,699	\$72,765,987	\$59,074,798	31.4%	15.6%			96.50%	
							Total Cost Avoidance		
							relative to GSA price	\$9,192,100	
							relative to list price	\$22,883,289	



EWA Performance

Small Business Content EWA Program





Web Links

- DOE Strategic Sourcing

<http://energy.gov/management/strategic-sourcing>

- OCIO EWA

<http://www.energy.gov/cio/guidance/it-acquisition/enterprise-wide-agreements>

- GSA/FSSI

<http://www.gsa.gov/portal/content/112561>

StrategicSourcing.gov

<https://strategicsourcing.gov/>