



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL
PROCUREMENT POLICY

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MEMORANDUM FOR THE CHIEF ACQUISITION OFFICERS

FROM:

Paul A. Denett
Administrator

Subject:

Strategic Sourcing Progress

Identifying strategic business solutions that leverage the vast buying power of the Federal government is a top priority for the acquisition community. The Federal government spends over \$400 billion annually, and it is the responsibility of every member of the acquisition workforce – from the Chief Acquisition Officer to the project manager – to ensure that each dollar spent returns value to the taxpayer. Recently, agencies reported their progress on strategic sourcing initiatives. I would like to share some of the best practices we learned and strongly encourage your agencies to participate in the Federal Strategic Sourcing Initiative (FSSI).

Agencies are institutionalizing strategic sourcing processes by establishing governance structures, identifying improved acquisition strategies, and measuring their performance. These steps are changing the way agencies do business and are resulting in improvements. For example:

- The Social Security Administration awarded a blanket purchase agreement for an estimated 5,000 servers, peripheral equipment, and related services and projects savings between 16 percent and 89 percent totaling \$10.6 million annually.
- The Department of Defense has forty-two active strategic sourcing activities totaling \$4.3 billion, and achieved \$538 million in cost avoidance in FY 2006 from these strategic sourcing initiatives. Forty-one percent of these strategic sourcing dollars went to small businesses in FY 2006. For example, under the Air Force's Medical Services Commodity Council, 100 percent of the awards, which totaled \$40.7 million, went to small businesses. Additionally, 100 percent of this work was competed.
- The Department of Homeland Security (DHS) reported over \$99 million in price reductions and cost avoidances in FY 2006 and awarded contracts totaling \$75 million for strategically sourced goods and services to small businesses. In addition, its 14 cross-functional commodity councils designed solutions that improved processes; for example, DHS reduced the cost of installing walk-through metal detectors by 75 percent.

FSSI is demonstrating results as it focuses on government-wide solutions that improve commodity management. Currently, the FSSI award for express ground domestic delivery services has over \$74 million in orders from 37 agencies, which will save the government an estimated \$10 million annually. Additionally, detailed shipping information is being provided to each agency using the FSSI agreement to improve our domestic delivery processes.

Other FSSI efforts are also improving the way we do business. For example, during the planning phase for the FSSI telecommunications expense management acquisition, some agencies saved over \$1.5 million a year just by examining their wireless device inventories, refreshing call plans, and pooling minutes. Shortly, FSSI will award contracts for office products that will aggregate demand, promote energy-efficiency, and support AbilityOne programs (formerly the Javits-Wagner-O'Day program). The FSSI team is also developing strategic sourcing solutions for printers and copiers.

The Strategic Sourcing Working Group under the Chief Acquisition Officers Council is developing a governance model to support agencies in their strategic sourcing efforts and to drive further collaboration across the federal government. We strongly encourage agencies to focus on government-wide solutions first. If your agency is considering any significant acquisition for express ground domestic delivery services, office supplies, telecommunications expense management, printers or copiers, you should consider the FSSI solution first. If the solution does not meet your agency's needs, include written documentation in the file providing the reason for your agency's business decision and the appropriate supporting analysis.

I encourage your agency strategic sourcing points of contact and others to join the community of practice on <https://acc.dau.mil/strategicsourcing> to learn about more agency best practices. Please contact Lesley Field if you have any questions on (202) 395-4761.

cc: Senior Procurement Executives
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