December 4, 2014

MEMORANDUM FOR CHIEF ACQUISITION OFFICERS
SENIOR PROCUREMENT EXECUTIVES

FROM: Anne E. Rung
          Administrator

SUBJECT: Transforming the Marketplace: Simplifying Federal Procurement
             to Improve Performance, Drive Innovation, and Increase Savings

This Administration has taken a number of important steps to strengthen Federal acquisition practices to improve efficiency, reduce red-tape, and provide greater benefit for taxpayer dollars. Executive departments and agencies (agencies) have cut contracts that are no longer necessary or affordable, launched new efforts to pool the Government's buying power through strategic sourcing, and implemented other smart buying strategies to deliver better value for the American people.

These efforts are paying off: contract spending decreased by over $55 billion in Fiscal Year 2013 from the prior year—part of a four-year decrease in the cost of Federal contracting, and we expect to maintain this lower level of spending in the foreseeable future. Moreover, from 2009 to 2013, the level of competition was the highest ever recorded. Equally important, the Government met its small business contracting goal in FY 2013 for the first time since 2005, and agencies are working to increase small business participation even further.

While this progress is significant, there is more to do. The overwhelming feedback from industry and other stakeholders is that the complexity of the Federal contracting space leads to higher costs, slower procurements, and less innovation. Stakeholders cited as problems, among other things, 100 page request for proposals with overly prescriptive, Government-unique requirements, significant contract duplication across Government, and very little sharing of pricing and other contract information between agencies and industry.

Simplifying the Federal contracting space is critical to driving greater innovation and creativity and improved performance. Utilizing the information we received from industry (including through the first-ever Government-sponsored "Open Dialogue" on Federal Procurement), agencies, and state and international governments, this memorandum describes ongoing actions to address these concerns and directs a series of specific further agency actions that build on the Administration's ongoing effort to create a more innovative, efficient, and effective acquisition system to support the needs of a 21st century Government.

I. Buying as One Through Category Management

There is a critical need for a new paradigm for purchasing that moves from managing purchases and price individually across thousands of procurement units to managing entire categories of common spend and total cost through category management.

Since 2010 and with the support of the Strategic Sourcing Leadership Council (SSLC),[1] agencies have reduced contract duplication by up to 40 percent in some areas, and have saved over $417 million when Government-wide strategic sourcing has been utilized. Despite this progress, a significant amount of contract duplication remains; agencies often award contracts for similar goods and services, and in many cases, these contracts are awarded to the same vendor. This unnecessary duplication imposes significant costs on contractors and agencies. Contractors must absorb increased proposal preparation costs and administrative expenses, which disproportionately affects small businesses, and agencies cannot take advantage of potential savings, or leverage their acquisition workforce to support more complex, higher-risk requirements.

Category management, used extensively in industry and by other countries, can best be accomplished by managing commonly purchased goods and services—approximately half of the Federal Government's overall spend—through common categories like information technology (IT) hardware and IT software. This approach includes strategic sourcing, but also a broader set of strategies to drive performance, like developing common standards in practices and contracts, driving greater transparency in acquisition performance, improving data analysis, and more frequently using private sector (as well as government) best practices. Each category will be led by a senior Government executive who is a true expert in the category and who will develop a Government-wide strategy to drive improved performance.

The SSLC is taking steps to implement Government-wide category management for purchasing common goods and services. To support category management, the SSLC will approve Government-wide categories of spend; prioritize categories for management and set timelines for key milestones; establish guiding principles to define "best in class" criteria that will be used by category managers to identify the best contracts and practices within their category; and validate performance metrics for category management.

The Office of Federal Procurement Policy (OFPP) in the Office of Management and Budget (OMB) will also review and update its business case guidance for new interagency and agency-wide vehicles,[2] as necessary, to ensure awareness and appropriate coordination with

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[1] See OMB Memorandum M-13-02, *Improving Acquisition through Strategic Sourcing*, available at http://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-02_0.pdf.
[2] See *Development, Review and Approval of Business Cases for Certain Interagency and Agency-Specific Acquisitions*, dated September 29, 2011, available at http://www.google.com/url?url=http://www.whitehouse.gov/sites/default/files/omb/procurement/memo/development-review-and-approval-of-business-cases-for-certain-interagency-and-agency-specific-

SSLC. The revised guidance will include a requirement for category managers to review new agency business cases and advise SSLC of potential duplication or opportunities for new or expanded strategic sourcing initiatives.

In addition, agencies shall take the following steps:

(1) the General Service Administration (GSA) shall develop guidance, in coordination with SSLC, that will provide agencies with consistent standards for the development and execution of category management, irrespective of the goods or services to be acquired. Key components of the guidance will include ensuring that savings are independently validated, identifying appropriate performance metrics for category management, providing for solutions that are identified as best in class by category managers, and benchmarking those solutions;

(2) agencies, including executive agents of Government-wide Acquisition Contracts (GWACs), managers of multi-agency contracts, and managers of agency-wide (enterprise-wide) contracts, shall provide to GSA or the designated category manager, on a priority basis developed by the SSLC:

   (a) data on prices paid by their customers for goods and services under category management, where such data is available;

   (b) contract performance assessments;

   (c) best buying practices; and

   (d) other contract information, including contract terms and conditions to allow for appropriate comparisons between contracts; and

(3) GSA or the relevant category managers shall make the information provided by agencies pursuant to section I.2 available Government-wide through GSA's Common Acquisition Platform.

II. Deploying Talent and Tools Across Agencies and Growing Talent Within Agencies to Drive Innovation

Opening the acquisition system to greater innovation is critical to ensuring the best results from our contracts. We must embrace practices that encourage new and better ways of thinking and expand access to the most innovative companies. As one step, OMB, in consultation with the Office of Science and Technology Policy (OSTP) released the TechFAR Handbook, a myth-busting guide designed to help agencies in adopting commercial best practices for acquiring digital services within the existing acquisition framework.[3] At the same

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or any successor guidance.

[3] Draft currently available on: https://playbook.cio.gov/techfar/

time, OSTP and OFPP released a set of case studies in innovative contracting to showcase different models agencies have successfully used to discover, prove, and scale advanced technologies. One agency recently created an innovation lab to encourage its workforce to test new and better ways of buying goods and services. The Administration has also increased opportunities for small businesses, a key source of innovation in our economy, even as we reduce contracting spending.

These are important steps, but much more must be done to instill a culture that rewards creativity. To meet these challenges, we must continue to strengthen the core capacity of the acquisition workforce to use strategies that can deliver real results and increase participation by new entrants. As part of this effort, within 180 days of the date of this memorandum, OFPP will work with OSTP and other agencies to develop a plan for increasing digital acquisition capability, and the U.S. Digital Services, in partnership with OFPP, will pilot a program to train agency personnel in digital IT acquisitions and deploy trained personnel so as encourage innovative acquisition practices Government-wide. OMB will also work with OSTP and agency officials, including those responsible for research and development programs, to identify additional opportunities as well as incentives and mechanisms to pilot (or further pilot) innovative contracting models.

In addition, agencies shall take the following steps:

(1) the Department of Defense (DOD) and GSA, in consultation with OFPP, shall develop training and tools for the Federal workforce to build its capability to use agile approaches to technology acquisitions that facilitate continual customer testing of creative contractor ideas; and

(2) DOD and GSA shall provide to the Administrator for Federal Procurement Policy and the Director of Defense Procurement and Acquisition Policy (for military services and agencies) a joint plan to use new and innovative approaches to workforce development training, including cross-functional training, rotational development and assignments, and effective training and education used by the private sector.

III. Building Stronger Vendor Relationships

Early, frequent, and constructive engagement with industry leads to better outcomes. Such engagement is particularly important for complex, high-risk procurements, including those for large IT projects. Toward that end, OFPP has taken several steps, including the launch of its first online national dialogue with industry earlier this year and a new tool for vendors to provide constructive feedback on agency acquisitions. These were important first steps, but more can be done to more effectively collaborate and manage vendor relationships.

Creating Better Interfaces for Government-Industry Interactions. Smarter use of IT is another key component to improving supplier relationships and Federal acquisition; it can reduce the cost of doing business for contractors, make it easier for contractors to navigate the complex world of Federal contracting, make it easier for agency managers to do their jobs and

access the information they need, and improve transparency for taxpayers. GSA, in collaboration with other agencies, has made progress in modernizing the IT infrastructure supporting Federal procurement data collection and display. These efforts are showing results, including reductions in contractors' registration time, significant improvement in contractor compliance with representation and certification requirements, and improved sharing of contractor performance assessments for consideration in future award decisions. Building on this progress, there are significant opportunities to further improve efficiency and effectiveness in the acquisition process through smarter applications of IT.

To help companies enter the Federal marketplace and find agencies looking for their services, GSA has already begun to: (1) further improve the contractor registration process to make it easier, more understandable, and more user-friendly; (2) design improved online tools for vendors to more easily find opportunities to compete for Federal contracts, such as building on "FBOpen," an online tool to help small businesses more easily find the information they need to determine if they wish to bid on solicitations; and (3) develop a single website for Federal contractors to use for Federal contract reporting requirements related to labor laws, as well as other reporting requirements as practicable.[4]

Removing Regulatory Barriers to Innovation. Acquisition regulations are the foundation of efficient and effective buying practices, both for contractors and contracting officers. Agencies must continually review these regulations, as well as seek industry and other public input, to ensure they remain relevant to today's buying environment and facilitate greater access to the wealth of innovative solutions offered in the commercial market. In particular, greater attention must be paid to regulations related to procurements of commercial products and services, as the Government is typically not a market driver in these cases and the burden of Government-unique practices and reporting requirements can be particularly problematic, especially for small businesses.

Within 180 days of the date of this memorandum, OFPP, in consultation with the Chief Acquisition Officer Council and the FAR Council, will make recommendations to the Deputy Director for Management on specific actions that can be taken to reduce burden in commercial item acquisitions, especially for small businesses, and increase the use of effective commercial solutions and practices by the Government. In developing recommendations, OFPP will consider input provided through the Open Dialogue, as well as relevant studies of Federal acquisition, especially those that focus on FAR and agency level regulations that generate the greatest reporting burdens or impose unnecessary restrictions that keep new, innovative companies from entering the Federal marketplace. As part of this effort, OFPP and GSA will identify steps to reduce burden and barriers to entry for contractors and improve the efficiency

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[4] See Executive Order 13673 of July 31, 2014 (Fair Pay and Safe Workplaces), available at http://www.gpo.gov/fdsys/pkg/FR-2014-08-05/pdf/2014-18561.pdf.

and effectiveness of the Multiple Award Schedules Program, such as steps to improve the acquisition of order-level materials and the negotiation of end-user licensing agreements.

In addition, within 180 days of the date of this memorandum, the following steps shall be taken:

(1) the Federal Acquisition Regulatory Council (FAR Council) shall take steps to identify and remove or revise any outdated regulations, as was recently done for rules related to Y2K compliance, and will be done for submission of bids via telegram or fax. During this same period, agencies shall review their respective supplements to the Federal Acquisition Regulation (FAR) and take steps to eliminate any outdated, ineffective, or unnecessarily burdensome requirements; and

(2) agencies shall review their internal policy guidance, if any, addressing minimum corporate experience requirements and take appropriate steps to update such guidance, as necessary, to ensure they do not prevent responsible sources that otherwise have the capacity and capability to accomplish a given requirement from performing work for the Government.

Vendor Feedback. The Open Dialogue, which drew nearly 500 participants, was an important first step in helping our agency managers to better understand both industry concerns and the processes and practices that will better enable companies to consistently do their best work and deliver optimal value to the taxpayer. Providing for these conversations in the future will allow us to continually improve our acquisition system and its ability to achieve results. To this end, OFPP shall conduct regular online dialogues—no less than annually over each of the next two years—that allow industry to help address problems and identify more innovative approaches to acquisition.

In addition, within 90 days of the date of this memorandum, OFPP will develop, with agency and vendor input, guidance that allows frank, open assessment feedback by offerors and existing contractors for agencies to consider as part of their ongoing efforts to strengthen their acquisition processes and practices. The guidance will help to identify trends (both strengths and weaknesses) that agency managers can use to address systemic issues in acquisition management practices and make improvements where appropriate. Agencies shall periodically confer with OFPP to share best practices and any steps they are taking in response to vendor feedback from the tool or from other outreach efforts.

Appointing Enterprise-Wide Vendor Managers. Relationships with vendors are still managed individually across thousands of procurement units, which makes it challenging for both the acquisition workforce and the vendor community to drive improved outcomes. Mirroring other governments and industry, who manage their vendor relationships as a single enterprise, OFPP will, within 90 days of the date of this memorandum, develop a plan to recruit the Federal Government's first Vendor Manager for top IT commercial contractors.

The Federal Government recognizes the positive impact of having more business and more competition for the goods and services it buys. This effort is the first step in long-term efforts to develop a robust Federal marketplace interface that will benefit vendors, buyers, customers and, most importantly, American taxpayers.

cc:
CIOs
CHCOs
CFOs

Federal Strategic Sourcing References

-Office of Federal Procurement Policy Web Page

(http://www.whitehouse.gov/omb/procurement_strategic/)

-Federal Strategic Sourcing Initiative (FSSI) Page

(http://www.gsa.gov/portal/content/112561)

-FSSI Domestic Delivery Services

(http://www.gsa.gov/portal/content/105105)

-Defense Procurement and Acquisition Policy Strategic Sourcing Web page

(http://www.acq.osd.mil/dpap/ss/index.html)