



Acquisition Shared Services

Progress, Lessons and Opportunities

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PARTNERSHIP FOR PUBLIC SERVICE

Deloitte.

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- Providing assistance to federal agencies to improve their management and operations, and to strengthen their leadership capacity
- Conducting outreach to college campuses and job seekers to promote public service
- Identifying and celebrating government's successes so they can be replicated across government
- Advocating for needed legislative and regulatory reforms to strengthen the civil service
- Generating research on, and effective responses to, the workforce challenges facing our federal government
- Enhancing public understanding of the valuable work civil servants perform

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The federal government is the world's largest buyer of goods and services, yet agencies frequently make purchases with little insight into what other agencies are buying. In fiscal year 2014, for example, more than 500 departments and agencies across the federal government spent more than \$420 billion in purchases with only occasional collaboration across organizational lines.

This fragmentation often leads to costly redundancies and inefficiencies in procurement actions, contracting vehicles and overall acquisition efforts. The Partnership for Public Service and Deloitte collaborated on this study, which reinforces that changes in the way the government acquires goods and services can help consolidate overlapping and duplicative acquisition processes to take advantage of the buying power of the federal government.

Category management, if implemented correctly, could serve as the foundation for acquisition shared services in the future. Category management provides a framework and approach for achieving the kind of standardization that is necessary for making acquisition shared services work.

This report provides an overview of acquisition shared services efforts and category management and a vision for the future of federal acquisition shared services. To conduct this study, we reviewed literature, including past and current initiatives, regarding acquisition functions and shared services. We interviewed officials from the General Services Administration and the Office of Management and Budget with knowledge of acquisitions and the category management initiative. In addition, we interviewed officials and individuals with knowledge of acquisition shared services from five agencies along with representatives from the private sector.

DEFINITIONS

Federal shared services

In a shared services approach, an agency or organization transfers common administrative or mission operations to a provider that performs those services for more than one federal department, agency or agency unit. The goal is to improve service delivery and reduce fragmentation, overlap, duplication and overall costs through standardization, economies of scale and continuous business-process improvements.

Category management

Category management is a commercial business model the federal government is applying to buy more like a single enterprise. Category management creates common categories of products and services across federal agencies. It is a fundamental shift from the practice of handling purchasing, analyzing pricing and developing vendor relationships individually within thousands of procurement units across government.

The current acquisition environment should consider changes to help overcome an overburdened workforce with a focus on small purchases that could be done more efficiently.

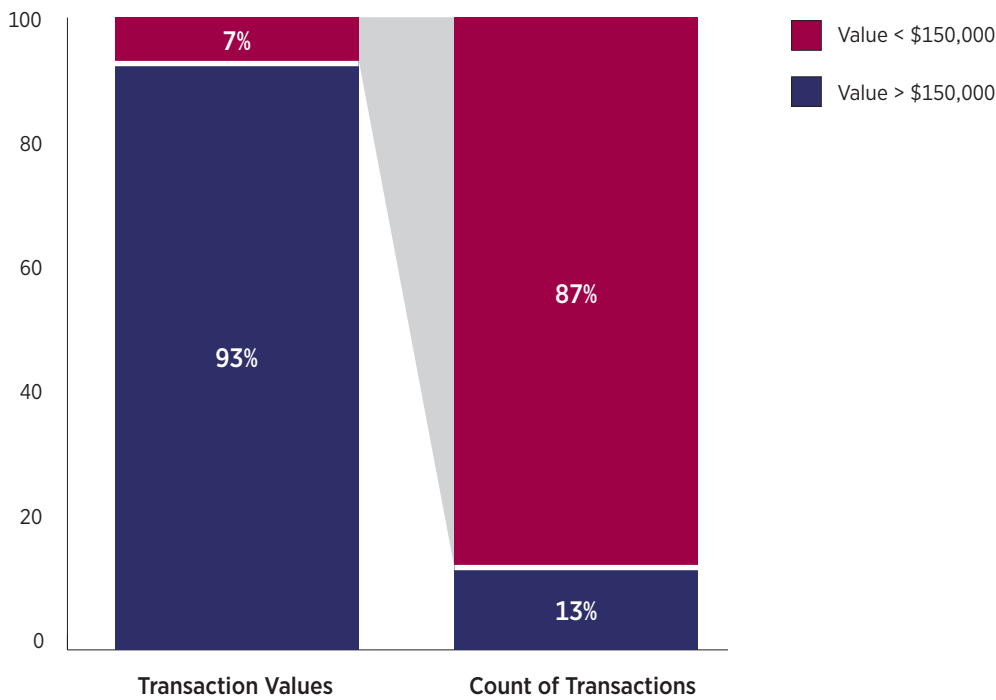
OVERBURDENED WORKFORCE

Agencies' acquisition workforces are often overburdened and struggle to meet mission-critical procurement requirements. Also, similar to other areas of the government, the acquisition workforce could soon experience a wave of retirements likely resulting in the loss of key subject matter expertise. This could create an opportunity, however, for the government to reshape the workforce by bringing in acquisition professionals with a fresh perspective who are equipped with strong skills in management, problem-solving and technology.

LARGE NUMBER OF TRANSACTIONS FOR SMALL PURCHASES

Acquisition officials we interviewed stressed that many acquisitions are for ongoing support products and services, which indirectly support mission. If agencies were able to execute this purchasing more efficiently, they could not only save money, but also shift their acquisition staff's focus from managing common types of acquisition contracts to working on more high-risk or mission-specialized acquisitions. A disproportionate number of current acquisition workforce activities and costs are devoted to small or simple transactions. The figure below shows that less than 10 percent of fiscal year 2014 contract spending government-wide went toward purchases of less than \$150,000, but these purchases accounted for 87 percent of the transactions.

Government-wide non-military spending in fiscal year 2014



Source: Federal Procurement Data System-Next Generation

Overview of federal acquisition shared services providers

In 2014, the Obama administration recognized the potential for shared services to transform government and identified it as a cross agency priority goal. The administration set an objective for government to “strategically expand high-quality, high value shared services to improve performance and efficiency throughout government.”

The Office of Management and Budget recently announced a central governance board created to manage shared services for the federal enterprise and steer agencies toward a greater use of shared services. The plan is for the board to consist of representatives from federal shared services providers, shared services customers, policy agencies such as the General Services Administration and the Office of Personnel Management, and members from the chief officer councils. A sub-organization called the Unified Shared Services Management Office will be accountable for carrying out the governance board’s strategy. Making GSA the host agency for this effort signals that GSA, as the government’s administrative services agency, has embraced shared services as part of its mission and that the coordination of shared services providers will be increased across functions.

EXAMPLES OF THE DIFFERENT TYPES OF ACQUISITION SHARED SERVICES PROVIDERS

Agencies such as the General Services Administration have a primary mission of conducting acquisitions and delivering goods and services to other agencies.

GSA has responsibility for delivering goods such as office supplies and tools, and the agency offers a range of options with different levels of service for their customers to purchase products and services. GSA’s Federal Acquisition Service, in particular, has been designated by OMB to support government-wide execution of category management.

Several acquisition shared services providers are within departments.

Acquisition shared services providers are available to meet the acquisition needs of other agencies. The Interior Business Center within the Department of the Interior offers acquisition shared services and distinguishes itself as a full-service operation that looks at the time an acquisition must be in place for a client, the options available, and the decisions that need to be made specific to each requirement. The Department of Health and Human Services Program Support Center has an acquisition management unit that solicits, negotiates, awards and administers government contracts, assisting with acquisition in areas such as healthcare and support services, conference management, and research and development. The Department of Treasury’s Administrative Resource Center also has a procurement division that offers a range of acquisition support. They market the center as awarding and administering complex, large-dollar contracts as well as providing the most basic acquisition support.

Some agencies administer government-wide contracts in a manner that act as a shared service.

For example, the Solutions for Enterprise-Wide Procurement is authorized by OMB and managed by the National Aeronautics and Space Administration. SEWP allows customers to purchase an array of information technology products, as well as related services such as installation and implementation. SEWP is intended to be an innovative, customer-focused program and a visible, leading contributor to NASA and the federal information technology acquisition community.

A move to category management

To fundamentally improve how taxpayer dollars are used, the Obama administration also created a category management cross-agency priority goal that focuses on consolidating the purchasing power of the federal government to buy smarter and reduce duplication. For example, OMB found that the federal government spends more than \$50 billion a year on hardware, software, telecommunications, and information technology security and professional services, purchasing them through tens of thousands of contracts and delivery orders. The Office of Management and Budget also found that acquisition professionals paid a wide range of prices for the same goods and services. For example, agencies paid between \$450 and \$1,300 for laptops with the same configuration, a price difference of almost 300 percent.¹

The General Services Administration describes category management as a purchasing approach where spending is organized into common categories and managed strategically. Category management is intended to bring together expertise from industry and government grouped by product or service to give all government buyers a more holistic view of the landscape. To date, 10 categories have been identified. The categories include spending areas like information technology, transportation, travel,

and professional services, which add up to approximately \$270 billion, or two-thirds, of total spending on federal goods and services. Under category management, the federal government will “buy as one” by creating common categories of products and services across agencies. An online portal called the Common Acquisition Platform, under development by GSA, will put all acquisition categories in one place for easier navigation of purchasing options. The portal is an online tool that will provide government buyers with comprehensive information about existing contract vehicles from multiple agencies, current market trends and expertise, transactional data, and good practices that should help acquisition staff to better navigate the marketplace.

The category management initiative focuses on building on the progress made initially with strategic sourcing, which aimed to combine an organization’s buying power to get better prices and services from vendors than would be obtainable by each part of the organization buying on its own. The Library of Congress estimated, for example, that if all federal agencies purchased information products and services through a strategic-sourcing process—the existing Federal Strategic Sourcing Initiative—the federal government could realize savings of 5 to 20 percent on those commodities from fiscal year 2013 through fiscal year 2015.² In 2012, the Government

Accountability Office reported that while strategic sourcing may not be suitable for all federal procurement spending, the percentage of managed spending and savings is very low compared to leading companies, which generally strategically manage about 90 percent of their procurement spending and achieve savings of 10 to 20 percent of total procurements annually.³

A federal acquisition official we interviewed explained that strategic sourcing is the “undergraduate” level of acquisition, while category management is the “graduate” level of sourcing, where you get very specialized experts who know the marketplace and the current technology and can refresh the strategically sourced contracts. Strategic sourcing is about using common requirements at scale to achieve efficiencies, better value and increased socio-economic outcomes. Category management is a bit broader, including managing groups of products and services strategically to understand current demand and forming more strategic relationships with suppliers based on a specialized understanding of each common industry. Category management and strategic sourcing set the stage for shared services, according to a GSA official. Having an acquisition provider, whether in-house or in a shared services environment that provides high-quality service, is critical to mission achievement, the official said.

Part of the GSA strategy is po-

1 Executive Office of the President, Office of Management and Budget, “Category Management Policy 15-1: Improving the Acquisition and Management of Common Information Technology: Laptops and Desktops,” M-16-02, October 16, 2015. Retrieved from <http://1.usa.gov/203mIq7>

2 Library of Congress, “Federal Government Strategic Sourcing of Information Products and Services,” Revised November 2012. Retrieved from <http://1.usa.gov/21JC3gm>

3 Government Accountability Office, “Strategic Sourcing: Improved and Expanded Use Could Save Billions in Annual Procurement Costs,” GAO-12-919, September 2012. Retrieved from <http://1.usa.gov/1QaZU4s>

sitioning the agency to respond to customer requests to expand services and broaden the business model under which it will take on procurement work, according to a GSA official we interviewed. He noted that there wasn't much of an appetite for shared services, but the category management initiative is a good place to start. The important

part is seeing what the contracts look like and where the improvements are, he said, adding that the system is currently designed so that people do not have a government-wide view and are encouraged to think mainly about what is good for their own agency. He said that you have to have some sort of balance; one source or provider is not

enough, but 500 providers doing independent sourcing events are too many. Attempting to act more like one government by leaping directly to procurement shared services would provoke a backlash. Category management is a change strategy that should ease the transition to more shared services, the official noted.

Current to future state of federal government purchasing

● = Agency

Current state of purchasing

- Lack of coordination across government
- Duplicated efforts
- Many agencies; no leveraged buying power



Future state of purchasing

- Synchronized procurement across government
- Industry involvement in developing best category strategies
- Core competencies leveraged to match customer needs
- One common management framework



Source: Government-Wide Category Management Guidance Document, Version 1.0

Vision for the future

Category management can provide a solid foundation for acquisition shared services. In our interviews with some acquisition officials, they positioned category management and acquisition shared services as divergent choices, but if both approaches are applied properly, they can complement each other well.

Acting in alignment with both the Category Management Leadership Council and the Unified Shared Services Management Office, category managers have the opportunity to leverage the buying power of the larger government to strategically source and negotiate contracts across categories that meet a broad set of the government's requirements. Having set up these contracts, shared services providers can then use a range of technologies, including tools currently under development—for example, The General Service Administrations's Common Acquisition Platform or leading off-the-shelf commercial software—to economically execute purchases against these contracts. Accompanying this "self-service" purchasing capability, shared services centers would provide expanded levels of service to support customers depending on the complexity of the transaction—ranging from basic inquiries to simplified acquisitions to complex assisted acquisitions—

with the requirements moving up a tiered service structure based on the specific need.

The category management aspect of this concept is critical, as both contracting and service delivery strategies will be unique to each category. Within each category, the contract landscape is managed on a government-wide basis. Some categories and subcategories have more common requirements and will lend themselves to broader contracts and streamlined purchasing, such as office supplies or information technology hardware and software. Other categories and subcategories, such as large, complex information technology development and integration, generally are unique and often have requirements that align closely with the purchasing organization's mission. For these requirements, pre-negotiated contracts are less likely to suffice, so specialized support would be needed.

Less complex commodities such as office supplies can be easily purchased using self-service (tier 0) tools, as requirements, pricing and contract terms typically have already been defined through category management activities. If government customers need to buy something slightly more complex, such as janitorial services, with requirements beyond what have been pre-negotiated, they could enter some basic information into an online

form that would augment the pre-defined requirements, or simply call the service provider (tier 2) for assistance with setting up the transaction. A more complex information technology acquisition would be routed to the Center of Excellence (tier 3), where the service delivery model will be closer to what the assisted acquisition shared services providers offer today.

Category management and shared services both involve taking more of an enterprise-wide approach to government acquisition with the vision of simplifying and improving how the federal government selects and buys products and services. This concept was endorsed by a federal acquisition shared services provider, who said that in the future he hopes to see much more enterprise-wide buying, adding that you need to show people how pooling resources would make them go a lot further.

Examples of products and services



BENEFITS OF THE VISION FOR THE FUTURE

Efficiencies and cost savings

Better sourcing and management of contracts can result in greater savings due to increased buying power. The workload will also be reduced because of less duplication across government. Correctly segmenting the less complex, transactional work from the unique, complex strategic activities can allow for reduced transaction costs due to greater automation, better use of resources and increased standardization.

Customer experience

Purchasing technology, including a number of off-the-shelf commercial tools, in addition to platforms such as GSA's Common Acquisition Platform, can allow for an improved online purchasing experience, similar to the online purchasing experience we use in our personal lives.

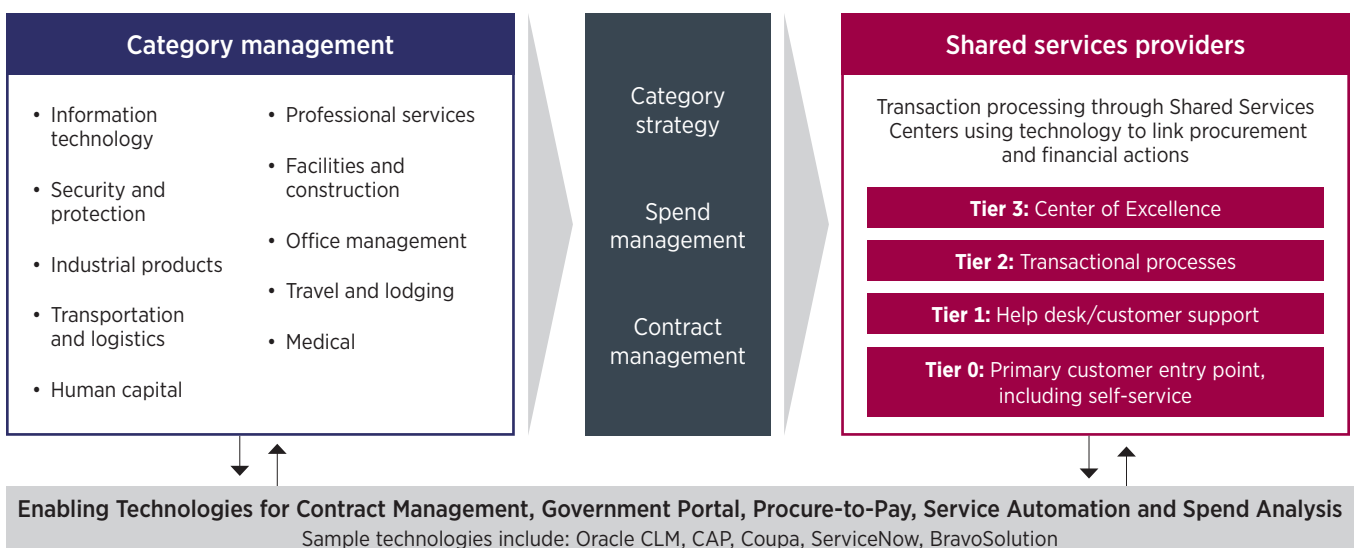
Access to data

The increased use of technology and common systems via shared services providers can create new opportunities to collect data, which can be provided to customer organizations to better monitor spending, as well as to category managers to continuously support the strategic sourcing process.

Controls

Technology within shared services providers can be configured with customers' unique regulations, policies and business rules. Additionally, several shared services providers offer both financial management and acquisition services, which allows for stronger system integration and controls to increase compliance with audit regulations.

Governance and government-wide acquisition strategy



Source: Deloitte Federal Shared Services, November 2015

Conclusion

Federal agencies have shown that support services can be effectively and efficiently consolidated, yet that knowledge has not translated into government-wide measures for dramatically transforming support services, particularly acquisition. To help the government become as effective and efficient as it can be, collective action by multiple agencies should become the standard operating approach. Category management, if implemented correctly, will lay the foundation for shared services in the future. Similar to the Office of Management and Budget's directive to push agencies to federal financial shared services providers using funding as a lever, OMB and the Unified Shared Services Management Office should consider providing incentives or penalties to encourage adoption of category management and acquisition shared services. An enterprise-wide approach to tackling government missions and administrative functions will require significant change—most significantly it requires a fundamental shift from an inward-focused agency perspective to a broader, whole-government view.

Our government is at a critical point where workforce, technological and fiscal pressures demand a substantive departure from the status quo. It is hoped that the recent OMB announcement in support of shared services and an accompanying governance structure will provide the needed framework. Now, administration officials need to focus on getting greater buy-in from agencies and career leaders to help sustain progress and achieve results.

CONTRIBUTORS

DEPARTMENT OF COMMERCE

Barry Berkowitz
Senior Procurement Executive and Director of Acquisition
Management

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Paul Bartley
Director of the Program Support Center

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Joseph Hungate
Acting Chief Financial Officer

DEPARTMENT OF THE INTERIOR

Keith O'Neill
Associate Director and Head of the Contracting Activity,
Interior Business Center Acquisition Services

Joseph Ward
Former Director, Interior Business Center

DEPARTMENT OF TREASURY

Doug Anderson
Assistant Commissioner, Shared Services, Bureau
of the Fiscal Services

David Dasher
Director of Procurement, Internal Revenue Service

GENERAL SERVICES ADMINISTRATION

Bruce Black
Program Manager, Assisted Acquisition Services

Penny Grout
Director, Assisted Acquisition Services

Steve Krauss
Director, Category Management Strategic Execution,
Federal Acquisition Service

Kevin Youel Page
Deputy Commissioner, Federal Acquisition Service

Jim Williams
Former Administrator and Commissioner, Federal
Acquisition Service

OFFICE OF MANAGEMENT AND BUDGET

Leslie Field
Deputy Administrator, Office of
Federal Procurement Policy

PROFESSIONAL SERVICES COUNCIL

Stan Soloway
President and Chief Executive Officer

PROJECT TEAM

PARTNERSHIP FOR PUBLIC SERVICE

Mallory Barg Bulman, Director of Research

Judy England-Joseph, Strategic Advisor

Bevin Johnson, Creative Director

Nicole Keler, Fellow

Judith Kordahl, Senior Research Manager

Ellen Perlman, Writer/Editor

Audrey Pfund, Associate Design Manager

Beth Schill, Program Research Manager

Max Stier, President and Chief Executive Officer

DELOITTE

Bill Beyer, Lead Principal

Lou Heinzer, Principal

Brian Siegel, Principal

Tuan Tran, Principal

Jennifer Walcott, Principal

Alex Henry, Senior Manager

Andrea Sampanis, Senior Manager

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**PARTNERSHIP
FOR PUBLIC SERVICE**

1100 New York Avenue NW
Suite 200 East
Washington DC 20005

(202) 775-9111
ourpublicservice.org
CFC# 12110

Deloitte.

1919 North Lynn Street
Arlington, VA 22209

(703) 395-6802
deloitte.com/federal