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NASA's Strategic Sourcing Program

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Paul K. Martin
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Acronyms

ACES	Agency Consolidated End User Services
CAO	Chief Acquisition Officer
CFO	Chief Financial Officer
CIO	Chief Information Officer
DOE	Department of Energy
FAR	Federal Acquisition Regulation
FY	Fiscal Year
GAO	Government Accountability Office
GSA	General Services Administration
IT	Information Technology
NSSC	NASA Shared Services Center
OIG	Office of Inspector General
OMB	Office of Management and Budget
SEWP	Solutions for Enterprise-Wide Procurement
TEMS	Telecommunications Expense Management Services
UPS	United Parcel Service, Incorporated

OVERVIEW

NASA'S STRATEGIC SOURCING PROGRAM

The Issue

The Federal Government spends more than $500 billion annually to buy products and services in support of its varied missions.[1] According to the General Services Administration (GSA), historically, Federal agencies have acquired these products and services in a highly decentralized manner, resulting in wasteful spending. As a result, Federal agencies have been tasked with "buying smarter" – that is, maximizing the value of each dollar spent by being intentional in what is purchased, how it is purchased, and how the products and services are used. Specifically, over the past 8 years, Federal agencies have been encouraged to practice "strategic sourcing" and consolidate their spending, either by centralizing their contracting decisions or by using government-wide contracts to lower prices and reduce duplication of administration efforts. Since fiscal year (FY) 2010, agencies have realized savings of more than $140 million by using government-wide contracts for office supplies, which offer prices lower than any single agency could negotiate on its own. However, according to the Government Accountability Office (GAO), only a small part of the Government's procurement-related spending is managed strategically.[2]

In 2005, the Office of Management and Budget (OMB) issued a memorandum institutionalizing the strategic sourcing process in Federal agencies. OMB made each Federal agency's Chief Acquisition Officer (CAO), Chief Financial Officer (CFO), and Chief Information Officer (CIO) responsible for the overall development and implementation of their agency's strategic sourcing efforts, beginning with an analysis of agency procurement patterns (known as a spend analysis) and identification of products and services (commodities) for which strategic sourcing should be implemented.

Because Federal purchasing is decentralized, agencies operating individually instead of collaboratively experience significant price variations for the same products or services, even with the same contractor. In response to OMB's directive, GSA launched the Federal Strategic Sourcing Initiative in 2005, implementing strategic sourcing solutions for the Government that leverage buying power and reduce the cost of procuring common products and services.[3] According to GSA, the Federal initiative has helped improve the management and cost of commonly purchased products and services, such as express and ground domestic delivery, office supplies, print management, and wireless telecommunications.

[1] OMB Memorandum, M-13-02, "Improving Acquisition through Strategic Sourcing," December 5, 2012.

[2] GAO Testimony, "Strategic Sourcing: Improved and Expanded Use Could Provide Significant Procurement Savings" (GAO-13-765T, July 15, 2013).

[3] GSA launched the Federal Strategic Sourcing Initiative in partnership with the Department of Treasury.

While the Federal Government has made strides in improving its strategic sourcing, the GAO reported in September 2012 that agencies are not leveraging their aggregate buying power and consequently have achieved only limited savings – less than one-half of 1 percent of overall procurement spending. According to GAO, a savings rate of 10 percent of total Federal procurement spending would represent more than $50 billion annually.[4] In December 2012, OMB issued updated guidance that built upon its existing strategic sourcing initiative to encourage agencies wherever possible to join with other agencies to negotiate the best deal for the taxpayer.[5]

Under the President's cross-agency priority goal for strategic sourcing, Federal agencies are directed to reduce costs by at least 10 percent through strategic sourcing for at least two new commodities or services in 2013 and 2014. OMB said agencies could meet this goal by leading their own agency-wide strategic sourcing efforts, establishing a new inter-agency strategic sourcing vehicle, or participating in another solution that leverages the Government's purchasing power. The directive also requires agencies to increase their use of the Federal Strategic Sourcing Initiative by at least 10 percent in both FYs 2013 and 2014 unless they can show that their current procurement strategy for obtaining products and services is more cost effective.

In 2006, NASA's Headquarters Office of Procurement established a Strategic Sourcing Program to save money by strategically acquiring products and services common across the Agency. NASA Procurement officials expected the program to result in a better understanding of Agency spending patterns; maximize procurement efficiencies through collaborative acquisitions; and achieve better value for products and services while satisfying OMB's strategic sourcing requirements. Because NASA annually spends approximately 80 percent of its approximately $17 billion annual appropriated funding acquiring products and services, the Agency has the potential to realize significant savings through a well-implemented strategic sourcing program.

Our audit objective was to examine NASA's Strategic Sourcing Program and determine whether it adequately addresses the Federal Strategic Sourcing Initiative and has resulted in cost savings for NASA.

Results

NASA has failed to develop a robust, Agency-wide strategic sourcing program over the past 7 years, thereby missing opportunities to maximize savings by aggregating its purchasing power and market position when procuring commodities. While NASA

[4] GAO, "Strategic Sourcing: Improved and Expanded Use Could Save Billions in Annual Procurement Costs" (GAO-12-919, September 20, 2012). In addition, a GAO official testifying before the Senate Committee on Homeland Security and Governmental Affairs in July 2013 said that expanded use of strategic sourcing could provide significant savings (GAO-13-765T).

[5] OMB Memorandum M-13-02, "Improving Acquisition through Strategic Sourcing," December 5, 2012.

established a Strategic Sourcing Program as required by the 2005 OMB memorandum, the Agency never conducted a comprehensive, Agency-wide spend analysis to identify additional commodities that could benefit from a more strategic procurement approach. Further, though NASA performed limited spend analyses on individual commodities, the Agency did not establish requirements regarding how such analyses should be developed, analyzed, and used. While NASA officials informed us that they have realized savings with regard to specific strategic sourcing initiatives, the Agency does not track Agency-wide strategic sourcing efforts to maximize potential cost savings. As a result, NASA was unable to determine the extent of any efficiency or cost savings achieved through its Strategic Sourcing Program.

NASA's Strategic Sourcing Program Poorly Implemented. According to NASA's Strategic Sourcing Program plan, the primary goal of the Program is "to establish a process that enables NASA to strategically acquire products and services common across the Agency, Centers, or organizations to support the Agency's mission in a more effective and efficient manner." However, poor development of an Agency-wide plan, coupled with the insufficient implementation of key aspects of that plan, has significantly impaired NASA's Strategic Sourcing Program. While NASA developed a Program plan to satisfy OMB's strategic sourcing requirements, the Agency failed to follow critical elements of its Program plan – specifically, completing spend analyses and measuring performance. Further, without regularly performing a comprehensive spend analysis, NASA is unable to review Agency spending patterns for commodities and identify potential candidates for strategic sourcing efforts. In addition, limited direction to and communication with Center procurement officials regarding strategic sourcing efforts together with the Agency's longstanding culture of Center autonomy has resulted in the insufficient implementation of strategic sourcing across NASA.

Strategic Sourcing Lessons Learned and Best Practices. While NASA's mission is unique, the challenges facing the Agency to maximize its purchasing power are not. To gain insight into lessons learned and government best practices, we spoke with procurement officials from the Department of Energy (DOE) regarding their implementation of strategic sourcing. In spite of challenges similar to those of NASA, including geographically disbursed operating locations and significant use of contractors to support Agency operations, DOE has implemented a strategic sourcing program that has saved the Agency more than $980 million over the past 3 years. DOE officials attribute the savings to committed implementation of the Federal Strategic Sourcing Initiative, periodic spend analyses, and support by senior DOE officials who track the Program's progress and results.

Management Action

As stewards of the public trust, NASA officials need to seek out ways to achieve cost savings in the procurement process where possible. Clear and strong executive leadership is needed to engage procurement personnel at all levels across the Agency to identify opportunities to improve procurement practices through strategic sourcing. From better identifying Agency-wide spending patterns to taking an enterprise approach to procuring products and services, strategic sourcing should become a way of doing business at NASA.

To strengthen NASA's Strategic Sourcing Program, we recommended that the Assistant Administrator for Procurement – with support from the Administrator and CFO – revise NASA's Strategic Sourcing Program plan to: (a) identify and assign specific responsibilities for individuals, groups, or organizations within NASA that manage, administer, and report strategic sourcing efforts; (b) include a methodology for how spend analysis should be developed, analyzed, and used; (c) include a methodology to periodically identify Agency-wide strategic sourcing opportunities using current financial and procurement management information systems; and (d) require the periodic extraction and assessment of Agency-wide, inter-Center, and cross-organizational spending data to ensure the Agency is receiving the best value for products and services. The Assistant Administrator should also perform a comprehensive Agency-wide spend analysis of all procurement activities across NASA in order to identify potential strategic sourcing candidates and assess any changes in Agency-wide spending patterns. Further, the Assistant Administrator should define and track uniform performance goals and measures for NASA's strategic sourcing activities Agency-wide and make use of the metrics a requirement for assessing the success of the Agency's Strategic Sourcing Program.

The Assistant Administrator should also perform a review to determine if NASA organizations are utilizing strategically sourced commodities, such as office supplies and contract closeout services, to the greatest extent practicable. Further, the Assistant Administrator should develop and communicate the existence of a centralized mechanism for providing the NASA procurement community with Agency-wide strategic sourcing information to include a listing of all NASA Strategic Sourcing Program efforts that can be considered during the procurement planning process to fully leverage existing strategic sourcing vehicles. Finally, the Assistant Administrator should incorporate into NASA policy the required use of strategic sourcing initiatives to the maximum extent possible for NASA acquisitions and require the documentation of decisions made when strategic sourcing initiatives are not used.

In response to our draft report, the Assistant Administrator for Procurement concurred or partially concurred with our recommendations to: (1) revise NASA's Strategic Sourcing Plan; (2) define and track uniform performance goals and measures for NASA's strategic sourcing activities; (3) determine if NASA organizations are utilizing strategic sourcing commodities to the greatest extent practicable; and (4) develop and communicate the

existence of a centralized mechanism for providing the NASA procurement community with Agency-wide strategic sourcing information. We consider these proposed actions responsive to our recommendations and will close the recommendations upon completion and verification of the actions.

The Assistant Administrator nonconcurred with our recommendations to perform a comprehensive spend analysis of all procurement activities across the Agency. However, he noted that NASA is fully committed to continuing its participation in the Federal Strategic Sourcing Initiatives and identifying Agency strategic sourcing activities by conducting spend analyses on select commodities and services. The Assistant Administrator further stated that several NASA centers have begun a comprehensive spend analysis of their programs. Although we appreciate the ongoing Center-based efforts and the Agency's commitment to Federal Strategic Sourcing Initiatives, we continue to believe that NASA would benefit from an Agency-wide spend analysis and therefore the recommendation remains unresolved.

The Assistant Administrator for Procurement also disagreed with our recommendation to incorporate into NASA policy the required use of strategic sourcing initiatives to the maximum extent possible, stating that while NASA supports strategic sourcing and agrees it offers significant benefits when properly applied, it is premature and possibly unnecessary to consider any changes to the NASA Federal Acquisition Regulation (FAR) Supplement or other policy to require the use of strategic sourcing initiatives to meet NASA's mission needs. Further, the Assistant Administrator noted that OMB has not issued regulations requiring the use of Federal Strategic Sourcing Initiative vehicles. Because we continue to believe that NASA would benefit from adopting policy requiring the use of strategic sourcing initiatives to the maximum extent possible, the recommendation remains unresolved.

Management's full response is reprinted in Appendix B. Technical comments provided by management have also been incorporated, as appropriate.

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INTRODUCTION

Background

The Federal Government spends more than $500 billion annually to buy products and services in support of its varied missions.[6] According to the General Services Administration (GSA), historically Federal agencies have acquired these products and services in a highly decentralized manner, resulting in wasteful spending. As a result, Federal agencies have been tasked with "buying smarter" – that is, maximizing the value of each dollar spent by being intentional in what is purchased, how it is purchased, and how the products and services are used. Specifically, over the past 8 years, Federal agencies have been encouraged to practice "strategic sourcing" and consolidate their spending, either by centralizing their contracting decisions or by using government-wide contracts to lower prices and reduce administrative duplication. For example, since fiscal year (FY) 2010, agencies have realized cost savings of more than $140 million using government-wide contracts for office supplies, which offer prices lower than any single agency could negotiate on its own. However, according to the Government Accountability Office (GAO), only a small part of the Government's half trillion dollars in procurement-related spending is managed strategically.[7]

In May 2005, the Office of Management and Budget (OMB) issued a memorandum institutionalizing the strategic sourcing process across the Government. Strategic sourcing is a collaborative and structured process of critically analyzing an organization's spending and using this information to make business decisions about acquiring products and services (commodities) more effectively and efficiently. The OMB memorandum required agencies to work together to develop innovative sourcing strategies that would allow the Government to leverage its vast buying power. OMB made each Federal agency's Chief Acquisition Officer (CAO), Chief Financial Officer (CFO), and Chief Information Officer (CIO) responsible for the overall development and implementation of their agency's strategic sourcing efforts. According to OMB, this effort was to begin with a spend analysis that would help each agency understand its spending patterns and provide the information needed to make smarter business decisions about acquiring commodities more effectively and efficiently. After conducting this analysis, agencies were directed to identify three potential commodities and implement an agency-wide strategic sourcing plan to acquire them.

In response to OMB's directive, GSA launched the Federal Strategic Sourcing Initiative in November 2005, with the purpose of awarding multiple acquisition vehicles to leverage buying power and reduce the cost of procuring common products and services

[6] OMB Memorandum M-13-02, "Improving Acquisition through Strategic Sourcing," December 5, 2012.

[7] GAO, "Strategic Sourcing: Improved and Expanded Use Could Provide Significant Procurement Savings," (GAO-13-765T, July 15, 2013).

across the Government.[8] In May 2007, OMB issued a follow-up memorandum in which it strongly encouraged agencies to tap into government-wide acquisition vehicles for several common commodities:

- express and ground domestic delivery services;
- office supplies;
- telecommunications expense management; and
- print management, including printers and copiers.

The memorandum required agencies to justify any deviations from the use of government-wide solutions for these commodities.

Further, in 2008, GSA identified six key factors for successfully implementing strategic sourcing.

1. *Strong senior leadership and agency commitment*. Senior leadership support and buy-in is needed to create a sense of urgency and ensure broad support. Agencies must be willing to embrace the strategic sourcing concept and commit the Agency to use strategic sourcing solutions.
2. *Resource commitment*. A level of manpower and dollars will be required to ensure adequate attention is given to all aspects of the program.
3. *Qualified resources and training*. The transformational and technical nature of strategic sourcing requires establishment of stringent criteria to select individuals to fill critical roles in the program.
4. *Communication*. A comprehensive and on-going communication process is critical to ensuring understanding of the Federal Strategic Sourcing Initiative and strategic sourcing more generally.
5. *Alignment of incentives with program goals.* Metrics and targets are needed and must be incorporated into individual performance measures to ensure program progress and accountability.
6. *Spend visibility and analysis.* Agencies must gain greater visibility into their spending patterns and use data analysis to facilitate better business decisions.

While the Federal Government has made strides in strategic sourcing over the past 8 years, GAO reported in 2012 that the Government is still not leveraging its aggregate buying power and that most agencies have not fully adopted a strategic sourcing approach in their procurement activities. In December 2012, OMB issued updated guidance requiring agencies to designate a Strategic Sourcing Accountable Official with authority to coordinate their agency's internal strategic sourcing activities and coordinate participation in government-wide procurement efforts.

[8] GSA launched the Federal Strategic Sourcing Initiative in partnership with the Department of Treasury.

Under the President's cross-agency priority goal for strategic sourcing, Federal agencies are directed to reduce costs by at least 10 percent through strategic sourcing for at least two new commodities or services in both FYs 2013 and 2014. OMB said agencies could meet this goal by leading agency-wide strategic sourcing efforts, establishing a new inter-agency strategic sourcing vehicle, or participating in another solution that leverages the Government's buying power and reduces the cost to the taxpayer. In addition, agencies were required to increase their use of Federal Strategic Sourcing Initiative procurement vehicles by at least 10 percent in FYs 2013 and 2014 unless they could demonstrate that their current spending patterns on similar products and services was more cost-effective.

While OMB's 2012 guidance imposed requirements on all Federal agencies, it imposed additional responsibilities on a small number of agencies that spend a significant amount of their budget on procurements. As one of these agencies, NASA was directed in the 2012 memorandum to participate on the Strategic Sourcing Leadership Council chaired by OMB's Office of Federal Procurement Policy, a group tasked with leading the Government's efforts to increase government strategic sourcing initiatives.

Government-Wide Vehicles for Strategic Sourcing. As previously mentioned, GSA has been integral in the development of the Federal Strategic Sourcing Initiative and since 2005, has developed strategic sourcing solutions for the Government for a variety of commonly purchased commodities, including domestic delivery services, office supplies, wireless telecommunications management services, and print management.

Domestic Delivery Services. In FY 2006, GSA entered into a fixed-price agreement with FedEx Corporation available to all Federal agencies for express and domestic ground delivery services for small packages. In FY 2009, GSA entered into a second domestic delivery contract with United Parcel Service, Incorporated (UPS) for packages under 150 pounds. According to GSA, under the UPS contract, agencies save up to 34 percent compared to GSA scheduled rates, and up to 7 percent compared to rates in the 2006 FedEx agreement. In addition, both agreements enable agencies to avoid fuel surcharges on parcel shipments, streamline their acquisition process and reduce redundant contracts across the Government, and receive comprehensive reports that can be used to demonstrate progress towards meeting OMB's savings targets. The domestic delivery solution also employs a dedicated customer service team to minimize agency-specific administrative overhead.

Office Supplies. In 2007, GSA entered into agreements with multiple vendors to create a strategic sourcing solution for office supplies. Three years later, GSA entered into a second Federal Strategic Sourcing Initiative solution with the award of 15 blanket purchase agreements, 13 of which went to small businesses. Under the blanket purchase agreements, discounts increase as purchases increase across the Federal Government.

Wireless Telecommunications Expense Management Services.[9] In January 2008, GSA awarded three agreements under its Telecommunications Expense Management Services (TEMS) solution to reduce wireless costs without changing an agency's existing service plans. According to GSA, TEMS helps Federal agencies optimize rate plans, identify inventory and billing errors, eliminate unused telephone lines, improve security controls, and monitor spending. GSA claims that agencies using TEMS save on average 26 percent of their total wireless spending. In addition, the TEMS provider over the past 3 years has saved the Federal Government more than $6.9 million and reduced the monthly average cost per unit for service plans from approximately $70 to $48.

Print Management. In September 2011, GSA awarded 11 agreements under its print management solution covering two broad areas: Fleet Assessment, which offers data collection, spend analysis, and cost reduction services, and Device Plus, which provides document imaging, usage reporting, and maintenance and repairs. According to GSA, the print management solution helps agencies reduce printing and copying expenses and streamline the acquisition process.

In addition to these four strategic sourcing solutions, GSA implemented the SmartBUY (2.0) solution in August 2013, which allows Federal, state, local, and tribal governments to pay less for software and support services through a series of blanket purchase agreements for commercial off-the-shelf software. Further, GSA is working to develop a Federal Strategic Sourcing Initiative commodity solution for Information Resources. The Information Resources solution will assist agencies in procuring an array of books, electronic databases, and library services.

NASA's Organizational Structure. NASA consists of a Headquarters Office in Washington, D.C.; nine geographically dispersed Centers; and the Jet Propulsion Laboratory, a Federally funded research and development center operated under contract by the California Institute of Technology.[10] Historically, NASA has operated as a decentralized organization in which its Centers and program managers are given significant autonomy to accomplish Agency missions. From a macro perspective, NASA's organizational structure has three levels: Agency or "corporate" management, program or project management, and Center management.

Agency management, including the Administrator and Deputy Administrator, is located primarily at NASA Headquarters and is responsible for providing NASA's strategic direction, top-level requirements, schedules, and budgets. Also part of the Headquarters operation is the Mission Support Directorate and the Offices of the Chief Scientist, Chief

[9] On May 22, 2013, GSA reported that a new wireless solution was available for use, replacing the previous telecommunications expense management services (TEMS) solution. GSA anticipates that Wireless will improve the procurement and management of wireless services across the Government. We continue to reference TEMS throughout this report, as the new solution was put into place after the completion of our fieldwork.

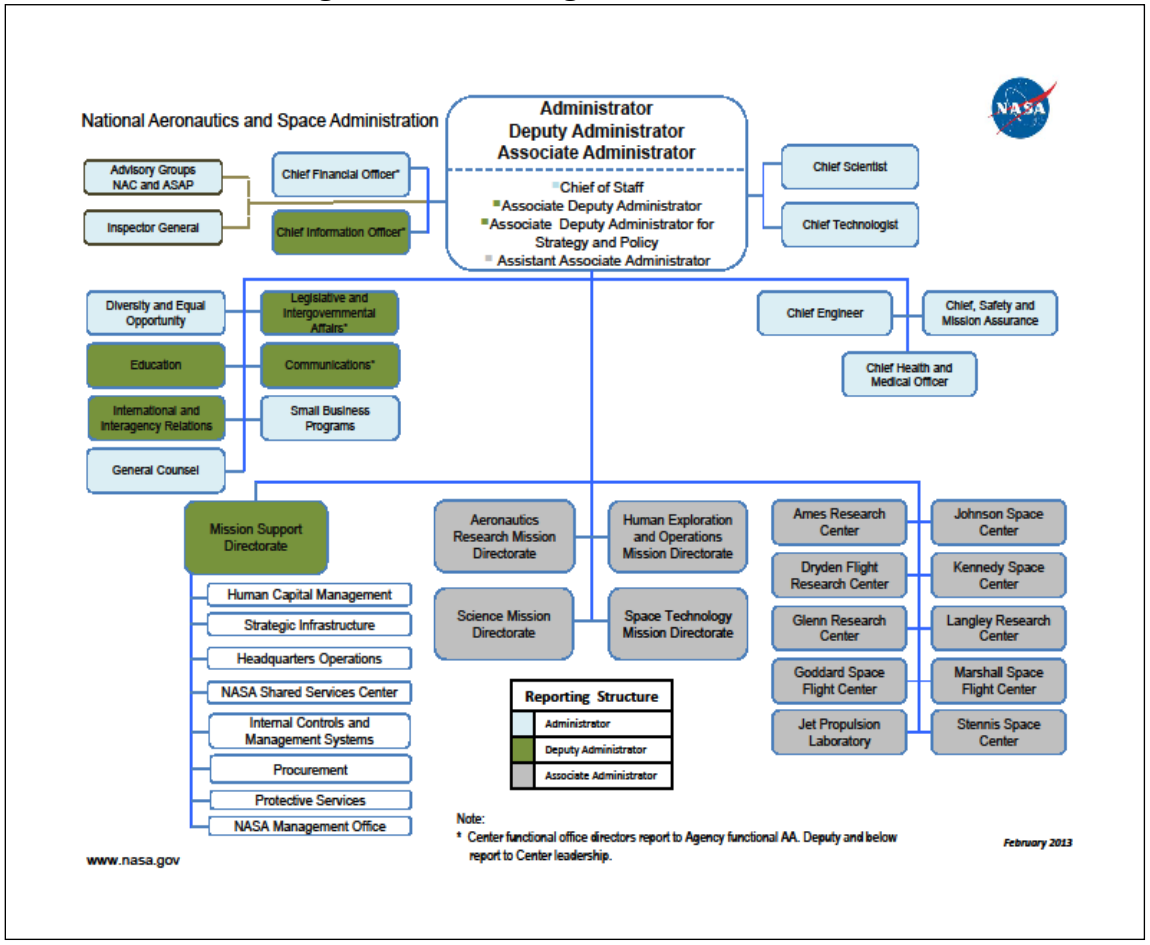
[10] NASA also has six supporting facilities and the NASA Shared Services Center, a partnership between NASA and a contractor to consolidate support functions such as financial management, human resources, information technology, and procurement.

Technologist, Chief Engineer, Chief Health and Medical Officer, Chief of Safety and Mission Assurance, CFO, and the CIO. The Office of Procurement, tasked with implementing the NASA's Strategic Sourcing Program, is part of the Mission Support Directorate.

NASA has four Mission Directorates – Aeronautics Research, Human Exploration and Operations, Science, and Space Technology – each led by an Associate Administrator. The Associate Administrators, who are located at NASA Headquarters, are responsible for managing their Directorate's portfolio of programs and projects and have ultimate responsibility for their projects' mission success.

NASA Centers are led by Directors responsible for managing Center operations and determining how best to support the programs and projects located there. The Associate Administrators of the Mission Directorates depend on Center Directors to provide the human and facility resources needed to execute Directorate programs and projects. Associate Administrators do not have decision-making authority regarding the day-to-day operations of the Centers, and Center Directors do not provide programmatic direction to Agency projects. The Mission Directorate Associate Administrators and the Center Directors report to NASA's Associate Administrator, the most senior civil servant at the Agency. Figure 1 depicts NASA's organizational structure.

Figure 1. NASA Organizational Structure



Source: NASA.

Procuring Commodities at NASA. The NASA Headquarters Office of Procurement is charged with ensuring the Agency executes its mission successfully by effectively and efficiently managing the acquisition process. To meet this goal, the Headquarters Procurement Office issues Agency-wide policy guidance, establishes procurement-related regulations, and approves procurements of $50 million or more through its Master Buy Plan. Specifically, the Plan requires Centers to receive approval from the Headquarters Office of Procurement for all acquisitions expected to equal or exceed $50 million, including supplemental agreements, letter contracts, undefinitized contract actions, Announcements of Opportunity, and acquisitions through or from other Government agencies.[11]

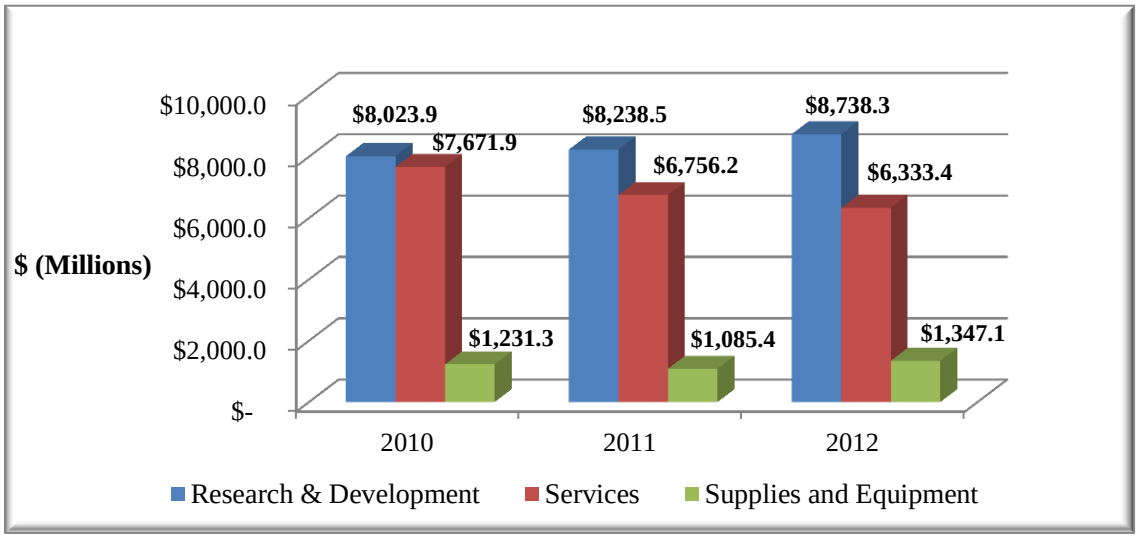
The NASA Shared Services Center (NSSC) supports the Procurement Office in this role and awards many of the Agency's enterprise-wide contracts and agreements. Centers manage their own budgets and procure mission-related and operational commodities

[11] In addition, Headquarters also approves all new procurements for human space flight hardware or human space flight systems development, production, or processing expected to exceed $10 million.

through their respective Center-based Offices of Procurement or through the NSSC. While Mission Directorates also receive their own budget allocation, they generally utilize the resources of Center Procurement Offices to acquire products and services.

The NASA Annual Procurement Report divides Agency acquisitions into three categories: (1) research and development, (2) services, and (3) supplies and equipment. The research and development category includes procurements that advance the Agency's research agenda in areas such as aeronautics, space science, and space flight. The services component includes professional, administrative, management support, maintenance, telecommunications, transportation, travel, and relocation services. Supplies and equipment includes space vehicle hardware, automated data processing equipment, software, and laboratory equipment. Figure 2 provides a breakout of NASA acquisitions by component for FYs 2010 through 2012.

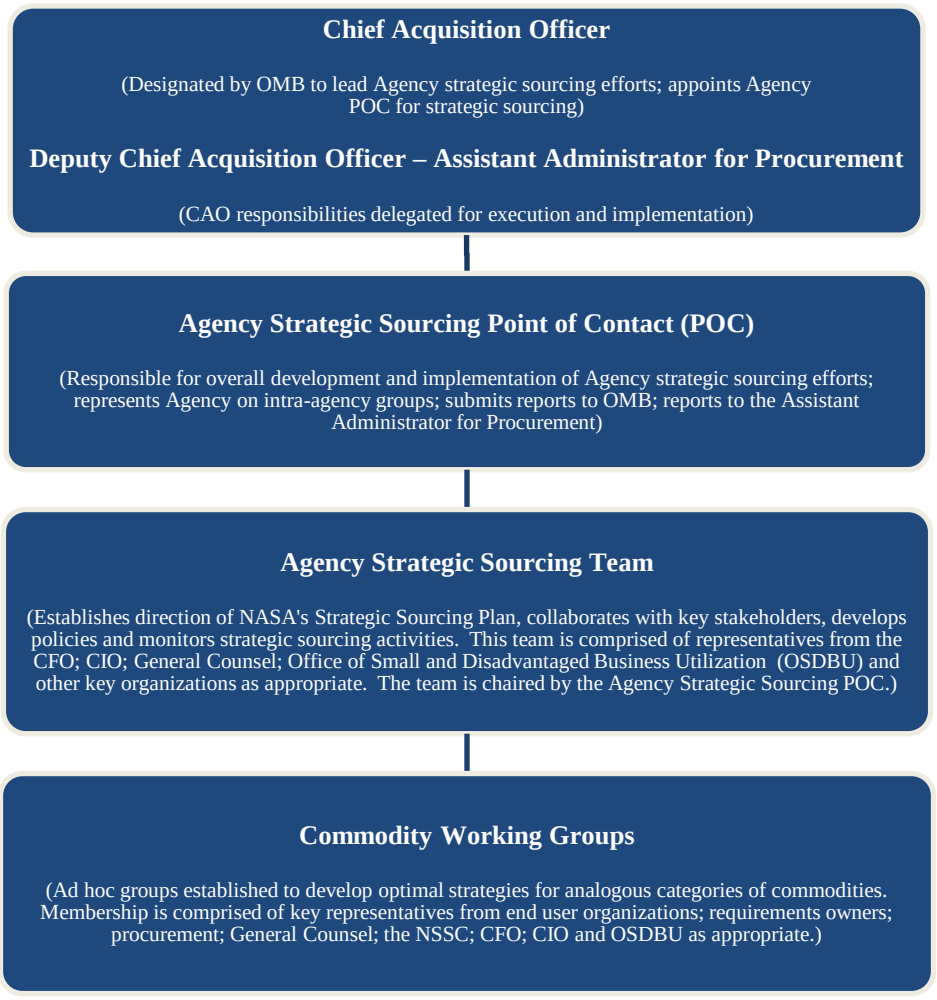
Figure 2. NASA Acquisitions by Category



Source: NASA Annual Procurement Report.

NASA's Strategic Sourcing Program. NASA's CFO serves as the Chief Acquisition Official (CAO) responsible for developing and managing its Agency-wide Strategic Sourcing Program. The Assistant Administrator for Procurement serves as the Deputy CAO and the Strategic Sourcing Accountable Officer and is responsibe for developing and implementing the Agency's Strategic Sourcing Program efforts, representing NASA at intra-Agency meetings and on the Strategic Sourcing Leadership Council, and responding to OMB data calls on programmatic results. When requested, the NSSC conducts data analysis in support of Agency initiatives. Further, analysis may be performed in support of activities directly under the responsibility of the NSSC. Figure 3 illustrates NASA's strategic sourcing governance structure.

Figure 3. NASA's Strategic Sourcing Governance Structure



Source: NASA.

In 2006, NASA's Office of Procurement issued guidance on its newly developed Strategic Sourcing Program, which included a five-stage methodology: (1) identification, (2) strategy development, (3) strategy implementation, (4) management and administration, and (5) performance measurement. The goal of NASA's Strategic Sourcing Program was to better understand Agency spending patterns, maximize efficiencies through collaborative acquisitions, and achieve better value for products and services while at the same time satisfying OMB's strategic sourcing requirements. Because NASA spends approximately 80 percent of its funding on acquisitions, the Agency has the potential to realize significant savings through strategic sourcing.

NASA's Strategic Sourcing Initiatives. In response to early OMB requirements, NASA identified three commodities it could purchase more effectively and efficiently through strategic sourcing. NASA subsequently entered into a contract and agreement, respectively, in support of two of those commodities: (1) Information Technology (IT)

Infrastructure to include desktop computer services, wireless telecommunications services, printers, and multifunction devices, and (2) domestic courier services through the Federal Strategic Sourcing Initiative blanket purchase agreement. For the third commodity – protective services – NASA encountered bid protests after awarding an Agency-wide contract, which contributed to the decision to continue using Center-based contracts for those requirements.

NASA has since reported other strategically sourced commodities to OMB, including office supplies, software licenses, and contract closeout and procurement support services. Further, NASA considers its multi-award Government-Wide Acquisition Contract vehicle for acquiring IT products and services (known as the Solutions for Enterprise-Wide Procurement or SEWP) to be one of its largest strategic sourcing initiatives. According to NASA officials, the success of the SEWP program resulted in OMB designating the SEWP team responsibility for leading the development of the Federal Strategic Sourcing Initiative for government-wide procurement activity related to laptops/desktops. See Table 1 for a description of examples of NASA strategic sourcing initiatives.

Table 1. Examples of NASA Strategic Sourcing Initiatives

Commodity	Award/Implementation Date	Description
Agency Consolidated End User Services	December 27, 2010	Provides a consolidated solution for delivering end-user IT services across the Agency.
Express and Domestic Ground Delivery Services	May 13, 2010	Provides discounts for express and ground delivery services.
Office Supplies	March 21, 2011	Provides discounts for various office supplies.
Enterprise Software Licenses	First award December 19, 2008; multiple subsequent awards	Provides support to consolidate software license contracts and reduce administrative costs.
Contract Closeout and Procurement Support Services	February 1, 2013	Provides closeout services for NASA contracts, purchase orders, grants, and cooperative agreements.
IT Solutions for Enterprise-Wide Procurement (SEWP)	First started in 1993; with multiple subsequent awards	Provides IT products and services including tablets, desktops, servers, IT peripherals, and network equipment in addition to installation, training, and maintenance.

Source: NASA.

Benchmarking. Like NASA, other Federal agencies face challenges related to decentralized management structures and a culture of autonomy among components that add a layer of complexity to their strategic sourcing efforts. To gain insight into lessons learned and industry best practices, we spoke with procurement officials from the Department of Energy (DOE) regarding their experiences with strategic sourcing. We selected this organization based on its similarity to NASA in size, organizational structure, and geographic dispersion.

Headquartered in Washington, D.C., DOE has three major subordinate organizations that manage 11 field offices, 4 power administration facilities, and 21 government-owned, contractor-operated laboratories and technical centers located across the country. Similar to NASA, DOE has not centralized management of its procurement functions; instead, each organization has its own procurement staff that operates independently of other DOE components. Specifically, DOE has 12 independent procurement offices at field locations throughout the United States staffed with civil service employees who perform a wide range of procurement functions, including strategic sourcing actions. According to DOE officials, the Department spends approximately $25 billion annually on commodities with close to 85 percent obligated for contracts to manage and operate DOE facilities.

Even though DOE operates a decentralized organization, the Department has created a Strategic Programs Division within its Headquarters Office of Acquisitions and Project Management responsible for the Agency's strategic sourcing initiatives.

Objectives

We initiated this audit to determine whether NASA has implemented a strategic sourcing program that adequately addresses the Federal Strategic Sourcing Initiative and whether the Program has resulted in cost savings. See Appendix A for details of the audit's scope and methodology, our review of internal controls, and a list of prior coverage.

NASA'S STRATEGIC SOURCING EFFORTS ARE DISJOINTED AND INCOMPLETE

Because NASA has failed to develop a robust, Agency-wide strategic sourcing program over the past 7 years, it has missed opportunities to maximize savings by aggregating the Agency's substantial purchasing power and market position when procuring commodities. This resulted from the poor development and implementation of an Agency-wide plan as well as limited Agency-wide communication and senior-level management commitment. While NASA established a plan to manage its strategic sourcing program as required by OMB's 2005 memorandum, the Agency never conducted a comprehensive Agency-wide "spend analysis" to identify additional commodities that could benefit from a more strategic approach to procurement. Further, while NASA performed limited spend analyses on several individual commodities, the Agency did not establish requirements regarding how the analysis should be developed, analyzed, and used. While NASA officials informed us that they have realized savings with regard to specific strategic sourcing initiatives, the Agency does not track Agency-wide strategic sourcing efforts to maximize potential cost savings. As a result, NASA was unable to demonstrate the extent of efficiency or cost savings achieved through its Strategic Sourcing Program.

NASA's Strategic Sourcing Program Poorly Developed and Implemented

According to Headquarters Procurement guidance, the primary goal of NASA's Strategic Sourcing Program is "to establish a process that enables NASA to strategically acquire products and services common across the Agency, Centers, or organizations to support the Agency's mission in a more effective and efficient manner."[12] However, poor development of an Agency-wide plan, coupled with the insufficient implementation of key aspects of that plan, has significantly impaired NASA's Strategic Sourcing Program. NASA developed the Program plan to begin with the analysis of the Agency's procurement activities (spend analysis), carry through contract award and management, and end with measurement of performance results. However, NASA failed to follow critical elements of its plan – specifically, the spend analysis and performance measurement. In addition, limited direction to and communication with its decentralized procurement community regarding strategic sourcing initiatives, coupled with a historic culture of autonomy among the Centers, has resulted in the insufficient implementation of strategic sourcing across NASA.

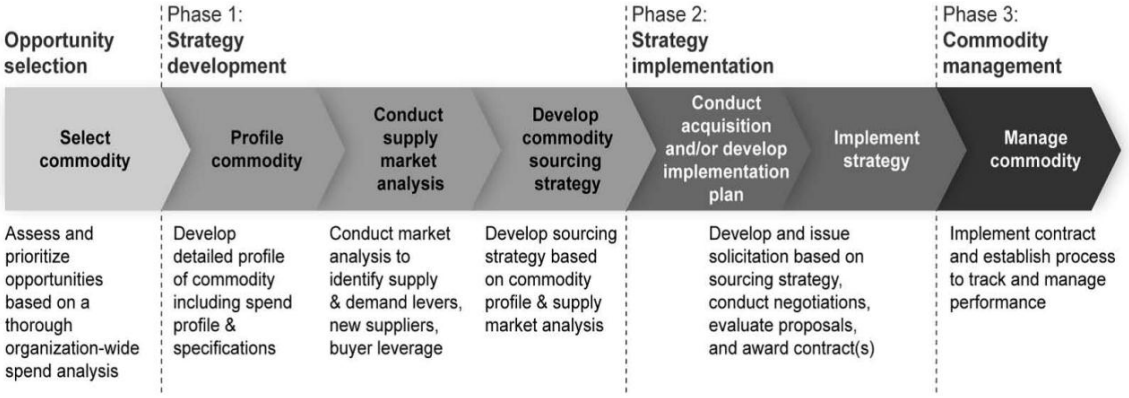
[12] NASA Strategic Sourcing Program plan, January 2006.

Weaknesses in Planning and Implementation of Spend Analysis. One of the first steps in NASA's Strategic Sourcing Program required a spend analysis to identify potential candidates for strategic sourcing. However, we found that while NASA performed targeted or commodity specific spend analyses for a small number of commodities, it did not conduct analyses for the majority of commodities acquired by the Agency, including some that were ultimately sourced strategically. We also found that NASA's Program plan does not identify a standard methodology for performing the required spend analysis. Specifically, the existing plan does not identify or quantify what acquisition data is to be used in completing the spend analysis, what systems are approved for use in obtaining the necessary data, who is responsible for performing the analysis, or how often the analysis should be performed. Further, NASA's plan does not include a requirement to review Agency-wide spending patterns to ensure all commodities with potential savings that could be included in the strategic sourcing initiative are in fact considered for this effort. As a result, the Agency is likely missing opportunities for significant savings through other commodities ripe for strategic sourcing.

Comprehensive and Periodic Spend Analysis Required. OMB's May 2005 memorandum describes the importance of performing a spend analysis and the identification of commodities for which strategic sourcing should be implemented to help make business decisions about acquiring commodities more effectively and efficiently. Understanding organizational spending patterns therefore requires comprehensive and periodic spend analyses.

A spend analysis enables agency officials to see how much their organization spent each year, what was purchased and from whom, and who was purchasing it. Spend analysis is an important driver in an organization's strategic acquisition planning efforts and helps monitor trends such as participation by small and minority-owned businesses. Figure 4 illustrates GSA's overview of the strategic sourcing process from an organization-wide spend analysis through contract award and administration.

Figure 4. Overview of the Strategic Sourcing Process



Source: GSA.

Establishing a spend analysis program is not without its challenges. According to a 2004 GAO report, organizations historically have encountered difficulties in accumulating sufficient data from their internal financial systems either because the systems do not capture all of an organization's purchases or because procurement systems used by different organizational units are not connected.[13] GAO found that because comprehensive data was not available, organizations have had to contend with databases that include listings of items and suppliers that in reality are identical to each other but are listed under different names.

NASA Does Not Perform Comprehensive or Periodic Spend Analysis. NASA has not performed nor does it require a comprehensive, Agency-wide analysis of its acquisition data to determine the feasibility of using strategic sourcing to save money when acquiring its commodities. Further, NASA has not performed nor does it require periodic spend analysis for its established strategic sourcing initiatives. While a limited, one-time spend analysis was conducted for several commodities such as protective services and enterprise software licenses, we found NASA's efforts over the past 7 years fell far short of what it would take to develop a comprehensive and effective strategic sourcing program.

Although NASA has not conducted a comprehensive, Agency-wide spend analysis, individual NASA Centers and the NSSC have performed limited spend analyses of certain commodities. According to an NSSC procurement officer, in 2010, NSSC officials performed a spend analysis of several commodities, including laboratory and electronic equipment and propellant. However, these analyses were not conducted under the auspices of the Strategic Sourcing Program. Rather, the NSSC performed this review to better understand the Agency's portfolio of simplified acquisitions in an effort to

[13] GAO, "Best Practices: Using Spend Analysis to Help Agencies Take a More Strategic Approach to Procurement" (GAO-04-870, September 2004).

become the lead office responsible for handling these procurements.[14] Consequently, these analyses did not result in the adoption of any commodities for strategic sourcing. Further, since the 2010 spend analyses were one-time events, the Agency is missing opportunities to assess on a routine basis the viability of strategically sourcing these commodities.

NASA's Enterprise Software Management Team at the NSSC has performed spend analysis on newly consolidated software license agreements; however, this analysis is also not routinely performed. We also found that NASA did not conduct an Agency-wide spend analysis for two Federal Strategic Sourcing Initiative solutions adopted by NASA for office supplies and domestic delivery services. In both of these cases, NASA relied on GSA provided spending data for these two Federal Strategic Sourcing Initiatives, which did not include NASA's purchase of the commodities through purchase card transactions, support service contracts, and other agreements. Agency procurement officials informed us that they believe this effort sufficed as a "spend analysis"; however, in line with the previously referenced GSA and GAO guidance on the conduct of a spend analysis, we disagree that the results of these analyses were comprehensive or sufficient in nature, given the exclusion of other critical data elements.

As a result, it is our view that NASA has not identified its total spending for these commodities and is not able to determine whether the use of the adopted Federal Strategic Sourcing Initiative solutions actually provides the best value to the Agency. Additionally, NASA did not perform a spend analysis for print management and wireless telecommunications expense management services, the two Federal Strategic Sourcing Initiative solutions NASA chose not to adopt because alternative strategic sourcing initiatives for those commodities were already in place. Again, without performing this analysis, the Agency cannot ensure that its existing initiatives for print management and wireless telecommunications management provide the best value to the Agency. Table 2 summarizes the status of spend analyses at NASA for select strategic sourcing initiatives.

[14] Simplified acquisition procedures are the methods prescribed in FAR Part 13 for purchasing supplies or services. They are designed for relatively simple Government requirements, and their use is subject to designated dollar thresholds not to exceed $150,000.

Table 2. Spend Analysis for Select NASA Strategic Sourcing Initiatives

Strategic Sourcing Initiatives	Spend Analysis Performed	Justification
Initiatives Implemented		
Agency Consolidated End User Services (ACES)	No	The ACES contract was awarded as a replacement to the prior end user services contract; as a result, no spend analysis was performed to determine the appropriateness of strategically sourcing this commodity.
Federal Strategic Sourcing Initiative – Express and Ground Delivery Services	No	NASA relied on spending data provided by GSA; no additional spend analysis was performed of NASA's Agency-wide spending for this commodity.
Federal Strategic Sourcing Initiative – Office Supplies	No	NASA relied on spending data provided by GSA; no additional spend analysis was performed of NASA's Agency-wide spending for this commodity.
Enterprise License Management Team	Yes	An Agency-wide analysis was only performed on newly consolidated enterprise software licenses.
Contract Closeout and Procurement Support Services	Yes	An Agency-wide analysis was only performed for the addition of procurement support services and not for the contract closeout services.
Solutions for Enterprise-Wide Procurement (SEWP)	Yes	The SEWP contract is currently in its fourth generation and has been in existence since 1993, prior to the establishment of the Agency's Strategic Sourcing Program.
Initiatives Not Implemented		
Federal Strategic Sourcing Initiative – Wireless Telecommunications Expense Management Services (TEMS)	No	NASA chose to use the ACES contract instead of TEMS for this initiative. However, a spend analysis was not performed to make this determination.
Federal Strategic Sourcing Initiative – Print Management	No	NASA chose to use the ACES contract instead of Print Management for this initiative. However, a spend analysis was not performed to make this determination.

Source: NASA.

According to officials in the Headquarters Office of Procurement, neither NASA nor GSA has systems that adequately capture procurement data by commodity or contain reliable procurement data to facilitate routine or comprehensive spend analysis. Further, Headquarters Procurement officials stated that spending for these commodities is immaterial when compared to the amount spent under the Agency's larger support service or system development contracts awarded by NASA's Mission Directorates and Centers. Agency officials also said that the role of Headquarters Procurement is to provide guidance to Centers with regard to strategically sourcing commodities and not to monitor Agency-wide spend data or perform commodity-specific spend analysis. Rather,

they said that such a spend analysis is part of the acquisition planning process and should be conducted by individuals directly responsible for purchasing the commodities.

NASA Lacks Adequate Spend Analysis Methodology. While NASA's Program plan identifies the need for commodity-specific spend analysis, the Agency has not established a clear methodology regarding when a spend analysis should be performed, who would perform the analysis, or the level or scope of the analysis. The only information in NASA's Strategic Sourcing Program plan describes the generic requirement and benefits of performing such analysis and does not provide specific details such as how or when a spend analysis should be performed. As a result, spend analyses are not consistently performed across the Agency, limiting identification of new strategic sourcing opportunities or other necessary procurement modifications. Headquarters Procurement officials said they are in the process of revising the January 2006 version of NASA's Strategic Sourcing Program plan with a targeted completion date in FY 2013; however, as of mid-September 2013, the Agency had not yet completed this revision and was targeting a new completion date of December 2013.

Performance Measurement and Utilization of Strategic Sourcing. A critical element of NASA's Strategic Sourcing Program is the measurement of strategically sourced commodities to determine the success of the Agency's efforts. However, we found that NASA has not established specific performance metrics to measure and assess the effectiveness of the program and therefore cannot regularly measure the performance of strategic sourcing initiatives.

Insufficient Tracking and Measurement of Strategic Sourcing Performance. We found that, in line with its Program plan, NASA relies on Center-based acquisition officials to measure the success of its strategic sourcing initiatives; Headquarters officials do not involve themselves in this analysis and do not hold Center procurement officials responsible for annually reporting on each initiative's performance, as required in the Program plan. In our view, this limited involvement by Headquarters Procurement officials in tracking the Agency's strategic sourcing performance has led to the lack of performance measurement at the Center-level and limited awareness of Agency-wide programmatic success.

NASA's Strategic Sourcing Program plan states that metrics vary by commodity and are highly dependent on the types of data available for measurement. Further, the plan specifies that the specific method of measuring performance and therefore savings is determined by the commodity working group established to develop and implement each sourcing strategy.[15] We reviewed the sourcing strategies for four of NASA's initiatives to identify the metrics the Agency had established to measure the impact of strategic sourcing on the purchase of commodities. Further, we analyzed the metrics established for these initiatives to determine whether strategic sourcing metrics for core performance elements had been consistently established across Agency contracts.

[15] Commodity-specific sourcing strategies are developed based on a comprehensive understanding of internal requirements, usage analysis, and external market analysis, and include the goals, objectives, and proposed approach for each overall effort, including performance measures.

In this analysis, we sought to examine the following five performance metrics, which align with both the general goal of the Agency's Strategic Sourcing Program plan as well as industry goals for strategic sourcing:

1. cost savings,
2. resource savings,
3. increased initiative utilization,
4. enhanced achievement of socio-economic goals, and
5. improved processes for managing spending.

Our review found that Agency officials established performance metrics for only two of four commodities reviewed. While metrics existed for the ACES and closeout contracts, none were focused on measuring performance as strategically sourced commodities.[16] In addition, no strategic sourcing performance metrics were identified for the SEWP or enterprise software license contracts. An NSSC procurement official informed us that each contractor's performance is assessed and recorded in the Contractor Performance Assessment Reporting System, a suite of web-enabled applications used to document contractor and grantee performance information. However, this system would not capture performance metrics established to measure savings attributable to strategically sourcing each commodity. In addition, even though contract performance information for the SEWP and enterprise software license contracts is reported to the NASA Office of the CIO, this information is not specific enough to measure the success of any strategic sourcing initiatives.

According to Headquarters Procurement officials, NASA relies on contract performance metrics developed and monitored by procurement officials at the individual Centers because of the disparate nature of the data involved. Headquarters Procurement officials said that imposing a requirement that performance metrics be established at the Agency level would result in an inconsistent comparison of the data. However, the Agency could require strategic sourcing metrics at the Center and NSSC acquisition levels and use this information to assess whether Agency acquisitions are appropriately aligned with the goals of the Strategic Sourcing Program. In our view, Headquarters officials should, at a minimum, periodically review performance measurement data collected and reported by the Centers and the NSSC to help make determinations as to the continued effectiveness of current strategic sourcing initiatives and the potential applicability of Center-based initiatives Agency-wide.

We consider the development and monitoring of strategic sourcing performance metrics to be an important business practice that would help ensure sourcing activities promote the Agency's strategic goals. However, accurate information about the Agency's success

[16] At the close of our audit, an Office of the CIO official informed us that NASA's IT spending had decreased by $800 million over the past 10 years as a result of a variety of initiatives, one of which was the strategically-sourced ACES contract. However, the OIG is currently performing a review of the contract and has identified preliminary concerns regarding any ACES-related savings.

in meeting its strategic sourcing goals will not be possible unless performance is measured and personnel are held accountable for meeting articulated goals.

Possible Underutilization of Strategic Sourcing Initiatives. Without performing routine, comprehensive spend analysis or regularly measuring the performance of strategic sourcing initiatives, NASA is unable to determine whether it is appropriately utilizing these mechanisms. Our audit identified several areas of particular concern with regard to possible underutilization of these initiatives.

In a March 2013 report, the OIG identified that as of June 2012, NASA spent $25.7 million on 242 separate purchases of IT security assessment and monitoring tools as well as related annual maintenance costs across all levels of the organization.[17] Specifically, the Office of the CIO spent $7.3 million to purchase and $1.8 million annually to maintain IT security assessment and monitoring tools while Chief Information Security Officers spent $5.9 million to purchase and $2.2 million to annually maintain similar products. Organizational Computer Security Officials supporting project systems spent an additional $6.7 million to purchase and $1.8 million annually to maintain IT security assessment and monitoring tools. The OIG determined that in numerous instances these officials purchased the same or similar tools for the nine IT security control areas, a strong indication of missed opportunities for consolidation of procurements through NASA's Enterprise License Management Team, one of the Agency's strategic sourcing initiatives. In our view, had NASA officials performed a comprehensive spend analysis at an Agency-wide level, they would have identified multiple opportunities for consolidation and reduced duplication among IT security assessment and monitoring tools.

Further, we found that while NASA has adopted the Federal Strategic Sourcing Initiative solution for domestic package delivery, it does not do so consistently and continues to use alternative sources for express and domestic delivery services. Specifically, even though the current Federal Strategic Sourcing Initiative contractor is UPS, NASA still utilizes FedEx and other contractors to provide domestic delivery services. We discussed this practice with Center logistics representatives and were told that while Center shipping departments attempt to use UPS, if UPS is not able meet NASA's needs then an alternative vendor is used.[18] In March 2013, NASA reported to OMB that it had spent approximately $1.8 million on domestic delivery services during FY 2012, of which $160,866 was spent using the Federal Strategic Sourcing Initiative carrier for domestic delivery – or 9 percent of its domestic delivery expenses. While we understand that the Federal Strategic Sourcing Initiative solution is limited to express and ground delivery of small packages, we question whether this low adoption rate illustrates an unnecessarily high utilization of other vendors for domestic deliveries that could and should be handled by UPS. Because NASA does not consistently track detailed utilization data related to its strategically sourced commodities, Procurement officials were unable to explain the 9 percent rate.

[17] "NASA's Process for Acquiring Information Technology Security Assessment and Monitoring Tools" (IG-13-006, March 18, 2013).

[18] Because the Federal Strategic Sourcing Initiative contract with UPS is limited to small packages under 150 pounds, NASA must use other procurement vehicles for larger packages and cargo shipments.

Similar to delivery services, we also found that Centers continue to use alternative sources to procure office supplies. Specifically, while the current Federal Strategic Sourcing Initiative solution for office supplies includes a large number of vendors, we identified office supplies being purchased using other external vendors.[19] For example, in March 2013, NASA reported to OMB that it had spent approximately $6 million on office supplies during FY 2012, of which approximately $1.3 million, or 22 percent, was spent using the Federal Strategic Sourcing Initiative solution. However, four of the larger NASA Centers are not included in the data reported to OMB because they utilize Center-wide support service contracts that include the purchase of office supplies as part of the contract. This has a dilutive effect on NASA's actual rate of adoption reported to OMB, and we question whether this rate illustrates an unnecessarily high utilization of other vendors and contracts for office supplies that could and should be acquired using the Federal Strategic Sourcing Initiative solution.

We discussed this practice with Headquarters Procurement representatives and were told that because NASA's Centers operate autonomously, procurements are handled differently across the organization. NASA Centers have multiple options to procure office supplies in addition to the Federal Strategic Sourcing Initiative solution, including local Center-utilized vendors and Center-wide support service contracts under which a contractor purchases office supplies and warehouses them for centralized distribution.[20] Finally, Centers co-located with U.S. military facilities have the option to purchase office supplies through their facility's military supply center.

Headquarters Procurement officials said they instruct Centers to give Federal Strategic Sourcing Initiative solutions "mandatory consideration" when purchasing office supplies but do not require them to use the Federal Strategic Sourcing Initiative solution. Specifically, they wanted to provide Centers with flexibility in obtaining the best price, whether through Federal Strategic Sourcing Initiative or other sources; comfort with using existing contracts and vendors to acquire supplies; a desire to support local suppliers; and the ability to achieve other socioeconomic initiatives such as providing business to service-disabled veteran-owned, historically underutilized business zones, and women-owned small business concerns. However, this flexibility has resulted in confusion at the Center level and the freedom to unilaterally deviate from the intent of the strategic sourcing initiative. Specifically, Center procurement officials told us that they could not explain what Headquarters meant by "mandatory consideration" or how this consideration should be documented in its purchasing decisions. In response to our audit,

[19] Through the Federal Strategic Sourcing Initiative, GSA awarded 15 blanket purchase agreements for office supplies. Thirteen of these agreements were awarded to small business entities in which many have participating dealer agreements with more than 120 small businesses.

[20] According to NASA Procurement officials, in some cases these contractors received authorization to use Federal Strategic Sourcing Initiative contract pricing; however, each contract varies and none require the use of Federal Strategic Sourcing Initiative. Agency officials are therefore unable to confirm whether NASA is receiving credit for any purchases made by these logistics contractors under the Federal Strategic Sourcing Initiative blanket purchase agreements. For this reason, NASA has not included these purchases in its reporting to OMB, although it anticipates including it in future reporting.

Headquarters Procurement officials informed us that it is the position of the NASA Procurement Office that "mandatory consideration" is appropriate and will not change unless OMB requires by regulation the use of Federal Strategic Sourcing Initiative vehicles.

NASA also missed earlier opportunities to use the Federal Strategic Sourcing Initiative for its wireless telecommunication and print management services, but still has the opportunity to do so in the future before entering into new contracts for those commodities. In 2008, when NASA began acquisition planning for a new IT end user services contract that included wireless telecommunications, NASA did not consider Federal Strategic Sourcing Initiative solutions to meet the Agency's needs because it already had a contract in place for these services. In 2011, NASA told OMB that it would reconsider using the Federal Strategic Sourcing Initiative wireless solution when the new Federal Strategic Sourcing Initiative agreements for this solution were awarded if they were determined to be more cost effective. Therefore, prior to awarding its 2011 IT end user services contract, NASA should have compared the Federal Strategic Sourcing Initiative solution pricing against the proposed contract cost to identify which option offered the better price. The base period of NASA's current end user services contract expires in 2015; as of September 2013, Headquarters Procurement officials had not yet completed their cost comparison analysis.

Similarly, in July 2011, NASA informed OMB that it was not using the Federal Strategic Sourcing Initiative for print management because this service was provided under the Agency's existing end user services contract but that it would evaluate and choose the most cost effective option once the second generation of GSA print management agreements were in place. Even though GSA established 11 new Federal Strategic Sourcing Initiative print management agreements in September 2011, as of September 2013, Headquarters Procurement officials had not yet completed their cost comparison analysis. According to OMB personnel, increased use of Federal Strategic Sourcing Initiative commodities could allow GSA to negotiate better rates on their procurement agreements resulting in greater savings across the Federal Government.

Strategic Sourcing Efforts Impaired by Limited Communication. NASA's Strategic Sourcing Program plan provides an outline of the types of communication that need to occur within the Agency to achieve Program success. Key objectives of the communication plan include:

- managing expectations regarding NASA's Strategic Sourcing Program;
- maintaining appropriate levels of communication with Program Stakeholders;
- providing relevant, accurate, and consistent information;
- generating and sustaining support for the Program; and
- establishing regular communications vehicles to support Program reporting requirements.

NASA incorporated a training methodology into its Strategic Sourcing Program guidance to help ensure that officials involved in strategic sourcing (1) are familiar with the Program; (2) receive structured, documented training; and (3) support the goals of the Program. The Agency incorporated detailed training sessions into the plan with the goal of ensuring that Agency personnel were well-informed and equipped to manage a successful strategic sourcing program. While this communication and training framework is appropriate, we identified weaknesses in implementation that has impaired its success. For example, only limited support has been provided for the training conducted and there are varying degrees of awareness among the Center procurement community regarding the intricacies of the Program (such as how strategic sourcing is defined and how it should be implemented at NASA Centers).

Resources Assigned to Strategic Sourcing. Although approximately 80 percent of NASA's budget is used to procure various commodities, NASA has assigned responsibility for managing its Strategic Sourcing Program to a limited number of personnel as a "collateral duty" rather than assigning dedicated resources to this effort. Further, procurement representatives at NASA's Centers stated that no one person at the Center level is specifically assigned responsibility for administering strategic sourcing efforts because the Headquarters Office of Procurement has not required Centers to implement strategic sourcing in support of the Agency-wide Program.

From 2006 to March 2013, a single person was assigned the collateral duty of serving as the day-to-day point of contact regarding the Agency's strategic sourcing efforts while another individual was assigned the collateral duty of ensuring Federal Strategic Sourcing Initiative compliance and oversight. In March 2013, during the course of our audit fieldwork, the Office of Procurement assigned additional staff to assist with strategic sourcing efforts; however, these assignments are collateral to their primary duties as well. As a result, the aggregate time dedicated to NASA's strategic sourcing efforts is limited, impairing the Agency's ability to update its 2006 Strategic Sourcing Program plan and limiting communications with Center and mission personnel to further NASA's strategic sourcing efforts.

Without committed resources, NASA cannot promote and expand its strategic sourcing initiatives, thereby missing the opportunity for increased efficiencies and greater cost savings. Further, absent policy direction from the Headquarters Procurement Office, Centers have not demonstrated the need to make strategic sourcing a priority.

Communication of Program Instruction and Opportunities. NASA's Strategic Sourcing Program plan states that NASA will build on its existing acquisition planning philosophy and implement a strategic sourcing effort that will contribute to a more efficient and effective Agency.[21] However, 7 years after Program implementation, the only reference to strategic sourcing in the NASA Federal Acquisition Regulation (FAR) Supplement relates to simplified acquisition procedures and more specifically, purchase card

[21] NASA Procedural Regulation 7120.5C, "NASA Program and Project Management Processes and Requirements."

transactions.[22] In our view, this does not demonstrate an appropriate level of support from senior management for Agency-wide implementation of its Strategic Sourcing Program.

As previously mentioned, NASA does not mandate the use of Federal Strategic Sourcing Initiatives Agency-wide and has only encouraged Centers to give the Federal Strategic Sourcing Initiative solutions "mandatory consideration" when purchasing office supplies. Consequently, for the past 7 years NASA Procurement officials have continued to make purchases using existing contracts and vendors instead of fully adopting the available Federal Strategic Sourcing Initiative solutions. The inconsistent application of strategic sourcing across the Agency has also resulted in varying interpretations of how strategic sourcing is defined at NASA, what Center procurements are considered strategic sourcing initiatives, and what initiatives exist throughout the Agency that Centers could join. Specifically, Center procurement officials cited a lack of communication between Headquarters and their offices related to strategic sourcing.

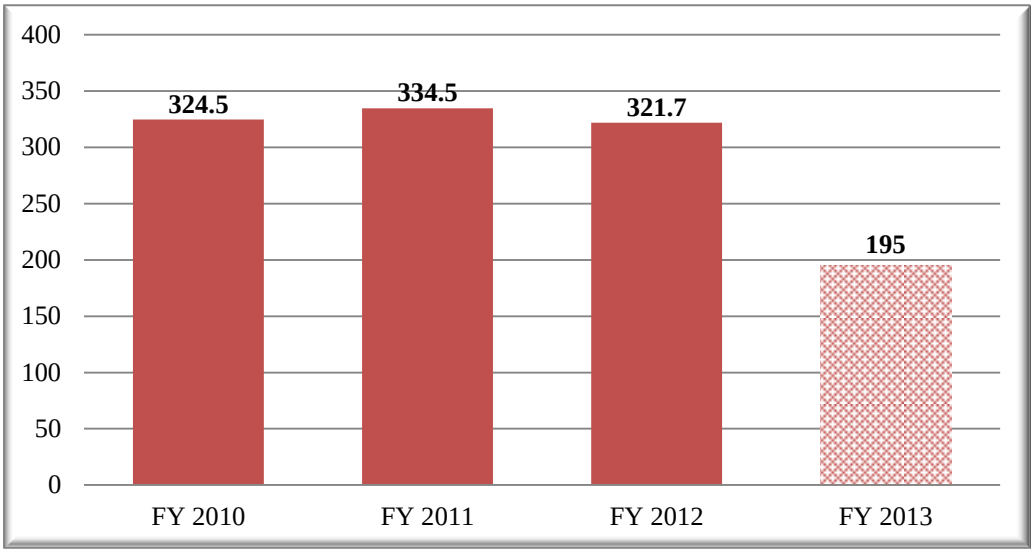
Further, NASA has no mechanism in place to readily identify and communicate to the procurement community all active NASA-wide, multi-Center, program specific, and Center-awarded strategic sourcing vehicles. NASA procurement officials stated that they currently must search a variety of sources such as NSSC's procurement website, NASA's Enhanced Procurement Data Warehouse database, the Federal Procurement Data System, and other Federal agency websites to identify whether an existing strategic sourcing vehicle could be used. As a result, NASA Procurement officials who are unaware of existing strategic sourcing contracts may unknowingly make an award for the same product or service for which NASA has already established a strategic sourcing contract. Consequently, NASA may have multiple contracts for a product or service that could otherwise be strategically sourced through a single vendor, resulting in a duplication of effort, a waste of personnel resources, and a loss of potential cost savings. An Agency-wide strategic sourcing database could centralize and track performance-related data and potentially alleviate the burden of manually compiling information in response to OMB data calls.

Strategic Sourcing Lessons Learned and Best Practices

DOE faced multiple challenges when implementing its strategic sourcing program, including working with a decentralized organizational structure and culture of autonomy, the agency's extensive use of contractors, limited availability of detailed procurement information, and difficulties in establishing performance metrics and adopting Federal Strategic Sourcing Initiative solutions. However, in spite of these challenges, DOE has implemented a strategic sourcing program that has resulted in significant cost savings and operating efficiencies. According to officials we interviewed, over the past 3 years DOE's strategic sourcing program has saved the agency approximately $980.7 million (see Figure 5).

[22] NASA FAR Supplement, Part 1813, Simplified Acquisition Procedures, section 1813.301-77 (b) "Office of Management and Budget Circular A-123, Appendix B requires each agency to use strategic sourcing to the maximum extent. Cardholders shall support Agency and center strategic sourcing initiatives when placing purchases."

Figure 5. DOE's Strategic Sourcing Savings (in Millions)[23]



Source: DOE.

Performance of Spend Analysis. DOE does not maintain a central database of strategic sourcing procurement information. However, each organization within the Agency performs spend analyses on their own procurement actions using data obtained from GSA's Federal Procurement Data System and other spend-related analytic tools. This data is then provided to each organization's managers for consideration. DOE currently requires its contractors to perform a spend analysis and is working to impose the same requirement for sub-contractors. Under DOE's strategic sourcing initiative, the Supply Chain Management Program was established to make individual contractor acquisition functions less reactive and more integrated and strategically driven to ensure maximum value for every dollar spent. Under this initiative, a spend analysis is periodically performed and reviewed to reassess the viability of the strategic sourcing effort.[24] The Administration's Supply Chain Management Center manages the program to leverage the purchasing power of the seven Administration Management & Operations contractor sites and to realize pricing and process efficiencies through enterprise-wide strategic sourcing efforts for commodities such as personal computers, fuels, and travel services.

Further, DOE established an Integrated Contractor Procurement Team tasked with reviewing the various types of acquisitions in order to identify potential strategic sourcing initiatives from the contractor's perspective. Additionally, DOE established another team of contractors that reviews reporting tools, definitions, private industry best practices, and metrics in an effort to identify opportunities for enhancing the use of strategically sourced commodities. These teams report the results to DOE's Strategic Programs Division. As a result, while DOE conducts spend analysis at the commodity level, this analysis is

[23] The FY 2013 target is 3.25 percent of $6 billion in anticipated total spending.

[24] Supply chain management is the integration of key business processes from end user through original supplier that provide valuable products, services, and information to customers and other stakeholders.

comprehensive and recurring in nature, offering the Department opportunities to enhance its strategic sourcing efforts and maximize cost savings and procurement efficiencies. NASA similarly spends a great deal of its budget on contractor services; as such, we believe DOE's establishment of contractor-led teams tasked with implementing strategic sourcing initiatives at the individual contract level and among its contractors to be a best practice that could help to enhance NASA's own strategic sourcing efforts.

Adoption of Federal Strategic Sourcing Initiatives. One of the strengths we identified with DOE's strategic sourcing program is that Department offices perform an analysis to compare prices between Federal Strategic Sourcing Initiatives and non-Federal Strategic Sourcing Initiative vendors prior to awarding any contracts to identify which option would maximize cost savings. DOE found that depending on the commodity, the Federal Strategic Sourcing Initiative price was not always the lowest and therefore non-Federal Strategic Sourcing Initiative vendors were used when a lower price could be negotiated. In spite of this, DOE still uses Federal Strategic Sourcing Initiative vendors to acquire approximately 46 percent of its office supplies. In addition, approximately 20 percent of its domestic delivery services are acquired through the Federal Strategic Sourcing Initiative vendor. Given NASA's low adoption rate of Federal Strategic Sourcing Initiative solutions for office supplies and domestic delivery, we consider DOE's analysis of pricing prior to the commodities acquisition to be a best practice that NASA could implement in order to maximize cost savings.

Measurable and Performance Matrixes. Finally, we found that DOE has established specific performance goals and measures for strategic sourcing to quantify enterprise-wide cost savings. According to representatives from the Strategic Programs Division, one of DOE's strategic sourcing goals is to execute expanded use of Federal Strategic Sourcing Initiatives while continuing to focus on Contractor Supply Chain Council activities to achieve a 3.25 percent cost savings against actionable spend by September 2013.[25]

Further, DOE developed performance metrics to periodically analyze and report the outcomes of its strategic sourcing program. Through these metrics, DOE captures information at the organizational level regarding:

- the previous price paid for a commodity;
- negotiated savings;
- independent cost estimate/comparison to requisition estimate;
- documented rebates; and
- leveraged buying and savings from agreements, volume discounts, transactional savings from using government purchase card, and other savings approved by the contracting officer.

[25] As of mid-September 2013, DOE officials informed us that they are on target to meet this goal.

Each DOE organization and contractor completes a quarterly scorecard reporting on 10 performance measures related to strategic sourcing initiatives. The scorecard data is sent to DOE's Deputy Secretary for review and assessment. Since NASA has not established performance metrics specific to strategic sourcing, we consider DOE's development and implementation of performance metrics and its process of periodically analyzing and reporting the outcomes to senior management a best practice that would benefit NASA's strategic sourcing initiatives and program as a whole.

Top Management Commitment Needed

NASA's decentralized organizational structure and its culture of autonomy have obstructed the Agency's efforts to implement an effective Strategic Sourcing Program. Specifically, in an effort to respect Center and mission autonomy, Headquarters officials have not directed the use of the Agency's Strategic Sourcing Program. However, while autonomy may be beneficial when developing NASA spaceflight projects, it can be counterproductive when it comes to purchasing common commodities across the Agency such as office supplies and software. In this period of budget austerity, NASA must identify additional opportunities for cost savings and one way to do so is to seek increased efficiencies in its procurement process. Strong executive leadership is needed to ensure that personnel Agency-wide understand the commitment of NASA management to the concept of strategic sourcing and to engage procurement personnel at all levels to seek opportunities to enhance procurement practices through the use of strategic sourcing.

Recommendations, Management's Response, and Evaluation of Management's Response

To strengthen NASA's Strategic Sourcing Program and practices, we recommended that the Assistant Administrator for Procurement, with support from the Administrator and Chief Financial Officer:

Recommendation 1. Revise NASA's Strategic Sourcing Plan to: (a) identify and assign specific responsibilities for individuals, groups, or organizations within NASA that manage, administer, and report strategic sourcing efforts; (b) include a methodology for how spend analysis should be developed, analyzed, and used; (c) include a methodology to periodically identify Agency-wide strategic sourcing opportunities using current financial and procurement management information systems; and (d) require the periodic extraction and assessment of Agency-wide, inter-Center, and cross-organizational spending data to ensure the Agency is receiving the best value for products and services.

Management's Response. The Assistant Administrator for Procurement concurred, stating that NASA is in the process of updating its Strategic Sourcing Plan and will include guidance addressing our recommendation in the revised Plan. He also indicated that the Headquarters Office of Procurement briefed the proposed plan to the Center Procurement Offices in December 2013, and will be meeting with Center Procurement Representatives and other acquisition officials to develop approaches to the recommendations that are achievable and meet the Agency's needs.

Evaluation of Management's Response. Management's proposed action is responsive to our recommendation. Therefore, we consider the recommendation resolved and will close it upon receipt and verification that the Plan has been revised to address our recommendation.

Recommendation 2. Perform a comprehensive spend analysis of all procurement activities across NASA in order to identify potential strategic sourcing candidates and assess changes in Agency-wide spending patterns.

Management's Response. The Assistant Administrator for Procurement nonconcurred with our recommendation. In his response, the Assistant Administrator stated that NASA is fully committed to continuing its participation in the Federal Strategic Sourcing Initiatives and identifying strategic sourcing activities by conducting spend analyses on select commodities and services. In addition, he advised that several NASA Centers have begun a comprehensive spend analysis of their programs and noted several other efforts underway that will help inform Agency leadership on the best ways to procure commodities and services.

Evaluation of Management's Response. Although we appreciate the ongoing Center-based efforts and the Agency's commitment to Federal Strategic Sourcing Initiatives, we continue to believe that NASA would benefit from an Agency-wide spend analysis. Accordingly, our recommendation remains unresolved and we will continue to work with the Agency to implement the intent of our recommendation.

Recommendation 3. Define and track uniform performance goals and measures for NASA's strategic sourcing activities Agency-wide and make the use of the metrics a requirement for assessing the success of the Agency's Strategic Sourcing Program.

Management's Response. The Assistant Administrator for Procurement concurred with our recommendation. He noted that the Agency uses two Cross-Agency Priorities goals established by OMB to assess the success of its strategic sourcing activities and stated that NASA will include guidance on defining and tracking performance goals and measures for strategic sourcing activities in its revised Strategic Sourcing Plan.

Evaluation of Management's Response. Management's proposed actions are responsive to our recommendation. Therefore, we consider the recommendation resolved and will close it upon receipt and verification of the revised Plan.

Recommendation 4. Perform a review to determine if NASA organizations are utilizing strategically sourced commodities, such as office supplies and contract closeout services to the greatest extent practicable.

Management's Response. The Assistant Administrator for Procurement partially concurred with our recommendation, stating that NASA will review the use of strategic sourcing for select commodities. He also indicated that the NASA Headquarters Strategic Sourcing Team will continue to work with other NASA organizations to encourage the use of strategically sourced commodities.

Evaluation of Management's Response. We find management's proposed actions responsive to the intent of our recommendation. Therefore, the recommendation is resolved and will be closed upon receipt and verification of the proposed corrective actions.

Recommendation 5. Develop and communicate the existence of a centralized mechanism for providing the NASA procurement community with Agency-wide strategic sourcing information, to include a listing of all NASA Strategic Sourcing Program efforts that can be considered during the procurement planning process to fully leverage existing strategic sourcing vehicles.

Management's Response. The Assistant Administrator for Procurement concurred with the recommendation, stating that NASA maintains a website to communicate activities related to strategic sourcing Agency-wide. The Assistant Administrator further stated that the webpage will be updated to include the revised Agency Strategic Sourcing Plan and a listing of all NASA Strategic Sourcing activities. In addition, the Office of Procurement and the Headqurters Strategic Sourcing Team will provide training to Center personnel on how to expand use of strategic sourcing vehicles where practicable and appropriate. The Office of Procurement will also continue to review strategic sourcing efforts at the Centers as part of Procurement Management Reviews and Procurement Status Meetings.

Evaluation of Management's Response. Management's proposed actions are responsive to our recommendation. Therefore, we consider the recommendation resolved and will close it upon receipt and verification of the proposed corrective action.

Recommendation 6. Incorporate into NASA policy the required use of strategic sourcing initiatives to the maximum extent possible for NASA acquisitions and require the documentation of decisions made when strategic sourcing initiatives are not used.

Management's Response. The Assistant Administrator for Procurement nonconcurred with our recommendation, stating that while NASA supports strategic sourcing and agrees it offers significant benefits when properly applied, it is premature and possibly unnecessary to consider changes to the NASA FAR Supplement or other policy to require the use of strategic sourcing initiatives to meet

NASA's mission needs. The Assistant Administrator noted that OMB has not issued regulations requiring the use of Federal Strategic Sourcing Initiative vehicles. Further, he stated that as NASA continues to analyze strategic sourcing opportunities, he may issue guidance with respect to use of specific Agency-wide contracts. For example, NASA issued policy on the use of the Enterprise License Management Team Program for enterprise software licenses. Finally, he stated that strategic sourcing is a component of acquisition planning and, in fact, can be considered inherent in the acquisition planning process.

Evaluation of Management's Response. We continue to believe that NASA would benefit from adopting policy requiring the use of strategic sourcing initiatives to the maximum extent possible and a requirement to document decisions not to use strategic sourcing initiatives. Accordingly, the recommendation remains unresolved while we continue to work with the Agency to implement the intent of our recommendation.

APPENDIX A

Scope and Methodology

We performed this audit from August 2012 through November 2013 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To understand the Federal initiative for strategic sourcing, we interviewed OMB's Office of Federal Procurement Policy's Lead Strategic Sourcing Executive and the General Service Administration's Program Director for Federal Strategic Sourcing. We also interviewed representatives from NASA Headquarters Office of the CFO and Office of Procurement and the NSSC's procurement office. To obtain an initial center perspective on strategic sourcing, we interviewed representatives from the Glenn Research Center, Goddard Space Flight Center, and Stennis Space Center procurement and logistics offices. Later, we obtained information on all nine centers' strategic sourcing efforts through a questionnaire issued to the procurement offices and follow-up discussions. We reviewed the Headquarters Office of Procurement's NASA Strategic Sourcing Program plan, reports to OMB, and various documents related to strategic sourcing and procurement efforts from 2005 through 2013 as well as applicable documents from the centers.

We also conducted interviews with the DOE procurement officials to discuss the design of their current strategic sourcing initiatives and to identify lessons learned for benchmarking purposes that relate to NASA.

Federal Laws, Regulations, Policies, and Guidance. We reviewed the following in the course of our audit work:

- Chapter 18 of Title 48, Code of Federal Regulations, "NASA FAR Supplement," November 1, 2004
- Executive Order 13589, "Promoting Efficient Spending," November 9, 2011
- OMB Circular A-123 Appendix B, "Improving the Management of Government Charge Card Programs," January 15, 2009
- OMB Memorandum, "Implementing Strategic Sourcing," May 20, 2005

- OMB Office of Federal Procurement Policy Memorandum, "Strategic Sourcing Progress," May 22, 2007
- OMB Office of Federal Procurement Policy Memorandum, "Clarifying Chief Acquisition Officer Roles and Responsibilities," October 18, 2012
- OMB Memorandum M-13-02, "Improving Acquisition through Strategic Sourcing," December 5, 2012
- NASA Procurement Notice 04-75, "Use of Enterprise License Management Team (ELMT) Program," April 15, 2013

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit.

Review of Internal Controls

We reviewed Federal regulations and NASA policies and procedures to determine NASA's internal controls for ensuring effective implementation of strategic sourcing initiatives. We analyzed the execution of the policy requirements as it related to the internal control structure surrounding identification, strategy development, strategy implementation, management and administration, and performance measurement. The control weaknesses we identified are discussed in the Results section of this report. Our recommendations, if implemented, will correct the identified control weaknesses.

Prior Coverage

The NASA OIG has issued one report of particular relevance to the subject of this report and GAO has issued seven reports, in addition to conducting three subject-specific testimonies. Unrestricted reports can be accessed at http://oig.nasa.gov/audits/reports/FY13/index.html and http://www.gao.gov, respectively.

NASA Office of Inspector General

"NASA's Process for Acquiring Information Technology Security Assessment and Monitoring Tools" (IG-13-006, March 18, 2013)

Government Accountability Office

"Strategic Sourcing: Improved and Expanded Use Could Provide Significant Procurement Savings" (GAO-13-765T, July 15, 2013)

"Strategic Sourcing: Leading Commercial Practices Can Help Federal Agencies Increase Savings When Acquiring Services" (GAO-13-417, April 15, 2013)

"Strategic Sourcing: Improved and Expanded Use Could Provide Procurement Savings for Federal Information Technology" (GAO-13-408T, February 27, 2013)

"Strategic Sourcing: Improved and Expanded Use Could Save Billions in Annual Procurement Costs" (GAO-12-919, September 20, 2012)

"Strategic Sourcing: Office Supplies Pricing Study Had Limitations, but New Initiative Shows Potential for Savings" (GAO-12-705T, June 7, 2012)

"Strategic Sourcing: Office Supplies Pricing Study Has Limitations, but New Initiative Shows Potential for Savings" (GAO-12-178, December 20, 2011)

"Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue" (GAO-11-318SP, March 1, 2011)

"Best Practices: Using Spend Analysis to Help Agencies Take a More Strategic Approach to Procurement" (GAO-04-870, September 16, 2004)

"Improved Knowledge of DOD Service Contracts Could Reveal Significant Savings" (GAO-03-661, June 9, 2003)

"Taking a Strategic Approach Could Improve DOD's Acquisition of Services" (GAO-02-230, January 18, 2002)

MANAGEMENT COMMENTS

National Aeronautics and Space Administration
Headquarters
Washington, DC 20546-0001

DEC 20 2013

Reply to Attn of: Office of Procurement

TO: Assistant Inspector General for Audits

FROM: Assistant Administrator for Procurement

SUBJECT: Response to OIG Draft Report, "NASA's Strategic Sourcing Program" (Assignment No. A-12-025-00)

The Office of Procurement (OP) appreciates the opportunity to review the Office of Inspector General (OIG) draft report entitled "NASA's Strategic Sourcing Program" (Assignment No. A-12-025-00), dated November 21, 2013.

In the draft report, the OIG outlines several findings along with six (6) recommendations intended to strengthen NASA's strategic sourcing practices. NASA's response to the OIG's recommendations, including planned corrective actions and estimated completion dates, follows:

We are pleased that the findings of the OIG report did not find any instances of fraud, waste, or abuse associated with NASA's strategic sourcing activities. However, OP does not believe that the report and the resulting recommendations fully characterize the efforts performed thus far in the strategic sourcing arena. As a result, NASA does not concur two of the six recommendations contained in the report.

The established acquisition planning process defined in the Federal Acquisition Regulation (FAR) and NASA FAR Supplement (NFS) requires consideration of all tools available for conducting market research and properly structuring NASA procurements. Strategic sourcing is one such tool that should not be limited solely to consolidating requirements for similar supplies or services as recognized in the Office of Management and Budget (OMB) memorandum of May 2005[1] where strategic sourcing is defined as "a collaborative and structured process of critically analyzing an organization's spending and using this information to make better business decisions about acquiring commodities and services more effectively and efficiently." OIG reported NASA does not conduct a comprehensive Agency-wide spend analysis to identify areas ripe for strategic sourcing.

Although a formal spend analysis, as characterized by the OIG, is not performed on every procurement action, the NASA procurement planning process includes a complete assessment

[1] OMB memo dated May 20, 2005 regarding the implementation of Strategic Sourcing.

Agency. Using this process, NASA strategically identifies specific requirements where potential savings are considered to be significant. NASA performed business case analyses in support of the decisions to conduct several major Agency-wide strategic sourcing efforts, including the Enterprise License Management Team (ELMT), Agency-wide Protective Services, Contract Closeout, and Information Technology (IT) Infrastructure Integration Program (I3P) procurements for Agency-wide IT services. The Office of the Chief Information Officer (OCIO) has been collecting and reporting IT budget/spending data for nearly ten years in accordance with OMB Circular A-11. During this time, NASA has reduced IT spending by approximately $800M, from $2.2B to $1.4B through various initiatives, many of which involved strategic sourcing tenets.

NASA plans to continue to employ strategic sourcing for select commodities and services where it is determined to be of benefit to the Agency. Currently OP works closely with the Office of Strategic Infrastructures (OSI) Logistics Management Division (LMD), which is responsible for setting Agency policy related to the acquisition of commodities such as office supplies and domestic delivery services, and with the OCIO, which is responsible for overseeing the acquisition of IT Agency-wide. NASA also works closely with the General Services Administration (GSA) and the Office of Federal Procurement Policy (OFPP) in support of the Federal Strategic Sourcing Initiative (FSSI). Particularly, the Solutions for Enterprise-Wide Procurements (SEWP) is recognized by OMB and most Government agencies as a significant strategic sourcing tool. This NASA-managed, multi-award Government-Wide Acquisition Contract (GWAC) provides a highly efficient and effective source for acquiring IT products and services. SEWP has been recognized for its leadership in the strategic sourcing of IT as evidenced by OMB's decision to have the SEWP team lead the most significant FSSI procurement activity for Government-wide laptops/desktops.

Finally, the report refers to the NASA strategic sourcing program throughout. However, NASA does not consider strategic sourcing to be a "program," but one of many procurement tools available to the acquisition community when developing an acquisition strategy. OP is in the process of revising and updating the Strategic Sourcing Plan and the Web site used to communicate strategic sourcing efforts across the Agency. A team of strategic sourcing points of contact has been identified and will begin working together to share information and standardize strategic sourcing activities. NASA looks forward to achieving continued savings and cost avoidance results from current and future strategic sourcing activities.

Recommendation 1: Revise NASA's Strategic Sourcing Plan to: (a) identify and assign specific responsibilities for individuals, groups, or organizations within NASA that manage, administer, and report strategic sourcing efforts; (b) include a methodology for how spend analysis should be developed, analyzed, and used; (c) include a methodology to periodically identify Agency-wide strategic sourcing opportunities using current financial and procurement management information systems; and (d) require the periodic extraction and assessment of Agency-wide, inter-Center, and cross-organizational spending data to ensure the Agency is receiving the best value for products and services.

Management's Response: Concur. NASA is in the process of updating its Strategic Sourcing Plan, and once updated, it will include guidance addressing all four elements of this

recommendation. On December 5, 2013, the Headquarters OP briefed the proposed contents of the plan to the Center Procurement Offices and will be meeting with Center Procurement Representatives and other key acquisition officials identified in the plan to develop approaches to the recommendations that are achievable and meet the Agency's needs.

Estimated Completion Date: OP anticipates issuance of a revised Strategic Sourcing Plan within 120 days of the issuance of the final OIG Audit Report.

Recommendation 2: Perform a comprehensive spend analysis of all procurement activities across NASA in order to identify potential strategic sourcing candidates and assess changes in Agency-wide spending patterns.

Management's Response: Non-concur. While OP does not concur with the recommendation to perform a comprehensive spend analysis of "all" procurement activities across the Agency, NASA is fully committed to continuing its participation in the FSSI initiatives and identifying Agency strategic sourcing activities by conducting spend analyses on select commodities and services that will result in significant savings that meet the current Agency mission needs and strategic plan.

To this point, in addition to the standard procurement planning process, several NASA Centers have recently begun a comprehensive spend analysis across all programs at the Center. A recent example of such activities is also developing a procurement involving the Marshall Space Flight Center (MSFC)/Michoud Assembly Facility (MAF) and Stennis Space Center (SSC) to solicit the Synergy-Achieving Consolidated Operations and Maintenance (SACOM) requirement. NASA anticipates saving hundreds of millions of dollars over a ten-year period as a result of this strategic sourcing effort. Similar activities are expected to result in savings from spend analysis reviews being performed at the Center and Mission Directorate levels (where the requirements are generated). These activities will help to inform Agency leadership and the OP on the best ways to procure Agency commodities and services.

Also, the NASA acquisition planning process, defined in FAR 7.1 and NFS 1807.1, ensures that NASA Centers consider all aspects of procurement planning. In addition, NASA Headquarters provides guidance for significant procurements through NASA Policy Directive (NPD) 1000.5A, which describes the Acquisition Strategy Planning and Procurement Strategy Planning processes applicable to all major acquisitions.

Strategic sourcing involves more than just consolidation of like requirements. "Strategic Sourcing is a collaborative and structured process of critically analyzing an organization's spending and using this information to make better business decisions about acquiring commodities and services more effectively and efficiently."[2] The thorough procurement planning process described in the preceding paragraph leads to the most effective and efficient business decision for acquiring commodities and services for the Agency.

[2] OMB memo dated May 20, 2005 regarding the implementation of Strategic Sourcing.

Estimated Completion Date: N/A.

Recommendation 3: Define and track uniform performance goals and measures for NASA's strategic sourcing activities Agency wide and make the use of the metrics a requirement for assessing the success of the Agency's Strategic Sourcing Program.

Management's Response: NASA concurs with comment. There are two Cross-Agency Priorities (CAP) Goals, established by OMB which the Agency currently uses to assess success of strategic sourcing activities:

(1) Federal Strategic Sourcing Initiative (FSSI) Goal: Agencies shall increase their use of FSSI vehicles by at least ten percent in both fiscal years 2013 and 2014, unless they can establish that their current spending patterns on such products are more cost-effective; and

(2) Agency Strategic Sourcing Initiative Goal: Reduce the costs of acquiring common products and services by agencies' strategic sourcing of at least two new commodities or services in both 2013 and 2014 that yield at least a ten percent savings.

As NASA revises the Strategic Sourcing Plan, (see Recommendation 1) guidance on how to define and track performance goals and measures for NASA's strategic sourcing activities will be incorporated. The Plan will be made available Agency wide and will require use of metrics as a requirement for assessing the success of the Agency's strategic sourcing activities. The guidance will address how to define and track performance goals appropriate for each unique commodity or service being strategically sourced.

Estimated Completion Date: OP anticipates issuance of a revised Strategic Sourcing Plan within 120 days of the issuance of the final report.

Recommendation 4: Perform a review to determine if NASA organizations are utilizing strategically sourced commodities, such as office supplies and contract closeout services to the greatest extent practicable.

Management's Response: NASA partially concurs with this recommendation. NASA will review the use of strategically sourced commodities for the targeted commodities as mentioned in Management Response 2 above. The OP Strategic Sourcing Team at NASA Headquarters currently works closely with LMD responsible for setting Agency policy related to the acquisition of commodities, such as office supplies and domestic delivery services, and with the OCIO responsible for overseeing the acquisition of IT Agency-wide. Our offices will continue to work together to review current strategic sourcing vehicles for office supplies, domestic delivery services, contract close-out, enterprise licenses, and the I3P contracts to ensure that NASA Centers are using existing (and future) strategically sourced commodities, when they offer the best value solution to the Agency. Note, as a result of recent efforts in this area, the Kennedy Space Center (KSC) logistics contract responsible for managing office supplies recently selected an FSSI vendor to satisfy the Center's need for this commodity.

This shift in supplier is directly attributable to the Headquarters OP coordination with Center Procurement Offices and LMD efforts to encourage Center use of strategically sourced commodities.

Estimated Completion Date: OP anticipates completion of this action within 180 days of the issuance of the final OIG Audit Report.

Recommendation 5: Develop and communicate the existence of a centralized mechanism for providing the NASA procurement community with Agency-wide strategic sourcing information, to include a listing of all NASA Strategic Sourcing Program efforts that can be considered during the procurement planning process to fully leverage existing strategic sourcing vehicles.

Management's Response: NASA concurs with comments. NASA currently maintains a Strategic Sourcing Web site, https://www.nssc.nasa.gov/portal/site/customerservice/menuitem.1f9c57075eb1c85e8ceb9e2b0788576c/, which was developed to communicate activities related to strategic sourcing Agency-wide. This Webpage is in the process of being updated, and once completed, it will include the updated Agency Strategic Sourcing Plan (see Recommendation 1) and a listing of all NASA strategic sourcing activities for consideration, by all NASA Centers, during the procurement planning process. In addition, OP and the newly formed Agency-wide Strategic Sourcing Team, as part of the roll out of the updated Plan, will provide training to Center personnel on how to expand use of strategic sourcing vehicles where practicable and appropriate. OP will also continue to review Center strategic sourcing efforts at the Centers as part of the Procurement Management Reviews (PMRs) held every two to three years and the Procurement Status Meetings (PSMs) held annually. NASA considers strategic sourcing to be one of many acquisition approaches available to the acquisition community when developing an acquisition strategy.

Estimated Completion Date: OP anticipates completion of this action within 180 days of the issuance of the final OIG Audit Report.

Recommendation 6: Incorporate into NASA policy the required use of strategic sourcing initiatives to the maximum extent possible for NASA acquisitions and require the documentation of decisions made when strategic sourcing initiatives are not used.

Management's Response: Non-concur. While we support strategic sourcing and agree it offers significant benefits when properly applied, we believe, it is premature and possibly unnecessary to consider any changes to the NASA FAR Supplement or other policy to require the use of strategic sourcing initiatives to meet NASA's mission needs. OMB has not issued regulations to date resulting in any changes to the FAR requiring the use of FSSI vehicles. As we continue to analyze strategic sourcing opportunities, we may issue guidance with respect to use of specific Agency-wide contracts. For example, NASA issued policy on the use of the Enterprise License Management Team (ELMT) Program for enterprise software licenses. Strategic sourcing, to the extent that it results in consolidating requirements or using Government-wide contracts can have significant implications to the procurement process (in

particular, requirements, market research, competition, small business, and other procurement processes). Also, strategic sourcing is a component of acquisition planning and, in fact, can be considered inherent in the acquisition planning process.

Estimated Completion Date: N/A.

We have reviewed the draft report for information that we believe should not be publicly released, and we have not identified any concerns regarding public release of this information by the OIG.

Again, thank you for the opportunity to review and comment on the subject draft report. If you have further questions or require additional information regarding this response, please contact LaVerne Randolph at 202-358-4801.

William P. McNally

cc:
OCFO/ Ms. Robinson
NSSC/Mr. Smith

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Major Contributors to the Report:

Laura B. Nicolosi, Director, Mission Support Directorate
Joseph A. Shook, Project Manager
Lynette A. Westfall, Audit Team Leader
Bobbie Wells, Senior Auditor
Annette Huffman, Program Assistant
Sarah McGrath, Editor

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