GOVERNMENT-WIDE CATEGORY MANAGEMENT PMO

# Government-wide Category Management Key Performance Indicators

## Definitions and Guidance

**Final**
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# 1 Introduction

The intent of government-wide category management is to implement a fundamentally different approach in managing common goods and services across Federal government. This will be achieved by establishing government-wide procurement policies, extensive industry and supplier engagement, expanding the use of high-quality, high-value best in class (BIC) contracts in order to improve the government's buying power, implementing supplier relationship management, and reducing waste and duplication across Federal government. To implement the category management program consistent with the intent of cross agency priority (CAP) goals, established by the Government Performance and Results Modernization Act of 2010 to address issues that exist across government but are solved through the action of individual departments and agencies.

Governance of government-wide category management comes from the Category Management Leadership Council (CMLC), a council that represents the agencies which undertake the majority of Federal procurement spending. The council is chaired by the Office of Management and Budget's (OMB's) Administrator of Federal Procurement Policy and has representatives from the Departments of Defense, Energy, Health and Human Services, Homeland Security, Veterans Affairs, the General Services Administration (GSA), the National Aeronautics and Space Administration, and the Small Business Administration.

CAP goals for government-wide category management have been defined and published[1]. Those goals will be achieved by the collective work of the category management teams in setting strategic plans and initiatives, and by agencies in managing their procurements and procurement spend accordingly. This document addresses the key performance indicators which are tied to the goals and which will show the success of category management for the Federal government.

# 2 Scope

To both demonstrate and drive program outcomes for government-wide category management, key performance indicators (KPIs) have been developed. The intent for these KPIs, and any future KPIs, is to provide quantitative evidence that category team initiatives and agency procurement actions are supporting category management and CAP goals across the Federal government. The intent of this document is to formalize the existing work on KPIs, as well as set the parameters for future work to refine and improve KPIs. There is variation between KPIs in terms of the complexity of the definition and how performance is reported using existing data sources, which in turn means that this document presents both definitions that are stable and guidance on how to establish KPIs that are consistent, evidence-based, and auditable.

Where possible, the definition and calculation of KPIs is finalized; however, even defined KPIs can evolve to account for new initiatives, better data availability, more precise measurements, etc. As such, this is a living document subject to periodic version updates (detailed in Section 10.3: Appendix: Document Change Control Tracking and Appendix: Executive Approval of Versions). The roles and responsibilities related to these evolutionary changes are provided in Section 5, Roles and Responsibilities.

[1] Current information about program level goals and performance is posted at Performance.gov ( https://www.performance.gov ) in the Goals section of the site.

This document does not include any discussion about definition of or reporting of category-specific initiatives that fall outside of the program level KPIs. Any change to the scope and intent of KPIs will be managed by OMB and recommended to CMLC. Any category-specific initiative that uses similar KPIs and/or reporting has to conform to the standards and principles outlined in this document.

# 3 Principles

Defining and tracking KPIs across a complex program and many organizations is a challenging endeavor and requires all participants to deliver to both the detailed guidance and the principles outlined. Where applicable, program stakeholders (category managers, the program management office (PMO), OMB, etc.) can make recommendations for improvement as the program develops over time. The aim of the program level KPIs is to demonstrate fundamental improvements across Federal government, to demonstrate trends and the absolute impacts resulting from initiatives, and to track impacts over time.

The key principles built into this guidance document are:

- recording and reporting of methods and results are evidence based
- KPIs are measured and reported at both program and category level
- guidance and reporting is transparent
- guidance and reporting is auditable
- material benefits are agreed to by the relevant stakeholders
- baselines and benchmarks are both robust and realistic
- reported impacts are a direct result of procurement activities (e.g., sourcing, demand management, contract and supplier management)
- budget impact is measured and described in a manner which is accepted by relevant stakeholders

# 4 Program KPIs

Program KPIs are the measures which demonstrate the progress of government-wide category management. The KPIs were selected because of their alignment to program priorities, and because the reporting of those KPIs can be used to refine and improve the underlying initiatives that were designed to meet CAP goals.

Currently, there are five KPIs for government-wide category management. These are defined briefly below, and in greater detail in subsequent dedicated sections:

- **Small Business Utilization:** demonstrates the extent to which the program maintains or increases government utilization of small businesses (measured in dollars) while implementing the category management strategies
- **Spend Under Management (SUM):** demonstrates the extent to which the program is driving spend to contract solutions with mature, cross-agency and government-wide management or Best In Class contracts, and which reflect the priorities and initiatives of each category
- **Savings:** demonstrates the extent to which the program is delivering increased value for the goods and services acquired by agencies
- **Contract Reduction:** demonstrates the extent to which the program is reducing the number of duplicative contracts across Federal government

- **Acquisition Gateway Utilization:** demonstrates the extent to which program-created guidance on making acquisitions consistent with category management is reaching the contracting community; for example, best practices, BIC contract information, or sample contract documentation would all count as program-related guidance intended to shape procurements to be supportive of category goals and achieving KPI targets

Defining, maintaining, and reporting KPIs requires a coordinated approach across the category teams, the PMO, OMB, and ultimately the CMLC. The specific roles and responsibilities are also explained in further detail below.

# 5 Roles and Responsibilities

Defining and then reporting against KPIs has both strategic and operational components that require input from throughout the program. The associated roles and responsibilities are presented below.

| Entity | Strategic Roles / Responsibilities | Operational Roles and Responsibilities |
|---|---|---|
| **GWCM PMO Data Team** | • Define and manage KPI definitions, evidence and measurement requirements<br>• Assure that the agreed standards and guidance are applied to the KPIs being reported at a program level<br>• Evaluate and propose improvements to capturing and reporting data for KPIs<br>• Manage and coordinate any external audit of the KPIs<br>• Establish program level reporting and a standardized approach to category level reporting | • Generate and provide quality assurance (QA) on monthly KPI reports (data only, no qualitative content)<br>• Complete quarterly reviews of approved savings reporting methods and provide amended or additional guidance and examples as required<br>• Document all KPIs and ensure they are version controlled and updated as and when changes are made<br>• Manage a repository of all methodologies and definitions for program level KPIs including savings methodologies reported by category teams<br>• Manage a repository of evidence / management information that supports each months KPI reporting to ensure that there is an audit trail of all KPI reporting |
| **Category Team PMs** | • Develop savings metrics with CM team and with GWCM PMO Data Team<br>• Maintain any category-specific metrics, including documented rationale, and methodologies | • Review monthly reports, resolve any issues and add qualitative input<br>• Use KPI reporting data to monitor and identify changes to existing initiatives<br>• Provide recommendations to CM about any elements of the category that requires attention or where there are potentially new opportunities |
| **Category Managers** | • Ensure that all KPI approaches and | • Approve the relevant category data |

| Entity | Strategic Roles / Responsibilities | Operational Roles and Responsibilities |
|---|---|---|
| | calculations are compliant with the program level definitions and guidance<br>• Recommend new KPIs or changes to the existing KPI definitions and guidance | included within the monthly reports<br>• Use KPI reporting data to monitor progress and identify any changes to existing initiatives |
| **GWCM PMO Leadership** | • Approve proposed savings calculation methods<br>• Provide preliminary approval to KPI and reporting approach and changes | • Develop and issue monthly KPI reports including progress of the major initiatives and KPI tracking<br>• Issue a program monthly report to key stakeholders / stakeholder groups |
| **OMB** | • Approve savings calculation methods<br>• Approve KPI changes (scope or reporting)<br>• Provide notice to CMLC of KPI changes | • Issue SUM surveys and aggregate responses where appropriate<br>• Establish government-wide and agency-level performance goals, and report performance against these goals<br>• Provide enterprise-level performance reporting to external stakeholders (e.g., Congress, White House, etc.) |
| **CMLC** | • Review approaches to measuring and reporting performance and provide feedback<br>• Concur with notice of KPI changes | • Work with OMB to establish KPI goals specific to their agencies and drive attainment of those goals at the agency level<br>• Engage with agencies on their planning and achievement of KPI goals |

**Table 1 KPI Roles and Responsibilities**

# 6 Small Business Utilization

The Small Business Utilization KPI measures the utilization, in terms of spend, of small businesses across the government-wide category management program and how each category contributes to the overall policy targets established by OMB and when it has been agreed within the relevant category plan improves small business' share of Federal spend.

## 6.1 Data Source and Reporting

Small business utilization will be reported monthly as a running total for the fiscal year to date. It is reported as cumulative spend with small businesses in dollars as a percentage of total obligations for each category. The calculation is based on FPDS-NG data, as follows[2]:

- Small businesses are identified by the value "S" in the Federal Procurement Data System – Next Generation (FPDS-NG) field *vend_contofbussizedeterm* (which captures value of "S" for small businesses, or "O" for "Other than small businesses")

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- [2] This definition is captured in the Government-wide Category Management Reporting and Terminology Guide.

- Transaction date is based on the FPDS-NG field *signeddate* (which captures the date upon which the action was signed by the contracting officer, this is used to align the transaction to the fiscal year in which it happened)
- The summed obligations are based on the FPDS-NG field *obligatedamount* (this field captures a dollar amount for the obligation for the transaction)

The current baseline year for this measure is FY15. Monthly reporting data will be obtained by taking a standard data extract of FPDS-NG data and applying a standard set of filters and calculations from Tableau to get data aligned to the correct period and categories, as well as reported at program level. It is understood that reporting small business participation results on a monthly basis can result in significant fluctuation from month to month, and also that the final target may not be met until almost the end of the fiscal year or when final year end data has been submitted into FPDS-NG. The GWCM PMO Data Team will monitor theses fluctuations to determine if the frequency of the report is negatively impacting category and program reporting, and propose changes if that would provide a business benefit to the program.

## 6.2 Potential Future Improvements

There is an area of possible improvement in the Small Business Utilization KPI, which would create an opportunity to refine the measurement and initiatives. This is described as a potential area of improvement as it requires further analysis, based on whether different system data would yield genuine business value. The question is whether small business utilization is better measured using supplemental data from the Electronic Sub-Contracting Reporting System (eSRS).

There are possible opportunities to refine the FPDS-NG system data entry guidelines and track both spend and small business participation.

The basis of the question is the way in which transaction data is entered into FPDS-NG. When contracting officers or their proxies are entering transaction data in FPDS-NG, they have to make judgements about how to categorize that transaction based on preponderance of spend. When a contract involves a team of vendors, the prime vendor is typically the vendor on which categorizations are made, including determination of business size. The total obligation is then reported based on that vendor, rather than the distribution of funds within the team. The eSRS system theoretically would provide a more granular breakout of this spend. However, given that eSRS is self-reported data, and given that other systems comparisons (between FPDS-NG and GSA sales data for schedules) have revealed variances that cannot always be systematically reconciled, it is not clear whether eSRS will provide better data as opposed to different data. If eSRS data cannot be properly reconciled with FPDS-NG, its use would not be an improvement and the KPI would stand as defined.

# 7 Spend Under Management

A priority for the government-wide category management program is to bring spend under management. Spend which is transacted through contracts that meet defined criteria for management maturity is deemed as “under management” or SUM. BIC vehicles meet the SUM defined criteria and all spend through these contracts will be included within the SUM KPI.

The current scope of SUM is based upon a tiered maturity model. This tiered maturity model includes three tiers, each of which includes the same five attributes: leadership, strategy, data, tools, and metrics. Agencies report SUM based on their assessment of spend via contracts against the five maturity attributes, based on defined standards (e.g., for how data about contracts and contract performance is captured and shared) at three levels of maturity:

- Tier One: agency-wide strategies exist
- Tier Two: cross-agency collaboration is occurring
- Tier Three: government-wide best practices are in use

The trigger for agency reporting of SUM has been OMB SUM survey requests. Surveys focused on assigning SUM Tier ratings by sub-categories of spend for each agency. The October 2016 survey and subsequent data requests asked agencies to report on SUM figures by contract and sub-category. This change was to support the reporting of total SUM versus the FY17 goal and current SUM by sub-category and by contract.

The SUM survey was undertaken by providing a sample of top contracts by spend for each sub-category to be reviewed by departments/agencies. Those departments/agencies reported back to OMB their major contracts, including contract identifiers and spend through the contract, classification of the categories into one of the tiers described above; savings associated with use of the contract, and agency points of contact who could verify the information. Responses have been aggregated to categories and then provided to the category teams for analysis and clarification, including determination of whether to incorporate reported contracts into category team strategies. This approach has been supplemented by a further data call requesting any additional information by using a pre-populated template of additional contract information.

Moving forward, information required to maintain the complete contract inventory with SUM tier ratings will be updated on an ongoing basis and the data hosted on a web-based dashboard accessible to executive branch agencies with MAX system authorization. This will reduce the burden on agencies and enable on-going monitoring, reporting and updates. Agencies will have an opportunity to update SUM tier ratings for their contracts on an on-going basis. In addition, twice annually, agencies will be requested to alert OMB of any changes to their inventories and SUM tiers.

## 7.1 Data Source and Reporting

The data source for SUM reporting is the aggregated responses from agencies to previous SUM surveys, which will subsequently be supplemented by use of web-based dashboard and tool moving forward. The data from the surveys will be summed across agencies and then reported in terms of total SUM against the FY17 goal and current SUM by sub-category.

The GWCM PMO maintains the database for the contract inventory which will receive regular updates from agencies on an ongoing basis.

## 7.2 Potential Future Improvements

SUM as a key category management metric will help incentivize agencies from moving spend from unmanaged contracts to agency-wide and government-wide solutions that are well managed, aligning to tiers 1, 2, and 3.

Based on the SUM survey undertaken in Q1/2 FY17, the GWCM PMO Data Team will document all BICs and strategically important contracts by category and report spend on those contracts against spend not on those contracts, by category and by agency. Where it is possible to derive savings from obligation information – for example, if a BIC contract has an accepted savings rate of 4% over competing vehicles, those savings will be reported also.

Similarly, if there is some business reason that the program baseline year for reporting is not appropriate (for example, the new vehicle did not exist within one year of the baseline year), a category team may propose measuring changes in SUM against the year prior to the issuance of the new vehicle, provided that the basis for this decision is documented and accepted by the GWCM PMO. If there is a business rationale for a narrow definition of the addressable spend for SUM initiatives, the category team should document that rationale for acceptance by the GWCM PMO, so that reporting is based on realistic expectations of what can be achieved.

Over the course of the next several years, more SUM should be reportable based on accumulated information about existing contracts in use, and the emphasis for future surveys will shift to gathering savings information not otherwise available, re-categorizing contracts, identifying new contracts, etc.

The GWCM PMO will be building new current on-line dashboards and tools as well as evolving those already in existence to support ongoing reporting for SUM, BIC and savings to improve the transparency and reporting of these key metrics and help identify opportunities for greater utilization.

# 8 Savings – Alternative Methods

Another KPI for category management is driving better value for the taxpayer, which results in savings: either the government pays less for goods and services or gets more goods and services for the same cost. The breadth of goods and services consumed by the Federal government means that there is not a simple or single approach to measuring savings. Demonstrating that a category management initiative resulted in discounted prices for the aggregated purchase of laptops with standardized configurations requires different data, and different baselines than demonstrating that human resource specialist services for processing hiring actions were provided efficiently with good performance. As a result, category teams will develop a number of specific savings calculations on a by-initiative basis. The savings calculations will adhere to a common approach and follow the established guidance and standards against which the GWCM PMO Data Team will monitor compliance and report savings at a category and program level.

## 8.1 Requirements for Applying Savings Methodologies

To support savings claimed through initiatives, category team approaches must meet the following requirements:

- savings are specific to an initiative
- there is a documented basis for a savings rate
- the savings rate is applied to actual expenditure
- reported savings can be evidenced via data provided from a known system or systems that are auditable
- savings are reported on a net present value basis (where appropriate[3])
- savings are calculated in the year for which they occur

### 8.1.1 Initiative-specific Savings

Savings must be specific to an initiative so that there is a traceable connection between what the category management team implemented and the results that are claimed as a result. Traceability in this instance means that the savings model is built on a definitive criterion that can be tracked in a systematic fashion. For example, claiming savings based

[3] The GWCM PMO Data Team is researching guidance for use of net present value in performance analysis as opposed to planning; also, the possibility of contracts including annual adjustment of unit costs must be reflected in calculations.

on use of specific contract vehicles is traceable by monitoring procurement actions which reference those vehicles, or claiming savings from a specific sourcing event is traceable to the records of that event.

Please note that savings can also be reported via the SUM survey process and it is anticipated that as category teams validate those agency savings calculations and establish with the GWCM PMO that they are acceptable, those savings will be captured in the same manner as savings from initiatives being planned by the category teams. The GWCM PMO Data Team will coordinate with the category teams to assure that savings are tracked and reported from the correct source.

### 8.1.2 Documentation of Basis of Savings

For savings to have a documented basis there must be supporting evidence of how savings are calculated and that spend has been incurred. For example, if a contract vehicle has a savings model based on labor rate savings, evidence would require demonstrating that the labor rates of this contract were X% lower than the labor rates of comparable contracts or an agreed baseline. For the comparison to be meaningful, the legacy vehicles used for comparison should account for at least preponderance and preferably a majority of spend in the functional area in question. Using outlier contracts with unusually high labor rates overstates the savings rates and brings the savings claims into question; the goal in establishing the basis of savings is that it should withstand reviews for traceability and reasonableness.

In addition to assessing the methods for calculating savings, the GWCM PMO will apply a confidence raking for five criteria outlined below. For each criterion, the contract/program is given a compliance rating as follows: Low: 1, Medium: 2, High: 3, and No data: 0. The ratings are summed to provide a range of confidence: Low: 0 – 5; Medium: 6 – 10; and High: 11 – 15

| | Not Applicable (N/A) | No Rating (0) | Low (1) | Medium (2) | High (3) |
|---|---|---|---|---|---|
| **Baseline - Volume** | Not applicable to the contract / program | No data are available | Baseline volume for comparison is "unit of one" with no allowance for equivalent volume | Baseline pricing reflects discounting for lower volumes than program purchased | Baseline is to comparable / equivalent volumes |
| **Baseline - Comparator** | Not applicable to the contract / program | No data are available | Baseline cost comparison is to a non-representative or non-market price. For example, the comparison is to a GSA schedule price or to a generally available list price. | Baseline cost comparison is to comparable but composite pricing (e.g. periodic average or basket of goods / services) | Baseline cost comparison is to equivalent previous prices paid (e.g. comparing cost of laptops of similar specification on a per-laptop basis) |

| | | | | | |
|---|---|---|---|---|---|
| **Baseline - Timeliness** | Not applicable to the contract / program | No data are available | Baseline is more than 24 months old. | Baseline is 13 - 24 months old | Baseline is no more than 12 months old |
| **Availability of Evidence to Support Savings Calculation and Volume Uptake** | Not applicable to the contract / program | No data are available. | Partial data available | Supporting data is available but not verifiable (e.g. FPDS) | Data available and verifiable (e.g. publically available data, commercial databases, trend analysis), ideally transactional level data |
| **Tracking Price Drivers** | Not applicable to the contract / program | No data are available | No adjustment for price changes (inflation, deflation, commercial lists prices) | Infrequent adjustments for price changes (no more than once every 24 months) | Frequent adjustments that accurately reflect the market place (12 - 24 month cycle) |

Other management mechanisms can be used to generate savings; as long as category teams document what part of those mechanisms drive savings, then the results can be reported up at the category and program level. Some examples of this are provided below:

**Demand Management**: Demand management is driving a change in behavior designed to redirect consumer behavior. For example, changing policy to extend the replacement lifecycle for laptops from three years to four years would constitute demand management: there is a known population of hardware that can be tracked by age, so it is possible to demonstrate that X fewer laptops would be purchased in a given year. This management of total demand would drive cost avoidance for the entire year. Another approach to demand management for laptops would be to acquire laptops in larger batches to improve pricing via aggregation.

An example of this sort of demand management would work as follows: an agency which maintained 1,000 laptops, with a 10% failure rate before end of life, that went from a three year replacement cycle to a four year replacement cycle, with a unit cost of $700 per laptop, would spend 18% less, or just under $50,000, to complete an annual refresh cycle. This would be documented by showing the change in annual demand and the unit price of the items acquired. A notional summary is presented below; this should be supported with more detailed documentation to explain the sources of data and decisions made.

| Replacement Cycle | Total Laptops | Failed / Year | Replaced / Year | Cost Per Laptop | Total Cost |
|---|---|---|---|---|---|
| Three Years | 1000 | 66+ | 330 | $700 | $277,200 |
| Four Years | 1000 | 75+ | 250 | $700 | $227,500 |
| Cost Avoided | | | | | $49,700 |

+ *Laptops that failed but were not already in the pool to be replaced*

**Table 2 Notional Summary of Demand Management – Goods**

| FY16 - Monthly Buying | | FY17 - Quarterly Buying | |
|---|---|---|---|
| Month | Quantity | Quarter | Quantity |
| FY16 - October | 236 | Q1 | 674 |
| FY16 - November | 161 | | |
| FY16 - December | 277 | | |
| FY16 - January | 104 | Q2 | 563 |
| FY16 - February | 183 | | |
| FY16 - March | 276 | | |
| FY16 - April | 279 | Q3 | 637 |
| FY16 - May | 165 | | |
| FY16 - June | 193 | | |
| FY16 - July | 200 | Q4 | 532 |
| FY16 - August | 121 | | |
| FY16 - September | 211 | | |

**Table 3 Notional Transition to Quarterly Buying**

Demand management can also be applied to services. For example, an agency uses contractor support to provide supplementary capacity to complete hiring actions; the number of hiring actions made per year was 165, 135, and 150 hiring actions per year over the preceding three fiscal years, or an average of 150 actions. To manage costs, the agency decides to support no more than 140 hiring actions per year by contractor support[4]. By applying this decision to hours per action and cost per hour of labor, the agency can identify a cost avoidance that is documented on prior behavior, unit volume, and quantity of units purchased. A notional summary is presented below; this should be supported with more detailed documentation to explain the sources of data and decisions made.

| | Hiring Actions Per Year | Hours Per Hiring Action | Hourly Labor Cost | Total Cost |
|---|---|---|---|---|
| FY14 | 165 | 40 | $125 | $825,000 |
| FY15 | 135 | 40 | $125 | $675,000 |
| FY16 | 150 | 40 | $125 | $750,000 |
| Annual Average | 150 | 40 | $125 | $750,000 |
| Capped Demand | 140 | 40 | $125 | $700,000 |
| Cost Avoidance Relative to 3 Year Average | | | | $50,000 |

**Table 4 Notional Summary of Demand Management – Labor**

An alternative approach to demand management would be to acquire training seats via aggregation. Seats for standard training (for example, PMP certification courses) are often bought piecemeal by agencies over the course of the year. If

[4] There could be other factors involved in making the forecast such as workforce demographics, this example is constrained to prior workload for the sake of simplicity.

the agency were able to forecast demand using human resource data and / or combine learners with other agencies, that would allow them to aggregate demand and gain better pricing from vendors.

**<u>Unit Price Reductions</u>**: Unit price reductions are, simply, decreasing the amount spent per unit to acquire goods or services. To document the savings achieved, a category team or agency must demonstrate the new cost per item as well as the basis of the previous price per unit. If the change is "like for like," or getting the same item / service for a lower cost because of discounting, then providing evidence of the old and new prices is sufficient.

If the new unit prices are based on a new acquisition or some material change in the units being acquired, then the comparison should be made to a price based on analysis that removes outliers from potential costs. For example, GSA's Federal Acquisition Service (FAS) completes pricing analysis on all list prices for items on schedule to identify a second quartile price for items. This excludes outliers at either end of the spectrum of prices to ensure that targets are reasonable. A summary of notional unit prices reductions is presented below.

| Item | Method of Reduction | Evidence | Previous Unit Cost | New Unit Cost | Difference |
|---|---|---|---|---|---|
| Regular User Laptop | Discount, Existing Deal | Contract Modification | $700 | $650 | $50 |
| Power User Laptop | New Configuration, New Deal | Second Quartile Price Analysis (vendors and SKUs compared) | $1100 | $1025 | $75 |

– Table 5 Notional Unit Price Reduction - Laptops

**Standardization**: Standardization refers to establishing a consistent set of requirements for a given item or service. This allows buyers to more easily benefit from scale such as discounting based on volume – if a vendor knows that the average annual buy of laptops from an agency will be split between two configurations rather than four, then it will be easier for that vendor to establish their own scale discounts and pass those along to the government.

<table>
<tr><th>Legacy Laptop Options</th><th>Standardized Laptop Options</th></tr>
<tr><td>Lightweight Laptop</td><td rowspan="2">Lightweight Laptop</td></tr>
<tr><td>Basic Laptop</td></tr>
<tr><td>Laptop Upgrade 1 (Memory)</td><td rowspan="2">Standard Laptop (comparable to Upgrade 2)</td></tr>
<tr><td>Laptop Upgrade 2 (Memory, Processor)</td></tr>
<tr><td>Laptop Upgrade 3 (Memory, Processor, HD)</td><td rowspan="2">High End Laptop</td></tr>
<tr><td>High End Laptop</td></tr>
</table>

Notional Standardization – Laptop Options

Similarly, an agency could determine a standard approach to services by matching labor categories from a category BIC contract to standard support services bought by the agency. At a minimum, this would allow for comparability of pricing within the pool of BIC vendors; if the labor category is tied to a broader standard (such as OMB Standard Occupational Classifications) it might be possible to compare across vehicles as well.

The example below indicates a way in which an agency might standardize labor categories when transitioning from one vehicle to another.

| Legacy Labor Categories | Standardized Labor Categories |
|---|---|
| HR Senior Specialist 6 | Senior HR Manager |
| HR Senior Specialist 5 | |
| HR Senior Specialist 4 | Senior HR Specialist |
| HR Senior Specialist 3 | |
| HR Senior Specialist 2 | Journeyman HR Specialist |
| HR Senior Specialist 1 | |
| HR Specialist 3 | |
| HR Specialist 2 | Junior HR Specialist |
| HR Specialist 1 | |

Table 6 Notional Standardization – HR Support Functions

**Valid Baseline**: To ensure that savings claims are defensible, they should be made using a valid baseline. Since there will be a broad range of data available in terms of quality and quantity, the key that it is not based on atypical or distorting data. For example, using acquisition data from a year with atypically high or low volumes of acquisition is not acceptable. Similarly, unusually high or low pricing that result in misstated results is not acceptable either. The entity documenting savings should indicate where the baseline data included outlier values and how that outlier data was addressed. An example for pricing with a limited data set is provided below:

| Price per Item | Unit Price |
|---|---|
| Price 1 | $1,102 |
| Price 2 | $1,239 |
| Price 3 | $897 |
| Price 4 | $1,250 |
| Price 5 | $1,059 |
| Price 6 | $731 |
| Price 7 | $1,220 |
| Price 8 | $853 |
| Price 9 | $728 |
| Price 10 | $991 |
| Price 11 | $575 |
| Price 12 | $1,750 |

Table 7 Notional Item Price Range – Excluding Outliers

In this instance, the highest and lowest values are Price 11 and Price 12, which should be excluded from any calculations. As the population of data grows, more sophisticated analysis can be completed, such as the Second Quartile Price analysis that the GSA's FAS completes on normalized item prices. Category teams and agencies should exercise their judgement on what level of analysis to apply and record their reasoning for later reference or review.

#### 8.1.3 Savings for Actual Expenditures

Savings must be claimed based on actual expenditures to distinguish effective results of category management and simply choosing not to expend funds[5]. For savings to be genuine they should be the result of specific actions being taken, e.g. demand management or other levers and initiatives. Examples of distinctions between instances of lower spending that can be reported as savings are presented below:

| Reduced Spending Observed | Reason for Reduced Spending | Reportable as Savings? |
|---|---|---|
| An agency spends less on laptops in FY17 | The agency changed the lifecycle refresh rate for laptops to reduce their annual acquisitions. | Yes – the reduction was a result of the agency using a demand reduction lever. |
| An agency reduces spend on HR support services in FY17. | The agency's executive leadership unilaterally reduced the budget for HR services and redirected the funds to an unplanned systems upgrade. | No – the reduction was not driven by demand management or any other category management initiative. |
| An agency reduces spend on HR support services in FY17. | The Agency CHCO and SPE adjusted strategy to meet all contracted services through HCaTS. | Yes – the reduction was driven by use of a BIC contract with an accepted savings rate of 4%. |
| An agency spends less on passenger air travel in FY17 | Agency management cut travel to redirect funds to higher priorities and support green initiatives. | No – the reduction was not driven by a category management lever. |
| An agency spends less on passenger air travel in FY17. | The agency increased their use of the City Pair Program for a comparable number of segments relative to FY16. | Yes – the reduction can be traced to use of a BIC contract at management direction. |

**Table 8 Notional Reportable Savings versus Unreportable Savings**

#### 8.1.4 Evidence of Savings

Reported savings must be evidenced using system data so that there is no question of bias from category teams. This does not necessarily mean that in the early stages of reporting, all results must be generated by a system. What it does mean is that any report must have underlying data that can be documented, is auditable and, if necessary, can be recreated to show that the basis of the report has no element of judgement or forecasting.

As an example, reporting FSSI savings based on manual entry of data taken from vendor reports of spend would be acceptable. Reporting savings based on individual judgement on adjustments to documented data based on forecasts or informal transmission of results (orally or via email) would not meet the right standard of rigor.

If category teams have some concern about the reliability of data being used to report savings – for example, savings are based on FPDS-NG but it is known that data entry of transactions lags from the actual transaction date, or that incomplete data entry will understate savings, then that concern should be documented but not "corrected" via some sort of arithmetical adjustment.

[5] If a category team and agencies pursue use of a delivery method such as a government-operated shared services center to manage demand and reduce costs, that reduction can be reported as long as it is evidenced via transaction records – in the same manner as a reported obligation.

#### 8.1.5 Adjusting for Inflation

Since category management initiatives tend to be multi-year efforts focused on an original baseline year, claimed savings may be affected by the changing value of money over time. However, there is no fixed rule that could be applied across all categories, as the effect of adjusting for inflation or deflation would have very different effects on commodity acquisitions versus complex acquisitions for services aligned with goods (for example, the difference between buying plumbing repairs services versus building an entirely new facility, or acquiring bullet proof vests versus a state of the art physical security monitoring system). In addition, many initiatives are based on the usage of contracts that have fixed annual adjustments in costs (for example, negotiated labor rates could include an annual inflation increase), which would add further complexity to reporting net present value of savings.

These challenges notwithstanding, the government-wide category management program retains the option to use inflation and deflation adjustments to ensure the best possible analysis and reporting of savings.

As a general principle, the Bureau of Labor Statistics CPI Inflation Index can be used to provide inflation and deflation rates for calculating net present value of savings. Additionally, given that there can be market sector variations in inflation that would have a significant impact on savings, category teams can select Producer Price Index information[6] to be used for that calculation, if there is a clear alignment between their initiative and the proposed commodity index that can be documented for review and concurrence by the PMO.

#### 8.1.6 In-year and Cumulative Reporting of savings

The rationale for requiring that savings are only reported for the year in which they occur is to avoid misrepresenting actual results by incorrect aggregation. For example, if a category team reports savings of $1B in FY17, savings of $1.2B in FY18, and savings of $900M in FY19, they would report annual and cumulative savings separately, whether as an absolute number or as a percentage against baseline. This ensures that there is no confusion over savings in-year, to avoid logically impossible results such as savings outstripping expenditures, as demonstrated below:

| | Base Year (FY15) Spend | FY16 Spend | FY17 Spend | FY18 Spend |
|---|---|---|---|---|
| Annual Spend | $23.00B | $22.00B | $20.80B | $19.90B |
| In-Year Savings | | $1.00B | $1.20B | $0.90B |
| % Saved in Year | | 4% | 5% | 4% |
| Cumulative Savings | | $1.00B | $2.20B | $3.10B |

**Table 9 In-Year versus Cumulative Savings**

### 8.2 Accepted Types of Savings Methodologies

There are a variety of ways to calculate savings. The most robust is based on actual prices paid for goods and services, so that there is a clear demonstration of how much was saved per unit acquired. However, there are other methods that will meet the requirements for reporting as defined in Section 8.1. The methods listed below are not an exclusive list; however, an alternative proposal should meet the same general requirements as these methods. It should be noted that any Federal Strategic Sourcing Initiative (FSSI) savings calculation is automatically considered to be consistent with guidance and approved for reporting savings; those methods are described in the relevant sections below and will be

[6] As noted previously, the GWCM PMO Data Team is researching guidance specific to using net present value for savings rather than planning to ensure compatibility.

captured in greater detail for the savings methods appendices. The methods described in this section are presented in order of preference, with most preferred methods coming first:

- Previous Prices Paid
- Average Prices Paid
- Average Contract Rate Savings
- Savings Against Master Contract Rates
- External Benchmarking

Ideally, savings will be reported based on prices paid compared to a baseline set through analysis like the lowest quartile approach used for Office Management's Office Supplies Third Generation vehicle (OS3). However, the GWCM PMO recognizes that the range of vehicles and sub-markets, along with the maturing nature of supporting tools, will mean that the other methods should be accepted. As time passes, however, the GWCM PMO will revisit whether less rigorous methods are no longer helping to drive program success and recommend retirement of those methods to OMB.

### 8.2.1 Previous Prices Paid:

Savings based on previous prices paid demonstrate the clearest possible savings. The savings are calculated by looking at unit prices paid for goods and services before a new contracting vehicle was put in place, comparing the legacy prices to the new prices, and multiplying the difference by the number of units acquired or services consumed in each period. For example, if a new contract results in laptops being acquired for $100 less than in a prior fiscal year, and 200 laptops are acquired, then the savings achieved would be $20,000. This approach is better suited to instances when there is a clear cost per unit and there is accurately reported data for the number of units acquired. Two examples are included below: a notional savings for laptops, and a notional savings for contractor support services.

| | Baseline Price | Unit Price Paid | Quantity | Total Paid | Savings |
|---|---|---|---|---|---|
| Lightweight Laptop | $1,200 | $1,050 | 25 | $26,250 | $3,750 |
| Basic Laptop | $750 | $715 | 30 | $21,450 | $1,050 |
| Laptop Upgrade 1 (Memory) | $850 | $810 | 45 | $36,450 | $1,800 |
| Laptop Upgrade 2 (Memory, Processor) | $950 | $890 | 40 | $35,600 | $2,400 |
| Laptop Upgrade 3 (Memory, Processor, HD) | $1,100 | $1,000 | 35 | $35,000 | $3,500 |
| High End Laptop | $1,250 | $1,225 | 12 | $14,700 | $300 |
| | **Total Paid and Saved** | | | **$169,450** | **$12,800** |

**Table 10 Notional Laptop Savings Based on Prices Paid**

| | Baseline Price / Hour | Price Paid / Hour | Total Hours | Total Paid | Savings |
|---|---|---|---|---|---|
| **Senior HR Manager** | 110 | 105 | 160 | $16,800 | $800 |
| **Senior HR Specialist** | 90 | 85 | 2200 | $187,000 | $11,000 |
| **Journeyman HR Specialist** | 75 | 68 | 4016 | $273,088 | $28,112 |
| **Junior HR Specialist** | 65 | 57 | 2008 | $114,456 | $16,064 |
| **Total Paid and Saved** | | | | $591,344 | $55,976 |

Table 11 Notional Labor Savings Based on Prices Paid

The balance of this section consists of summary descriptions of existing savings calculations which are based on prices paid.

**Office Supplies Third Generation (OS3)**: The OS3 Lowest Quartile savings methodology is CMLC-approved and based on the assumption that the actual price paid for an OS3 FSSI item is lower than the lowest quartile price for the price range of that item among all vendors that sell that item. Savings are calculated for each transaction based upon the difference between the lowest quartile of item catalog price and the actual price paid, and reported both as a dollar amount (Price Paid minus Lowest Quartile Price) and as percentage (OS3 Savings divided by the sum of the OS3 Price and OS3 Savings).

### 8.2.2 Average Prices Paid

Savings can be reported based on the comparison of current year prices paid against average prices paid. This approach can be used when there is prior year data on process for a good or service for which there are normal market variations within the course of a year, or when there is not available data for each transaction completed. It could also apply in situations for which multiple products and services are acquired together: for example, when hardware and implementation services are combined with different discounts, an average savings can be determined to simplify savings calculations over multiple instances. The reporting of savings for the City Pair Program for passenger air travel provides an example of this.

**City Pair Program (CPP)**: CPP uses prices paid data from the Airline Reporting Corporation to demonstrate savings to the federal traveler. Savings is calculated by comparing multiple fare types in each market: lowest government prices paid (_CA, YCA, DG) and commercial average prices paid (fares that are fully refundable and have no restrictions)

The CPP savings calculation is completed via a four step process:

- Step 1: Determine the savings per fare type
  - Subtract the CPP_CA fare from the average commercial price paid fare with similar benefits
  - Subtract the CPP YCA fare from the average commercial price paid fare with similar benefits
  - Subtract the DG fare from the average commercial price paid fare with similar benefits
- Step 2: Multiply the saving per fare by passenger counts in market for each fare type
- Step 3: Sum total savings per market
- Step 4: Repeat process for each market to calculate total CPP savings

An example from the most used CPP Market – Atlanta (ATL) – Washington (DCA) - is presented below:

| _CA Fare, ATL – DCA Market | FY15 |
|---|---|
| _CA Fare Paid | $143 |
| Commercial Prices Paid Fare | $484 |
| Savings Per Segment | $341 |
| Total _CA Segments in ATL-DCA market | 19,648 |
| **FY15 Total _CA Savings in ATL-DCA market** | **$6.7M** |

Table 12 Actual FY15 Savings for _CA Fare for Atlanta (ATL) – Washington (DCA)

### 8.2.3 Average Contract Rate Savings

Reporting savings based on average rate savings conceptually merges elements of Average Prices Paid and Maximum Contract Rates. Category teams can generate a sample of representative transactions against vehicle costs (for example, selecting contracts that reflect the distribution of spend by scope and vendor size within a sub-category) and then use paid contract rates versus vehicle contract rates to determine an average rate of contract savings. This approach allows category teams to capture savings beyond what would be identified using the Maximum Contract Rates approach, but carries a small risk of misstating savings based on how representative the selected contracts are.

An example of this would work as follows, by comparing the labor rates for a vehicle against the equivalent labor rates for blanket purchase agreements written against the vehicle, reflecting discounting from the vehicle rates by the vendor:

| | Senior HR Manager | Senior HR Specialist | Journeyman HR Specialist | Junior HR Specialist |
|---|---|---|---|---|
| MAS Rates | $125.00 | $105.00 | $98.00 | $84.00 |
| BPA 1 | $113.00 | $98.00 | $91.00 | $73.00 |
| BPA 2 | $115.00 | $95.00 | $86.00 | $76.00 |
| BPA 3 | $114.00 | $100.00 | $92.00 | $76.00 |
| BPA 4 | $119.00 | $89.00 | $84.00 | $79.00 |
| Average BPA LCAT Rate | $115.25 | $95.50 | $88.25 | $76.00 |
| LCAT Savings % versus MAS | 8% | 9% | 10% | 10% |
| **Overall Average % Savings** | | **9%** | | |

Table 13 Notional Average Contract Rate Savings Table

Based on this comparison, the savings rate for spend against this vehicle is 9% - so if the total throughput for FY17 were $10M, the reported savings would be $900k.

**Human Capital and Training Solutions (HCaTS)**: The newly awarded Human Capital and Training Solutions vehicle, known as HCaTS, has an approved savings rate of 4% for new spend under the vehicle. This was based on examination of average costs for both open market buys and acquisitions under the predecessor vehicle, Training and Management Assistance (TMA). With a range of savings from 4% (against prior vehicles) to 14% (against open market buys), the team creating HCaTS decided that since most new HCaTS work was forecast to be replacing legacy TMA awards, the most conservative choice of forecasting 4% savings would be most appropriate. As a result, the calculation of savings will be simplified: presuming that the agency acquiring services can evidence that they have transitioned requirements to HCaTS from another vehicle or open market contract, they will be able to claim an immediate savings. For instance, $1,200,000 of spend on HCaTS would be considered equivalent to $1,250,000 from an open market acquisition, and the reported savings would be $50,000. The Human Capital category team may elect to move to an alternate calculation using prices paid as such data becomes available in quantity for analysis.

**Domestic Delivery Service (DDS3)**: Savings reported for the DDS3 vehicle are based on determining an average savings rate and applying that rate to agency expenditures on the vehicle. The prices for the services available through DDS3 are compared to the prices for equivalent services on the FedEx Multiple Award Schedule (MAS) vehicle, with the starting assumption that the FedEx prices will be higher. Total spend for DDS3 and FedEx MAS is established by multiplying unit prices by quantity. The DDS3 total spend is subtracted from equivalent FedEx MAS total spend, and the result is divided by FedEx MAS total spend to establish the savings rate. That savings rate is then applied to total spend through the DDS3 solution to calculate the dollar savings from using the vehicle.

**Wireless**: The savings reported for agencies using the FSSI Wireless blanket purchase agreement (BPA) is based on comparing vendor reported sales and prices to one of two price baselines: agency rates from prior vehicles or contracts, when that information is available, or an average government service rate when it is not. The Wireless team subtracts the price paid under the BPA from the Previous Price (either agency-specific or government wide) and multiplies the result by the number of units sold to generate a total savings.

### 8.2.4 Unadjusted Contract Rates

A significant proportion of government spend is undertaken through services contracts, which tend to have initial contract rates (for example, hourly costs by labor category) that are subsequently discounted. If a category initiative is undertaken with contracts that meet strategic needs but do not have specific prices paid information available, then savings can be based on the difference between maximum contract rates between the targeted vehicle and the vehicles that it is replacing. In the example below, the labor rates from a MAS are compared to the rates from a BPA against the MAS to claim savings.

| | MAS | BPA | Savings / Hour | Hours Used | Total Savings |
|---|---|---|---|---|---|
| **Senior HR Manager** | $125.00 | $119.00 | $6.00 | 2008 | $12,048.00 |
| **Senior HR Specialist** | $105.00 | $100.00 | $5.00 | 2008 | $10,040.00 |
| **Journeyman HR Specialist** | $98.00 | $95.00 | $3.00 | 2008 | $6,024.00 |
| **Junior HR Specialist** | $84.00 | $79.00 | $5.00 | 2008 | $10,040.00 |
| | | | **Savings** | | $38,152.00 |

**Table 14 Comparison of Unadjusted Contract Labor Rates**

The challenge with using unadjusted contract rates is in justifying how realistic both the initial rates and the revised rates are for the market in question. It's possible that the notional MAS and BPA rates above are "over market," which would affect the validity of the reported savings. The comparison does indicate cost avoidance from one vehicle to the next; however, category teams are encouraged to develop savings calculation that is closer to market pricing, as is being undertaken with the FSSI examples of Janitorial and Sanitation Supplies (JanSan) and Management, Repairs and Operations Supplies (MRO) cited below.

**Print**: The FSSI Print vehicle reports savings based on subtracting an item's task order price (the actual price paid) from the schedule or BPA price. The task order price is reported by the vendor, and the BPA and schedule prices are already documented by GSA. The savings per item are summed for total savings.

**JanSan and MRO**: Both the JanSan and MRO vehicles report savings based on quantity of goods or services bought at BPA price subtracted from the MAS price. The volume of sales and prices are based on vendor reported data. However, it should be noted that, at the time of writing, both JanSan and MRO are planning to move to the quartile price approach to calculating savings. This will be a more robust reflection of actual prices paid, and addresses any potential concern about incentivizing the wrong behavior (for example, not pursuing more discounts on contract prices and individual order prices to boost the appearance of savings.

### 8.2.5 External Benchmarking

Category teams can propose savings rates based on external benchmarking of costs. This would require that the teams identify an external source of data about trends in prices paid for comparable initiatives, based on reported or sampled costs gathered by a third party. This is more likely to be applicable for commodity goods for which there is limited variation between government and commercial sector requirements. Using an external benchmarking approach for services presents additional challenges given the variations between commercial contracting practices and federal contract prices. If a category team can demonstrate that the data from external benchmarking is for comparable scope and methods, then it can be used to calculate savings. This approach should be developed in close coordination with the GWCM PMO Data Team to ensure that the business justification is clearly documented, and that standards for calculating savings, especially those of auditable data, are met. In the example below, it is shown how a program similar to GSA's Wide Area Network (WAN) compares negotiated prices to average commercial prices compiled by Gartner Research.

| Service | GSA Price | Commercial Price | Savings % | Business Volume | Savings |
|---|---|---|---|---|---|
| IPS | $38 | $47 | 19% | $1,500,000 | $287,234 |
| Voice Services | $12 | $19 | 37% | $2,350,000 | $865,789 |
| Toll Free Services | $23 | $32 | 28% | $800,000 | $225,000 |
| Managed Network Services | $47 | $70 | 33% | $720,000 | $ 236,571 |
| **Total Savings:** | | | | | **$1,614,595** |

## 8.3 Savings Methodologies Management

There are two main elements to managing savings methodologies. The first is establishing and maintaining the approaches as described above, and the second is developing and managing specific benefits calculations.

### 8.3.1 Establishing and Managing Savings Approaches

The establishment of savings approaches in FY17 is reflected in this document, and involves the PMO developing those approaches, getting category team input, and ultimately getting approval from OMB and the CMLC. Over time, approaches can be added, through the same cycle, or retired. An overview of this process is presented below:

**PMO Preliminary Definition**
- PMO develops proposed savings approaches using known practices, program goals, etc.
- Initial internal reviews are conducted to improve proposed approaches

**Category Team Input**
- The Category Leads and their designees are invited to provide input (e.g. additional methods, adjustments to methods, etc.)
- The PMO will incorporate suggestions to the greatest extent possible

**OMB Approval**
- Once the PMO has completed updates to approaches using category team inputs, the approaches will be presented to OMB for approval
- OMB will either approve the approaches as consistent with desired goals and reporting

**CMLC Concurrence**
- The approaches as approved by OMB will be presented to CMLC for approval
- Once the CMLC has approved the approaches, they will be considered the working boundaries for individual benefits calculations (unless a category team successfully proposes an alternative approach)

**Figure 1 Defining and Approving Savings Approaches**

### 8.3.2 Establishing and Managing Individual Benefit Calculations

The GWCM PMO Data Team will review all documented approaches to measuring savings for each category team. The basis of evaluation will be the guidelines in this document, with particular emphasis on ensuring that the basis for savings rates and calculations is data-driven and repeatable. The GWCM PMO Data Team will work with the category team PMs and CMs to address any possible shortcomings, allowing for the fact that in the early stages of this program there will be limits as to what can be achieved with available systems and data. Where possible, the GWCM PMO Data Team will document a path to address known weaknesses, including dependencies for making improvements (for example, instituting contract vehicle reporting and ensuring that transaction data is properly collected and validated). As long as the calculation approach meets the standards in this document, the approach and the reported benefits it documents will be considered accepted.

The GWCM PMO Data Team will poll category teams annually to determine if there have been any business or data changes that need to be reflected in the individual savings calculations. It is the responsibility of the category teams to identify any changes such as a new contract, new reporting of transactions, changing baselines, and so on. This is particularly critical if there is an issue that is distorting performance reporting.

In addition, the GWCM PMO Data Team will work with the category teams on an ad-hoc basis to address unexpected changes such as sudden spikes in costs (for example, increases in fuel costs for reasons outside of the control of the Federal government), as well as to document any new savings calculations driven by new inputs and data, retirement of older savings calculation methods, etc. The GWCM PMO Data Team will focus otherwise on issue resolution that impacts the program, such as irregular transmission or quality issues with prices paid data, claimed savings that don't match to accepted calculation approaches, etc.

## 8.4 Approved Savings Approaches

Approved savings approaches will be incorporated into standard GWCM performance reporting, consistent with the defined process for adding reports documented by the GWCM PMO Data Team. Approved methods are listed in Section 13, Appendix – Register of KPI Supporting Documentation, which provides the name of the document, the organizational owner of the documents, and the repository in which the document can be found. The Appendix shows the template for capturing information about a savings approach in the form of a worked example under development by the IT category team.

# 9 Contract Reduction

This KPI reports the reduction in the number of contracts for the procurement of common goods and services by category. To demonstrate that spend is being brought under tighter control, the *Contract Reduction KPI is the reduction in the total number of unique contracts against the baseline of FY15*. *Unique contracts are those contracts which do not have a referenced indefinite delivery vehicle or another master contract associated with them*. The underlying hypothesis is that the reduction in unique contracts will improve efficiency by reducing duplicate contracts, encourage aggregation and demonstrate improved management controls.

## 9.1 Data Source and Reporting

Progress against reduction goals is reported on a monthly basis by extracting data from FPDS-NG and comparing the number of unique contracts in the current fiscal year to date to the number of unique contracts for the same period in the prior fiscal year, on a category and sub-category basis. Unique contracts are contracts which do not have any information recorded for a referenced indefinite delivery vehicle (IDV)[7], meaning that the contract is not based on any government-wide contracts which typically have better terms, conditions, controls, and discounting.

The measure for contract reduction addresses the questions of duplication and fragmentation. Rather than potential improvements to the measure itself, this section briefly describes related initiatives to help category teams achieve the overarching program goal, as there are multiple paths to driving reductions.

### 9.1.1 Ensuring Accurate Statistics

As noted above, a contract is considered unique if there is no reference IDV contract number associated with it. The GWCM PMO Data Team has at various points completed standard reports showing proportions of open market versus

[7] A referenced IDV is a "master" contract under the terms of which other contracts or orders are issued.

non-open market spend to assist category teams in identifying opportunities for consolidation[8]. However, analysis in support of category team planning has suggested that there are significant numbers of contract records missing the IDV data that would correctly align them to vehicles, IDVs, etc.

This spot checking was a manual process undertaken to get an initial sense of whether it would be worth identifying data values that would support systematic searches for improvement. An analyst took a pool of contracts from a subset that seemed unusually large (e.g., for a subcategory with generally good levels of use of contract vehicles, one or two departments have significantly higher numbers of open market actions), and then picked actions to examine at random. Based on the descriptions, the analyst made an "eye test" decision about whether it appeared that the requirement was unique or part of a larger set of actions.

While this is not rigorous – an agency could, after all, deliberately make a series of apparently related acquisitions without using a vehicle for program or other reasons – it was suggestive of looking for patterns (e.g. are those descriptions on actions identified as purchase orders, which by FPDS-NG rules cannot have a value in a reference IDV field) to help steer teams towards refining which agencies to engage and what to tell them. Agency specific strategies can then be tailored to address localized opportunities for moving spend under a vehicle, aggregating spend, etc.

### 9.1.2 Examining Different Types of Acquisitions Actions

Different categories will, based on the nature of their business scope, be faced with different challenges to address in making progress in contract reduction. For example, the Information Technology (IT) category team has completed analysis to look at off-contract buying in three ways: in terms of definitive contracts, BPA calls, and open market purchase orders. This analysis was based on the hypothesis that agencies buying equipment piecemeal (for example, as budgets were approved or adjusted during the fiscal year) might be more prone to acquiring smaller quantities without using a vehicle or other overarching contract.

The analysis showed that, in terms of transaction count, there are significant numbers of open market, lower dollar actions: specifically, in the baseline analysis year FY15, there were 55,837 standalone purchase orders, by comparison to 11,173 BPA calls / delivery orders and 6,040 definitive contracts. Understanding this will help the IT category team promote initiatives that will help agencies do a better job of aggregating requirements and ordering against contracts, which addresses reduction and spend under management goals. Reporting results on the three tiers also makes it clear whether, if the totals are not dropping as fast as required, acquisitions are at least being executed in the correct sub-type of actions.

This approach allows category teams to assess and monitor their contract reduction initiatives in ways that work for their specific business scope and still report achievements consistent with the CAP program goal. While not recommended for all categories, as it may not be relevant, it will be supported by the GWCM PMO Data Team as requested.

### 9.1.3 Identifying Vehicles Nearing Expiration

Managing the population of category-level contracts and vehicles is a critical element to managing strategic reductions: moving to fewer but better contracts – better in ways such as discounting, terms and conditions, management data, demand levers, etc. To help move the population of such strategically important contracts, the GWCM PMO Data Team will help category teams identify contracts which are nearing expiration. This will allow category teams to engage with

[8] This is an instance in which acting to improve one KPI – contract reduction- is also likely to positively affect another: SUM.

the organizations that own the contracts to set the best path forward – for example, ensuring that the next generation of the vehicle has the best category management practices built into requirements, or to agree on retiring the vehicle and redirecting spend to other, newer contracts, particularly BIC vehicles.

#### 9.1.4 Accounting for Market Trends

Declining markets create a potential issue for setting goals. If spend in a category is shrinking by, for example, 4% annually, that should be factored into targets; for example, if a category already shows signs of "natural" decline in spending and has low levels of open market spend, then the emphasis should be on better management of the portfolio of strategic contracts. This drives performance against the KPI while also reflecting the market in question. Other areas to be taken into consideration could include (but are not limited to) use of purchase cards when there is little opportunity for consolidation, specialized supply of mission critical materials and services where there are limits to reduction, etc.

# 10 Acquisition Gateway Usage

Program success for category management ultimately depends on individual acquisition management staff throughout the government planning and executing acquisitions consistent with category strategies and guidance. The delivery point for that guidance, with supporting tools and documentation such as information on BIC contracts, methods to increase efficiency such as aggregation, and so on, is the Acquisition Gateway.  It is a central point of delivery for category teams with which to influence the acquisition community. *The Acquisition Gateway Usage KPI demonstrates the extent to which users are using features and content provided by the category teams*.

## 10.1 Data Source and Reporting

*The quantitative measure for this KPI is the sum of all purposeful visits to the Acquisition Gateway, reported by month throughout the fiscal year*. The data for purposeful visits is drawn from the Google Analytics tool, based on thresholds for two sorts of activity, spectator actions and participatory actions. A spectator action is when the user follows or unfollows another user, or views a solution, Statement of Work, expert article, or community post. A participatory action can be when a user posts a comment, pins a solution, or up-votes / down-votes a solution, statement of work, expert article, or community post. The Google Analytics tool records a purposeful visit (as well as the hallway in which it happened) when a user completes one participatory action or two spectator actions. If the participatory action or spectator actions are completed outside of a hallway, the system records a general purposeful visit.

Reporting of purposeful visits will be completed by exporting the relevant data from the Google Analytics tool on a monthly basis.

The GWCM PMO Data Team will also track registered users – while this is not a KPI feature, it is another indicator the reach of the Acquisition Gateway.

## 10.2 Potential Future Improvements

The method of capturing and reporting purposeful visits is systematic and consistent, which limits any issues associated with how valid the data is for reporting purposes and limits the need to focus on procedural improvements. As category initiatives are initiated, all engagement of users is valuable to because any increase in user awareness is positive. As category teams refine their focus on users' increasing their knowledge and compliance with the various strategies that category teams develop and promote, it will be worthwhile to track whether engagement statistics for a particular hallway change following targeted events for that hallway (for example, pushing content on how to better manage Human Capital services for human resources management).

Should variations in performance for different vehicles correlates to Acquisition Gateway usage – in other words, poor adoption rates of BIC contracts for Human Capital align with low engagement on the Human Capital hallway – then the strength of this measure will be more obvious in the long term. Low or no correlation between Acquisition Gateway usage and results would prompt a re-evaluation of engagement strategies and how content is developed and presented.

# 11 Appendix: Document Change Control Tracking

This section records the status of changes made to the KPI Control Document. During the draft stage, major versions will be tracked here until the document is approved. Once the document has entered approved status, the preceding work will be removed and updates to the approved version (1.0) will be tracked until it is superseded by a new approved version (2.0), etc.

| Version | Date | Change Description | Author |
|---|---|---|---|
| 0.1 | November 1, 2016 | Initial Draft | Colin McLaren |
| 0.2 | November 8, 2016 | Edited Draft | Colin McLaren |
| 0.3 | December 12, 2016 | Edited Draft | Colin McLaren, David Shields |
| 0.4 | January 4, 2017 | Edited Draft | Colin McLaren |
| 0.5 | January 30, 2017 | Edited Draft (updated CPP example to definition as used by program office) | Colin McLaren |
| 0.6 | June 12, 2017 | Edited draft to include updated savings methodology template | Michael Orta, David Shields |
| 0.7 | July 12, 2017 | Final edit | Stacy Riggs |

# 12 Appendix: Executive Approval of Versions

This section records executive approval of major version iterations of the KPI Control document.

## Approval

| Approval Stage | Role | Signee | Date |
|---|---|---|---|
| Category Concurrence | Category Managers | | |
| OMB Approval | OMB | | |

# 13 Appendix – Data Sources

This appendix identifies the data sources used for KPI reporting. This will be a shell section that will be built out as the definitions and savings calculations are finalized and supporting data sources are confirmed.

| Source | KPI Supported | Use of Source for KPI |
|---|---|---|
| FPDS-NG | Small Business Utilization | • Identification of vendors classified as small businesses<br>• Identification of vendors classified as other than small businesses<br>• Identification of obligations by order and contract for small and other than small businesses, for a given period of time |
| | Contract Efficiency | • Identification of unique contracts (contracts with no Reference IDV)<br>• Identification of contracts with a reference IDV<br>• Obtaining count of unique and non-unique contracts, for a given period of time |
| SUM Survey/Contract Inventory | SUM | • Aggregation of spend by maturity tier, category, and sub-category<br>• Additional updates from agencies through their contract inventory |
| Google Analytics Tool | Acquisition Gateway Utilization | • Identifying user agencies<br>• Identifying and counting spectator actions<br>• Identifying and counting participatory actions |

## 14 Appendix – Register of KPI Supporting Documentation

This appendix lists all supporting documentation for KPIs, the organization responsible for maintaining the documentation, and the repository where the documentation can be found.

| KPI | Supporting Document | Scope of Document | Document Owner | Repository Location |
|---|---|---|---|---|
| **Savings** | Appendix: Preliminary Calculation Approach FedRooms | Details approach and data sourcing for reporting savings based on prices paid for FedRooms | TBD | TBD |

# 15 Appendix – Travel Savings Calculations - FedRooms

This appendix documents the savings methodologies used for the Travel Category. This appendix is a living document which will be updated to reflect improvements in the gathering, maintenance, and calculation of savings.

## 15.1 Roles and Responsibilities - Overview

The following roles and responsibilities have been identified for the maintenance of savings methodologies and calculations. In short:

- The category sub-teams will provide data to support calculations that is not available via systems interfaces, complete calculations where necessary, and validate calculations completed automatically by the PMO Data Team
- The Travel PM will concur with these approaches and reported results, and ensure that the category manager has signed off on the methodologies
- The PMO Data Team will work with the Travel team to ensure that the methodologies are consistent with guidance, and manage data receipt and calculations (with hand-offs changing as the process matures)
- PMO leadership will sign off on the overall approach

| Role | Responsibilities |
|---|---|
| Travel Subteam Lead | • Propose calculation<br>• Identify data sources for calculation<br>• provide results of team calculations with underlying detail (near term)<br>• Provide data for calculation (long term)<br>• Validate reports calculated by PMO Data Team |
| Travel Team PM | • Coordinate consolidation of reported data<br>• Concur that methodologies being correct from the category team perspective<br>• Concur with calculated results |
| Travel Category Manager | • Sign off to overall approach for savings |
| PMO Data Team | • Concur that methodology is complete and appropriate<br>• Take receipt of data files from Travel team<br>• Maintain Travel team calculations in online folders / repositories (near term)<br>• Establish mechanisms to load data and complete calculations (long term)<br>• Provide calculations for review / address changes requested |
| PMO Leadership | • Sign off on overall approach for savings |

This chart reflects the fact that developing and executing methodologies is in the formative stage; as the process is finalized and amended, the summary will be adjusted accordingly.

## 15.2 Travel Savings Methodology

### Summary of Travel Savings Methodology

| Contract/Program | |
|---|---|
| **Contract Name** | FedRooms |
| **Scope** | FedRooms is the government's managed lodging contract that provides Federal Travel Regulation (FTR) compliant hotel rooms for federal government travelers while on official business. Some of the benefits of the program include:<br>● Accommodations priced at or below per diem rates with free WiFi<br>● Policy compliant hotels: Fire safe/FEMA-certified, ADA-compliant and Small Business opportunity<br>● Flexibility: Cancellation deadline is 4:00 p.m. or later (in the U.S.) on date of arrival; many hotels offer last standard room available rates; no early departure fees<br>● No hidden fees, such as resort fees, that hotels add to the room rate upon check-out. The lodging industry is estimated to have made $2.5 billion in resort fees in 2016 |
| **Major Customer(s)** | All government agencies whose employees travel for official transient, temporary duty. DOD Is currently executing a pilot program with FedRooms and is one of its largest customers. |
| **Contract Start** | Contract Start: 10/1/2014<br>Program Start: 2004 |
| **Contract End** | Contract Expires: 9/30/2019<br>Program End: 12/30/2019 (FedRooms rates and applicable rate codes are offered "for sale" until this date). Intend to recompete the contract at this time. |
| **Category** | Travel |
| **Sub-Category** | Transient (TDY) Lodging |
| **Agency** | General Services Administration |
| **Bureau** | Federal Acquisition Service |
| **Organization, Division** | Office of Travel, Employee Relocation, and Transportation |
| **Point(s) of Contact** | Ashley Mikhail |
| **Data Point(s) of Contact** | Ashley Mikhail |

### 15.2.1 Travel Savings: Data Sources and Specific Calculations

| Savings/Cost Avoidance Methodology | |
|---|---|
| **Type Of Measure** | $14.65M has been reported as savings historically to OMB. But in reality is a better measurement of cost avoidance. |
| **Summary Description** | Savings/Cost Avoidance is calculated by comparing vendor-reported prices paid, by hotel, by room night, by date compared to the applicable per diem rates. |
| **Calculation** | ● For 93% of markets: (Per Diem – FedRooms Prices Paid) * Qty of Room Nights<br>● For 7% of markets[1]: Average savings * room night counts<br>o Average savings is calculated from the data in the 93% of markets<br>[1] Where room nights sold are reported with sales reported as a lump sum e.g. nightly rates are not reported |

| | |
|---|---|
| **Data Source and Description** | ● Vendor reported sales<br>GSA OGP, State and DoD per diem rates (see baseline comparison section) |
| **Data Elements** | ● Reservation rate by city, number of room nights, and travel dates<br>● GSA OGP, State and DoD Per diem rates by market<br>Note: Less than 2% of FedRooms contract sales are in OCONUS or Foreign destinations |
| **Data Manipulation and Storage** | The savings rate is calculated by the FedRooms Vendor (CWT) quarterly, and submitted to the FedRooms Program in a detailed Savings Report which compares nightly room rates paid to the applicable lodging per diem allowance for the travel dates. |
| **Business Rules/Target Assumptions** | N/A |
| **Automated/Manual Calculation of Savings** | The savings calculation requires the vendor to manually add the lodging per diem rate applicable to the room rate sold. The FedRooms Program Office does not manipulate Savings once it is received from the vendor. |
| **Availability of Supporting Data** | ● Data is maintained internally by the FedRooms team |
| **Volume Comparison** | Not as a formal requirement in the contract, but historically as volume as increased, discounts have increased. |
| **Baseline Comparison** | ● The per diem in the city where the rate was booked.<br>o How is the per diem calculated?<br>Per-Diem: The General Services Administration (GSA) Office of Government-wide Policy (OGP) establishes per diem rates for destinations within the Continental United States (CONUS). The State Department establishes the foreign rates (for example, Russia, Aruba, Bahamas, Europe, etc.). The Department of Defense (DOD) establishes non-foreign rates such as Alaska, Hawaii, Puerto Rico, and Guam. |
| **Frequency of Baseline Refresh** | How often are the FedRooms rates updated?<br>● Accepted (ceiling) FedRooms hotels and rates are competed and updated annually in October, November and December for the following calendar year. Rates are loaded in the Global Distribution Systems (GDS, e.g. Apollo, Sabre, Worldspan) in late December and January to be accessed by travel agencies and ETS/DTS Online Booking Tools (OBTs) used by government travelers to make lodging reservations. If market conditions change during a calendar year, a hotel's FedRooms rate can float lower than the hotel's awarded rate.<br>How often are the per diem rates updated?<br>● The OGP updates most CONUS per diem rates annually, however, there can be a few mid-year updates due to unique market conditions. State and DoD update Foreign and OCONUS per diems as needed by market and security conditions. |

| Methodology Development | |
|---|---|
| **Origin** | 2012 |
| **Target Assumptions** | The program has 100% visibility into program sales from the vendor. But that data is not available by agency. |
| **Savings Report Schedule** | Savings are reported quarterly via the STAT Savings Data spreadsheet. |
| **Other Notes** | |