



November 2020

FEDERAL BUYING POWER

OMB Can Further Advance Category Management Initiative by Focusing on Requirements, Data, and Training

Accessible Version

GAO Highlights

Highlights of [GAO-21-40](#), a report to congressional requesters

Why GAO Did This Study

In fiscal year 2019, federal agencies obligated over \$350 billion to meet requirements for common products and services, such as medical supplies and computers. Since 2016, OMB has led efforts to improve how agencies buy these products and services through the category management initiative, which directs agencies across the government to buy more like a single enterprise. OMB has reported the federal government has saved \$27.3 billion in 3 years through category management.

GAO was asked to assess the initiative. This report assesses the extent to which: (1) OMB has focused on agencies' requirements definition, (2) agencies face challenges analyzing data, and (3) agencies bought common products and services from small businesses.

GAO assessed data for all 28 agencies OMB tracks under the initiative, reviewed category management guidance from four selected agencies (with varying levels of implementation experience), and interviewed a broad range of officials from nine agencies as well as four small business advocacy groups.

What GAO Recommends

GAO is making 10 recommendations to OMB to increase emphasis on requirements, lead efforts to address data challenges, and improve training for small business personnel. OMB concurred with the substance of GAO's recommendations.

View [GAO-21-40](#). For more information, contact Timothy DiNapoli at (202) 512-4841 or DiNapoliT@gao.gov.

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What GAO Found

Category management is a government-wide initiative led by the Office of Management and Budget (OMB) that saves the federal government billions of dollars each year by improving how agencies buy common products and services. Defining requirements is a key first step agencies should take to understand what products and services they need before deciding how to buy them. However, OMB has primarily focused on the contracting aspects of the initiative, for example, in its guidance and implementation metrics. Leading practitioners of category management told GAO that agencies could save billions of additional dollars if OMB focused more on how agencies define requirements, which is consistent with GAO's previous findings (see figure).

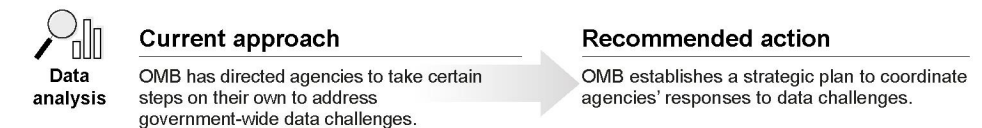
Office of Management and Budget's (OMB) Category Management Guidance and Metrics



Source: GAO analysis of Office of Management and Budget (OMB), Category Management Leadership Council, and General Services Administration documentation. | GAO-21-40

Agency officials told GAO that data challenges—particularly challenges in collecting, analyzing, and sharing data on their spending and the prices they pay—have hindered implementation of the category management initiative. OMB is aware of these government-wide challenges and has directed agencies to take certain steps on their own to address them. However, OMB's Fiscal Year 2020 Action Plan for managing government data states OMB should take a leadership role in addressing government-wide data challenges (see figure).

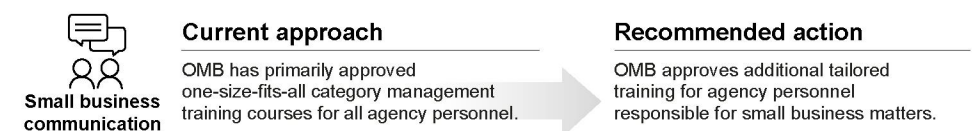
Office of Management and Budget's (OMB) Approach to Category Management Data Challenges



Source: GAO analysis of Office of Management and Budget (OMB) documentation. | GAO-21-40

GAO found small businesses received 30 percent or more of annual category management obligations since 2016, but the number of small business vendors providing common products and services decreased each year, continuing a decade-long trend affecting both small and larger businesses. GAO also found that OMB should improve communication with small businesses by enhancing training for agency personnel responsible for small business matters (see figure).

Office of Management and Budget's (OMB) Category Management Training for Agency Personnel Responsible for Small Business Matters



Source: GAO analysis of Office of Management and Budget (OMB) and General Services Administration documentation. | GAO-21-40

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Abbreviations

BIC	best-in-class
CAP	Cross-Agency Priority
CDO	Chief Data Officer
CMLC	Category Management Leadership Council
COVID-19	Coronavirus Disease 2019
DHS	Department of Homeland Security
DOC	Department of Commerce
DOD	Department of Defense
DOT	Department of Transportation
FPDS-NG	Federal Procurement Data System-Next Generation
FSSI	Federal Strategic Sourcing Initiative
GSA	General Services Administration
IT	information technology
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget
OSDBU	Office of Small and Disadvantaged Business Utilization
PMO	Program Management Office
SAO	Senior Accountable Official
SBA	Small Business Administration
SUM	spend under management

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November 30, 2020

Congressional Requesters

Federal agencies obligate more than \$350 billion annually to meet requirements for common products and services like medical supplies, building security services, and computers. Since 2016, the Office of Management and Budget's (OMB) Office of Federal Procurement Policy (OFPP), with support from the General Services Administration (GSA), has led agencies' efforts to buy these products and services in a more coordinated manner under the category management initiative. The category management initiative is intended to help federal agencies buy like a single enterprise so they can better leverage the government's buying power, save taxpayer dollars, and eliminate duplicative contracts. The category management initiative is also intended to help agencies execute their missions more efficiently and effectively through standing contracts with vendors that have proven track records. For example, in March 2020, OMB advised agencies of the availability of contracts established under the category management initiative when responding to the Coronavirus Disease 2019 (COVID-19) pandemic.¹

OMB has reported that agencies saved \$27.3 billion through the category management initiative from fiscal years 2017 through 2019. For example, OMB has reported that the agencies generally met their category management goals, including aligning up to \$180 billion of annual spending with category management principles and eliminating thousands of duplicative contracts.² OMB has also highlighted the importance of the category management initiative in the 2018 President's

¹Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Managing Federal Contract Performance Issues Associated with the Novel Coronavirus (COVID-19)*, OMB Memorandum M-20-18 (Washington, D.C.: Mar. 20, 2020).

²Appendix I presents government-wide, spending category, and agency performance against category management goals, for fiscal years 2017 through 2019.

Management Agenda, identifying it as a priority goal for the federal government.³

In March 2019, OMB noted that the federal government lacked mechanisms and data to support agency collaboration on common contract solutions, and as a result the federal government has missed opportunities to save billions of dollars. These contract solutions could be used to buy common goods and services.⁴ OMB's statement echoes our own reporting from October 2016, when we found that the category management initiative's predecessor—the Federal Strategic Sourcing Initiative (FSSI)—missed an opportunity to potentially save more than a billion dollars because agencies did not use preferred contracts as often as they could have.⁵ Additionally, at that time we found that agencies were able to achieve savings when federal buyers worked with policy makers to identify and standardize requirements. We also found that the collection and use of data on the prices agencies paid for common products and services was foundational to strategic buying efforts. Further, in 2014, we reported that small businesses had expressed concerns that the category management initiative might reduce their opportunities to win government contracts because the initiative is intended to drive agencies toward fewer, larger procurements.

Given these issues and observations, you asked us to assess the current status of the category management initiative. This report assesses (1) the extent to which OMB has focused on how agencies define requirements for common products and services as part of the initiative, (2) the extent to which agencies face data challenges affecting their implementation of

³The President's Management Agenda is intended to lay out a long-term vision for modernizing the federal government in key areas to improve the ability of agencies to deliver mission outcomes, provide excellent service, and effectively steward taxpayer dollars. Procuring common products and services using common contract solutions has been part of that vision in the management agenda since 2017. The President's Management Agenda may be found at [performance.gov](https://www.performance.gov).

⁴Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Category Management: Making Smarter Use of Common Contract Solutions and Practices*, OMB Memorandum M-19-13 (Washington, D.C.: Mar. 20, 2019).

⁵GAO, *Federal Procurement: Smarter Buying Initiatives Can Achieve Additional Savings, but Improved Oversight and Accountability Needed*, [GAO-17-164](#) (Washington, D.C.: Oct. 26, 2016).

the category management initiative, and (3) small business utilization since the initiative began in 2016.

To identify the extent to which OMB has focused on how agencies define requirements for common products and services as part of the category management initiative, we analyzed OMB's March 2019 memorandum identifying how agencies should implement the initiative and supplemental guidance that GSA issued in May 2019.⁶ Additionally, we reviewed OMB's earlier guidance for category management. The information and communication component of internal control—management uses quality information to support the internal control system—was significant to this objective, along with the related principle that management should internally communicate the necessary quality information to achieve the entity's objectives.⁷ We assessed the extent to which OMB's category management guidance communicates necessary quality information.

We also reviewed how OMB reported on the category management initiative in the 2018 President's Management Agenda and subsequent updates, including how OMB measured 28 agencies' implementation of the initiative and data underlying this reporting. Specifically, we independently applied the methodology that GSA used to obtain the data underpinning its dashboards that show agencies' progress toward meeting OMB category management goals, and recreated nearly 90 percent of the reported cost savings from fiscal years 2017 through 2019. We then checked the calculations reported by GSA and other agency officials. We examined, but did not exhaustively validate, underlying source data used by agencies, such as data from the Federal Procurement Data System-Next Generation (FPDS-NG)—the federal government's online repository for contract data—and agencies' internal

⁶Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Category Management: Making Smarter Use of Common Contract Solutions and Practices*, OMB Memorandum M-19-13 (Washington, D.C.: Mar. 20, 2019); and General Services Administration, *Category Management Guidance* (May 2019). Unlike OMB's March 2019 memorandum and some of OMB's earlier category management memorandums, GSA's supplemental guidance is non-binding.

⁷GAO, *Standards for Internal Control in the Federal Government*, [GAO-14-704G](#) (Washington, D.C.: September 2014).

record systems.⁸ We found the data reported by GSA reliable for our reporting on category management implementation, and determined that the cost savings data were reliable for assessing the accuracy of OMB's reported cost savings for category management.

We also interviewed OMB staff and GSA officials leading implementation of the category management initiative across the federal government, and the senior leaders responsible for managing all 10 categories of common spending across agencies, who are referred to as federal category managers.⁹ Additionally, we assessed how four agencies were implementing the category management initiative. We selected two large agencies identified by OMB and through our prior work as category management leaders—the Departments of the Air Force and Homeland Security (DHS)—and two smaller agencies that OMB reported missed fiscal year 2018 implementation goals—the Departments of Transportation and Commerce. We reviewed key category management documentation from each of these four agencies and interviewed agency officials responsible for implementing the initiative.

To assess the extent to which agencies face data challenges affecting their implementation of the category management initiative, we examined OMB guidance on how agencies should collect and share data and OMB's 2019 Federal Data Strategy.¹⁰ We also interviewed OMB staff and GSA officials, the federal category managers, and officials at our four selected agencies who are responsible for spend analysis and pricing research. To verify agency officials' assertions about data limitations, we

⁸In November 2019, we issued a report on data provided through the USASpending.gov website, and we identified that the website draws contracting-related data from FPDS-NG. Among other things, we found that the quality of data had improved since 2017, but challenges with completeness, accuracy, and the implementation and use of data standards remained. GAO, *DATA Act: Quality of Data Submissions Has Improved but Further Action Is Needed to Disclose Known Data Limitations*, [GAO-20-75](#) (Washington, D.C.: Nov. 8, 2019).

⁹Categories of common spend include Facilities and Construction (GSA), Human Capital (OPM), Industrial Products and Services (GSA), Information Technology (GSA), Medical (DOD/Veterans Affairs), Office Management (GSA), Professional Services (GSA), Security and Protection (DHS), Transportation and Logistics Services (DOD), and Travel (GSA).

¹⁰The Federal Data Strategy is outlined in an OMB memo issued in 2019 and an accompanying action plan. Office of Management and Budget, Memorandum for the Heads of Executive Departments and Agencies: *Federal Data Strategy—A Framework for Consistency*, OMB Memorandum M-19-18 (Washington, D.C.: June 4, 2019).

independently reviewed key data sources, including FPDS-NG and GSA's Acquisition Gateway, a website that collates a wide variety of contracting guidance and tools, including resources intended to help agencies implement the category management initiative.

To assess small business utilization since the initiative began in 2016, we reviewed OMB guidance addressing small business issues under category management, including how agencies should account for small businesses, and responsibilities assigned to the Small Business Administration (SBA) and agencies' Offices of Small and Disadvantaged Business Utilization (OSDBU).¹¹ We also reviewed OMB goals for small business utilization, and analyzed GSA data on small business contract obligations and actions. Further, we reviewed GSA data on the number of small business vendors participating in the initiative since it began, and OMB reporting on the number of potentially duplicative small business contracts eliminated under category management. We also independently applied GSA's methodology for identifying the FPDS-NG data that underpins its small business dashboard and compared our data to what GSA reported. We found the GSA and FPDS-NG data reliable for our reporting on small business utilization under category management.

We also interviewed SBA officials, OSDBU personnel from our four selected agencies, and leaders of four small business advocacy groups: the Professional Services Council, U.S. Women's Chamber of Commerce, National Association of Small Business Contractors/American Small Business Chamber of Commerce, and the National 8(a) Association. We assessed the extent to which the federal government's reporting on small business utilization communicates necessary quality information. Appendix II has more details on our scope and methodology.

We conducted this performance audit from June 2019 to November 2020 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.

¹¹Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Category Management: Making Smarter Use of Common Contract Solutions and Practices*, OMB Memorandum M-19-13 (Washington, D.C.: Mar. 20, 2019).

Background

Over the past two decades, our work has shown how leading private sector companies use acquisition practices like category management and strategic sourcing to manage up to 90 percent of their procurements and achieve savings of 10 to 20 percent on the products and services they buy.¹² OMB issued several memorandums directing government-wide strategic sourcing efforts starting in May 2005. At that time, OMB directed chief acquisition officers to identify commodities that could be purchased more efficiently and effectively through strategic sourcing, and to annually report certain information to OFPP, which could identify several commodities to be strategically sourced government-wide.

In November 2005, GSA and the Department of the Treasury, with support from OFPP, established the FSSI program that managed about a dozen preferred contracts for selected goods and services, such as office supplies and package delivery services. The FSSI program was primarily focused on reorganizing government spending around fewer, larger contracts that secured better pricing for all federal buyers. Noting that a small number of large agencies drive the majority of federal spending, OMB established the Strategic Sourcing Leadership Council in 2012, calling on the seven highest spending agencies to take a leadership role on strategic sourcing.

In 2016, we found that the FSSI program achieved nearly \$500 million in savings over 5 years but that it could have potentially saved more than \$1 billion if agencies had used preferred contracts more often.¹³ We have also reported on small business participation in the FSSI program. In 2014, we found agencies generally considered small businesses in their strategic sourcing initiatives, but data and performance measures for

¹²GAO, *Strategic Sourcing: Leading Commercial Practices Can Help Federal Agencies Increase Savings When Acquiring Services*, [GAO-13-417](#) (Washington, D.C.: Apr. 15, 2013); *Strategic Sourcing: Improved and Expanded Use Could Save Billions in Annual Procurement Costs*, [GAO-12-919](#) (Washington, D.C.: Sept. 20, 2012); *Best Practices: Using Spend Analysis to Help Agencies Take a More Strategic Approach to Procurement*, [GAO-04-870](#) (Washington, D.C.: Sept. 16, 2004); *Best Practices: Improved Knowledge of DOD Service Contracts Could Reveal Significant Savings*, [GAO-03-661](#) (Washington, D.C.: June 6, 2003); and *Best Practices: Taking a Strategic Approach Could Improve DOD's Acquisition of Services*, [GAO-02-230](#) (Washington, D.C.: Jan. 18, 2002).

¹³[GAO-17-164](#).

small businesses utilization were needed.¹⁴ In the 2014 report, we recommended that GSA—which supported OMB’s management of the FSSI program—establish performance measures on the inclusion of small businesses in strategic sourcing initiatives. We also recommended that OFPP monitor agencies’ compliance with the requirement to maintain baseline data and performance measures on small business utilization in strategic sourcing initiatives. To address these recommendations, GSA issued guidance on how to determine baseline data for small business participation in strategic sourcing initiatives and introduced annual requirements for assessing small business participation relative to that baseline. Additionally, OFPP took steps to monitor agencies’ compliance with small business utilization goals that are discussed in more detail in this report. More specifically, on a quarterly basis, OMB has issued publicly available reports on government wide small business utilization in category management.

Category Management Initiative

In December 2014, OFPP established the category management initiative as a successor to the FSSI program. The category management initiative expands on the FSSI program in part by:

- developing common standards in practices and contracts, including terms and conditions;
- improving spend data analysis, which examines how much different buyers are spending on common goods and services, and opportunities to save money;
- sharing prices paid for common goods and services; and
- more frequently using private sector and government best practices.

As part of establishing the initiative, OFPP issued a memorandum that directed executive departments and agencies to take specific actions to implement category management, an acquisition approach intended to help the federal government better manage categories of spending for

¹⁴GAO, *Strategic Sourcing: Selected Agencies Should Develop Performance Measures on Inclusion of Small Businesses and OMB Should Improve Monitoring*, [GAO-14-126](#) (Washington, D.C.: Jan. 23, 2014). DHS and other agencies also implemented our recommendation.

commonly purchased products and services.¹⁵ When OFPP issued the memorandum, it noted that despite some progress in implementing federal strategic sourcing efforts, agencies continued to duplicate procurement efforts and award contracts for similar products and services to the same vendors, imposing significant costs on contractors and agencies. OMB subsequently rebranded the Strategic Sourcing Leadership Council as the Category Management Leadership Council (CMLC), which is chaired by the Administrator of OFPP and comprised of representatives from

- Department of Defense,
- Department of Energy,
- Department of Health and Human Services,
- Department of Homeland Security,
- Department of Veterans Affairs,
- GSA,
- National Aeronautics and Space Administration, and
- SBA.¹⁶

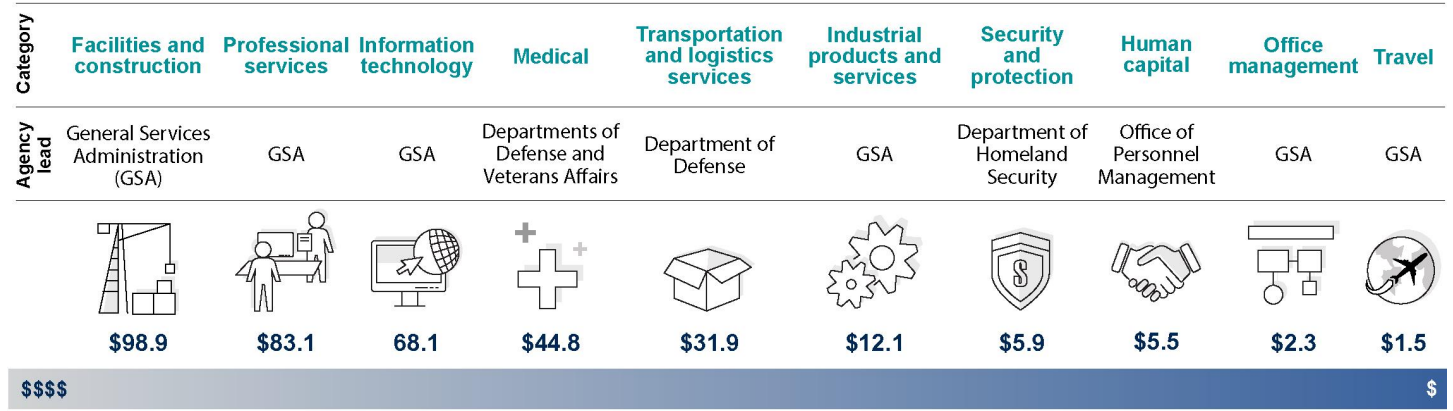
In 2015, the CMLC issued government-wide guidance for the governance, management, and operations of the category management initiative.¹⁷ With OFPP, the council approved 10 common spending categories that cover over \$350 billion of annual federal spending. In February 2016, OFPP appointed government-wide senior leaders to oversee the 10 common areas of spend. These senior leaders are known as federal category managers and come from multiple federal agencies. Figure 1 shows the amount of federal spending directed to each category in fiscal year 2019, and the agencies where the category managers are located.

¹⁵Office of Management and Budget, Office of Federal Procurement Policy, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives: Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings* (Washington D.C.: Dec. 4, 2014).

¹⁶SBA is a nonvoting member of the Category Management Leadership Council.

¹⁷Category Management Leadership Council, *Government-Wide Category Management* (May 2015).

Figure 1: Ten Common Spending Categories (Fiscal Year 2019 Obligations)



Dollars (in billions)

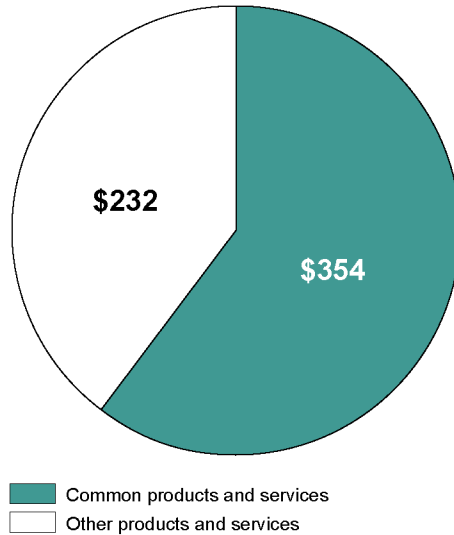
Source: GAO analysis of Office of Management and Budget documentation. | GAO-21-40

Data Table for Figure 1: Ten Common Spending Categories (Fiscal Year 2019 Obligations) (amount in billions)

Facilities and construction	Professional services	Information technology	Medical	Transportation and logistics services	Industrial products and services	Security and protection	Human capital	Office management	Travel
GSA	GSA	GSA	Dept of Defense and Veterans Affairs	Dept of Defense	GSA	Dept of Homeland Security	Office of Personnel Management	GSA	GSA
\$98.9	\$83.1	\$68.1	\$44.8	\$31.9	\$12.1	\$5.9	\$5.5	\$2.3	\$1.5

In fiscal year 2019, these common products and services accounted for over half of the federal government’s overall spending. See figure 2.

Figure 2: Federal Contract Obligations on Common Products and Services as Part of Total Federal Contract Obligations (Fiscal Year 2019, dollars in billions)



Source: GAO analysis of Federal Procurement Data System-Next Generation data. | GAO-21-40

Data table for Figure 2: Federal Contract Obligations on Common Products and Services as Part of Total Federal Contract Obligations (Fiscal Year 2019, dollars in billions)

Common products and services	\$354
Other products and services	\$232

Note: GAO determined how much the federal government spent on common products and services by identifying Product and Service Codes in the Federal Procurement Data System – Next Generation that are aligned with the 10 categories of spending under the category management initiative.

The federal category managers, OFPP, and agencies implementing category management are supported by GSA’s Government-Wide Category Management Program Management Office (PMO). The GSA Category Management PMO provides resources and tools to implement the initiative, including guidance, training, and government-wide data analytics.

Tracking Category Management Performance

The federal government’s Performance Improvement Council is chaired by the Deputy Director for Management at OMB and includes Performance Improvement Officers from each of the 24 Chief Financial

Officers Act agencies, among others.¹⁸ This council identifies metrics for Cross-Agency Priority (CAP) goals, which are high-level federal priorities tracked across the executive branch of the federal government.¹⁹ In 2015, OMB established category management as one of 14 CAP goals, and the Performance Improvement Council has established six metrics to report on the initiative's implementation in quarterly updates in the President's Management Agenda.

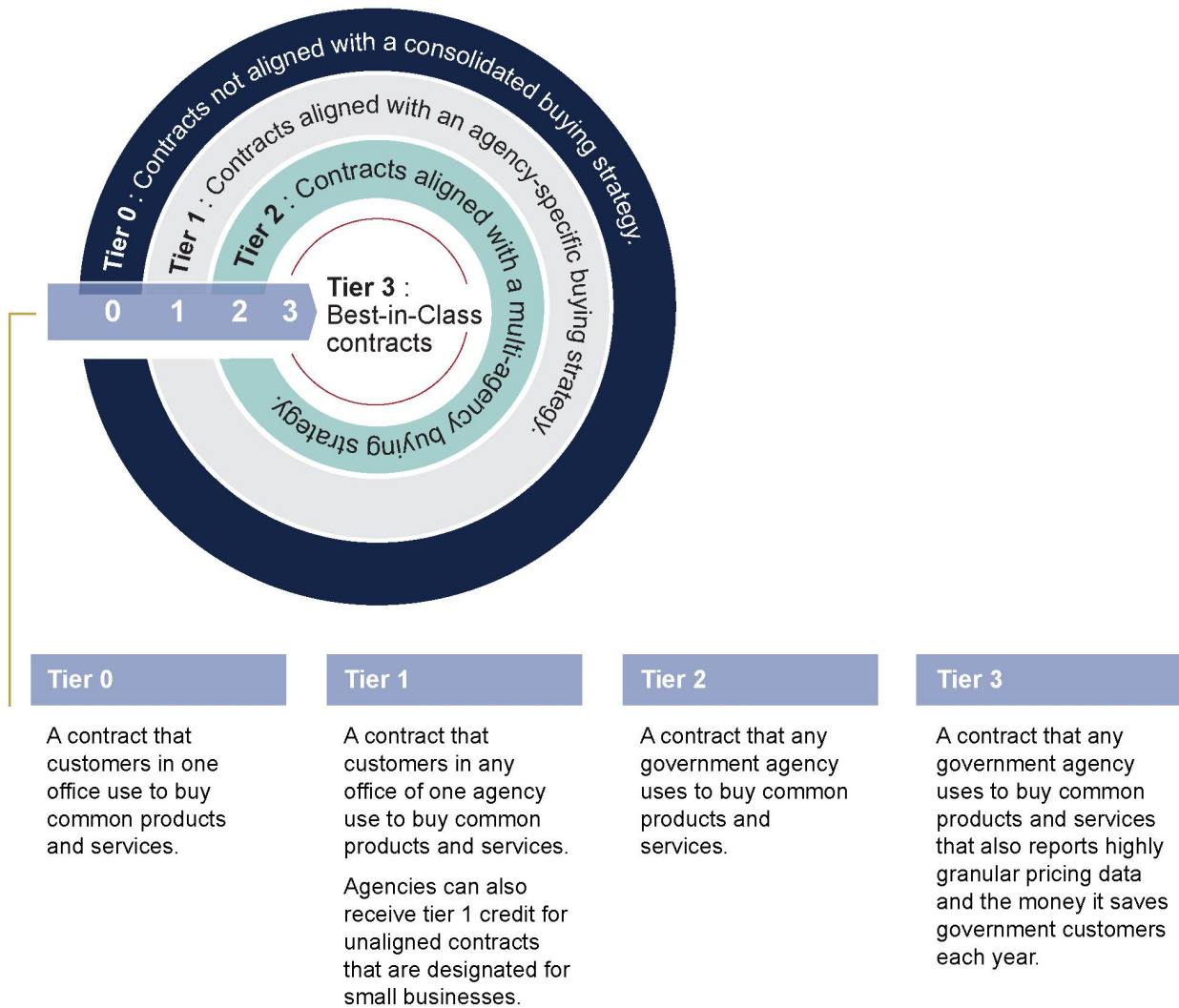
Metric 1: Common Spend Under Management

OMB uses a spend under management (SUM) model to tier contracts according to their alignment with OMB's category management principles. When contracts adhere to those principles—in tiers 1 through 3—that spending is considered “managed.” According to GSA, increasing SUM will decrease costs, contract duplication, and inefficiency; and lead to better buying outcomes. See figure 3.

¹⁸31 U.S.C. § 1124(b)(1).

¹⁹The GPRA Modernization Act of 2010, Pub. L. No. 111-352 (2011), requires the OMB Director to coordinate with agencies to develop federal government long-term priority goals—known as Cross-Agency Priority or CAP goals—which include outcome-oriented goals covering a limited number of crosscutting mission areas, as well as goals to improve management across the federal government. See 31 U.S.C. § 1120(a). OMB identified an interim CAP goal for strategic sourcing in February 2012. In the fourth quarter of fiscal year 2015, OMB changed the CAP goal from strategic sourcing to category management.

Figure 3: The Office of Management and Budget’s Contract Tiers under Category Management



Source: GAO analysis of Office of Management and Budget documentation. | GAO-21-40

Text of Figure 3: The Office of Management and Budget’s Contract Tiers under Category Management

- Tier 0 : Contracts not aligned with a consolidated buying strategy. A contract that customers in one office use to buy common products and services.
- Tier 1 : Contracts aligned with an agency-specific buying strategy. A contract that customers in any office of one agency use to buy common products and services.

Agencies can also receive tier 1 credit for unaligned contracts that are designated for small businesses.

- Tier 2 : Contracts aligned with a multi-agency buying strategy. A contract that any government agency uses to buy common products and services.
- Tier 3 : Best-in-Class contracts A contract that any government agency uses to buy common products and services that also reports highly granular pricing data and the money it saves government customers each year.

OMB tracks SUM at both the government-wide and agency levels, identifying SUM as a percentage of total spending on common products and services. Each fiscal year, OMB assigns each agency an individualized SUM goal. For example, OMB set a goal for DHS to direct at least \$8.3 billion of its annual spending on common products and services through contracts that fall within tiers 1 through 3 in fiscal year 2020.

Metric 2: Spending through Best-in-Class (BIC) Contracts

According to OMB, BIC (or tier 3) contracts offer competitive prices, support consolidated purchasing strategies, and report granular pricing data, among other things. They are intended to offer federal buyers access to pre-vetted government-wide contracts, and increase the prices-paid data available for agency and government-wide analysis of buying behavior for common products and services. By the start of fiscal year 2020, OMB, with input from agencies' acquisition experts, had designated 41 contracts as BIC contracts. For example, OMB designated GSA's City Pair Program, which provides airline tickets to officials from multiple agencies, a BIC contract in 2016. OMB tracks and reports the amount of spending for common products and services obligated through BIC contracts at both the government-wide and agency levels, and gets quarterly savings reports from agency officials who manage those contracts, or BIC administrators. Each fiscal year, OMB assigns agencies individualized BIC goals. For example, in fiscal year 2020, OMB set a goal for the Air Force to direct \$4.3 billion of its spending on common products and services to BIC contracts.

Metric 3: Cumulative Cost Avoidance

OMB tracks and reports cumulative cost avoidance, or savings, using strategic sourcing contracts from fiscal years 2010 to 2015, and BIC contracts from fiscal year 2016 to present.²⁰

Metric 4: Cumulative Reduction in Unique Contracts

Using fiscal year 2016 as a baseline, OMB tracks and reports the percentage reduction of tier 0 contracts that are considered unaligned with category management principles. OMB characterizes these contracts as potentially duplicative, suboptimal solutions.

Metric 5: Performance against Category Management Small Business Goals

At the government-wide level, OMB tracks the percentage of spending on common products and services that is allocated to small businesses. OMB identifies how this spending compares to a 30 percent annual goal, which equals the percentage the federal obligations for common products and services allocated to small businesses in 2016. OMB also establishes category-specific small business goals—which vary by category and year based on input from the federal category managers—and tracks performance against those goals.²¹ To track the baseline and performance metrics, OMB and GSA developed a publicly available federal database that provides information on performance levels on small business utilization by agency, spending category, and for the overall government.

²⁰OMB reports on category management cost avoidance as savings in the President's Management Agenda.

²¹SBA has established small business goals for individual agencies' total contract spending, which would include contract spending on uncommon products and services, such as complex military systems. These goals are designed to allow the agencies to collectively meet a government-wide goal of 23 percent of the total value of all prime contract awards for each fiscal year. In 2019, agencies' small business goals ranged from around 12 percent for the Department of Energy and the US Agency for International Development, to 50 percent or more for the Departments of Agriculture and the Interior.

Metric 6: Number of Personnel Trained in Category Management

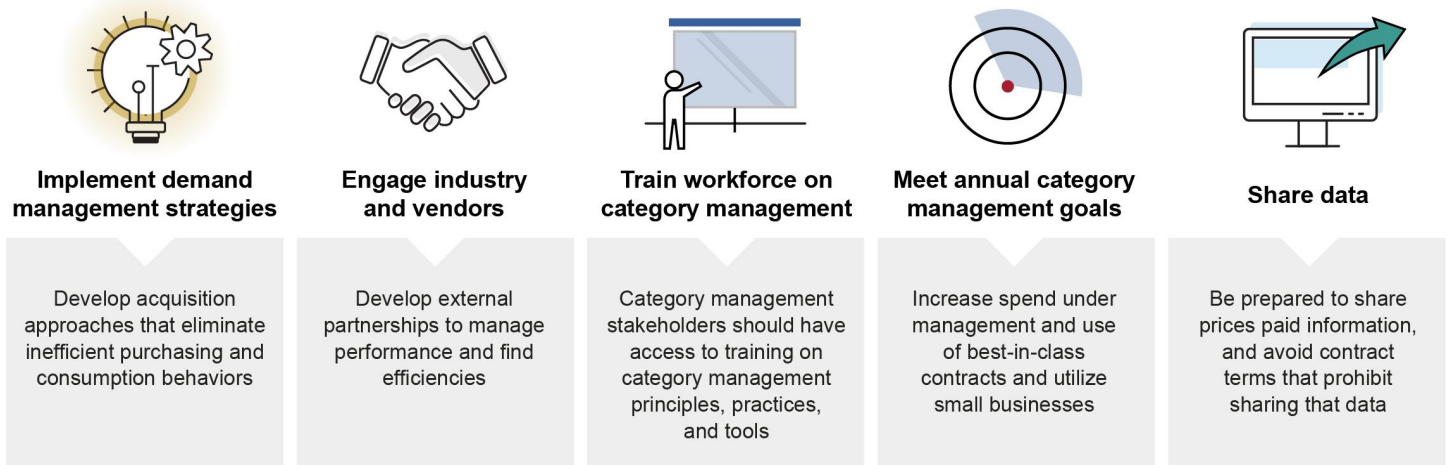
OMB tracks and reports the number of agency staff that complete GSA-delivered courses on category management each fiscal year.

OMB reported in quarterly updates for the category management CAP goal that the federal government generally met category management goals for the six performance metrics in fiscal years 2018 and 2019. See appendix I for detailed information on OMB's reporting against the six metrics. Additionally, throughout this report, we discuss several issues involving the six metrics.

Current Category Management Guidance and Governance Structure

In March 2019, OMB issued its overarching guidance for category management and directed agencies to take five key actions, each of which are accompanied by specific agency steps, in order to further implement the category management initiative. Some of the agency steps under each key action are summarized below (see figure 4).

Figure 4: Office of Management and Budget's Five Key Category Management Actions



Source: GAO analysis of the Office of Management and Budget documentation. | GAO-21-40

Text of Figure 4: Office of Management and Budget's Five Key Category Management Actions

- Implement demand management strategies
Develop acquisition approaches that eliminate inefficient purchasing and consumption behaviors
- Engage industry and vendors
Develop external partnerships to manage performance and find efficiencies
- Train workforce on category management
Category management stakeholders should have access to training on category management principles, practices, and tools
- Meet annual category management goals
Increase spend under management and use of best-in-class contracts and utilize small businesses
- Share data
Be prepared to share prices paid information, and avoid contract terms that prohibit sharing that data

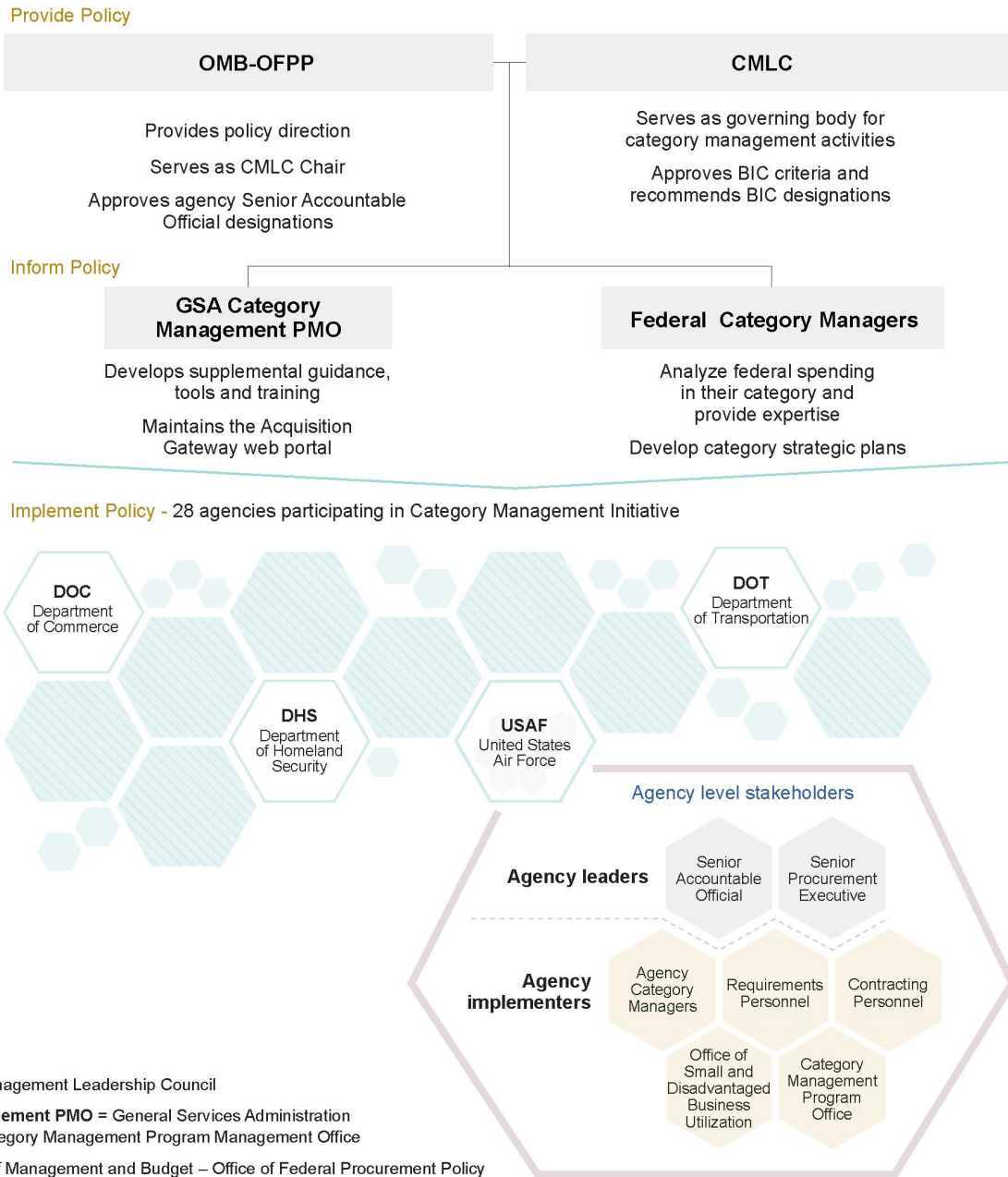
Note: The Office of Management and Budget defines "spend under management" as spending through contracts that adhere to category management principles.

OMB's overarching guidance also established that a Senior Accountable Official (SAO) at each agency should, among other things, approve an annual category management plan for the agency, and ensure execution and performance in relation to goals. By default, SAOs are agencies' Deputy Secretaries or their equivalent unless OMB authorizes another official to serve as an agency's SAO. At their agencies, SAOs help officials in several different roles implement the category management initiative. These different types of roles include

- internal category managers that oversee their agency's categories of spend;
- personnel that assess and set requirements for common products and services, including officials responsible for mission execution and subject matter experts;
- contracting personnel that specialize in acquiring products and services from private sector vendors; and
- small business advocates who ensure agencies buy certain products and services from small businesses when possible.

Figure 5 shows category management stakeholders across the federal government and within individual agencies.

Figure 5: Government-Wide Category Management Initiative's Leaders and Stakeholders



BIC = Best-in-Class

CMLC = Category Management Leadership Council

GSA Category Management PMO = General Services Administration Government-Wide Category Management Program Management Office

OMB OFPP = Office of Management and Budget – Office of Federal Procurement Policy

Source: GAO analysis of Office of Management and Budget and Air Force documentation. | GAO-21-40

Text of Figure 5: Government-Wide Category Management Initiative's Leaders and Stakeholders

- **Provide Policy:** Office of Management and Budget – Office of Federal Procurement Policy,
 - Provides policy direction,
 - Serves as CMLC Chair
 - Approves agency Senior Accountable Official designations
- **Provide Policy:** CMLC = Category Management Leadership Council
 - Serves as governing body for category management activities
 - Approves BIC criteria and recommends BIC designations
- **Inform Policy:** General Services Administration Government-Wide Category Management Program Management Office
 - Develops supplemental guidance, tools and training
 - Maintains the Acquisition Gateway web portal
- **Inform Policy:** Federal Category Managers
 - Analyze federal spending in their category and provide expertise
 - Develop category strategic plans
- **Implement Policy:** - 28 agencies participating in Category Management Initiative

Note: As part of its review, GAO assessed how the four agencies depicted above—the Departments of the Air Force, Commerce, Homeland Security, and Transportation—implemented category management at their respective agencies.

In May 2019, approximately 2 months after OMB issued its overarching category management guidance, the GSA Category Management PMO issued nearly 200 pages of supplemental guidance that detailed how agencies should meet OMB's expectations under the initiative.²² This supplemental guidance expanded significantly on the overarching guidance OMB issued.

²²General Services Administration, *Category Management Guidance* (May 2019).

OMB's Approach Focuses Primarily on Contracting and Misses Opportunities to Enhance How Agencies Define Requirements

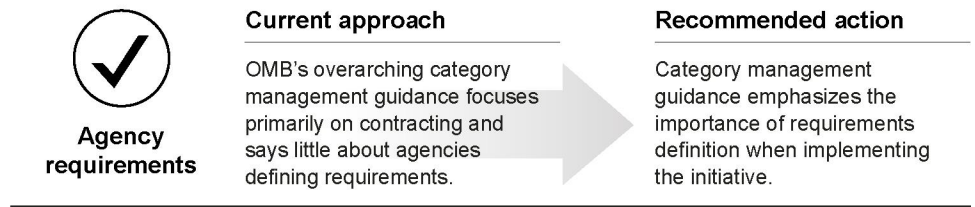
Category management guidance, leading commercial practices, and leading government practitioners emphasize it is critical that agencies effectively define requirements for common products and services before deciding to award contracts to meet those requirements. OMB has addressed requirements for specific commodities in some narrowly-focused guidance documents, but the overarching guidance it issued in March 2019, which is what we found agencies turn to, focuses primarily on implementing the initiative through contracting personnel. Specifically, OMB focused primarily on contracting aspects of the category management initiative, and not on better defining and standardizing requirements, when it

- developed its overarching guidance document,
- oversaw government-wide training efforts,
- designated initiative leaders at certain agencies,
- reported cost savings, and
- established metrics for measuring initiative implementation.

OMB's Overarching Category Management Guidance Focuses on Contracting Processes Much More than Requirements Definition

We found that OMB's overarching guidance for the category management initiative is focused primarily on the contracting aspects of the initiative, whereas an enhanced approach would better address defining requirements, according to supplemental guidance from OMB, GSA, and the CMLC, as well as leading commercial practices and leading government practitioners. See figure 6.

Figure 6: Office of Management and Budget's Guidance for Category Management



Source: GAO analysis of Office of Management and Budget (OMB), General Services Administration, and Category Management Leadership Council documentation. | GAO-21-40

OMB's Overarching Guidance for Category Management

Our analysis of OMB's overarching guidance document for the category management initiative found that it does not focus on how agencies should define requirements before deciding to award a contract to meet those requirements, contrary to what OMB staff told us. Specifically, OMB staff stated that the guidance requires that agencies take actions to better manage requirements and engage various stakeholders in developing strategies, pointing to a requirement that agencies produce annual plans to implement several category management actions outlined in the guidance. However, we reviewed OMB's templates for the annual plans and found that these plans did not directly address how agencies should define requirements before deciding to award a contract. Instead, OMB's template prompts agencies to (1) explain why they are using contracts from different tiers, (2) present training plans, and (3) summarize their demand management and vendor management strategies.

When we interviewed OMB staff about the extent to which the guidance addresses requirements issues, they also noted that the guidance establishes numerous responsibilities for federal category managers, including that they should develop strategic plans for buying common products and services. As an example, OMB staff highlighted the development of a government-wide strategy for procuring working dogs that perform antiterrorism duties such as vehicle and cargo screenings. We interviewed individuals involved with the procurement of the working dogs from DHS, which managed the overall effort, and the Air Force, which led the requirements analysis, and they told us that representatives from multiple agencies worked together to define common requirements, which in this case included appropriate dog breeds and specialized capabilities. These officials identified the working-dogs effort as a good example of how category management can benefit multiple federal agencies.

However, DHS and Air Force officials also noted the federal government needs to apply this type of approach more broadly. Further, we interviewed all of the federal category managers, and most noted that they have limited influence over how agencies define their requirements. Several category managers told us that they encourage agencies to take certain actions, but ultimately have no authority to compel them to act.

When we reviewed OMB's overarching guidance document, we found that it focuses primarily on the contracting aspects of category management.²³ Much of the guidance stresses that agencies should use certain contracts to buy common products and services, and that they should engage the vendor community. The guidance also identifies demand management as an action agencies should take, but it says little about how agencies should define requirements before making decisions to award a contract. Demand management involves, among other things, the practice of eliminating inefficient purchasing and consumption behaviors.

Supplementary Guidance for Category Management

In some of its memorandums focused more narrowly on individual goods and services, OMB has highlighted that defining and standardizing requirements is a key aspect of category management. See appendix II for a full list of the guidance we reviewed. For example, memorandums addressing laptops and mobile devices established that requirements personnel—such as subject matter experts and end users—should shape buying decisions, and explained that assessing and standardizing requirements where possible is fundamental to the category management effort. The memorandums also highlighted that it is essential for contracting officials to collaborate with certain agency officials who are responsible for determining the best way to meet their everyday requirements.

One memorandum, dated October 2015, explained that Chief Information Officers and Chief Acquisition Officers have joint but unique responsibilities for implementing category management, and that they

²³Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Category Management: Making Smarter Use of Common Contract Solutions and Practices*, OMB Memorandum M-19-13 (Washington, D.C.: Mar. 20, 2019).

must work together to develop implementation plans.²⁴ Our prior work notes that Chief Information Officers are more familiar with agency information technology requirements and can identify common hardware needs, while Chief Acquisition Officers are knowledgeable about various contracting approaches that can help meet agency requirements.²⁵

Similarly, in 2015 and 2019, the CMLC issued guidance that identifies the role of agency requirements experts in interagency category teams. However, when we interviewed agency officials about how they were implementing category management, most did not make any reference to these supplementary, nonbinding guidance documents. Instead, they focused on OMB's overarching category management memorandum to guide their implementation efforts, noting it outlines actions they are required to take.

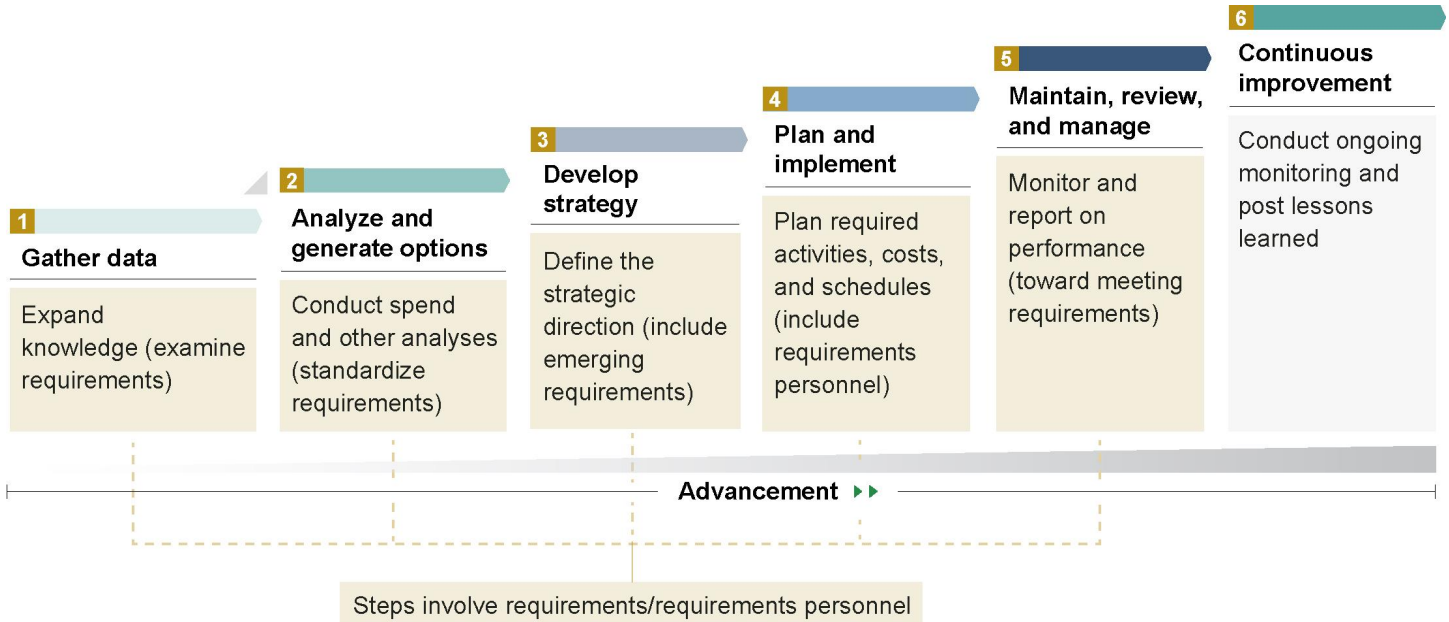
GSA's most recent 2019 category management guidance also emphasizes that personnel who assess and define requirements play a key role in implementing the initiative.²⁶ Figure 7 shows the steps in GSA's Category Management PMO process guidance, and a partial description of the significance of personnel who define requirements.

²⁴Chief Information Officers are intended to advise agency leadership to ensure that information technology is acquired and information resources are managed for the executive agency in a manner that implements the policies and procedures. Chief Acquisition Officers advise and assist agency leadership to help ensure that the agency's mission is achieved through the management of its acquisition activities.

²⁵GAO, *Chief Acquisition Officers: Appointments Generally Conform to Legislative Requirements, but Agencies Need to Clearly Define Roles and Responsibilities*, [GAO-12-792](#) (July 26, 2012); and GAO, *Federal Chief Information Officers: Critical Actions Needed to Address Shortcomings and Challenges in Implementing Responsibilities*, [GAO-18-93](#) (August 2, 2018).

²⁶See General Services Administration, *Category Management Guidance* (May 2019).

Figure 7: Category Management Process and the Role of Requirements, per May 2019 Guidance from the General Services Administration’s Category Management Program Management Office



Source: GAO analysis of General Services Administration documentation. | GAO-21-40

Text of Figure 7: Category Management Process and the Role of Requirements, per May 2019 Guidance from the General Services Administration’s Category Management Program Management Office

6 steps of management process:

1. Gather Data
2. Analyze and generate options
3. Develop strategy
4. Plan and implement
5. Maintain, review, and manage
6. Continuous improvement

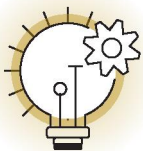
Officials from the Departments of Transportation and Commerce told us the GSA Category Management PMO guidance helped them develop and further advance their category management efforts. However, we also found that not all agency officials responsible for category management implementation know the supplementary guidance exists.

The information and communication component of GAO Standards for Internal Control in the Federal Government states that management should internally communicate information necessary to achieve objectives.²⁷ Until OMB better communicates the importance of defining and standardizing requirements, agencies that are not familiar with the supplementary guidance documents from the CMLC and GSA are at increased risk of missing opportunities to more fully implement the category management initiative.

Leading Commercial Practices and Agency Practitioners’ Requirements-Driven Approaches

We previously reported that leading companies identified the importance of requirements definition and standardization for their category management efforts, particularly for acquiring services.²⁸ Our 2013 report on leading commercial practices showed that companies’ strategies were based on current and projected requirements among other factors, and that standardizing requirements provided additional cost savings. We also found that leading companies extensively consulted requirements experts early in the development of category management strategies. Leading agency practitioners similarly told us that engaging requirements experts, as suggested in the CMLC and GSA Category Management PMO guidance, has allowed them to increase cost savings significantly at their agencies, and meet mission needs more effectively. See examples below.

Office of Management and Budget Key Category Management Practice



Implement demand management strategies

Develop acquisition approaches that eliminate inefficient purchasing and consumption behaviors

Source: GAO analysis of Office of Management and Budget documentation. | GAO-21-40

Example 1: The U.S. Air Force. At the Air Force, the contracting community led the strategic sourcing efforts that preceded category management. According to an internal Air Force study from 2014, these strategic sourcing efforts were not widely adopted because the contracting personnel did not control requirements or the related budgets, and lacked the incentives and authority to implement strategic sourcing. Air Force officials told us they learned from that experience that the department’s internal category managers should be requirements personnel who are responsible for both completing missions and managing the associated budgets. In addition to defining and standardizing requirements, Air Force officials explained that requirements personnel are in the best position to implement demand

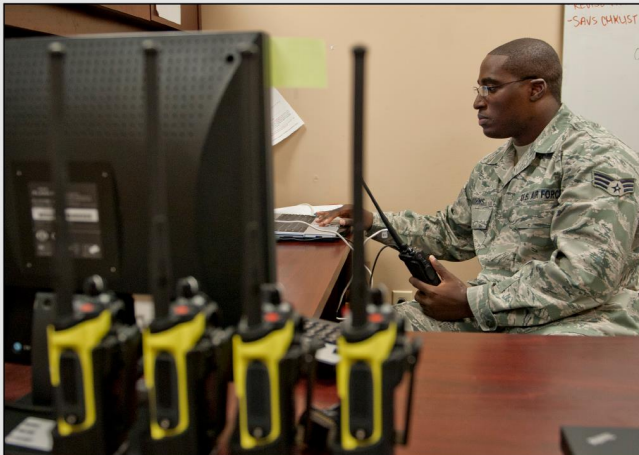
²⁷GAO-14-704G.

²⁸GAO-13-417.

management strategies that can eliminate inefficient purchasing and consumption behavior after an agency has decided to award a contract.

The Air Force's strategy for purchasing land mobile radios—including hand-held devices, software, and maintenance support—demonstrates how better defining requirements can lead to savings by paying for only the capabilities an agency truly needs.²⁹ For more details on the Air Force's land mobile radios acquisition, see figure 8 below.

Figure 8: Air Force Acquisition of Land Mobile Radios



Source: U.S. Air Force.

Air Force Land Mobile Radios

Air Force requirements staff told us they analyzed the department's use of land mobile radios, and found they had excess inventory and were paying for capabilities they were not using.

- These officials told us they assessed the last use date of a portion of the department's 235,000 devices, which were owned by one of the department's major commands and found that over the course of 9 months, about 60 percent of the devices were not used—presenting a significant opportunity to manage consumption and demand.
- The Air Force officials also told us they found they were paying more to get devices that could transmit classified information even though the devices were not approved for classified use.

These officials told us they would have missed out on significant cost savings if they had just focused on replacing the existing devices through a Best-in-Class contract, and not first assessed the underlying requirements.

Source: GAO analysis of Air Force documentation. | GAO-21-40

²⁹GAO previously reported on federal procurement of land mobile radios in 2016. See GAO, *Emergency Communications: Improved Procurement of Land Mobile Radios Could Enhance Interoperability and Cut Costs*, [GAO-17-12](#) (Washington, D.C.: Oct. 5, 2016).

Text of Figure 8: Air Force Acquisition of Land Mobile Radios

Air Force Land Mobile Radios

- Air Force requirements staff told us they analyzed the department’s use of land mobile radios, and found they had excess inventory and were paying for capabilities they were not using.
 - These officials told us they assessed the last use date of a portion of the department’s 235,000 devices, which were owned by one of the department’s major commands and found that over the course of 9 months, **about 60 percent** of the devices were not used—presenting a significant opportunity to manage consumption and demand.
 - The Air Force officials also told us they found they were **paying more** to get devices that could transmit classified information even though the devices were not approved for classified use.
- These officials told us they would have missed out on significant cost savings if they had just focused on replacing the existing devices through a Best-In-Class contract, and not first assessed the underlying requirements.

Air Force officials told us that a contract-centric approach to meeting the Air Force’s land-mobile-radio requirement would have focused on identifying a BIC contract to replace the radios, and missed the opportunity to substantially reduce costs by reducing the number of units purchased. Additionally, Air Force officials noted that a contract-centric approach to meeting the requirement would have limited opportunities to reduce the total cost of ownership, including operations and maintenance costs. Our prior work and Air Force documentation shows that these later costs can often exceed initial purchase prices.³⁰ See figure 9.

³⁰GAO, *Weapon Systems Annual Assessment: Limited Use of Knowledge-Based Practices Continues to Undercut DOD’s Investments*, [GAO-19-336SP](#) (Washington, D.C.: May 7, 2019). Air Force, *Category Intelligence Report: HVAC and Controls* (May 30, 2018).

Figure 9: Cost Considerations in a Total Cost of Ownership Approach



Source: GAO analysis of Air Force documentation. | GAO-21-40

According to Air Force officials, over a 5-year period, the department will now save an estimated \$194 million on its land mobile radios. They also told us that focusing more on requirements could result in billions of additional savings for agencies, and that OMB should emphasize requirements definition more in category management guidance. Air Force officials told us the savings resulting from requirements assessments—which took into account total ownership costs and not just the purchase price—have enabled the Air Force to achieve greater mission capability because the department was able to reinvest savings in other priority projects that the Air Force could not afford previously. This statement is consistent with our previous findings identifying that

leading companies focused on total cost of ownership as a foundational principle of strategic buying.³¹

Office of Management and Budget Key Category Management Practice



Engage industry and vendors

Develop external partnerships to manage performance and find efficiencies

Source: GAO analysis of Office of Management and Budget documentation. | GAO-21-40

Example 2: Department of Homeland Security. DHS’s category management team analyzes requirements and helps DHS components make purchasing decisions that meet their mission-specific needs effectively and efficiently. For example, DHS has established commodity councils—such as the Weapons and Ammunition Commodity Council—that actively manage the department’s demand for common products and services by (1) enabling requirements personnel to standardize their requirements across the department, and (2) providing a dedicated venue for requirements personnel to collaborate with contracting officials.

In one example, according to a DHS category management leader, requirements personnel collaborated with contracting officials to improve the contracting officials’ understanding of body armor requirements. Subsequently, the DHS team engaged vendors to find a better way to meet the department’s mission needs. For more details on the body armor acquisition, see figure 10.

Figure 10: Department of Homeland Security Acquisition of Body Armor



Source: Defense Visual Information Distribution Service.

Department of Homeland Security (DHS) Body Armor

The director of the DHS strategic sourcing program office that leads their category management efforts told us the department examined its need for body armor, reviewed existing contracts, and identified opportunities to work with the vendor community to reduce costs and better meet their requirements.

- DHS officials said they subsequently negotiated a new contract with small businesses with unit pricing 36 to 46 percent below the pricing on a pre-existing General Services Administration contract.
- Additionally, the director told us the new contract provided a longer warranty and increased contractor quality assurance testing. The additional testing is designed to demonstrate the body armor meets DHS standards.

Source: GAO analysis of Department of Homeland Security documentation. | GAO-21-40

³¹GAO-13-417

Text of Figure 10: Department of Homeland Security Acquisition of Body Armor

Department of Homeland Security Body Armor

- The director of the DHS strategic sourcing program office that leads their category management efforts told us the department examined its need for body armor, reviewed existing contracts, and identified opportunities to work with the vendor community to reduce costs and better meet their requirements.
 - DHS officials said they subsequently negotiated a new contract with small businesses with unit pricing 36 to 46 percent below the pricing on a pre-existing General Services Administration contract.
 - Additionally, the director told us the new contract provided a longer warranty and increased contractor quality assurance testing. The additional testing is designed to demonstrate the body armor meets DHS standards.

DHS officials estimate that the new body-armor contract will generate about \$77 million in savings over a 5-year period. DHS officials told us the cost savings will allow the department to increase its overall mission capability by reinvesting the savings in other areas. Additionally, increased quality assurance testing enhances confidence that the body armor will provide DHS personnel the protection they need when executing the department's various missions.

OMB Has Not Taken Key Steps to Train Requirements Personnel and Align Training Goals with Agency Needs

Some of OMB's narrowly-focused memorandums, GSA's Category Management PMO guidance, and leading practitioners have identified that officials responsible for assessing requirements are critical to category management implementation. GSA Category Management PMO guidance states that key stakeholders in the category management initiative should receive tailored training to ensure proficiency and understanding of category management techniques and processes.³² OMB staff told us that several category management training seminars have targeted SAOs, but also acknowledged that additional tailored training would be helpful as the initiative continues to evolve. OMB staff have similarly acknowledged that tailored training for requirements

³²See General Services Administration, *Category Management Guidance* (May 2019).

personnel would be beneficial. However, OMB has not yet requested data from the agencies on the types of personnel—such as those responsible for defining requirements—that need to be trained. Several agency officials told us that trained requirements personnel could significantly advance implementation of the category management initiative. OMB has opportunities to enhance its approach to government-wide category management training by developing more tailored training and training goals for requirements personnel. See figure 11.

Figure 11: Government-Wide Category Management Training



Source: GAO analysis of Office of Management and Budget (OMB), General Services Administration, and Category Management Leadership Council documentation. | GAO-21-40

Text of Figure 11: Government-Wide Category Management Training

Training

1) Current Approach

- a) OMB has primarily approved one-size-fits-all category management training courses, and
- b) OMB sets training goals by incrementally increasing from the previous year goal.

2) Recommended actions

- a) Requirements personnel and Senior Accountable Officials receive additional tailored training, and
- b) training goals account for agency needs.

Training course content

We found that OMB offered generalized category management training courses with content focused on contracting rather than requirements and requirements personnel. Specifically, the GSA Category Management

PMO has developed several OMB-approved category management training courses. We participated in these courses and found they were focused primarily on contracting activities, without a similar focus on defining requirements.

- The Fundamentals of Category Management course provided a broad overview of category management, described the initiative at a high level, introduced the overarching guidance OMB issued in March 2019, and identified the responsibilities of contracting personnel. The course did not identify how various stakeholders—such as SAOs and requirements personnel—should contribute to category management implementation.
- Two courses on the Category Management Acquisition Playbook focused on contract-related topics, including how agencies can track their progress toward contract-related goals and how to update their list of contracts considered under management.
- A course that presented web-based tools developed by the GSA Category Management PMO demonstrated how contracting personnel can buy common products and services and track their agency's performance against OMB goals. For example, GSA officials demonstrated how contracting personnel can use a search tool to find BIC contracts by product or vendor, and how agency officials can use the small business dashboard to identify the amount of obligations to small businesses.

OMB staff and GSA Category Management PMO officials told us that these courses are intentionally general and available to anyone interested in taking them. They are also generally recorded and available to view on the Acquisition Gateway.

In addition to these courses, the GSA Category Management PMO has also provided seminars on topics such as demand, vendor, and data management that allow agencies to share leading practices. These seminars offer agency officials the opportunity to engage with their peers about specific category management topics. We participated in one of these seminars and observed contracting personnel sharing information about market research techniques. GSA officials told us the seminars are not typically intended to train specific audiences. OMB staff told us some training has specifically targeted SAOs, who often have direct authority over budgets and the staff that set requirements for common products or services, and agreed that additional tailored training for SAOs would be helpful as the initiative continues to evolve.

Agency officials at all four of our selected agencies also told us that additional tailored training would be helpful, and several officials said SAOs and requirements personnel in particular should receive tailored training because they are in the best position to more fully realize category management's benefits. Officials at two of the agencies we spoke to told us they have already developed their own category management training that is more specific and tailored than the GSA training. The Air Force has developed four tailored training courses for their category management specialists, who are typically requirements personnel. DHS has also developed customized training for program managers that focuses on their needs and how category management can benefit them.

OMB staff told us they understand the value of tailored category management training for agency personnel responsible for defining and standardizing requirements. At the conclusion of our review, OMB staff told us they were taking steps to develop tailored training for requirements personnel, but did not provide timeframes for developing this training. Without tailored training, officials responsible for assessing requirements and agencies' SAOs will lack the information needed to more effectively implement the category management initiative and realize the associated benefits.

Training goals

According to OMB Circular A-11, agencies' goals should reflect careful analysis of the problems and opportunities they seek to influence to advance their mission.³³ However, OMB has not requested that agencies identify what types of personnel require category management training. For example, OMB has not requested that agencies identify how much training is needed by personnel who define requirements for common products and services. For fiscal years 2018 and 2019, OMB increased the annual government-wide training goal for GSA-provided category management training without assessing whether that number represented the actual training needed by personnel across federal agencies.

Starting in fiscal year 2020, OMB requested that agencies provide information on the number of personnel they planned to train that year, and OMB staff told us they intend to compare this information to agency-

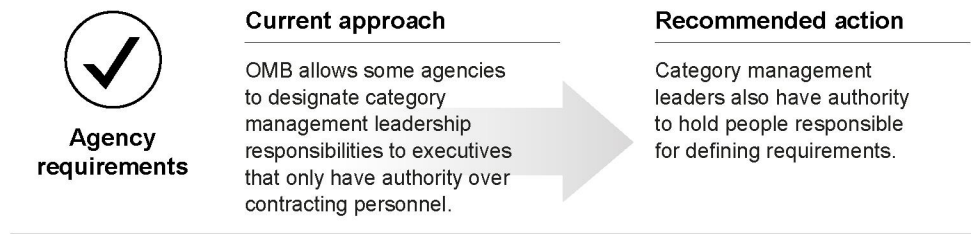
³³Office of Management and Budget, *Preparation, Submission, and Execution of the Budget*, Circular No. A-11 (July 2020).

specific training goals that OMB is introducing in fiscal year 2021. This comparison will identify the overall gap between the agencies' training plans and OMB's training goals, but will not identify any gap between OMB's training goals and the agencies' training needs for specific personnel, such as those responsible for defining requirements. As a result, OMB's training goals will continue to miss opportunities to ensure that key category management stakeholders are receiving the training needed to effectively implement the category management initiative.

OMB Allows Agencies to Delegate Category Management Leadership Responsibility to Managers with Little Influence over Requirements

OMB Circular A-11 states that Chief Operating Officers will ensure that SAOs have the tools and authority needed to manage both within and across organizational boundaries to deliver better results in the most cost-effective way.³⁴ Moreover, OMB's overarching category management guidance states that the SAO responsible for category management implementation at a federal agency shall be the Deputy Secretary or equivalent, unless another official is identified by the agency and agreed upon by OMB. The agencies we reviewed that have implemented category management most successfully—the Air Force and DHS—have SAOs with broad authority over personnel responsible for assessing requirements for common products and services. However, OMB has allowed some agencies to designate category management leadership positions to contracting leaders, whereas a recommended approach would consistently delegate these positions to leaders who have authority over both requirements and contracting personnel. See figure 12.

Figure 12: Federal Agencies' Category Management Leaders



Source: GAO analysis of Office of Management and Budget (OMB) and General Services Administration documentation. | GAO-21-40

³⁴Office of Management and Budget Circular No. A-11.

Air Force and DHS officials emphasized the importance of having leaders in a position to set priorities for requirements personnel and hold them accountable for implementing category management practices. For example, at the Air Force, the Deputy Under Secretary for Management is the SAO, and regularly meets with requirements personnel—such as the Air Force’s Deputy Chief Information Officer and the Director of the Civil Engineering Center—to get updates on how they are advancing the department’s category management efforts.³⁵

However, we found that OMB allowed nine of the 28 agencies implementing the category management initiative to designate chief acquisition officers, senior procurement executives, or other contracting leaders as the SAOs. OMB staff told us that they followed their guidance for designating SAOs, and that some of the designations to contracting leaders were made because of vacancies at the Deputy Secretary-level. However, we found that such designations remained with contracting leaders even after vacancies had been filled. Senior category management leaders across multiple agencies told us that contracting leaders are not positioned to be effective SAOs because they do not control requirements or budget decisions. Without ensuring that all SAOs have authority over requirements and budget decisions, OMB is missing an opportunity to further leverage the government’s buying power through category management.

OMB Does Not Report Cost Savings by Agency

OMB currently reports the category management initiative’s cost savings as a cumulative government-wide figure, rather than by agency. OMB staff told us they do not report on cost savings by agency because they collect cost savings information on a contract basis, and that these contracts provide products and services across agencies. GSA Category Management PMO officials told us that some but not all of the officials who manage the BIC contracts break out savings by agency. Officials at all four of our selected agencies told us that reporting on cost savings by agency would increase support for the initiative because it would more clearly demonstrate the benefits of category management to agency personnel who manage budgets and requirements. This perspective is

³⁵The Deputy Chief Information Officer and the Director of the Civil Engineering Center are the agency-level category managers for the IT and Construction areas of spend within the Air Force.

consistent with our previous reporting, as we have identified that programs' performance information must be presented in a way that is useful to those who rely on it to help assess and manage federal programs.³⁶ Figure 13 identifies an opportunity OMB has to improve how it reports cost savings, and in the process garner greater support from agency officials who manage requirements and control budgets.

Figure 13: Office of Management and Budget's Reporting on Category Management Cost Savings



Source: GAO analysis of Office of Management and Budget (OMB), Department of Homeland Security, and Air Force documentation. | GAO-21-40

OMB Is Working to Improve Methodologies for Estimating Cost Savings

In practice, OMB's reported cost savings in the President's Management Agenda are cost estimates, and should adhere to key practices for cost estimating. OMB and others can use federal contracting data to identify how much agencies have actually spent on common products and services, but they do not know how much agencies would have spent if they had used alternative contracts, and therefore must estimate the difference.

Our Cost Estimating Guide states that a high-quality cost estimate is (1) accurate, (2) well documented, (3) credible, and (4) comprehensive.³⁷ We found that most of OMB's reported cost savings for category management were accurate and well-documented, and that OMB is working to improve its reported cost savings across all four of the characteristics.

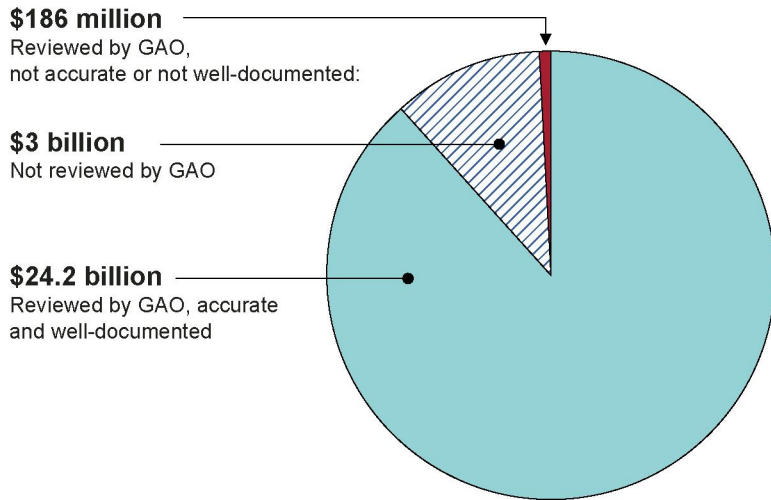
³⁶GAO, *Effectively Implementing the Government Performance and Results Act*, [GAO/GGD-96-118](#) (Washington, D.C.: June 1996).

³⁷GAO, *GAO Cost Estimating and Assessment Guide*, [GAO-20-195G](#) (Washington, D.C.: March 2020).

Accurate and well-documented. We found that nearly all of OMB’s reported cost savings for category management we reviewed were accurate, meaning they were free of mathematical errors, and well-documented, both in terms of their methodologies and source data. See figure 14.

Figure 14: Nearly All of the Cost Savings Reported by the Office of Management and Budget and Reviewed by GAO Were Accurate and Well-Documented

Reported category management cost savings from fiscal years 2017 to 2019, in billions of dollars.



Source: GAO analysis of cost savings information provided by Best-in-Class contract administrators. | GAO-21-40

Data table for Figure 14: Nearly All of the Cost Savings Reported by the Office of Management and Budget and Reviewed by GAO Were Accurate and Well-Documented

Reported category management cost savings from fiscal year 2017 to 2019, in billions of dollars.

Reviewed by GAO, not accurate or not well-documented:	\$186 million
Not reviewed by GAO	\$3 billion
Reviewed by GAO, accurate and well-documented	\$24.2 billion

Note: We did not attempt to review \$3 billion, or 11 percent, of the reported savings because it was spread over nearly 30 contracts. We focused on the seven Best-In-Class contracts that accounted for nearly 90 percent of all reported savings during fiscal years 2017-2019.

GSA officials told us that the GSA Category Management PMO regularly reviews cost savings submissions from the BIC administrators, which has

helped OMB avoid reporting inaccurate numbers, or numbers not supported by documentation. As a result, agency officials can be more confident than they otherwise would be that BIC solutions are providing them cost effective solutions.

Credible. We identified opportunities to improve the credibility of the underlying methodologies, that is, increase users' of confidence that BIC savings estimates are based on sound price comparisons. We analyzed the methodologies used to calculate cost savings for each of the 41 BIC contracts, and determined that all of the methodologies met basic OMB criteria for calculating savings. Nonetheless, several agency officials told us they doubted the credibility of the savings reported for some of the BIC contracts. Additionally, we found the GSA Category Management PMO had identified specific actions officials could take to improve the credibility of the cost-savings calculations for 26 of the 41 BIC contracts.

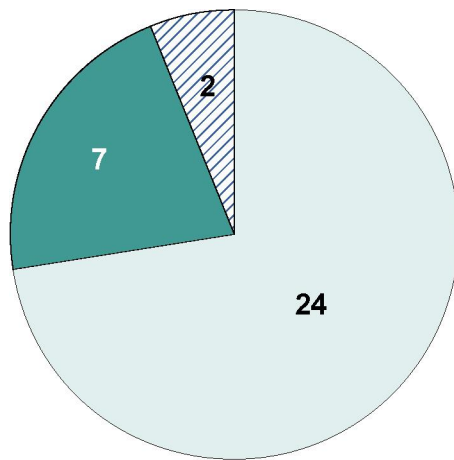
A 2018 GSA Category Management PMO-commissioned assessment of methodologies for calculating BIC cost savings examined methodological aspects of the calculations.³⁸ This assessment included the types of baselines the BIC administrators used to calculate cost savings, and assessed how often they updated benchmark comparison prices. For example, the assessment found that the Office Supplies BIC contract calculated savings by comparing its prices against the lowest quartile of prices for the same items, and that the BIC contract for pharmaceuticals managed by DOD compared its prices against previously paid prices. In some cases, multiple BIC contracts used the same methodology to calculate cost savings, so the report assessed a total of 33 unique methodologies. These 33 methodologies covered the 36 BIC contracts that existed at the time of the assessment. OMB subsequently designated five additional contracts as BIC, for a total of 41 BIC contracts at the start of fiscal year 2020.

The assessment assigned confidence ratings to the BIC administrators' cost savings methodologies on a scale of low, medium, and high. The assessment explained that some lower confidence methodologies compare BIC prices to what a customer would pay for a single unit in the marketplace. In contrast, higher confidence methodologies compare BIC prices to benchmarks that account for quantities purchased and price changes over time. Higher confidence methodologies—like the two


³⁸The assessment, conducted by contractors Privatin Consulting, Censeo Consulting Group Inc., and Deloitte, was completed in December 2018.

described above for office supplies and pharmaceuticals—produce more credible cost savings estimates. Figure 15 depicts the confidence level assessments of the 33 unique methodologies used to calculate cost savings for the BIC contracts.

Figure 15: Assessments from 2018 Review of Methodologies Used to Calculate Cost Savings for Best-in-Class Contracts



Confidence ratings

-  Low
-  Medium
-  High

Source: GAO analysis of Privatix Consulting, Censeo Consulting Group, and Deloitte report. | GAO-21-40

Data table for Figure 15: Assessments from 2018 Review of Methodologies Used to Calculate Cost Savings for Best-in-Class Contracts

Confidence ratings	Assessment number
Low	2
Medium	24
High	7

OMB staff told us they subsequently directed agency officials responsible for BIC contracts with medium and low confidence methodologies to take specific actions to improve the credibility of their cost savings calculations. For example, the GSA Category Management PMO recommended that some BIC administrators calculate cost savings by comparing the actual prices they paid to the lowest commercially available price, rather than an average price. The GSA Category Management PMO acknowledged this would reduce the reported cost savings figure, but said it is in the best interest of the initiative in the long term because agencies will be more confident they are getting the best

prices when they use BIC contracts. OMB and GSA officials told us they will continue to monitor and report on efforts to improve BIC contracts' cost estimating methodologies.

Comprehensive. The scope of OMB's reporting on the category management initiative's cost savings is relatively narrow and therefore does not meet our best practices to be comprehensive. In the President's Management Agenda, OMB reports on cost savings derived from BIC contracts, but does not account for billions of additional dollars in savings that agencies are identifying through the use of other SUM contracts and demand management activities. For example, in fiscal year 2019, obligations under BIC contracts were nearly \$38 billion compared to nearly \$144 billion obligated under other SUM tier contracts.

OMB staff and GSA Category Management PMO officials told us that the decision to limit cost savings reporting to BIC contracts was made shortly after the initiative began, because most BIC contracts regularly provide granular price data that help facilitate cost savings calculations based on price differences. GSA Category Management PMO officials told us they have efforts underway to account for cost savings in a more comprehensive manner in the future.

OMB's Category Management Metrics Focus Exclusively on Contracting Activities

In our prior work, we have noted that government agencies often face competing demands that force policymakers to balance quality, cost, and stakeholder concerns.³⁹ At that time, we emphasized that performance measurement systems should reflect these competing demands and not overemphasize one or two priorities at the expense of others. We have also previously reported that some CAP goals could better align with desired outcomes.⁴⁰ Nonetheless, all six of the performance metrics and annual category management goals OMB has established are contracting-centric, and none target requirements-related activities that are critical to category management implementation. See table 1.

³⁹[GAO/GGD-96-118](#).

⁴⁰GAO, *Managing for Results: OMB Improved Implementation of Cross-Agency Priority Goals, but Could Be More Transparent About Measuring Progress*, [GAO-16-509](#) (Washington, D.C., May 20, 2016).

Table 1: The Office of Management and Budget’s Performance Metrics for Category Management

Performance metric	Relationship to contracting
Common spend under management	Measures agencies use of certain contracts
Spending through Best-in-Class contracts	Measures agencies use of certain contracts
Cumulative cost avoidance	Measures price differences from using Best-in-Class contracts
Cumulative reduction in unique contracts	Measures number of active contracts
Performance against small business goals	Measures agencies use of certain contracts
Number of personnel trained in category management	Measures number of people that have taken contract-centric training

Source: GAO analysis of Office of Management and Budget documentation. | GAO-21-40

Note: The Office of Management and Budget defines ‘common spend under management’ as spending through contracts for common products and services that adhere to category management principles.

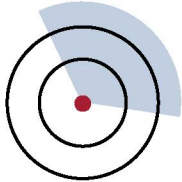
OMB has opportunities to advance its approach to measuring implementation of the category management initiative by better accounting for requirements-related activities. See figure 16.

Figure 16: Office of Management and Budget’s Metrics for Measuring Agencies’ Implementation of Category Management



Source: GAO analysis of Office of Management and Budget (OMB) and General Services Administration documentation. | GAO-21-40

Office of Management and Budget Key Category Management Practice

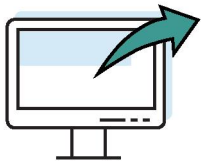


Meet annual category management goals

Increase spend under management and use of best-in-class contract solutions and utilize small businesses

Source: GAO analysis of Office of Management and Budget documentation. | GAO-21-40

Office of Management and Budget Key Category Management Practice



Share data

Be prepared to share prices paid information, and avoid contract terms that prohibit sharing that data

Source: GAO analysis of Office of Management and Budget documentation. | GAO-21-40

GSA Category Management PMO officials told us the metrics do not target requirements-related activities in part because developing metrics for those activities is less straightforward than developing metrics for contract-centric activities. They also said applying metrics for requirements-related activities would contribute to a strategic shift in how the category management initiative is implemented, focusing more on evaluating agencies' activities as opposed to analyzing procurement data. The CMLC, which includes representatives from the largest buying agencies in the federal government—including leading category management practitioners such as the Air Force, which is represented by DOD, and DHS—is well-positioned to help OMB, the Performance Improvement Council, and the GSA Category Management PMO establish requirements-related metrics. Until OMB establishes requirements-related metrics, agency officials responsible for category management implementation will continue to focus on contracting activities at the expense of activities addressing requirements, and miss opportunities to achieve greater savings and efficiencies.

Poor Data Hinders Agencies' Efforts to Implement Category Management and Realize the Initiative's Benefits

OMB guidance establishes that the category management initiative is fundamentally a government-wide, data-driven decision-making process intended to improve the federal government's ability to buy as a single enterprise.⁴¹ However, in the course of our review, officials at every level of the initiative—including category managers, SAOs, and officials helping SAOs implement category management at selected agencies—told us they face numerous challenges collecting, analyzing, and sharing both prices-paid data and spending data, and that those challenges have hindered their ability to implement the category management initiative.

OMB is aware of these government-wide challenges, and in the overarching guidance it issued in March 2019, OMB directed agencies to take certain steps on their own to address them. However, in June 2019,

⁴¹Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Category Management: Making Smarter Use of Common Contract Solutions and Practices*, OMB Memorandum M-19-13 (Washington, D.C.: Mar. 20, 2019).

OMB issued the Federal Data Strategy and the accompanying 2020 Action Plan, which states that OMB will establish a committee that will enhance its coordination of federal data policy, governance, and resource considerations. The Action plan also states that this committee should lead coordinated efforts to address government-wide data challenges because it is positioned to coordinate policies, prioritize resource allocations, and align efforts in a manner that increases efficiencies.⁴²

Agencies Struggle to Collect and Share Data on the Prices Paid for Common Products and Services

We have previously reported that it is important for agencies to collect detailed data on how much they have paid contractors for specific products and services because agencies can use this data to inform future contract negotiations and secure better pricing from vendors.⁴³

OMB staff told us that they continue to remind agencies of the content of OMB's overarching guidance on category management, which requires that agencies, with limited exceptions, prepare to share prices-paid information for contracts under management on the Acquisition Gateway, a GSA website with a broad range of resources and tools for acquisition professionals.⁴⁴ OMB's overarching guidance also states agencies should not agree to terms and conditions that broadly prohibit the sharing of prices, terms, and conditions for goods and services with other federal agencies. OMB has directed agencies to prepare to share prices-paid information so in the future they can better differentiate between the quality and value of common products and services when making buying decisions.

The GSA Category Management PMO has recently developed an online tool—the Quick Decisions Dashboard—that collates granular prices-paid data for most BIC contracts and makes that information available for agency and government-wide analysis. However, this tool is limited in

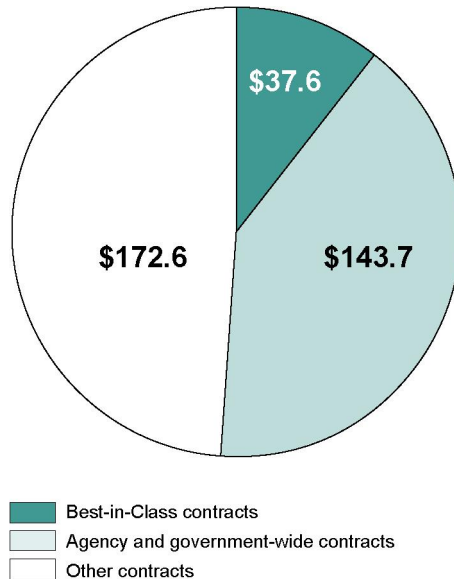
⁴²The President's Management Agenda and OMB's March 2019 category management guidance reference language in the Federal Data Strategy that highlight the expectations to leverage data across the government set forth in the Foundations for Evidence-Based Policymaking Act of 2018.

⁴³[GAO-17-164](#).

⁴⁴Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Category Management: Making Smarter Use of Common Contract Solutions and Practices*, OMB Memorandum M-19-13 (Washington, D.C.: Mar. 20, 2019).

scope. At present, it only contains data from certain BIC contracts and only pricing information for products, not services, because prices paid information is not currently collected for most government contracts. As a result, the tool does not yet provide prices-paid information for the bulk of SUM contract obligations. In the larger context of SUM, and total government spending on common products and services, focusing on BIC contracts only captures about 10 percent of the prices paid for common goods and services. See figure 17.

Figure 17: Contract Obligations for Common Products and Services by Category Management Spending Tiers, Fiscal Year 2019



Source: GAO analysis of Office of Management and Budget information. | GAO-21-40

Data table for Figure 17: Contract Obligations for Common Products and Services by Category Management Spending Tiers, Fiscal Year 2019

- Best-in-Class contracts is \$37.6
- Agency and government-wide contracts: \$143.7
- Other contracts: \$172.6

Agency officials told us that their internal record keeping systems do not currently allow them to analyze the bulk of their contract obligations because they do not reliably or easily capture prices-paid data for contracts other than BIC contracts, which include contract terms that require vendors to provide granular pricing information. For example, agency officials told us their systems generally do not describe products

and services in enough detail to identify and analyze prices paid as desired.

OMB staff told us that they continue to work with agencies to refine and improve the collection and use of acquisition data and information across the government. They also told us they expect to see greater data functionality in the future through the modernization of the System for Award Management that will eventually replace FPDS-NG, and through the use of other emerging technologies.

However, OMB's March 2019 guidance does not specifically address how agencies can overcome prices-paid data challenges. Some agencies have implemented individual workarounds in an effort to obtain better prices-paid data. For example, Air Force officials told us that they combine information from multiple, disparate contract writing and accounting systems, as well as from their asset management system, to get a clearer picture of how much they paid for common products and services. However, they also told us that the workaround does not always provide all of the information the Air Force needs to assess the prices it has paid. Agency officials told us that it would be helpful for OMB to provide additional guidance on how to move forward to address these issues, particularly if the planning involves shifting to similar internal record keeping systems.

Agencies Lack Access to Granular Data Needed to Facilitate Spending Analysis That Is Central to the Category Management Initiative

OMB guidance encourages agencies to ensure that members of their workforce with common spending management responsibilities are adept at using a suite of tools developed by the GSA Category Management PMO.⁴⁵ These tools, which analyze their obligations for common products and services and can help reduce unmanaged spending, rely on FPDS-NG data. However, category managers, SAOs, and agency officials responsible for implementing the category management initiative at our selected agencies told us that FPDS-NG provides limited visibility into agencies' spending on common products and services. For example,

⁴⁵Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Category Management: Making Smarter Use of Common Contract Solutions and Practices*, OMB Memorandum M-19-13 (Washington, D.C.: Mar. 20, 2019).

agency officials told us FPDS-NG was not designed to provide the level of granularity needed for spend analysis given limitations with the assignment of product and service codes.

We found that the data input field where contracting officers enter product and service codes allows the contracting officers to enter only one code, but agency officials told us that agencies often buy multiple products and services in a given transaction. In these instances, FPDS-NG does not fully reflect what the agency bought because all of the obligations associated with a transaction are attributed to a single code instead of being distributed accurately across all of the applicable codes. As a result, spend analyses based on FPDS-NG data must be supplemented with other data sources to improve accuracy. For example, the Air Force supplements FPDS-NG data with market trend analyses prepared by a private company. However, according to Air Force officials, these efforts can be costly, and do not allow for robust analyses of spending across federal agencies.

OMB Has Not Pursued Government-Wide Solutions for Data Challenges That Hinder Category Management Implementation

OMB is aware of the challenges agencies face when trying to collect, analyze, and share prices-paid and spending data. However, we found that OMB is not pursuing government-wide solutions. Instead, OMB has advised agencies to pursue their own solutions. For example, in the overarching guidance OMB issued in March 2019, OMB encouraged agencies to consider using data from certain commercial sources, where appropriate, to fill information gaps when planning and conducting acquisitions for common goods and services.⁴⁶ Three months later, OMB issued the 2019 Federal Data Strategy and the Fiscal Year 2020 Action Plan, which establishes that OMB should take a leadership role in addressing cross-agency data challenges.⁴⁷ OMB has opportunities to advance its approach to addressing government-wide data challenges by

⁴⁶Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Category Management: Making Smarter Use of Common Contract Solutions and Practices*, OMB Memorandum M-19-13 (Washington, D.C.: Mar. 20, 2019).

⁴⁷Office of Management and Budget, *Memorandum for Heads of Executive Departments and Agencies: Federal Data Strategy - A Framework for Consistency*, OMB Memorandum M-19-18 (Washington, D.C.: June 4, 2019).

better coordinating agencies' responses to challenges involving spending and prices-paid data. See figure 18.

Figure 18: Office of Management and Budget's Approach to Data Challenges Affecting Category Management Initiative



Current approach

OMB has directed agencies to take certain steps on their own to address government-wide data challenges.

Recommended action

Category management leadership establishes a strategic plan to coordinate agencies' responses to government-wide data challenges.

Source: GAO analysis of Office of Management and Budget (OMB) documentation. | GAO-21-40

The 2020 Action Plan tasks OMB with establishing a committee to coordinate data policy development and implementation activities, and to lead efforts to standardize data management government-wide, including by aligning transformation efforts to reduce costs, duplication, and burden. Additionally, the action plan identifies the Chief Data Officer (CDO) Council as a key body that should be consulted to identify data needed to meet agency priorities.⁴⁸ The CDO Council includes all agency CDOs in its membership, among others, and its chairperson is selected by the OMB Director from among CDO Council members.⁴⁹

Our prior work shows that leading companies utilize common tools and systems to enable global sharing of cost data across their organizations as a first step in their category management efforts.⁵⁰ Agency officials and category managers told us that they would benefit from a coordinated, government-wide approach to addressing prices-paid and spending data challenges. For example, officials from the Air Force and DHS told us that having common expectations and standards for internal record keeping systems would help them and other agencies plan for, and potentially migrate to, more integrated systems that would be capable of tracking

⁴⁸The Foundations for Evidence-Based Policymaking Act of 2018 requires, among other things, that agencies designate a Chief Data Officer. See Pub. L. No. 115-435, § 202(e) (2019), codified at 44 U.S.C. § 3520.

⁴⁹See 44 U.S.C. § 3520A. CDOs' functions include serving as the agency liaison to other agencies and OMB on the best way to use existing agency data for statutorily-defined statistical purposes, and to review the impact of the agency's infrastructure on data asset accessibility and coordinate with the agency's CIO to improve the infrastructure to reduce barriers that inhibit data asset accessibility. See 44 U.S.C. § 3520(c)(10), (13).

⁵⁰[GAO-13-417](#)

and sharing spending and prices-paid data across the government—an outcome both agencies described as transformational.

Additionally, the GSA Category Management PMO told us a coordinated approach could address challenges involving how contracting officers apply product and service codes, and incorporate contract terms that allow the government to collect more granular data. These officials told us that OMB, in coordination with the CMLC and CDO Council, is well-positioned to provide a roadmap for agencies to increasingly migrate to more common systems and approaches, and ultimately enable them to buy more like a single enterprise and save the federal government money, which are the primary goals of the category management initiative.

Obligations to Small Businesses Have Increased, but Fewer Businesses Are Winning Contracts, Spurring Continued Concerns

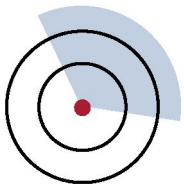
Since the inception of the category management initiative in 2016, obligations to small businesses have increased, but the overall number of vendors—including small businesses—that won category management contracts has decreased. We found OMB has opportunities to improve communication with the small business community to help address some longstanding concerns about category management and its relationship to other government-wide efforts and goals intended to promote small business utilization.

Agencies Awarded More Contracts to a Reduced Number of Small Businesses

In 2014 and 2019 memorandums, OMB stated that small business utilization is a priority for the category management initiative. OMB has established mechanisms to measure and report on small businesses' participation. Additionally, OMB staff told us that they have emphasized the importance of OSDBUs, and that at several agencies OSDBUs have a dedicated seat at the table to talk about agency planning for common products and services.

In October 2016, we reported that early category management guidance reiterated OMB's 2012 strategic sourcing memorandum, and directed

Office of Management and Budget Key Category Management Practice



Meet annual category management goals

Utilize small businesses for common products and services

Source: GAO analysis of Office of Management and Budget documentation. | GAO-21-40

officials to set a baseline for small business use and set goals to meet or exceed that baseline.⁵¹ Using fiscal year 2016 data from FPDS-NG, OMB determined that for the 10 categories of common spending covered by the initiative, small businesses received 30 percent of federal obligations that year. Subsequently, OMB set 30 percent as the small business utilization goal for each fiscal year. OMB has also established small business goals for each of the 10 categories of common spending, which vary by category. OMB sets the category-specific small business goals in coordination with the respective category managers, who provide input about the opportunities they anticipate at various federal agencies.

For fiscal years 2017-19, we found that federal agencies met or exceeded the category management initiative's 30 percent overall small business goal each year but fell short in certain categories, including information technology (IT).⁵² See figure 19.

⁵¹[GAO-17-164](#).

⁵²GAO previously reported that agencies can use category management to reduce duplication in IT services contracting. See GAO, *Information Technology: Selected Federal Agencies Need to Take Additional Actions to Reduce Contract Duplication*, [GAO-20-567](#) (Washington, D.C.: Sep. 30, 2020).

Figure 19: Office of Management and Budget’s Reporting on Small Business Utilization (by fiscal year)

Category	Fiscal years						
	2016		2017		2018		2019
	Actual	Goal	Actual	Goal	Actual	Goal	Actual
Facilities and construction	30.7%	30.0%	30.6%	30.0%	31.1%	30.0%	29.1%
Human capital	34.1%	24.0%	36.5%	28.0%	36.1%	38.0%	41.9%
Industrial products and services	49.8%	50.0%	45.5%	40.0%	44.7%	40.0%	46.9%
Information technology	38.1%	34.0%	36.8%	39.0%	35.4%	39.0%	35.9%
Medical	16.7%	11.8%	13.5%	13.6%	15.7%	16.2%	14.1%
Office management	50.8%	46.0%	60.6%	50.0%	59.0%	57.5%	59.3%
Professional services	32.4%	32.1%	31.8%	33.0%	33.9%	34.5%	33.4%
Security and protection	27.1%	25.0%	26.1%	25.0%	25.2%	25.0%	24.9%
Transportation and logistics services	19.0%	18.0%	20.3%	19.0%	22.3%	20.0%	21.5%
Travel	42.4%	35.0%	43.5%	35.6%	50.9%	51.0%	53.3%
Total meeting goal			8		9		5

- Goal met or exceeded
- Goal missed by less than 3 percentage points
- Goal missed by more than 3 percentage points

Source: GAO analysis of General Services Administration data for category management goals. | GAO-21-40

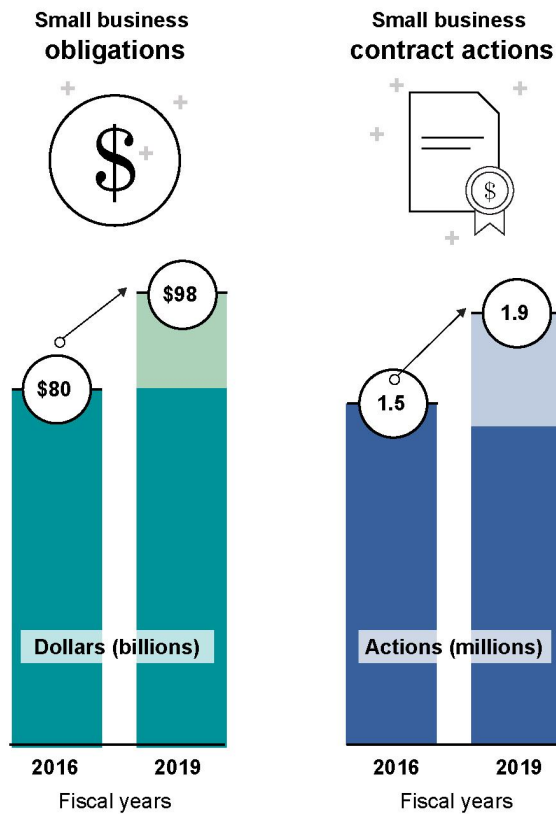
Note: OMB did not set category-specific small business goals for fiscal year 2016. Percentages reflect share of federal obligations in each fiscal year.

The IT category manager, who is based in GSA, told us that category managers encourage agencies to drive business through existing BIC contracts, including those provided by small businesses, but the final decisions are made by agency officials. As a result, category managers are not always able to realize all the opportunities they anticipated when they were helping OMB set the goal for a particular fiscal year.

In terms of dollars and contract actions awarded to small businesses that fell within the category management initiative, we found that obligations and contract actions—including contract awards and task orders under

contracts that allow for multiple awards—grew from fiscal year 2016 to 2019. See figure 20.

Figure 20: Small Business Obligations and Contract Actions for Common Products and Services in Fiscal Years 2016-2019



Source: GAO analysis of Federal Procurement Data System-Next Generation data. | GAO-21-40

Data for Figure 20: Small Business Obligations and Contract Actions for Common Products and Services in Fiscal Years 2016-2019

Small Business obligations

- Fy 2016: \$80 billion
- Fy 2019: \$98 billion

Small Business contract actions

- FY 2016: 1.5 million actions
- FY 2019: 1.9 million actions

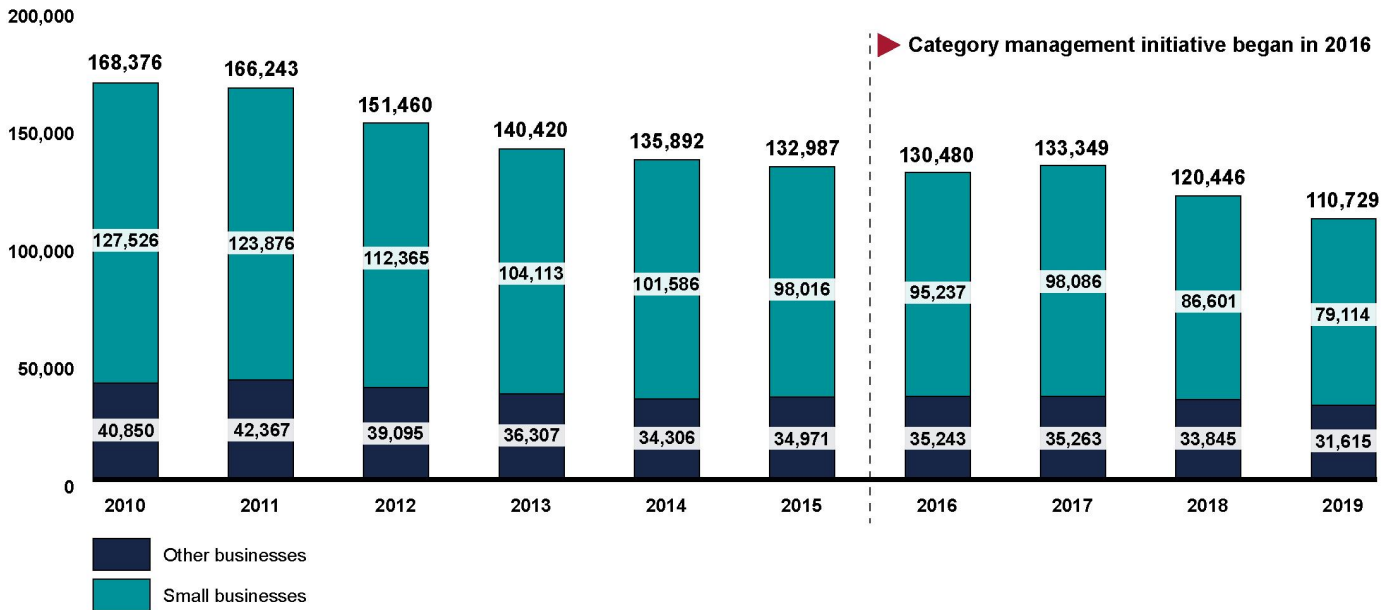
Note: Dollars are not adjusted for inflation.

Further, we found the number of small businesses on BIC contracts has increased from about 1,000 in fiscal year 2016 to nearly 2,200 by the end of fiscal year 2019 as more BIC contracts were subsequently approved for that designation by OMB. In fiscal year 2019, roughly 90 percent of these small businesses had received at least one award after becoming a vendor for a BIC contract.⁵³

However, from fiscal years 2016-19, the overall number of small business vendors receiving awards for common products and services declined. This decline continues a trend we have identified since 2010 across both small and larger businesses. See figure 21.

Figure 21: Number of Vendors Providing Common Products and Services in Fiscal Years 2010-2019

Number of businesses providing common products and services



Source: GAO analysis of Federal Procurement Data System-Next Generation data. | GAO-21-40

⁵³Congress recently directed SBA to report the number of BIC contracts and the dollar amount of such contracts awarded to certain categories of small business concerns in the National Defense Authorization Act for Fiscal Year 2020, Pub. L. No. 116-92, § 871 (2019) (codified at 15 U.S.C. § 644(h)(4)(A)(ii)).

Data table for Figure 21: Number of Vendors Providing Common Products and Services in Fiscal Years 2010-2019

Fiscal Year	Number of Small Businesses providing common products and services	Other than small businesses providing common products and services	All businesses providing common products and services
2010	127526	40850	168376
2011	123876	42367	166243
2012	112365	39095	151460
2013	104113	36307	140420
2014	101586	34306	135892
2015	98016	34971	132987
2016	95237	35243	130480
2017	98086	35263	133349
2018	86601	33845	120446
2019	79114	31615	110729

Note: A business was counted as small if it had at least one action as a small business. These businesses may also have had contract actions as other than a small business.

Small Businesses Concerns about Category Management

Consistent with our prior work, we found that small businesses expressed concerns that certain aspects of category management would limit opportunities for small vendors to win government business.

Scalability. Small business groups told us that scalability is a barrier to entry for small businesses competing for higher-tier contracts such as BIC contracts and other government-wide contracts. Specifically, these officials noted that winning higher-tier contracts, which are structured to serve multiple agencies, requires small businesses to provide a larger range of products or services to more customers making larger, consolidated purchases. Small business groups told us that competing for higher-tier contracts also requires more staff resources and upfront costs, which can be a risky proposition for small businesses because they may not recoup their investment if they do not win the award. OSDBU personnel at two of our selected agencies told us they had heard similar concerns.

Contract terms. Small business groups told us that higher tier contracts often require vendors to have certifications demonstrating they have met particular technical requirements, such as cybersecurity requirements. According to the small business groups we interviewed, obtaining such certifications can take months—sometimes years—to obtain and can cost

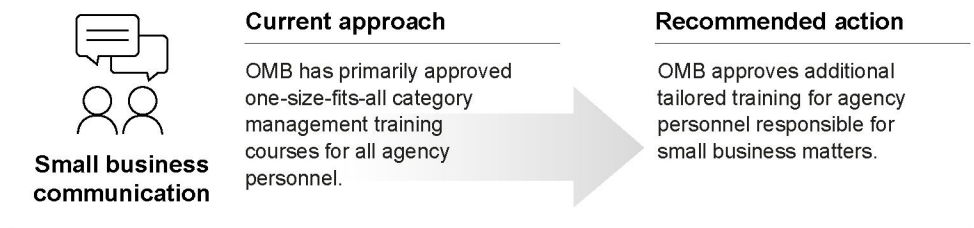
thousands of dollars. As a result, small business advocates told us that obtaining those certifications can be prohibitive for some small businesses.

Focus on BIC contracts. Additionally, small business groups expressed concerns or uncertainty about whether OMB mandated that agencies use BIC contracts to meet all of their requirements for common products and services, and how they can use the on/off ramp process for joining BIC contracts. The on/off ramp process allows BIC administrators to add or remove vendors providing products or services after the contract is initially awarded. Representatives of small business groups told us that there is not enough clarity or notice about when BIC contracts will be awarded or when the BIC administrators will offer “on-ramps” and “off-ramps.” We similarly found publicly available information about on/off ramp opportunities was limited.

Tailored Training for Small Business Personnel Has Been Limited, Hindering OMB’s Communications with Small Businesses

Limited tailored training for OSDBU personnel has hindered OMB’s efforts to communicate key information about the category management initiative to small businesses. See figure 22.

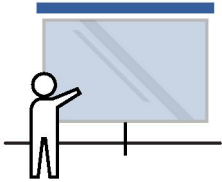
Figure 22: The Office of Management and Budget’s Category Management Training for Agencies’ Small Business Personnel



Source: GAO analysis of Office of Management and Budget (OMB) and GSA documentation. | GAO-21-40

Agencies’ OSDBU personnel play an important role in supporting their category management efforts and are their agencies’ primary interface

Office of Management and
Budget Key Category
Management Practice



**Train workforce on
category management**

Category management stakeholders should have access to training on category management principles, practices, and tools

Source: GAO analysis of Office of Management and Budget documentation. | GAO-21-40

with small businesses.⁵⁴ However, during interviews with OSDDBU personnel, we found that these officials had varying levels of familiarity with specific details about the category management initiative. For example, some OSDDBU personnel misunderstood OMB's guidance for using BIC contracts and believed the guidance mandated agencies to use them. OMB's overarching guidance states that the size of the BIC goal is designed to give agencies flexibility to use other government-wide, agency-wide, and local agency contracts that reflect category management principles. OMB's guidance also notes that agency category management plans should drive tailored efforts that address goals consistent with statutory small business goals and other socioeconomic requirements. OMB staff noted that smaller-scale, local, decentralized spending on certain small or medium-sized contracts serving a small number of agency customers would be considered to be aligned with category management principles if it was designed to achieve small business goals and was conducted pursuant to a comprehensive agency-level strategy. Additionally, OMB staff noted that BIC and government-wide solutions may not be suitable where their use could cause significant harm to the small business industrial base.

OMB staff told us that two category management trainings courses were tailored for OSDDBUs, but that the majority of category management training has thus far been general and intended for all audiences. SBA officials told us that the GSA training classes they have attended did not emphasize the small business considerations that OMB mentions in its guidance. Additionally, all four of the OSDDBU directors we spoke with said tailored training would be helpful.

However, we found that OMB had not worked with GSA or federal training organizations, such as the Federal Acquisition Institute, to develop

⁵⁴To help increase small businesses visibility among federal agencies, Congress amended the Small Business Act in 1978 to establish an OSDDBU in each Federal agency having procurement powers. See 15 U.S.C. § 644(k). The office advocates for small businesses in procurement and contracting processes. In August 2017, we reported on agency compliance with certain OSDDBU provisions in section 15(k) of the Small Business Act. We found, for example, that the Departments of the Air Force, Homeland Security, and Transportation demonstrated compliance with all applicable statutory provisions within our review. In contrast, the Department of Commerce did not demonstrate compliance with some provisions during our review, including those pertaining to compensation and seniority of the OSDDBU director and assigning small business technical advisors, but subsequently implemented our recommendation to fully comply with the law as of August 2019. See GAO, *Small Business Contracting: Actions Needed to Demonstrate and Better Review Compliance with Select Requirements for Small Business Advocates*, [GAO-17-675](#) (Washington, D.C.: Aug. 25, 2017).

additional tailored training for OSDBU personnel. GSA Category Management PMO guidance states that, to ensure proficiency and understanding of category management techniques and processes, people in positions that support the initiative should be trained, and training should be tailored. At the conclusion of our review, OMB staff told us they were taking steps to develop additional training for OSDBU personnel, but did not provide a timeframe for doing so. Until this training is developed, OSDBUs' ability to communicate relevant information regarding small business concerns will be hindered.

GSA Has Taken Steps to Provide Additional Category Management Information Directly to Small Businesses

Small business groups and agency officials told us it was difficult to find information relevant to small businesses on GSA's Acquisition Gateway because the website was not structured in a user-friendly manner. For example, we found that the website did not have a dedicated category management page for small businesses that collates relevant tools and resources. Rather, we found that the tools and resources small businesses would benefit from were scattered across the multiple web pages. This lack of structure prevented many of the people we interviewed from finding small business information on the Acquisition Gateway. We discussed this challenge with the GSA Category Management PMO, and in response, they updated the category management landing page to include a dedicated link for small businesses and industry partners, and added additional tools on the public-facing dashboards.⁵⁵ In July 2020, we confirmed these updates made it easier to find small business information on the Acquisition Gateway.

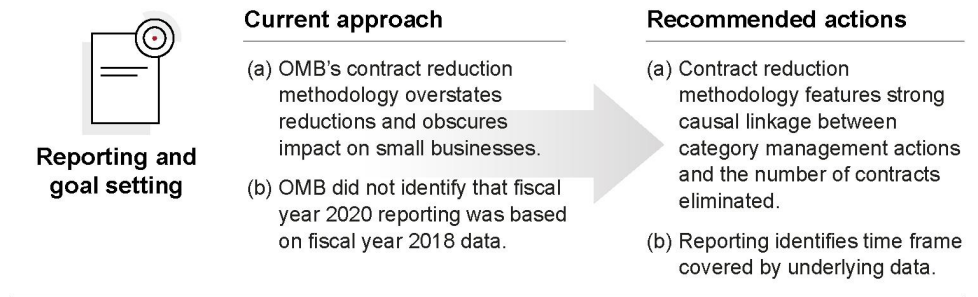
OMB Reporting on Duplicative Contract Reduction Did Not Accurately Reflect the Impact of Category Management on Small Businesses

We found that OMB's public reporting on duplicative contract reduction—a stated goal of the initiative—misrepresented the impact of category management in general and specifically on small businesses. OMB can improve its approach by adopting a methodology that strengthens the

⁵⁵See, for example, <https://hallways.cap.gsa.gov/app/#/gateway/category-management-landing-page>.

causal linkage between category management actions and the number of contracts eliminated, and identifying time frames covered by underlying data. See figure 23.

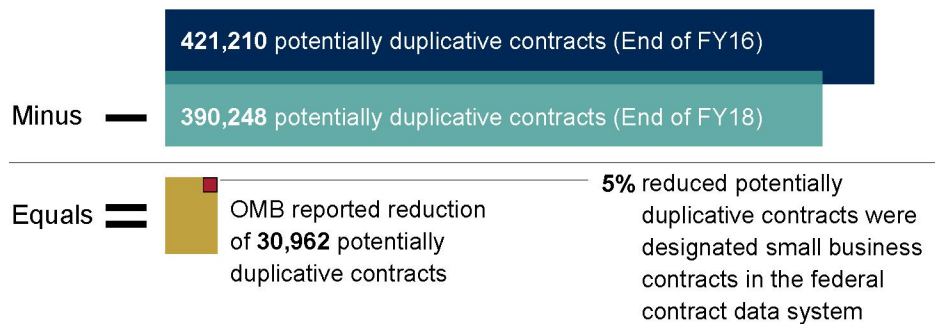
Figure 23: The Office of Management and Budget’s Reporting on Potentially Duplicative Contract Reduction



Source: GAO analysis of Office of Management and Budget (OMB), General Services Administration documentation, and Federal Procurement Data System-Next Generation data. | GAO-21-40

In December 2019, OMB reported that small businesses had previously won 5 percent of the duplicative contracts that were subsequently eliminated through category management. Figure 24 identifies how OMB calculated this number.

Figure 24: The Office of Management and Budget’s Methodology for Calculating Potentially Duplicative Contract Reduction



FY = fiscal year

OMB = Office of Management and Budget

Source: GAO analysis of Office of Management and Budget documentation. | GAO-21-40

Note: OMB identified potentially duplicative contracts as those contracts that involve purchasing in a decentralized manner and not conforming to category management principles.

GSA Category Management PMO guidance for key performance indicators states that all reported impacts should be the direct result of category management activities. OMB’s methodology, however, attributes all reductions from fiscal years 2016-18 to category management,

including reductions resulting from expiring contracts for products and services that agencies no longer buy, or where vendors have gone out of business. As a result, OMB has overstated the extent to which category management has eliminated potentially duplicative contracts.

Lastly, OMB did not identify that the 5 percent figure it reported in December 2019 was based on contract reduction data through the end of September 2018. When we input fiscal year 2019 data, OMB's methodology calculated that small businesses had previously won over 53 percent of the contracts that had been eliminated.

We have previously reported that no picture of what the government is accomplishing with taxpayers' money can be complete without adequate performance information, and that this information must be presented in a way that is useful to those who rely on it to help assess and manage federal programs.⁵⁶ Until OMB improves its methodology for reducing contract duplication—a goal of the category management initiative—and identifies the time frames of the underlying data, OMB cannot provide small businesses and policymakers timely and accurate information about category management's impact on small businesses' opportunities to provide common goods and services to federal buyers.

Conclusions

The category management initiative has saved the federal government billions of dollars, and in some instances, enhanced agencies' mission capabilities. However, the initiative has opportunities to accomplish much more. To date, OMB has focused primarily on contracting aspects of the initiative, and still has several opportunities to help agencies improve how they define their requirements for common products and services. OMB can take concrete steps to improve how agencies define these requirements through more robust guidance and training, changes to leadership delegations and cost savings reporting, and the development of additional metrics to measure implementation of the initiative.

Additionally, OMB can lead the development of a coordinated strategy that addresses government-wide data challenges hindering agencies'

⁵⁶[GAO/GGD-96-118](#).

efforts to assess their spending and identify prices paid for common products and services.

Finally, OMB can tailor additional training courses to provide more relevant information to agency personnel responsible for small business matters, and improve public reporting about the impact of category management on small businesses. In doing so, OMB can enhance the quality of the information provided to the small business community and policymakers. Through these efforts to further advance the category management initiative, OMB can help federal agencies accomplish their missions more effectively while also being better stewards of taxpayer dollars.

Recommendations for Executive Action

We are making a total of 10 recommendations to the Office of Management and Budget.

The Director of the Office of Management and Budget should emphasize in its overarching category management guidance the importance of effectively defining requirements for common products and services when implementing the category management initiative. (Recommendation 1)

The Director of the Office of Management and Budget should work with the Category Management Leadership Council and the General Services Administration's Category Management Program Management Office, and other appropriate offices, to develop additional tailored training for Senior Accountable Officials and agency personnel who manage requirements for common products and services. (Recommendation 2)

The Director of the Office of Management and Budget should account for agencies' training needs, including training needs for personnel who define requirements for common products and services, when setting category management training goals. (Recommendation 3)

The Director of the Office of Management and Budget should ensure that designated Senior Accountable Officials have the authority necessary to hold personnel accountable for defining requirements for common products and services as well as contracting activities. (Recommendation 4)

The Director of the Office of Management and Budget should report cost savings from the category management initiative by agency. (Recommendation 5)

The Director of the Office of Management and Budget should work with the Category Management Leadership Council and the Performance Improvement Council to establish additional performance metrics for the category management initiative that are related to agency requirements. (Recommendation 6)

The Director of the Office of Management and Budget should, in coordination with the Category Management Leadership Council and the Chief Data Officer Council, establish a strategic plan to coordinate agencies' responses to government-wide data challenges hindering implementation of the category management initiative, including challenges involving prices-paid and spending data. (Recommendation 7)

The Director of the Office of Management and Budget should work with the General Services Administration's Category Management Program Management Office and other organizations, as appropriate, to develop additional tailored training for Office of Small Disadvantaged Business Utilization personnel that emphasizes information about small business opportunities under the category management initiative. (Recommendation 8)

The Director of the Office of Management and Budget should update its methodology for calculating potentially duplicative contract reductions to strengthen the linkage between category management actions and the number of contracts eliminated. (Recommendation 9)

The Director of the Office of Management and Budget should identify the time frames covered by underlying data when reporting on how duplicative contract reductions have impacted small businesses. (Recommendation 10)

Agency Comments and GAO's Response

We provided a draft of this report to OMB; GSA; the Departments of Commerce, Defense, Homeland Security, Transportation, and Veterans Affairs; the Office of Personnel Management; and SBA for their review and comment. OMB, DOD, and SBA provided comment letters reproduced in appendixes III through V, respectively. OMB, GSA, and the

Departments of Commerce, Homeland Security, and Veterans Affairs also provided technical comments, which we addressed in the report as appropriate. Department of Transportation and the Office of Personnel Management stated they had no comments on the report.

In its comment letter and separate technical comments, OMB concurred with the substance of our recommendations and findings and acknowledged more work needs to be done to strengthen requirements development, data analysis, and workforce training. OMB highlighted one step GSA, the Department of Health and Human Services, and the National Aeronautics and Space Administration have taken to increase emphasis on requirements, data, and training. OMB reported that these agencies established an Information Technology Vendor Management Office to give acquisition workforce members and stakeholders who support them the type and level of information needed to make the best buying decisions. OMB reported this new office will work with agencies to standardize technical and contract requirements, mitigate cyber-risk, improve data quality, and leverage buying practices and strategies that help small businesses compete more effectively. OMB also told us that it was taking steps to develop new training for requirements personnel and small business advocates.

Additionally, OMB commented that its category management policies call for balanced decision-making. OMB indicated that this balance means that sometimes agencies should use government-wide contracts and other times they should use small, decentralized contracts to reach promising new entrant businesses and to allow time for small businesses already in the federal marketplace to build their resiliency.

Further, OMB wrote category management is transforming the way the federal government buys common goods and services, which account for 60 percent of all procurement activity, and suggested we emphasize even more clearly, such as in the report's title, that our recommendations are intended to build on past progress. However, we did not modify the title of the report because we determined the existing title appropriately indicated that OMB previously made progress by stating that OMB can "further advance" category management.

Finally, our draft report included a recommendation that OMB should report on Best-In-Class contract administrators' progress in addressing recommendations to improve the credibility of the methodologies they use to calculate cost savings. In responding to our draft report, OMB identified information available through the Acquisition Gateway that summarizes

the status of these methodologies. We independently reviewed this information, concluded it met the intent of the recommendation, and removed the recommendation from our final report.

In its comment letter, DOD concurred with our report and suggested OMB collaborate with SBA and the Federal Acquisition Institute in response to our recommendation that OMB should work with the GSA Category Management PMO to develop additional tailored training for OSDDBU personnel. While our recommendation did not preclude OMB from engaging with other federal agencies to develop future training courses, we modified our recommendation to clarify that OMB should engage other federal agencies as appropriate.

In its comment letter, SBA wrote that it appreciated our reporting and highlighted some of our findings, including that small businesses had received 30 percent of annual category management obligations since 2016, but the number of small business vendors providing common products and services decreased each year, continuing a decade-long trend. SBA also highlighted our finding that there are opportunities to improve communication with the small business community to help address some long-standing concerns about category management. Further, SBA agreed with our recommendation that OMB should work with the GSA Category Management Program Management Office to develop additional tailored training for OSDDBU personnel.

GSA provided technical comments on some of our recommendations, and in response, we modified our recommendation addressing Senior Accountable Official designations. We initially recommended OMB limit these designations to leaders who have the authority necessary to hold personnel accountable for defining requirements for common products and services. In response to GSA's comment, we clarified that these leaders should also have the authority necessary to hold personnel accountable for contracting activities, which was consistent with our initial intent.

The Department of Veterans Affairs provided technical comments suggesting actions OMB should take in response to some of our recommendations. Among other things, the Department of Veterans Affairs wrote that OMB should provide agencies guidance on how to define requirements and executives the authority needed to enforce requirements development and standardization. The Department of Veterans Affairs also welcomed government-wide training on small business opportunities under category management.

We are sending copies of this report to the appropriate congressional committees; the Director, Office of Management and Budget; the Administrator, General Services Administration; the Secretary of Commerce, Defense, Transportation and Veterans Affairs; the Acting Secretary of Homeland Security; the Acting Director of the Office of Personnel Management; and the Administrator, Small Business Administration. In addition, the report is available at no charge on the GAO website at <https://www.gao.gov>. If you or your staff have any questions about this report, please contact me at (202) 512-4841 or DiNapoliT@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VI.



Timothy J. DiNapoli
Director, Contracting and National Security Acquisitions

List of Requesters

The Honorable Gary C. Peters
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Tom Carper
Ranking Member
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Bennie G. Thompson
Chairman
Committee on Homeland Security
House of Representatives

The Honorable Nydia Velázquez
Chairwoman
The Honorable Steve Chabot
Ranking Member
Committee on Small Business
House of Representatives

The Honorable J. Luis Correa
House of Representatives

Appendix I: Agency, Spending Category, and Government-Wide Performance against Category Management Goals, Fiscal Years 2017 through 2019

The Office of Management and Budget (OMB) reports on performance against category management goals in quarterly updates to the President’s Management Agenda. OMB sets these goals for individual agencies, spending categories, and the federal government as a whole. Figure 25 shows the federal government’s performance against category management goals for fiscal years 2017 through 2019.¹

Figure 25: The Federal Government’s Performance against Government-Wide Category Management Goals

Goal	Fiscal years		
	2017	2018	2019
Spend under management	\$147.0 B / \$55.1 B	\$145.0 B / \$139.7 B	\$181.3 B / \$157.0 B
Best-in-Class obligations	N/A	\$32.0 B / \$20.3 B	\$37.6 B / \$34.5 B
Cost avoidance	\$13.5 B / \$8.9 B	\$22.8 B / \$15.0 B	\$33.1 B / \$30.0 B
Tier 0 contract reduction	N/A	7.0% / 10.0%	35.3% / 10.0%
Small business utilization	30.1% / 30.0%	31.0% / 30.0%	30.4% / 30.0%
Training	N/A	1,503 / 1,110	1,442 / 1,800

- Goal achieved
- Goal missed by 3% or less
- Goal missed by more than 3%

Actual / goal
B = Dollars in billions

Source: GAO analysis of Office of Management and Budget and General Services Administration documentation. | GAO-21-40

Note: N/A indicates that a goal was not set during that year. For SUM, BIC utilization, cost avoidance, and training performance, we calculated deltas as a percentage of the goal. For small business utilization and Tier 0 contract reduction performance, which were already reported as percentages, we calculated the raw difference in percentage points.

¹Reporting on OMB’s category management goals can be found at [performance.gov](https://www.performance.gov).

Appendix I: Agency, Spending Category, and Government-Wide Performance against Category Management Goals, Fiscal Years 2017 through 2019

Figure 26 shows the spending categories' performance against category management goals for fiscal years 2017 through 2019.

Figure 26: Spending Categories' Performance against Category Management Goals

Category	Fiscal years										
	2017			2018				2019			
	Spend under management (SUM)	Cost avoidance	Small business utilization	SUM	Cost avoidance	Tier 0 contract reduction	Small business utilization	SUM	Cost avoidance	Tier 0 contract reduction	Small business utilization
Facilities and construction	\$23.7 B / \$10.8 B	\$.132 M / \$816 M	30.6% / 30.0%	\$25.2 B / \$25.5 B	\$2.49 M / \$2.50 M	5.4% / 0.5%	31.1% / 30.0%	\$37.2 B / \$28 B	\$8.7 M / \$2.5 M	24.1% / 1.5%	29.1% / 30.0%
Human capital	\$1.2 B / \$300M	\$15.5 M / \$31 M	36.5% / 24.0%	\$1.2 B / \$700 M	\$50.0 M / \$16.2 M	19.6% / 2.5%	36.1% / 28.0%	\$1.6 B / \$800 M	\$31.6 M / \$55 M	34.9% / 7.5%	41.9% / 38.0%
Industrial products and services	\$4.1 B / \$1.5 B	\$24.8 M / \$126.0 M	45.5% / 50%	\$4.1 B / \$4.3 B	\$32.2 M / \$23.1 M	N/A	44.7% / 40.0%	\$5.3 B / \$4.1 B	\$22.9 M / \$25.0 M	N/A	46.9% / 40.0%
Information technology	\$35.7 B / \$7.7 B	\$14.0 M / \$575 M	36.8% / 34.0%	\$37.1 B / \$27.2 B	\$1.02 B / \$940 M	13.1% / 5.00%	35.4% / 39.0%	\$41.5 B / \$38.9 B	\$935 M / \$1.20 B	28.9% / 5.00%	35.9% / 39.0%
Medical	\$33.3 B / \$18.2 B	\$3.97 B / \$264 M	13.5% / 11.8%	\$26.8 B / \$32.8 B	\$4.47 B / \$3.33 B	N/A	15.7% / 13.6%	\$32.8 B / \$33.0 B	\$5.08 B / \$4.20 B	53.1% / 13.7%	14.1% / 16.2%
Office management	\$1.02 B / \$260 M	\$20.0 M / \$35.0 M	60.6% / 46.0%	\$1.07 B / \$1.10 B	\$19.4 M / \$19.5 M	23.0% / 5.00%	59.0% / 50.0%	\$1.26 B / \$1.10 B	\$12.0 M / \$19.0 M	53.1% / 5.00%	59.3% / 57.5%
Professional services	\$29.9 B / \$2.20 B	\$304 M / 288 M	31.8% / 32.1%	\$32.1 B / \$24.1 B	\$317 M / \$275 M	10.2% / 2.50%	33.9% / 33.0%	\$39.6 B / \$32.8 B	\$518 M / \$390 M	20.4% / 6.00%	33.4% / 34.5%
Security and protection	\$2.28 B / \$970 M	\$0.0 M / 88.0 M	26.1% / 25.0%	\$2.52 B / \$1.70 B	\$9.44 M / \$17.5 M	10.0% / 5.00%	25.2% / 25.0%	\$2.95 B / \$2.80 B	\$11.3 M / \$10.0 M	24.9% / 5.00%	24.9% / 25.0%
Transportation and logistics services	\$12.1 B / \$10.4 B	\$668 M / \$332 M	20.3% / 18.0%	\$14.5 B / \$10.9 B	\$846 M / \$549 M	-3.01% / 10.0%	22.3% / 19.0%	\$18.7 B / \$11.1 B	\$954 M / \$720 M	25.2% / 12.5%	21.5% / 20.0%
Travel	\$221 M / \$2.80 B	\$2.67 B / \$2.40 B	43.5% / 35.0%	\$276 M / \$3.20 B	\$2.55 B / \$2.33 B	14.0% / 2.5%	50.9% / 35.6%	\$358 M / \$3.50 B	\$2.71 B / \$2.60 B	29.2% / 9.2%	53.3% / 51.0%

Goal achieved
 Goal missed by 3% or less
 Goal missed by more than 3%

Actual / goal
 B = Dollars in billions, M = Dollars in millions

Source: GAO analysis of Office of Management and Budget and General Services Administration documentation. | GAO-21-40

Note: N/A indicates that a goal was not set during that year. For SUM and cost avoidance performance, we calculated deltas as a percentage of the goal. For Small business utilization and Tier 0 contract reduction, which were already reported as percentages, we calculated the raw difference in percentage points.

Figure 27 shows agencies' performance against category management goals for fiscal years 2018 and 2019, which were the first years that OMB set category management goals for individual agencies.

Appendix I: Agency, Spending Category, and Government-Wide Performance against Category Management Goals, Fiscal Years 2017 through 2019

Figure 27: Agencies' Performance against Category Management Goals

Agency	Fiscal years				
	2018		2019		
	Spend under management (SUM)	Best-in-Class (BIC)	SUM	BIC	Tier 0 contract reduction ^a
United States Agency for International Development	\$3.55 B / \$3.20 B	\$154 M / \$100 M	\$4.40 B / \$3.71 B	\$148 M / \$169 M	48.4% / 10.0%
Department of Agriculture	\$1.33 B / \$1.10 B	\$725 M / \$200 M	\$1.55 B / \$1.28 B	\$789 M / \$798 M	20.4% / 10.0%
Department of Commerce	\$1.31 B / \$1.50 B	\$540 M / \$400 M	\$2.58 B / \$1.71 B	\$988 M / \$594 M	17.3% / 10.0%
Defense Logistics Agency	\$19.0 B / \$16.5 B	\$1.81 B / \$300 M	\$19.2 B / \$18.9 B	\$2.30 B / \$1.99 B	50.5% / 10.0%
Department of Defense	\$12.8 B / \$18.6 B	\$3.63 B / \$2.10 B	\$22.2 B / \$21.3 B	\$5.35 B / \$4.00 B	21.1% / 10.0%
Department of the Air Force	\$8.28 B / \$7.50 B	\$3.48 B / \$2.80 B	\$14.8 B / \$8.53 B	\$4.66 B / \$3.83 B	22.2% / 10.0%
Department of the Army	\$12.6 B / \$7.60 B	\$4.50 B / \$3.60 B	\$18.9 B / \$8.71 B	\$4.47 B / \$4.95 B	17.3% / 10.0%
Department of the Navy	\$12.2 B / \$9.10 B	\$1.60 B / \$1.80 B	\$14.0 B / \$10.4 B	\$1.74 B / \$1.76 B	26.4% / 10.0%
Department of Education	\$1.97 B / \$2.20 B	\$162 M / \$100 M	\$1.98 B / \$2.07 B	\$314 M / \$178 M	33.8% / 10.0%
Department of Energy	\$20.4 B / \$20.6 B	\$318 M / \$200 M	\$20.0 B / \$20.6 B ^b	\$198 M / \$350 M	31.8% / 10.0%
Environmental Protection Agency	\$385 M / \$400 M	\$219 M / \$100 M	\$401 M / \$462 M	\$226 M / \$241 M	37.4% / 10.0%
General Services Administration	\$2.33 B / \$1.30 B	\$1.74 B / \$100 M	\$4.38 B / \$1.45 B	\$2.11 B / \$1.91 B	-46.9% / 10.0%
Department of Health and Human Services	\$5.93 B / \$4.50 B	\$2.75 B / \$1.00 B	\$6.83 B / \$5.19 B	\$3.17 B / \$3.02 B	31.9% / 10.0%
Department of Homeland Security	\$7.39 B / \$6.00 B	\$1.82 B / \$1.20 B	\$9.08 B / \$6.84 B	\$2.32 B / \$2.00 B	23.3% / 10%
Department of Housing and Urban Development	\$130 M / \$200 M	N/A	\$335 M / \$252 M	\$216 M / \$120 M	28.7% / 10.0%
Department of the Interior	\$713 M / \$700 M	\$286 M / \$200 M	\$1.43 B / \$804 M	\$273 M / \$315 M	49.6% / 10.0%
Department of Justice	\$2.79 B / \$2.80 B	\$886 M / \$600 M	\$3.13 B / \$3.17 B	\$1.04 B / \$975 M	24.1% / 10.0%
Department of Labor	\$593 M / \$600 M	\$204 M / \$100 M	\$631 M / \$ 648 M	\$225 M / \$225 M ^b	39.6% / 10.0%
National Aeronautics and Space Administration	\$2.84 B / \$3.70 B	\$131 M / \$100 M	\$4.77 B / \$4.21 B	\$143 M / \$143 M ^b	47.6% / 10.0%
National Science Foundation	\$422 M / \$200 M	N/A	\$490 M / \$180 M	\$90.0 M / \$79.0 M	38.9% / 10.0%
Nuclear Regulatory Commission	\$121 M / \$100 M	N/A	\$121 M / \$85.1 M	\$49.4 M / \$48.7 M	28.2% / 10.0%
Office of Personnel Management	\$1.04 B / \$400 M	\$192 M / \$100 M	\$1.26 B / \$492 M	\$648 M / \$211 M	42.5% / 10.0%
Small Business Administration	\$101 M / \$100 M	N/A	\$107 M / \$111 M	\$52.3 M / \$50.1 M	45.6% / 10.0%
Social Security Administration	\$946 M / \$1.00 B	\$373 M / \$300 M	\$1.10 B / \$1.10 B ^b	\$333 M / \$410 M	42.0% / 10.0%
Department of State	\$2.63 B / \$1.50 B	\$1.06 B / \$600 M	\$2.87 B / \$1.69 B	\$1.17 B / \$1.17B ^b	52.4% / 10.0%
Department of Transportation	\$1.19 B / \$1.60 B	\$152 M / \$200 M	\$1.35 B / \$1.85 B	\$163 M / \$167 M	12.6% / 10.0%
Department of the Treasury	\$2.60 B / \$3.40 B	\$965 M / \$700 M	\$2.78 B / \$2.89 B	\$989 M / \$1.14 B	15.5% / 10.0%
Department of Veterans Affairs	\$18.0 B / \$18.1 B	\$2.87 B / \$700 M	\$19.4 B / \$20.7 B	\$2.83 B / \$3.15 B	50.2% / 10.0%
Total met goals	15	22	18	14	27

Goal achieved
 Goal missed by 3% or less
 Goal missed by more than 3%

Actual / goal

B = Dollars in billions, M = Dollars in millions

Source: GAO analysis of Office of Management and Budget and General Services Administration documentation. | GAO-21-40

Note: N/A indicates that a goal was not set during that year. For SUM and BIC utilization performance, we calculated deltas as a percentage of the goal. For Tier 0 contract reduction

**Appendix I: Agency, Spending Category, and
Government-Wide Performance against
Category Management Goals, Fiscal Years
2017 through 2019**

performance, which was already reported as a percentage, we calculated the raw difference in percentage points.

^aThe Office of Management and Budget introduced an agency-specific tier 0 contract reduction goal starting in fiscal year 2019.

^bIn some instances, the difference between agencies' performance and goals were obscured by rounding.

Appendix II: Objectives, Scope, and Methodology

We were asked to examine the federal category management initiative.

This report assesses (1) the extent to which the Office of Management and Budget (OMB) has focused on how agencies define requirements for common products and services as part of the initiative, (2) the extent to which agencies face data challenges affecting their implementation of the category management initiative, and (3) small business utilization since the initiative began in 2016.

We included in the scope of our review the 28 agencies that OMB reports on for category management. The 28 agencies consisted of the 24 agencies identified in the Chief Financial Officers (CFO) Act, and the major components of the Department of Defense (DOD) that OMB reports on separately: the Departments of the Air Force, Army, and Navy; the Defense Logistics Agency; and DOD Other, which includes the remainder of DOD spending not within the other four components. We assessed the 28 agencies' performance against OMB goals, reviewing data from fiscal years 2017, 2018, and 2019 because OMB designated fiscal year 2016 as the benchmark year for demonstrating progress over time, and 2019 is the last year for which federal procurement data is fully available. See appendix II for more information on the 28 agencies' performance.

We also conducted more in-depth assessments of four agencies—two that represented leading category management practitioners, and two that represented agencies with less advanced category management programs. The agencies that represented leading practitioners were the Departments of the Air Force and Homeland Security (DHS), which were identified by OMB, category managers, and our prior work as category management leaders. The two that represented agencies with less advanced category management programs were the Departments of Commerce and Transportation, which OMB reported had missed at least one category management goal in fiscal year 2018, were not part of the Category Management Leadership Council (CMLC), and had a relatively smaller, but still significant, share of common spend. At these four agencies, we reviewed key category management documentation, including internal category management policies and guidance, training materials, and analyses on the benefits of category management. In

addition, we reviewed the annual category management implementation plans that the four selected agencies submitted to OMB for fiscal years 2019 and 2020, and analyzed their justifications for not using Best-in-Class (BIC) or multi-agency contracts. We also interviewed and collected written responses from agency officials responsible for implementing the category management initiative, including each agency's senior accountable official (SAO), and staff from each agency's Office of Small and Disadvantaged Business Utilization (OSDBU).

To identify the extent to which OMB has focused on requirements definition as part of the category management initiative, we analyzed OMB's March 2019 memorandum identifying how agencies should implement the initiative and supplemental guidance that the General Services Administration (GSA) issued in May 2019.¹ Additionally, we reviewed all of OMB's earlier guidance for category management.² Unlike OMB's March 2019 memorandum and some of its earlier category

¹Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Category Management: Making Smarter Use of Common Contract Solutions and Practices*, OMB Memorandum M-19-13 (Washington, D.C.: Mar. 20, 2019) and General Services Administration, *Category Management Guidance* (May 2019).

²See Office of Management and Budget, Office of Federal Procurement Policy, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives: Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings* (Washington, D.C.: Dec. 4, 2014); Office of Management and Budget, *Memorandum for the Heads of Departments and Agencies, Subject: Category Management Policy 15-1: Improving the Acquisition and Management of Common Information Technology: Laptops and Desktops*, OMB Memorandum M-16-02 (Washington, D.C.: Oct. 16, 2015); Office of Management and Budget, *Memorandum for the Heads of Departments and Agencies, Subject: Category Management Policy 16-1: Improving the Acquisition and Management of Common Information Technology: Software Licensing*, OMB Memorandum M-16-12 (Washington, D.C.: June 2, 2016); Office of Management and Budget, *Memorandum for the Heads of Departments and Agencies, Subject: Category Management Policy 16-2: Providing Comprehensive Identity Protection Services, Identity Monitoring, and Data Breach Response*, OMB Memorandum M-16-14 (Washington, D.C.: July 1, 2016); Office of Management and Budget, *Memorandum for Heads of Departments and Agencies, Subject: Category Management Policy 16-3: Improving the Acquisition and Management of Common Information Technology: Mobile Devices and Services*, OMB Memorandum M-16-20 (Washington, D.C.: Aug. 4, 2016); and Office of Management and Budget, *Memorandum for Heads of Departments and Agencies, Subject: Best-in-Class Mandatory Solution -Package Delivery Services*, OMB Memorandum M-17-29 (Washington, D.C.: July 27, 2017).

management memorandums, GSA's supplemental guidance is non-binding.³

The information and communication component of internal control—management uses quality information to support the internal control system—was significant to this objective, along with the related principle that management should internally communicate the necessary quality information to achieve the entity's objectives. We assessed the extent to which OMB's category management guidance communicates necessary quality information. We also reviewed how OMB reported on the category management initiative in the President's Management Agenda, including how OMB measured 28 agencies' implementation of the initiative, and data underlying this reporting. Specifically, we checked the calculations completed by the GSA Category Management PMO on category management performance metrics, but did not validate the underlying source data, which was from the Federal Procurement Data System-Next Generation (FPDS-NG)—the federal government's online repository for contract data. We independently applied the methodology that GSA used to obtain the data underpinning its dashboards that show agencies' progress toward meeting OMB category management goals, and found this data reliable for our reporting on category management implementation.

We also attended multiple GSA-led trainings on category management principles and tools. We observed the content of the training and compared it against GSA Category Management PMO guidance, which states that key stakeholders in the category management initiative should receive tailored training to ensure proficiency and understanding of category management techniques and processes.

We also interviewed OMB staff and GSA officials leading implementation of the category management initiative across the federal government, and

³OMB Circular No. A-123 defines federal agency management responsibilities for enterprise risk management and internal control. Circular A-123 and the statute it implements, the Federal Managers' Financial Integrity Act of 1982, are at the center of the existing Federal requirements to improve accountability in Federal programs and operations. We previously reported that OFPP officials exercise the authority provided to the Administrator under the Office of Federal Procurement Policy Act, to direct agencies to take certain actions. For example, under the Act, the Office is to provide overall direction of government-wide procurement policy, regulations, procedures, and forms for executive agencies, and to promote economy, efficiency, and effectiveness in executive branch procurements of property and services. See 41 U.S.C. § 1101(b).

the senior leaders responsible for managing the 10 categories of common spending across agencies, who are referred to as federal Category Managers.⁴ Additionally, we assessed how four agencies were implementing the category management initiative, selecting two large agencies identified by OMB and through our prior work as category management leaders—the Departments of the Air Force and Homeland Security—and two smaller agencies that had missed implementation goals set by OMB—the Departments of Transportation and Commerce.

To assess the reliability of OMB's reported cost savings, we used GAO's Cost Estimating Guide to gauge accuracy, documentation, and credibility, and OMB guidance to evaluate how all 41 of the federal government's BIC contract administrators estimated cost avoidance.⁵ To assess the credibility of the estimates, we also leveraged GSA recommendations on how to improve BIC cost avoidance calculations, and identified which BIC contract administrators had not yet implemented those recommendations. We also reviewed the accuracy and supporting documentation for seven BIC contracts that accounted for almost 90 percent of the cost avoidance OMB reported for fiscal years 2017 through 2019. These contracts were (1) City Pair; (2) Veterans Affairs (VA) Joint National Contract Pharmaceuticals; (3) VA Hearing Aids; (4) Fleet Purchasing; (5) DOD Joint National Contract Pharmaceuticals; (6) SmartPay; and (7) Fleet Leasing.

For each BIC contract, we obtained information from the BIC contract administrator showing how they calculated cost avoidance, and collected data they used to reach their reported calculations, but we did not validate the underlying source data, which came from the BIC teams' internal record keeping systems. We then replicated the cost avoidance calculations for each selected BIC and tracked any discrepancies between our results and the reported cost avoidance. Any discrepancies between our calculations and the OMB reported values were then discussed with officials at the agencies managing those seven BIC contracts, which include GSA, VA, and DOD.

⁴Categories of common spend include Facilities and Construction (GSA), Human Capital (OPM), Industrial Products and Services (GSA), Information Technology (GSA), Medical (DOD/VA), Office Management (GSA), Professional Services (GSA), Security and Protection (DHS), Transportation and Logistics Services (DOD), and Travel (GSA).

⁵GAO, *GAO Cost Estimating and Assessment Guide*, [GAO-20-195G](#) (Washington, D.C.: March 2020).

We also developed a questionnaire on how cost avoidance calculation data for the seven selected BIC contracts was handled and stored, and analyzed responses from the contract managers to determine whether the data were properly maintained. As needed, we followed up with agency officials to clarify their responses to the questionnaires. Based on the information collected from these activities, we determined that the cost avoidance data were reliable for assessing the accuracy of OMB's reported cost savings for category management.

To assess the extent to which agencies face data challenges affecting their implementation of the category management initiative, we examined OMB guidance on how agencies should collect and share data, and the Federal Data Strategy.⁶ We also reviewed documentation of data challenges at our four selected agencies, and agency efforts to overcome these challenges, such as efforts to combine data from multiple sources to map common spending with more accuracy. We also interviewed OMB staff and GSA officials, the federal Category Managers, and officials at our four selected agencies who are responsible for spend analysis and pricing research to better understand data challenges. To verify agency officials' assertions about data limitations, we independently reviewed key data sources, including FPDS-NG and the Acquisition Gateway—a GSA-administered website that collates a wide variety of contracting guidance and tools, including resources intended to help agencies implement the category management initiative. Specifically, we independently examined data fields that agency officials described as limited in FPDS-NG data records, and conducted searches for key information and data on the Gateway.

To assess small business utilization since the initiative began in 2016, we reviewed OMB guidance addressing small business issues under category management, including how agencies should account for small businesses, and responsibilities assigned to the Small Business

⁶Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Category Management: Making Smarter Use of Common Contract Solutions and Practices*, OMB Memorandum M-19-13 (Washington, D.C.: Mar. 20, 2019). The Federal Data Strategy is outlined in an OMB memo issued in 2019, and an accompanying action plan. Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Federal Data Strategy—A Framework for Consistency*, OMB Memorandum M-19-18 (Washington, D.C.: June 4, 2019).

Administration (SBA) and agencies' OSDBUs.⁷ We also reviewed OMB goals for small business utilization, and analyzed GSA data on small business contract obligations and actions. Further, we reviewed GSA data on the number of small business vendors participating in the initiative since it began, and OMB reporting on the number of potentially duplicative small business contracts eliminated under category management. We also independently applied GSA's methodology for identifying the FPDS-NG data that underpins its small business dashboard and compared our data to what GSA reported. We found the GSA and FPDS-NG data reliable for our reporting on small business utilization under category management. We also analyzed FPDS-NG data from fiscal years 2010 through 2019 to identify the extent to which small and larger businesses provided common products and services to federal agencies during that time span, which included 6 years predating the start of the category management initiative. We also collected documentation from our four selected agencies that details policies and procedures related to small business involvement in the category management initiative.

Additionally, we reviewed the Acquisition Gateway to determine the extent to which small business resources are available and accessible on the website. We also interviewed SBA officials, OSDBU personnel from our four selected agencies, and leaders of small business advocacy groups to identify small business concerns. We selected the groups by creating a non-generalizable sample of small business advocacy groups that met one or more of the following criteria: 1) maintain a nationwide presence, 2) published views on category management, 3) representation of SBA designated socioeconomic small businesses, 4) representation of both small and large businesses, or 5) demonstrated experience with one of the agencies selected for our review. The selected groups included the Professional Services Council, U.S. Women's Chamber of Commerce, National Association of Small Business Contractors/American Small Business Chamber of Commerce (ASBCC), and the National 8(a) Association.

⁷Office of Management and Budget, Office of Federal Procurement Policy, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives: Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings* (Washington, D.C.: Dec. 4, 2014) and Office of Management and Budget, *Memorandum for the Heads of Executive Departments and Agencies: Category Management: Making Smarter Use of Common Contract Solutions and Practices*, OMB Memorandum M-19-13 (Washington, D.C.: Mar. 20, 2019).

**Appendix II: Objectives, Scope, and
Methodology**

We conducted this performance audit from June 2019 to November 2020 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.

Appendix III: Comments from the Office of Management and Budget



OFFICE OF FEDERAL
PROCUREMENT POLICY

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

October 23, 2020

Mr. Timothy J. DiNapoli
Director, Contracting and National Security Acquisitions
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. DiNapoli:

The Office of Management and Budget (OMB) appreciates the opportunity to provide comments on the draft report GAO 21-40 regarding the Federal Government's use of category management. The report discusses the Government Accountability Office (GAO) perspective on category management, progress made by the Executive Branch in the use of category management, and recommendations for achieving stronger and more impactful results.

At its core, category management is about smart decision making, informed by business intelligence gained from subject matter experts through organized collaboration that is supported with modern data analytics to give buyers the insight needed to get the best value for the taxpayer. OMB's policies call for a balanced decision making that breaks down barriers to entry and leverages competitive market forces to achieve timely performance, cost savings, administrative efficiency, and higher customer satisfaction. Sometimes this balance means use of a government-wide solution to eliminate duplicative administrative costs and leverage the government's vast buying power. Other times it means strategic use of small, decentralized set-aside contracts that serve one or a few customers to reach promising new entrant businesses and allow time for small businesses already in the federal marketplace to build their resiliency.

Category management is transforming the way the Federal Government buys common goods and services, which account for 60% of all procurement activity. By the end of fiscal year 2020, the Government will have achieved \$40 billion in cost avoidance for taxpayers in five years by applying category management principles and will have reduced duplicative contracts by 50,000, potentially reducing administrative costs by hundreds of millions of dollars. More importantly, category management is enabling the acquisition workforce to regularly reduce friction in the delivery of products and services across the arc of government missions. We are allowing our health professionals to more quickly order medical supplies through electronic catalogues, saving precious time and money that can be redirected to provide greater patient care for veterans; we are ensuring law enforcement personnel have easier access to ammunition and body armor to support the protection of our citizens; and we are giving all agencies ready access to standardized computers that reduce cyber risk by having greater control over infrastructure and access points. Simultaneously, we are meeting our commitment to achieve small business goals, which, in turn, has enabled

**Appendix III: Comments from the Office of
Management and Budget**

the many tens of thousands of small businesses that work with our federal agencies to create millions of jobs for the U.S. economy.

As the GAO states, there is still more work to be done to strengthen requirements development, data analysis, and workforce training. As one step, the General Services Administration, in partnership with the Department of Health and Human Services and the National Aeronautics and Space Administration has established an Information Technology Vendor Management Office to strengthen results through increased emphasis on requirements development, data analysis, and stratified training that gives members of the acquisition workforce and stakeholders who support them the type and level of information needed to make the best buying decision. This new office will work with agencies to standardize technical and contract requirements, mitigate cyber-risk, improve data quality, and leverage buying practices and strategies that help small businesses compete more effectively for work. OMB concurs with the substance of the recommendations identified in the draft report but is submitting a number of comments and clarifications on the report for consideration.

We appreciate the acknowledgements made throughout the report of agency progress and its positive impact. As preparations are made to finalize the report, OMB strongly urges the GAO to emphasize even more clearly, such as in the title of the report, that the additional recommended steps are intended to be built on the progress validated by the report. These small, but important, refinements to the report will help to reinforce the transformative role of category management as a foundational pillar of federal procurement and best enable the Executive Branch to keep its focus on creating even better applications of its principles towards a more value driven acquisition system and a more resilient contractor base.

Thank you again for the opportunity to comment.

Sincerely,



Michael E. Wooten
Administrator

Text of Appendix III: Comments from the Office of Management and Budget

Page 1

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U.S. Government Accountability Office

Washington, DC 20548

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Page 2

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**Appendix III: Comments from the Office of
Management and Budget**

Thank you again for the opportunity to comment.

Sincerely,

Michael E. Wooten

Administrator

Appendix IV: Comments from Department of Defense



OFFICE OF THE CHIEF MANAGEMENT OFFICER
9010 DEFENSE PENTAGON
WASHINGTON, DC 20301-9010

MEMORANDUM FOR: U.S. Government Accountability Office

SUBJECT: Response to GAO Draft Report GAO-21-41, "*FEDERAL BUYING POWER: OMB Can Further Advance Category Management Initiative by Focusing on Requirements, Data, and Training*" (Project Code 103624)

This memorandum provides a response to the GAO Draft Report, GAO-21-41, "*FEDERAL BUYING POWER: OMB Can Further Advance Category Management Initiative by Focusing on Requirements, Data, and Training*" (Project Code 103624). We concur with the report as written, and welcome the opportunity to provide comments on Recommendation 9.

Attached is the Department of Defense CMO response to the subject report recommendations. The CMO point of contact is Jennifer Marroig COMM: 571-372-3235, or via email at jennifer.l.marroig.civ@mail.mil.

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HALLMAN.SILVANA.11786#10
Date: 2020.10.16 12:38:39 -0400

SILVANA RUBINO-HALLMAN, Ph.D
Director, Transformation & Reform

Attachment(s):
As Stated

Attachment

GAO DRAFT REPORT DATED OCTOBER 2020 GAO-21-41
“FEDERAL BUYING POWER: OMB CAN FURTHER ADVANCE CATEGORY MANAGEMENT INITIATIVE BY FOCUSING ON REQUIREMENTS, DATA, AND TRAINING”
DOD CHIEF MANAGEMENT OFFICER COMMENTS

RECOMMENDATION 9: The GAO recommends that the OMB Director “*should work with the GSA Category Management Program Management Office to develop tailored training for Office of Small Disadvantaged Business Utilization personnel that emphasizes information about Small Business opportunities under the category management initiative.*”

CMO RESPONSE: The CMO concurs with the recommendation as to the need for tailored training on Small Business matters. However, GAO should recommend the OMB Director task GSA Program Management Office to develop training *in collaboration with the Small Business Administration and Federal Acquisition Institute (FAI)* so that appropriate stakeholders’ needs are met by any developed training. This is especially important as DoD and other federal entities attempt to attract nontraditional vendors and shore up the U.S. Small Business industrial base.

The Department of Defense is putting contracting employees through new paces to drive category management best practices across the defense enterprise. The Department has worked hard in integrating experiential training relative to Category Management – our personnel are participating in 90-day sprints where they bring actual contracts they are working in order to maximize knowledge transfer. As GSA has noted, Category Management is producing significant savings and efficiencies for agencies across the Federal Government. Collectively, we have strengthened our supply chain and industrial base, reduced duplicative contracts, reduced administrative costs, and made it easier for vendors to do business with the Federal Government.

RATIONALE: This training shall be developed jointly by experts from the GSA, the SBA, the Federal Acquisition Institute (FAI), and possibly the Small Business Learning office at the Defense Acquisition University (DAU). This will enable coordination with Office of Small & Disadvantages Business Utilization (OSDBU) Directors for Federal civilian agencies, and for the DoD and the Military Departments (MILDEPs), with Office of Small Business Programs (OSBP) Directors through the Small Business Procurement Advisory Council (SBPAC). Such coordination is consistent with SBPAC’s statutory duty and authority in 15 U.S.C. §644a to identify and facilitate implementation of best practices on Small Business participation across Federal agencies. Additionally, coordination will help DoD and MILDEP OSBP Directors ensure this training aligns with the National Defense Strategy objectives.

Using this approach, the scope of the training can be expanded well beyond Small Business opportunities within category management acquisition vehicles (i.e., Small Business ordering within Tier 3 Best In Class contracts). For instance, training should address in detail the various Small Business considerations involved in acquisition planning on whether, and how, to use contracts at various Tiers. As already noted in the Draft Report, the SBA did not observe GSA category management training to cover the recent exemptions and flexibilities which OMB Memorandum M-19-13, *Category Management: Making Smarter Use of Common Contract Solutions and Practices*, made available for Small Business programs and the Small Business industrial base.

Additionally, training recently experienced in DoD on the OASIS BIC vehicle provided to the Department of the Air Force after Memorandum M-19-13 was issued did not address the M-19-13 Small Business exceptions. For example, a decision by the U.S. Court of Federal Claims, *MORI Associates v United*

Appendix IV: Comments from Department of Defense

States, 102 Fed. Cl. 503 (2011), as possibly requiring consideration of Small Business set-asides prior to choice of contract vehicles. In *MORI*, the court found that transferring work from Small Business contracts onto agency-wide, interagency, or Government-wide contracts may be unfair to Small Businesses which did not have advance notice that their contracts will be subsumed under larger vehicles. These and other practical topics on how to reconcile Small Business set-asides and category management BIC vehicles are needed by practitioners.

As stated above, the recommendation that GSA stand up a coordinated effort with key Agencies will ensure that the right training is provided to the right participants to gain the right benefit.

Text of Appendix IV: Comments from Department of Defense

Page 1

MEMORANDUM FOR: U.S. Government Accountability Office

SUBJECT: Response to GAO Draft Report GAO-21-41, "FEDERAL BUYING
POWER: OMB

Can Further Advance Category Management Initiative by Focusing on
Requirements, Data, and Training" (Project Code 103624)

This memorandum provides a response to the GAO Draft Report, GAO-21-41,
"FEDERAL BUYING POWER: OMB Can Further Advance Category Management
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We concur with the report as written, and welcome the opportunity to provide
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SILVANA RUBINO-HALLMAN, Ph.D

Director, Transformation & Reform

Attachment(s): As Stated

Page 2

Attachment

GAO DRAFT REPORT DATED OCTOBER 2020 GAO-21-41

"FEDERAL BUYING POWER: OMB CAN FURTHER ADVANCE CATEGORY
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As stated above, the recommendation that GSA stand up a coordinated effort with key Agencies will ensure that the right training is provided to the right participants to gain the right benefit.

Appendix V: Comments from Small Business Administration



Office of Government Contracting and Business Development | 409 3rd Street SW | Washington DC 20416

October 9, 2020

Nathan Tranquilli
Assistant Director
Contracting and National Security Acquisitions (CNSA)
U.S. Government Accountability Office
Washington, D.C. 20548

Dear Mr. Tranquilli,

Thank you for providing the U.S. Small Business Administration (SBA) with a copy of the U.S. Government Accountability Office's (GAO) draft report 21-40 titled "Federal Buying Power: OMB Can Further Advance Category Management Initiative By Focusing On Requirements, Data, And Training."

SBA appreciates GAO's acknowledgment that obligations to small businesses have increased, but fewer businesses are winning contracts, spurring continued concerns. As documented by GAO, small businesses received 30 percent of annual category management obligations since 2016, but the number of small business vendors providing common products and services decreased each year, continuing a decade-long trend. This report is timely and, in some ways, revealing. GAO found that, of the tens of thousands of contracts eliminated by category management, 53 percent of them were small business contracts. This is much greater than the 5-percent figure reported in 2019 and adds to the long-standing concerns expressed by the small business contracting community.

Moreover, SBA is aware that the number of small business new entrants has dropped nearly 60%, from 23,000 in FY12 to just 9,400 in FY19. Firms have withdrawn from SBA's 8(a) program, citing decreasing opportunities and increased consolidation of contracts. There are now fewer 8(a) opportunities because agencies have sought release of their 8(a) contracts to satisfy the agencies' consolidation strategies. Some agencies have even cited "category management" as the reason for seeking release from the 8(a) program. There are simply fewer opportunities for new entrants and young companies, exactly the ones likely to participate in SBA's 8(a), HUBZone, WOSB, and SDVOSB programs.



All SBA programs and services are extended to the public on a nondiscriminatory basis.

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Appendix V: Comments from Small Business Administration

This report emphasizes that the category-management initiative must refocus its efforts to reduce barriers to entry, increase vendor participation, clarify ill-defined contract requirements, tackle government-wide data challenges, and, most importantly, strengthen small business resiliency. Current efforts have not been sufficient. The increase in small business dollars obscures that there is less small business opportunity.

SBA echoes GAO in stating that there are opportunities to improve communication with the small business community to help address some of their longstanding concerns about category management and its relationship to other government-wide efforts and goals intended to promote small business utilization. Many of our federal small business advocates, small business partners and constituent organizations share our concern with the transparency of information, and a need for clearer understanding of category management techniques and processes. Therefore, SBA agrees with GAO's recommendation that there is a need for tailored training. As pointed out by GAO, the lack of this type of training for OSDDBU personnel hinders the ability to communicate relevant information regarding small businesses concerns.

Further, contracting officials lack clear direction on how to reconcile category management with federal laws and regulations. In particular, to protect opportunities for small businesses, agencies must avoid bundling or consolidating existing contracts except where absolutely necessary. Agencies must satisfy mandatory set-aside requirements even in the use category management vehicles. Also, more emphasis should be focused on requiring large prime contractors to report on how they are performing against their subcontracting plans under category management. We are happy to discuss these issues with OMB and find practical solutions that support small business opportunity.

Thank you for giving SBA the opportunity to comment on the draft report.

Sincerely,



Wallace D. Sermons II
Deputy Director
Office of Government Contracting



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Text of Appendix V: Comments from Small Business
Administration

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October 9, 2020

Nathan Tranquilli Assistant Director

Contracting and National Security Acquisitions (CNSA)

U.S. Government Accountability Office Washington, D.C. 20548

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Wallace D. Sermons II Deputy Director

Office of Government Contracting

Appendix VI: GAO Contact and Staff Acknowledgments

GAO Contact

Timothy J. DiNapoli, (202) 512-4841 or DiNapoliT@gao.gov

Staff Acknowledgments

In addition to the contact name above, Nathan Tranquilli (Assistant Director), Holly Williams (Analyst-in-Charge), Jacob Fender, Katheryn Hubbell, and Brenda Mittelbuscher made significant contributions to this report. Pedro Almoguera, Vinayak Balasubramanian, Brandon Booth, Rose Brister, Susan Ditto, Lorraine Ettaro, Lori Fields, Laura Greifner, Holly Hobbs, Julia Kennon, Beth Reed Fritts, William Shear, Paige Smith, Sarah Veale, and Alyssa Weir also contributed to this report.

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