

Highlights of [GAO-13-408T](#) a testimony before the Committee on Oversight and Government Reform, U.S. House of Representatives

## Why GAO Did This Study

Federal agencies plan to spend about \$20 billion on development and acquisition of IT investments in fiscal year 2013, but GAO's prior work has found that IT projects too frequently incur cost overruns and result in duplicate systems. The proposed FITARA bill seeks to implement important reforms to maximize the return on investment for IT services and supplies. For many years, GAO has reported that the government is not fully leveraging its aggregate buying power and found that strategic sourcing, a process that moves a company away from numerous individual procurements to a broader aggregate approach, enabled companies to achieve savings of 10 to 20 percent. In 2012, GAO reported that expanded agency use of strategic sourcing could save billions in federal procurement costs.

GAO was asked to testify on the value of strategic sourcing as an important tool to achieve greater savings and efficiencies in information technology and other procurements. This testimony is based largely on GAO's September 2012 report on strategic sourcing as well as a body of work on IT management and acquisition practices.

## What GAO Recommends

GAO is not making any new recommendations in this testimony. GAO has issued recommendations to OMB and agencies on key aspects of strategic sourcing and IT management in the past. OMB and agencies concurred with the recommendations, and are in the process of implementing them.

View [GAO-13-408T](#). For more information, contact Cristina Chaplain at (202) 512-4841 or [chaplainc@gao.gov](mailto:chaplainc@gao.gov).

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## STRATEGIC SOURCING

### Improved and Expanded Use Could Provide Procurement Savings for Federal Information Technology

## What GAO Found

In September 2012, GAO reported that many large procurement agencies were in the early stages of implementing strategic sourcing and had achieved limited results. For example, in fiscal year 2011, the Departments of Defense, Homeland Security, Energy, and Veterans Affairs accounted for 80 percent of the \$537 billion in federal procurement spending, but reported managing about 5 percent of that spending, or \$25.8 billion, through strategic sourcing efforts. These agencies reported savings of \$1.8 billion—less than one-half of 1 percent of federal procurement spending. Further, most of these agencies' strategic sourcing efforts did not address their highest spending areas—including some information technology (IT)-related services—which may provide opportunities for additional savings. While strategic sourcing may not be suitable for all procurements, leading companies strategically manage about 90 percent of their procurements and report annual savings of 10 percent or more. When strategic sourcing contracts were used, federal agencies generally reported achieving savings between 5 and 20 percent.

Agencies also continue to face challenges in obtaining and analyzing reliable and detailed data on spending, securing leadership support for strategic sourcing, and applying this approach to acquiring services. In 2012, GAO reported that agencies and federal strategic sourcing programs generally continued to rely on the government's current system for tracking contracting information data, and noted numerous deficiencies with this data for the purposes of conducting strategic sourcing research. GAO also found that most of the reviewed agencies were challenged by a lack of leadership commitment to strategic sourcing, though improvements were under way. Additionally, officials reported that they have been reluctant to strategically source services (as opposed to goods) for a variety of reasons, such as difficulty in standardizing requirements. However, leading companies GAO spoke with have focused their efforts on services, such as telecommunications and IT services, over the past 5 to 7 years because of the growth in spending in that area, and have achieved significant savings. Leading companies employ more sophisticated strategic sourcing techniques, using spend analyses and in-depth market research to tailor their acquisition approaches to the complexity and availability of the particular good or service they are acquiring.

Agencies and the Office of Management and Budget (OMB) have taken some recent actions to increase the use of strategic sourcing and improve IT management. For example, in 2012, OMB called for agencies to strategically source at least two new products or services in 2013 and 2014 with at least one to target an IT commodity or service. To increase transparency and visibility into agencies' potentially duplicative IT investments, OMB required in March 2012 that agencies conduct IT portfolio reviews to identify duplicative IT investments.

Strategic sourcing is not the only tool to improve IT acquisitions. GAO has previously reported on the value of matching requirements to resources, ensuring cost estimates are complete and accurate, and empowering program managers, among other practices, in preventing the types of acquisition problems the proposed Federal Information Technology Acquisition Reform Act (FITARA) would address.