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MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

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SUBJECT: Category Management Policy 15-1: Improving the Acquisition and Management of Common Information Technology: Laptops and Desktops

The Federal Government spends over \$50 billion a year on hardware, software, telecommunications, IT security, and IT professional services through tens of thousands of contracts and delivery orders. Since its inception in March 2012, the Office of Management and Budget's (OMB) PortfolioStat process¹ has significantly improved how government agencies buy, manage and consume these goods and services by engaging the Chief Information Officer (CIO) and other senior leaders in baselining, reviewing, and consolidating information technology (IT) needs. Through quarterly data collections and annual reviews, this initiative has increased visibility into purchasing and consumption practices, reduced duplication in certain areas, and generated savings.

However, many agencies continue to buy and manage their IT in a fragmented and inefficient manner, in a large part due to the highly decentralized structure of major cabinet level departments, which conflicts with the goals of the Federal Information Technology Acquisition Reform Act (FITARA) and with the principles of category management outlined in December 2014 by the Office of Federal Procurement Policy (OFPP)². To address this, OMB plans to issue a series of policies directing agencies to take new steps to improve the acquisition and management of common IT goods and services to drive us to greater performance, efficiencies and savings. The focus of this memorandum is on office laptop and desktop computers.

Building a Better Federal Marketplace for Laptops and Desktops

In FY 2014, agencies awarded more than 10,000 contracts and delivery orders for common laptops and desktops totaling about \$1.1 billion, resulting in reduced buying power, inefficient duplication of contracts, and very little transparency into prices paid. Instead of the Government banding together as the world's largest buyer to negotiate better prices and terms,

¹ <https://cio.gov/drivingvalue/portfoliostat/>

² <https://www.whitehouse.gov/sites/default/files/omb/procurement/memo/simplifying-federal-procurement-to-improve-performance-drive-innovation-increase-savings.pdf>

too often it buys like thousands of small businesses, making smaller awards for the same IT products across multiple agencies, and sometimes within a single organization. Laptop prices can range from about \$450 to \$1,300 for the same configuration, which is a price variance of almost 300%. But agencies lack visibility into prices paid and therefore can't use that information to negotiate the lowest price. In addition, agencies often ask vendors to provide them with hundreds of different configuration options, which further drives up costs. In the end, the Government is left with very little visibility into what we are buying, who we are buying it from, and how much we are paying.

To address these concerns, the Category Management Leadership Council (CMLC) established an interagency Workstation Category Team (WCT), led by the National Aeronautics and Space Administration (NASA) and comprised of laptop and desktop computer subject matter experts and managers of large Government-wide and agency-wide hardware contracts. As a result of this work, OMB has determined that agencies must take immediate steps, described in more detail below, to³:

- 1) standardize laptop and desktop configurations for common requirements;
- 2) reduce the number of contracts for laptops and desktops by consolidating purchasing and using a fewer number of high-performing – or best-in-class – contracts; and
- 3) develop and modify demand management processes to optimize price and performance.

Standard Configurations

One of the quickest ways to drive savings for common, everyday IT commodities is to standardize common laptop and desktop configurations (e.g., memory, processor speed, etc.). Standardizing laptop and desktop configurations means the Government spends less time and money buying, managing, and maintaining a diverse hardware portfolio. Standardizing common requirements also ensures that we are moving the government from “nice to have” to “need to have” to drive down costs, we are improving our interoperability and security profile, and we can more easily compare pricing information.

As part of category management, the WCT conducted extensive data analysis of the Government's largest laptop and desktop contracts and determined that even though agencies buy several hundred different types of laptops and desktops, nearly 80% of today's basic laptop and desktop needs could be met through five standard configurations. This analysis further showed that agencies were paying a wide variety of prices for these standard offerings and using different terms and conditions, which highlighted the need for a more coordinated approach. Based on today's requirements, the WCT identified two laptop configurations (one standard and one upgrade) and three desktop configurations (one standard and two upgrades). These configurations and future configurations will be posted on the Acquisition Gateway on

³ This requirement does not apply to agencies with managed service contracts that include providing laptops and desktops. However, agencies with managed service contracts must report terms, conditions and prices paid to the Acquisition Gateway within 90 days of issuance of this policy.

<https://hallways.cap.gsa.gov/> and sent to the acquisition and IT communities. The first set of configurations is already posted under the IT Hardware Hallway.

The WCT will work with agency CIOs and the vendor community to identify the attributes of standard or upgraded laptops and desktops every six months beginning in the fourth quarter of FY 2015. Furthermore, the WCT will add or remove configurations as necessary to adapt to changing agency needs and market trends, such as the increased use of tablets and the transition from traditional computing to virtual infrastructure.

Therefore, effective immediately, CIOs shall ensure that at least 80% of their agency's new basic laptop and desktop requirements are satisfied with one of these standard configurations, unless an exception is consistent with an approved IT acquisition strategy or plan, as required by OMB's FITARA implementation guidance, and approved in writing by the agency CIO.⁴

Moving to a More Consolidated Acquisition Strategy

Another important goal of category management is to reduce administrative costs by consolidating acquisitions through a fewer number of contracts – also one of the key tenets of the Digital Government Strategy.⁵ Fewer contracts also drives greater transparency into pricing by simplifying the collection and comparison of this data. The three largest Government-wide acquisition solutions account for about one third of the Government's civilian spend for laptops and desktops, with the remainder scattered across more than 2,400 additional contracts, which reduces our purchasing power.

Therefore, effective immediately, except as provided in this policy, all agencies are prohibited from issuing new solicitations for laptops and desktops, and civilian agencies shall leverage the following existing vehicles, which were determined by the CMLC to offer the best value⁶ for the bulk of the Government's laptop and desktop needs:

- 1) NASA Solutions for Enterprise-Wide Procurement (SEWP)⁷
- 2) General Services Administration (GSA) IT Schedule 70⁸
- 3) Department of Health and Human Services (HHS), National Institutes of Health (NIH), NITAAC Chief Information Officer-Commodities and Solutions (CIO-CS)⁹

These major solutions were generally awarded and are managed according to OMB's category management principles,¹⁰ including gathering input prior to award from a large number of potential agency users; establishing appropriate strategies to reduce prices as cumulative sales

⁴ <https://www.whitehouse.gov/sites/default/files/omb/memoranda/2015/m-15-14.pdf>

⁵ <http://www.whitehouse.gov/sites/default/files/omb/egov/digital-government/digital-government.html>

⁶ Another key tenet of category management is determining which contracts or solutions are considered "best-in-class." This initiative will give the community experience in defining and evaluating these terms for future use.

⁷ http://www.sewp.nasa.gov/contract_info.shtml

⁸ Special Item Number 132-8 (Purchase of Hardware) and 132-12 (Maintenance and Repair Parts/Service for Hardware)

⁹ <https://nitaac.nih.gov/nitaac/contracts/cio-cs>

¹⁰ https://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-02_0.pdf

volume increases; and monitoring of prices paid, usage, and performance data. The contract managers of these vehicles shall ensure sustained commitment to these and other category management principles, including the collection of pricing information. The WCT and the CMLC will evaluate the performance and value of these approved contracts on an annual basis and revise as necessary.

Exception for agency-wide, mandatory-use vehicles: Agencies may continue the use of mandatory agency-wide vehicles through the end of the current base or option period, as applicable. To qualify for an exemption, agencies are required to implement category management principles in the administration of those vehicles and must, at a minimum:

- appoint an agency category lead for laptops and desktop, who will also actively participate in the WCT;
- measure and report rates of compliance by bureau, and monitor and address non-compliant spend outside of the mandated vehicle;
- post the agency's mandatory use policy and critical contract data, including terms and conditions, and maintain prices paid on the Acquisition Gateway within 90 days of issuance of this policy;¹¹ and
- comply with additional guidance identified by OMB or the CMLC to ensure that the agency-wide vehicle continues to deliver the maximum benefit to the agency and that best practices and pricing are shared widely among the acquisition and IT community.

Six (6) months prior to the exercise of each additional option period, the agency shall analyze terms/conditions, pricing, performance, fees, and savings under the agency vehicle relative to the approved vehicles, document findings, and provide this information to OMB for approval. Eighteen (18) months prior to any recompetition of these solutions, the agency must submit a business case to OMB that outlines how the agency will transition to the identified vehicles above or how they will make their solution available government-wide, if applicable (transition plan requirements are provided below). Agencies with bureau-wide agreements, or agencies that cannot meet the category management exemption criteria listed above, must transition to the CMLC-approved vehicles by October 1, 2016.

DoD will continue to execute its Enterprise Service Initiative,¹² which mandates the use of limited and targeted DoD solutions, and will provide additional guidance to its components of approved vehicles and supporting policies. DoD will post this information to the Acquisition Gateway within 120 days of the issuance of this policy.

Small business participation: Maximizing small business utilization is a key category management principle and an important component of this policy. All category management strategies baseline small business use and set goals to meet or exceed that baseline participation. The percentage of desktop and laptop work (in dollars) awarded to small businesses in FY 2014 under the three vehicles described above was 64%, or nearly 10 percent greater than the small

¹¹ Agencies with managed service contracts, which are outside the scope of this policy, shall post their contracts on the Acquisition Gateway within 90 days.

¹² <http://www.esi.mil/>

business participation rate for these commodities overall, and nearly 85% of the vendors on these solutions are small businesses. To maintain and grow this participation, the WCT, in consultation with SBA and the CMLC, will review small business participation rates and work the managers of the three vehicles to evaluate opportunities to increase participation. In addition, agencies are reminded of their responsibility to determine, when planning awards under these vehicles, whether the requirement is consolidated or bundled and justify the action to do so in accordance with relevant statute and regulations. For renewable and follow-on contracts for IT goods and services previously awarded under the 8(a) Business Development Program, agencies should note that there are currently more than 70 8(a) contract holders to address agency requirements. If a procuring agency would like to fulfill a follow-on or renewable acquisition outside of the 8(a) Program, it must make a written request to and receive the concurrence of SBA in accordance with the regulations set forth at 13 CFR 124.504(d).

Improving Demand Management Practices

Another key component of category management is to drive greater savings and efficiencies through smarter business practices. For example:

Adopt uniform refresh cycles – Agencies shall develop and implement policies and procedures in which only a portion of the laptops and desktops are at the end of their useful life and need to be replaced each year. Generally, agency CIOs shall adopt a uniform refresh cycle, such as replacing 25% of inventory every year for 4 years or 20% of inventory every year for 5 years. Uniform refresh plans allow agency leadership to budget for laptops and desktops in a more strategic and predictable manner and allows the support team to more effectively plan for device replacement, sanitization and final disposition.

Aggregate demand to support leveraged buying events - Agencies should focus the bulk of their acquisition of laptops and desktops on publicized buying events to maximize the Government’s collective buying power. A best practice is to host semi-annual buying events where requirements across agencies are consolidated to leverage buying and drive down costs, and the WCT will require this practice for GSA Schedule 70, NITAAC CIO-CS, and NASA SEWP. Furthermore, the WCT will work with GSA to create tools on the Acquisition Gateway to help organizations consolidate requirements to better leverage their spending. Agencies shall, to the maximum extent practicable, participate in these buying events.

Defining the Responsibilities of Laptop and Desktop Category Lead and Contract Manager

One of the key principles of category management is having subject matter experts shape buying strategies so that the Government starts to buy as one, and the WCT will serve as the Category Lead for laptops and desktops moving forward. In this capacity, the WCT will:

- seek input from agency CIOs to revise and issue new standard configurations every six months¹³;

¹³ WCT shall ensure that Section 508 monitoring mechanisms are incorporated into acquisition strategies.

- initiate work on additional standard configurations based on special usage cases, and begin to identify standard configurations for tablets and hybrids to ensure a consistent approach to acquiring and managing these devices;
- seek input from users, including contracting officers, program managers, security officers, and technology officers, to evaluate the performance, value and fees of the approved contract vehicles;
- evaluate vendor performance and pricing; and
- based on the factors above, recommend to OMB on an annual basis: modifications to the list of approved vehicles and improvements for how the Federal Government buys and manages laptops and desktops.

The contract managers of the CMLC-approved vehicles will:

- negotiate threshold discounts based on volume to maximize savings for agencies, and provide timely notifications to agencies;
- work with customer agencies to present an agency-specific standard image on the hardware, leveraging any enterprise license agreements, and incorporate into contracts as opportunities arise;
- provide data to the WCT and the Acquisition Gateway within 90 days and at least every six months thereafter to evaluate pricing, fees, and performance of the contracts;
- report on agency compliance with the requirement to purchase standard configurations;
- evaluate customer/user feedback on vendor performance, offerings, value, customer support on a regular basis and address concerns as needed, in accordance with recent OFPP guidance¹⁴;
- work with agencies to develop forecasts for acquisition requirements; and
- sponsor buying events, as appropriate, to aggregate demand.

Transition Plans and Goals

Treating laptops and desktops like a commercial commodity will help the Government drive efficiency in this category. However, most agencies have some nuanced requirements that either do not neatly fit into the standard configurations profiles above or are not offered on these vehicles. As such, the goal of this policy is not intended to drive 100% of civilian spend to CMLC-approved contracts, but rather to phase in the policy over time to achieve a Governmentwide goal of 75% by the end of FY18 (agency rates may be higher depending on their needs and policies). The table below identifies the phase-in requirements for the Government over time:

Civilian Spend Through CMLC-Approved Contracts

FY 2016	FY 2017	FY 2018
45%	60%	75%

¹⁴ <https://www.whitehouse.gov/sites/default/files/omb/procurement/memo/acquisition-360-improving-acquisition-process-timely-feedback-external-internal-stakeholders.pdf>

To ensure that agencies are able to meet or exceed this schedule and the goals of this policy, civilian CFO Act agency Chief Information Officers and Chief Acquisition Officers have joint, but unique, responsibilities for implementation. Working together, the CIOs and CAOs shall develop short transition and implementation plans that address both the new technical and new acquisition requirements set forth above.

CAOs are responsible for leading the transition to the preferred vehicles and shall:

- provide baseline spend data for purchases made through the approved vehicles;
- identify when the agency will phase out existing contracts for laptops and desktops and transition to the preferred vehicles;
- identify how overall small business participation will continue to be met or exceeded; and
- identify current agency-wide vehicles required by mandatory use policies that are proposed to continue because of excellent pricing and performance and other information required in the exceptions section above.

CIOs are responsible for developing the agency's implementation instructions for this policy that directs, among other things:

- the use of standard configurations;
- the prohibition on new awards;
- related oversight/compliance and other management measures; and
- provide a link to the agency's implementation instructions for this policy, as soon as practicable.

CAOs and CIOs should also work together to develop a process for measuring and evaluating the technical and acquisition efficiencies and effectiveness (e.g., reductions in time to procure, improved interoperability, overall savings) of the new strategy.

These transition plans are due by February 28, 2016, and will be collected through the Integrated Data Collection managed by OMB's Office of the Federal Chief Information Officer. Specific instructions for data submission will be posted in MAX at this URL: <https://community.max.gov/x/LhtGJw>.

Improving our IT commodity acquisition and management practices is a critical step in the implementation of FITARA and in improving value to the taxpayers. The actions described above will reduce duplication, improve pricing, and better leverage the Government's vast buying power. If you have further questions, please contact Meredith Romley in OFPP on (202) 395-4644 or mromley@omb.eop.gov, or Paul Oliver in OFCIO on (202) 395-0372 or poliver@omb.eop.gov.

Category Management Policy 15-1: Improving the Acquisition and Management of Common Information Technology: Laptops and Desktops
Technical FAQs

Configurations

1. How did the Workstations Category Team determine the standard configurations?

Answer: The Workstations Category Team (WCT), led by NASA and consisting of over 27 agencies, conducted extensive data analysis of the Government's largest laptop and desktop contracts and determined that about 90% of basic laptop and desktop needs could be met through common standard configurations. The policy mandates that agencies buy one of the five standard configurations for at least 80% of basic laptop and desktop requirements, unless an exception is granted by the agency's CIO. Non-standard requirements, such as scientific and military needs, are not subject to this policy. Furthermore, the WCT used input from these organizations to define the set of configurations and technical specifications for standard desktops and laptops, and standard upgrade options; these specs were validated by industry via a formal Request for Information issued by NASA.

2. Are these minimum specifications? If so, how does this align with standardizing configurations?

Answer: The specifications define minimum required functionality for each category of system for each standard configuration. Since there is variation in what industry may offer, the minimum specifications may be exceeded yet remain in the original category, as long as the capabilities do not push the offering into the next higher category. Workstations are purchased in discrete categories (currently, one of the five offerings). The purpose of standard configurations and specifications is to define minimum required capabilities while also providing flexibility and allowing market competition on solutions within each category, driving value for the customer.

The specifications in each category should be followed as closely as possible. For example, a specification for a 1 TB disk might be met exactly by one manufacturer, but another may only have a .75 TB and 1.25 TB disk available. They could bid using the 1.25TB disk but not the .75TB disk, which does not fulfill the minimum requirements.

3. How was industry engaged in the development of the terms and conditions and standard configurations of the offerings?

Answer: NASA, as lead of the Workstations Commodity Team, issued a Request for Information in 2014 to obtain industry feedback on various terms and conditions, including refresh cycles and months, warranties, pricing, and delivery times. The terms and conditions were shaped by the responses of almost 40 industry representatives, including manufacturers and resellers. In spring of 2015, NASA and implementation

partners from GSA and NIH held meetings with select desktop and laptop manufacturers to obtain their feedback on the feasibility/viability of technical specifications of the proposed standard configurations. Their feedback was incorporated into the current baseline specifications.

4. Will industry have an opportunity to modernize the technology moving forward?

Answer: Yes, a technology refresh will occur every six months aligned with new industry offerings. The standard configurations will be updated to reflect government agency requirements based on their feedback to the current specifications as well as technology updates from industry. Also, the current standard configurations represent minimum requirements for each of the five offerings. These minimums do not limit industry from proposing solutions that incorporate new technology.

5. How will the WCT engage industry moving forward on the refreshment of the current specs? When will that engagement begin?

Answer: NASA has begun reaching out to major desktop/laptop manufacturers who provided feedback to the initial standard configurations and plans to conduct meetings with all major desktop/laptop manufacturers in January, with participation by GSA and NIH. NASA, GSA, and NIH are also collaborating to hold an open industry meeting in January 2016 to present the proposed updates to the standard configurations and to obtain broader industry feedback. The date will be announced soon.

6. Why don't the specifications address thin clients or tablets?

Answer: The WCT determined that thin clients, tablets and hybrids represent less than 1% of today's overall spend. If the federal community begins to use a greater share of these devices, the WCT will initiate work on additional standard configurations based on special usage cases to ensure a consistent approach to acquiring and managing these devices.

Acquisition Strategy

7. What if the vehicles are not performing as expected?

Answer: Annually, OMB, working with the WCT, will review input from users and vendors, to evaluate the performance of the approved contract vehicles. Based on these factors, the list of approved vehicles will be modified, if necessary.

8. How many vendors are on these contracts?

Answer: There are more than 1,000 vendors on these contracts, and some vendors are on two or even all three. Approximately 45% of the workstation vendor community is already on these vehicles, and these vendors receive 89% of total spend. Although some

vendors are not on the list of approved vehicles, the current policy only mandates 75% adoption by FY2018. In other words, agencies can continue to use vendors who may not be on the approved vehicle list and still meet their policy targets.

Transition

9. How will OMB know that agencies are complying with the requirement to purchase 80% of their basic laptop and desktop needs through the three approved vehicles?

Answer: OMB will measure spend through the contract vehicles and agency compliance with purchasing standard configurations.

- a. Spend Through Approved Vehicles – OMB will collect transition plans from agencies as part of the February 28, 2016, Integrated Data Collection (IDC). Agencies will be required to describe how they will meet the goals of this policy including the transition to Enterprise Software Category Team (ESCT)-approved vehicles while maintaining small business goals. OMB will track agency progress through analysis of federal contracting data.
 - b. Standard Configurations - The Memo requires the contract managers of the approved vehicles (NASA, GSA, and HHS) to report agency compliance with the requirement to purchase standard configurations. OMB will monitor compliance on a quarterly basis.
10. The policy says no new solicitations can be issued. Does this mean no new delivery orders can be awarded?

Answer: With limited exceptions, agencies are prohibited from issuing solicitations for **new** contract awards. With so many providers now under existing agreements, the government should be able to meet its needs without incurring unnecessary additional cost to put new contracts in place. Agencies can still award DOs under their existing agreements or the 3 preferred sources (NASA, HHS, and GSA) to satisfy their desktop/laptop needs. However, they need to start transitioning to one of the three approved sources that already exist, unless the agency has a mandatory source for laptops that meets the criteria in the memo. Agencies are in the process of preparing a transition plan to move the agency to the preferred sources, so the details/timing of that transition will be included there. Transition plans are due February 28, 2016.

11. The policy requires 75% adoption of the approved vehicles, but it forbids new solicitations. What if my agency has business needs that can't be met by the approved vehicles?

Answer: The policy target of 75% is intended to provide agencies with flexibility in their workstation acquisitions with the knowledge that not all technology needs can be met by the approved contract vehicles or the standard configurations. Agencies are prohibited

from issuing solicitations for workstations unless the agency determines that an exemption is necessary. Agency transition plans must reflect these exemptions.

12. How will OMB hold agencies accountable for implementing the policy?

Answer: OMB will track performance through the CAP goal and the quarterly PortfolioStat process. PortfolioStat process is a data-driven review of IT performance at the 26 largest departments and agencies in government. PortfolioStat brings together senior leadership from OMB and agencies to discuss critical management priorities in the area of information technology management. Poor performance will be addressed at this meeting and recommendations for improvement will be tracked through agency action items.

Miscellaneous

13. What expectations are there for the Department of Defense to implement a similar directive policy?

Answer: The Department of Defense already implements many outstanding IT practices through its Enterprise Service Initiative (ESI). ESI and the DoD CIO mandate use of a limited number of solutions, such as Army CHES. DoD will be announcing a similar list of approved vehicles and supporting policies for its components within 120 days of issuing the policy. This information will be posted on the Acquisition Gateway. OMB is working closely with DoD to implement rigorous data collection and tracking methods to hold components accountable.

14. I'm a vendor and can't access the Acquisition Gateway, where can I find the standard configurations? Will the Acquisition Gateway ever be open to the public?

Answer: Yes, the standard configurations can be found on public site of the Acquisition Gateway here <https://hallways.cap.gsa.gov/faq.html> and on the NASA SEWP's website: http://www.sewp.nasa.gov/strategic_solutions.shtml.

GSA is also working to making a portion of the Acquisition Gateway public in the future. However, critical contract information, such as contract terms, conditions, and pricing will not be available outside the federal government.