

Why GAO Did This Study

GAO has reported that the government is not fully leveraging its aggregate buying power, and that strategic sourcing, a process that moves a company away from numerous individual procurements to a broader aggregate approach, allowed companies to achieve savings of 10 to 20 percent. A similar savings rate applied to the federal procurement budget would equal more than \$50 billion dollars. In 2005, the Office of Management and Budget directed agencies to use strategic sourcing and established the FSSI program to manage governmentwide efforts. GAO was asked to assess (1) the extent to which selected agencies managed spending and achieved savings through strategic sourcing, (2) key challenges selected agency and FSSI officials face in strategically sourcing products and services, and (3) the extent to which the FSSI program managed spending and achieved savings through strategic sourcing. To do this, GAO selected four agencies that were among the highest in fiscal year 2011 procurement obligations—DOD, DHS, VA, and Energy—and reviewed governmentwide FSSI efforts. For each, GAO analyzed strategic sourcing data and policies, and interviewed responsible officials.

What GAO Recommends

GAO recommends a number of actions OMB, DOD, and VA can take to achieve more savings, such as applying strategic sourcing practices to their highest spending procurement categories, and setting targets for use of strategic sourcing contracts. All three agencies concurred with our recommendations.

View [GAO-12-919](#). For more information, contact Cristina Chaplain at (202) 512-4841 or chaplainc@gao.gov.

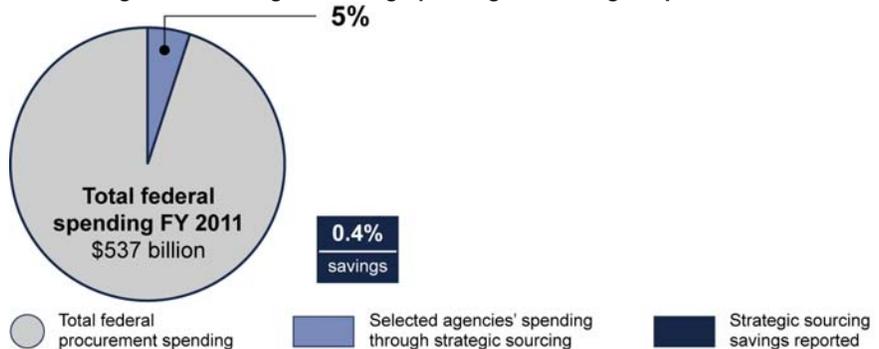
STRATEGIC SOURCING

Improved and Expanded Use Could Save Billions in Annual Procurement Costs

What GAO Found

Selected agencies leveraged only a fraction of their buying power through strategic sourcing and achieved limited savings. In fiscal year 2011, the Departments of Defense (DOD), Homeland Security (DHS), Energy, and Veterans Affairs (VA) accounted for 80 percent of the \$537 billion in federal procurement spending, but reported managing about 5 percent or \$25.8 billion through strategic sourcing efforts. These agencies reported savings of \$1.8 billion—less than one-half of one percent of procurement spending. While strategic sourcing may not be suitable for all procurement spending, leading companies strategically manage about 90 percent of their procurements and report annual savings of 10 percent or more. Further, most agencies' efforts do not address their highest spending areas such as services, which may provide opportunities for additional savings.

Selected Agencies' Strategic Sourcing Spending and Savings Reported in FY 2011



Source: GAO analysis of federal procurement and selected agencies' data.

Note: FY = fiscal year.

Most selected agencies and the Federal Strategic Sourcing Initiative (FSSI) program have not fully adopted a strategic sourcing approach. In prior work, GAO found that sustained leadership and effective metrics are important factors to implementing strategic sourcing. However, leaders at DOD have dedicated limited resources to strategic sourcing, and leaders at VA and Energy are just beginning to align resources for agencywide strategic sourcing efforts. A lack of clear guidance on metrics for measuring success has also impacted the management of ongoing FSSI efforts as well as most selected agencies' efforts. In contrast, DHS leaders stood up a centralized office and hold senior managers accountable to meet goals. DHS sets targets for use of strategic sourcing contracts, and reported that nearly 20 percent of its fiscal year 2011 procurement spending was directed through strategically sourced contracts.

The FSSI program managed little spending through strategic sourcing initiatives, but reported considerable savings. In fiscal year 2011, the program managed \$339 million through several governmentwide initiatives and reported \$60 million in savings. However, total spending through the program remains low, in part, because the FSSI contracts have low rates of use and the program has not yet targeted the products and services on which the government spends the most.