



OFFICE OF FEDERAL  
PROCUREMENT POLICY

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

September 29, 2011

**MEMORANDUM FOR CHIEF ACQUISITION OFFICERS  
SENIOR PROCUREMENT EXECUTIVES**

FROM:

Daniel I. Gordon  
Administrator

SUBJECT:

Development, Review and Approval of Business Cases for Certain  
Interagency and Agency-Specific Acquisitions

It is critical that the Federal Government, in its procurement activity, leverage its buying power to the maximum extent as well as achieve administrative efficiencies and cost savings. Too often, however, agencies establish new overlapping and duplicative contracts for supplies or services, because the agencies have not adequately considered the suitability of existing interagency contract vehicles: government-wide acquisition contracts (GWACs), multi-agency contracts, and blanket purchase agreements (BPAs). Similarly, in those situations when a suitable interagency vehicle does not exist, agencies have not adequately considered the opportunity to leverage the agency's own buying power, and achieve administrative efficiencies, through the use of an agency-specific<sup>1</sup> contract. This failure to make maximum appropriate use of interagency vehicles and agency-specific contracts results in higher prices and unnecessary administrative costs.

This memorandum outlines required elements of business case analysis as well as a process for developing, reviewing, and approving business cases to support the establishment and renewal of GWACs, multi-agency contracts, BPAs, and agency-specific contracts. This guidance supports efforts to deliver an efficient, effective, and accountable Government<sup>2</sup> by establishing a framework for addressing unjustified duplication among contracts, which was identified as an area of concern by the Government Accountability Office in a recent report.<sup>3</sup> The requirements outlined in this memorandum address section 865(b)(2) of the National Defense Authorization Act for FY 2009 (P.L. 110-417), which requires multi-agency contracts to be supported by a business case analysis detailing the administration of the contract, including an analysis of all direct and indirect costs to the government of awarding and administering the contract and the impact that the contract will have on leveraging purchasing power. This memorandum also addresses the designation, by the Office of Management and Budget (OMB), of executive agents to manage GWACs under the Clinger-Cohen Act (40 U.S.C 11302).

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<sup>1</sup> For purposes of this guidance, an agency-specific contract is an indefinite-delivery, indefinite quantity contract intended for the sole use of the establishing department or agency. Agency-specific contracts may be agency-wide (sometimes referred to as "enterprise-wide") or limited to one or more specific component organizations within the agency.

<sup>2</sup> See Executive Order--Delivering an Efficient, Effective, and Accountable Government, <http://www.whitehouse.gov/the-press-office/2011/06/13/executive-order-delivering-efficient-effective-and-accountable-government>

<sup>3</sup> See section 16 entitled, "Collecting improved data on interagency contracting to Governmentwide minimize duplication could help the government leverage its vast buying power", in Government Accountability Office Report GAO-11-318SP, <http://www.gao.gov/new.items/d11318sp.pdf>

For acquisitions that enter the solicitation phase after December 31, 2011, the agency which is responsible for the acquisition shall develop a business case, using the procedures outlined in this memorandum, to support the establishment or renewal of the following three types of acquisitions vehicles:

- all GWACs, as that term is defined in Federal Acquisition Regulation (FAR) 2.101;
- multi-agency contracts, as defined in FAR 2.101, or multi-agency BPAs created under the Federal Supply Schedules (FSS) Program managed by the General Services Administration (GSA), where:
  - (i) usage by another agency (i.e., interagency usage) is expected to be significant<sup>4</sup>; or
  - (ii) interagency usage is not expected to be significant but where a significant overlap<sup>5</sup> would be created between the scope of the proposed acquisition and the scope of existing contracts or agreements established under the Federal Strategic Sourcing Initiative (FSSI), the General Services Administration’s SmartBUY programs, or an existing GWAC.
- agency-specific contracts or agency-specific BPAs where either the contract or the BPA would create a significant overlap (See footnote 5) between the scope of the proposed acquisition and the scope of existing contracts or agreements established under FSSI, SmartBUY programs, or an existing GWAC.

Business cases are required in accordance with the following schedule and thresholds:

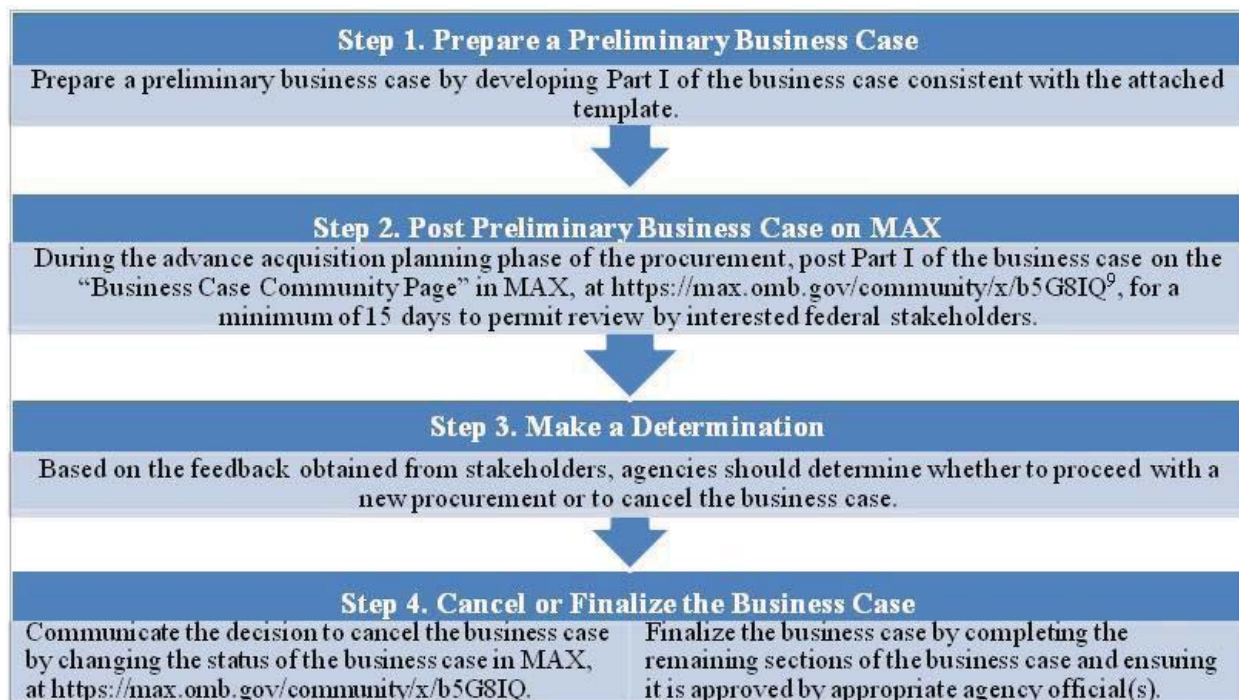
Type of Acquisition Vehicle	Anticipated Solicitation Release Date	Business case is required when the estimated value of the proposed acquisition vehicle is equal to or greater than...
GWAC	After 12/31/2011	All GWACs regardless of estimated value
Covered multi-agency contract or multi-agency BPA	1/01/2012 - 09/30/2012	\$250 million
	FY 13	\$100 million
Covered agency-specific contract or agency-specific BPA	FY 14	\$50 million

<sup>4</sup> As a general guideline, significant usage is expected when obligations by customers outside of the awarding agency are anticipated to exceed 25% of total obligations over the life of the contract vehicle.

<sup>5</sup> As a general rule, significant overlap is created when the scope of the proposed acquisition includes supplies and/or services of existing contracts or agreements established under FSSI, SmartBUY programs, or an existing GWAC and obligations for these supplies and/or services are anticipated to exceed 25% of total obligations over the life of the proposed acquisition.

With good strategic planning, careful evaluation of the current marketplace, and strong contract management, significant value can be generated through the creation and operation of a new interagency or agency-specific contract vehicle.<sup>6</sup> Strategic planning includes both (i) evaluating the suitability of known existing vehicles before creating new interagency or agency-specific vehicles to avoid unhealthy duplication<sup>7</sup> and (ii) determining the best ways to create new vehicles where there is a void or insufficient choice.<sup>8</sup> These actions require an ongoing commitment of time and resources. Accordingly, to ensure that the expected return from investment in a contract or agreement is worth the effort and cost associated with planning, awarding, and managing a new vehicle, business cases for contracts and BPAs meeting the above-described thresholds should address the following required elements of analysis:

Business cases shall be developed, reviewed, and approved using the following four-step process:



<sup>6</sup> Experience has shown, for example, that the benefits of pooling buying power can be significantly enhanced by (i) convening a group of agency experts to better understand agencies’ specific requirements, (ii) sharing pricing information and considering the impact a new contract would have on existing contracts, (iii) analyzing spend data, (iv) securing up-front spending commitments from agencies to increase vendor interest in the procurement, (v) maximizing small business participation, and (vi) requiring winning vendors to provide detailed spend data throughout the life of the contract that customers can analyze to improve internal business processes and inform future buying decisions.

<sup>7</sup> Duplication is most likely to occur as a result of multiple agencies creating their own separate contracts for similar products or services. Thus, agencies must be alert to the impact of duplication when creating a new interagency vehicle or a large agency-specific vehicle. The impact of duplication must be assessed when new vehicles overlap with existing interagency vehicles or with other vehicles within the same agency. Duplication is most likely to occur if the new vehicle would serve a narrow customer base, such as a single agency component.

<sup>8</sup> OFPP recognizes, as did the Acquisition Advisory Panel, that “[s]ome competition among vehicles is . . . desirable and even fundamental to maintaining the health of government contracting.” – Acquisition Advisory Panel. *Report of the Acquisition Advisory Panel to the Office of Federal Procurement Policy and the United States Congress*: January 2007, p. 251, <https://www.acquisition.gov/comp/aap/finalaapreport.html>

<sup>9</sup> This site may also be accessed directly through the Chief Financial Officer Virtual Toolbox, available on MAX.

Business cases shall be approved by an authority no lower than the agency's Senior Procurement Executive (SPE) or equivalent official, following coordination with the agency's Director of the Office of Small and Disadvantaged Business Utilization (OSDBU) and – if the acquisition involves IT – the agency's Chief Information Officer. An agency may also choose to require additional approving officials. Agency-approved business cases shall be kept by the agency as part of the acquisition file. Agencies shall also indicate in MAX, <https://max.omb.gov/community/x/b5G8IQ>, whether the business case has been cancelled or approved by the agency.

Other than draft solicitations, agencies shall not issue solicitations for proposed BPAs, multi-agency contracts, and agency-specific contracts until the business case has been finalized and approved by the appropriate agency official(s). In addition, in the case of those approved business cases for establishing or renewing a GWAC, the agency shall formally submit the approved business case to OMB, as part of the request by the agency head (or deputy) to the OMB Director requesting that the Director grant the agency an executive-agent designation to award and manage the proposed GWAC. While an agency may release a draft solicitation for a proposed GWAC, the agency may not release a final solicitation for a proposed GWAC unless and until the OMB Director has granted the agency's request for an executive-agent designation.

In the case of other types of multi-agency contracts and BPAs as well as agency-specific contracts and BPAs, OMB reserves the discretion to require the agency to submit the approved business case to OMB, for review, prior to the agency releasing a final solicitation.

To improve acquisition planning and agencies' ability to leverage buying power, agencies are required to post on MAX links to web pages containing information about the BPAs and contracts that are covered by this memorandum. Web pages should include the names of vendors, contract terms and conditions, information about pricing, and provide a point of contact for further information. This sharing of information will better position agencies and interagency groups, such as the Strategic Sourcing Working Group (SSWG), which provides governance for FSSI, to assess potential benefits that might be leveraged government-wide. Instructions for posting award information is provided on MAX at <https://max.omb.gov/community/x/b5G8IQ>.

Thank you for your attention to these important matters. Questions regarding this memorandum should be directed to Curtina Smith at [csmith@omb.eop.gov](mailto:csmith@omb.eop.gov).

Attachment

**Business Case Template**

Business cases for covered contract vehicles (see memorandum) shall address the following elements as described in the chart below: scope, potential duplication, value, interagency demand, and management. Final business cases should also include an executive summary that overviews the key points in each of the required areas and include a signature page with the appropriate agency approval(s) and date(s) approved.

<b>Overview of Business Case Template</b>	
<b>EXECUTIVE SUMMARY</b> <b>PART I. SCOPE AND POTENTIAL DUPLICATION</b> <b>PART II. VALUE</b> <b>PART III. INTERAGENCY DEMAND AND MANAGEMENT</b> <b>SIGNATURE PAGE</b>	
<b>Type of Acquisition Vehicle</b>	<b>Required Elements of Business Case Analysis</b>
GWACs	Complete parts 1, 2, and 3
Multi-agency contracts and multi-agency BPAs where interagency usage is anticipated to be significant	
Multi-agency contracts and multi-agency BPAs where interagency usage is not anticipated to be significant	Complete parts 1 and 2
Agency-specific contracts and agency-specific BPAs	Complete parts 1 and 2

**BUSINESS CASE ANALYSIS OUTLINE**

**PART I. SCOPE AND POTENTIAL DUPLICATION**

**A. SCOPE**

1. Describe the purpose of the acquisition and how it supports Presidential, government-wide, and/or agency priorities or initiatives. Describe the types of goods and services to be acquired.
2. Provide the anticipated period of performance as well as any option periods.
3. State the anticipated annual amount of spend over the life of the proposed acquisition and the amount of the contract ceiling.

**B. POTENTIAL DUPLICATION**

1. Complete the table below for each primary product or service to be offered on the vehicle:



Primary Product or Service		Existing vehicles researched		Uniqueness of Proposed Vehicle
PSC Code	Description	Servicing Agency	Name of Contract Vehicle	

Instructions for completing the table.

**Column 1. PSC Code:** identify 4-digit code, whenever possible.

**Column 2. Description:** briefly describe primary product or service to be acquired.

**Column 3. Existing vehicles researched:** List existing vehicles that agency evaluated for potential suitability. Agencies should always evaluate FSSI or SmartBUY agreements, and GWACs. For proposed GWACs and multi-agency contracts and multi-agency BPAs where interagency usage is expected to be significant, agencies should also consider relevant multi-agency contracts or BPAs, of which they are aware, and any relevant agency-specific contracts or BPAs.

**Column 4. Uniqueness:** Explain how the proposed vehicle differs from the identified existing vehicles (e.g., in terms of expected pricing, terms and conditions). If an agency-specific vehicle is proposed, note any other reasons for creating the vehicle, such as agency-unique requirements, compliance with agency standards, or simplified contract management (in lieu of having to manage contractors on multiple interagency vehicles, each of which addresses only part of the agency’s requirement).

2. State if the agency has identified any overlapping agency-specific vehicles that it intends to phase out.

**PART II. VALUE**

1. Discuss the benefits expected as a result of the proposed acquisition. Address price, administrative and efficiency improvements as well as intangible benefits. Discuss the impact the proposed acquisition will have on the government’s ability to leverage its purchasing power at both the agency-wide and government-wide levels.
2. Describe how the cost of awarding and managing the proposed contract vehicle compares to the amount of fees likely to be incurred if the agency used an existing interagency vehicle or assisted acquisition services.
3. Describe how the acquisition strategy and the resulting procurement will promote maximum opportunities for small businesses at both the prime and subcontracting levels.
4. Briefly describe the extent to which the proposed acquisition has been discussed with key stakeholders, including members of the SSWG, program managers of existing GWACs or multi-agency contracts (as appropriate), officials from GSA or the Small Business Administration, and agency offices with responsibility for small business programs, and the Chief Information Officer, if the acquisition involves IT. Indicate if any key stakeholder concerns or comments remain unresolved and discuss plans to resolve them.

### **PART III. INTERAGENCY DEMAND AND MANAGEMENT<sup>9</sup>**

#### **A. INTERAGENCY DEMAND**

1. Identify the anticipated portion of the acquisition that will be used by external customers (expressed as percentage of total obligations). List the agencies that are expected to account for the majority of obligations under the vehicle, include the five largest customers outside the servicing agency and their expected estimated usage.

#### **B. MANAGEMENT**

1. Identify the number of FTEs supporting the award and administration of the contract and discuss any relevant specialized experience. For example, if awarding a contract for IT services, does the contracting officer and program manager have specialized experience?
2. Identify all direct and indirect costs to the servicing agency for awarding and administering the proposed contract vehicle.
3. Identify the fund (e.g., working capital fund), if any, that the agency intends to use to fund its work and receive payment from customer agencies.
4. If fees will be assessed, identify the following:
  - a. List the amount of proposed fee(s) and briefly describe the methodology used for setting and adjusting fees when necessary. For example, state whether fees differ based on the amount and type of support required.
  - b. Indicate if all costs to the agency for awarding and administering the proposed contract vehicle been included in the fee(s). If not, identify any costs not covered.
5. If the servicing agency plans to request any funding to support operation of the contract vehicle, identify the estimated amount of the request and the purpose to be addressed by the funding.
6. Discuss the steps the agency intends to take to ensure that over the life of the vehicle (a) vendor prices remain competitive, (b) regular customer feedback is obtained, and (c) the government maintains a qualified pool of vendors to meet customer needs.
7. Discuss how the agency intends to help ensure customer adherence to the following practices (where applicable, include links to agency reference materials or training materials developed for customers):
  - a. Use of fixed-price task orders whenever practicable.
  - b. Policies to maximize small business participation.
  - c. Consideration of contractor past performance in the evaluation of proposals.
  - d. Assessment of contractor performance on awarded tasks.

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<sup>9</sup> This section is not required for agency-specific vehicles or for multi-agency vehicles where interagency usage is not expected to be significant.