IT modernization: Another step to contract consolidation

By Lisa Pafe

The recently released final American Technology Council (ATC) Report to the President on Federal IT Modernization includes 50 recommendations to modernize the U.S. technology infrastructure as well as strengthen cybersecurity, consolidate networks, and accelerate cloud adoption.

To fund these initiatives, the report recommends flexible funding sources and tells agencies to work with the General Services Administration (GSA) and Office of Management and Budget (OMB) to prioritize systems for modernization and to reallocate resources. Central to success of the plan is not only this flexible, yet undefined funding, but also consolidation of federal contracts and contract vehicles.

Industry concerns

Industry groups such as the Coalition for Government Procurement and the Professional Services Council have raised concerns about the rapid pace of the major lever for contract consolidation: category management. Specific concerns center on the push towards best in class preferred and best in class mandatory vehicles. In 2016, the Office of Federal Procurement Policy (OFPP) issued a draft OMB Circular: Implementing Category Management for Common Goods and Services.

A lack of clarity surrounding how GSA and other agencies designate multiple award contract (MAC) vehicles a best in class continues to alarm the federal contractor community. However, OFPP has never responded to industry comments and never issued a final OMB circular.

Despite this lack of clarity, category management and other strategic sourcing efforts have progressed. Now, the final ATC report specifies category management and best in class contracts as critical components of the push towards IT modernization.

In October 2015, OMB released Category Management Policy 15-1: Improving the Acquisition and Management of Common Information Technology: Laptops and Desktops.

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The policy directed agencies to procure laptop and desktop computers from three best in class solutions: NASA's Solutions for Enterprise-Wide Procurement (SEWP) V, GSA IT Schedule 70, and the National Institutes of Health (NIH) Information Technology Acquisition & Assessment Center (NITAAC) Chief Information Officer-Commodities and Solutions (CIO-CS). Another related memo specified buying events to leverage demand management to drive down prices (something recommended in the ATC report as well).

Consolidation and demand management reportedly saved the government as much as 23% on laptop and desktop purchases last year.

Winners and losers

As agencies move forward in adapting the report's recommendations, best in class multiple award vehicles such as the recently awarded Alliant 2 Unrestricted and Alliant 2 Small Business will benefit the contract awardees even more.

Another example is the recent award of the GSA Enterprise Infrastructure Services (EIS) contract to address all aspects of agency telecommunications and network infrastructure requirements while leveraging the Federal Government's bulk purchasing power for cost savings.

Many contractors rightly worry about being left out in the cold as contracts are consolidated and the number of multiple award vehicles shrinks. Even those left on the playing field must contend with a drive towards lower prices and reduced profits.

For those who failed to make the cut, however, it is becoming increasingly more difficult to win business as a prime. However, category management and contract consolidation have enough bipartisan support that there is no stopping the train. Interestingly, the ATC report repeatedly suggests the "small agencies" (those not included in the 24 CFO Act agencies) do not have the resources to navigate acquisition processes and should therefore take full advantage of the designated best in class vehicles.

Acquisition reforms on the horizon

The report's implementation plan specifies actions, some immediate and others ranging in timeframe from 30 to 365 days, that include acquisition reforms as well. The report notes that *"acquisition practices limit the Federal Government's ability to achieve the modernization goals… Changes and modifications to the existing acquisition requirements could be implemented to achieve efficiencies while maintaining the core tenet of fairness."*

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Some suggested changes are relatively non-controversial. For example, the ATC report directs OMB to work with the Federal Acquisition Regulation (FAR) Council, GSA, and Department of Homeland Security to develop clauses to define consistent requirements for security, privacy, and access to data for cloud procurements.

The report also recommends further training for contracting officers as well as acquisition/migration cadres of IT and acquisition specialists deployed to agencies to help them with complex network, cyber, and cloud procurements.

Of note, however, are recommendations that OMB work with the FAR Council to reduce regulatory burden on Federal IT contractors pursuant to Executive Order (EO) 13771, as well as the Chief Acquisition Officers Council to align federal procurement practices with successful commercial buying strategies. ATC also directs OMB to work with agency Acquisition Innovation Advocates to modernize the acquisition system to support the report's objectives.

Finally, the report directs OMB to collaborate with GSA to pilot new acquisition strategies for cloud email and collaboration licenses using the Federal Government as one purchaser for improved buying power. Specifically, GSA will pilot virtual "street corners" for cloud email providers to drive government-wide volume pricing, thus reducing costs. Note that re-sellers may still use existing GSA schedules, GWACs, and NASA SEWP to sell these licenses, but they would be required to use the current publicly available price point.

What's next for federal contractors?

Funding of new IT modernization initiatives—both those in the report and those enacted by the Modernizing Government Technology Act signed into law as part of the 2018 National Defense Authorization Act (NDAA)—is unclear. NDAA allocates $500 million for IT modernization, a drop in the $95+ billion IT budget.

The ATC report relies on agencies to prioritize and reallocate to achieve IT modernization goals. It also relies heavily on contract consolidation, category management, and best in class vehicles. As a result, in 2018 and beyond, federal contractors must own the preferred MACs to compete, and they must prepare for new acquisition strategies designed to drive pricing down.

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