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MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

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**SUBJECT: Category Management Policy 16-2: Improving the Acquisition and
Management of Common Information Technology: Mobile Devices and
Services**

Each year the Federal Government spends approximately \$1 billion on mobile devices and service contracts¹. Almost all of that spending is paid to four carriers, yet the Federal Government manages over 1,200 separate agreements and buys more than 200 unique service plans for voice, data, and text capability. Since the inception of the Office of Management and Budget's PortfolioStat² and the publication of the Digital Government Strategy³ in 2012, agencies have made progress in mobile service management, such as the creation of contract inventories and the establishment of a shared services contract vehicle under the General Services Administration (GSA). However, as highlighted in a recent report by the Government Accountability Office (GAO),⁴ agencies continue to buy more services than needed, often fail to share minutes and data or optimize their calling plans, and struggle to manage their inventories across numerous agreements. The Government must do more to reduce the high level of fragmentation and duplication of mobile contracts and simplify the Federal marketplace for these services. This memorandum is the third in a series of policies directing covered agencies⁵ to improve their Information Technology (IT) commodity management practices.

The recent passage of the Federal Information Technology Acquisition Reform Act (FITARA)⁶ and the Government's adoption of category management⁷ further motivates improvements in the management of mobile device and service contracts. FITARA significantly increases the power of covered agency CIOs to consolidate mobile services across their enterprise and develop appropriate strategies to meet agency needs in a cost effective manner.

¹ For the purposes of this memo, mobile device and services cover non-desktop, non-laptop, and small form factor wireless end user devices including hardware (including handsets, tablets, and wireless modems such as air cards) and associated software, maintenance, service (including network service, such as cellular voice and data plans), labor costs including FTE, contract support, managed services, and other elements, but excluding help desk costs. https://www.whitehouse.gov/sites/default/files/omb/assets/egov_docs/fy17_it_budget_guidance_6_3_2015.pdf (Mobile Device Cost)

² <https://cio.gov/drivingvalue/portfolioostat/>

³ <https://www.whitehouse.gov/sites/default/files/omb/egov/digital-government/digital-government.html>

⁴ GAO-15-431, Telecommunications: Agencies need better control to achieve significant savings on mobile devices and services

⁵ For purposes of this policy, a covered agency is one that meets the definition of agency under 31 USC 901 (b)(1) and (b)(2)..

⁶ <https://www.whitehouse.gov/sites/default/files/omb/memoranda/2015/m-15-14.pdf>

⁷ <https://www.whitehouse.gov/sites/default/files/omb/procurement/memo/simplifying-federal-procurement-to-improve-performance-drive-innovation-increase-savings.pdf>

To improve agencies' mobile service inventories and move to a government-wide strategy for our common mobile service needs, the Office of Management and Budget (OMB) has determined that covered agencies must take the following actions:⁸

- 1) report agency usage and eliminate unnecessary inventory and service within 90 days;
- 2) reduce the number of contracts for mobile services and transition to a government-wide solution or solutions; and
- 3) modify demand management practices to optimize plan pricing and device refresh schedules.

Baseline Agency Usage for Devices and Services

The Federal Government cannot efficiently and effectively buy mobile services if it does not have visibility into what it buys today or know what it really needs to help deliver agency missions. Too often, agencies buy excessive levels of service, such as unlimited data and minute plans, when a lesser amount of data or number of minutes pooled across many thousands of users would meet the demands of the agency without risk of overage charges. In many cases, agencies do not have documented procedures to assess device usage relative to service plan rates, and have limited ability to determine if the device should be cancelled or moved to a more cost effective service plan.

Covered agencies must report all mobile service usage and pricing data to the Integrated Data Collection (IDC), due May 31, 2016 and each quarter thereafter. OMB will then post all usage and pricing data to the Acquisition Gateway⁹ for use by other Federal Government agencies during the market research phase of any wireless contract acquisition. The reports must, at a minimum, identify the purchased service, including quantity of minutes, data, number of text messages, and the actual utilization of this service.

If a covered agency's existing contracts do not provide for usage reports, covered agencies shall modify these agreements to receive this information at least quarterly, but no less than semi-annually. Specific instructions for data submission will be initially posted in MAX at this URL: <https://community.max.gov/x/LhtGJw>.

Optimize Agency Requirements

Without an enterprise-wide inventory that includes each device and associated service limits and rates, as well as documented procedures to assess device usage relative to service rate plans, agencies have a limited ability to monitor device usage and determine if devices should be canceled or moved to a more cost-effective service plan. Further, without a reliable inventory of mobile service contracts, agencies are less likely to identify opportunities for consolidation, and thus are less likely to achieve cost savings. Covered agencies should leverage their enterprise-wide mobile inventories and usage reports on a quarterly basis to:

⁸ Mobile services plans used exclusively outside the United States are exempt from this policy.

⁹ <https://hallways.cap.gsa.gov/app/#/>

- examine the fragmentation of their mobile contract inventories and consolidate their requirements;
- optimize the level of service acquired by analyzing over- and under-usage, cost per minute and text, cost per user, cost per megabyte, and prices paid;
- identify unused devices and services;¹⁰ and
- terminate unused devices and services no later than May 31, 2016, and each quarter thereafter, as necessary.

Specific instructions for data submission will be initially posted in MAX at this URL: <https://community.max.gov/x/LhtGJw>.

Transition to Government-wide Acquisition Strategies and Create Accountability

Consolidate Agency Requirements. To fully leverage the Government's buying power, improvements must be made at both the agency level and government wide. Agencies will be able to select the right size of service and drive down costs simultaneously by pooling resources and minimizing the risk of overage charges. Therefore, effective immediately, except as provided in this policy, all covered agencies should not issue solicitations for new contract awards or exercise new option periods for mobile device and services, and should look to the existing government-wide GSA wireless solution¹¹ to help in that consolidation effort. Furthermore, by September 30, 2018, and except as provided in this policy, covered agency CIOs are required to use their authority to consolidate all of the agency's minute and data requirements to one contract per carrier utilizing a government-wide acquisition strategy, which may include more than one ordering solution (see below).

Define Government-wide Requirements. Taking the steps above will help agencies immediately reduce unnecessary mobile services spending, and will better position them for leveraging the Government's vast buying power. To that end, subject matter experts representing all covered agencies must help shape future buying strategies and practices; therefore, the Category Management Leadership Council¹² established the Mobile Services Category Team (MSCT) to serve as the Category Lead for mobile services moving forward. The MSCT is led by OMB, GSA, the Department of Defense, and the Department of Homeland Security, and is comprised of mobile services subject matter experts. The MSCT will:

- develop a strategy no later than October 31, 2016, for at least one next generation government-wide acquisition solution, to be awarded prior to May 31, 2018. The strategy must include threshold discounts at the contract level based on volume to maximize savings for agencies. The MSCT must also:

¹⁰ Agencies should evaluate both voice and data usage to determine if service should be terminated. Devices used infrequently for mission critical requirements, such as law enforcement, intelligence, or emergency needs, are exempted from this memorandum, as are devices used to maintain a small inventory to manage the routine needs of device replacement due to loss or damage and the regular turnover of staff.

¹¹ <http://www.gsa.gov/portal/category/100931>

¹² The Category Management Leadership Council is the group formerly known as the Strategic Sourcing Leadership Council (SSLC) and was established under M-13-02, Improving Acquisition through Strategic Sourcing: https://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-02_0.pdf.

- seek input from all covered agency CIOs to define requirements for the next generation government-wide wireless solution to ensure sufficient flexibility is included in the offering to meet domestic and international mission requirements;
- engage users, including contracting officers, program managers, security officers, and technology officers, to evaluate the performance and value (including associated procurement transaction costs) of the current and next generation government-wide wireless solution on a regular basis and address concerns as needed in accordance with OFPP guidance;¹³
- evaluate vendor performance and pricing and make recommendations to OMB on an annual basis to improve how the Federal Government buys and manages its government-wide mobile services contract;
- ensure that Section 508 monitoring mechanisms are incorporated into acquisition strategies; and
- provide mobile service usage and pricing data to the IDC on a quarterly basis to evaluate pricing, fees, and performance of the current and next generation contracts.

Exception for agency-wide, mandatory use vehicles: Covered agencies may continue the use of mobile services agreements that are mandatory for agency-wide use through the end of the current base or option period, as applicable. When a government-wide solution is available, the covered agency shall analyze terms, conditions, pricing, performance, fees, and savings under the agency agreement relative to the approved agreements, document findings, and provide this information to the MSCT for approval no less than 6 months prior to the exercise of each option. Eighteen (18) months prior to any re-competition of these solutions, the covered agency must submit a transition plan to the MSCT that outlines how the agency will transition to the government-wide agreement. To qualify for an exemption, covered agencies are required to implement category management principles in the administration of those vehicles and must, at a minimum:

- receive quarterly usage reports and demonstrate how the reports have allowed the agency to consolidate requirements;
- measure and report rates of compliance by bureau, and monitor and address noncompliant spend outside of the mandated vehicle;
- collect and provide, upon request to OMB, the agency's mandatory use policy and critical contract data, including terms and conditions, and maintain prices paid;
- appoint an agency category lead for mobile devices and services, who will also actively participate in the MSCT; and
- comply with additional guidance identified by OMB 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.

¹³ <https://www.whitehouse.gov/sites/default/files/omb/procurement/memo/acquisition-3-60-improving-acquisition-process-timely-feedback-external-internal-stakeholders.pdf>

Agencies that cannot meet these requirements must transition to a government-wide solution or solutions by September 30, 2018.

Transition Plans: Covered agency CIOs, in consultation with their Chief Acquisition Officers and Senior Procurement Executives, shall develop short transition plans to meet these objectives and submit to OMB by August 31, 2016. The transition plan should also outline situations where agencies are unable to consolidate its mobile infrastructure, such as in remote locations, and the extent to which the existing GSA wireless solution will be used as a step toward this consolidation. These plans will be collected through the IDC managed by OMB's Office of the Federal Chief Information Officer. Specific instructions for transition plans will be initially posted in MAX at this URL: <https://community.max.gov/x/LhtGJw>.

Improving Demand Management Practices

Covered agencies should also be mindful of the cost of the devices in a new service plan. Previous generation devices are typically equally capable of meeting all the requirements and needs of a Government user, and agencies may be able to acquire these devices at significantly lower prices than the latest model. As such, covered agencies should consider buying previous generation devices if functional requirements are met and there is increased savings to the agency. Covered Agencies should also implement policies to acquire new devices with no less than 18 months between refresh cycles, and are encouraged to standardize device capabilities and features to the maximum extent possible to leverage buying power to drive costs.

Creating a Broker Model to Act as a Single Buyer

Today, GSA serves as the executive agent for the government-wide acquisition solution and connects agencies to the wireless service providers. As such, GSA creates separate awards for similar or identical levels of service for multiple agencies. Additional cost savings can be achieved if GSA acts as a single buyer, or broker, on behalf of all the agencies and establishes a single pool of minutes and data for all contract holders. Under this model, all agencies would receive the benefit of cost savings as additional agencies use the existing agreement. This model encourages early adoption because all agencies, regardless of their adoption date, receive the same prices and benefits of acting as a single buyer. To evaluate the feasibility of this model, the MSCT shall create a program for small civilian agencies. Within 120 days, the MSCT shall provide a project plan and associated implementation plan to OMB, and within one year, report the results of the program, including an assessment of expanding the program government-wide.

Creating Accountability

One of the key principals of category management is ensuring accountability for the effectiveness and efficiency of their wireless service contracts. Therefore covered agencies should appoint a dedicated category lead, with a supporting team, for mobile services. The official shall report to the agency CIO and is responsible for working closely with the Senior Procurement Executive and Chief Financial Officer to establish and maintain the agency-wide inventory of wireless contracts, identify opportunities for contract consolidation, track savings, make policy recommendations to the CIO, and perform other duties as necessary to meet the

requirements of this policy. Covered agencies shall send the name and contact information to the individuals identified above and to OMB no later than 90 days from the date of this memorandum. In the event that covered agencies believe that any specific provision of this policy, such as contract renegotiation and ramifications thereof, is counter to agency mission or not in the best interest of the government under the particular circumstances, the category lead and agency CIO shall apply for a waiver from OMB.

Improving the management of mobile service contracts 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 at (202) 395-4644 or mromley@omb.eop.gov.