

## Procurement Recommendations

The basis for the following recommendations is focused upon efforts to consolidate acquisitions to achieve significant savings and process changes that may also have an impact.

- 5.1 More than eighty percent of all transactions processed at the NIH each year are below the micro purchase threshold. Many of these are awarded to a limited number of vendors in each IC.

### Best Practices

**OAMP:** The Office of Acquisition Management and Policy recommends use of purchase cards at the micro-purchase level in the short-term. In the long-term, OAMP feels it is necessary to capture data at the line level to analyze commodities and services for all of NIH to see where savings could be generated.

**CC:** The CC estimated \$500K savings last year from the implementation of their consolidation plan. The plan includes: (1) meeting with key program staff in each department at the beginning of the fiscal year to discuss procurement planning including opportunities for consolidation, small business and strategic sourcing, etc. These meetings are continued quarterly to capture any changes that may have occurred within the program. (2) Evaluating purchases from previous years and identifying most used vendors to look for additional consolidation opportunities that may not have been discussed in the planning meetings. (3) Establishing a method of acquisition for these consolidated items and proceeding through the procurement process using historical pricing wherever possible as a method of determining actual savings. (See also 5.5/Best Practices/CC)

Multiple delivery dates throughout the year or lack of storage space should not hinder this process. Also, staff should not assume that pricing under federal supply schedules, BPAs or strategic sources are always the lowest possible.

**NINDS:** NINDS established steering committees for each core facility and building to review equipment purchases for:

- Duplication of equipment
- Reduce cost of equipment
- Trade-in capability
- Unexpected result: Technicians became involved and began working together.

**Laboratory of Medicinal Chemistry, CCR/NCI. Dina M. Sigano, Ph.D** sent in the following describing what a little negotiation will save when ordering. Every little bit helps.

Most of the 'above and beyond' savings were done with a simple phone call to the vendor asking for an extra discount because I'd be ordering 'a lot' of them. In the case of software upgrades, I consolidated all of the groups in the LMC and asked for an extra quantity discount from the vendor.

- 1) **Saved the LMC \$51,942** for FY07 as follows:

- A) Obtained Mnova Desktop NMR software at an **additional 25% off (\$3465 savings)** discount above the normal government discounted rate for all NMR users in the LMC and trained all users on this software in order to alleviate congestion on the computer in the NMR room.
- B) **Saved \$300 (15%)** on parts to repair the LMC ice machine by finding an alternative supplier (Scotsman-parts.com) to the SAIC recommended supplier (Taylor Products).
- C) **Saved approx \$2400 (80%) for the analytical group** by finding a generic version of Thermo disposable Al weigh boats. Negotiated an additional **30% discount** over the SAIC-Gov contract price.
- D) **Negotiated an additional \$2720 (15%) discount** on the service contract cost from Teledyne Isco by consolidating all of our instruments together under a single contract.
- E) Successfully negotiated an additional discount above and beyond the normal government discount pricing for ChemOffice/Draw upgrades for some LMC users generating a net **savings of \$1580 (42%)** for the LMC.
- F) Successfully negotiated an average additional **15% discount** for **frequently ordered specialty reagents** from Sigma-Aldrich resulting in a **savings of \$235** for the final 2 months of FY07. This pricing is in place for FY08 giving a projected savings of **\$1800** for the Marquez group S&S.
- G) Negotiated special pricing for **frequently purchased solvents** resulting in additional **66% savings (\$24,312)** above and beyond warehouse, GSA or SAIC negotiated discount pricing for the Marquez group S&S.
- H) Comparison shopped for general lab supplies resulting in an overall **savings of \$3332 (14%) above and beyond GSA or SAIC negotiated discount pricing** for the Marquez group S&S.
- I) Negotiated special pricing for frequently purchased consumable supplies (non-chemical) resulting in additional **28% savings (\$5270)** above and beyond GSA or SAIC negotiated discount pricing.
- J) Negotiated discount pricing on consumable columns for the CombiFlash System. An average of **27% savings/column** was obtained resulting in **\$8328 saved**.

5.2 The use of reverse auctions can create significant savings for large volume purchase of simple, well-defined or standardized commodities.

**Best Practices**

**OAMP:** ICs can contact the Acquisition Planning and Specifications Branch, OAMP to discuss the use of this contracting mechanism.

**CC:** The CC has used reverse auctions for hospital housekeeping paper products with an estimated savings or >\$1M over 5 years.

5.3 The NIH equipment trade-in program was established in 1995 to assist scientists in receiving further discounts on the purchase of scientific equipment.

**Best Practices**

**OAMP:** ICs can contact the Acquisition Planning and Specifications Branch, OAMP to discuss the use of this program if trade-ins are needed outside their IC. It involves the trade-in of unused surplus equipment found in the NIH Property Branch and various research laboratories. Previously these items were discarded or donated. Through the use of the trade-in program, savings of over two million dollars has been realized. Full utilization and staffing of this program is encouraged.

5.4 The increased use of NIH-wide equipment maintenance contracts is a method to create yearly savings for laboratory equipment, instruments, freezers, etc.

**Best Practices**

5.5 Miscommunication is the culprit in much of NIH overspending and inefficiency. AOs and Purchasing Departments are not kept up-to-date or exposed to tried and true ways of saving money and are not informed of new avenues.

**Best Practices**

**CC:** The CC has established a critical element in the performance plans of their acquisition staff directly related to consolidation/cost savings. They also developed a process to achieve these goals.

5.6 Many ICs pay to store equipment and paper files off campus. Often the IC loses track what is being stored, but continues to pay for storage.

**Best Practices**

**NINDS:** NINDS has begun scanning all procurement documents to save space. A specific software package is used to enable quick and easy access to records by staff and auditors.

**OTHER OAMP COST-SAVING EFFORTS:**

OAMP is using a new system to assess SSF charges to create a system to make billing more efficient and cost effective manner. OAMP in FY08 OAMP will bill each quarter on SSF Assessment structure as opposed to SSF Revenue structure. Each quarter, we will look at who (which ICs) have used which of our services (p-card, BPA, specs, etc.) and to what degree, and tap them accordingly in the next quarter. It is a more logical structure for us as we never had any control over the amount of business we got, yet had to earn salaries, equipment, etc. Plus, the fact that we billed, may have had some impact on who used/did not use our services.

The NIH Warehouse is working with the Defense Logistics Agency (DLA) to order through DLA to stock their warehouse. Approximately 60% of the warehouse current items could be purchased in this manner. Billing problems would be at a minimum and delivery is within 3 days. The CC is currently using DLA for some medical supplies and this has been very effective tool to save money. A pilot is being completed by the warehouse and the warehouse hopes to have the 60% target reached in FY09.