

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.

Recommendation: The acquisition and administrative staff within each IC should work together to analyze past and present purchasing trends and implement procedures to consolidate transactions and negotiate better pricing from vendors. It should be encouraged to start at the lab and section level with the goal of expanding to the IC level and beyond where possible. Some discounts currently exist under NIH and HHS BPAs and comparisons should be made to determine if further reductions might be possible. There are various acquisition mechanisms that can be helpful in this process. (1)

OAMP Response: OAMP 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.

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

Recommendation: We recommend that ICs contact the Acquisition Planning and Specifications Branch, OAMP to discuss the usefulness of this process within their programs. This pricing tool allows pre-qualified competitors to compete in web-based “downward price” auctions where vendors are allowed to see prices offered by other non identified parties during the bidding. This type of dynamic competition has resulted in price reductions of 10% to 24% on average from traditional pricing methods with a recent auction obtaining a 45% savings. These savings have been found to be greater than those under GSA and other strategic sources. (1)

OAMP Response: Diane Frasier has contacted NIAID COAC to see if they would be willing to use reverse auctions to save money. The pilot would document results to coordinate the results for use by other ICs.

- 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.

Recommendation: We recommend that ICs contact the Acquisition Planning and Specifications Branch, OAMP to discuss the use of this program. 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. (1)

OAMP Response: The existing process for trade-ins should be communicated to various groups such as the lab managers’ group, AOs, and purchasing agents through whatever mechanism they deem effective channels. The lab managers’ group is in the process, or has, created a user manual and OAMP agrees this information might be effectively incorporated into their manual.

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

Recommendation: Consideration should be given to using as appropriate the existing NIH-wide contracts for these services. They offer preventive maintenance and discounted repairs for items covered. The expected discount is approximately 20%+ off of individual plans offered in the marketplace. (1)

OAMP Response: OAMP has requested help from purchasing offices in the past for recommendations on consolidating maintenance contracts at the IC and NIH level, but take the committees' recommendation to contact the lab managers' group to see if they would be willing to help in data collection. OAMP is also pursuing effort to tap into NBS and nVision reporting functions to review and analyze what has been bought (maintenance and other commodities) through the various purchasing mechanisms, and for those commodities that have the highest volume and or spend, establish BPAs or indefinite delivery contracts. This also can be applied to item 5.1 for consolidating requirements to receiving better prices.

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.

Recommendation: We recommend that information reflecting ways to increase cost savings be added as a link to the AO portal. The link will be targeted toward the AO, PI and purchasing agent audience. This will require some input, but is the best way to deliver new ideas for procurement. Hints will be listed as well as POC for particular areas that may need additional explanation. The CC has incorporated a cost-saving element into their purchasing agents' performance plans. This has been distributed to the IAMC for use in the ICs. (1,3)

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.

Recommendation: We recommend that each IC require a detailed manifest for each freezer stored off campus. A record of how often the freezers are accessed must be kept and reviewed each year to see if it remains imperative that the specimens be kept. Archived paper files must keep at an approved agency such as the National Archives. Each IC should review what paper files are stored off campus and determine if digital storage and retrieval are sufficient, thereby saving cost incurred by off campus storage. (1)

OAMP Response: OAMP is studying the feasibility of off-campus storage to save ICs money.

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.