



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

January 1, 2008  
(Revision Pending)

**POLICY and PROCEDURES MEMORANDUM No. 70.10**

TO: Director, Office of Business Operations  
Director, Office of Electronic Procurement  
Director, Office of Information Technology  
Director, Office of Modernization Acquisition  
Director, Office of Procurement Policy  
Director, Office of Strategic Acquisition Initiatives  
Director, Treasury HSPD-12 Project Management Office  
Program Manager, IRS HSPD-12 Program Office

FROM:   
Director, Procurement

SUBJECT: **Measurement of Procurement-Influenced Savings**

1. **PURPOSE:** This Policy and Procedures Memorandum (P&P) provides guidance and procedures for the measurement and reporting of procurement-influenced savings in the acquisition process.
2. **SUMMARY OF LATEST CHANGES:** This P&P revision revises the reporting requirements, modifies responsibilities, changes the attachments and updates the effective period.
3. **EFFECTIVE PERIOD:** The effective period of this P&P is January 1, 2008 or if revised.
4. **SCOPE:** This policy applies to all Procurement personnel.

## 5. DISCUSSION:

a. Background. The overall cost-effectiveness of procurement actions is an important issue. The ability to accurately measure procurement-influenced cost savings is a critical component in assessing efficiency of IRS operations. The information serves as one of the management tools that document Procurement's contributions to the achievement of fiscal responsibility in the Service.

Procurement-Influenced is defined as the ability to attain hard or soft savings that result directly from a Procurement Officer's actions, i.e., reducing labor hours, travel costs, removing unnecessary work from the proposal, negotiations, considerations attained, demonstrated expedited services, schedule changes, price discounts, types of contracts, processing savings, etc. Simply conducting the competitive process and comparing price/costs is not considered procurement-influenced.

### b. Types of Savings.

(1) **Hard Savings** are quantitative, tangible and can be calculated. They represent actual savings or benefits that can be accurately measured and **are realized when excess funding that was originally committed on a requisition can be returned to the program office.**

(2) **Soft Savings** are qualitative and may be quantitative and represent **savings that may not be recouped.** After award, there are no funds remaining on a requisition. Soft savings may include reductions or elimination of future costs (cost avoidance); or processing savings (i.e., savings resulting from a streamlined process).

### c. Supporting Documentation and Rationale for Reported Savings:

#### (1) Supporting Documentation.

Supporting documentation for savings reported must be completed on the webIPS obligation screen field entitled "Explain how savings were achieved" and on the manual Supporting Documentation for Reported Procurement-Influenced Savings form found on the AWSS website under Procurement Forms, Reports and Templates. System and manual documentation data submissions should be consistent. A copy of both must be inserted into the contract file.

The documentation must clearly describe the method for achieving the savings. A specific tab has been designated for documenting these savings in each contract file (see P&P No. 4.1, Contract File Content Checklist).

(2) Examples of Rationale for Reported Savings. The following items are examples of how savings can be justified or serve as rationale for the computation of procurement-influenced savings:

- Difference between the funding on the requisition and the final award (as a result of negotiations: i.e. discounts, elimination of un-necessary work, reductions in rates, unit price and labor hours);
- Negotiation of a rate reduction (e.g., labor, overhead, etc.);
- Negotiation of better unit prices;
- Negotiation of labor hour reduction;
- Purchase card transaction in lieu of delivery order (i.e., process saving);
- Changes resulting in efficiencies;
- Savings associated with the elimination of unnecessary or costly requirements (de-scoping of requirement);
- Savings resulting from implementing a recommended procurement methodology such as a performance-based service contracting or incentive arrangements;
- Negotiation of “no cost” extension;
- Negotiation of “capped” indirect rates on cost-reimbursement awards; or
- Negotiation of “additional” changes, as “inclusive” charges in the final award price. Examples may include delivery charges, add-on charges for cables, packaging taxes, and maintenance charges included initial hardware/software purchases, etc., which may not have been included in the statement of work (SOW), but are separate in a vendor’s proposal.

d. Methodology for reporting procurement-influenced savings. Reported savings must be measurable and verifiable. As a general guideline, mere price difference between offerors in a competitive requirement should not be reported as procurement-influenced savings, unless negotiations are held on cost/price or other related factors. Savings should only be reported if they have been realized as a result of Procurement’s influence.

While actions can include savings for option periods, savings can only be reported when they are realized. Option periods savings are **ONLY** to be reported when the options are exercised. Also, examples of actions that should **NOT** be reported as savings are modifications for routine deobligation of funds and consideration of proposals/quotes that are not in the competitive range or mostly highly rated proposals or are otherwise non-responsive.

An individual action may have hard, soft, or both hard and soft savings associated with it based upon the actions taken by the Procurement office. Supporting documentation

must address each type of savings separately, including the justification of how each was derived.

e. Reporting Requirements. Beginning with the second quarter of fiscal year (FY) 2008, procurement-influenced savings should be reported in webIPS only, as described below.

(1) All Procurement-Influenced Savings and the Explanation of how savings were achieved must be reported in webIPS. The webIPS Contract Obligation screen allows you to capture Hard Savings, Soft Savings, Total Savings and the Explanation of how savings were achieved. The Explanation shall address the applicable items outlined in paragraph 5.c. above. Savings resulting from the use of FedBid must be reported in webIPS as hard savings, if funds remain on a requisition after award, otherwise they should be reported as soft savings. All entries are mandatory; fields are editable and total savings will be a calculated field. The total savings will be the sum of hard savings and/or soft savings. If no savings are reported, you must insert "0" in the hard and soft savings fields. The explanation field is an editable 2000 character field and must be completed if the total reported savings is greater than "0".

The Office of Strategic Acquisition Initiatives, Performance Improvement Branch, OS:A:P:S:A, will run a webIPS procurement-influenced savings report for each operating division on the first business day of every month. This report will be provided to each operating division's Analysis & Improvement Team for validation. Each division will have until two business days prior to the 15<sup>th</sup> of the month to review and make corrections, if any, in webIPS. Two business days prior to the 15<sup>th</sup> of the month OS:A:P:S:A will run the final monthly webIPS procurement-influenced savings report and provide a copy to each operating division's Analysis and Improvement and Team and to the Office Directors for certification by the 15<sup>th</sup>.

(2) Office Directors shall review their final Division monthly webIPS procurement-influenced savings report and sign the Certification Statement (attached), certifying that the reported savings are accurate, complete and valid, and that all files are sufficiently documented for the reporting period. Office Directors shall submit the Certification Statement along with the final monthly webIPS procurement-influenced savings report to OS:A:P:S:A and provide copies to the Deputy Director of Procurement and OS:A:P:P:B. The certified monthly report is due by the 15<sup>th</sup> of every month. If the 15<sup>th</sup> falls on a non-business day, the Certification Statement and final monthly webIPS procurement-influenced savings report will be due on the first business day after the 15<sup>th</sup>.

f. Report Usage. The Director, Office of Strategic Acquisition Initiatives uses the report in the Strategic Planning process to demonstrate the value of services we provide to our customers and to document potential best practices. OS:A:P:P:B will verify the

accuracy of actions reported and prepare a quarterly audit report for the Director, Procurement. OS:A:P:S:A will use this data to compile a series of roll-up reports for the Director, Procurement. The report may be used for:

- Providing support for anecdotal information that can be used by the Director in discussing Procurement's contribution to the mission of the IRS, as well as supporting requests for resources;
- Identifying lessons learned; and
- Publicizing significant cost savings initiatives.

## 6. **RESPONSIBILITIES:**

a. **Office Directors** are responsible for:

- Verifying the savings reported are accurate, complete and valid,
- Signing and ensuring timely submission of the Certification Statement and monthly reports; and
- Ensuring audit findings are corrected timely in webIPS.

b. **Branch Chiefs** are responsible for ensuring that:

- Reported savings are procurement-influenced savings;
- Duplicate savings are not reported;
- Supporting documentation clearly explains how the savings were achieved;
- Savings are reconciled with the appropriate action during the monthly submission; and
- A copy of the supporting documentation (webIPS screen shot and Supporting Documentation for Reporting Procurement-Influenced Savings form) are contained the contract file.

c. **Contract specialists/contracting officers** are responsible for:

- Reporting procurement-influenced savings into webIPS;
- Preparing accurate and clear supporting documentation;
- Ensuring reported savings are not duplicated from previous months or included on more than one action;
- Ensuring reported savings are for the correct month; and
- Ensuring that a record of the savings methodology (webIPS and Supporting Documentation for Reporting Procurement-Influenced Savings form) is readily identifiable in each contract, order, or interagency agreement file.

d. The Analysis & Improvement Teams are responsible for:

- Reviewing Divisional monthly webIPS procurement-influenced savings report for accuracy (i.e, savings are reported for the correct month, duplicate savings are not reported, the task/delivery order number included in webIPS is the exact same order number on the supporting documentation form, and the reported savings amount in webIPS and the supporting documentation form match, etc); and
- Ensuring previously reported savings are not included or duplicated on the monthly report.

e. OS:A:P:S:A is responsible for:

- Providing monthly webIPS procurement-influenced savings reports to the Analysis & Improvement Teams; and
- Preparing Procurement-wide roll-up reports.

f. OS:A:P:P:B is responsible for:

- Questioning and reconciling reported savings;
- Performing quarterly validation audits; and
- Providing a list of deficiencies to be corrected by operating divisions to the Analysis and Improvement Teams.

7. ATTACHMENT:

Certification Statement  
Supporting Documentation For Reported Procurement-Influenced Savings

CERTIFICATION STATEMENT

To: Director, Office of Strategic Acquisition Initiatives, OS:A:P:S:

From: \_\_\_\_\_  
(insert Director's name, title and Office Symbol)

Subject: Monthly Procurement-Influenced Savings WebIPS Report

This report has been reviewed and the reported savings have been reconciled as directed by Policy and Procedures Memorandum No. 70.10, Measurement of Procurement-Influenced Savings. I certify that the webIPS Procurement-Influenced Savings report dated (insert month, date & year) is accurate, complete, and valid and that all files are sufficiently documented.

Number of Actions reported and reviewed:	
Total monthly savings reported:	\$

Questions regarding this certification statement should be directed to

\_\_\_\_\_  
(insert name and phone number)

cc: Deputy Director  
Director, Office of Procurement Policy