



UNITED STATES DEPARTMENT OF COMMERCE  
Chief Financial Officer  
Assistant Secretary for Administration  
Washington, D.C. 20230

August 21, 2003

**PROCUREMENT MEMORANDUM 2003-03**

**ACTION**

Memorandum for: Heads of Contracting Offices

**/signed/**

From: Christine A. Makris  
Deputy Director for Office of Acquisition Management  
and Director Acquisition Policy and Programs

Subject: SmartBUY Initiative

SmartBUY is one of several e-government initiatives outlined in the President's fiscal year 2004 budget and the updated 2003 E-Government Strategy. This government-wide enterprise licensing initiative is intended to lower the cost of software for individual agencies by purchasing common applications in the biggest bulk possible. SmartBUY, led by the General Services Administration (GSA), will focus on a wide range of software types, including network management, antivirus, database, open source and office automation software such as e-mail. GSA has been tasked to lead an interagency SmartBUY team in negotiating government-wide enterprise licenses for software. GSA is vigorously working to award enterprise licenses quickly, and some agreements may be in place as early as the end of fiscal year 2003.

In the attached memorandum to agencies, the Office of Management and Budget (OMB) Director Mitchell Daniels Jr. outlined three requirements for agencies to meet as part of their mandatory participation in the SmartBUY initiative. In order to meet the first requirement to identify a SmartBUY Software Asset Manager and complete a web-based survey, Office of Acquisition Management (OAM) partnered with the Office of the Chief Information Officer (OCIO) to provide information on existing agreements, prices, unique terms and conditions, and future needs for common software, as well as commodity software points of contact for agency software agreements. The response to the survey was provided to the SmartBUY team and Rita Casazza, OCIO, was identified as the Department of Commerce SmartBUY Software Asset Manager.

The second requirement involves developing a migration strategy that addresses any contractual barriers preventing the Department from expeditiously transitioning current government-wide licenses to the SmartBUY program. OAM will work with the Department's Software Asset Manager to develop guidance necessary to migrate current software agreements to the SmartBUY program. It is anticipated that implementation of the migration strategy will involve further guidance to HCOs.

The final requirement is to integrate the Department's common desktop and server software licenses under the leadership of the SmartBUY team. In support of this requirement and until more specific guidance is disseminated, HCOs should not renew or enter into new common desktop and server software licensing agreements valued at \$100,000 without first contacting the DOC SmartBUY Software Asset Manager, Rita Casazza, to ensure that the contract action has received a waiver from the interagency SmartBUY team and OMB. The HCO should provide the Software Asset Manager the following information:

- Operating unit name;
- Software publisher's name;
- A breakout by dollars into the following categories: software purchases, maintenance, support, and other;
- The name of the source of the software. Is it (a) under a service contract; (b) under a contract administered by another agency; (c) under an interagency agreement; or (d) by a contractor that is authorized to order from a government supply source pursuant to Federal Acquisition Regulations (FAR) [51.101](#);
- The date the waiver is needed by;
- A statement as to the impact of a negative response by OMB; and,
- Point of contact information (name, e-mail address, and phone number) for questions by either OMB or the Software Asset Manager.

HCO's must ensure that any new contract established that includes the purchase of software, i.e. software, license renewals, maintenance, support, etc., includes the following language in the terms and conditions:

“If during the term of this contract, {Insert Contractor Name} or its resellers enters into a government-wide agreement with the General Services Administration under the SmartBUY Initiative -- which includes pricing for the specific products or services under similar terms and conditions as those licensed by the {Insert Department/Bureau Name} -- that is less than the pricing under the subject {Insert Department/Bureau Name} contract, {Insert Contractor Name} will enter into good faith negotiations to lower its prices to its reseller(s), thus to the {Insert Department/Bureau Name}, consistent with the similar terms and conditions of the SmartBUY agreement, or allow {Insert Department/Bureau Name} to move to the SmartBUY agreement at the Government's option, with full credit for all funds paid under the subject {Insert Department/Bureau Name} contract.”

The interagency SmartBUY team has started working on license agreements for the following software product lines: Adobe, McAfee, IBM, ESRI, SAS, Symantec, Veritas, Corel, ISS, SAP, Microsoft, Oracle, Peoplesoft, Computer Associates, and Novell. These products require the closest coordination of requirements, licenses and agreements.

However, all software license agreements over \$100,000, whether new or renewals, are required to be coordinated through OMB.

For more information, government-wide updates and answers to frequently asked questions regarding the SmartBUY Initiative, visit GSA's [SmartBUY webpage](#). Should you have questions regarding OMB coordination and submission documentation, you may contact Rita Casazza, [Rcasazza@doc.gov](mailto:Rcasazza@doc.gov), and (202)482-0271.

Attachment

cc: Acquisition Council  
CIO Council  
CFO Council  
Rita Casazza, CIO Liaison  
Lynn Flanagan, OGC



# Office of Management and Budget

June 2, 2003

M-03-14

## MEMORANDUM FOR THE HEADS OF DEPARTMENTS AND AGENCIES

FROM: Mitchell E. Daniels, Jr.  
Director

SUBJECT: Reducing Cost and Improving Quality in Federal Purchases of  
Commercial Software

The federal government plans to spend more than \$58 billion on information technology (IT) products and services in fiscal year 2003. More than 4 million desktop, laptop, and networked computers serve as essential tools for achieving the missions of federal agencies. Since each computer uses at least one commercial software package, federal agencies engage in thousands of licensing agreements annually. This uncoordinated approach to acquiring common software is wasteful and ineffective. If the federal government applied a government-wide approach for enterprise licenses on common software, there would be substantial benefits to the taxpayer. Several agencies have negotiated independent department-wide licenses, creating a wide disparity in prices paid by agencies for exactly the same software. As an example, the amount that federal agencies pay for common desktop software varies from under \$200 to about \$500. If all agencies made joint use of the best priced software licenses, well in excess of \$100 million could be saved each year. In addition, the broad mosaic of different software versions installed increases the difficulty and cost of securing federal computers. There can be no doubt, therefore, that the federal government can become a smarter buyer of commercial software. Pursuant to Section 5112 of the Clinger-Cohen Act of 1996, OMB is responsible for improving the acquisition and use of information technology by the federal government and designating Executive agents for government-wide acquisitions of information technology. To assure that the federal government is leveraging its immense buying power to achieve the maximum cost savings and best quality for commodity software, OMB has created the SmartBUY initiative.

The General Services Administration (GSA) is designated the Executive Agent under Section 5112(e) of the Clinger-Cohen Act for the SmartBUY interagency initiative, and will lead the interagency team in negotiating

government-wide enterprise licenses for software. We expect the GSA led team to negotiate these enterprise licenses by the end of fiscal year 2003. The SmartBUY initiative includes commercial off-the-shelf software that is generally acquired using license agreements with terms and prices that vary based on volume. The SmartBUY initiative will include the following types of software licenses: Office Automation; Network Management; Antivirus; Database; Business Modeling Tools; and Open source software support.

In view of the benefits from enterprise licensing, each agency is asked to assist and support the SmartBUY initiative. Specifically, agencies must participate in SmartBUY by:

- Providing information and input on existing agreements, current prices, unique terms and conditions, and future needs for relevant software. The SmartBUY team is collecting this information, using a web-based survey, for consideration in an overall acquisition strategy;
- Developing a migration strategy and taking contractual actions as needed to move to the government-wide license agreements as quickly as practicable;
- Integrating agency common desktop and server software licenses under the leadership of the SmartBUY team. This includes refraining, to the maximum extent feasible, from renewing or entering into new license agreements without prior consultation with, and consideration of the views of, the SmartBUY team.

As discussed above agencies should, to the maximum extent practicable, refrain from entering into any new or renewal software licensing agreements pending a review by OMB and the SmartBUY initiative team. These steps are necessary to better manage information technology resources and save taxpayer dollars. In fulfilling those IT management requirements, OMB will work with the SmartBUY team and agencies to ensure success in this effort, including consistency with the Administration's policies to promote competition and opportunities for small businesses. Please have your agency designate a point of contact for this initiative by June 6, 2003, to Kimberly Nelson of my staff at (202) 395-3787 or by email at [KNelson@omb.eop.gov](mailto:KNelson@omb.eop.gov). Your cooperation in making SmartBUY a success is greatly appreciated.