Response to Questions from Senator Claire McCaskill's May 13, 2015 letter

1) Whether DHS had ongoing oversight responsibilities with regards to the Imperatis contract after initial contract award?

The Department of Homeland Security (DHS) awarded the Imperatis contract on behalf of the Office of Personnel Management (OPM), and as such, both DHS and OPM shared oversight responsibilities during the contract performance. OPM maintained Contracting Officer Representative (COR) responsibilities which included day-to-day contractor performance monitoring. Additionally, since direct billing was permitted, OPM maintained invoice review, approval and payment responsibilities. DHS contract monitoring included reviewing weekly and monthly status reports from Imperatis, coordinating past performance assessments with the OPM COR and conducting other contract administration responsibilities.

2) When did DHS first learn of Imperatis' financial problems and how was this information obtained?

At approximately 2:30 p.m., Friday, May 6, 2016, OPM and DHS employees were informally notified via telephone that the company was ceasing operations as of 4:00 p.m. that day. On Saturday, May 7, 2016 at 10:44 a.m., the Imperatis CEO officially notified DHS and OPM via email that financial distress caused the company to cease operations. DHS issued the Default Termination Notice on Monday, May 9, 2016, after Imperatis staff failed to report to work. DHS had no indication that Imperatis was financially distressed prior to the May 6, 2016 phone call.

When DHS exercised contract option 2 in December 2015, a full responsibility check of the company was performed, as required by regulation and policy. No adverse information was discovered during this check. A Dun & Bradstreet financial report for the company that DHS obtained did not show any issues, and in fact, showed improvement in some areas over previous reports.

3) Whether DHS will have a role in seeking suspension or debarment of Imperatis or any of its executives.

Per DHS policy, the DHS Contracting Officer provided a copy of the termination notice to the DHS Suspension and Debarment Official. Once additional information is obtained, the Suspension and Debarment Official will engage the Inter-agency Suspension and Debarment Committee's Lead Agency Request process. DHS will be engaged in the process as either the lead agency or in a supporting and coordinating role.

U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

MAY 26 2016

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: (b)(6) [redacted]

SUBJECT: Response to Senator Claire McCaskill regarding Imperatis Corporation

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Action Requested: Your approval of the Management Directorate's draft final response to Senator Claire McCaskill regarding Imperatis Corporation.

Context: On May 13, 2016, the Department of Homeland Security received a letter from Senator Claire McCaskill regarding Imperatis Corporation.

OGC/Chief Counsel Coordination: This document has been reviewed and cleared by the (b)(6) [redacted] on May 25, 2016 with comments, which were adjudicated.

Clearance: The draft response has been coordinated and cleared through the following individuals:

- (b)(6) [redacted] cleared without comments on May 25, 2016.
- (b)(6) [redacted] cleared without comments on May 25, 2016.
- (b)(6) [redacted] cleared with comments on May 25, 2016, which were adjudicated.

Timeliness: Senator McCaskill requested a response by June 13, 2016.

U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

JUN 2 0 2016

The Honorable Claire McCaskill
United States Senate
Washington, DC 20510

Dear Senator McCaskill:

Thank you for your May 13, 2016 letter. [redacted] asked that I respond on his behalf.

Enclosed, please find the answers to the questions posed in your letter. On May 20, 2016, a conference call was held with your staff to brief them on the impact of Imperatis' actions.

Thank you again for your letter and continued support of the Department. Should you wish to discuss this matter further, please do not hesitate to contact me.

Sincerely,

[redacted]

Enclosure

cc: [redacted]

The Department of Homeland Security's Response to Senator McCaskill's May 13, 2016 Letter

1) Whether DHS had ongoing oversight responsibilities with regards to the Imperatis contract after initial contract award?

The Department of Homeland Security awarded the Imperatis contract on behalf of the Office of Personnel Management (OPM), and as such, both DHS and OPM shared oversight responsibilities during the contract performance. OPM maintained Contracting Officer Representative (COR) responsibilities which included day-to-day contractor performance monitoring. Additionally, since direct billing was permitted, OPM maintained invoice review, approval, and payment responsibilities. DHS contract monitoring included reviewing weekly and monthly status reports from Imperatis, coordinating past performance assessments with the OPM COR, and conducting other contract administration responsibilities. Prior to contract award and exercise of each option DHS checks all of the appropriate resources to determine the company's responsibility. There were no indications of any issues or concerns with the company's finances. Additionally, Imperatis' performance on the OPM contract was at or above a satisfactory level.

2) When did DHS first learn of Imperatis' financial problems and how was this information obtained?

At approximately 2:30 p.m., Friday, May 6, 2016, OPM and DHS employees were informally notified via telephone that the company was ceasing operations as of 4:00 p.m. that day. On Saturday, May 7, 2016 at 10:44 a.m., the Imperatis Chief Executive Officer officially notified DHS and OPM via email that financial distress caused the company to cease operations. DHS issued the Default Termination Notice on Monday, May 9, 2016, after Imperatis staff failed to report to work. DHS had no indication that Imperatis was financially distressed prior to the May 6, 2016 phone call.

When DHS exercised contract option 2 in December 2015, a full responsibility check of the company was performed, as required by regulation and policy. No adverse information was discovered during this check. A Dun & Bradstreet financial report for the company that DHS obtained did not show any issues, and in fact, showed improvement in some areas over previous reports.

3) Whether DHS will have a role in seeking suspension or debarment of Imperatis or any of its executives.

Per DHS policy, the DHS Contracting Officer provided a copy of the termination notice to the DHS Suspension and Debarment Official. Once additional information is obtained, the Suspension and Debarment Official will engage the Inter-agency Suspension and

Debarment Committee's Lead Agency Request process. DHS will be engaged in the process as either the lead agency or in a supporting and coordinating role.

CLAIRE McCASKILL
MISSOURI

United States Senate

WASHINGTON, DC 20510

May 13, 2016

The Honorable Jeh Johnson
Secretary
U.S. Department of Homeland Security
1300 Pennsylvania Avenue, N.W.
Washington, D.C. 20229

Dear Secretary Johnson:

On May 10, 2016, my staff was informed that Imperatis Corporation had abruptly ceased operations on its contract with the Office of Personnel Management (OPM) to overhaul OPM's secure information technology environment.[4] It is my understanding that the Department of Homeland Security (DHS) provided contracting support to OPM, including writing the justification for the sole-source award to Imperatis.

OPM has reported that it terminated the contract for default and that the disruption in service is due Imperatis' financial distress and potential bankruptcy. Imperatis – formerly known as Jorge Scientific Corporation – has a very troubled history as a government contractor. It has been investigated for serious employee misconduct and improper billing practices by the Special Inspector General for Afghanistan Reconstruction (SIGAR).[5] These investigations, discoverable through simple due diligence, should have factored into the responsibility determination, but OPM reported it was not aware of these issues.[6] Now OPM finds itself in a very troubling position involving a contractor walking off a critical job to fix an ailing information technology system.

I am writing to you to request additional information about DHS's role in contracting with Imperatis and to better understand what oversight responsibilities DHS retained over the contract. I request that you provide a briefing for my staff as soon as possible, but in no event later than June 13, 2016. At the briefing, I request that you provide the following information:

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[4] Email from the Office of Personnel Management to Permanent Subcommittee on Investigations Minority Staff (May 10, 2016).

[5] *Exclusive: Video Shows Drunk, Stoned US Defense Contractors*, ABCNews.com (online at: http://abcnews.go.com/Blotter/video-shows-drunk-stoned-us-security-contractors/story?id=17493189) (accessed May 11, 2016); *Whistleblower's $47M Army Contract Misconduct Suit Nixed*, Law360.com (online at http://www.law360.com/articles/425811/whistleblower-s-47m-army-contract-misconduct-suit-nixed) (accessed May 11, 2016).

[6] Briefing by Office of Personnel Management to Senate Permanent Subcommittee on Investigations Minority Staff (Nov. 11, 2015).

(9) Whether DHS had ongoing oversight responsibilities with regards to the Imperatis contract after initial contract award;

(10) When did DHS first learn of Imperatis' financial problems and how was this information obtained; and,

(11) Whether DHS will have a role in seeking suspension or debarment of Imperatis or any of its executives.

Please contact [redacted] to schedule the briefing and with any questions about this request.

Sincerely,

Claire McCaskill
U.S. Senator

cc: [redacted]

Signature Needed By Date: N/A

Environment.

Summary: Response to Senator McCaskill regarding OPM's secure information technology

ES 16-2343 WF 1124587 Type of Action: COS Approval

Department of Homeland Security Record of Clearance and Approval	Control Numbers		Senior Liaison Officer: [redacted]
	ES 16-2343	WF 1124587	

Component Tasked: MGMT	Draft Due Date: 6/2/2016	Draft Received Date: 5/26/2016
Date Submitted to FO: 5/26/2016	Date Packaged: 6/2/2016	Date Approved/Signed:

Summary of Document: Response to Senator McCaskill regarding OPM's secure information technology environment.

Enclosure Tab: The Department's response to questions asked in the 5/13/2016 letter.

Background Tab: The 5/13/2016 letter from Senator McCaskill to OPM. The two letters split questions between OPM (#1-8) and DHS (#9-11).

Cleared By	Date	Cleared By	Date
[redacted]	5/25/2016	[redacted]	5/25/2016
	5/25/2016		6/1/2016
	5/25/2016		6/2/2016

Office	Signature	Date	Comments
Executive Secretary	[redacted]	6/2/16	
	[redacted]	6/10/16	
S1 – Deputy Chief of Staff	[redacted]	6/10/16	
Chief of Staff	[redacted]	6/10/16	Please get [redacted] clearance.

After review return to: [redacted] **Component Liaison Coordinator, Executive Secretariat** — **Telephone** [redacted]

Approved for Autopen: ____ Yes ____ No Date and Initials for Autopen Approval: ____________ [redacted]

CLAIRE McCASKILL
MISSOURI

United States Senate

WASHINGTON, DC 20510

May 13, 2016

The Honorable Beth Cobert
Acting Director
U.S. Office of Personnel Management
1900 E Street, NW
Washington, D.C. 20415

Dear Ms. Cobert:

On May 10, 2016, my staff was informed that Imperatis Corporation had abruptly ceased operations on its contract with the Office of Personnel Management (OPM) to overhaul OPM's secure information technology environment.[1] The reason reported for this disruption in service is Imperatis' financial distress and potential bankruptcy. I am disturbed, but not entirely surprised, by this turn of events given Imperatis' troubled history with government contracting. I write to request additional information about the Office of Personnel Management's (OPM) management of the contract and OPM's contingency plan for its Information Technology (IT) overhaul now that Imperatis has defaulted on its obligations.

On July 10, 2015, I sent a letter to your predecessor, (b)(6) [redacted] requesting information about a sole source contract award to Imperatis – formerly known as Jorge Scientific Corporation – to overhaul OPM's IT infrastructure. I was concerned about OPM's decision to rush to award, and its decision to not engage in a full and open competition. In addition, the history of misbehavior of employees of Jorge Scientific in Afghanistan, lack of oversight of those employees by the contractor, and the $134 million in costs claimed by Jorge that were questioned by the Special Inspector General for Afghanistan Reconstruction (SIGAR) raised serious concerns about the choice of contractor.

During a briefing with my staff, OPM indicated that it was unaware of SIGAR's work related to Jorge Scientific because the audit was not released until after OPM completed its contract with Imperatis.[2] However, a simple Internet search would have revealed news stories about employee misconduct as far back as 2012, including a lawsuit filed by former Jorge employees that was eventually settled in 2013.[3] I also learned that additional information

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[1] Email from the Office of Personnel Management to Permanent Subcommittee on Investigations Minority Staff (May 10, 2016).

[2] Briefing by Office of Personnel Management to Senate Permanent Subcommittee on Investigations Minority Staff (Nov. 11, 2015).

[3] *Exclusive: Video Shows Drunk, Stoned US Defense Contractors*, ABCNews.com (online at: http://abcnews.go.com/Blotter/video-shows-drunk-stoned-us-security-contractors/story?id=17493189) (accessed May 11, 2016); *Whistleblower's $47M Army Contract Misconduct Suit Nixed*, Law360.com (online at

regarding the justification for the award of the contract to Jorge is classified, which has enabled OPM to avoid further public questions regarding the process used for this award.

Although OPM may not have been aware of Imperatis' history before awarding the contract, the agency was on notice as of my July 10, 2015, letter that the company had a history of mismanagement and poor financial controls. Nevertheless, it appears that OPM failed to discover the company's financial problems before the company informed the government on May 6, 2016, that it was immediately ceasing operations. I am also concerned that Imperatis' default may now delay OPM's much-needed IT infrastructure and security fixes. In order to better understand the full extent of the consequences of Imperatis' default, I request that you provide a briefing for my staff as soon as possible, but in no event later than June 13, 2016. At the briefing, I request that you provide the following information and documents:

(1) The current status of OPM's IT overhaul effort;

(2) The plan to replace Imperatis, including whether OPM will seek to issue another sole source contract;

(3) Whether any of the work Imperatis has already completed will be retained by OPM for use by a subsequent contractor;

(4) Whether Imperatis will retain any of the intellectual property that resulted from its work with OPM;

(5) Whether the delay required to find a new contractor will result in prolonging known vulnerabilities to the current IT infrastructure, and if so, the expected length and cost of that delay;

(6) Any documentation related to Imperatis' performance on the contract;

(7) Any documentation or communications to or from the contracting officer or contracting officer's representative regarding any concerns relating to performance and the financial status of Imperatis; and

(8) Any plans to suspend and/or debar Imperatis or any of its executives.

Please contact (b)(6) [redacted] to schedule the briefing and with any questions about this request.

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http://www.law360.com/articles/425811/whistleblower-s-47m-army-contract-misconduct-suit-nixed) (accessed May 11, 2016).

Please contact [redacted] to schedule the briefing and with any questions about this request.

Sincerely,

Claire McCaskill
U.S. Senator

cc: [redacted]

U.S. Department of Homeland Security
Washington, DC 20528

Homeland
Security

MEMORANDUM FOR UNDER SECRETARY DEYO

FROM: (b)(6) [redacted]

SUBJECT: DHS's Role and Oversight of Contract Awarded to Imperatis, Inc.

Action Requested: Your signature on the response to Senator McCaskill's request for information regarding DHS's role in the award and oversight of the contract to Imperatis, Inc.

Issue Summary: The Imperatis, Inc. contract was awarded by DHS on behalf of the Office of Personnel Management (OPM) to secure OPM's Information Technology (IT) network, and provide a more modern secure network with greater functionality, security, scalability, and flexibility following the OPM data breech. Imperatis ceased operations as of 4 p.m., May 6, 2016, 90 minutes after DHS and OPM received a phone call from the company stating they would cease operations that day. The following day, via email, the company's CEO officially notified DHS and OPM that financial distress caused the company to cease operations. The impact of this termination is minimal because the new network environment has already been delivered and testing has begun. The contract was structured so that the government only paid for completed work. Imperatis was previously notified of the government's intent to discontinue funding the contract as of June 2016, so the government does not anticipate seeking additional damages against Imperatis. (b)(6) [redacted] and OPM representatives held a conference call with the Senator's staff on Friday, May 20 to discuss the impact of the contractor's actions and the course of action DHS will pursue.

Timeliness: This draft response is due to MGMT Exec Sec by Tuesday, May 24.

Attachment

From: [redacted] (b)(6)
To: [redacted] (b)(6)
Bcc:
Subject: DHS USM DEYO SIGNED RESPONSE TO McCASKILL - 1124587
Date: Monday, June 20, 2016 2:39:00 PM
Attachments: 1124587 - USM Deyo signed letter to Sen McASKILL 6.20.16.pdf

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Attached is the Department's response to your inquiry.

In an effort to expedite and streamline the process of submitting signed Congressional responses to the Hill, the Office of Legislative Affairs will be submitting responses to inquiries electronically via email. However, if you would like to receive the original signed document, please let me know and it will be mailed to your office via the U.S. Postal Service.

We encourage your office to send its Congressional correspondence to our mailbox (CongresstoDHS@dhs.gov) to provide for the most efficient processing.

United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

November 22, 2016

The Honorable Jeh Johnson
Secretary
U.S. Department of Homeland Security
1300 Pennsylvania Avenue, N.W.
Washington, D.C. 20229

Dear Mr. Secretary:

The Government Accountability Office (GAO) recently released a report about its examination of the current status of the Federal Strategic Sourcing Initiative (FSSI). The report reviews the progress made by federal agencies in achieving savings, as well as lessons learned through implementation of FSSI and the category management initiative.[1] As a member of the Category Management Leadership Council, the Department of Homeland Security (DHS) is in a key position to ensure the robust implementation of FSSI within the agency and across the federal government.

GAO found that while federal agencies have spent $2 billion through FSSI between 2011 and 2015 and reported $470 million in savings, other opportunities for savings are not being seized. In 2015 alone agencies spent $4.5 billion on goods and services that could have been spent through FSSI – potentially leaving $1.3 billion in savings on the table. While leading commercial businesses can reach up to 90% in strategic sourcing adoption rates, the federal government can only boast a 10% adoption rate. Additionally, Leadership Council agencies, while playing a key role in developing policies and transition plans, have often fallen short in their own implementation of FSSI.

The report makes several recommendations for the Office of Procurement Policy and the General Services Administration to improve implementation, accountability, and management of FSSI. To better understand accountability and management of FSSI at the agency level, I request that DHS respond to the following questions:

1. To what extent does DHS monitor use of FSSI and category management best-in-class contracts?

2. To what extent does the DHS representative to the Leadership Council have the authority to track and enforce commitments or transition plans from agencies' contracts to preferred FSSI or best-in-class contracts?

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[1] Government Accountability Office, *Federal Procurement: Smarter Buying Initiatives Can Achieve Additional Savings, but Improved Oversight and Accountability Needed* (GAO-17-164) (Oct. 2016).

3. What are the advantages and disadvantages of setting agency specific usage targets and performance metrics for FSSI and best-in-class contracts?

4. To what extent does DHS provide staff or other resources to support Category Managers?

5. Has DHS submitted a transition plan for use of laptop and desktop best-in-class contracts?

6. To what extent has DHS demonstrated progress in using the best-in-class contracts for laptops and desktops for fiscal year 2016?

7. What factors have contributed to DHS's level of best-in-class or FSSI contract use for fiscal year 2016?

Thank you for your attention to this matter. I request that you respond on or before **December 20, 2016.** Please have your staff contact (b)(6) [redacted] with my Subcommittee staff at (b)(6) [redacted] with any questions. Please send any official correspondence relating to this request to (b)(6) [redacted]

Sincerely,

Claire McCaskill
Ranking Member
Permanent Subcommittee on Investigations

cc: (b)(6) [redacted]

The Department of Homeland Security's Response to Senator McCaskill's November 22, 2016 Letter

1. **To what extent does DHS monitor use of FSSI and category management best-in-class contracts?**

   The overarching responsibilities for strategic sourcing and category management at the Department of Homeland Security (DHS) reside in the Office of the Chief Procurement Officer. DHS currently has adopted seven Federal Strategic Sourcing Initiatives (FSSI) and one GSA-developed government-wide indefinite delivery/indefinite quantity contract in its strategic sourcing portfolio. On a quarterly basis, the Office of the Chief Procurement Officer reviews, monitors, and assesses each DHS Component's utilization, spend, and trends for the contract vehicles within its strategic sourcing portfolio, to include the FSSI and best-in-class contracts.

2. **To what extent does the DHS representative to the Leadership Council have the authority to track and enforce commitments or transition plans from agencies' contracts to preferred FSSI or best-in-class contracts?**

   The DHS Chief Procurement Officer serves as the agency's Accountable Official for the Category Management Leadership Council led by the Office of Management and Budget. The Chief Procurement Officer provides a commitment letter to the Office of Management and Budget when DHS adopts a FSSI or best-in-class contract vehicle into its portfolio. The Executive Director for the Office of the Chief Procurement Officer Strategic Programs Division and the Director of the Strategic Sourcing Program Office also participate on the Category Management Leadership Council as the DHS Principal and Lead, respectively.

   On August 24, 2012, the Under Secretary for Management issued Directive 060-01 (Development and Use of Strategic Sourcing Contract Vehicles) making strategic sourcing contract vehicles, including FSSI or other best-in-class contracts in the DHS portfolio, mandatory with limited exceptions. Enforcement of the directive is the responsibility of the Chief Procurement Officer. Each Component Head of Contracting Activity is held accountable for development and usage of DHS's strategic sourcing contract vehicles. Component Heads of Contracting Activity who wish to utilize sources other than mandatory strategic sourcing contract vehicles must document the exceptions per Directive 060-01, or in cases where the exceptions do not apply, must submit a waiver request for approval to the Chief Procurement Officer.

3. What are the advantages and disadvantages of setting agency specific usage targets and performance metrics for FSSI and best-in-class contracts?

Advantages:

- Targets help drive utilization of the vehicles;
- Performance metrics ensure the vehicles are meeting end-customer needs and delivering value;
- Agency-specific targets align to the types of products and services acquired and therefore provide a more meaningful measurement of utilization and affording flexibilities to fulfill mission needs in the most effective manner; and
- Targets hold the executive agent overseeing the contract accountable to its customers.

Disadvantages:

- Transactional data is not readily available across all contract spending. Therefore, monitoring true addressable spending and utilization would be nearly impossible; and
- Utilization may not indicate the overall impact to mission requirements and whether or not a Federal Strategic Sourcing Initiative or best-in-class contract meets specific needs.

4. To what extent does DHS provide staff or other resources to support Category Managers?

DHS supports the Category Managers and Category Teams across most of the ten government-wide categories. The Director of the DHS Strategic Sourcing Program Office, residing within the Office of the Chief Procurement Officer, serves as the government-wide Category Manager for Security and Protection and is supported by participants from across the Department. In addition, DHS has participants supporting category teams and sub-teams for the following categories: Information Technology, Professional Services, Human Capital, Facilities and Construction, Transportation and Logistics, Industrial Products and Services, and Office Management.

5. Has DHS submitted a transition plan for use of the laptop and desktop best-in-class contracts?

DHS requested an exception to the Office of Management and Budget Category Management Policy M-15-1 in order to utilize its existing FirstSource II strategic sourcing vehicle. This DHS-wide IDIQ contract vehicle is a 100 percent small business set-aside and is mandatory for use. The Office of Management and Budget

has advised DHS that a transition plan is not yet required. In addition, DHS provided the Information Technology Category Manager with evidence that it complies with the requirements of the Category Management Policy M-15-1, including standard configurations and planned refresh cycles.

6. To what extent has DHS demonstrated progress in using the best-in-class contracts for laptops and desktops for Fiscal Year 2016?

DHS predominantly utilizes its 100 percent small business set-aside, mandatory for use of the FirstSource II contract vehicle to procure desktops and laptops. Through the Office of Management and Budget Portfolio Stat process, DHS monitors desktop and laptop purchases and configurations.

7. What factors have contributed to DHS's level of best-in-class or FSSI contract use for fiscal year 2016?

DHS's use of FSSI and best-in-class contracts for Fiscal Year 2016 was based upon the following:

- Adoption of the contract into the DHS strategic sourcing portfolio;
- DHS's mandatory for use policy for adopted solutions;
- Value proposition offered by the solution to meet DHS's requirements; and
- Extent to which the vehicle can support the fulfillment of DHS's mission.

United States Government Accountability Office

Report to Congressional Requesters

October 2016

FEDERAL PROCUREMENT

Smarter Buying Initiatives Can Achieve Additional Savings, but Improved Oversight and Accountability Needed

GAO Highlights

Highlights of GAO-17-164, a report to congressional requesters

Why GAO Did This Study

Each year, federal agencies obligate over $400 billion on goods and services, but they miss out on savings when they do not leverage their collective buying power. In 2005, the Office of Management and Budget (OMB) directed agencies to leverage spending through strategic sourcing. In 2014, OFPP, an office in OMB, announced its category management initiative, which is intended to further streamline and manage entire categories of spending across the government more like a single enterprise.

GAO was asked to examine the current status of the FSSI program and the extent to which OFPP has incorporated lessons learned from the program into its category management initiative. This report addresses (1) savings and other benefits the FSSI program has achieved, and (2) lessons identified and incorporated into OFPP's category management initiative. GAO analyzed FSSI spending, savings, and adoption data for all seven active FSSIs for fiscal years 2011 through 2015; reviewed OMB, OFPP, Leadership Council, and GSA strategic sourcing and category management guidance; and interviewed GSA and FSSI program officials and OFPP staff.

What GAO Recommends

To increase potential savings, GAO is making 6 recommendations, including that OFPP ensure agencies submit transition plans, monitor their use, and ensure agency specific targets and performance metrics to measure adoption of FSSI and category management solutions are set. OMB and GSA concurred with the recommendations.

View GAO-17-164. For more information, contact Timothy J. DiNapoli at (202) 512-4841 or DiNapoliT@gao.gov.

October 2016

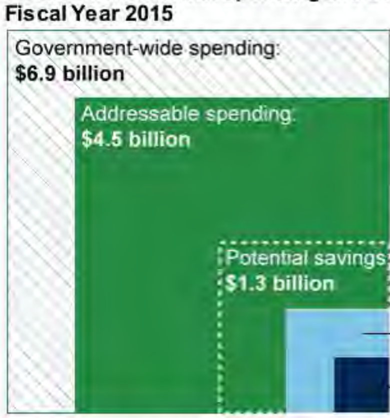
FEDERAL PROCUREMENT

Smarter Buying Initiatives Can Achieve Additional Savings, but Improved Oversight and Accountability Needed

What GAO Found

From fiscal year 2011 through 2015, federal agencies reported spending almost $2 billion through the Federal Strategic Sourcing Initiatives (FSSI) GAO reviewed and reported an estimated total of $470 million in savings. Federal agencies' low use of the FSSIs, however, diminished the potential savings that could have been achieved. For example, in fiscal year 2015, federal agencies spent an estimated $6.9 billion on the types of goods and services available through these FSSIs. Of this amount, $4.5 billion was considered "addressable" and could have been spent through the FSSIs, but just $462 million was. While total savings reported for fiscal year 2015 came in at $129 million—a savings rate of 28 percent—had all of the agencies directed their addressable spending through FSSIs, up to $1.3 billion in savings could have been achieved, assuming the same savings rate. See figure.

Actual and Potential Spending and Savings through Federal Strategic Sourcing Initiatives Fiscal Year 2015



Government-wide spending is total federal spending on the types of commodities available through the Federal Strategic Sourcing Initiatives (FSSI).

Addressable spending is total federal spending that can potentially be addressed by the FSSI. Exclusions can be based on factors such as existing agency contractual arrangements where termination costs would be prohibitive or the required use of mandatory sources.

Source: GAO analysis of General Services Administration data. | GAO-17-164

GAO found that FSSI use has been low, in part, because Leadership Council agencies, a cohort of large federal agencies responsible for FSSI governance, directed only 10 percent of their collective spending to the FSSIs. FSSI guidance requires agencies to develop plans to transition from existing agency vehicles to FSSIs, but Office of Federal Procurement Policy (OFPP) staff and General Services Administration (GSA) officials stated such plans were not collected or used to monitor FSSI use. Ensuring agencies submit these plans and monitoring them is consistent with internal control standards to evaluate and hold agencies accountable for performance.

OFPP's category management initiative largely incorporates key lessons learned from the FSSIs into guidance, such as addressing small business concerns and obtaining data on prices paid. OFPP, however, has not yet ensured that agency-specific targets and performance measures for adoption of FSSI and category management solutions are set. Until OFPP takes action to do so, it is at risk of agencies underutilizing existing FSSI and category management solutions and, in turn, of diminished cost savings.

Contents

Tables

Figures

Abbreviations

CAP	Cross-Agency Priority
DOD	Department of Defense
FSSI	Federal Strategic Sourcing Initiative
GSA	General Services Administration
IT	information technology
NASA	National Aeronautics and Space Administration
OFPP	Office of Federal Procurement Policy
OMB	Office of Management and Budget

U.S. GOVERNMENT ACCOUNTABILITY OFFICE
441 G St. N.W.
Washington, DC 20548

October 26, 2016

The Honorable Thomas R. Carper
Ranking Member
Committee on Homeland Security and Governmental Affairs
United States Senate

The Honorable Claire McCaskill
Ranking Member
Permanent Subcommittee on Investigations
Committee on Homeland Security and Governmental Affairs
United States Senate

Federal agencies obligate over $400 billion annually on goods and services. For over a decade we have issued reports on how the private sector has used strategic sourcing—which moves away from numerous individual procurements of goods and services to a broader aggregate approach—to reduce costs and improve quality.[1] In 2005, the Office of Management and Budget (OMB) tasked the Office of Federal Procurement Policy (OFPP) to identify commodities (goods and services) to be purchased more effectively and efficiently through strategic sourcing.[2] In response, the General Services Administration (GSA) and Department of the Treasury established the Federal Strategic Sourcing Initiative (FSSI) program to address government-wide opportunities to strategically source commonly purchased goods and services and eliminate duplication of efforts across agencies. OFPP is ultimately responsible for providing oversight and guidance as well as ensuring the overall effectiveness of the program.

[1]GAO, *Best Practices: Taking a Strategic Approach Could Improve DOD's Acquisition of Services*, GAO-02-230 (Washington, D.C.: Jan. 18, 2002); *Best Practices: Improved Knowledge of DOD Service Contracts Could Reveal Significant Savings*, GAO-03-661 (Washington, D.C.: June 6, 2003); *Best Practices: Using Spend Analysis to Help Agencies Take a More Strategic Approach to Procurement*, GAO-04-870 (Washington, D.C.: Sept. 16, 2004); and *Strategic Sourcing: Leading Commercial Practices Can Help Federal Agencies Increase Savings When Acquiring Services*, GAO-13-417 (Washington, D.C.: Apr. 15, 2013).

[2]OMB, *Memorandum for Chief Acquisition Officers, Chief Financial Officers, and Chief Information Officers, Subject: Implementing Strategic Sourcing* (Washington, D.C.: May 20, 2005).

In 2012, we found that the FSSI program managed little spending through its initiatives, but reported considerable savings.[3] Specifically, we found that through the end of fiscal year 2011, the FSSI program managed $339 million through four government-wide initiatives and reported achieving $60 million in savings. We reported, however, that the program faced key challenges in obtaining agency commitments to use new FSSIs and in increasing the level of agency spending directed through FSSI vehicles.

In December 2014, OFPP issued a memorandum that directed agencies to take specific actions to implement category management—an approach based on industry leading practices—to further streamline and manage entire categories of spending across government more like a single enterprise.[4] This approach includes strategic sourcing, but also includes a broader set of strategies, such as developing common standards in practices and contracts, and improving data analysis and information sharing to better leverage the government's buying power and reduce unnecessary contract duplication and yield other benefits. Under the category management initiative, federal procurement spending is organized into 10 common categories such as information technology (IT), travel, and construction, which, according to OFPP, altogether accounted for $275 billion in fiscal year 2014 federal spending. Each category is led by a team of senior government executives who is to develop a government-wide strategic plan for smarter buying with clear metrics and outcomes. Category management is also a Cross-Agency Priority (CAP) goal.[5]

[3]GAO, *Strategic Sourcing: Improved and Expanded Use Could Save Billions in Annual Procurement Costs*, GAO-12-919 (Washington, D.C.: Sept. 20, 2012).

[4]OMB, OFPP, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives: Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings* (Washington D.C.: Dec. 4, 2014).

[5]The GPRA Modernization Act of 2010, Pub. L. No. 111-352 (2011) requires OMB to coordinate with agencies to develop federal government priority goals—known as cross-agency priority or CAP goals—which are 4-year outcome-oriented goals covering a number of crosscutting mission areas, as well as goals to improve management across the federal government. OMB established goal periods for fiscal years 2012-2014, and fiscal years 2014-2018. OMB identified an interim CAP goal for strategic sourcing in February 2012. In the fourth quarter of fiscal year 2015, OMB changed the CAP goal from strategic sourcing to category management.

Given the potential savings that could be achieved with category management, you asked us to examine the FSSI program and lessons learned. This report addresses (1) the extent to which savings and other benefits have been achieved by the FSSI program, and (2) lessons, if any, from OFPP and GSA implementation of the FSSI program and the extent to which those lessons have been incorporated into OFPP's category management initiative.

We focused our review on seven FSSIs that were active between fiscal years 2011 and 2015: (1) Office Supplies; (2) Domestic Delivery Services; (3) Print Management; (4) Wireless; (5) Maintenance, Repair, and Operations Supplies; (6) Janitorial and Sanitation Supplies; and (7) Information Retrieval. This timeframe covers the period since we last assessed FSSI implementation through the last full year for which data was available. GSA is the executive agent for all the FSSIs except Information Retrieval which is administered by the Library of Congress. We excluded the Telecommunications Expense Management FSSI which ceased operations at the end of fiscal year 2014 because limited data on the program were available. FSSIs establish multiple award blanket purchase agreements, basic ordering agreements, and/or indefinite delivery, indefinite quantity contracts, through which federal agencies may obtain the specific goods and services they need. Most FSSIs, such as Office Supplies, are established with GSA federal supply schedule vendors. Appendix I further describes the FSSIs we reviewed.

To determine the extent to which savings and other benefits have been achieved through the seven FSSIs, we collected, reviewed, and assessed the reliability of agency reported data on spending, saving, and adoption. For the GSA FSSIs which report spending based on vendor reported transactional data, we obtained documentary and testimonial evidence on the internal controls used by vendors, the FSSI teams, and the FSSI Program Management Office to ensure the accuracy of the spending data. For three of the six GSA FSSIs, we also collected and reviewed a non-generalizable sample of transactional data reports. For Information Retrieval, we reviewed quarterly spending reports and interviewed relevant officials about the process used to collect and review data. We determined that the spending data for the GSA FSSIs were sufficiently reliable for our purposes but that the spending data for Information Retrieval lacked internal controls, were inconsistent, and contained errors. As a result, the Information Retrieval data were not sufficiently reliable and we excluded the information from our analyses.

For savings data, we reviewed the methodologies used by each FSSI to calculate savings and compared them with savings principles approved in 2014. Each of the current GSA FSSIs uses transactional data to calculate the difference between a baseline unit price and the FSSI price. Information Retrieval does not calculate savings based on changes in price, but rather, reports administrative savings as discussed later in the report. Due in part to the inconsistent spending data, we were also not able to independently verify the savings data reported for Information Retrieval and did not include these figures in our report. We also collected and reviewed data on FSSI adoption, as well as OMB and GSA efforts to obtain agency commitments to use the FSSIs and increase FSSI adoption. We interviewed OMB and GSA officials to identify factors that explain agency adoption of the FSSIs. We also interviewed GSA procurement officials about the factors affecting their use of the FSSIs and obtained documents from the FSSIs explaining why certain agencies did not use specific FSSIs, but we did not interview officials from the largest and highest spending procurement agencies responsible for FSSI approval and oversight regarding the factors affecting their respective agencies' use of the seven FSSIs we reviewed. We also assessed the extent to which the seven FSSIs incorporated key characteristics identified by OMB to include the collection and use of transactional data, the calculation of savings based on price, and the use of tiered pricing to reduce prices as cumulative sales volume increases.

To determine what lessons, if any, OFPP and GSA have identified from the FSSI program we reviewed the seven current FSSIs and conducted interviews with GSA and Library of Congress officials responsible FSSI implementation, as well as GSA officials and OFPP staff responsible for oversight. Based on this review, we identified lessons learned and corroborated our findings with GSA officials and OFPP staff responsible for the implementation and oversight of the FSSI program to determine which lessons were key. To determine the extent to which these key lessons learned are addressed by OFPP under its category management initiative, we reviewed and analyzed category management policies and guidance. We also interviewed officials from GSA's Category Management Program Management Office and OFPP staff. We also reviewed the CAP goal quarterly progress updates for fiscal years 2012 through 2016 as posted on Performance.Gov for both strategic sourcing and category management. See appendix II for a more in-depth description of our scope and methodology.

We conducted this performance audit from November 2015 to October 2016 in accordance with generally accepted government auditing

standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Our prior work has shown how leading companies use strategic sourcing—a process that moves an organization away from making numerous individual procurements to purchasing through a broader aggregate approach—to manage up to 90 percent of their procurements and achieve savings of 10 to 20 percent on the goods and services they buy.[6] A strategic sourcing effort begins after an opportunity is identified, usually through a spend analysis. Spend analyses provide knowledge about how much is being spent for given products and services, who the buyers and suppliers are, and where opportunities exist for leveraged buying and other tactics to save money and improve performance. Based on such analysis, organizations evaluate and prioritize commodities for strategic sourcing.

In 2013, we identified five foundational principles critical to carrying out an effective strategic sourcing approach: maintaining spend visibility, centralizing procurement, developing category strategies, focusing on total cost of ownership, and regularly reviewing strategies and tactics.[7] Within those principles, leading companies highlighted the importance of identifying the most cost effective sourcing vehicles, clearly defining and communicating policies in order to eliminate unapproved purchases, or "rogue buying," and ensuring that spending goes through approved contracts. Taken together, these principles enable companies to identify market trends, share knowledge about suppliers, make more informed contracting decisions, and take advantage of opportunities to save money and buy more efficiently. See appendix III for a full list of leading companies' foundational principles for strategic sourcing.

[6]GAO-12-919.

[7]GAO-13-417.

Federal Strategic Sourcing Initiative

Since 2005, OMB has issued several memorandums to establish a framework, standards, and governance for government-wide strategic sourcing efforts. In its May 2005 memorandum, OMB defined strategic sourcing as the "collaborative and structured process of critically analyzing an organization's spending and using this information to make business decisions about acquiring commodities and services more effectively and efficiently," and directed agencies to take action to leverage and control government spending through strategic sourcing. In response to OMB direction, the Department of the Treasury and GSA, with support from OFPP, partnered to launch the FSSI program in November 2005 to strategically source commonly purchased products and services. The FSSI program was chartered under the purview of the Chief Acquisition Officer's Council and the Strategic Sourcing Working Group with OFPP ultimately responsible for providing oversight and guidance as well as ensuring the overall effectiveness of the program. The Working Group, comprised of representatives of various agencies, was responsible for vetting and approving initiatives and sourcing strategies, and establishing standards, processes, and policies. The FSSI Program Management Office within GSA was established to support the Working Group and coordinate the efforts of the agencies designated as executive agents to implement individual FSSI initiatives; provide guidance and oversight; review information and recommendations; and makes strategic program decisions.

In December 2012, OMB issued guidance that formalized a governance structure, provided additional requirements, and identified key characteristics of federal strategic sourcing efforts.[8] For example, key characteristics included the use of tiered pricing or other appropriate strategies to reduce prices as cumulative sales volume increases, and contractual requirements with vendors to provide sufficient pricing, usage, and performance data to enable the government to improve commodity management practices on an ongoing basis. Noting that the majority of federal spending is driven by a small number of large agencies, OMB established the Strategic Sourcing Leadership Council (Leadership Council) and called on the seven largest and highest spending agencies and the Small Business Administration to take a leadership role on

[8] OMB, *Memorandum for the Heads of Executive Departments and Agencies, Subject: Improving Acquisition Through Strategic Sourcing,* M-13-02 (Washington D.C.: Dec. 5, 2012).

strategic sourcing.[9] The Leadership Council is chaired by the Administrator of OFPP and comprised of representatives from the Departments of Defense (DOD), Energy, Health and Human Services, Homeland Security, and Veterans Affairs; GSA; the National Aeronautics and Space Administration (NASA); and the Small Business Administration. See appendix IV for key provisions from the 2012 OMB strategic sourcing memorandum.

The Leadership Council is expected to propose plans and management strategies to maximize the use of strategic sourcing efforts. For example, in 2013, the Leadership Council established a three step key decision point process for developing, approving, and overseeing the FSSIs which is described in GSA's FSSI guidance. The Leadership Council must provide approval at each step in order for a prospective FSSI to progress through the strategic sourcing process and obtain the requisite designation. Figure 1 summarizes the key decision point process.

[9]The Strategic Sourcing Leadership Council replaced the Strategic Sourcing Working Group in December 2012. In December 2014, the Strategic Sourcing Leadership Council was renamed the Category Management Leadership Council. We will refer to this body as the Leadership Council throughout the report.

Figure 1: Key Decision Point Process for Development and Approval of Federal Strategic Sourcing Initiatives

Key decision point 1: **Opportunity analysis and assessment**	Key decision point 2: **Solution summary**	Key decision point 3: **Final solution summary**
Analyze	**Refine and execute**	**Assess**
• Commodity scope • Market research (size of the market, extent of competition, vendor and contract fragmentation) • Total government-wide spending and total estimated spending accounted for by Strategic Sourcing Leadership Council agencies • Key considerations such as potential savings, data requirements, demand management strategies, small business considerations	• The amount of spending that can be addressed by the vehicle • Savings potential and methods • Benefits to agencies • Small business participation baseline	• Summary of final solution results to include final spend data for each Strategic Sourcing Leadership Council agency • Assessment of whether or not solution strategy principles have been met • If the new vehicle proves valuable, the approved solution is given official "Federal Strategic Sourcing Initiative" designation and is to become mandatory to the maximum extent practicable

Source: GAO summary of GSA's Federal Strategic Sourcing Initiative Playbook, Key Decision Point Chapter, April 2015. | GAO-17-164

For the first key decision point, any interested agency can present a high level opportunity analysis for a commodity which they believe may be a FSSI candidate. If the Leadership Council approves the candidate at the first key decision point, a commodity team is formed to develop and refine the commodity strategy and develop a solution strategy. If the Leadership Council approves the second key decision point, the commodity team is allowed to execute the strategy. After execution, the commodity team is to summarize the solution and assess success. If the new solution proves valuable, then it is approved at the third decision point and given "FSSI" designation and, it is to become mandatory to the maximum extent practicable. Because the key decision point process is relatively new, it has not been fully applied to all of the current FSSIs in our review. For example, Janitorial and Sanitation Supplies and Maintenance, Repair, and Operations Supplies are listed on GSA's FSSI website although they have not been formally approved as FSSIs at the third key decision point.

After determining the scope and the total government-wide spending on the commodities covered by the proposed solution, the commodity team is to refine the scope by establishing a baseline for the amount of spending that can potentially be addressed by the solution. This baseline, referred to as addressable spend, is to be used to measure FSSI adoption by calculating the amount of actual spending through the FSSI compared to the total addressable spend and is required for approval at

the second key decision point. Addressable spend may identify some spending as non-addressable to accommodate agency needs or unique circumstances such as existing agency contractual arrangements where termination costs would be prohibitive and legislative or other authorities unique to an agency. If an agency seeks to exclude a portion of spending from the addressable spend total, the agency must provide the basis for the exclusion to the commodity team. If resolution is not reached at the commodity team level, the request for exclusions will be presented to the Leadership Council for discussion and resolution.

Using the approved addressable spend as a baseline, Leadership Council agencies are required to provide the lead agency with non-binding commitment letters stating an agency's intended volume of purchases through the proposed solution, for purposes of negotiation and pricing, prior to award. These letters do not obligate the agency to use a solution if, for example, the pricing, terms, and conditions, are not aligned with expectations. Nonetheless, the lead agency is to describe how each Leadership Council agency will transition from existing vehicles to the new solution. The lead agency is also responsible for ongoing management of the FSSI including keeping prices competitive, monitoring vendor performance, tracking agency adoption, and managing to performance metrics including savings and small business achievement against benchmarks, among other things. According to OMB's addressable spend guidance, identifying addressable spend, determining conditional commitment levels, and measuring adoption rates are critical to the success of strategic sourcing.

Further, the Leadership Council is to continuously monitor information on performance and promote agency adoption, among other things. To assist their effort, GSA established the FSSI Program Management Office to monitor overall FSSI program usage for all commodities, to collect and analyze performance data, and to provide an assessment to the Leadership Council. The office is also tasked with disseminating best practices, providing guidance on performance measures and data collection, and recommending improvements to the FSSIs.

In addition to formalizing the governance structure for government-wide strategic sourcing efforts, OMB also identified an interim CAP goal for

strategic sourcing in February 2012.[10] CAP goals were introduced in the fiscal year 2013 federal budget and focused on 14 major issues including strategic sourcing. The strategic sourcing CAP goal statement for fiscal years 2013 and 2014 directed agencies to increase their use of FSSI vehicles by at least 10 percent in both fiscal years 2013 and 2014. For fiscal years 2014-2015, OMB established new measures for the strategic sourcing CAP goal to measure Leadership Council agency savings, adoption, small business use, and reduction in duplication.

Further, federal agencies have also initiated strategic sourcing efforts that do not fall within the purview of the FSSI program. For example, the Department of Veterans Affairs reported that its strategic sourcing efforts generated $1.4 billion in cost avoidances in fiscal year 2015, including savings from pharmaceutical purchases and medical supplies. The Department of Homeland Security reports that it saved $466 million in fiscal year 2015 through a range of agency- and government-wide strategic sourcing vehicles including FSSIs.

Category Management

In December 2014, OFPP issued a memorandum that directs agencies to take specific actions to implement category management, an approach which is intended to manage entire categories of spending across government for commonly purchased goods and services.[11]

The memorandum notes that despite some progress in implementing strategic sourcing efforts, agencies continue to duplicate procurement

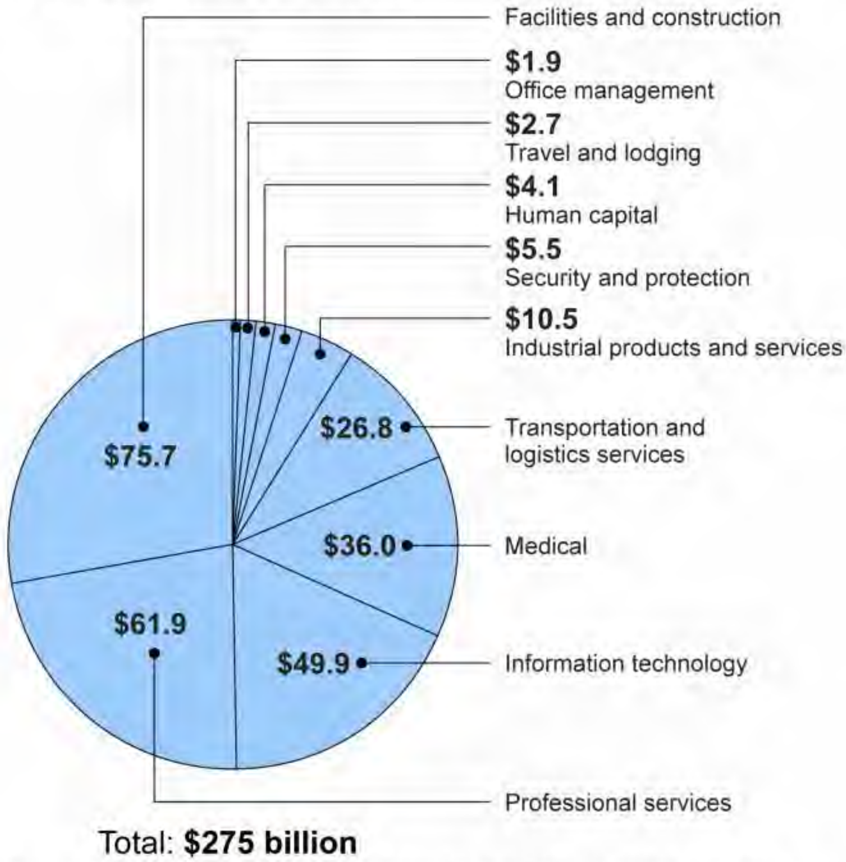
[10]In 2014, we reported that the first four updates for the strategic sourcing CAP goal included planned "next steps," which described actions that were to contribute to the achievement of the goal but lacked clear time frames for completion. See GAO, *Managing for Results: OMB Should Strengthen Reviews of Cross-Agency Goals*, GAO-14-526 (Washington, D.C.: June 10, 2014). In 2016, we found that of the selected goals we reviewed (not including the category management goal) most goals did not have quarterly targets required under GPRAMA and many were still developing performance measures. We recommended that CAP goal teams should be more transparent about the steps they are taking to develop targets and measures on Performance.gov. See GAO, *Managing for Results: OMB Improved Implementation of Cross-Agency Priority Goals, But Could be More Transparent About Measuring Progress*, GAO-16-509 (Washington, D.C.: May 20, 2016).

[11]OMB, OFPP, *Memorandum for Chief Acquisition Officers and Senior Procurement Executives: Transforming the Marketplace: Simplifying Federal Procurement to Improve Performance, Drive Innovation, and Increase Savings* (Washington D.C.: Dec. 4, 2014).

efforts and award contracts for similar services to the same vendors, which imposes significant costs on contractors and agencies. In May 2015, the Leadership Council approved government-wide category management guidance which describes category management as a fundamental shift from the practice of handling purchasing, pricing analysis, and vendor relationship management in thousands of procurement units across government. According to the guidance, the federal government will "buy as one" under category management by creating common categories of products and services across agencies and manage each category as a mini-business with its own set of strategies, led by a category manager and supporting senior team with expertise in their assigned category. This approach includes not only strategic sourcing, but also a broader set of strategies, such as developing common standards in practices and contracts, improved data analysis and information sharing to better leverage the government's buying power and reduce unnecessary contract duplication.

In December 2014, the Leadership Council approved organizing federal procurement spending into 10 common categories such as IT, travel, and construction. According to OFPP, these 10 categories collectively accounted for $275 billion in fiscal year 2014 federal spending. Figure 2 identifies the 10 common categories.

Figure 2: Common Categories Identified under Category Management, Fiscal Year 2014 Spending (dollars in billions)



Source: GSA analysis of Federal Procurement Data System-Next Generation (FPDS-NG) data. | GAO-17-164

In December 2014, the Leadership Council was given responsibility for approving government-wide categories of spend, prioritizing categories for management, and establishing guiding principles, among other duties. Category managers—government-wide leaders who are to develop and oversee category-specific strategies and encourage and drive category management principles and practices—are approved by OFPP and the Leadership Council. The effort is supported by GSA's Category Management Program Management Office, and the Acquisition Gateway, an IT portal that supports category management by sharing contract information such as terms and conditions, transactional pricing data, and contracting best practices. Table 1 identifies the key roles and responsibilities for category management governance.

Table 1: Category Management Governance and Key Responsibilities

	Key responsibilities
Office of Federal Procurement Policy (OFPP) The executive-level office responsible for providing oversight and guidance, and ensuring overall effectiveness of the category management initiative	• Set strategic policy direction • Issue category management policy guidance and directives to federal agencies • Develop reporting requirements for agencies related to progress and performance • Monitor category progress and performance, including development of government-wide metrics and goals • Determine Leadership Council Charter and membership • Participate in the selection of category managers, and approve their selection
Leadership Council Comprised of agency acquisition, information technology, financial, and other senior agency leadership, and serves as the primary governing body for category management.	Approve government-wide category strategic plans • Prioritize categories and approve timelines for key milestones • Establish guiding principles for defining best in class criteria and approve criteria proposed by category managers[a] • Participate in the selection of category managers • Make recommendations to OMB on policies, guidance, or other tools that will support improved management • Establish a process for category managers to review and approve new business cases submitted to OMB Support the Execution of Category Strategic Plans • Contribute staff, resources, and information to the category teams • Provide data and contract information, when not readily available, to determine best in class solutions • In agency contracts, require sharing of prices offered, prices paid data, and contract terms and conditions • Promote the use of centralized tools for market research, reducing contract duplication, comparing prices, terms and conditions • Support vendor management efforts to better coordinate supplier relationships • Review and monitor category performance • Support development of and validate performance metrics • Evaluate the performance of the category • Provide and validate agency data in support of Cross Agency Priority goals and metrics • Capture baseline agency-level pricing data and a baseline to measure success for category solutions • Provide agency-level information to capture agency best practices

	Key responsibilities
Category Managers Government-wide leaders who encourage and drive category management principles and practices. They operate at the Level 1 category (e.g., IT) level, which may encompass multiple Level 2 categories (e.g., IT software).	• Lead data analytics and spend analysis, as well as standardization and collection efforts for assigned category • Develop category strategic plan • Define and track category performance metrics, including government-wide category management metrics • Hire or Select Level 2 category leads(s) and other supporting personnel for category team. Assist Level 2 category (i.e. IT software) teams in strategic and operational development • Serve as a key liaison and engage with appropriate stakeholders • Formulate the category strategic initiatives for increasing spend under management • Review agency business cases and make recommendations for approval to Leadership Council
General Services Administration Category Management Program Management Office	• Create and maintain category management guidance • Develop standard procedures and share best practices across categories • Facilitate data analysis and performance measurement/benchmarking • Share tools and templates for category teams to utilize to enhance their management and execution of category management initiatives • Share training and educational materials • Develop and maintain the category structure • Facilitate execution of approved category strategies

Source: GAO summary of Government-wide Category Management Guidance Version 1.0, May 2015. I GAO-17-164

[a]The specific criteria for best in class acquisition vehicles will vary by category and commodity but will generally reflect a rigorous requirements definition and planning process; the requirement for vendors to provide prices paid, business intelligence, and performance data to enable agencies to improve their commodity management practices.

In February 2016, OFPP announced the Category Managers who will be overseeing the 10 categories of federal procurement spending. Category Managers' first responsibility has been to prepare category strategic plans for Leadership Council approval. The category strategic plan is to identify category strategies, the reasons for selecting those strategies, how the category team plans to execute the strategies, and anticipated results (benefits, costs, and risks) associated with the strategies. The category strategic plan is then to be reviewed and approved by the Leadership Council before the category team assembles resources and teams as required to execute the strategies. The Leadership Council approved strategic plans for all 10 categories in June 2016.

According to Leadership Council category management guidance, performance reviews are to be conducted for each category at the beginning of each year. This review is to assess performance over the previous year and establish goals and targets for the upcoming year. Category reviews are to be briefed to the Leadership Council to share strategies, successes, and progress towards established goals and

targets. OMB also established a CAP goal for category management with goal elements focused on savings, small business goals, reduction in contract duplication and "spend under management." Spend under management is a model designed to assess agency- and government-wide category management maturity, and to highlight successes as well as development areas across all categories and federal agencies. For example, agency-level maturity can be characterized by the use of agency-level solutions and the implementation of policies to drive behavior change, among other characteristics. Government-wide maturity is characterized by the adherence to Leadership Council approved strategies, the collection of prices paid data, and analysis of outstanding opportunity spend relative to actual spend.

Related GAO Work

In September 2012, we reported that in fiscal year 2011 the FSSI program managed $339 million out of roughly $537 billion of total federal spending—or less than 1 percent—but reported achieving $60 million in savings.[12] We also reported that the program faced key challenges in obtaining agency commitments to use new FSSIs and in increasing the level of agency spending directed through FSSI vehicles. Further, we found that the FSSI program had not yet targeted any of the government's 50 highest-spend products and services for strategic sourcing. As such, we concluded that the focus only on low-risk, low-return efforts diminished the government's ability to fully leverage its enormous buying power and achieve other efficiencies. To help ensure that government-wide strategic sourcing efforts further reflect leading practices, we recommended that OMB and OFPP issue an updated memorandum or other directive to federal agencies on calculating savings and establish metrics to measure progress toward goals; and direct the FSSI program to assess whether each top spend product and service government-wide is suitable for an FSSI, with a plan to address those products or services that were suitable for strategic sourcing. OMB and OFPP implemented our recommendation in part by establishing the Leadership Council to lead efforts to increase the government-wide management and sourcing of goods and services. The Leadership Council subsequently approved general principles for calculating savings

[12]GAO-12-919.

for federal strategic sourcing initiatives in February 2014, and has begun to implement category management.

In January 2014, we reported on the extent to which data and performance measures are available on the inclusion of small businesses in government-wide strategic sourcing initiatives.[13] We found that GSA generally considered small businesses and small disadvantaged businesses, but lacked data and performance measures. For example, although GSA collected baseline data on proposed FSSIs, it had not developed a performance measure to determine changes in small business participation going forward. Consistent with OMB guidance and to track the effect of strategic sourcing on small businesses, we recommended that the Administrator of GSA establish performance measures on the inclusion of small businesses in strategic sourcing initiatives. In response to this recommendation, GSA issued guidance in April 2015 that provided information on how to determine baseline data for small business participation in strategic sourcing initiatives and annual requirements for assessing small business participation relative to that baseline. Moreover, the guidance requires a corrective action plan if a strategic sourcing initiative falls below the baseline for two consecutive quarters. GSA also created a strategic sourcing template to track baseline small business participation and monitor the change in small business spending for each individual strategic sourcing initiative, as required by OMB. To help ensure that agencies are tracking the effect of strategic sourcing on small businesses, we recommended that OFPP monitor agencies' compliance with the requirement to maintain baseline data and performance measures on small business participation in strategic sourcing initiatives. As of July 2016, OFPP staff stated that they are in the process of addressing this recommendation.

In September 2015, we found that the efforts of DOD, the Department of Homeland Security, and NASA to strategically manage spending for IT services, such as software design and development, have improved in recent years but still missed opportunities to leverage their buying

[13]GAO, *Strategic Sourcing: Selected Agencies Should Develop Performance Measures on Inclusion of Small Businesses and OMB Should Improve Monitoring*, GAO-14-126 (Washington, D.C.: Jan. 23, 2014).

power.[14] Each of the agencies we reviewed designated officials responsible for strategic sourcing and created offices to identify and implement strategic sourcing opportunities, including those specific to IT services. Most of these agencies' IT services spending, however, continued to be obligated through hundreds of potentially duplicative contracts that diminish the government's buying power. These agencies managed between 10 and 44 percent of their IT services spending—which collectively accounted for about $11.1 billion in fiscal year 2013—through preferred strategic sourcing contracts in fiscal year 2013. Further, most of these agencies' efforts to strategically source IT services had not followed leading commercial practices, such as clearly defining the roles and responsibilities of the offices responsible for strategic sourcing; conducting an enterprise-wide spend analysis; monitoring the spending going through the agencies' strategic sourcing contract vehicles; or establishing savings goals and metrics. As a result, the agencies were missing opportunities to leverage their buying power and more effectively acquire IT services. We made a series of recommendations to each agency to improve their efforts to strategically source IT services. Each agency concurred with the recommendations addressed to their agency and have actions underway to implement them.

FSSIs Achieved Savings and Other Benefits, but Low Federal Agency Use of FSSIs Diminished Opportunities for Significant Savings

Over the last 5 years, GSA officials responsible for the FSSI program reported that federal agencies spent almost $2 billion through seven FSSIs and achieved an estimated $470 million in savings, an overall savings rate of about 25 percent, comparable to savings reported by leading commercial companies. Overall agency adoption of the FSSIs, however, has remained low, resulting in reduced potential savings. For example, in fiscal year 2015, the first year for which all seven FSSIs had performance data, only $462 million of the $4.5 billion—or about 10 percent—in addressable spending targeted by the seven FSSIs we reviewed went through the FSSIs. In contrast, leading commercial companies historically manage 90 percent of their procurement spending through strategic sourcing approaches. Low adoption of the FSSIs by the large agencies that make up the Leadership Council—as well as government-wide adoption more generally—was due to a variety of

[14]GAO, *Strategic Sourcing: Opportunities Exist to Better Manage Information Technology Services Spending*, GAO-15-549 (Washington, D.C.: Sept. 22, 2015).

reasons, including weaknesses in FSSI oversight and execution. The FSSIs generally incorporated the minimum characteristics of strategic sourcing vehicles identified by OMB guidance, such as collecting vendor transactional data, but not all FSSIs fully complied with OMB direction and maximized potential savings.

FSSIs Achieved Savings and Other Benefits, but Low Federal Agency Spending through the FSSIs Continues to Limit Potential Savings

From fiscal year 2011 to fiscal year 2015, GSA reported that agencies spent almost $2 billion through the FSSIs and achieved an estimated total of $470 million in savings, an overall savings rate of about 25 percent. In our prior work, we found that leading commercial companies achieved sustained savings rates of 10 to 20 percent using strategic sourcing approaches.[15] As shown in table 2, reported annual spending through the FSSI program increased from $308 million in fiscal year 2011, when two FSSIs were in place, to $462 million in fiscal year 2015, when seven were in place. Four FSSIs experienced significant growth between fiscal year 2014 and 2015, though the Office Supplies FSSI experienced a decline of nearly 30 percent. For example, the Wireless FSSI grew from about $4 million in 2014 to over $26 million in fiscal year 2015. Average estimated savings rates for individual FSSIs over the period ranged from 11 to 55 percent which met or exceeded savings achieved by leading commercial companies.

[15] GAO-12-919.

Table 2: Federal Strategic Sourcing Initiative (FSSI) Reported Spending and Savings for Fiscal Years 2011-2015 (in millions)

	FSSI spending by fiscal year							
FSSI	**2011**	**2012**	**2013**	**2014**	**2015**	**Total FSSI spending**	**Total FSSI savings**	**Average savings %**
General Services Administration								
Office Supplies	$199	$270	$246	$134	$95	$944	$182	19
Domestic Delivery Services	109	118	131	134	216	707	239	34
Print Management	—	2	5	13	22	43	23	55
Wireless	—	—	—	4	26	30	10	33
Maintenance, Repair and Operations Supplies	—	—	—	28	91	120	13	11
Janitorial and Sanitation Supplies	—	—	—	—	$11	11	3	27
Library of Congress								
Information Retrieval	—	—	—	—	—		—	—
Total spending through FSSIs	**$308**	**$390**	**$382**	**$314**	**$462**	**$1,856**	**$470**	

Source: GAO analysis of GSA and Library of Congress data. | GAO-17-164

Note: Calculations may be affected by rounding. We excluded spending and savings figures reported by the Library of Congress for the Information Retrieval FSSI in fiscal years 2014 and 2015 because w e were not able to independently verify the data reported.

Moreover, FSSIs such as Domestic Delivery Services and Print Management achieved savings through demand management which involves working with federal buyers and policy makers to identify and standardize requirements and specifications and eliminate unnecessary purchases and inefficient purchasing behaviors. For example, through use of the Print Management FSSI, GSA procurement officials explained that GSA significantly reduced its spending on print-related products and services by reducing its staff to printer ratio from 2 to1 to 14 to 1 and successfully reduced overall printing costs from an estimated $1.8 million in fiscal year 2011 to $0.6 million in fiscal year 2015. Domestic Delivery Services program officials reported that use of data from the FSSI helped agencies identify and reduce the number of express shipments and increased the use of more affordable ground services resulting in cost savings.

While the FSSIs generated savings and other benefits, federal agency adoption rates for the FSSIs remained far lower than the 90 percent achieved by leading commercial companies and reduced potential savings. For example, in fiscal year 2015, government-wide spending on the commodities covered by the FSSIs in our review was estimated by GSA officials to be $6.9 billion, with the amount identified as addressable

to be about $4.5 billion, a fraction of the $439 billion in fiscal year 2015 federal procurement spending. Furthermore, only about $462 million of the $4.5 billion in addressable spend—or slightly more than 10 percent, went through the FSSIs (see table 3).

Table 3: Federal Strategic Sourcing Initiative (FSSI) Spending and Adoption for Fiscal Year 2015 (in millions)

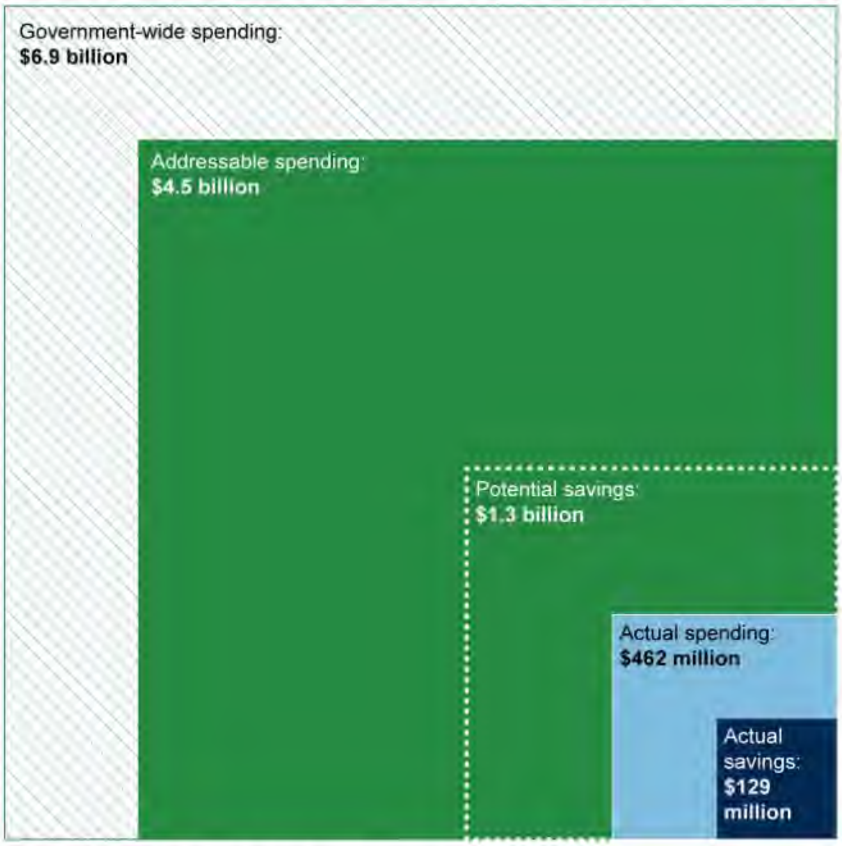
FSSIs	Estimated government-wide spending on FSSI goods and services	Estimated spending addressable by the FSSI	Reported actual spending through the FSSI	Adoption rate
General Services Administration				
Office Supplies	$1,254	$699	$95	14%
Domestic Delivery Services	545	424	216	51
Print Management	967	950	22	2
Wireless	1,300	976	26	2
Maintenance, Repair, and Operations Supplies	1,600	974	91	9
Janitorial and Sanitation Supplies	1,185	484	11	2
Library of Congress				
Information Retrieval	—	—	—	—
Total	**$6,851**	**$4,507**	**$462**	**10%**

Source: GAO analysis of GSA and Library of Congress data. I GAO-17-164

Note: We excluded spending and adoption reported by the Library of Congress for the Information Retrieval FSSI because we were not able to independently verify the data reported.

In fiscal year 2015, GSA reported that agencies spent $462 million through the FSSIs and saved $129 million, a savings rate of 28 percent. Had agencies spent the entire $4.5 billion of addressable spending through the FSSIs and achieved a similar savings rate of 28 percent, we estimate that up to $1.3 billion in fiscal year 2015 savings could have been achieved (see figure 3).

Figure 3: Fiscal Year 2015 Actual and Potential Spending and Savings through the Federal Strategic Sourcing Initiatives



Government-wide spending is total federal spending on the types of commodities available through the Federal Strategic Sourcing Initiatives (FSSI).

Addressable spending is total federal spending that can potentially be addressed by the FSSI. Exclusions can be based on factors such as existing agency contractual arrangements where termination costs would be prohibitive or the required use of mandatory sources.

Source: GAO analysis of General Services Administration data. | GAO-17-164

Note: We excluded spending and savings figures reported by the Library of Congress for the Information Retrieval FSSI because w ere not able to independently verify the data reported.

We identified several factors that contributed to low utilization including weaknesses in OFPP and Leadership Council oversight and various factors unique to the individual FSSIs. For example, in fiscal year 2015, the seven large procurement agencies within the Leadership Council reported spending $268 million through the FSSIs, less than 10 percent of the $2.8 billion that GSA estimated was the combined addressable spending for those agencies during the same period. In 2012, OMB directed Leadership Council agencies to promote, to the maximum extent practicable, strategic sourcing practices within their agencies including

issuing and enforcing mandatory use policies for government-wide solutions, such as the FSSIs.[16] FSSI guidance on the key decision point process requires information from each Leadership Council agency concerning how each Leadership Council agency will transition from existing vehicles to the FSSIs. While some Leadership Council agencies provided commitment letters and issued mandatory use policies for FSSIs, most that did used the FSSIs far less than their letters suggested and none of the FSSIs included individual agency transition plans from Leadership Council agencies to increase FSSI adoption as required. In addition, according to OFPP staff and GSA officials, neither OFPP nor the Leadership Council revisited those commitments or held agencies accountable for meeting them or provided monitoring to ensure that transition plans from existing agency vehicles to the FSSIs were provided. Standards for internal control in the government highlight the need to enforce accountability by evaluating performance and holding organizations accountable.[17]

Similarly, for fiscal years 2014 and 2015, OMB established new measures for the strategic sourcing CAP goal to include Leadership Council agency adoption of the FSSIs, but did not establish targets and performance measures either at the aggregate or agency level, as discussed later in the report. OFPP staff reported that the Leadership Council agencies provided input into spending projections for fiscal years 2015 and 2016 which are being used for internal management purposes although the Leadership Council agencies did not, at an aggregate level, meet their spend targets in fiscal year 2015. As of the first quarter of fiscal year 2016, FSSI CAP goal measures are no longer tracked although existing FSSIs will not expire for years to come. In addition to accountability,

[16]In response to direction in the National Defense Authorization Act for Fiscal Year 2015, DOD, GSA, and NASA proposed in June 2016 to amend the Federal Acquisition Regulation (FAR) to implement a business rule that would require agencies, when purchasing supplies or services offered under an FSSI but not using the FSSI, to document the contract file to include a brief analysis of the comparative value, including price and other factors, between the supplies and services offered under the FSSI and those offered under the source to be used for the purchase. Such a rule, if properly implemented, could help increase the use of FSSIs or identify the challenges or disadvantages agencies may face in using the FSSIs. Pub. L. No. 113-291, § 836; 81 Fed. Reg. 39883.

[17]GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C.: September 2014).

federal internal control standards call for agencies to monitor and evaluate results.[18] OFPP in coordination with the Leadership Council, however, had not set targets and measures for individual Leadership Council agencies to gauge progress over time and hold individual Leadership Council agencies accountable for results. Until the Leadership Council and OFPP create a means to incentivize Leadership Council agencies to use FSSIs that they help create and approve, and measure results against individual agency targets, the FSSIs are at risk of continuing to experience low use and by extension missed opportunities for savings.

Additionally, several of the individual FSSIs experienced challenges that affected, to varying degrees, their efforts. For example:

- The Office Supplies FSSI estimated Leadership Council agencies' addressable spend to be $410 million, but these agencies only spent $55 million through the FSSI in fiscal year 2015. Office Supplies officials attributed the low spending in fiscal year 2015 to delays during the acquisition process which compressed the amount of overlap between the second and third generation of the FSSI. As a result, when the FSSI contracts were awarded and unsuccessful offerors filed bid protests, the FSSI experienced a 6-month lapse in service. For example, the Air Force, with an estimated $36 million in addressable spending in fiscal year 2015, suspended its mandatory use policy due to the protests and did not reinstate it until March 2015. Office Supplies officials also attributed low spending through the FSSI to an overall decline in the government-wide market for office supplies which according to officials has shrunk from $1.5 billion in fiscal year 2012 to $1.3 billion in fiscal year 2015 due to factors such as increased telework and reductions in agency procurement budgets.
- The Wireless FSSI estimated that the combined addressable spend of Leadership Council agencies to be nearly $700 million, but they only spent $12 million through the vehicle in fiscal year 2015. The Wireless program reported that although six Leadership Council agencies were buying off the vehicle, there had been few large enterprise buys due to the limited ability of agency acquisition teams to centralize the

[18] GAO-14-704G.

funding which pays for these service plans and devices.[19] Wireless program officials also noted that they did not fully take into account when existing agency contracts would expire. For example, the program noted that several agencies needed up to 3 years to migrate from existing agency contracts to the FSSI.

FSSIs Generally Incorporated OMB Characteristics to Help Foster Savings

In 2012, OMB identified the minimum characteristics of strategic sourcing vehicles to increase savings and enable the government to improve its commodity management practices. These characteristics include the collection and use of transactional data to support continuous government analysis of pricing, usage and performance data and the use of tiered pricing to reduce prices as cumulative sales volume increases. Transactional data refers to the information generated when the government purchases goods or services from a vendor including specific details such as descriptions, part numbers, quantities, and prices paid for the items purchased. The collection and use of transactional data is foundational to strategic sourcing as it allows the government to perform active commodity management, monitor pricing changes to ensure that the benefits of strategic sourcing are maintained, and to calculate savings based on changes in price. The six GSA FSSIs generally incorporated these minimum characteristics, whereas the Library of Congress's Information Retrieval FSSI did so to a limited extent.

Transactional Data and Savings

Each of the GSA FSSIs currently collects vendor-reported transactional data to report total spending and to report total spending and to help calculate adoption rates and savings based on changes between a baseline unit price and the FSSI price. Prior to the creation of the Leadership Council in 2012, legacy FSSIs including the first and second generations of Office Supplies and Domestic Delivery Services, as well as Print Management, calculated savings based on methods approved by their respective commodity teams in accordance with guidelines approved

[19]In related work, GAO found that most agencies that it reviewed lacked adequate inventories of their mobile devices and associated service information, which limits their ability to track usage and make decisions to optimize cost savings at both the individual device level and across the enterprise. Further, without a current, valid, and complete inventory of mobile service contracts, agencies are less likely to be able to identify opportunities for consolidation and strategic sourcing, and thus are less likely to achieve cost savings. GAO, *Telecommunications: Agencies Need Better Controls to Achieve Significant Savings on Mobile Devices and Services*, GAO-15-431 (Washington, D.C.: May 21, 2015).

by the Strategic Sourcing Working Group, the governance body which preceded the Leadership Council. These approaches generally consisted of comparing prices offered under the FSSI program to the prices offered under GSA's Federal Supply Schedule program.[20] Office Supplies officials acknowledged that this approach may have overstated savings by four to five percent because the schedule price represents a ceiling price that GSA negotiates with vendors and not the prices paid which can include additional discounts. Further, as we have recently reported, published schedule rates may not represent the actual prices paid under the schedule which can include additional discounts and better pricing due to competition at the task order level.[21]

In 2012, we recommended that OFPP issue direction to federal agencies that includes guidance on calculating savings.[22] In 2014, the Leadership Council approved savings principles to include savings based on price, cost avoidance, and administrative savings. According to the guidance, the baseline unit price used to calculate price savings should be either the current schedule lowest quartile price, the lowest price on any contract for similar quantity, or a lower price available from an existing vehicle or data source identified by a commodity team member and agreed to by the Leadership Council. Further, savings methods are to be proposed and approved as part of second key decision point and approved by the Leadership Council.

Office Supplies, now in its third generation, has used the transactional data it has collected over time to refine its savings methodology and reduce price variation. Office Supplies program officials told us that starting in fiscal year 2014, the Office Supplies FSSI began to use the lowest quartile price from the schedule as a baseline when four or more price points are established. Office Supplies also uses transactional data to reduce price variance for identical goods. Referred to as the dynamic pricing model, the program requires vendors to offer prices that fall within

[20]The Federal Supply Schedule program is directed and managed by GSA and provides federal agencies with a simplified process for obtaining commercial supplies and services at prices associated with volume buying. FAR § 8.402.

[21]GAO, *Federal Supply Schedules: More Attention Needed to Competition and Prices*, GAO-15-590 (Washington, D.C.: July 9, 2015).

[22]GAO-12-919.

10 percent of the lowest price offered. As an example, an FSSI official stated that an identical toner cartridge might be listed for anywhere from $100 to $300. Dynamic pricing reduces this variability by capping the price for goods offered to no more than 10 percent greater than the lowest price. GSA officials emphasized that it took 3 years for the Office Supplies FSSI to collect and standardize sales data to include part numbers, manufacture name, and quantity which has allowed them to implement a more precise methodology. A senior GSA official reported that the Janitorial and Sanitation Supplies FSSI and the Maintenance, Repair, and Operations Supplies FSSI will both adopt the lowest quartile method of calculating savings and dynamic pricing once they have the data to do so.

Wireless FSSI officials told us that they collect and analyze transactional data from vendors, and can share the average discount available through the FSSI, but that contractual terms prohibit the FSSI from sharing the actual prices paid that ordering agencies pay which are often lower, unless a federal agency requests such information from the FSSI. The officials told us that this restriction inhibits the FSSI's ability to demonstrate to agencies savings that could be achieved through use of the FSSI. Until this issue is addressed by clarifying the contract terms, the program will remain limited in its ability to make a business case to agencies on the potential cost savings from using the Wireless FSSI.

Information Retrieval officials reported that they collect transactional data from a limited number of vendors, but do not use that data to report spending or as the basis to calculate savings based on changes in price. Information Retrieval officials reported that after obtaining Leadership Council approval for FSSI designation, the program negotiated transactional data reporting requirements with 5 of its 69 vendors, those with aggregate sales above $3 million as of fiscal year 2014. Because Information Retrieval does not collect transactional data from all of its vendors, it lacks the data needed to calculate savings based on price. Rather, Information Retrieval calculates and reports administrative savings based on a methodology it developed which estimates savings based on assumptions about the number of hours a typical agency would spend on similar procurements and agency labor rates for contracting staff. While the Leadership Council recognizes administrative savings in its 2014 savings principles, we excluded Information Retrieval's savings figures from our report in part because of inconsistencies and errors in its spending data that impeded our ability to independently verify the savings data.

The GSA FSSI Program Management Office is responsible for ensuring oversight and support of the FSSIs including monitoring compliance with FSSI standards. Under the 2012 OMB memorandum and the 2014 Leadership Council guidance for calculating savings, FSSIs are expected to collect transactional data use that information to calculate savings based on cost difference. Officials from the GSA FSSI Program Management Office, however, indicated that they previously had not collected or reviewed data from the Information Retrieval FSSI to ensure compliance with FSSI standards, but have begun to engage with the Library of Congress staff during the course of our review to gather more information on implementation of the FSSI. Until the GSA FSSI Program Management Office takes steps to ensure that the Information Retrieval FSSI meets these requirements, GSA and OFPP will not have the data or insight necessary to monitor and assess whether savings and other benefits are being achieved through the Information Retrieval FSSI.

Tiered Pricing

According to OMB and GSA guidance, a tenet of strategic sourcing is that higher volume generally translates to lower prices. Tiered pricing is a mechanism to capture volume-based savings in contracts where the volume is unknown and allows customers to obtain percent discounts that increase as aggregate purchasing tiers are reached. As a result of low FSSI adoption, FSSI mechanisms such as tiered price discounts negotiated with vendors that were intended to drive further savings were not reached. Table 4 illustrates an example of a tiered pricing model.

Table 4: Example of FSSI Tiered Pricing Model

Tiers	Annual sales	Discount (%)
Base FSSI pricing	< $10 million	0
Tier 1	$10 million-30 million	3
Tier 2	$30 million-60 million	5
Tier 3	$60 million-100 million	7
Tier 4	>$100 million	10

Source: GSA FSSI guidance. | GAO-17-164

While six of the seven FSSIs we reviewed established tiered pricing agreements with at least some vendors, Office Supplies is the only FSSI with an active contract where purchases were sufficient to meet a tiered pricing threshold. Office Supplies officials reported that spending with one of the FSSI's 24 vendors reached the $25 million tier triggering a two percent discount on all subsequent purchases. Officials expect spending with six to eight other vendors to reach the $10 million tier during fiscal

year 2016 triggering a one percent discount. Print Management does not include tiered discounts and no changes are planned to the program since it is scheduled to end in September 2016. Information Retrieval negotiated tiered discounts with 5 of its 69 vendors, those with aggregate sales over $3 million.

OFPP's Category Management Initiative Incorporates FSSI Lessons Learned but Faces Implementation Challenges

Based on our review of seven current FSSIs and interviews with OFPP staff and GSA officials, we identified four key lessons which can be generally applied to category management. These are the need for (1) stronger enforcement mechanisms to drive category management success; (2) targets and measures to hold agencies accountable for results; (3) the collection and use of transactional data to ensure that the benefits of strategic sourcing are achieved; and (4) strategies to increase small business participation. While the category management initiative incorporates many of these key lessons in its guidance and memorandums, it does not establish expectations or a process to set specific targets and measures for Leadership Council agencies to use approved vehicles.

Key Lesson Learned: Stronger Enforcement Mechanisms to Drive Category Management Success

Our work found that the FSSIs achieved limited adoption and savings because individual agencies were not held accountable for results, in part because OMB and the Leadership Council did not exercise mechanisms to monitor agency use of the FSSIs, or drive or enforce agency compliance with commitment letters, transition plans, or the subsequent establishment of mandatory use or consideration policies. OFPP staff agreed with our assessment that a key lesson learned from the FSSIs is that stronger enforcement mechanisms are needed to increase agency compliance with category management plans and goals. A senior OFPP staff noted that the early premise of strategic sourcing was that agencies would readily use new strategic sourcing vehicles, but that level of use has been inconsistent.

OFPP staff stated that individual category management memorandums include stronger compliance requirements and mechanisms than were present under the FSSI program to drive compliance. For example, OMB's October 2015 policy for workstations, June 2016 policy for software licenses, and August 2016 policy for mobile devices all direct

agency Chief Information Officers to take specific actions within their agencies using new authorities and responsibilities provided to them under the Federal Information Technology Acquisition Reform Act to improve their agencies' IT management policies and practices.[23] For example, OMB's October 2015 memorandum on workstations includes several provisions intended to encourage agency compliance such as prohibiting agencies from issuing new solicitations for laptops and desktops and directing them to leverage three existing solutions. It also directs agency Chief Acquisition Officers and Chief Information Officers to work together to develop transition and implementation plans for both the technical and acquisition aspects of the policy. Specifically, Chief Acquisition Officers were directed to provide baseline spend data for purchases made through the approved vehicles and identify when the agency will phase out existing contracts for workstations and transition to the preferred vehicles. Chief Information Officers were directed to develop implementation instructions for the use of standard configurations, the prohibition on new awards, oversight, compliance, and other management measures. Table 5 describes some of the key provisions of OMB's category management policy for workstations.

[23]Office of Management and Budget, M-16-02, Memorandum for the Heads of Departments and Agencies, Subject: Category Management Policy 15-1: Improving the Acquisition Management of Common Information Technology: Laptops and Desktops (Washington, D.C.: Oct. 16, 2015); OMB, M-16-12, Memorandum for the Heads of Departments and Agencies, Subject: Category Management Policy 16-1: Improving the Acquisition and Management of Common Information Technology: Software Licensing (Washington, D.C.: June 2, 2016); and OMB M-16-20, Memorandum for the Heads of Departments and Agencies, Subject: Category Management Policy 16-3: Improving the Acquisition and Management of Common Information Technology: Mobile Devices and Services (Washington, D.C.: Aug. 4, 2016). National Defense Authorization Act for Fiscal Year 2015, Pub. L. No. 113-291, div. A, title VIII, subtitle D, §§ 831, 837 (2014).

Table 5: Key provisions of OMB's Category Management Policy for Workstations

Condition	Strategy	Policy
Agencies buy several hundred different types of laptops and desktops and pay a wide variety of prices for standard offerings and using different terms and conditions. Nearly 80 percent of basic laptop and desktop needs can be met through five standard configurations.	Standardize laptop and desktop configurations for common requirements.	Chief Information Officers shall ensure that at least 80 percent of their agency's new basic laptop and desktop requirements are satisfied with a standard configuration, unless an exception applies.
The three largest government-wide acquisition solutions account for about one third of the government's civilian spending for laptops and desktops, with the remainder scattered across more than 2,400 additional contracts which reduces purchasing power and transparency into pricing.	Reduce the number of contracts for laptops by consolidating purchasing and using a fewer number of best in class contracts which reduce prices as cumulative sales increase. Monitor prices paid, usage, and performance data.	Agencies are prohibited from issuing new solicitations for laptops and desktops and civilian agencies shall leverage three existing solutions unless an exception applies. The Department of Defense (DOD) will execute its Enterprise Service Initiative which mandates the use of limited and targeted solutions.
Agencies do not buy laptops in a strategic and predictable manner that allows for the effective budgeting, replacement, and disposition.	Develop and modify demand management processes to optimize price and performance.	Agency Chief Information Officers shall adopt a uniform refresh cycle in which only a portion of laptops and desktops are at the end of their useful life and need to be replaced, and to focus the bulk of their buying through publicized buying events to maximize the government's collective buying power.

Source: GAO analysis of OMB's December 2015 policy memorandum. | GAO-17-164

OMB's June 2016 memorandum on enterprise software and August 2016 memorandum on mobile devices and services follow a similar approach to the workstation policy in that they specify key responsibilities and requirements. For example, the Enterprise Software Category Team was established under category management and is co-managed by GSA, DOD, and OMB to guide the development of government-wide software license agreements for mandatory agency use. Under the policy, OMB is to encourage or direct use of existing best in class software licensing agreements. The memorandum further requires agencies to develop implementation plans, in accordance with guidance, to address how agencies will move from their existing agreements to those mandated under category management. Agencies must also justify and obtain approval to pursue new agreements that overlap or conflict with the mandated agreements. Similarly, the mobile devices and services memorandum directs agencies to baseline their usage for devices and services; reduce the number of contracts for mobile devices and services and transition to a government-wide solution or solutions; and modify

demand management practices to optimize plan pricing and device refresh schedules.

To help drive category management success, OFPP staff told us that they anticipate requiring the use of specific vehicles or agreements and requiring agencies to develop transition and implementation plans in subsequent category management memorandums. OFPP staff acknowledged that the IT category is unique in that it leverages efforts under the PortfolioStat initiative as well as the authorities provided to Chief Information Officers under the Federal Information Technology Acquisition Reform Act.[24] However, OFPP staff indicated that OFPP can exercise its authority provided to the Administrator under the Office of Federal Procurement Policy Act to direct agencies to take certain actions.[25] For example, under the Act, the Administrator is to provide overall direction of procurement policy and promote economy and efficiency in federal procurements.

Additionally, OFPP is also reviewing and updating its business case guidance for new interagency and agency-specific acquisitions to ensure awareness and appropriate coordination with the Leadership Council.[26] This policy outlines required elements of a business case analysis as well as a process for developing, reviewing, and approving business cases to support the establishment and renewal of government-wide acquisition contracts and certain multi-agency contracts, multi-agency blanket purchase agreements under the federal supply schedules program, agency-specific contracts, and agency-specific blanket purchase

[24]In March 2012, OMB launched an initiative, referred to as PortfolioStat, which requires agencies to conduct annual reviews of their IT investments and make decisions on eliminating duplication, among other things. For additional information, see GAO, *Information Technology: Additional OMB and Agency Actions Needed to Ensure Portfolio Savings Are Realized and Effectively Tracked*, GAO-15-296 (Washington, D.C.: Apr. 16, 2015).

[25]41 U.S.C. § 1101 et seq.

[26]OFPP guidance and FAR subsection 17.502-1(c) require agencies to prepare business cases prior to standing up certain inter-agency and agency-specific contracts. Office of Federal Procurement Policy: *Memorandum for Chief Acquisition Officers and Senior Procurement Executives: Development, Review and Approval of Business Cases for Certain Interagency and Agency-Specific Acquisitions* (Washington, D.C.: Sept. 29, 2011).

agreements over a certain threshold.[27] The purpose of the policy is to ensure that the expected return from investment in a contract or agreement is worth the effort and cost associated with planning, awarding, and managing a new vehicle, and to address unjustified duplication among contracts.[28] Under the revised policy, category managers will be responsible for reviewing new agency business cases and advising the Leadership Council of potential duplication or opportunities for new or expanded strategic sourcing initiatives.

While OFPP's October 2015 workstation memorandum established aggregate goals for adoption, it did not establish specific adoption goals or targets for individual agencies to achieve. Specifically, the memorandum calls for civilian agencies to increase their spending through Leadership Council-approved vehicles to 75 percent by the end of fiscal year 2018, but it did not provide specific targets for the Leadership Council agencies to achieve. Further, the overarching guidance to implement category management—the Leadership Council charter as updated in April 2016 and the Leadership Council's May 2015 category management guidance—do not specify the extent to which specific Leadership Council agencies should adopt category management solutions. For example, the April 2016 Leadership Council charter asks agencies to adopt approved strategies, but does not set an expectation to develop agency-specific targets for expected levels of Leadership Council agency use of the solutions approved. Moreover, the May 2015 guidance explains that Leadership Council agencies should advocate for advancing category management initiatives and increasing adoption of solutions, but does not include a process to specify a minimum level of use or other

[27]A government-wide acquisition contract is a task-order or delivery-order contract for information technology established by one agency for government-wide use. A multi-agency contract is a task-order or delivery-order contract established by one agency for use by government agencies to obtain supplies and services consistent with the Economy Act, 31 U.S.C. § 1535. A blanket purchase agreement is a simplified method of filling anticipated repetitive needs for supplies or services by establishing "charge accounts" with qualified sources of supply. FAR §§ 2.101, 13.303-1(a). For purposes of OFPP's guidance, an agency-specific contract is an indefinite-delivery, indefinite quantity contract intended for the sole use of the establishing department or agency. Agency-specific contracts may be agency-wide (sometimes referred to as "enterprise-wide") or limited to one or more specific component organizations within the agency.

[28]For related GAO work, see GAO, *Contracting Strategies: Data and Oversight Problems Hamper Opportunities to Leverage Value of Interagency and Enterprisewide Contracts*, GAO-10-367 (Washington, D.C.: Apr. 29, 2010).

targets and performance measures by agency. Moreover, standards for internal control in the government highlight the need to evaluate performance and hold organizations accountable.[29] Given the low use of FSSIs by the Leadership Council agencies, OFPP may be at risk of repeating that outcome unless it clarifies expectations and establishes a process in guidance regarding agency-specific targets and measures for Leadership Council agency adoption of category management initiatives and FSSIs and ensures that these targets and measures are set.

Key Lesson Learned: Targets and Measures to Increase Agency Accountability

Our work found that the FSSI program lacked agency-specific targets and measures to increase agency accountability. OMB directed Leadership Council agencies to use and promote federal strategic sourcing efforts to the maximum extent possible, and established CAP goals to encourage agency adoption but did not establish agency-specific targets and measures by which to monitor and hold agencies accountable for using solutions that are strategically sourced or identified as best in class under category management.

OFPP staff identified several strategies under category management that resulted from lessons learned under the FSSI program which they expect will help increase agency accountability and results. For example, OFPP staff recognized the importance of establishing specific targets as a basis for holding agencies accountable for results. Specifically, the category management CAP goal aims to increase civilian agency spending on workstations through Leadership Council-approved vehicles from a baseline of 39 percent in 2015 to 75 percent by the end of calendar year 2019 and to reduce the number of new/renewed contracts for workstations by 30 percent. OFPP reports CAP goal progress quarterly during the fiscal year. As of July 2016, OMB reported that agencies have spent $171 million on laptops and desktops and 58 percent of this spend has gone through the approved vehicles but acknowledged that most of the spending in this category was expected to occur in the fourth quarter of the fiscal year and were uncertain whether this level of adoption will continue. OMB's category management CAP goal, however, does not report agency-specific targets and measures to monitor whether agencies adopted specific FSSI and category management vehicles. Given the low

[29] GAO-14-704G.

agency usage of the FSSIs, reporting agency specific usage of category management-approved vehicles is important to understand whether the category management effort is achieving results. Standards for internal control in the government highlight the need to enforce accountability by evaluating performance and holding organizations accountable.[30] Without reporting on agency specific targets and measures in the CAP goal, OMB will continue to lack the means to monitor progress and hold agencies accountable for using best in class solutions or adopting category management principles.

On a more general level, OFPP staff also noted that the "spend under management" model tracks attributes such as leadership and strategy based on a tiered maturity model to measure agency- and government-wide progress toward meeting category management goals. OFPP staff reported that they are using spend under management dashboards in management meetings to provide greater visibility into agency-level data by category. Data calls will be completed at least annually and agencies will be tracked and monitored on their progress toward agency- and government-wide maturity, according to OFPP staff.

Key Lesson Learned: Collection and Use of Transactional Data

Our work found that another key lesson learned from the FSSI program was collecting and using transactional data to perform active commodity management, monitor pricing changes to ensure that the benefits of strategic sourcing are maintained and to calculate savings based on changes in price. Under category management, OFPP, GSA, and the Leadership Council have taken a number of steps to institutionalize the collection and use of transactional data:

- Category management guidance emphasizes the importance of collecting transactional data to determine prices actually paid to support comparative analytics (i.e., normalizes for quantity or delivery term variances) and usage/business intelligence and performance data and enable agencies to improve their commodity management practices on an ongoing basis.

[30]GAO-14-704G.

- The Leadership Council charter establishes the expectation that member agencies share agency prices offered, transactional prices paid data, and contract terms and conditions, as requested.
- GSA launched an online portal called the Acquisition Gateway to house contract and pricing information for each of the categories in one central location. Content gathered from across government, and validated by the category manager, will provide information and expertise on data, acquisition vehicles, market intelligence, prices-paid information, sustainability-related information, and analysis.
- In June 2016, GSA published a rule on transactional data reporting.[31] The rule creates new contract clauses requiring vendors to report transactional data such as part numbers, quantities, and prices paid. The new clauses will be initially implemented on a pilot basis for federal supply schedule contracts, and will apply to all new GSA government-wide acquisition contracts and GSA government-wide indefinite-delivery, indefinite-quantity contracts.

OMB's policy memorandum for workstations was informed by an interagency Workstation Category Team, established by the Leadership Council, led by NASA and comprised of subject matter experts and managers of large government-wide and agency-wide hardware contracts. The Workstation Category Team performed research into pricing, terms, and conditions. OMB's 2015 workstation memorandum directs agencies to consolidate workstation acquisitions through three government-wide solutions to reduce administrative costs and drive greater transparency into pricing by simplifying the collection and comparison of this data. OMB determined that the three government-wide solutions were generally awarded and are managed according to category management principles, including the monitoring of prices paid, usage, and performance data. According to the policy, as well as category management guidance, the Leadership Council will evaluate the performance and value of these approved contracts on an annual basis and revise as necessary. In June 2016, OMB reported that ceiling catalogue prices for personal computers had dropped by up to 50 percent since the release of the workstation policy.

[31] 81 Fed. Reg. 41104.

To gain better visibility into prices for software agreements, OMB's June 2016 software policy directs executive agents of government-wide software agreements to post and maintain standard pricing and terms and conditions for the agreements on the Acquisition Gateway. This information will be used by the Enterprise Software Category Team—co-managed by GSA, DOD, and OMB—to identify existing agreements for approval and endorsement as best in class agreements for government-wide use until new government-wide software agreements can be established. According to the software policy, these efforts will provide increased visibility into government-wide spending on software licenses which will be posted on the Acquisition Gateway to further assist in the creation of new software agreements and the development of other tools.

Key Lesson Learned: Small Business Concerns

As we have previously reported, because strategic sourcing can reduce the number of available contracting opportunities, some members of the small business community have expressed concern about the impact of federal strategic sourcing initiatives on small businesses.[32] Consequently, ensuring that small business concerns are appropriately addressed under the category management initiative is the fourth key lesson learned.

Category management guidance and policy emphasizes the goal of maintaining or increasing small business participation and requires all proposed strategic sourcing vehicles and category management strategies to baseline small business use and set goals to meet or exceed that baseline. For example, the May 2015 category management guidance reiterates OMB's 2012 policy to increase participation by small businesses to the maximum extent practicable by baselining small business use under current strategies and setting goals to meet or exceed that baseline participation under the new strategic sourcing vehicles. The Leadership Council also approved draft guidance pertaining to best in class criteria to include having a small business plan that baselines current participation rates and seeks to maintain or increase them.

In its October 2015 workstation memorandum, OMB established a small business baseline and goal to increase small business participation.

[32] GAO-14-126.

According to OMB's policy on workstations, the percentage of workstation work (in dollars) awarded to small businesses in fiscal year 2014 under the three vehicles identified as best in class was 64 percent, or nearly 10 percent greater than the small business participation rate for these commodities overall, and nearly 85 percent of the vendors on these solutions are small businesses. To maintain and increase this participation, the workstation category team, in consultation with the Small Business Administration and the Leadership Council, will review small business participation rates and work with the managers of the three vehicles to evaluate opportunities to increase participation.

OMB's June 2016 software policy differs from the workstation policy in that it does not identify best in class vehicles, but rather directs the Enterprise Software Category Team to guide the development of government-wide software license agreements for mandatory agency use, and states that OMB will encourage or direct use of best in class existing software licensing agreements. OMB's draft criteria for best in class vehicles states that specific criteria for determining best in class contracts will vary depending on the category and commodity, but such solutions should generally include a small business plan that baselines current participation rates and seeks to maintain or increase them.

GSA officials noted that each of the 10 government-wide categories will have a small business goal and that the category management program as a whole will consider the needs of small business when formulating procurement strategies. Further, category managers are expected to actively engage the small business community for their commodity area in order to address these businesses concerns. GSA officials also noted that they may consider new vendor management strategies such as small business on-ramping. Although not specifically addressed in category management guidance, officials noted that they consider small business on-ramping to be a best practice which will likely be featured as a strategy under category management. As an example, GSA's One Acquisition Solution for Integrated Services contract vehicle includes on-ramping which GSA describes as a competitive process that can be conducted as necessary to address competition at the task order level, mergers and acquisitions that shrink the number of vendors, customer-driven request for a more focused sub-pool, and/or small businesses outgrowing their small business size. The purpose of the process is to ensure that there remain an adequate number of contractors eligible to compete for task orders to meet the government's requirements.

Conclusions

The FSSI program has led to procurement savings of nearly $500 million over the last 5 years and achieved a savings rate comparable to that achieved by leading commercial companies. But unlike leading companies that use their strategic sourcing vehicles 90 percent of the time, federal agencies directed less than 10 percent of their spending on the goods and services offered under the FSSIs, resulting in a missed opportunity to potentially have saved billions of dollars over the last 5 years. In fiscal year 2015 alone, GSA reported that agencies saved $129 million out of the $462 million spent through the FSSIs, representing a savings rate of 28 percent. Had agencies spent the entire amount of addressable spending through the FSSI and achieved a similar rate of 28 percent, we estimate that up to $1.3 billion in fiscal year 2015 savings could have been achieved. The low usage rates for the FSSI program are not unique. For example, our prior work found that agencies managed only 10 to 44 percent of their IT services spending through their preferred strategic sourcing contracts.

OFPP's category management initiative dwarfs the size and scope of the FSSI program by targeting two-thirds of federal spending. Given the scale of category management, it is imperative that the lessons of implementing the FSSIs are learned and addressed. Chief among those lessons is that the large procurement agencies that make up the Leadership Council and govern the FSSI and category management initiatives must themselves be more accountable for achieving results. These agencies fell short in using the very same FSSIs that they approved, including providing transition plans for how agencies would migrate to use of FSSI solutions as required under FSSI guidance. While many of the lessons learned during the course of the FSSI program have been reflected in the initial category management efforts, neither the April 2016 Leadership Council charter nor the Leadership Council's May 2015 category management guidance establish expectations and a process for setting agency-specific targets and measures to assess adoption of solutions and performance. Moreover, since the category management CAP goal provides regular updates on progress, agency accountability for results would be enhanced by including agency specific progress against targets and performance measures. Given the low agency usage of the FSSIs, without such actions, and ensuring these targets and measures are set, OMB, and specifically the Office of Federal Procurement Policy, will lack the means to monitor progress and hold large procurement agencies accountable for using existing FSSIs or best in class solutions identified under subsequent category management efforts. Considering the magnitude of spending targeted by category management, taking these actions will increase the likelihood that category management will deliver

on its promise to substantially change the federal procurement landscape and generate substantial savings and other benefits for federal customers.

At a tactical level, the GSA FSSI Program Management Office is responsible for ensuring oversight of the FSSIs, including monitoring compliance with FSSI standards. In two cases, more engagement by the office may be beneficial. For example, the Library of Congress's Information Retrieval FSSI collects transactional data to only a limited extent and does not use that data to calculate savings. GSA FSSI Program Management Office officials, however, indicated that they had not, until recently, engaged with the Information Retrieval FSSI to ensure compliance with FSSI standards. Similarly, the Wireless FSSI negotiated contractual terms that limit its ability to share actual prices paid with other federal agencies. Collecting and using transactional data and sharing prices paid information across federal agencies are key provisions of strategic sourcing and are identified in current strategic sourcing guidance. The FSSI Program Management Office, in collaboration with the Information Retrieval and Wireless FSSIs, could enhance the performance of these FSSIs by making sure their practices are fully aligned with current guidance, to the maximum extent practicable.

Recommendations for Executive Action

To better promote federal agency accountability for implementing the FSSI and category management initiatives, we recommend that the Administrator of Federal Procurement Policy take the following four actions:

- Ensure that transition plans are submitted and monitored as required by FSSI guidance and guidance governing specific category management initiatives;
- Update the Leadership Council charter to establish an expectation that Leadership Council agencies develop agency-specific targets for use of the solutions approved;
- Revise the 2015 category management guidance to establish a process for setting targets and performance measures for each Leadership Council agency's adoption of proposed FSSIs and category management solutions and ensure agency specific targets and measures are set; and
- Report on agency specific targets and metrics as part of the category management CAP goal.

To improve the management of current FSSIs, we recommend that the GSA FSSI program management office take the following two actions:

- Provide oversight and support to the Information Retrieval FSSI to better align their practices with current strategic sourcing guidance related to collecting and using transactional data to calculate savings ; and
- In collaboration with the Wireless FSSI, determine whether the initiative should modify its contract terms to enable the FSSI to share prices paid data with other federal agencies.

Agency Comments and Our Evaluation

We provided a draft of our report to OMB, GSA, and the Library of Congress. OMB and GSA concurred with our recommendations to improve oversight and accountability of FSSI and category management efforts. The agencies' comments are summarized below and written comments from GSA and the Library of Congress are reproduced in appendix V and VI respectively. We also received technical comments from OMB and GSA which we incorporated, as appropriate.

OMB did not provide written comments on the draft report, but in oral comments, OMB staff generally agreed with our recommendations and identified several actions to address them. OMB actions include in part, the October 2016 issuance of a draft circular for public comment to implement category management practices.[33]

Regarding our recommendation that OFPP ensure that transition plans are submitted and monitored as required by guidance, OMB staff agreed that transition plans should comply with guidance. OMB staff indicated, however, that retroactively requiring agencies to submit FSSI transition plans is not needed because all of the FSSIs are currently being evaluated against category management best in class criteria as part of the migration to a category management approach. OMB staff stated that for example, the Office Supplies FSSI has been designated as a best in class solution, which will require agencies to submit transition plans. The OMB draft circular on category management also provides that OMB will issue policy on the agency migration process to best in class solutions.

[33] 81 Fed. Reg. 69860.

We believe these actions, if implemented, meet the intent of our recommendation. Given that transition plans were also required under FSSI guidance but were not submitted, it will be important for OMB to assure that agencies follow through on submitting required plans going forward.

Regarding our second and third recommendations that OFPP establish an expectation that Leadership Council agencies develop agency-specific targets for use of solutions approved and revise guidance to establish a process for setting targets and performance measures, OMB staff agreed with the need for agency-specific targets for use of best in class solutions. OMB staff noted that they plan to establish targets by large spend agencies for best in class solutions and update category management governance and reporting procedures and processes as needed. OMB staff also agreed that Leadership Council agency progress toward implementing category management should be tracked and measured. Both OMB staff and the draft circular on category management indicate that spend under management will be used as the principal measure by which OMB will assess adoption of category management. As noted earlier in our report, spend under management tracks progress in areas such as data and metrics to monitor adoption of category management practices. OMB staff indicated that they plan to evaluate at least annually agencies' spend under management results, which includes agency adoption of best in class solutions, and then review with agency leaders progress toward meeting goals.

Regarding our fourth recommendation to report on agency specific targets and metrics as part of the category management CAP goal, OMB staff indicated that results achieved relative to CAP goal targets will be reported on a quarterly basis on Performance.Gov. In addition, OMB will track agency spend through best in class contracts and these data will likely be used as an internal category metric and shared with the agencies. Taken together, these actions are responsive to our recommendations; however, given the low use of the FSSIs, OMB should continue to carefully monitor category management implementation as it moves forward and ensure that OFPP uses the planned targets and measures noted above to hold agencies accountable for individual results. In short, greater accountability can lead to increased savings.

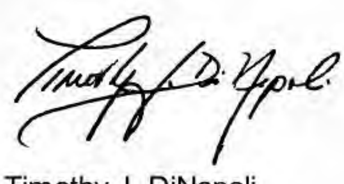
In GSA's written comments, GSA agreed with our recommendations to provide oversight and support to the Information Retrieval FSSI and determine whether the Wireless FSSI should modify contract terms to better share prices paid data. GSA plans to conduct a gap analysis of the

Information Retrieval FSSI and its compliance to FSSI standards to include determining unmet practices required for collecting and using transactional data for the FSSI program management office government-wide oversight and reporting, as well as providing the Library of Congress with FSSI best practice tools and resources related to collecting transactional data and calculating savings. With respect to our recommendation regarding the Wireless FSSI, GSA told us they would conduct an assessment to determine the best approach to share Wireless FSSI prices paid data with other federal agencies.

In written comments, the Library of Congress concurred with the report's findings and noted that initial progress has been made to ensure that its partnership with GSA results in enhanced analysis and transparency of the Information Retrieval FSSI.

We are sending copies of this report to the appropriate congressional committees; the Administrator of General Services; the Inspector General, Library of Congress; and the Director, Office of Management and Budget. In addition, the report is available at no charge on the GAO website at http://www.gao.gov.

If you or your staff have any questions about this report, please contact me on (202) 512-4841 or dinapolit@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix VII.



Timothy J. DiNapoli
Director, Acquisition and Sourcing Management

Appendix I: Summary of Federal Strategic Sourcing Initiatives Included in Our Review

Table 6: Summary of Federal Strategic Sourcing Initiatives (FSSI) Included in Our Review

Federal Strategic Sourcing Initiative/ executive agency	Description of product and/or service offered	Number of small business vendors of total number of vendors	Period of performance
Office Supplies/General Services Administration (GSA)	Consumable office supplies, such as printer toner, pens, and staplers	Second Generation: 13 of 15 Third Generation: 23 of 24	Second Generation June 2010-May 2014 Third Generation December 2014-August 2020
Domestic Delivery Services/GSA	Delivery services for domestic small packages	Second Generation: 0 of 1 Third Generation: 0 of 3	Second Generation August 2009-September 2014 Third Generation October 2014-September 2017
Print Management/GSA	Printers, equipment maintenance and repair, and fleet size evaluations that enable agencies to determine the appropriate amount of equipment needed for printing, copying, scanning, and faxing	6 of 12	September 2011-September 2016
Wireless/GSA	Wireless cell phone, plans, services, and devices	0 of 4	May 2013-May 2018
Janitorial and Sanitation Supplies/GSA	Cleaning compounds, paper products, and motorized and non-motorized cleaning equipment.	18 of 21	July 2014-July 2019
Maintenance, Repair, and Operations Supplies/GSA	Hardware, tools, tool cabinets, paints, adhesives, and sealants	8 of 9	February 2014-February 2019
Information Retrieval/ Library of Congress	Access to legal, science, technology, and engineering online content	12 of 69	September 2013 - September 2018

Source: GAO summary of General Services Administration (GSA) and Library of Congress data. I GAO-17-164

Note: Period of performance assumes that all option years w ill be exercised.

Appendix II: Objectives, Scope, and Methodology

We were asked to examine the Federal Strategic Sourcing Initiative (FSSI) program and lessons learned. This report addresses (1) the extent to which savings and other benefits have been achieved by the FSSI program, and (2) lessons, if any, from the Office of Federal Procurement Policy (OFPP) and General Services Administration (GSA) implementation of the FSSI program and the extent to which those lessons have been incorporated into OFPP's category management initiative.

We focused our review on seven FSSIs that were active between fiscal years 2011 and 2015: (1) Office Supplies; (2) Domestic Delivery Services; (3) Print Management; (4) Wireless; (5) Maintenance, Repair, and Operations Supplies; (6) Janitorial and Sanitation Supplies; and (7) Information Retrieval. This covers the period since we last assessed FSSI implementation through the last full year for which FSSI spending and savings data was available. GSA is the executive agent for all the FSSIs except Information Retrieval which is administered by the Library of Congress. We excluded the Telecommunications Expense Management FSSI which ceased operations in the third quarter of fiscal year 2014 because limited data on the program were available. FSSIs establish multiple award blanket purchase agreements, basic ordering agreements, and/or indefinite delivery, indefinite quantity contracts, through which federal agencies may obtain the specific goods and services they need.

To determine the extent to which savings and other benefits have been achieved through the seven FSSIs, we collected and reviewed agency reported data on spending, savings, and adoption. We also reviewed FSSI guidance on the key decision point process and program documents, and interviewed officials responsible for each of the FSSIs under our review as well as the FSSI Program Management Office within GSA which is responsible for monitoring overall FSSI program performance and usage regardless of the lead agency managing the initiatives.

For government-wide and addressable spending data, we reviewed agency reported data, acquisition plans, business case analyses, and key decision point documents prepared for Leadership Council review. We also reviewed relevant Office of Management and Budget (OMB) and GSA guidance and interviewed FSSI program officials to clarify our understanding of how each program developed its government-wide spending figures. These figures were typically based on a variety of data sources including data from the Federal Procurement Data System-Next Generation, and purchase card data. Since government-wide spending

figures are estimates and not actual performance, we reviewed the methods used to formulate them and found them to be reasonable and the data sufficiently reliable for providing appropriate context for the actual spending that went through the FSSI vehicles. We also reviewed program documents and interviewed FSSI program officials to better understand the basis and rationale for spending excluded from addressable spending. This baseline, referred to as addressable spend, is to be used to measure FSSI adoption by calculating the amount of actual spending through the FSSIs as a percentage of the total addressable spending through the FSSIs and is required for approval at the second key decision point.

For FSSI spending and savings data, we took a number of steps to assess the reliability of the data reported by each FSSI. For the GSA FSSIs which report spending based on vendor reported transactional data, we obtained documentary and testimonial evidence on the internal controls used by vendors, the FSSI teams, and the FSSI Program Management Office to ensure the accuracy of the spending data reported. For three of the six GSA FSSIs, we also collected and reviewed a non-generalizable sample of transactional data reports. The Library of Congress does not report spending through the Information Retrieval FSSI based on vendor reported data although it collects a limited amount of such data, and we took similar steps to assess their reliability. We determined that the spending data for the GSA FSSIs were sufficiently reliable for our purposes but that the spending data for Information Retrieval lacked internal controls, were inconsistent, and contained errors. As a result, the Information Retrieval spending data were not sufficiently reliable and we excluded it from our analyses.

For savings data, we reviewed the methodologies used by each FSSI to calculate savings and compared them with the savings principles approved by the Leadership Council in 2014, which include price savings, cost avoidance, and administrative savings. Each of the GSA FSSIs uses transactional data to calculate the difference between a baseline unit price and the FSSI price. While the FSSIs varied in the precision of their methods, we verified that they generally complied with Leadership Council guidance for calculating savings and confirmed with GSA officials that these methods were approved by their respective commodity teams or the Leadership Council. Information Retrieval does not calculate savings based on price, but rather reports administrative savings. While guidance allows FSSIs to report administrative savings, due in part to the inconsistencies and errors in the Information Retrieval's spending data,

we could not independently verify the savings data reported and did not include those figures in our report.

For adoption rates reported by the FSSIs, we focused our analysis on fiscal year 2015. We verified that the adoption rates reported by GSA were calculated correctly based on the addressable and actual spending reported. We also performed our own calculations to determine the adoption rates for Leadership Council agencies based on the addressable and actual spend data reported by GSA.

To better understand the factors that explain agency adoption of the FSSIs, we reviewed guidance on the key decision point process which was established by the Leadership Council in 2013 as a framework for the development, approval, and oversight of the FSSIs. We identified requirements for Leadership Council agencies to provide the FSSIs with commitment letters based on their addressable spending and to issue mandatory use policies as appropriate and assessed the extent to which those agencies actually used the FSSIs in accordance with the commitments they provided and mandatory use policies they implemented. We also interviewed GSA procurement officials about the factors affecting their use of the FSSIs and obtained documents from the FSSIs in which agencies explained their rationale for not using specific FSSIs, but we did not interview officials from each agency within the Leadership Council regarding the factors affecting their respective agencies' use of the seven FSSIs we reviewed. In addition, we interviewed FSSI program officials and senior leadership officials within GSA and OMB about Leadership Council agency adoption of the FSSIs, as well as government-wide adoption more generally.

We also assessed the extent to which the seven FSSIs incorporated key characteristics identified by OMB to include the collection and use of transactional data, the calculation of savings based on changes in price, and the use of tiered pricing to reduce prices as cumulative sales volume increases. For each FSSI we interviewed FSSI program officials and collected program documents such as acquisition plans, contract documents specifying contractual terms requiring vendors to provide certain data and information on the use of tiered discounts.

To determine what lessons, if any, from OFPP and GSA implementation of the FSSI program and the extent to which those lessons have been incorporated into OFPP's category management initiative we reviewed the seven current FSSIs and conducted interviews with GSA and Library of Congress officials responsible FSSI implementation, as well as GSA

officials and OFPP staff responsible for oversight. Based on this review, we identified lessons learned which can be generally applied to category management and corroborated our findings with GSA officials and OFPP staff responsible for the implementation and oversight of the FSSI program to determine which lessons were key. We also reviewed category management policy and guidance and independently assessed the extent to which these lessons had been incorporated. We also reviewed the CAP goal quarterly progress updates for fiscal years 2012 through 2016 as posted on Performance.Gov for both strategic sourcing and category management.

We conducted this performance audit from November 2015 to October 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix III: Leading Companies' Foundational Approaches for Strategic Sourcing

Table 7: Leading Companies' Foundational Approaches for Strategic Sourcing

Principle 1: Maintain Spend Visibility

- Automate and integrate procurement and financial systems across the organization
- Establish a catalogue of defined services and related terminology to be applied consistently across invoice line items to allow for more efficient spend analysis

Principle 2: Centralize Procurement

- Centralize procurement knowledge and decisions by aligning, prioritizing, and integrating procurement functions within the organization
- Ensure that spending goes through approved contracts, which is the key to an effective centralized process
- Clearly define and communicate policies to eliminate unapproved purchases, or "rogue buying"

Principle 3: Develop Category Strategies

- Identify the most cost-effective sourcing vehicles and define supplier selection criteria for each category of service
- Conduct internal spend and stakeholder analyses; external market research and supply market analyses; and review business requirements and cost modeling
- Consider current and projected requirements, volume, cyclicality of demand, risk, supplier base competition trends, the company (agency's) relative buying power, and market price trends

Principle 4: Focus on Total Cost of Ownership

- Consider factors other than price, such as average time to complete a task, supplier diversity, and sustainability to make holistic purchase decisions
- Examine suppliers' management models for maturity, including how well they manage and train staff and use appropriate cost management tools

Principle 5: Regularly Review Strategies and Tactics

- Review tactics frequently to identify new opportunities for savings
- Avoid contract lengths of over 3 to 4 years to retain flexibility to adapt to market trends

Source: GAO analysis of commercial leading practices. | GAO-17-164

Appendix IV: Key Provisions from the Office of Management and Budget 2012 Strategic Sourcing Memorandum

Table 8: Key Provisions from the Office of Management and Budget 2012 Strategic Sourcing Memorandum

Leadership Council	• identify at least five products and/or services for which new government-wide acquisition vehicles or management approaches should be developed and made mandatory, to the maximum extent practicable, for the Leadership Council agencies; • for these identified commodities, provide supporting spend analysis, estimate savings opportunities, and define metrics for tracking progress; • develop transition strategies to the new solutions; • identify agencies to serve as "executive agents" to lead the development of these new solutions; • propose plans and management strategies to maximize the use of each strategic sourcing effort; and • propose vendor management or other strategies to reduce the variability in the prices paid for similar goods and services, where the development of new government-wide vehicles may not be immediately feasible.
Additional Responsibilities of the General Services Administration	• in consultation with the Leadership Council, implement at least five new government-wide strategic sourcing solutions in fiscal years 2013 and 2014; • increase the transparency of prices paid for common goods and services for use by agency officials in market research and negotiations; and • promulgate requirements, regulations, and best practices.
Characteristics of Strategic Sourcing Acquisition Vehicles	• reflect input from a large number of potential agency users regarding demand for the goods and services being considered, the acquisition strategy (including contract pricing, delivery and other terms and conditions, and performance requirements), and the commodity management approach; • ensure that the federal government gets credit for all sales, regardless of payment method, so that volume-based pricing discounts can be applied; • include tiered pricing, or other appropriate strategies, to reduce prices as cumulative sales volume increases; • require vendors to provide sufficient pricing, usage, and performance data to enable the government to improve commodity management practices on an ongoing basis; and • are supported by a contract administration plan that demonstrates commitment by the executive agent to perform active commodity management and monitor vendor performance and pricing changes throughout the life of the contract.
Increasing Small Business Opportunities	• all proposed strategic sourcing agreements must baseline small business use under current strategies and set goals to meet or exceed that baseline participation.

Source: GAO summary of OMB's December 2012 policy memorandum. | GAO-17-164

Appendix V: Comments from the General Services Administration

GSA

The Administrator

September 30, 2016

The Honorable Gene L. Dodaro
Comptroller General of the United States
U.S. Government Accountability Office
Washington, DC 20548

Dear Mr. Dodaro:

The U.S. General Services Administration (GSA) appreciates the opportunity to review and comment on the Draft Report entitled, *Federal Procurement: Smarter Buying Initiatives Can Achieve Additional Savings, But Improved Oversight and Accountability Needed* (GAO-16-751). The U.S. Government Accountability Office (GAO) recommends that the GSA Federal Strategic Sourcing Initiative (FSSI) Program Management Office (PMO) take the following actions to improve the management of current FSSIs:

1) Provide oversight and support to the Information Retrieval FSSI to better align their practices with current FSSI guidance, related to collecting and using transactional data to calculate savings; and
2) In collaboration with the Wireless FSSI, determine whether the initiative should modify its contract terms to enable the FSSI to share prices paid data with other federal agencies.

GSA agrees to the findings and recommendations and will take the following actions:

- Conduct a gap analysis of the Information Retrieval FSSI and its compliance to FSSI standards to: (1) determine unmet practices required for collecting and using transactional data for FSSI PMO government-wide oversight and reporting; and (2) provide the Library of Congress with the FSSI best practice tools and resources related to collecting transactional data and calculating savings.
- Conduct an assessment to determine the best approach to share Wireless FSSI prices paid data with other federal agencies.

If you have any additional questions or concerns, please do not hesitate to contact me or Ms. Lisa Austin, Associate Administrator, Office of Congressional and Intergovernmental Affairs, at (202) 501-0563. Staff inquiries may be directed to Ms. Laura Stanton, Assistant Commissioner, Office of Strategy Management, at (703) 785-2959.

Sincerely,

Denise T. Roth

Denise Turner Roth
Administrator

cc: Mr. Timothy DiNapoli, Director, Acquisition and Sourcing Management, GAO

1800 F Street, NW
Washington, DC 20405-0002

www.gsa.gov

Appendix VI: Comments from the Library of Congress

LIBRARY OF CONGRESS

National and International Outreach

October 6, 2016

Timothy J. DiNapoli
Director, Acquisitions and Sourcing Management
Government Accountability Office
441 G Street NW
Washington, DC 20548

Dear Mr. DiNapoli:

Thank you for the opportunity to review and comment on the Government Accountability Office's (GAO) draft report titled *Federal Procurement: Smarter Buying Initiatives Can Achieve Additional Savings, but Improved Oversight and Accountability Needed* (GAO-16-751).

The Library of Congress concurs with the report's findings. We will ensure that the Federal Library and Information Network (FEDLINK) collaborates with the General Services Administration (GSA) Federal Strategic Sourcing Initiative (FSSI) program management office to improve FEDLINK's collection of transactional data for the Information Retrieval FSSI, which, in turn, will lead to the FSSI's price savings calculations. We will also ensure that FEDLINK's partnership with GSA results in enhanced analysis and transparency of the Information Retrieval FSSI.

The Library of Congress is pleased to report that FEDLINK has made some initial progress with GSA to achieve these objectives. In recent discussions with GSA officials, FEDLINK personnel gained useful guidance on transactional data measurement and collection methods. We will ensure that this partnership progresses so that FEDLINK is able to calculate price savings in accordance with the FSSI's current guidance. FEDLINK will rely on GSA's expertise and support to accomplish this goal, which will improve the financial benefits the Information Retrieval FSSI provides to the federal government and the American public.

If you have any questions, please contact Meg Tulloch, Director of FEDLINK, at 202-707-4801 or mtulloch@loc.gov.

Sincerely,

Jane McAuliffe
Director
National and International Outreach

101 Independence Avenue, SE Washington, DC 20540-1300

Appendix VII: GAO Contact and Staff Acknowledgments

GAO Contact

Timothy J. DiNapoli, (202) 512-4841 or dinapolit@gao.gov

Staff Acknowledgments

In addition to the individual named above, W. William Russell (Assistant Director), Emily Bond, Peter Haderlein, Kristine Hassinger, Julia Kennon, Angie Nichols-Friedman, Max Sawicky, Roxanna Sun, and Holly Williams made key contributions to this report.

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U.S. Department of Homeland Security
Washington, DC 20528

DEC 0 8 2016

Homeland Security

MEMORANDUM FOR THE CHIEF OF STAFF

FROM: (b)(6) [redacted]

SUBJECT: Response to letter from Senator Claire McCaskill regarding the accountability and management of Federal Strategic Sourcing Initiatives at DHS

Action Requested: Your approval of the Management Directorate's proposed response to Senator McCaskill's letter regarding the Department's accountability and management of the Federal Strategic Sourcing Initiative.

Context: On November 22, 2016, the Department of Homeland Security (DHS) received a letter from Senator McCaskill regarding the implementation, accountability, and management of Federal Strategic Sourcing Initiatives at DHS. Senator McCaskill's inquiry stems from a recently released Government Accountability Office report which examined the current status of the Federal Strategic Sourcing Initiatives. The Government Accountability Office found that while federal agencies have spent $2 billion through the initiative between 2011 and 2015, other opportunities for savings are being missed. DHS participates on the Office of Management and Budget-led Category Management Leadership Council, and as a key member, influences decisions regarding the implementation and adoption of Federal Strategic Sourcing Initiatives.

The draft response has been reviewed and cleared by the Deputy Under Secretary for Management and Chief Financial Officer.

OGC/Chief Counsel Coordination: This document has been reviewed and cleared by Eric Columbus in the Office of the General Counsel on December 5, 2016 with comments, which were adjudicated.

Clearance: The draft response has been coordinated and cleared through the following individuals:

- Office of Policy: (b)(6) [redacted] cleared with comments on December 6, 2016, which were adjudicated.
- Office of Legislative Affairs: (b)(6) [redacted] cleared with comments on December 5, 2016, which were adjudicated.

Timeliness: Ranking Member McCaskill requested a response by December 20, 2016.

U.S. Department of Homeland Security
Washington, DC 20528

Homeland
Security

DEC 1 6 2016

The Honorable Claire McCaskill
United States Senate
Washington, DC 20510

Dear Senator McCaskill:

Thank you for your November 22, 2016 letter. Secretary Johnson asked that I respond on his behalf.

As a member of the Category Management Leadership Council and its legacy predecessor councils, DHS has actively participated in the development of these vehicles to ensure that the resulting contracts meet our mission requirements. The Department has adopted seven active Federal Strategic Sourcing Initiative contracts into its strategic sourcing portfolio. The DHS strategic sourcing program remains at the forefront of government efforts and our portfolio boasted a government-leading utilization rate of 45 percent during Fiscal Year 2016.

The Department monitors each strategic sourcing contract vehicle for compliance, utilization, and the value it delivers to our Components. The Department's mission is of utmost importance. Therefore, the Chief Procurement Officer is responsible for ensuring Federal Strategic Sourcing Initiatives and best-in-class contracts are utilized appropriately to enhance mission capabilities. The enclosure provides detailed responses to your questions.

Thank you again for your interest in this important issue. Should you wish to discuss this further, please do not hesitate to contact me.

Sincerely,

(b)(6) [redacted]

Enclosure

From: (b)(6) [redacted]
To: (b)(6) [redacted]
Bcc:
Subject: DHS FULGHUM SIGNED RESPONSE TO McCASKILL #1135371
Date: Monday, December 19, 2016 11:19:00 AM
Attachments: 1135371 - 12.16.2016 FULGHUM SIGNED RESPONSE TO McCASKILL.pdf
1135371 - FULGHAM TO McCASKILL ENCLOSURE.pdf

Attached is the Department's response to your inquiry.

In an effort to expedite and streamline the process of submitting signed Congressional responses to the Hill, the Office of Legislative Affairs will be submitting responses to inquiries electronically via email. However, if you would like to receive the original signed document, please let me know and it will be mailed to your office via the U.S. Postal Service.

We encourage your office to send its Congressional correspondence to our mailbox (CongresstoDHS@dhs.gov) to provide for the most efficient processing

SCANNED/RECEIVED BY ESEC SEC

United States Senate

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COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS
WASHINGTON, DC 20510-6250

December 13, 2016

The Honorable Jeh Johnson
Secretary
Department of Homeland Security
1300 Pennsylvania Avenue, N.W.
Washington, D.C. 20229

Dear Secretary Johnson:

I write seeking information about the Department of Homeland Security's (DHS) handling of managers who are accused of retaliation and who are neither exonerated nor found guilty of retaliation as a result of a settlement brokered by the Office of Special Counsel (OSC) or any other judicial or quasi-judicial body.

Part of OSC's mission is to investigate and prosecute violations of 13 prohibited personnel practices (PPPs), including retaliation against employees for legitimate and legal disclosures of waste, fraud, and abuse. OSC may, and often does, obtain relief and corrective actions for whistleblowers as part of a negotiated settlement. Pursuant to these settlements, the retaliating manager or the agency may not have to admit to a finding of fault.

For example, I recently asked the Administrator of the Transportation Security Administration (TSA) in questions for the record after a Senate Homeland Security and Governmental Affairs Committee hearing how many senior executives at TSA have been found guilty of retaliation against whistleblowers by the Inspector General (IG), OSC, or a federal court.[1] He responded that, "in the past five years, neither OSC nor any federal court has made a finding of whistleblower retaliation with respect to any senior executives at TSA." The answer is surprising due to the fact that OSC obtained corrective actions for seven TSA employees who claimed retaliation in 2015 alone.[2]

Without a finding of fault, managers may be able to avoid accountability for their actions and remain in their positions. This has the potential to create a toxic work environment in which managers feel free to retaliate against legitimate whistleblowers knowing that the case can be settled and their positions will be safe.

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[1] Questions for the Record to Hon. Peter Neffenger, Homeland Security and Governmental Affairs Committee Hearing on *Frustrated Travelers: Rethinking TSA Operations to Improve Passenger Screening and Address Threats to Aviation* (June 7, 2016).

[2] *Id.*

In order to better understand how DHS handles whistleblower matters, I request that you provide the following information for DHS headquarters and each subcomponent:

1) The number of whistleblower retaliation claims that have been substantiated by an IG, OSC, Merit Systems Protection Board (MSPB) or a court of law, and, for each of those claims, the disciplinary action taken, if any, against the person who was found to have committed or approved the prohibited personnel practice;

2) The number of whistleblower retaliation claims for which no official ruling or finding of fault was made by an IG, OSC, MSPB or a court of law, but for which corrective actions were obtained for the whistleblower, either through settlement or some other agreement, and the disciplinary action taken, if any, against the person who was accused of committing or approving the prohibited personnel practice; and,

3) For any settlement or other agreement made, whether the whistleblower was required to sign a non-disclosure agreement related to the settlement and, if so, please provide a copy of the non-disclosure agreement.

I request that you provide this information as soon as possible, but no later than December 30, 2016. Please contact (b)(6) [redacted] with any questions about this request.

Sincerely,

Claire McCaskill
Ranking Member
Permanent Subcommittee on Investigations

cc: Rob Portman
Chairman
Permanent Subcommittee on Investigations

Office of the Chief Human Capital Officer
U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

FEB 6 2017

MEMORANDUM FOR: [redacted]

FROM: [redacted]

SUBJECT: **Request for Signature: Response to Senator Claire McCaskill's December 13, 2016, Letter Regarding Whistleblower Retaliation (WF 1136254)**

Context: Senator Claire McCaskill wrote former [redacted] on December 13, 2016, regarding the Department's handling of managers who are accused of retaliation and who are neither exonerated nor found guilty of retaliation as a result of a settlement brokered by the Office of Special Counsel or any other judicial or quasi-judicial body. The Office of the General Counsel (OGC) conducted a data call and drafted a response. OGC had three outstanding comments, which my office adjudicated and re-cleared through OGC.

Timeliness: Senator McCaskill requested a response by December 30, 2016. OGC uploaded an interim response into IQ on December 30, 2016. My office acquired ownership and received a draft response from OGC on February 2, 2017.

[redacted]

[redacted] [redacted]

15. Appellant and her representative shall not disclose or discuss the terms of this Agreement, except to her attorneys; accountant; federal, state, and local taxing authorities; where necessary to complete a suitability, security clearance, or background investigation; or to the limited extent necessary to enforce any terms contained herein. As to all others, Appellant and her representative may only disclose that any litigation with the Agency resulted in a mutually agreeable resolution. These provisions are consistent with and do not supersede, conflict with, or otherwise alter Appellant's obligations, rights, or liabilities created by existing statute or Executive order relating to (1) classified information, (2) communications to Congress, (3) the reporting to an Inspector General of a violation of any law, rule, or regulation, or mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety, or (4) any other whistleblower protection. The definitions, requirements, obligations, rights, sanctions, and liabilities created by controlling Executive orders and statutory provisions are incorporated into this Agreement and are controlling.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted] [redacted]

[redacted]

11. <u>Confidentiality</u>. The Appellant shall not disclose the existence of this Settlement Agreement or discuss the terms of this Settlement Agreement, except to his attorneys, accountants and spouse, or to the limited extent necessary to enforce any terms contained herein. A breach of this confidentiality clause will result in disgorgement of any benefits received by the Appellant under this Settlement Agreement.

[redacted]

[redacted]

6. The Appellant agrees that the existence of this Agreement and all of its terms shall not be publicized in any manner, except as necessary in order to implement the agreement, or required by law or Order and will be kept strictly confidential pursuant to the protections of the Privacy Act, 5 U.S.C. § 552a.

[redacted]

[redacted]

[redacted]

8. The parties agree that the facts of this Agreement and all of its terms shall not be publicized in any manner, except as necessary in order to implement the agreement, or required by law or Order and will be kept strictly confidential pursuant to the protections of the Privacy Act, 5 U.S.C. § 552a. Notwithstanding, these provisions are consistent with and do not supersede, conflict with, or otherwise alter the employee obligations, rights, or liabilities created by existing statute or Executive order relating to (1) classified information, (2) communications to Congress, (3) the reporting to an Inspector General of a violation of any law, rule, or regulation, or mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety, or (4) any other whistleblower protection. The definitions, requirements, obligations, rights, sanctions, and liabilities created by controlling Executive orders and statutory provisions are incorporated into this agreement and are controlling.

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

c. **NONDISCLOSURE.** Appellant agrees not to disclose or discuss the terms of

[redacted]

this Agreement, except to the extent necessary to enforce any terms contained herein, including the dismissal of the complaint; or to the extent that disclosure may be required by law, regulation, or court, governmental agency or Congressional order; and except that Appellant may discuss or disclose the terms of this Agreement with his attorneys, tax advisors, taxing authorities, accountants, health care providers, and spouse, partner, and immediate family. These provisions are consistent with and do not supersede, conflict with, or otherwise alter the employee obligations, rights, or liabilities created by existing statute or Executive order relating to: (1) classified information, (2) communications to Congress, (3) the reporting to an Inspector General of a violation of any law, rule, or regulation, or mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety, or (4) any other whistleblower protection. The definitions, requirements, obligations, rights, sanctions, and liabilities created by controlling Executive orders and statutory provisions are incorporated into this Agreement and are controlling.

[redacted]

[redacted]

c. NON-DISCLOSURE. Not to disclose or discuss the terms of this Agreement, except to the extent necessary to enforce any terms contained herein; or to the extent that disclosure may be required by law, regulation, or court, governmental agency or Congressional order; and except that Appellant may discuss or disclose the terms of this Agreement with his attorneys, tax advisor, taxing authority, accountant, health care provider, and spouse and/or immediate family.

[redacted]

[redacted]

8. The parties agree that the facts of this Agreement and all of its terms shall not be publicized in any manner, except as necessary in order to implement the Agreement, or required by law or Order and will be kept strictly confidential pursuant to the protections of the Privacy Act, 5 U.S.C. § 552a. However, Appellant and her representatives may disclose necessary information to a tax professional for proper tax reporting.

[redacted]

[redacted]

d. **NONDISCLOSURE.** Complainant agrees not to disclose or discuss the terms of this Agreement, except to the extent necessary to enforce any terms contained herein, including the dismissal of the complaint; or to the extent that disclosure may be required by law, regulation, or court, governmental agency or Congressional order; and except that Complainant may discuss or disclose the terms of this Agreement with his attorneys, tax advisors, taxing authorities, accountants, health care providers, and spouse, partner, and immediate family. These provisions are consistent with and do not supersede, conflict with, or otherwise alter the employee obligations, rights, or liabilities created by existing statute or Executive order relating to: (1) classified information, (2) communications to Congress, (3) the reporting to an Inspector General of a violation of any law, rule, or regulation, or mismanagement, a gross waste of funds, an abuse of authority, or a substantial and specific danger to public health or safety, or (4) any other whistleblower protection. The definitions, requirements, obligations, rights, sanctions, and liabilities created by controlling Executive orders and statutory provisions are incorporated into this Agreement and are controlling.

[redacted]