

RON JOHNSON, WISCONSIN, CHAIRMAN

JOHN McCAIN, ARIZONA
ROB PORTMAN, OHIO
RAND PAUL, KENTUCKY
JAMES LANKFORD, OKLAHOMA
MICHAEL B. ENZI, WYOMING
KELLY AYOTTE, NEW HAMPSHIRE
JONI ERNST, IOWA
BEN SASSE, NEBRASKA

THOMAS R. CARPER, DELAWARE
CLAIRE McCASKILL, MISSOURI
JON TESTER, MONTANA
TAMMY BALDWIN, WISCONSIN
HEIDI HEITKAMP, NORTH DAKOTA
CORY A. BOOKER, NEW JERSEY
GARY C. PETERS, MICHIGAN

United States Senate

COMMITTEE ON
HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS

WASHINGTON, DC 20510-6250

April 24, 2015

KEITH B. ASHDOWN, STAFF DIRECTOR
GABRIELLE A. BATKIN, MINORITY STAFF DIRECTOR

The Honorable Anne E. Rung
Administrator
Office of Federal Procurement Policy
Office of Management and Budget
1650 Pennsylvania Avenue, NW
EEOB, Room 264
Washington, DC 20503

Dear Ms. Rung:

I am writing to request information about the federal government's progress toward implementing strategic sourcing.

Over the last several years I have pressed the federal government to increase the use of strategic sourcing in order to leverage its immense buying power, improve efficiency, and save taxpayer dollars. Most recently, at an April 14, 2015, hearing in the Senate Homeland Security and Governmental Affairs Committee, I raised concerns about the federal government's lackluster implementation of strategic sourcing. For example, in 2011, of the \$537 billion in contracts spent by the departments of Defense, Homeland Security, Energy and Veterans Affairs only 5% were managed through strategic sourcing. A decrease in contract spending of only 1% would have yielded cost savings of at least \$4 billion.¹

There are many areas in which strategic sourcing could be employed in order to achieve this increase. For example, in 2011, the Subcommittee on Contracting Oversight, which I chaired, began reviewing food service contracting and whether contractors were overcharging the government by withholding rebates that they might be contractually required to pass through to the government. The Subcommittee's review found that at that time, the federal government was spending \$6.8 billion on contracts to acquire food service for federal facilities around the world. The Department of Defense was responsible for 95% of the purchases, but a review of contracts at 14 agencies showed that the other agencies were not leveraging this purchasing power and using uniform policies in order to ensure that there was transparency in food service purchasing, including the use of rebates.²

¹ Government Accountability Office, *2015 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits* (April 2015) (GAO-15-404SP).

² Subcommittee of Contracting Oversight, *Hearing: Food Service Management Contracts: Are Contractors Overcharging the Government*, 112th Cong. (Oct. 5, 2011) (S. Hrg. 112-507).

In December 2012, I wrote to the Office of Management and Budget (OMB) detailing the findings the Subcommittee made during its review of food service contracts. I also requested that OMB examine food service contracts and provide information on how efficiencies and savings could be achieved in this area of procurement.³ Then-OFPP Administrator Joseph Jordan responded that the Strategic Sourcing Leadership Council (SSLC) would be reviewing commodities and Mr. Jordan stated that when this review was complete he would ask the SSLC to review food service contracts as another possible area for strategic sourcing.⁴

I have followed up on this commitment routinely, including at a meeting with OFPP in September 2013. At that meeting, my staff was informed that a commodities team had been created under the SSLC and was to include the Defense Logistics Agency, the Department of Veterans Affairs, the Department of Agriculture and the Department of Justice. OFPP indicated that the results of this team's analysis would be available later in 2013.⁵ To date, I have not received any additional information regarding this team's review.

I request that you provide me with a briefing regarding your efforts to increase strategic sourcing across the federal government. In particular, I request that you provide information regarding the work of the commodities team and the SSLC concerning the inclusion of food service contracting in strategic sourcing, including any analyses that were conducted and subsequent guidance or policies issued. I request that you provide this briefing on before May 8, 2015.

Please contact Sarah Garcia with Senator McCaskill's Subcommittee staff at (202) 224-9505 with any questions. Please send any official correspondence relating to this request to Kelsey_Stroud@hsgac.senate.gov.

Sincerely,



Claire McCaskill
Ranking Member
Permanent Subcommittee on Investigations

³ Letter from Senator Claire McCaskill to Jeffrey Zients, Acting Director, Office of Management and Budget (Dec. 4, 2012).

⁴ Letter from Joseph G. Jordan, Administrator, Office of Federal Procurement Policy to Senator Claire McCaskill, Subcommittee on Financial and Contracting Oversight (April 1, 2013).

⁵ Subcommittee on Financial and Contracting Oversight, Meeting with Office of Federal Procurement Policy (Sept. 5, 2013).

The Honorable Anne E. Rung

April 24, 2015

Page 3

cc: Rob Portman
Chairman
Permanent Subcommittee on Investigations