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OFFICE OF INSPECTOR GENERAL

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Audit of Department of State Application of the Procurement Fee to Accomplish Key Goals of Procurement Services

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United States Department of State
and the Broadcasting Board of Governors

Office of Inspector General

PREFACE

This report was prepared by the Office of Inspector General (OIG) pursuant to the Inspector General Act of 1978, as amended, and Section 209 of the Foreign Service Act of 1980, as amended. It is one of a series of audit, inspection, investigative, and special reports prepared by OIG periodically as part of its responsibility to promote effective management, accountability and positive change in the Department of State and the Broadcasting Board of Governors.

This report is the result of an assessment of the strengths and weaknesses of the office, post, or function under review. It is based on interviews with employees and officials of relevant agencies and institutions, direct observation, and a review of applicable documents.

The recommendations therein have been developed on the basis of the best knowledge available to the OIG and, as appropriate, have been discussed in draft with those responsible for implementation. It is my hope that these recommendations will result in more effective, efficient, and/or economical operations.

I express my appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in black ink, appearing to read "H. Geisel", written in a cursive style.

Harold W. Geisel
Deputy Inspector General

Acronyms

A Bureau	Bureau of Administration
A/LM/AQM	Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management
A/OPE	Bureau of Administration, Office of the Procurement Executive
CO	contracting officer
COR	contracting officer's representative
CSAB	Customer Service Advisory Board
DOSAR	Department of State Acquisition Regulations
FAC-C	Federal Acquisition Certification in Contracting
FAR	Federal Acquisition Regulation
FPDS	Federal Procurement Data System
GAO	Government Accountability Office
GTM	government technical monitor
ILMS	Integrated Logistics Management System
OIG	Office of Inspector General
PSS	Procurement Shared Services
QA	Quality Assurance
RPSO	Regional Procurement Support Office
SLA	Service Level Agreement
SOP	standard operating procedures
WCF	Working Capital Fund

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Executive Summary

Contractors and grantees play a significant role in supporting the Department of State's (Department) operations. The Bureau of Administration (A Bureau), Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) directs Department acquisition programs. The contracting officers (CO) within A/LM/AQM are assisted with contract administration by contracting officer's representatives (COR) who are provided by the program offices. Until FY 2008, A/LM/AQM was funded through annual appropriations. However, because of a significant increase in the number and amount of procurement transactions, A/LM/AQM became a fee-for-service provider through the Working Capital Fund (WCF). During FY 2008, A/LM/AQM began charging Department bureaus and offices a 1-percent fee for assistance with procurement-related activities, including contracts and grants. A/LM/AQM stated that it would use the fees received to fund operating costs and in return its customers would receive consistent and improved service. Upon transition to the WCF cost center, A/LM/AQM developed a Business Plan that included goals and initiatives for its procurement services.

The overall objective of this audit was to determine whether A/LM/AQM had applied procurement fee collections to implement key procurement-activity goals included in its Business Plan. Specifically, the Office of Inspector General (OIG) assessed the accomplishment of initiatives included in A/LM/AQM's procurement services Business Plan for three goals—performance measurement, customer service, and continuous improvement.

OIG found that A/LM/AQM had used the procurement fees it collected towards implementing key procurement-activity goals in its Business Plan. However, A/LM/AQM had not fully accomplished any of the three goals that OIG assessed during the audit—performance measurement, customer service, or continuous improvement. For instance, the Financial Reporting and Analysis initiative related to the performance measurement goal stated that A/LM/AQM would use funds collected only for procurement-related activities and annually review the fee structure. OIG found that procurement fees exceeded expenditures by approximately \$59 million over FYs 2008–2011. Although A/LM/AQM had used funds collected for procurement-related activities, OIG found that at least \$26 million in procurement fees collected were not made available to A/LM/AQM. Instead, funds were used to subsidize other WCF activities that had operated at a loss. In addition, A/LM/AQM had not formally reassessed the fee amount since it was initially established. A Bureau officials considered its periodic review of A/LM/AQM's revenue and expenditures to be sufficient to ensure the adequacy of the fee. Also, A/LM/AQM officials stated that changing the fee periodically would make it difficult for customers to plan and budget. Although not prohibited by law, using the fees for other purposes did not fulfill A/LM/AQM's commitment to its customers and took resources away from acquisition operations. Had the funds been available to A/LM/AQM, it could have used the funds to achieve some of the procurement-related initiatives included in the Business Plan that OIG found had not been implemented and to improve contract monitoring within the Department.

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The initiatives included in the Business Plan for the customer service goal were improved customer interaction and organizational capacity building. In order to improve customer interaction, A/LM/AQM had successfully implemented a best practice of locating procurement staff in some customers' offices, increased the types of services provided to customers, and provided customers with the opportunity to participate on a Customer Service Advisory Board (CSAB). However, A/LM/AQM had discontinued using a formal satisfaction survey to obtain feedback from customers because officials believed that the response rates to the surveys were too low and had not developed an alternative formal mechanism for obtaining customer feedback. In addition, some customers were unaware of certain procurement services because A/LM/AQM had not sufficiently communicated services provided to its customers. Although A/LM/AQM had "embedded" procurement staff in the offices of some customers, it did not have a formal process in place to identify additional customers that would benefit from having procurement staff located on site.

In order to improve its organizational capacity building, A/LM/AQM had increased the size of its workforce since becoming a WCF cost center and was funding some staff in other bureaus; however, the amount of procurement activity had increased at a higher rate than the increase in staff. OIG also identified other issues that could improve customer service if addressed. Specifically, the performance standards for A/LM/AQM employees included only one limited standard for customer service, employees were not required to receive customer service training, and generally customers were unaware that a Customer Advocate was available to assist with customer complaints. As a result, A/LM/AQM had not significantly increased customer satisfaction since becoming a WCF cost center and had not developed a well-balanced workforce that met the needs of its customers.

The initiatives included in the Business Plan for the continuous improvement goal were related to improved human resources development, internal reviews, and processes and procedures. A/LM/AQM had implemented several human resources development strategies but had not developed a formal recruiting plan or succession plan. Some employees expressed confusion about A/LM/AQM's intern program, and, to meet its training needs, A/LM/AQM relied heavily on free courses offered by other agencies that were not always available. In addition, A/LM/AQM had performed certain internal reviews; however, A/LM/AQM could expand these reviews and assess acquisition processes, procedures, and performance, which could improve the effectiveness and efficiency of its operations. In addition, A/LM/AQM had mapped core procurement processes for three programs and had some operational guidance available on its Intranet Web site. However, A/LM/AQM had not developed comprehensive standard operating procedures (SOP) for many general procurement activities. Without specific procedures for procurement activities, inconsistencies in how procurement activities are performed will occur, and work may not be performed efficiently.

A/LM/AQM had addressed an initiative related to the performance measurement goal to develop service level agreements (SLA) with its customers. A/LM/AQM had provided customers the opportunity to negotiate SLAs, and three customers had worked with A/LM/AQM to develop SLAs. According to A/LM/AQM officials, other customers were not interested in implementing SLAs.

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A/LM/AQM did not have a mechanism in place to track accomplishment of the procurement goals included in its Business Plan. A/LM/AQM officials considered the A Bureau's efforts to track the accomplishment of its strategic goals to be sufficient. However, most of the procurement-related goals were not included in the A Bureau's Strategic Plan. Without measuring its performance, A/LM/AQM cannot ensure it is making progress on its overall objective of providing consistent and improved procurement services.

Management Comments

In April 2013, OIG provided a draft of this report to the A Bureau and the Bureau of Budget and Planning. The report's 19 recommendations were addressed to the A Bureau, with the first recommendation to be coordinated with the Bureau of Budget and Planning, and were related to accomplishing the Department's procurement-related goals as well as identifying other opportunities to improve customer service. Specifically, the draft report included OIG recommendations related to financial analysis and reporting, customer service, human resources development, internal reviews, business processes, and tracking the accomplishment of goals.

In its May 6, 2013, response (see Appendix G) to the draft report, the A Bureau agreed to 18 of 19 recommendations. For example, the A Bureau agreed to develop a plan to use the A/LM/AQM portion of the carryover funding, ensure the procurement fee amount is sufficient and supportable, develop a more robust staffing plan, and work with the Bureau of Human Resources to track attrition rates. Also, the A Bureau agreed to include information regarding its intern program in the A/LM/AQM employee Welcome Package, provide guidelines on the types of training that are available to the contracting professionals, and report accomplishments related to its Business Plan goals. Lastly, A/LM/AQM planned to provide customer service training to its employees.

Although the A Bureau agreed with a recommendation to identify and map significant procurement processes and develop standard operating procedures, it stated that its existing Quality Assurance (QA) Plan maps the Federal procurement process by contract type and allows A/LM/AQM "to be flexible and nimble when responding to urgent requests." Although the QA Plan is an important tool for A/LM/AQM to use during the contracting process, it does not provide the detailed procedures for processing contracting actions that would be included in standard operating procedures. The A Bureau disagreed with a recommendation to create a separate point limitation for the Procurement Shared Services (PSS) service center because it already had an allotment code that allowed the tracking of financial data. In its April 24, 2013, response (see Appendix H) to Recommendation 1 in the draft report, the Bureau of Budget and Planning also disagreed with the recommendation to create a separate point limitation, citing the same issues raised by the A Bureau.

OIG considers Recommendations 2-17 and 19 resolved, pending further action, and Recommendations 1 and 18 unresolved. The bureaus' responses to the recommendations and OIG's replies are presented after each recommendation.

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Background

Contractors play a substantial role in supporting the Department's operations, missions, and programs. For instance, the Bureau of International Narcotics and Law Enforcement Affairs uses contractors for international anti-narcotics and police training programs, the Bureau of Overseas Buildings Operations uses contractors for overseas construction programs, and the Bureau of Diplomatic Security uses contractors for overseas and domestic guard programs. The Department also achieves its strategic goals by providing financial assistance, through grants, cooperative agreements, and voluntary contributions, to other nations, non-profit organizations, institutions of higher learning, or commercial organizations. According to USASpending.gov, the Department expended more than \$10.7 billion, consisting of more than 79,000 transactions, for contract and grants transactions in FY 2011.

Procurement Responsibilities

A/LM/AQM manages, plans, and directs Department acquisition programs so that the Department can acquire goods and services, such as the design and construction of overseas facilities, residential and office furniture, and security services and equipment. A/LM/AQM provides professional contract management services to Department bureaus and offices¹ and overseas posts, as well as other Federal agencies, including acquisition planning, contract negotiations, and cost and price analysis. In addition to procurements, A/LM/AQM also processes grants and assistance agreements for some bureaus and overseas posts.²

A/LM/AQM has five divisions that perform procurement activities for different bureaus and functions. Specifically, the five divisions are responsible for

- Facilities, Design, and Construction – Logistics and construction requirements.
- Worldwide Operations – Acquisition agreements for functional bureaus.
- International Programs – All grants in support of program offices that do not have grants officers, including both domestic and overseas posts, and some contracts that support program requirements.
- Information Technology Commerce Division – Assisting overseas posts by purchasing goods and services from vendors in the United States, such as residential furniture.
- Business Operations – Operational activities within A/LM/AQM, such as assisting customer service teams and administering procurement systems.

¹ Some other bureaus and offices, for example the Foreign Service Institute, Office of Foreign Missions, and U.S. Mission to the United Nations, have been designated as separate contracting activities. Other bureaus or offices, for instance the Bureau of International Narcotics and Law Enforcement Affairs, the Office of Language Services, and the Library, have been delegated limited procurement authority, such as simplified acquisition transactions against existing contracts.

² According to an A Bureau official, many offices, such as the Bureaus of Educational and Cultural Affairs and Population, Refugees and Migration award their own grants.

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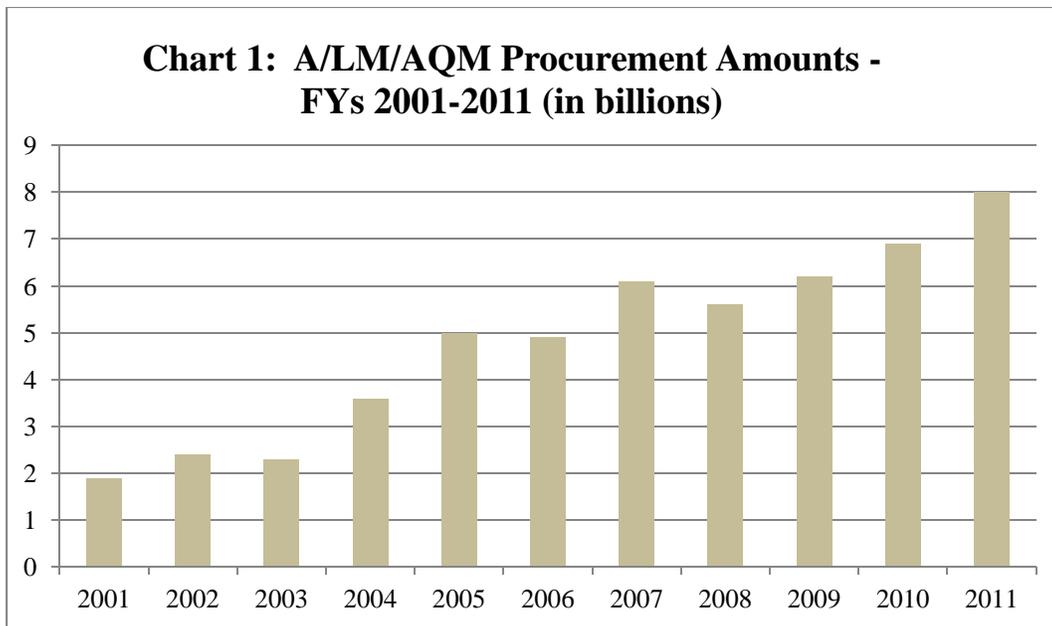
In addition to the domestic divisions, A/LM/AQM has two Regional Procurement Support Offices (RPSO)—one in Frankfurt, Germany, and one in Ft. Lauderdale, Florida—that assist overseas posts with procurement activities.

The A Bureau's Office of the Procurement Executive (A/OPE) establishes the Department's acquisition and assistance policies. In addition to the Federal Acquisition Regulation (FAR), which is used by all Federal executive agencies, the Department's acquisition policies include the Department of State Acquisition Regulations (DOSAR), Procurement Information Bulletins issued by A/OPE, and the Contracting Officer's Representative Handbook. In addition, A/OPE develops and maintains a procurement career management program, including approving training curricula, to ensure an adequate professional work force.

A/OPE is also responsible for appointing contracting officers (CO). COs are the Government's authorized agents for dealing with contractors and have sole authority to solicit proposals and to award, modify, and terminate contracts. The administration of a contract, which includes monitoring the contractor's technical progress and performance, is ultimately the responsibility of the CO. The CO performs duties at the request of the requirements office and relies on the requirements office for technical advice concerning the supplies or services being acquired. The contracting officer's representative (COR), who is provided by the program office, plays an important role in contract administration as well. The COR assists the CO in the administration of contracts and is generally authorized to approve technical data, provide direction to the contractor on technical matters, and approve invoices.

Creation of the Procurement Shared Services Cost Center

Until FY 2008, A/LM/AQM was funded through annual appropriations. Between FY 2001 and FY 2006, A/LM/AQM saw a 41-percent increase in the number of procurement transactions processed and a 155-percent increase in the dollar value of procurement actions. Specifically, during this period, procurement volume increased from \$1.9 billion to \$4.9 billion. The Department's business case for becoming part of the WCF noted the increase in major construction projects and the demand for contingency contracting as well as contracts in Afghanistan and Iraq, such as security service contracts, worldwide security training contracts, and developmental contracts, as contributing factors for increased procurement activity. Chart 1 details the dollar amount increase in procurement for FYs 2001–2011.



Source: Presentation prepared by the A Bureau entitled “Acquisition Report – Usage of Fee-For-Service,” Feb. 2011.

In its business case for becoming a service provider, A/LM/AQM reported that it had handled the increased workload, but it did not believe that the trend would be sustainable using the current funding mechanism, that is appropriated funds. In addition, at that time, the administrative expense of procurement activity was distributed unevenly because the RPSOs charged a fee while A/LM/AQM did not charge a fee. The solution developed by the Department was to move to a fee-for-service program, within the Department’s WCF, that would allow A/LM/AQM to respond to surges in procurement activity, focus on planning and oversight, offer enhanced customer support, and better assist overseas posts. The A Bureau noted that the role of Federal acquisitions was on the rise, and the Department needed to be able to meet expanding program initiatives and increasing reporting requirements. The A Bureau found that shared services models were widely used in the private sector to deliver administrative services. In addition, other Federal agencies charged fees for procurement-related activities.

On February 22, 2008, the Department converted its principal acquisitions office, A/LM/AQM, to a WCF shared services provider.³ The A Bureau created the PSS service center within the WCF, which was authorized by the Foreign Assistance Act of 1963 (Public Law 88-205), as an amendment to the Department’s Basic Authorities Act. A WCF is a revolving fund authorized by law to finance operations where the costs of goods or services provided are charged back to the recipient. The funds received are available to continue operations and for future investments.

The WCF serves bureaus and offices within the Department and U.S. Government agencies operating abroad. The WCF is managed by the A Bureau’s Office of the Executive Director. As of FY 2012, the WCF consisted of 29 cost centers. Generally, the A Bureau’s cost centers are grouped by type of service into service centers, which are formed to market services

³ Effective October 1, 2008, the two RPSOs instituted a revised fee structure that matched the fees charged by A/LM/AQM.

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and interact with customers in a uniform way. The service centers within the A Bureau WCF include the following:

- Global Publishing Solutions.
- Freight Forwarding.
- Information Technology Services.
- Operations.
- PSS.
- Library Services.
- Aviation.

The PSS service center within the WCF currently includes four cost centers:

- Acquisitions Management (A/LM/AQM).
- RPSO Florida.
- RPSO Frankfurt.
- Overseas Procurement.

The Acquisitions Management cost center is involved in or carries out most of the Department's procurements. The RPSOs in Florida and Frankfurt provide regional support by assisting posts with procurement of supplies and materials. The Overseas Procurement cost center facilitates post procurement for other government agencies. As part of the WCF, the cost centers within the PSS service center charge users a fee for the services provided. Table 1 provides information on some fees charged to customers.

Table 1. Examples of Procurement Fee Rates by Acquisition Type

Acquisition Type	Fee for Department	Fee for Non-Department
General Acquisitions	1%	4%
Grants	1%	4%
Local Guard Program	1%	1%

Source: OIG prepared using information from the A Bureau Intranet Web site obtained Jan. 7, 2013, <http://a.m.state.sbu/sites/ex/WCF/Pages/ProcurementServices.aspx>.

The fees charged by the PSS service center are based on the final negotiated price for most procurement and grant actions. For instance, a grant of \$500,000 processed by A/LM/AQM would result in a fee to the responsible bureau of \$5,000. The PSS service center has no minimum amount, and A/LM/AQM charges a fee for each transaction that increases procurement funding.⁴ There is also no maximum amount, or cap, for the fee. The fee is charged regardless of the amount of the contract. A/LM/AQM does not charge a fee for deobligations, replacement contracts, or no-cost modifications.

⁴ A/LM/AQM officials informed OIG that the National Endowment for Democracy grant is the only procurement action exempt from fees.

Procurement Services Vision and Business Plan

A/LM/AQM stated that it would use the fees it collected for operating costs, such as staffing. In return for paying a fee, A/LM/AQM indicated that customers would receive consistent and improved service, including increased attention to customer needs and contract oversight. The PSS service center was based on the pillars of flexibility, customer service, transparency, and performance management, which would provide the strategic framework to confront the acquisition challenges of the future through

- Financial alignment of procurement requirements to programmatic strategic goals.
- Creation of a high-quality, transparent, and customer-focused procurement operation.
- Flexibility to move resources to ensure the accomplishment of the Department's top priorities.

When it transitioned to a WCF cost center, A/LM/AQM developed a Business Plan.⁵ In the plan, A/LM/AQM stated that its vision was to build a "global procurement operation" that would provide "flexible, cost effective, and timely procurement solutions" for the Department, both domestically and overseas. The Business Plan included short-term priorities and long-term outcomes focusing on four key goals:

1. Performance Measurement – A/LM/AQM planned to develop performance standards and other information that would be "meaningful to customers, stakeholders, and A/LM/AQM management" in order to "improve the quality of acquisition and grant services." Specifically, A/LM/AQM planned to implement SLAs with its customers that outline mutually agreed-upon metrics and standards and to perform certain analyses of financial data.
2. Customer Service – A/LM/AQM planned to expand its contracting, analytical, and administrative capacity. According to the Business Plan, improved productivity, accountability, and responsiveness would result in more efficient service. Specifically, the Business Plan indicated that A/LM/AQM would focus on both internal and external staffing and customer interaction.
3. Continuous Improvement – A/LM/AQM planned to continually "improve its operations through human capital investments and its business processes." A/LM/AQM indicated it would develop programs to attract, hire, and retain a qualified acquisition staff. A/LM/AQM also planned to develop standards and to map its business process to identify opportunities for improvements. Lastly, A/LM/AQM outlined the internal reviews it would perform.

⁵ "Procurement Services: A Working Capital Fund (A/LM/AQM), Business Plan – FY 2008 Through FY 2010," issued Dec. 2008. The A Bureau had not updated the PSS Business Plan, so OIG considers it to be still in effect.

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4. Innovative Management⁶ – A/LM/AQM planned to “attain economies of scale and improve contract administration through more efficient processes.” Specifically, A/LM/AQM planned to strategically source certain products to obtain lower prices through bulk purchasing. A/LM/AQM also planned to establish a new business process for the Local Guard Program contracts.

Objective

The overall objective of this audit was to determine whether A/LM/AQM had applied procurement fee collections to implement key procurement-activity goals—performance measurement, customer service, and continuous improvement—included in A/LM/AQM’s Business Plan. For each of these goals, OIG assessed whether A/LM/AQM had accomplished initiatives included in the Business Plan. Specifically, OIG determined to what extent A/LM/AQM had

- Improved financial analysis and reporting.
- Improved customer interaction and its organizational capacity.
- Improved human resources development, implemented internal reviews, and improved processes and procedures.
- Implemented SLAs.

Audit Results

OIG found that A/LM/AQM had used the procurement fees it collected as part of the WCF towards implementing key procurement-activity goals in its Business Plan. However, A/LM/AQM had not accomplished its performance measurement, customer service, or continuous improvement goals. Although A/LM/AQM had taken action to implement a number of initiatives included in the Business Plan, OIG found that A/LM/AQM had not sufficiently addressed the Financial Analysis and Reporting initiative related to the performance measurement goal; the Customer and Stakeholder Interaction and Organizational Capacity Building initiatives related to the customer service goal; and the Human Resources Development, Internal Reviews, and Business Process Mapping and Procedures Standardization initiatives related to the continuous improvement goal. However, A/LM/AQM had sufficiently addressed the Implementing Service Level Agreements initiative related to the performance measurement goal. Overall, A/LM/AQM did not have a process in place to track the accomplishment of the goals in the Business Plan.

⁶ OIG did not assess the status of this goal during the audit. See Appendix A: Scope and Methodology for additional information.

Finding A. Financial Analysis and Reporting Initiative Was Not Accomplished

A/LM/AQM's Business Plan included a goal to improve performance measurement. One of the initiatives identified to accomplish this goal was Financial Analysis and Reporting. OIG found that A/LM/AQM had not accomplished the Financial Analysis and Reporting initiative. According to the Business Plan, WCF activities "must be fully supported by generated revenues. The correct balance of fees and expenditures is essential to build and maintain a worldwide high performing acquisition activity." The Business Plan stated that A/LM/AQM would only use the fees collected for procurement-related activities and would annually review the fee structure. Although the procurement-related funds provided to A/LM/AQM had been used for procurement-related purposes, OIG concluded that at least \$26 million of procurement-related fees were used to subsidize other WCF service or cost centers within the A Bureau that operated at a loss. Although not prohibited by law, using the procurement-related funds for other purposes did not comply with the Business Plan. In addition, by not having the funds to use, A/LM/AQM missed opportunities to improve procurement-related activities within the Department, such as improving contract monitoring.

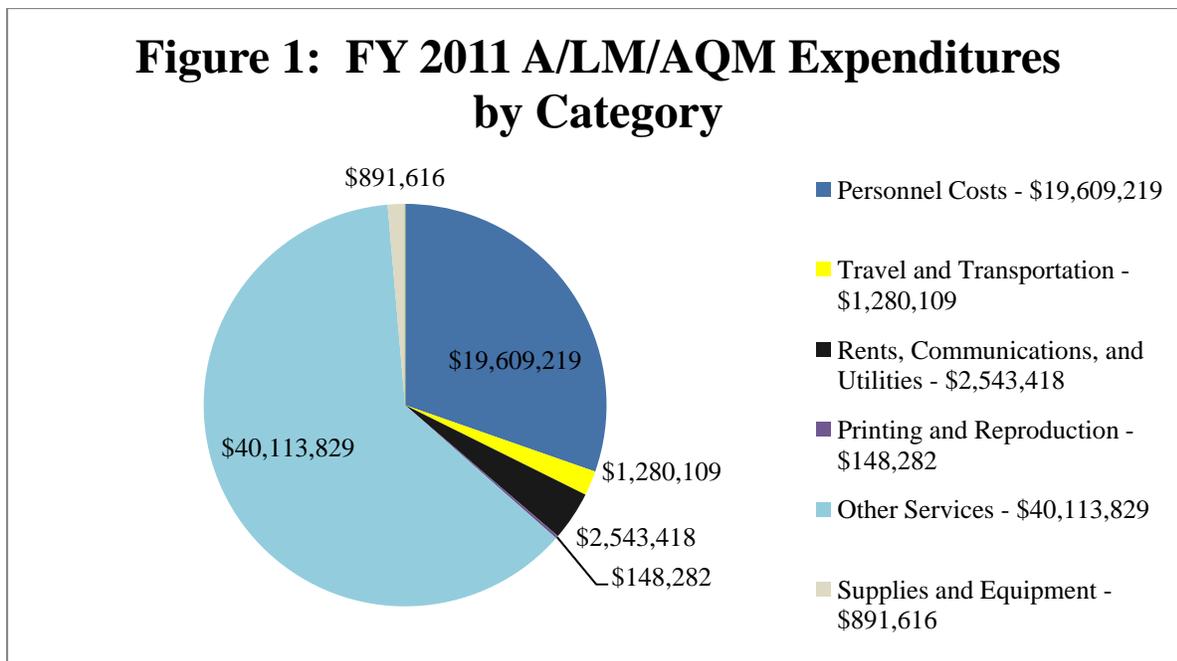
In addition, A/LM/AQM had not reassessed the amount of the procurement fee since it initially established the fee because, according to an A/LM/AQM official, changing the fee periodically would make it difficult for customers to budget for the cost of the fee. A Bureau officials considered the periodic review of A/LM/AQM's revenue and expenditures to be sufficient to ensure the adequacy of the fee. Based on the fact that revenues had exceeded expenses by approximately \$59 million over 4 years, it appears that the procurement fee may need adjustment. However, because A/LM/AQM had not sufficiently considered future needs, for instance the need to improve contract monitoring, or the available carryover, it was difficult to determine whether the fee was reasonable.

Procurement Funds Used for Non-Acquisition Related Activities

One of the factors included in the Business Plan to accomplish the Financial Analysis and Reporting initiative was that A/LM/AQM would only use the fees it collected for procurement-related activities. OIG found that the types of expenditures made by A/LM/AQM using the procurement-related funds collected were related to procurement activities. However, not all procurement-related funds were returned to A/LM/AQM at the beginning of each fiscal year to use for procurement purposes. Instead, some funds were being used to support other, unprofitable WCF service or cost centers within the A Bureau that did not have procurement responsibilities. Although using the procurement-related funds for non-acquisition purposes is not prohibited by law, it breached the A Bureau's commitment to its customers to only use the fee revenue for procurement-related activities. In addition, A/LM/AQM could have used the fees to address procurement-related deficiencies, such as improving contract monitoring within the Department.

Fees Were Used for Procurement Activities but Some Funds Were Not Available to A/LM/AQM

The Business Plan stated that “procurement revenue collected can only be used for” A/LM/AQM activities. To determine whether the fees collected were used for procurement-related activities, OIG obtained and analyzed A Bureau financial reports. OIG found that, during FYs 2008–2011, A/LM/AQM used the fees collected for numerous types of items related to procurement activities. For instance, as noted in Finding B: Organizational Capacity Building Initiative Not Sufficiently Implemented, A/LM/AQM had been using funds to increase the size of its procurement workforce. As shown in Figure 1, the largest amount of expenditures during FY 2011 was for personnel-related costs and other services, which included contract personnel and system operations.



Source: OIG prepared using expenditure data provided by an A Bureau official.

However, not all of the fees collected for procurement activities were used by A/LM/AQM. Some of the funds were used for other purposes. Based on an analysis of revenue and spending recorded in the Global Financial Management System,⁷ OIG found that the PSS service center earned revenues in excess of spending for each fiscal year from 2008 through 2011. The total amount of excess revenue collected for FYs 2008–2011 was \$59,298,295, as shown in Table 2.

⁷ A/LM/AQM financial reports combined domestic and overseas revenue; therefore, for purposes of the cash flow analysis, OIG assessed the revenues and spending for both domestic and overseas procurement, including RPSO expenditures.

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Table 2. Cash Flow Analysis of PSS Service Center – FYs 2008 – 2011

Category	FY 2008	FY 2009	FY 2010	FY 2011	Total
Revenue*	\$87,667,768	\$73,654,600	\$95,083,097	\$83,868,257	\$340,273,722
Spending**	70,936,315	66,362,902	67,149,615	76,526,595	280,975,427
Funds Available	\$16,731,453	\$7,291,698	\$27,933,482	\$7,341,662	\$59,298,295

Source: OIG prepared using data from the Global Financial Management System.

*For revenue, OIG used reimbursement information. According to the Government Accountability Office (GAO), a reimbursement is funds received as payment for “services furnished either to the public or to another government account.”

**The amount spent includes unliquidated obligations and expenditures. GAO defines an obligation as a commitment that “creates a legal liability of the government for the payment of goods and services ordered or received” and an unliquidated obligation as the “amount of outstanding obligations.” In addition, GAO defines an expenditure as the “actual spending of money.”

The A Bureau consolidated funds for the WCF service centers for which it was responsible, including PSS,⁸ therefore it was difficult for OIG to determine the amount of carryover funding provided to A/LM/AQM. Although OIG found that the amount of procurement-related fees collected was greater than the expenditures of the service center, Department officials stated that the A Bureau had received no WCF-related carryover funds for FYs 2008–2010 and had received a carryover of approximately \$33.0 million for FY 2011, which included all of the A Bureau’s service and cost centers. An A Bureau official stated that during FY 2012, the carryover amount for the A Bureau’s WCF cost centers had increased to approximately \$69 million.

Fees Used To Subsidize Other Working Capital Fund Activities

An A Bureau official indicated that excess PSS funds had been used to subsidize other service or cost centers within the A Bureau that performed at a loss. Several cost centers experienced short falls during FYs 2008–2011. For example, according to an A Bureau financial report, for FYs 2008–2011, the Global Publishing Solutions service center’s expenses exceeded revenue by more than \$15 million,⁹ and the Secure Warehouses cost center’s expenses for FYs 2008–2011 exceeded revenue by more than \$7 million.

An A Bureau official stated that by consolidating revenues and expenses related to the A Bureau’s service centers, the profits and losses of each service center were offset. That is, if some cost centers did not collect sufficient revenues to cover expenses, those losses were offset with excess funds from other cost centers. The Bureau of Budget and Planning calculates the carry-forward balances at the consolidated level as well, rather than at the individual service center level. An A Bureau official stated that the WCF funds needed to be balanced overall at

⁸ A Bureau consolidated its service centers for accounting purposes under the .0 point limitation. A point limitation is a decimal suffix added to the appropriation account symbol.

⁹ An OIG report, *Inspection of the Bureau of Administration, Global Information Services, Global Publishing Solutions* (ISP-I-12-07, Jan. 2012), identified concerns with the GPS fee-setting process. Specifically, the report stated that GPS had not “generated sufficient revenue to cover its printing operation costs” and had “charged unrealistically low printing prices,” meaning GPS had operated at a loss.

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the end of the year. However, according to the Government Accountability Office (GAO),¹⁰ allowing subsidization between cost centers allows the inefficiencies of individual programs to remain undetected.

The United States Code, 22 U.S.C. 2684, which authorizes the Department's WCF, does not specifically prohibit the Department from using amounts collected for one WCF service or cost center to cover expenses for another service or cost center. The GAO report also stated that "under a revolving fund structure, the agencies are not required to ensure that each program covers its costs but that the fund as a whole remains solvent."

Missed Opportunities To Improve Procurement Activities

Although using the funds collected from the procurement fee for non-acquisition purposes did not violate the law, it breached a commitment made by the A Bureau to its customers to use the fees collected only for procurement activities. Subsidizing other unprofitable A Bureau cost centers took resources away from acquisition operations. In addition, this subsidy allowed unprofitable cost centers to continue to operate at a loss for many years without these cost centers' fee-setting deficiencies being addressed by Department management.¹¹

A/LM/AQM needs to implement a plan for how it will use its portion of the available WCF carryover. As discussed in this report, A/LM/AQM had not achieved some of the procurement-related initiatives included in its Business Plan. Rather than spending excess funds on other activities, or allowing the funds to remain unused in a carryover account, A/LM/AQM could have used the funds to fully implement all of its Business Plan goals.

A/LM/AQM could have also used the excess funds to improve contract monitoring within the Department. In 2012, the Department reported to Congress¹² that contract oversight was a "driving force" behind the decision to transition A/LM/AQM to the WCF. The Department also stated that it had significantly improved the efficiency and effectiveness of contract oversight since A/LM/AQM had become a cost center. However, recent reports from OIG, GAO, and the Commission on Wartime Contracting in Iraq and Afghanistan have identified deficiencies in the Department's contract oversight. (Appendix F includes a list of these reports.) Specifically, OIG issued 17 reports between January 2009 and August 2012 that included findings related to the lack of or inconsistent performance in monitoring procurements. For instance, contracting and grant officers or their representatives were not performing site visits and were not obtaining or reviewing contractor or grantee progress. In addition, OIG identified approximately \$140 million in questioned or unallowed costs as a direct result of poor procurement oversight during this period. Based on the results of its work, OIG included contract and procurement management as one of the most serious challenges for the Department

¹⁰ *Interagency Contracting: Improvements Needed in Setting Fee Rates for Selected Programs* (GAO-11-784, Sept. 2011).

¹¹ OIG began an audit of two additional WCF cost centers in December 2012—Secure Warehouses and Information Technology.

¹² *Evaluation of the Efficiencies and Improvements Gained, Congressional Report, FY 2012, Working Capital Fund (Acquisitions Management)*, Apr. 2, 2012.

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in the Inspector General's Assessment of Management and Performance Challenges section of the Department's FY 2012 Agency Financial Report.

GAO issued three reports between April 2010 and August 2012 that cited concerns with contract and grant administration and monitoring by the Department. For example, in a report issued in April 2010, GAO found that the Department had not fully documented monitoring procedures for assistance projects in Pakistan. In a report issued August 2012, GAO found that the Department did not have the sufficient number of qualified personnel to oversee contracts in Iraq and Afghanistan.

A July 2010 special report by the Commission on Wartime Contracting in Iraq and Afghanistan also raised concerns about the Department's ability to manage and oversee contracts in Iraq after the departure of the U.S. military. Specifically, the Department had to request the use of a Department of Defense contract for support services, noting that it did "not have within its Foreign Service cadre sufficient experience and expertise to perform necessary contract oversight." In addition, during a June 2010 Commission hearing, a Department official testified that the Department would need to more than double the number of private security contractors to provide security protection in Iraq. The Commission stated that "[w]ith such a large increase in contract employees, existing weaknesses in contract management and oversight, not to mention funding and hiring challenges, can only grow more troublesome.... The already daunting tasks of contract management will grow more daunting as new security, policy and political challenges emerge from the transition."

Based on the significant issues that continue to be identified by independent organizations, OIG concluded that A/LM/AQM had not sufficiently improved the efficiency and effectiveness of contract monitoring since becoming a cost center. If additional funds had been made available to A/LM/AQM, it could have used funds to address some of the deficiencies in monitoring contracts and grants. Currently, A/LM/AQM's COs rely on CORs provided by program offices to approve technical data, provide direction to the contractor on technical matters, and approve invoices. Although it would not be possible or reasonable for A/LM/AQM to fund all CORs within the Department, A/LM/AQM could have used the excess funds to develop and implement an initiative to identify high-risk contracts and hire qualified CORs to monitor those high-risk procurements. These designated full-time CORs could monitor contractor's performance to ensure that costs, product performance, and delivery schedules are in compliance with the terms and conditions of the contract.

The Department could also reassess the fee amount charged for the PSS service center in light of the carryover amounts available. GAO indicated that managing reserve balances is one of the elements of the fee-setting process.¹³ (See Finding A: Procurement Fee Had Not Been Reassessed for additional information.)

Recommendation 1. OIG recommends that the Bureau of Administration, in coordination with the Bureau of Budget and Planning, create a separate point limitation within the Working Capital Fund for the Procurement Shared Services service center.

¹³ *Interagency Contracting: Improvements Needed in Setting Fee Rates for Selected Programs* (GAO-11-784, Sept. 2011).

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A Bureau and Bureau of Budget and Planning Responses: Both the A Bureau and BP disagreed with this recommendation, stating that A/LM/AQM had “its own unique allotment code” that would allow the A Bureau to “track all revenue, obligations, liquidations, and carry forward” amounts. The Bureaus’ responses also highlighted information included in the report, such as the fact that the U.S. Code does not specifically prohibit the use of funds from one cost center for costs incurred by another cost center.

OIG Reply: OIG considers this recommendation unresolved. While the practice of using funds collected by the PSS service center to subsidize other cost centers that consistently operate at a deficit may not violate the law, it is not an effective way to manage the WCF. The intent of this recommendation was to ensure that funds collected by the PSS service center were used for acquisition-related needs, which are a high-priority within the Department. This recommendation can be resolved when OIG reviews and accepts documentation showing that the Department has proposed an alternative methodology that fulfills the intent of the recommendation.

Recommendation 2. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement a plan for how it will use its portion of the available Working Capital Fund carryover to either implement its Business Plan goals or to improve the efficiency and effectiveness of contract monitoring.

A Bureau Response: The A Bureau agreed with this recommendation, stating that it would “develop a plan” on how to use the available carryover “to support acquisition-related activities.”

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that A/LM/AQM has developed and implemented a plan to use its portion of the available WCF carryover.

Procurement Fee Had Not Been Reassessed

To ensure the correct balance of fees and expenditures, the Financial Analysis and Reporting initiative also included a requirement to annually review the fee structure. OIG found that the methodology A/LM/AQM used to calculate the initial fee amount did not consider all necessary factors. Specifically, A/LM/AQM used expense estimates that were higher than actual expenses, and other relevant expenses were not included in the calculation. In addition, A/LM/AQM had not reassessed the fee amount since it initially established the fee because, according to A/LM/AQM officials, changing the fee periodically would make it difficult for customers to plan and budget. Officials believed that the PSS service center should have time to “mature” so better data was available for fee calculations. Fees that are not regularly reviewed and adjusted run the risk of undercharging or overcharging users, and as described in Finding A: Procurement Funds Used for Non-Acquisition Related Activities, excess funds were used for non-procurement activities.

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In its Business Plan, A/LM/AQM indicated that it would ensure the “correct balance of fees and expenditures” that is “essential to build and maintain a worldwide high performing acquisition activity.” As part of this initiative, the Business Plan indicated that the fee structure would be reviewed annually. In addition, the *Foreign Affairs Handbook*¹⁴ requires that WCF charges be “reviewed annually.”

A/LM/AQM’s initial methodology for calculating the PSS fee amount did not consider all necessary factors. A group of A/LM/AQM officials established the fee. As part of the fee assessment process, the group estimated that the amount of procurement activity for FY 2008 would be \$6 billion. The group also estimated approximately \$51 million of procurement-related expenses, in 15 different categories, such as staffing costs, office supplies, and travel. The A Bureau calculated a 0.85 percent fee amount by dividing the total estimated expenses by the estimated amount of procurement activity. Department officials rounded the 0.85 percent to 1 percent. According to an A/LM/AQM official, the decision to round the amount of the fee to 1 percent was made in anticipation of future increases in expenses. However, A/LM/AQM was unable to provide documentation supporting this decision.

A/LM/AQM was unable to provide supporting documentation for the amount of estimated procurement activity. OIG reviewed the estimated operating expenses for FY 2008 from the A Bureau’s “Procurement Shared Services FY 2008 Spending Plan.” The A Bureau was unable to provide supporting documentation for 10 of 15 expenses included in the fee-setting calculation. OIG found that FY 2008 expense estimates were significantly higher than actual expenditures for some categories in FY 2008. As shown in Table 3, even during FY 2011, A/LM/AQM’s expenditures for these categories were significantly lower than the estimate included in the spending plan.

Table 3. Categories Where Actual FY 2008 and FY 2011 Expenditures Exceeded Estimate

Category	FY 2008 Spending Plan	FY 2008 Actual	Actual Amount Compared to Spending Plan	FY 2011 Actual	Actual Amount Compared to Spending Plan
Travel	\$4,000,000	\$552,760	14%	\$1,368,780	34%
Office Space Renovations/ Additional Space	\$7,510,000	\$0	0%	\$0	0%
Training	\$320,000	\$62,045	19%	\$126,047	39%

Source: OIG analysis of information from reports provided by the Department: “Procurement Shared Services – FY 2008 Spending Plan” and Funds Tracker Summary Reports for FY 2008.

Although some expenses were significantly overestimated, this overstatement was offset by the exclusion of certain categories of expenses that should have been included in the calculation of the fee. For instance, although A/LM/AQM included overseas procurement activity in its estimate, it did not include overseas expenses, such as International Cooperative

¹⁴ 4 FAH 3 H-113.4-3, “Working Capital Fund.”

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Administrative Support Services costs.¹⁵ The PSS expenditures related to International Cooperative Administrative Support Services ranged from approximately \$900,000 in FY 2011 to \$1.6 million in FY 2010. The Spending Plan also did not include the cost of audits performed by the Defense Contract Audit Agency, which totaled \$2.3 million in FY 2011, printing and reproduction, which totaled \$149,000 in FY 2011 and overhead, which totaled \$5.1 million in FY 2010. The estimation methodology also did not consider future program costs or initiatives.

The U.S. Code¹⁶ states that the Department's WCF should be reimbursed for "supplies and services at rates which will approximate the expense of operations." In addition, according to guidance from GAO,¹⁷ "a reliable accounting of program costs is important" to "set fees so that total collections cover the intended share of program costs." The GAO guidance also states that to "obtain such an accounting, it is necessary to determine which activities and costs should be included and which should not." The guidance goes on to state that if "a fee is to recover the costs associated with an agency program or service or some portion thereof, it is critical that agencies record, accumulate, and analyze timely and reliable data relating to those costs, consistent with applicable accounting standards." The GAO guidance also states that fees "should also be set and adjusted to cover the intended share of costs over time, which means agencies must project and consider future program costs."

Even though the initial methodology used to calculate the fee did not consider all factors, as of January 2013, A/LM/AQM had not formally reassessed the fee amount since its inception in 2008. According to an A/LM/AQM official, if the fee amount were modified each year, it would be difficult for customers to plan and budget. An A Bureau official stated that the intent was to reassess the rate after 5 years, which is what another Federal agency does for procurement fees. A/LM/AQM believed that after 5 years of collecting the fee, it would have reached a "mature" state and A/LM/AQM would have useful baseline financial information for moving forward. An A/LM/AQM official indicated that using financial information from FYs 2008 to 2010 was "meaningless" because it took time to hire people, which distorted the numbers. Although A/LM/AQM officials indicated that they planned to reassess the fee, A/LM/AQM had not developed a formal plan or methodology for the reassessment.

An A Bureau official indicated that he reviewed the rate every year during the budget process to ensure revenue was adequate to cover expenses, but this review was not documented. Reassessing a fee requires a different process than preparing or reviewing budget information, so the A Bureau's current process would not be sufficient to fulfill the fee-setting requirements. According to GAO,¹⁸ a fee-setting process includes these key elements:

- Identifying and tracking costs.
- Forecasting costs and revenues.

¹⁵ International Cooperative Administrative Support Services is the principal means by which the Government provides and shares the cost of common administrative support, such as motor pool and building operations, at diplomatic posts overseas.

¹⁶ 22 U.S.C. § 2684, "Capital fund for Department of State to centralize reproduction, editorial, data processing, audiovisual and other services; maximum amount; operation of fund."

¹⁷ *Federal User Fees: A Design Guide* (GAO-08-386SP, May 2008).

¹⁸ GAO-11-784, Sept. 2011.

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- Managing reserve balances (carryovers).

Although an official stated that the A Bureau works continually throughout the year to determine whether the fee “is adequate to cover the existing and future needs” of PSS, this effort did not sufficiently address the factors identified by GAO. There was no evidence that the periodic review considered all events that could impact future costs and revenues. For instance, an A/LM/AQM official stated that although the PSS service center may have been operating with revenues exceeding expenses, he believes that there will not be a large difference between revenues and expenses in future fiscal years because of increased expenditures, such as for additional staff. Another official stated that PSS service center income will be reduced in the near future because some expenses are going up. For example, changes in the information technology infrastructure will lead to increased expenses as these capabilities are increased overseas. Also, A/LM/AQM planned to increase the number of audits that it funds, such as contract close-out audits performed by the Defense Contract Audit Agency. In addition, there was no evidence that the periodic budget review, conducted to determine whether the revenue was sufficient to cover expenditures, considered the carryover amount that was available for the A Bureau’s cost centers.

According to GAO, fees that are not reviewed and adjusted regularly run the risk of undercharging or overcharging users, raising equity, efficiency, and revenue adequacy concerns. Based on the fact that revenues have consistently exceeded costs (see Finding A: Procurement Funds Used for Non-Acquisition Related Activities), it appears that the amount of the fee may need to be adjusted. Procurement-related funds were used for non-procurement activities; however, because A/LM/AQM had not considered future expectations and reassessed the fee based on these expectations, it is difficult to determine whether the amount of fee charged for procurement services is reasonable.

To ensure that customers have complete information about program costs and program activities, A/LM/AQM should substantively review and report on the fee to customers regularly. A transparent process for reviewing and updating fees helps assure customers that fees are set fairly and accurately. A review of the fee amount can help ensure that fees remain aligned with program costs and activities, increasing awareness of program costs and consequently increasing incentives to reduce costs where possible. In response to an OIG administered customer satisfaction survey, some customers questioned whether paying the fee provided a benefit. For instance, one respondent said that “generally speaking,” bureau staff “feel that the services we get do not in any way offset the 1% fee we pay.”

Recommendation 3. OIG recommends that the Bureau of Administration develop and document a methodology for calculating the procurement-service fee, including a process to consider future program costs and the timeframe for periodically reassessing the fee.

A Bureau Response: The Bureau of Administration concurred with this recommendation.

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OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that the bureau has developed and documented a methodology for calculating the PSS fee.

Recommendation 4. OIG recommends that the Bureau of Administration reassess the amount of the fee to ensure that it is sufficient and supportable. The results of the reassessment should be made available to customers.

A Bureau Response: The A Bureau concurred with this recommendation, stating that the fee “should be assessed in light of current circumstances to ensure they are sufficient and supportable.”

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that the bureau has reassessed the PSS fee and that the results of the reassessment were made available to A/LM/AQM’s customers.

Finding B. Some Customer Service Improvements Were Made, but Additional Improvements Are Needed To Accomplish Customer Service Goal

A/LM/AQM’s Business Plan included a goal to improve customer service. According to the Business Plan, customer service “drives A/LM/AQM’s goals, priorities, performance measures, and commitment to continuous organizational improvement.” The Business Plan indicated that A/LM/AQM would “expand its contracting, analytical and administrative capacity.” The Business Plan also stated that “communication with internal customers” was essential. The Business Plan included two initiatives to accomplish the customer service goal: Customer and Stakeholders Interaction, which included conducting customer satisfaction surveys, providing services to customers, and implementing a CSAB; and Organizational Capacity Building, which included increasing internal and external staffing. Although A/LM/AQM had taken steps to implement customer service-related initiatives, not all actions taken were sufficient or successful. As a result, A/LM/AQM had not significantly increased customer satisfaction since becoming a WCF cost center and had not developed a well-balanced workforce that met the needs of its customers. OIG also identified other areas in which improvements were needed to increase customer satisfaction.

Customer and Stakeholder Interaction Initiative Not Sufficiently Implemented

One of the initiatives that A/LM/AQM identified to accomplish the customer service goal was Customer and Stakeholder Interaction. According to the Business Plan, A/LM/AQM had “instituted a number of formal and informal communication vehicles and mechanisms to facilitate” ongoing dialogue. As part of this initiative, A/LM/AQM planned to conduct annual customer satisfaction surveys and create a CSAB. The Business Plan also indicated that A/LM/AQM was already providing certain services to its customers and had located A/LM/AQM staff in some customers’ office spaces.

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Although A/LM/AQM had taken steps to accomplish the Customer and Stakeholder Interaction initiative, not all actions taken were sufficient or successful and, in some cases, had been discontinued. Specifically, A/LM/AQM had conducted customer satisfaction surveys, but had discontinued the surveys because A/LM/AQM management considered the response rates to be too low. Although some offices within A/LM/AQM were obtaining customer feedback through other means, A/LM/AQM had not implemented a formal feedback mechanism to replace the annual customer satisfaction survey. Also, A/LM/AQM provided additional services to its customers, but not all customers were aware of or used the services provided. A/LM/AQM also placed procurement staff in some customers' office spaces, which improved customer satisfaction, but did not have a formal process to determine where to place the procurement staff. OIG found that A/LM/AQM had implemented a CSAB; however, Board meetings were discontinued because of low customer participation. Overall, A/LM/AQM had not significantly improved customer service since becoming a WCF cost center.

Customer Satisfaction Surveys No Longer Used and Other Formal Feedback Mechanisms Have Not Been Implemented

One method that A/LM/AQM could have used to accomplish the Customer and Stakeholder Interaction initiative was conducting annual customer surveys. Although A/LM/AQM conducted customer surveys in 2008, 2009, and 2010, it had not formally documented its efforts to address the concerns raised by its customers in the surveys. In addition, A/LM/AQM discontinued its customer surveys because it considered the response rates to the survey were too low and it had not yet implemented another formal feedback mechanism. However, OIG found that the response rates to the A/LM/AQM surveys exceeded 20 percent. Measuring customer satisfaction is a vital part of providing customer service.

The Business Plan indicated that A/LM/AQM would perform annual customer surveys to "solicit feedback on the perceived quality of its service delivery, support, and responsiveness." The objective of the customer survey was to analyze "customer service performance trends using qualitative and quantitative data." A/LM/AQM performed an annual customer satisfaction survey from 2008 through 2010. (A/LM/AQM's customer survey for 2010 is included as Appendix C.)

In a description of the results of its 2009 survey, A/LM/AQM stated that although the results "showed a demonstrable improvement" from the 2008 survey results, A/LM/AQM would need to continue to focus on "those areas where the overall satisfaction remained low," specifically, hiring and development initiatives, standardization, and customer outreach and communication. A/LM/AQM officials indicated that many of the comments to the survey were complaints about specific employees. A/LM/AQM management stated that they spoke with some of the staff members about these complaints. Although A/LM/AQM indicated it would take action to improve the issues identified during the 2009 customer survey, it did not document the actions taken.

The respondents to A/LM/AQM's 2010 customer survey generally had positive opinions about the services provided by A/LM/AQM. For instance, 67 percent of respondents either agreed or strongly agreed that A/LM/AQM services were provided in a timeframe that met

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customer needs, while only 10 percent of respondents disagreed or strongly disagreed. In addition, 64 percent of respondents agreed or strongly agreed that A/LM/AQM provided outstanding support and assistance, while 18 percent of respondents disagreed or strongly disagreed. According to the statistics developed by A/LM/AQM, in general, the number of people that agreed that services were sufficient had increased from the initial survey to the one performed in 2010 while the number of people that disagreed that services were sufficient had decreased. The 2010 survey did not include an analysis of the results or an action plan to address issues raised by customers. According to an A/LM/AQM official, this was not needed as no issues were raised as a result of the survey.

A/LM/AQM discontinued the use of customer surveys after 2010. According to A/LM/AQM officials, A/LM/AQM stopped surveying customers because of the lack of customer response. An official stated that even though A/LM/AQM had repeatedly asked customers to complete and return the survey, the survey still had a low response rate. According to documentation provided by A/LM/AQM, the response rates for the customer surveys it performed were 21 percent in 2010, 33 percent in 2009, and 53 percent in 2008. Based on research,¹⁹ OIG determined that the average response rate for customer satisfaction surveys is between 10 to 15 percent. Although A/LM/AQM's response rate fell significantly from the first survey in 2008 to the last survey in 2010, the rate exceeded industry standards for each of the 3 years in which the survey was administered.

OIG asked A/LM/AQM how it would determine customer satisfaction without using a formal feedback mechanism, like a customer survey. An official stated that A/LM/AQM would rely on the business relationships that are currently in place. A/LM/AQM had embedded personnel in a number of program offices that provide immediate customer service support. The A/LM/AQM Director and other senior managers met regularly with customers to ensure the customers were satisfied. Customers could also send concerns to an email address established specifically for customer inquiries.

In addition, even though it had discontinued the annual customer satisfaction surveys, A/LM/AQM was trying to identify an alternative methodology to obtain customer feedback. For instance, the Information Technology Commerce Division within A/LM/AQM, which managed the Department's residential furniture contract and provided secure procurement services, sent links to a "Rate My Service" survey via email after assistance had been provided to a customer. The survey currently in use includes two questions:

- "To what extent do you agree with the following aspects of customer service provided" for 11 different activities, such as "provide requested acquisition services in a time frame that meets my needs."
- "How can we better meet your needs," which provides a space for customers to respond narratively.

An A/LM/AQM official stated that A/LM/AQM would consider the success of this initiative and decide whether to expand this methodology to other A/LM/AQM divisions. The use of this feedback mechanism was not mandated by A/LM/AQM; therefore, it was up to the

¹⁹This information was obtained from the Internet Web sites of three companies that offer survey software.

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discretion of each division or branch as to whether it wanted to obtain customer feedback on services provided. Although not mandated, a bureau official stated that other branches or divisions within A/LM/AQM were free to use this survey process, but none had requested to do this.

Measuring customer satisfaction is a vital part of any organization that provides customer service. Considering that A/LM/AQM's funding relies on fee collection, it should have a formal and well-designed process in place to assess customer satisfaction and to take actions to address the concerns identified by customers. A/LM/AQM is in a unique position of being funded from fees but having a customer base that is not able to use another service provider if they are dissatisfied with the services received. Therefore, it is especially important for A/LM/AQM to be aware of and to address customer concerns.

Recommendation 5. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement a formal process to obtain feedback from customers that would include providing customers information on the results of the effort including specific plans on how concerns would be addressed.

A Bureau Response: The A Bureau concurred with this recommendation, stating that it was already conducting "numerous outreach events with several Department Executive Directors." The A Bureau also stated that it would "revisit previous initiatives such as...annual customer surveys as ways to obtain customer feedback."

OIG Reply: OIG considers this recommendation resolved. While OIG recognizes the actions already taken by A/LM/AQM to improve its customer outreach, a formal process to obtain customer feedback is an important component of any customer service organization. Therefore, this recommendation can be closed when OIG reviews and accepts documentation showing that A/LM/AQM has developed and implemented a formal process to obtain customer feedback and has shared the results with its customers.

Additional Services Provided but Not All Customers Aware of or Used Services

Another method to accomplish the Customer and Stakeholder Interaction initiative was to provide certain services to customers. Although A/LM/AQM was providing the services it had included in the Business Plan, as well as other new services, some customers were unaware that A/LM/AQM provided certain services, and some customers that were aware of the services provided were not taking advantage of them. OIG concluded that A/LM/AQM did not sufficiently communicate the services available to all customers. A/LM/AQM may not be able to achieve its commitment to providing customer-focused service unless it improves its communications with its customers about the services it offers.

In its Business Plan, A/LM/AQM indicated that one of the methods it would use to accomplish its Customer and Stakeholders Interaction initiative was to provide the following services to customers:

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- Procurement planning.
- Assistance with drafting and writing statements of work.
- Increased cost and price support.
- Increased audit requests, through OIG²⁰ and the Defense Contract Audit Agency.
- Funding A/LM/AQM travel.
- Outside review support, such as with the Wartime Contracting Commission.
- Synchronized Predeployment & Operational Tracker.²¹
- Quality assurance reviews including Federal Procurement Data System (FPDS).
- Contract closeout survey and execution.

As shown in Table 4, OIG found that A/LM/AQM was providing the services listed in its Business Plan²² as well as some additional services not included in the plan.

Table 4. Comparison of Services Provided by A/LM/AQM in FY 2007 and FY 2011

Services	FY 2007 Services	FY 2011 Services
Procurement planning	Assistance provided case by case for large procurements.	Procurement planning performed regularly.
Assistance with statements of work and justification documents	Bureaus responsible for statements of work and justification documents. COs provided assistance as time allowed.	Regular assistance with and review of statements of work and justification documents.
Procurement advice and consultation, including cost and pricing support	Assistance provided in an ad hoc manner.	A/LM/AQM staff available to support customers with procurement planning and contract administration.
Audits	Funded by bureaus.	A/LM/AQM funded.
Site visit travel – A/LM/AQM	Funded by bureaus.	A/LM/AQM funded.
Outside review support	Provided on a case-by-case basis.	A/LM/AQM has established a structure to support inquiries or reviews being done by organizations such as OIG, Congress, and the Wartime Contracting Commission.
New initiative coordination	Provided on a case-by-case basis.	A/LM/AQM has established a structure to support new requirements, such as the Synchronized Predeployment & Operational Tracker.

²⁰ Since A/LM/AQM became a WCF cost center, it has requested that OIG monitor one audit being performed by an external audit firm that A/LM/AQM funded.

²¹ The Synchronized Predeployment & Operational Tracker is a single, joint enterprise system for the management, tracking, and visibility of contractors and grantees being deployed overseas to combat zones (currently Iraq and Afghanistan).

²² Table 4 does not include two services included in the Business Plan: QA Reviews and Contract Closeout Survey. These services are being provided, but A/LM/AQM considers these services to be internal reviews. OIG's discussion about these services is included in Finding C: Internal Reviews Performed but Effort Could be Expanded.

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Services	FY 2007 Services	FY 2011 Services
Embedded staff	None.	Increased staff allows for dedicated resources to work on site with customers who have complex requirements.
Market research and analysis to maximize buying	Bureaus responsible.	Several strategic sourcing initiatives offered.
Evaluation coordination	None.	Cost/price analysts available to support all major acquisitions, including evaluating proposals and drafting solicitation pricing sections.
Terminations, claims services, protest management	Provided on a case-by-case basis.	Staff on hand to support COs with terminations, claims services, and protest management, including expanded legal support.
Metrics and reporting	None.	COs use weekly reporting to discuss open requisitions and completed transactions. A/LM/QM measured activity by bureau, including volume and procurement lead time.
Acquisitions and financial systems integration	None.	Integrated system implemented.
Contractor held property administration	Inconsistent.	Working closely with the Bureau of the Comptroller and Global Financial Services to monitor contractor property.

Source: A Bureau Presentation “Acquisition Report – Usage of Fee-for-Service,” Feb. 2011.

The responses to OIG’s survey of A/LM/AQM customers indicated that the majority of customers were aware of the services offered by A/LM/AQM. However, customer awareness varied by category of service, as shown in Table 5.²⁴ For instance, although 93 percent of customers knew that A/LM/AQM provided support for protests of contracts, only 68 percent were aware that A/LM/AQM provided assistance with cost and pricing support.

Table 5. Customer Awareness of A/LM/AQM Services

A/LM/AQM Services	Aware	Not Aware
Assists with procurement planning	72%	28%
Assists with and reviews statements of work	81%	19%
Assists with cost and pricing support	68%	32%
Assists in evaluation coordination	77%	23%
Assists in contract terminations	90%	10%
Assists with claim services	83%	17%
Assists with managing protests of contracts	93%	7%

Source: Customer satisfaction survey performed by OIG.

²⁴ The information in Table 5 is from 226 respondents to an OIG survey. The respondents included CORs and government technical monitors with active contracts or bureaus’ Executive Directors. OIG did not request feedback from customers on all services provided by A/LM/AQM. Appendix A: Scope and Methodology includes details on the customer survey performed.

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Even though a majority of customers were aware of the services that were being provided, a significant number of respondents were not using those services. For instance, approximately 48 percent of respondents that were aware of the procurement planning services provided by A/LM/AQM had never used those services. In addition, approximately 42 percent of people that were aware of contract negotiation services indicated that they had never used those services.

OIG found that A/LM/AQM included general information about the procurement services offered on its Intranet Web site. Specifically, the Web site stated that “A/LM/AQM provides professional contract management services including acquisition planning, contract negotiations, and cost and price analysis.” There were other areas within the A/LM/AQM Intranet Web site where customers could find information on the processes used by A/LM/AQM related to the services provided. In addition, officials stated that A/LM/AQM provided a list of services entitled “What you get for 1%” to customers; however, this listing did not include a description of the services provided or how a customer would obtain the services offered. The number of customers that indicated they were unaware of services provided or had not used those services indicates that A/LM/AQM needs to improve its communication with customers to ensure that customers are aware of available services and the benefits of using those services. For instance, A/LM/AQM could track customer usage of each service provided to gauge which customers use which services and target information on available services to customers not currently using all services provided.

If customers are not aware of the services that are being provided, they are not able to take advantage of the services that they are funding through the procurement fee. One customer stated that “our staff frequently...wonder what the 1% actually pays for.” Another respondent suggested that A/LM/AQM provide “shared resource planning and acquisitions strategy,” which would “aid in better contract planning as acquisitions are submitted to AQM.” A/LM/AQM cannot achieve its commitment to provide customer-focused service unless it improves its communications with its customers about the services it offers.

Recommendation 6. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement a plan of action to inform customers of the services that it provides, and the benefits of using these services, including enhancing its Intranet Web site.

A Bureau Response: The A Bureau agreed with this recommendation.

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that A/LM/AQM has planned to inform customers of its services and the benefits derived from using these services.

Procurement Support Embedded in Some Bureaus

Another step to accomplish the Customer and Stakeholder Interaction initiative was to implement “mechanisms to facilitate” ongoing dialogue with customers, such as “embedding”

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support personnel with some customers. A/LM/AQM had successfully embedded procurement personnel in at least nine bureaus and offices.²⁵ However, OIG found that A/LM/AQM did not have a formal process to determine where to place embedded staff. Customers who had embedded personnel were generally more satisfied with services provided by A/LM/AQM than customers who did not have embedded staff. Based on customer feedback, OIG considers providing embedded personnel to be a best practice.

The Business Plan stated that A/LM/AQM would establish a number of vehicles to facilitate communications and had already embedded some COs into major customers' office spaces. OIG found that since A/LM/AQM became a WCF cost center, it had successfully "embedded" more than 30 procurement personnel, including COs and contracting specialists and one grants officer, in at least nine bureaus.²⁶ Embedded procurement staff perform the same work that other procurement staff perform, such as processing procurement actions or assisting with statement of work development, but they are physically located at the customer's office.

A/LM/AQM chose to embed staff in the offices of its customers because it believed that this type of day-to-day interaction between program and procurement officials would enhance communications. In addition, embedded personnel would enable A/LM/AQM to maintain awareness of procurement issues, and customers would have regular access to procurement support.

Although A/LM/AQM had embedded staff, it did not have a formal process in place to determine where to place them. A/LM/AQM initially offered embedded staff to bureaus and offices with which it had an SLA (for information on SLAs, see Finding D: Service Level Agreements Had Been Implemented With Interested Customers). However, A/LM/AQM had since expanded the service to other bureaus and offices. An A/LM/AQM official stated that the informal process used to determine where to embed staff included coordinating with customers. In addition, A/LM/AQM typically embedded staff in offices that had complex contractual needs.

OIG concluded that using embedded personnel had been a successful method to improve customer satisfaction through customer interaction. The responses to OIG's customer survey indicated that customers with embedded procurement support found A/LM/AQM assistance to be somewhat more useful and were much more satisfied with the timeliness of services provided by A/LM/AQM than respondents who did not have embedded procurement personnel. Specifically, approximately 45 percent of respondents with embedded procurement staff indicated that they found A/LM/AQM's assistance to be greatly or very greatly useful compared to 42 percent of people without embedded staff. More significantly, approximately 51 percent of respondents that used embedded personnel were generally or very satisfied with the timeliness of A/LM/AQM assistance compared to 42 percent of respondents that did not use embedded procurement staff. One respondent wrote "the embedded CO/Contract Support person" had been "instrumental in helping resolve numerous issues, answer[ing] contractual questions, help[ing] with research, and providing this office with immediate assistance when needed." Another respondent replied that there was daily interaction with the embedded staff person and that "the working relationship is outstanding."

²⁵ During audit fieldwork, A/LM/AQM was unable to provide OIG with a complete list of embedded staff.

²⁶ OIG has one embedded contracting specialist who assists OIG with procurements.

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Other responses to the OIG survey indicated that opportunities existed to expand this program to other locations. Of the 122 respondents who did not have embedded contract support, 51 (42 percent) indicated that they would be interested in this service. One respondent wrote that embedded staff “would save a great deal of time, and strengthen our relationship with AQM, while ensuring better services/products from our vendors.” Another customer stated that “we would be very interested in having an ‘embedded’ AQM resource to support our Bureau. To my knowledge, we have never been approached with the option. This survey was the first time I was even aware it was in practice.” Based on customer feedback, A/LM/AQM should consider expanding the implementation of the best practice of embedding procurement staff in customers’ offices.

Recommendation 7. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), develop a formal methodology to identify customers who want and whom A/LM/AQM determines would benefit from on-site procurement staff.

A Bureau Response: The A Bureau agreed with this recommendation.

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that A/LM/AQM has developed a methodology to identify customers who want and would benefit from having embedded procurement staff.

Recommendation 8. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), take action to provide on-site procurement staff to bureaus and offices that A/LM/AQM determines would benefit from this practice.

A Bureau Response: The A Bureau agreed with this recommendation, stating that it currently provides “on-site procurement staff to bureaus and offices in need of this type of support” and that “have the office space to accommodate additional staff.”

OIG Reply: OIG considers this recommendation resolved. The recommendation can be closed when OIG reviews and accepts documentation indicating that A/LM/AQM has taken action to follow the methodology developed to identify customers who want and whom A/LM/AQM determines would benefit from on-site procurement staff.

Customer Service Advisory Board Meetings Held but Discontinued Because of Lack of Customer Participation

The Business Plan also stated that A/LM/AQM would implement a CSAB to accomplish the Customer and Stakeholder Interaction initiative, which it did. However, A/LM/AQM discontinued CSAB meetings because of the lack of customer attendance. The CSAB is an ideal forum for providing information to customers and obtaining customer input. By providing customers with the opportunity to participate on a CSAB, A/LM/AQM had addressed this component of the Customer Stakeholder Interaction initiative.

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In its Business Plan, A/LM/AQM indicated that one of the methods it would use to improve customer service was the development of a CSAB to “facilitate communication between A/LM/AQM and its customers and stakeholders.” The objective of the CSAB was to provide “an organized recurring forum to facilitate and solicit customer interaction and communication.” A/LM/AQM wanted to obtain customer perspectives to assist in determining procurement priorities and processes. A/LM/AQM anticipated that the Board would help mitigate communication issues that could arise from the creation of the WCF cost center. A/LM/AQM’s customers would be involved in the transformation of how services were provided by A/LM/AQM, and the CSAB would make recommendations for improvements.

A/LM/AQM implemented the CSAB in 2008. The Board included representatives from some of A/LM/AQM’s largest customers, such as the Bureaus of Overseas Buildings Operations, Diplomatic Security, and International Narcotics and Law Enforcement Affairs. The Board also included representatives from other bureaus, such as the Bureau of Resource Management (now called the Bureau of the Comptroller and Global Financial Services) and the Bureau of African Affairs, so that other functional and regional bureaus would be represented. A/LM/AQM originally planned to hold CSAB meetings quarterly. The first CSAB meeting was held in November 2008. However, according to meeting minutes provided by A/LM/AQM, only two additional meetings were held, the last one in February 2010.

A/LM/AQM discontinued CSAB meetings because customer participation at the meetings decreased significantly. Specifically, seven customers attended the first and second meetings, but only three customer bureaus were represented at the meeting held in February 2010. A/LM/AQM officials were not sure why customers chose not to attend the CSAB meetings but thought that it was because there were other more direct mechanisms for customers to communicate with A/LM/AQM, such as embedded staff.

OIG contacted three former Board members to get their perspective on the CSAB. One member attributed the lack of customer participation to some attendees discussing details of bureau-specific procurements rather than focusing on larger issues at the meetings. Another member stated that Board members had competing demands, such as those related to the Department’s efforts in Iraq, which took their focus away from the CSAB. The third Board member was unsure why people stopped attending the Board meetings.

The CSAB would be an ideal forum for customers to obtain information on how A/LM/AQM uses the fees that it collects, to have input on A/LM/AQM initiatives, and to effect positive change related to customer service. Although A/LM/AQM had discontinued the CSAB meetings because of insufficient participation, A/LM/AQM addressed this component of the Business Plan initiative related to customer interaction by providing customers the opportunity to participate in a CSAB.

Organizational Capacity Building Initiative Not Sufficiently Implemented

Another initiative included in A/LM/AQM’s Business Plan to accomplish its customer service goal was Organizational Capacity Building. According to the Business Plan, A/LM/AQM would ensure it had “the requisite level of procurement expertise and support by

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expanding the scope and size of the professional workforce (both employees and contractors).” A/LM/AQM’s objective was to create a “well-balanced team of experts that exceeds customer/stakeholder needs and requirements.” As part of this initiative, the Business Plan indicated that A/LM/AQM would address both internal and external staffing. OIG found that A/LM/AQM had increased the size of its workforce since becoming a WCF cost center and was funding some staff in other bureaus. However, the amount of procurement activity had increased at a higher rate than the increase in staff. A/LM/AQM did not have an updated staffing plan that it could use to analyze its workforce and identify gaps. As a result, A/LM/AQM had not developed a well-balanced workforce that met the needs of all of its customers.

Increases in Internal Staff Have Not Kept Pace With Increases in Procurement Activity

For internal staffing, the Business Plan indicated that A/LM/AQM wanted to have a “multi-faceted and diverse team that would provide effective, accountable, and responsive procurement and grant services.” Some of the internal staff hired by A/LM/AQM would be Government employees and others would be contract personnel.²⁷ In FY 2008, A/LM/AQM set an informal goal to increase its direct hire staff to 200 employees within 5 years of becoming a WCF cost center, by February 2013. A/LM/AQM was unable to provide support for how this goal was set.

OIG found that A/LM/AQM had increased the size of its internal workforce since becoming a WCF cost center. From FY 2007 through FY 2011, A/LM/AQM increased its internal direct hire workforce by 45 positions—from 111 to 156. A significant portion of that increase was for contracting staff. Specifically, the number of contracting professionals²⁸ increased by 37 positions, from 90 at the end of FY 2007 to 127 at the end of FY 2011, a 41 percent increase. The remaining increase in the workforce was for support staff.²⁹ A/LM/AQM officials believed that they were generally on track to meet their direct hire staffing goal. As of January 2013, A/LM/AQM had 185 direct hire employees on board, 11 individuals had been hired but were not yet on board, and 5 positions were unfilled.

A/LM/AQM had increased the overall number of staff since becoming a WCF cost center but the number of transactions processed by each contracting professional had also increased. Specifically, as of the end of FY 2011, the number of transactions processed by contracting professionals had increased by about 55 percent since FY 2007, while the number of contracting professionals increased 41 percent. In FY 2011, on average a contracting professional processed approximately 10 percent more transactions than a contracting professional had processed in FY 2007. This was a significant improvement from FY 2010, when the contracting professionals

²⁷ WCF cost centers can increase the number of direct hire positions as long as the cost center has the necessary funding for the position, including both salaries and benefit expenses.

²⁸ A/LM/AQM’s professional contracting staff is designated with occupational code of 01102 on their staffing patterns. According to the Office of Personnel Management’s Position Classification Standard for Contracting Series, GS-1102, this code covers both contracting specialists and contracting officers with the distinction that contracting officers have delegated contract signatory authority.

²⁹ A/LM/AQM’s internal staff includes not only contracting professionals but also logistics management specialists, management analysts, and procurement agents. These individuals provide support to the contracting professionals in areas such as contract close-out and database management.

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processed more than 30 percent more transactions than contracting professionals processed before A/LM/AQM became a WCF cost center. The workload for contracting professionals from FY 2007 to FY 2011 is shown in Table 6.

Table 6. Workload per Contracting Professional for FYs 2007 – 2011

Fiscal Year	Transactions Processed	Number of Contracting Professionals	Transactions Processed per Contracting Professional	Increase/ (Decrease) in Activity Per Person Since FY 2007
2007	15,418	90	171	--
2008	16,602	91	182	6%
2009	19,735	103	192	12%
2010	23,160	104	223	30%
2011	23,934	127	188	10%

Source: OIG generated from A/LM/AQM provided data.

A/LM/AQM had also increased the number of contractor staff.³⁰ When A/LM/AQM converted to a cost center, it had 39 contractors supporting its workforce. At the end of FY 2008, the number of contractors had increased to 63, a 62 percent increase. In FY 2010, A/LM/AQM reached the highest number of contractors, 106, but by the end of FY 2011, the number of contractors had been reduced to 87 individuals. Although the number of contractors continued to decline to 81 individuals by mid FY 2012, the number remained significantly above the 39 contractors in FY 2008.

External Staff Have Been Funded

For external staffing, the Business Plan indicated that A/LM/AQM wanted to provide its partners, such as the Office of Legal Advisor, with staff to “enhance their ongoing support of A/LM/AQM activities.”³¹ Before it became a cost center, A/LM/AQM did not fund any positions in other bureaus. Since becoming a cost center, A/LM/AQM had funded staff within other Department bureaus. Specifically, an A/LM/AQM official indicated that A/LM/AQM funded one lawyer within the Office of the Assistant Legal Advisor for Building and Acquisitions to assist with acquisition protests, claims, and terminations and one contractor position within the same office to assist the lawyer. A/LM/AQM also funded one accountant with the Bureau of the Comptroller and Global Financial Services, at the Global Financial Services Center in Charleston, South Carolina.

³⁰ According to A/LM/AQM management, its contractor staff provided computer and administrative support, performed market research, and reviewed data entered into FPDS. A/LM/AQM used contracting staff to supplement its workforce in order to have the flexibility to reduce staff quickly should there be a decrease in the amount of acquisition work required by their customers.

³¹ The external staff positions are different than embedded staff discussed in Finding B: Procurement Support Embedded in Some Bureaus. Specifically, embedded staff are considered A/LM/AQM employees, while the external staff are funded by A/LM/AQM but are considered employees of the bureau or office.

Updated Staffing Plan Not Developed

Although A/LM/AQM increased its workforce, it had not increased the number of procurement staff sufficiently to cover the increased workload because it did not strategically plan for future workforce needs. Specifically, A/LM/AQM did not have an updated, useful staffing plan in place. A staffing plan is a planning document used by management to analyze its workforce and identify gaps in its staffing. A/LM/AQM had not prepared a staffing plan for its procurement operations since February 2008, and that document had not been updated to reflect the increase in procurement transactions being processed. The 2008 staffing plan listed, by division and position type, the goals for staffing increases. A/LM/AQM could not provide the methodology used to determine the goals in the 2008 staffing plan; however, one A/LM/AQM official believed that the goals were based on a survey of A/LM/AQM division directors to determine the number of staff the directors believed they needed to effectively process procurement transactions. These numbers were then “adjusted for overall organizational needs.”

Although A/LM/AQM did not have a current staffing plan in place, A/LM/AQM management provided OIG with a copy of the Department’s Acquisition Human Capital Plan, which included acquisition workforce data for the Department, specifically the number of contracting professionals on staff for the prior and current fiscal years and the anticipated number of contracting professionals that the Department planned to have on board for the next fiscal year. While this is a useful report for external users to understand the procurement-related staffing levels, it is not sufficient to take the place of a well-designed staffing plan. The Acquisition Human Capital Plan focused on actual staff on board and anticipated staff that would be coming on board in the upcoming fiscal year rather than assessing the overall needs of the organization, including the types of abilities needed to ensure the procurement services provided were sufficient.

Workforce Insufficient for Customer Needs

By not strategically planning for the future needs of its workforce, A/LM/AQM management could not ensure that it had the well-balanced team of experts envisioned in its Business Plan. In addition, A/LM/AQM had not ensured that the scope and size of its professional workforce was sufficient to meet the needs of its customers. More than 15 respondents to OIG’s customer satisfaction survey identified concerns with the adequacy of A/LM/AQM’s staffing level. For instance, one customer commented “I believe AQM does not have adequate amount of people working based on the demands by [customer’s office]. Because there is not enough employees...things move at a snails pace.” Another customer stated “A/LM/AQM appears to be chronically understaffed.”

In addition to its customers, GAO also reported concerns with the adequacy of A/LM/AQM’s staffing level. In a recent report,³² GAO concluded that the Department did not possess “the contracting or subject matter expertise to plan, manage, and oversee contracts” in Iraq and Afghanistan. Specifically, GAO found that the Department of Defense had 71 full-time personnel involved in planning, awarding, and overseeing a support services contract in Iraq that

³² *Iraq and Afghanistan – State and DOD Should Ensure Interagency Acquisitions Are Effectively Managed and Comply with Fiscal Law* (GAO-12-750, Aug. 2012).

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was being turned over to the Department, while the Department had only provided 2 full-time and 16 part-time personnel to perform the same function.

Without strategically planning for the future needs of its workforce, A/LM/AQM will not obtain the knowledge and critical skills needed to perform required contracting and cannot ensure that it achieves its objective of creating a well-balanced team of experts that exceeds customers' needs and requirements.

Recommendation 9. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop a 3-year staffing plan that identifies the number of staff needed and the required mix of staff, based on expectations of contracting needs, including contract oversight responsibilities.

A Bureau Response: The A Bureau agreed with this recommendation, stating that it currently "plans for staffing needs" and incorporates the information into the Department's Acquisition Human Capital Plan. However, the A Bureau stated that it would supplement the Acquisition Human Capital Plan "with a more robust staffing plan."

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that A/LM/AQM has developed a 3-year staffing plan, which includes the number and mix of staff positions.

Additional Areas of Improvement Needed To Address Customer Satisfaction

In addition to the issues related to the initiatives for the customer service goal included in the Business Plan, OIG noted other areas that A/LM/AQM could address to improve customer service. Specifically, although A/LM/AQM included a customer service-related element in employees' performance standards, the element was not sufficient to address customer service. In addition, A/LM/AQM did not require that its procurement staff attend customer service training. Further, many A/LM/AQM customers were not aware of the A Bureau's Customer Advocate.

Customer Service-Related Performance Standards Not Sufficient

An A/LM/AQM official indicated that all contracting employees, regardless of grade, have a customer service requirement in their performance standards. However, the requirement was limited to assessing whether an employee "contributes to the office's responsiveness by replying to emails and phone calls within one work day on average (unless in training, on TDY, or approved leave)." This standard focuses on the timeliness of communication, not the timeliness or quality of the procurement services provided.

An Office of Personnel Management guide relating to customer service³³ states that "agencies need tools to help them achieve customer satisfaction goals. The performance management program an agency establishes can be an important tool for aligning and setting

³³ "Improving Customer Service Through Effective Performance Management," PMD-04, Sept. 1997.

customer service goals and standards.” The Office of Personnel Management guide indicates that goal setting is the first component of effective performance management. When goals are customer-focused, employees’ efforts are centered on customer satisfaction. Asking customers what they want is the most important part of setting customer service performance standards. Once customers’ needs are determined, A/LM/AQM could identify attributes that define quality for customers and define specific performance standards and indicators based on these goals. The Office of Personnel Management guide also indicated that measuring customer satisfaction provides feedback to employees on their efforts to achieve customer service goals. As discussed in Finding B: Customer Satisfaction Surveys No Longer Used and Other Formal Feedback Mechanisms Have not Been Implemented, A/LM/AQM did not have a formal mechanism in place to obtain customer feedback on A/LM/AQM’s performance.

Recommendation 10. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), revise the performance standards of its employees to include additional standards related to customer service. A/LM/AQM should consult with customers on their needs and develop these additional standards accordingly.

A Bureau Response: The A Bureau agreed with this recommendation.

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that A/LM/AQM has revised employee performance standards.

Customer Service Training Not Mandated

A/LM/AQM officials stated that its employees were not required to take customer service training. Customer service training teaches employees the knowledge, skills, and competencies required to increase customer satisfaction. One official indicated that some employees had taken a 3-day customer service course offered by the Foreign Service Institute, but this course was not required. Based on the results of OIG’s customer satisfaction survey, OIG concluded that A/LM/AQM needs to take steps to improve customer service. Several respondents cited concerns with A/LM/AQM’s customer service, for instance, one respondent stated that “We have found [the A/LM/AQM person who provides services] to be very curt, sometimes even rude, insulting, or bullying.” Another customer stated that “Frequently I and [other people in the respondents office are] confronted with an astounding level of hostility, condescension, and out-right rudeness.” In addition, one person stated that “I find AQM to be very disrespectful in their communications and interaction with our office. Their condescending tone and untouchable demeanor has garnered an atmosphere of distrust.” Employees who are properly trained and who demonstrate professional customer service skills can improve customer satisfaction.

Recommendation 11. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop a mandatory customer service training curriculum for its employees.

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A Bureau Response: The A Bureau agreed with this recommendation, stating that it would use the “Foreign Service Institute to provide customer service training.”

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG receives documentation describing the customer service training that the A/LM/AQM procurement staff are required to receive.

Customers Generally Unaware of Customer Advocate

The Department’s *Foreign Affairs Manual*³⁴ indicates that the A Bureau has a Senior Advisor who serves “as a customer advocate for all” customers of the A Bureau’s Office of Logistics Management “throughout the Department.” A customer advocate’s job is to protect the rights of the customer. The A Bureau’s Customer Advocate is responsible for three offices—Office of Program Management and Policy, Logistics Operations, and A/LM/AQM. According to the Customer Advocate, the position was created at least 5 years ago and the duties include finding a resolution between offices and customers for non-routine issues. The Customer Advocate stated that he usually is approached by A Bureau staff asking for assistance in handling a customer’s complaint rather than by customers. The Customer Advocate estimated that he had only received 5–6 issues involving A/LM/AQM for consideration during the year he had been in the position. He assumed that A/LM/AQM was doing a good job, since there were so few issues raised with him.

OIG asked customers whether they were aware of the Customer Advocate position. Of 226 customers who responded, only 37 (16 percent) were aware of this position. Almost 84 percent of customers who responded were unaware that they could contact a customer advocate with concerns. According to the Customer Advocate, he was once introduced at a regional bureau workshop but had not been introduced to other individuals involved in procurement. OIG reviewed the A Bureau’s Intranet Web site and could find no mention of the Customer Advocate position. In fact, the title of the person currently holding the position of Customer Advocate is listed as “senior advisor.” For this position to be meaningful, A/LM/AQM must ensure that customers are aware it exists.

Recommendation 12. OIG recommends that the Bureau of Administration, Office of Logistics Management, develop and implement a plan to ensure that customers are aware of the Customer Advocate position.

A Bureau Response: The A Bureau agreed with this recommendation.

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that the Bureau of Administration, Office of Logistics Management, has developed a Customer Advocate awareness plan.

³⁴ 1 FAM 215.1, “Senior Advisor (A/LM/ADV).”

Most Customers Satisfied With Services, but Significant Numbers Expressed Dissatisfaction

Because A/LM/AQM had not performed a recent customer satisfaction survey, OIG surveyed A/LM/AQM's domestic customers. (See Appendix A: Scope and Methodology for a description of the process used for the survey.) The survey, including a summary of responses, is included in Appendix B. OIG achieved a response rate to the survey of more than 30 percent. In general, OIG found that most customers were satisfied with the service they received from A/LM/AQM. However, a significant number of customers were not satisfied. In addition, OIG found that few customers noted increased satisfaction with A/LM/AQM services since it had become a cost center, and more customers were generally dissatisfied.

OIG asked respondents to rate their satisfaction with certain services being provided by A/LM/AQM. In general, more than 45 percent of respondents were either generally or very satisfied with the various services being provided by A/LM/AQM that were included in the survey. Almost 62 percent of respondents were either generally or very satisfied with assistance provided by A/LM/AQM for procurement planning, and more than 58 percent of respondents were either generally or very satisfied with A/LM/AQM's contract negotiations. Although many respondents were satisfied with the services provided, between 14 and 33 percent of respondents indicated that they were dissatisfied, depending on the service. For instance, more than 26 percent of respondents indicated that they were either generally or very dissatisfied with A/LM/AQM's assistance with and reviews of statements of work, and more than 30 percent of respondents indicated that they were either generally or very dissatisfied with A/LM/AQM's assistance with cost and pricing support.

Although one of A/LM/AQM's goals was related to customer satisfaction, OIG found that customers were only slightly more satisfied now than they were prior to 2008. Specifically, OIG asked respondents to rate to what extent they found assistance or information provided by A/LM/AQM useful both before and since it had become a WCF cost center in 2008. Since becoming a WCF cost center, the percentage of customers that found the assistance or information provided by A/LM/AQM to be of great or very great use had increased from 39 percent to 43 percent. However, the percentage of customers that found the assistance or information provided by A/LM/AQM of some or little to no use since it became a cost center also increased, from 25 percent to 31 percent. Although some respondents noted improvement in this area since A/LM/AQM had become a cost center, others were less satisfied.

OIG also asked respondents to rate their satisfaction with the timeliness of assistance or information provided by A/LM/AQM both before and since it had become a WCF cost center in 2008. Since becoming a WCF cost center, the percentage of customers that was generally or very satisfied with the timeliness of assistance remained almost constant, increasing from 45 percent to 46 percent. However, the percentage of customers that were generally or very dissatisfied with the timeliness of assistance provided increased from 25 percent to 31 percent. These responses indicated that customers were somewhat less satisfied with the timeliness of assistance and information since A/LM/AQM became a WCF cost center.

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The narrative responses OIG received from its customer survey were also mixed. Some people provided very positive feedback. For instance, respondents stated

- “A/LM/AQM does a great job” for the bureau for which the respondent worked “and we believe it is well worth the 1% we pay.”
- “I find AQM very responsive and able to provide a wealth of knowledge.”
- “I have always found AQM, [particularly one branch and person], absolutely fantastic to work with. They are extremely prompt, willing to think creatively and provide valuable guidance.”
- “I would just like to express my appreciation for the assistance of my contacts in A/LM/AQM.”

However, a number of respondents provided negative comments, citing issues with timeliness, customer service, and assistance provided. For instance, respondents stated

- “The level of service has generally been quite poor. When we have shared our complaints with senior leaders at AQM, we were told we were wrong and that the contracting officer in question is actually very professional and couldn’t have done the things we said.”
- “I don’t understand how [the 1 percent fee] would incentivize better service when there is no alternative to AQM.”
- “AQM often takes quite a bit of time to respond to inquiries.”
- “A/LM/AQM has been the most difficult office to deal with...for years. Staff is generally unhelpful, slow to respond, not informed, and unreliable. Paying them 1% is a joke since that would imply we are their customer.”
- “The only real issue I have experienced is timeliness or responsiveness to questions or pending issues which seem to sit for a long time. One has to take the initiative to follow up in order to get a response.”
- “Many of the staff are not knowledgeable concerning contract procedures or requirements. This leads to delays in meeting deadlines.”

Some respondents noted that service differed based on who in A/LM/AQM provided assistance. For instance, one respondent stated, “It really depends on who the contract[ing] officer or specialist is.” Another respondent stated, “I have found that the customer service from A/LM/AQM depends on the contract specialist that you are working with.”

In addition, several respondents indicated that they did not believe that service had improved since A/LM/AQM had become a WCF cost center. For instance, customers stated

- “I have really not seen a difference on the overall impact since the change to the cost center. I was under the impression that the cost center would speed things up and I really haven’t seen that happen.”
- “Have not seen a noticeable difference since 2008.”
- “I’ve seen little or no improvement in the support provided by AQM since they went to a fee-for-service.”

- “I don’t sense that there has been any change in AQM since the WCF move. AQM is generally responsive and timely with our requests. But I don’t see them as a highly customer-service oriented operation. The CO seem unapproachable, distant. The specialists, who can be quite helpful, change very often during the life of a contract.”

Finding C. Some Actions Were Taken To Continuously Improve Operations, but Additional Improvements Are Needed To Accomplish Goal

A/LM/AQM’s Business Plan included a goal to continuously improve operations “through human capital investment and improved business processes.” The Business Plan included three initiatives to accomplish this goal: (1) Human Resources Development, which included recruiting, hiring, retention, and succession as well as professional development and recognition; (2) Internal Reviews; and (3) Business Process Mapping and Procedures Standardization. Although A/LM/AQM had taken steps to implement these initiatives, more needs to be done in order to accomplish the goal. For instance, OIG found that A/LM/AQM had implemented several human resources development strategies but had not developed a formal recruiting plan or succession plan. In addition, some employees expressed confusion about the intern program, and, to meet its training needs, A/LM/AQM relied on free courses offered by other agencies that were not always readily available. Retaining and training current employees is typically less costly and less disruptive than hiring new staff.

OIG found that A/LM/AQM had performed the internal reviews included as milestones in the Business Plan. However, A/LM/AQM did not have a process in place to periodically review its acquisition processes, procedures, and performance. By not performing internal reviews of these elements, A/LM/AQM may be missing opportunities to improve the effectiveness and efficiency of its operations. OIG also found that A/LM/AQM had mapped core procurement processes for three programs. Although A/LM/AQM had some operational guidance available on its Intranet Web site, A/LM/AQM had not developed comprehensive SOPs for many general procurement activities. Without specific procedures for procurement activities, inconsistencies could occur in procurement activities, and work may not be performed efficiently.

Some Human Resources Development Strategies Implemented, but More Could Be Done

One of the initiatives included in A/LM/AQM’s Business Plan to accomplish its goal to continuously improve operations was Human Resources Development, which included two components: (1) recruiting, hiring, retention, and succession and (2) professional development and recognition. According to the Business Plan, A/LM/AQM was “producing a cohesive and comprehensive professional development program that begins with a targeted recruitment strategy, incorporates continuous education, and institutes a performance-based evaluation and recognition system.”

OIG found that A/LM/AQM had implemented several strategies to attract and retain employees; however, A/LM/AQM had not developed a formal recruiting plan or succession plan and had not tracked attrition or formally determined why employees were leaving the organization. A/LM/AQM had also implemented an intern program and had provided external

training to address professional development. However, some employees expressed confusion about the intern program. In addition, to meet its external training needs, A/LM/AQM relied heavily on free courses offered by other agencies, which were not always readily available to employees.

A/LM/AQM had included employee surveys as a metric to assess Professional Development and Recognition in its Business Plan but did not perform them. Employee satisfaction surveys are a useful tool to help evaluate the success of employment and training strategies. Most of the A/LM/AQM employees interviewed by OIG indicated that they were satisfied overall with their jobs. Retaining and training current employees is typically less costly and less disruptive than having to hire new staff. Because A/LM/AQM had not fully implemented all of its strategies for human resources development, A/LM/AQM may spend more funds on hiring procurement professionals rather than developing current staff.

Some Strategies Implemented To Recruit, Hire, and Retain Employees but No Recruitment Strategy or Succession Plan

A/LM/AQM indicated in its Business Plan that it wanted to “attract, hire, and retain qualified acquisition professionals.” OIG found that A/LM/AQM had implemented several strategies to attract and retain acquisition professionals. Most employees interviewed were satisfied with their jobs, and telecommuting and alternative work schedules rated highly with employees. However, A/LM/AQM had not developed a formal recruitment strategy or succession plan.

Recruitment and Hiring. One of the milestones for the recruiting, hiring, retention, and succession component of the Human Resources Development initiative was developing a recruitment strategy, which would assist A/LM/AQM in its hiring efforts. A/LM/AQM management was unable to provide OIG with a formal recruitment strategy. According to one official, A/LM/AQM’s recruitment strategy had been to place newly hired staff, depending on the newly hired employee’s skills, where they were needed the most once they had completed the clearance process. A/LM/AQM management believed it needed to be flexible in recruitment because events that would impact A/LM/AQM’s workload could change quickly.

Retention. Another milestone was the development of a telecommuting plan. A/LM/AQM had accomplished this milestone by implementing a telecommuting program that provides employees the opportunity to work from home one day every two weeks. In addition, to the telecommuting plan, A/LM/AQM offered other incentives to retain employees, such as alternative work schedules,³⁵ and reduced rate parking. During interviews with employees, OIG found that employee satisfaction with telecommuting and alternative work schedule programs both rated highly, with 80 percent and 86 percent of respondents, respectively, either very or generally satisfied.

³⁵ For A/LM/AQM, alternative work schedules include compressed work schedules allowing the employee to meet the 80 hours required in a 2-week period typically by working eight 9-hour days, one 8-hour day, and taking the tenth day off.

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Although the Business Plan indicated that A/LM/AQM would maintain metrics on attrition levels, according to A/LM/AQM management, it did not formally maintain this information. While attrition rates may not provide a clear indication of the success or failure of A/LM/AQM's strategies, the rates could alert management that more evaluation of its retention strategies is needed. In addition, although A/LM/AQM management indicated that they informally asked employees why they were leaving, A/LM/AQM did not have a process in place to track the information obtained to enable management to determine whether changes would be necessary to improve retention.

Succession. An additional milestone for the recruiting, hiring, retention, and succession component of the Human Resources Development initiative was the development of a succession plan. A/LM/AQM management was unable to provide OIG with a formal succession plan. According to an A/LM/AQM official, succession planning consisted of A/LM/AQM's requests for additional direct hire positions. Succession planning helps management plan for departures in its staff and retention of current staff. Succession planning, which can be used to identify critical positions or specific skills needed, assists management with determining how to meet future needs. Requesting additional direct hire positions does not meet the intent of a succession plan.

Professional Development Initiatives Not Successfully Implemented

In its Business Plan, A/LM/AQM stated that it wanted to "create, maintain, and improve its workforce skill and competencies," which included providing training and utilizing an existing intern program. A/LM/AQM had an internal professional development program in place which included mentoring. However, some employees were confused about the program specifics. A/LM/AQM also provided external training to its professional staff to obtain their professional certifications. However, A/LM/AQM focused its training strategy on free classes that were not always readily available.

Professional Development. A/LM/AQM provides professional development through an internal intern program, which includes a mentoring component, and external training.

Intern Program. As part of the professional development and recognition component of the Human Resources Development initiative, the Business Plan indicated that A/LM/AQM would develop an intern program and a mentoring program. A/LM/AQM had implemented an "intern program," which incorporated mentoring. A/LM/AQM's intern program, in existence since 2003, applied to most³⁶ newly hired contracting professionals under the GS-12 level. An A/LM/AQM memorandum outlines the responsibilities of the individuals involved in the intern program and lists three major components of the program: (1) rotating assignments for staff on an annual basis, (2) mentoring and coaching by a branch chief or team leader, and (3) training.

The first component of the intern program, rotating assignments, allowed employees in the intern program to annually move between A/LM/AQM's five divisions. The rotation

³⁶ The Intern Program Coordinator stated that there have been some exceptions to placing a new hire into the intern program, specifically when an individual is hired for a specific division. According to A/LM/AQM management, there were only one or two contracting professionals to whom this exception applies.

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exposes employees to various acquisition activities as well as to a variety of A/LM/AQM's customers. For the second component of the intern program, mentoring and coaching, the branch chief or team lead assigned challenging tasks to the interns; included the intern in various aspects of the acquisition process, such as pre-solicitation meetings and site visits; and shared knowledge and experience in specific contracting areas. The final component, training, included both on-the-job training as well as external training.

The intern program was run by an Intern Program Coordinator. According to the Coordinator, contracting professionals were made aware of the intern program when they interviewed for a position in A/LM/AQM. As of October 2012, there were 21 interns in the program. Typically, any contracting professional at the GS-12 grade level or below that begins work at A/LM/AQM is placed in the intern program and remains in the program through three rotations, which takes approximately 3 years, or when promoted to the GS-13 level. The Intern Program Coordinator tracks the interns' progress and ensures that rotations occur and training is provided.

Of the eight individuals interviewed by OIG that met the requirements for the intern program, seven stated that they were not part of the intern program or that they thought the intern program stopped at the GS-11 level rather than continuing to the GS-12 level. A/LM/AQM officials stated that this confusion may have occurred because employees do not always realize that the title of the initiative is "Intern Program." Commonly, an intern program is one in which college students work in an office to develop their skills and provide assistance to the office, rather than an on-the-job training program for professional staff. In addition, some employees with prior contracting experience may not consider themselves "interns." OIG found that A/LM/AQM's "Welcome Packet" contained only one paragraph about the intern program, instructing new employees to contact the Intern Program Coordinator for information.

External Training. The professional development component did not include a specific milestone for external training. However, A/OPE had developed a training curricula for the Department's acquisition professionals, including the contracting staff in A/LM/AQM, to improve and maintain procurement workforce skills. The Department has a Federal Acquisition Certification in Contracting (FAC-C) program and a CO warrant program both of which have three levels of education, training, and experience requirements.³⁷ Table 7 provides details of the different certifications and the acquisition limits for employees at each level.

³⁷ The education and training requirements for both programs are the same.

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Table 7. Department's FAC-C and Warrant Programs for COs

FAC-C Program	Warrant Program	Dollar Threshold
Level I	Level I - Junior	Simplified acquisitions not to exceed \$100,000.
Level II	Level II - Intermediate	Simplified acquisitions up to \$5,500,000 and noncomplex contracts for noncommercial items less than \$500,000.
Level III	Level III - Senior	Simplified acquisitions over the Level II thresholds up to unlimited.

Source: OIG prepared based on information from 14FAH-3 H-330, "Required Training Courses and Domestic Contracting Officer Warrants for Civil Servant Personnel."

A/LM/AQM followed A/OPE guidance on the type of training required for contracting professionals in order to satisfy certification requirements. Specifically, Level I for both programs requires five mandated courses and one elective class, Level II requires three additional mandated courses and two additional electives, and Level III requires one additional mandated course and two additional electives. Each certification and warranting program level has an experience requirement. Specifically, 1 year of contracting experience is required for Level I, 2 years of contracting experience is required for Level II, and 4 years of contracting experience is required for Level III.

The Department's Foreign Service Institute does not offer the contracting courses needed for contract certifications. Therefore, A/LM/AQM relies on the Defense Acquisition University and the Federal Acquisition Institute for employee training. Both institutions offer Department employees free training that fulfills required core contracting courses. Although the classes are free, there is normally a waiting list for these classes, particularly at the Defense Acquisition University, which gives priority to defense personnel over civilian agency personnel. Required contracting courses are also available from non-government vendors.

In FY 2011, A/LM/AQM spent a total of approximately \$53,000 on training for all of its employees, which represents about \$315 per person. An average contracting course at one external training organization costs approximately \$1,100. Based on the cost of the acquisition courses and the amount spent for training, it is clear that not all contracting professionals received a training course at an external vendor in FY 2011. Approximately 33 percent of employees that OIG interviewed stated that they did not believe they received enough training, largely because of the lack of seats available at free training venues and the lack of choices in classes. In addition, one respondent stated that there was a perception among some employees that certain individuals get more training than others, which the respondent attributed to a lack of training guidelines.

Of 139 contracting professionals listed on A/LM/AQM's staffing pattern as of July 31, 2012, 87 employees (63 percent) were warranted COs. If A/LM/AQM's contracting professionals have experienced delays in obtaining the training needed for certification because of lack of space in free classes, it would benefit A/LM/AQM, and the Department as a whole, to send its uncertified contracting professionals to contracting classes offered by private companies and thereby expand its pool of knowledgeable, certified, and, ultimately, warranted COs. Based

on current staffing levels, it would cost approximately \$150,000 each year to provide one external training course to each contracting professional.

Employee Survey. In its Business Plan, A/LM/AQM indicated that it would begin performing employee surveys that A/LM/AQM management could use to evaluate its employment and training strategies. However, A/LM/AQM management was unsure what was intended by the Business Plan for employee surveys or whether A/LM/AQM had ever conducted an employee survey. An employee survey can serve a variety of purposes, such as determining the level of job satisfaction and obtaining employee opinions on a particular policy, such as training, that can be used to make management decisions. An employee survey can help management determine how best to address the needs of its employees.

Impact of Issues Noted With Professional Development

A majority of A/LM/AQM employees interviewed, approximately 75 percent, were either very or generally satisfied with their employment at A/LM/AQM; in fact, none responded very dissatisfied and only three respondents indicated generally dissatisfied. Consequently, the strategies implemented by A/LM/AQM to develop its human resources have been somewhat successful. However, A/LM/AQM could do more in order to produce a cohesive and comprehensive professional development program. Retaining and training current staff is typically less costly and less disruptive than hiring new staff.³⁸ The cost of hiring a new employee when compared to the cost of one that has left ranges from one half to five times the individual's salary, depending on the type of work performed. There can also be a loss in productivity when the individual's work is assumed by employees who already have a full workload. The hiring process, which starts when an employee leaves, includes the costs of background checks and training of the new employee. With its workforce being A/LM/AQM's most important asset, A/LM/AQM should take additional actions to successfully develop and retain its human resources.

Recommendation 13. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, implement a process to track attrition rates and regularly determine employee satisfaction, which would include tracking concerns identified by departing employees.

A Bureau Response: A/LM/AQM plans to work with the Bureau of Human Resources to "track office attrition rates" and "institut[e] an exit interview process" to "identify concerns" of departing employees.

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that A/LM/AQM has implemented a process to track attrition rates and to regularly determine employee satisfaction. Regularly determining the satisfaction level of current employees, as well as departing employees, would not only assist management in its decision-making process but would also increase employee morale.

³⁸ Based on articles prepared by two companies providing customer service consulting.

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Recommendation 14. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop a succession plan.

A Bureau Response: The A Bureau agreed with this recommendation, stating that the Department's Acquisition Human Capital Plan includes the succession plan for A/LM/AQM.

OIG Reply: OIG considers this recommendation resolved. OIG assessed the Acquisition Human Capital Plan and found that the plan included acquisition workforce data and information on other initiatives such as training, recruitment, and retention incentives. However, the Acquisition Human Capital Plan did not identify critical positions or specific skills needed that would help management determine its future workforce needs as would be included in a well-developed succession plan. This recommendation can be closed when OIG reviews and accepts documentation showing that A/LM/AQM has developed a succession plan.

Recommendation 15. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop a plan to improve its communication of its intern program to employees, such as including information in its Welcome Package.

A Bureau Response: The A Bureau agreed with this recommendation, stating that information on the intern program would be included in the A/LM/AQM Welcome Package.

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that the Welcome Package has been updated to include additional information about the intern program.

Recommendation 16. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop guidelines on training provided to contracting professionals, including annual goals for providing training to employees, such as the number of employees receiving courses each year.

A Bureau Response: The A Bureau agreed with this recommendation, stating that A/LM/AQM "will provide guidelines to ensure that contracting professionals are aware of the types of training that are available."

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation showing that A/LM/AQM has developed guidelines that include annual training goals for its employees.

Internal Reviews Performed, but Effort Could be Expanded

One of the initiatives included in A/LM/AQM's Business Plan to accomplish its goal to continuously improve operations was Internal Reviews, which included a QA Plan and the

performance of internal reviews. OIG found that A/LM/AQM had established a QA plan and had performed the internal reviews included as milestones in the Business Plan. In addition, A/OPE periodically reviewed A/LM/AQM operations to ensure compliance with Federal procurement laws and regulations. However, A/LM/AQM did not periodically review its acquisition processes, procedures, and performance. By not performing internal reviews of these elements, A/LM/AQM may be missing opportunities to improve the effectiveness and efficiency of its operations.

Quality Assurance Plan Was Developed

In its Business Plan, A/LM/AQM indicated that one of the methods in place to accomplish its Internal Review initiative was a QA Plan, which provided “an easy to use, ready reference for determining the proper level of review, approval, and signature authority for A/LM/AQM contractual documents.” (Appendix D includes an excerpt from the QA Plan.) According to the DOSAR,³⁹ each domestic contracting activity is required to “develop a QA plan for review and approval of contract actions to ensure that all requirements of law, regulation, Departmental policy, and sound procurement practices are met.” OIG found that A/LM/AQM had developed and implemented a QA Plan. The QA Plan includes information for various types of contract documents, including Acquisition Plans, Debarment or Suspension Recommendations, and Invitations for Bids, as well as various types of contracts. It also provides the reference or authority, such as the FAR or DOSAR citation, for the signatures, reviews, or approvals.

Internal Reviews from Business Plan Were Performed, but Additional Reviews Could be Done

A/LM/AQM’s Business Plan also indicated that A/LM/AQM would perform internal reviews, both planned and random, in order to accomplish its Internal Review initiative. The Business Plan identified three types of internal reviews that would be performed: reviews of high-impact procurements,⁴⁰ a review of FPDS data,⁴¹ and a contract close-out⁴² survey. OIG found that A/LM/AQM had performed all three of these internal reviews. Specifically, A/LM/AQM officials annually brief A Bureau management on high-impact procurements to help ensure effective acquisition strategies are being utilized for these procurements. In general, the

³⁹ DOSAR 604.71, “Procurement Quality Assurance Program.”

⁴⁰ Procurement Information Bulletin 2004-8, “High Impact Acquisition Briefings” indicates that the following criteria should be used to identify high-impact acquisitions: value over \$50 million, significance to the Department or to the Government as a whole, expected external scrutiny, and importance to requiring bureau or office. The Procurement Information Bulletin requires that the heads of contracting activities prepare a list of potential high-impact acquisitions and be prepared to brief the Procurement Executive on these acquisitions.

⁴¹ FPDS is a database of executive agencies’ procurement data that is used to measure the impact Federal procurement has on the nation’s economy, the impact of full and open competition on the acquisition process, and the categories of businesses that receive procurement awards. The Office of Federal Procurement Policy with the Office of Management and Budget required the establishment of FPDS in order to collect, analyze, and disseminate procurement data to the Congress, the executive branch, and the public.

⁴² Contract closeout is the last step in the Government contracting process and starts with the CO verifying that all work under the contract has been completed. The CO then determines whether the final payment can be made to the contractor, settles any disputes, and ensures that all administrative actions required by the FAR and specific agency procedures are accomplished, to include the deobligation of any remaining funds.

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procurements selected as high-impact relate to contracts in Iraq and Afghanistan, projects in the Bureaus of Information Resource Management or Consular Affairs, and construction contracts but could involve any procurement that meets the criteria for high-impact procurements.

A/LM/AQM had also implemented a process to review FPDS data. Each agency is required to annually certify the validity and completeness of the data in FPDS. A/LM/AQM's Business Operations Division performs two different reviews of FPDS data. One is a weekly review of contract actions to ensure that the data in FPDS is complete. The other review is a monthly review of data to determine the accuracy of the data. The monthly reviews ensure that the data in FPDS is accurate and are compiled into a quarterly report, which identifies trends.

Additionally, A/LM/AQM performed the contract close-out survey. The close-out survey was performed to inventory contracts eligible for close-out and was used to develop a contract close-out database. According to an A/LM/AQM official, the Global Financial Management System does not track or report on contracts eligible for closeout, so prior to performing the survey, A/LM/AQM did not have a comprehensive and historical inventory of contracts.

In addition to the internal reviews performed by A/LM/AQM staff, A/OPE also performed periodic Procurement Operations Reviews to ensure that A/LM/AQM staff were following the Department's procurement policies. These reviews ensured compliance with the FAR by acquisition staff and offered best practices, findings, and recommendations to A/LM/AQM.⁴³

Although A/LM/AQM had implemented the internal reviews specifically mentioned in its Business Plan, it did not have a formalized review process in place to regularly assess its acquisition processes, procedures, or performance. Although A/OPE occasionally reviewed procurement activity within A/LM/AQM, these reviews were not performed on a regular basis. A/LM/AQM would benefit from regular, formalized, self-assessments of procurement activities. For instance, A/LM/AQM could implement a quality control review process that would assess a selection of acquisition activities performed within A/LM/AQM to ensure that acquisitions complied with contracting standards, timeliness metrics⁴⁴ were met, and customers were satisfied with services provided. This type of review would highlight opportunities for A/LM/AQM to improve operations. In addition, A/LM/AQM could periodically review the effectiveness of operating procedures.

OIG identified other Federal agencies whose acquisition guides included self assessments of acquisition functions intended to evaluate processes used and identify areas needing improvement. For example, the National Oceanic and Atmospheric Administration's acquisition guide included three types of reviews for its Simplified Acquisition Procedures—compliance, efficiency, and quality. The compliance reviews ensure conformity with regulatory guidance.

⁴³ A/OPE's two most recent procurement reviews were the following: A/OPE's Jan. 17, 2012, memorandum "Joint Procurement Management Review of the Regional Procurement Support Office (RPSO), Frankfurt, Germany and Antwerp, Belgium" and A/OPE's "Procurement Operation Review—U.S. Department of State, Bureau of Administration, Logistics Management, Acquisition Management," dated June 2010.

⁴⁴ A/LM/AQM has developed and tracks metrics related to the time to assign requisitions, the time to award contracts by type, and the time to award grants. A/LM/AQM includes this information in a "Metrics Report."

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The efficiency reviews are used to provide better customer service by determining whether the most efficient procurement method is being used. The quality reviews provide management an opportunity to identify improvements in processes such as evaluation of quotations, contract administration, and screening for mandatory sources.

A/LM/AQM officials stated that they believed that the QA Plan was sufficient to ensure that procurement activities were being performed as planned and that procedures were being followed. The officials also stated that the Integrated Logistics Management System (ILMS)⁴⁵ does not allow COs to skip approvals, and COs are legally liable for the amount of the contract that they are awarding. While these are important acquisition controls, they do not provide feedback to management that internal procedures are working as planned, identify procedures that could be modified to improve the efficiency of operations, or identify customer service deficiencies. Although the reviews performed by A/OPE ensured that Federal acquisition laws and regulations were being followed by A/LM/AQM, these reviews serve a different purpose than an internal review or assessment of an organization's procedures.

Internal reviews, or self assessments, can help an organization to better align resources with objectives and evaluate and improve the effectiveness of the organization's processes and procedures. By not including these types of reviews in its internal review processes, A/LM/AQM management may be missing opportunities to improve the effectiveness or efficiency of its operations and provide better customer service.

Recommendation 17. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, identify additional internal reviews that it would perform to assess procurement activity, internal processes, and performance and develop a plan to implement the reviews that it considers beneficial.

A Bureau Response: The A Bureau agreed with this recommendation.

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts documentation detailing additional planned internal reviews, including information on how these reviews will be implemented.

Some Key Business Processes Mapped and Policies and Guidelines Available, but Standard Operating Procedures Could Be Improved

One of the initiatives included in A/LM/AQM's Business Plan to accomplish its goal to continuously improve operations was Business Process Mapping and Procedures Standardization. Specifically, A/LM/AQM planned to map "primary business processes to identify opportunities for process improvements" and develop SOPs "to ensure consistent service delivery and to drive performance improvements." The Business Plan stated that A/LM/AQM had mapped core procurement processes for three programs. However, since developing the Business Plan, A/LM/AQM had not mapped the procurement processes for other programs because it believed that the three programs that had been mapped were the most significant

⁴⁵ ILMS is an information system that combines purchasing, procurement, warehousing, transportation, and property management, and other functions, into one integrated system.

programs, and other processes were not sufficiently repeatable. In addition, although A/LM/AQM had some operational guidance available on its Intranet Web site, A/LM/AQM had not developed comprehensive SOPs for many general procurement activities. Without specific procedures for procurement activities, inconsistencies in how the activities are performed could occur and work may not be performed efficiently. A number of customers expressed concerns about the consistency of the services provided by A/LM/AQM staff, which indicates that specific SOPs would be beneficial.

Some Business Process Mapping Performed, but More Needed

Business process mapping refers to activities that define exactly what an entity does and who is responsible. One of the factors included in the Business Plan to accomplish the Business Process Mapping and Procedures Standardization initiative was that A/LM/AQM had already mapped the core procurement processes for three Department programs to identify opportunities to improve customer satisfaction, efficiency levels, teamwork, and accountability. Specifically, A/LM/AQM had mapped the procurement processes for the Overseas Furniture Program, the Local Guard Program, and Controlled Access Area Procurements. The business process map for the Overseas Furniture Program described procurement activities for acquiring overseas office and residential furniture and information on acquiring furniture for new embassy compounds. The business process map for the Local Guard program included a description of responsibilities for various parties, such as the Regional Security Officer and A/LM/AQM, for the preaward and postaward phases. A/LM/AQM was unable to provide documentation supporting the Controlled Access Area procurement processes mapping.

The Business Plan's milestones for this initiative indicated that A/LM/AQM would map additional business processes.⁴⁶ However, OIG found that A/LM/AQM had not mapped the processes for other Department programs or procurements. An A/LM/AQM official stated that the three business processes that had been mapped were the most significant processes and that other business processes either were not significant enough to make it cost effective to map the process, or the processes did not have sufficiently repeatable processes. However, OIG identified other significant processes that it concluded may benefit from business process mapping efforts, such as new embassy construction and grants.

Standard Operating Procedures Not Sufficient

The Business Plan also stated that A/LM/AQM would develop SOPs to ensure consistent service delivery and to drive performance improvements. However, OIG found that A/LM/AQM had not developed specific SOPs for all of its significant processes, such as procurement planning and preparing statements of work. A/LM/AQM officials indicated that they did not need SOPs to address general procurement activities because the FAR and DOSAR were sufficient for their needs. A/LM/AQM officials stated that its procurement staff follow the procurement guidelines established by the FAR, which addresses every procurement from purchase card transactions to major procurements. In addition, A/LM/AQM officials stated that, as discussed in Finding C: Internal Reviews Performed, but Effort Could Be Expanded, the QA Plan provided guidelines on the approvals needed for procurement documents and includes

⁴⁶ The Business Plan did not provide details on what additional processes would be mapped.

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references to the FAR and DOSAR requirements (see Appendix D for an excerpt from the QA Plan).

A/LM/AQM officials also stated that bureau staff used guidance issued by A/OPE, such as Procurement Information Bulletins and supplements. In addition, A/LM/AQM had developed some operating guidance that it issued via A/LM/AQM memos and maintained on its Intranet Web site. (Appendix E includes a list of operating guidance found on A/LM/AQM's Intranet Web site.) For instance, A/LM/AQM had instructions for maintaining contract file documentation and preparing justifications for other than full and open competition. A/LM/AQM's Intranet Web site also included other useful tools, such as flowcharts of the acquisition and grant processes and a description of the contract close-out process.

Although the documents provided on A/LM/AQM's Web site would be useful for a customer and procurement staff to understand specific components of acquisition processes, the Web site did not contain SOPs that addressed the full scope of the procurement processes. While guidance included in the FAR and DOSAR is essential, these are policies not SOPs. An SOP is the detailed explanation of how a policy should be implemented. An effective SOP communicates who will perform a task, what materials are necessary, where the task will take place, when the task shall be performed, and how the person will execute the task.

Without sufficient business process mapping and policies and procedures, inconsistencies in how activities are performed could occur and work may not be performed efficiently. In response to OIG's customer survey, a number of customers expressed concern with the inconsistent service provided by A/LM/AQM:

- "Each new CO that comes along changes all the processes and procedures because they claim the previous CO did not do things correctly.... The processes and procedures at AQM are personality based rather than institutionalized."
- "Communication is poor. AQM creates policy via emails and then it changes. There is no consistency or communication when policy is conceived and communicated."
- "I would like to have a clear written guideline regarding '[dos]' and 'don'ts'..."
- "AQM really need[s] to be consistent on their rules, regulations and policies."
- "There is minimal consistency between Contracting Officers on how particular contracting actions are handled, requiring CORs to adapt to the particular CO."
- "Working with AQM can be frustrating at times.... Each CO seems to have their own way of doing things so each time an issue comes up we have to find out what the CO wants."

Recommendation 18. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, identify significant procurement processes to map and develop standard operating procedures that currently are not included in available procedures.

A Bureau Response: The A Bureau stated that A/LM/AQM's Quality Assurance Plan "maps out the federal procurement process" and allows A/LM/AQM to be "flexible and nimble when responding to urgent requests."

OIG Reply: OIG considers this recommendation unresolved. A/LM/AQM's QA Plan details the responsibilities for reviewing, signing, and approving various types of contract actions. However, the plan does not include detailed procedures for processing contracting actions, for instance, specific documentation required and timelines. An effective standard operating procedure provides step-by-step instructions that allows employees to perform tasks consistently. A/LM/AQM's customers noted concerns with the lack of consistency in procurement support. This recommendation can be closed when OIG reviews and accepts documentation showing that A/LM/AQM has mapped additional procurement processes and has developed standard operating procedures.

Finding D. Service Level Agreements Had Been Implemented With Interested Customers

A/LM/AQM's Business Plan included a goal to improve performance measurement. One of the initiatives identified to accomplish this goal was the implementation of SLAs with A/LM/AQM's customers. OIG found that A/LM/AQM had established SLAs with three customers since the inception of the cost center. A/LM/AQM indicated that additional customers were not interested in implementing SLAs. SLAs are ideal mechanisms to improve communication and to allow customers to have input on the services that A/LM/AQM provides, including timeframes for providing those services. By providing the opportunity for customers to negotiate SLAs, A/LM/AQM addressed the commitment in the Business Plan.

The Business Plan stated that "performance standards, metrics, and trends that are meaningful to customers, stakeholders, and A/LM/AQM management, are essential to improve the quality of acquisition and grant services." One of the initiatives included in the Business Plan to accomplish the performance measurement goal was implementing SLAs with customers. A/LM/AQM's objective for implementing SLAs was to improve "customer service and communicate expectations by identifying current and potential services and expected volume levels, by selecting key performance measures, and by establishing reporting and review meetings." An SLA is a written agreement between A/LM/AQM and the customer that outlines mutually agreed upon performance metrics, standards, communication channels, and feedback mechanisms. The SLAs used by A/LM/AQM list the parties involved, discuss the reports to be provided and meetings to be held, include a provision for reviewing and updating the agreement as needed, list the responsibilities of the parties, and include the performance indicators and corresponding benchmarks against which A/LM/AQM's performance would be measured.

Since becoming a WCF cost center, A/LM/AQM had executed three SLAs. Two of the SLAs were at the bureau level—Overseas Buildings Operations and African Affairs—and one was with a program office, the Bureau of Diplomatic Security, International Programs Directorate, Office of Overseas Protective Operations. A/LM/AQM management had anticipated that SLAs would be the driver in establishing the working relationship with its customers. However, according to A/LM/AQM officials, most customers did not want an SLA. A/LM/AQM officials stated that A/LM/AQM had reorganized to better align with bureaus and had embedded more staff in customers' offices. The officials believed that these initiatives had improved lines of communication, so customers did not consider SLAs to be necessary.

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OIG contacted officials in three bureaus that did not have an SLA with A/LM/AQM to determine whether these bureaus thought an SLA would be useful. Two of the three bureaus responded to OIG's request for information. One bureau's administrative officer did not see the usefulness of implementing an SLA with A/LM/AQM at this time because the bureau was satisfied with the service from and communications with A/LM/AQM. An official from the other bureau stated that bureau officials "found the text of the proposed agreement insufficiently specific, especially as it regards the nature of the support [the bureau] would receive in return for the substantial surcharge costs that were to be imposed." Without understanding what the fee was paying for, bureau officials did not believe an SLA would be useful. This bureau had regular communications with A/LM/AQM, including monthly meetings and daily telephone and email contact as needed.

SLAs are ideal mechanisms to improve communication and to allow customers to have input on the services that A/LM/AQM provides, including timeframes for providing those services. Although A/LM/AQM had not implemented SLAs with all of its customers, it addressed the commitment in the Business Plan because A/LM/AQM provided its customers the opportunity to negotiate SLAs. Therefore, OIG is not making a recommendation related to SLAs.

Finding E. Measuring Accomplishment of Business Plan Goals Was Not Performed

Although A/LM/AQM included general metrics in its Business Plan, such as customer satisfaction and unresolved customer issues, which could be used to assess the success of implementing the initiatives included in the plan, it had not developed a process to measure the accomplishments of the metrics or of the initiatives or goals in the Business Plan. A/LM/AQM officials considered the Business Plan's goals and initiatives to be reflected in the A Bureau's strategic plan and the measuring of the bureau's strategic goals to be sufficient. However, many of the goals and initiatives included in A/LM/AQM's Business Plan were not included in the Bureau Strategic Plan. A/LM/AQM was tracking some metrics to assess program performance. However, these performance metrics also generally did not tie to the goals in the Business Plan. Without measuring its performance, A/LM/AQM cannot ensure it is making progress on its overall objective of providing consistent and improved procurement services to the Department.

Performance management is a systematic process of monitoring the achievements of program activities, which includes collecting and analyzing performance data in order to track progress toward a defined goal and then using the analyzed data to make informed decisions, including allocating resources, for the program. Measuring performance against program goals is an essential part of performance management. According to a Department guide,⁴⁷ measuring performance is a key tenet to integrated processes of planning, budgeting, and managing and is necessary for a successful program.

⁴⁷ Department of State, "Managing for Results: A Program and Project Management Guidebook," version 10.0, June 2012.

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A/LM/AQM developed a Business Plan for transitioning to being a WCF cost center. This Business Plan included “short-term priorities and long-term outcomes,” including four goals: customer service, innovative management, performance measurement, and continuous improvement. Each of the goals had specific projects or initiatives that would be performed to accomplish the goals and general performance metrics for each of the initiatives. Although the Business Plan included metrics, A/LM/AQM did not have a formal process in place to track the metrics or to measure the accomplishment of the goals or initiatives in other ways.

A/LM/AQM management stated that the Business Plan goals were mirrored in the A Bureau’s strategic plan, and therefore the achievement of goals would be tracked during the strategic planning process. As shown in Table 8, based on OIG’s comparison of Business Plan initiatives and metrics to the A Bureau’s FY 2011⁴⁸ strategic plan indicators and targets, OIG found that the majority of metrics from the Business Plan were not being tracked as part of the A Bureau’s strategic planning efforts. An A/LM/AQM official initially explained that the reason it had not tracked the accomplishment of its Business Plan goals was because the goals would be tracked during the strategic planning process. However, in a response to this finding, an A/LM/AQM official stated that the “strategic vision” of the Business Plan, “which is tactical in nature, cannot be compared to the Bureau’s strategic plan.” OIG agrees with this conclusion and does not consider the tracking of A Bureau strategic goals to be a substitute for tracking the initiative and metrics included in the Business Plan. A/LM/AQM should develop a process to track the status of the goals included in the Business Plan.

Table 8. Comparison of Audited Business Plan Initiatives and Metrics to Strategic Plan Indicators and Targets

Business Plan Initiative	Description of Business Plan Initiative	Business Plan Metrics	Strategic Plan Indicators that Relate to Business Plan	Strategic Plan Targets that Relate to Business Plan
Implementing SLAs	Improve service and communicate expectations.	<ul style="list-style-type: none">• Customer satisfaction• Signed SLAs	<ul style="list-style-type: none">• PSS customer satisfaction• None	<ul style="list-style-type: none">• 80% customer satisfaction survey• None
Financial Analysis and Reporting	Correctly balance fees and expenditures.	<ul style="list-style-type: none">• Yearly review of fee structure	<ul style="list-style-type: none">• None	<ul style="list-style-type: none">• None
Organizational Capacity Building	Ensure requisite level of procurement expertise and support by expanding the size of the professional workforce.	<ul style="list-style-type: none">• Hiring rates• Customer satisfaction• Cost/Pricing Analysis• Contract Administration and Oversight• Competition• Contract Closeout	<ul style="list-style-type: none">• None• PSS customer satisfaction• None• None• None• None	<ul style="list-style-type: none">• None• 80% customer satisfaction survey• None• None• None• None
Customer and Stakeholder Interaction	Formal and informal communication vehicles and mechanisms to	<ul style="list-style-type: none">• Unresolved customer issues• Response rates to customer	<ul style="list-style-type: none">• None• None	<ul style="list-style-type: none">• None• None

⁴⁸ The FY 2011 Bureau Strategic Plan for the A Bureau was submitted on July 7, 2009.

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Business Plan Initiative	Description of Business Plan Initiative	Business Plan Metrics	Strategic Plan Indicators that Relate to Business Plan	Strategic Plan Targets that Relate to Business Plan
	facilitate ongoing dialogue.	satisfaction survey <ul style="list-style-type: none"> • Usage rates • Customer satisfaction 	<ul style="list-style-type: none"> • None • PSS customer satisfaction 	<ul style="list-style-type: none"> • None • 80% customer satisfaction survey
Human Resources Development	Produce professional development program.	<ul style="list-style-type: none"> • Vacant full time equivalent positions • Attrition Levels • Training • Performance System • Employee Survey 	<ul style="list-style-type: none"> • None • None • None • None 	<ul style="list-style-type: none"> • None • None • None • None
Business Process Mapping and Procedures Standardization	Map primary business processes and develop SOPs.	<ul style="list-style-type: none"> • SOPs and Process Maps 	<ul style="list-style-type: none"> • None 	<ul style="list-style-type: none"> • None
Internal Reviews	Perform planned and random internal reviews.	<ul style="list-style-type: none"> • Contract Administration/ Oversight • Competition • State First 	<ul style="list-style-type: none"> • None • None • None 	<ul style="list-style-type: none"> • None • None • None

Source: OIG comparison of A/LM/AQM's Business Plan's initiatives and metrics to A Bureau's FY 2011 Bureau Strategic Plan's indicators and targets.

In addition to the Bureau Strategic Plan, A/LM/AQM had also developed metrics to track program performance, which were based on information from other Federal agencies performing similar procurements. As with the A Bureau's FY 2011 strategic plan, the Business Plan goals do not generally link to the performance metrics that A/LM/AQM tracks. The program performance metrics track the amount of time to assign procurement requests and the amount of time to award procurements for several different types of contracts and for grants. The performance metrics also include a section for reporting customer satisfaction, which was based on the customer satisfaction surveys that had been performed.

For a program to be successful, measuring the status of strategies to achieve the program's goals is crucial. Without measuring its performance, A/LM/AQM cannot ensure it is making progress on its overall objective of providing consistent and improved procurement services to the Department. The Business Plan was essentially a commitment made to customers on how A/LM/AQM would use fees collected. As such, it is essential for A/LM/AQM to measure and report on how it accomplishes these goals. If the Business Plan no longer reflects current goals, initiatives, or metrics, the Business Plan should be updated and reissued.

Recommendation 19. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), develop a process to formally measure and report on its accomplishment of the Business Plan goals. A/LM/AQM should refine or update the goals as needed.

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A Bureau Response: The A Bureau agreed with this recommendation, stating that accomplishments will be reported to the Deputy Assistant Secretary for the A Bureau's Office of Logistics Management.

OIG Reply: OIG considers this recommendation resolved. This recommendation can be closed when OIG reviews and accepts the initial report by A/LM/AQM that measures the accomplishment of its Business Plan goals.

List of Recommendations

Recommendation 1. OIG recommends that the Bureau of Administration, in coordination with the Bureau of Budget and Planning, create a separate point limitation within the Working Capital Fund for the Procurement Shared Services service center.

Recommendation 2. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement a plan for how it will use its portion of the available Working Capital Fund carryover to either implement its Business Plan goals or to improve the efficiency and effectiveness of contract monitoring.

Recommendation 3. OIG recommends that the Bureau of Administration develop and document a methodology for calculating the procurement-service fee, including a process to consider future program costs and the timeframe for periodically reassessing the fee.

Recommendation 4. OIG recommends that the Bureau of Administration reassess the amount of the fee to ensure that it is sufficient and supportable. The results of the reassessment should be made available to customers.

Recommendation 5. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement a formal process to obtain feedback from customers that would include providing customers information on the results of the effort including specific plans on how concerns would be addressed.

Recommendation 6. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement a plan of action to inform customers of the services that it provides, and the benefits of using these services, including enhancing its Intranet Web site.

Recommendation 7. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), develop a formal methodology to identify customers who want and whom A/LM/AQM determines would benefit from on-site procurement staff.

Recommendation 8. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), take action to provide on-site procurement staff to bureaus and offices that A/LM/AQM determines would benefit from this practice.

Recommendation 9. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop a 3-year staffing plan that identifies the number of staff needed and the required mix of staff, based on expectations of contracting needs, including contract oversight responsibilities.

Recommendation 10. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), revise the performance

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standards of its employees to include additional standards related to customer service. A/LM/AQM should consult with customers on their needs and develop these additional standards accordingly.

Recommendation 11. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop a mandatory customer service training curriculum for its employees.

Recommendation 12. OIG recommends that the Bureau of Administration, Office of Logistics Management, develop and implement a plan to ensure that customers are aware of the Customer Advocate position.

Recommendation 13. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, implement a process to track attrition rates and regularly determine employee satisfaction, which would include tracking concerns identified by departing employees.

Recommendation 14. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop a succession plan.

Recommendation 15. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop a plan to improve its communication of its intern program to employees, such as including information in its Welcome Package.

Recommendation 16. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop guidelines on training provided to contracting professionals, including annual goals for providing training to employees, such as the number of employees receiving courses each year.

Recommendation 17. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, identify additional internal reviews that it would perform to assess procurement activity, internal processes, and performance and develop a plan to implement the reviews that it considers beneficial.

Recommendation 18. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, identify significant procurement processes to map and develop standard operating procedures that currently are not included in available procedures.

Recommendation 19. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), develop a process to formally measure and report on its accomplishment of the Business Plan goals. A/LM/AQM should refine or update the goals as needed.

Scope and Methodology

The overall objective of this audit was to determine whether the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), had applied procurement fee collections to implement key procurement-activity goals included in its Business Plan. Specifically, the Office of Inspector General (OIG) assessed the accomplishment of initiatives included in A/LM/AQM's procurement services Business Plan for three goals—performance measurement, customer service, and continuous improvement.

OIG conducted fieldwork for this audit from July 2012 to November 2012 at the Bureaus of Administration (A Bureau), Budget and Planning, Overseas Buildings Operations, Diplomatic Security, International Narcotics and Law Enforcement Affairs, African Affairs, and Western Hemisphere Affairs. OIG limited its audit work to domestic procurement transactions; OIG did not consider procurement activities performed at overseas posts and the Regional Procurement Service Offices. OIG considered procurement activities from FY 2008, when A/LM/AQM became a WCF cost center, through FY 2011.

OIG's objective was to determine whether A/LM/AQM had applied procurement fee collections to implement key procurement activity goals. When it transitioned to a cost center in 2008, A/LM/AQM developed a 3-year Business Plan. A/LM/AQM had not updated this Business Plan, so the plan was still in effect at the time of this audit. The Business Plan set forth four key goals:

- Performance Measurement.
- Customer Service.
- Continuous Improvement.
- Innovative Management.

However, OIG limited its scope to assessing compliance with the performance measurement, customer service, and continuous improvement goals. The fourth goal, innovative management, covered processes to strategically source certain products through bulk purchasing and standardizing the local guard program contracts. Many of the components for this goal related to overseas activities, for instance addressing issues related to the local guard program, overseas furniture, and purchasing pharmaceuticals, which were not included in the scope of this audit. Therefore, OIG determined that it would not include this goal in its overall assessment of A/LM/AQM's implementation of its Business Plan goals.

OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

To obtain background for the audit, OIG researched and reviewed public laws, Government Accountability Office reports, the Department's *Foreign Affairs Manual* and

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Foreign Affairs Handbook, Department cables, the A Bureau's strategic plans, budget-related documents, financial information, documents explaining the justification for A/LM/AQM to become a WCF cost center, including A/LM/AQM's goals, and other guidance and reports.

During the audit, OIG determined to what extent the Department had expended the fees collected for procurement initiatives, limited the use of the funds to A/LM/AQM activities, and regularly reassessed the amount of the fee. Specifically, OIG obtained and analyzed A/LM/AQM financial data and performed a cash flow analysis of the Procurement Shared Services service center from FY 2008 through FY 2011. OIG also gained an understanding of and analyzed the process used to establish the fee amount.

OIG also obtained information on A/LM/AQM staffing levels and analyzed the workload per person during that time period. OIG gained an understanding of the types of services provided by A/LM/AQM from FY 2007 through FY 2011 and assessed A/LM/AQM's initiative to locate its staff in some customers' office space. OIG obtained and assessed documentation relating to the customer satisfaction surveys performed by A/LM/AQM, and OIG conducted its own customer satisfaction survey. (Information on the sampling methodology is provided in the section "Detailed Sampling Methodology" in this appendix.) OIG also obtained information on and feedback about the Customer Service Advisory Board.

In order to determine to what extent A/LM/AQM had improved human capital investment and business processes, OIG gained an understanding of A/LM/AQM's staffing methodology and obtained details on the types of internal reviews of A/LM/AQM being performed and reviewed copies of recent internal review reports. OIG also obtained available documentation on business process mapping and gained an understanding of how A/LM/AQM developed standard operating procedures and assessed the procedures that were available.

OIG also determined whether A/LM/AQM had implemented service level agreements with its customers and assessed the content of the agreements that were in place. OIG also determined whether customers were satisfied with service level agreements and assessed the methodology used by A/LM/AQM to track the results of goals included in the agreements.

Prior OIG Reports

In its review of internal OIG audit and inspection reports relating to the procurement fee, OIG identified numerous OIG reports issued between January 2009 and August 2012 that included recommendations to A/LM/AQM. The report section Missed Opportunities to Improve Procurement Activities discusses findings from some of these reports, and Appendix F includes a list of the reports identified.

Use of Computer-Processed Data

The audit team used computer-processed data from the Department's Global Financial Management System during this audit. OIG obtained financial data on the Procurement Shared Services service center's expenditures and revenue from FY 2008 to FY 2011. OIG did not test the information provided to ensure it was accurate. The Global Financial Management System,

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the Department's domestic accounting system, is used to prepare the annual financial statements, which are audited. In addition, OIG performed some limited analytical procedures of the information to assess the data. OIG determined that, based on how the data would be used in the report, the assurances provided by the annual financial statement audit, and the analytical procedures performed, that the data was sufficiently reliable for its needs.

The audit team also used computer-processed data from the A Bureau's Funds Tracker system, which is an A Bureau application that provides detailed financial information related to the WCF to obtain information on the revenues and expenses of other WCF service or cost centers. OIG did not test the information provided to ensure it was accurate. Based on how the data was used in the audit, OIG concluded that the data was sufficient for its needs.

OIG obtained A/LM/AQM's contracting data for FYs 2007–2011, which was generated by Comprizon and Procurement Desktop for the beginning of FY 2007 and by the Department's Global Financial Management System after May 2007. Comprizon and Procurement Desktop were the procurement systems used prior to the implementation of Global Financial Management System. OIG also obtained copies of the Department's Staffing Patterns for FYs 2007–2012 which are the Department's official staffing documents and were produced by the Department's Bureau of Human Resources. OIG used this data to determine the level of procurement work performed per contracting professional for FYs 2007–2011. Other than the work described, OIG did not audit the data from these systems.

Any issues noted with the computer-processed data used are reported in the Audit Results section of the report.

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the areas audited. For example, OIG identified control deficiencies that led to its findings related to customer service, performance measurement, and continuous improvement. Work performed on internal controls during the audit is detailed in the Audit Results section of the report.

Detailed Sampling Methodology

OIG's sampling objectives were to determine the level of satisfaction of A/LM/AQM's

- customers with A/LM/AQM's efforts to improve customer service, and
- employees with management's efforts to improve human capital investments.

Customer Satisfaction

OIG used a customer satisfaction survey to obtain feedback on customer satisfaction. To select the employees to survey, OIG started with a list of contracting officer's representatives (COR), dated August 16, 2012, provided by the Bureau of Administration, Office of the Procurement Executive (A/OPE). The scope of the audit was limited to domestic procurement activity. Any employee identified on the list provided by A/OPE as being located overseas was

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eliminated. OIG also removed all OIG and A/LM/AQM employees from the list of CORs to maintain OIG independence and limit potential bias. The list of CORs provided by A/OPE included 1,816 names. OIG excluded 651 CORs because they were listed as being overseas or worked for either OIG or A/LM/AQM. Therefore, 1,165 people remained for survey participation.

OIG also selected the Department's Executive Directors to participate in the customer satisfaction survey. OIG obtained a list of Executive Directors from the Department's Intranet Web site as of September 2012, which consisted of 29 names.¹ OIG's Executive Director was eliminated from the list. OIG also eliminated three of the Executive Directors because they were included in the list of CORs provided by A/OPE. In total, OIG excluded four people; therefore, 25 additional people remained for survey participation.

OIG chose to distribute the customer satisfaction survey via email. However, OIG was unable to find some of the people in the Department's Global Address List. Other people were identified as currently being assigned overseas. Many people in the Department rotate to new assignments and others leave the Department. OIG distributed the customer satisfaction survey to 883 employees from A/OPE's list of CORs and 25 additional Executive Directors.

After the survey was distributed, two bureaus contacted OIG to indicate that some domestic CORs had not received the survey. OIG confirmed that these people were not included in the list of CORs provided by A/OPE. To ensure OIG received feedback from as many CORs as possible, it distributed the survey to an additional 16 people identified by these two bureaus. Therefore, the survey was ultimately distributed to a total of 924 people. A total of 307 people responded to the survey, a response rate of approximately 33 percent. (Appendix B provides the survey and the survey results.)

Employee Satisfaction

OIG selected a sample of A/LM/AQM employees to interview to determine employee satisfaction with working in A/LM/AQM. To select employees, OIG used A/LM/AQM's staffing pattern with data as of July 31, 2012. The staffing pattern included a total of 170 employees. OIG did not include supervisors or clerks in the sample, as it wanted to target staff that perform ongoing procurement operations. After these categories were excluded, a total of 149 employees remained. OIG stratified the universe of remaining employees from the staffing pattern into four categories:

- Contracting Professionals at or above the Grade 13 level, but non-supervisory.
- Contracting Professionals at or below the Grade 12 level.
- Grants Management Specialists.
- Other staff members, including Logistics Management Specialists, Management Analysts, Computer Assistants, Purchasing Agents, and Student Trainees.

¹ The list included 33 names, however three individuals were listed twice because they were responsible for two separate bureaus and one individual was not an executive director.

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OIG stratified the groups in this manner to obtain feedback from the different representative groups. Particularly, Contracting Professionals at or below the GS-12 level should be included in A/LM/AQM’s intern program, which is a human capital initiative, so OIG wanted to ensure that it obtained feedback from these employees. Employees in the Other Staff category also perform some aspects of procurement activities or assist to prepare reports, so OIG wanted to obtain feedback from this group as well.

OIG randomly selected one employee from each of the four categories listed above, for each office within A/LM/AQM, which had 21 offices identified in its staffing plan. Not every office had employees in each of the four categories. In total, OIG selected a sample of 47 employees to interview to determine employee satisfaction. Not all employees that were contacted chose to participate, and others could not be reached. Consequently, OIG interviewed a total of 39 employees. Table 1 provides information on the number of employees selected and interviewed by category. For information on the results of the interviews, see Finding C: Some Human Resources Development Strategies Implemented, but More Could Be Done.

Table 1. Number of Employees Selected by Category for Interviews

Employee Category	Number of Employees Selected for Interviews	Number of Employees Interviewed
Contracting Professionals at or above the Grade 13 level, non-supervisory	20	20
Contracting Professionals at or below the Grade 12 level	14	8
Grants Management Specialist	1	1
Other	12	10
Total	47	39

Source: OIG prepared based on results of its random sampling and employee interviews.



**United States Department of State
and the Broadcasting Board of
Governors**

Office of Inspector General

Customer Satisfaction Survey

The Office of Inspector General (OIG), Office of Audits, is conducting a survey of A/LM/AQM customers' level of satisfaction with the services provided by A/LM/AQM since its conversion to a cost center of the Working Capital Fund (WCF) in February 2008. The objective of the survey is to determine whether the services provided by A/LM/AQM for the fee charged (1% surcharge) are in-line with the services promised by A/LM/AQM. This survey is intended as an evaluation tool. OIG will not issue recommendations based solely on the responses to this questionnaire.

OIG will provide a summary of the responses to the survey to A/LM/AQM officials. OIG will not provide the names of individuals responding or any other identifying information.

This questionnaire should take approximately 15 minutes to complete. Please do so by marking the desired choice or typing in a response when required. Space has been provided at the end of the questionnaire for any additional comments you might want to make.

OIG Notes:

- (1) Responses for all questions are first expressed in raw totals enclosed by parenthesis followed by percentages, unless specified otherwise.*
- (2) The number of responses to each question is not identical because respondents did not answer all questions.*
- (3) Percentages may not add to 100 due to rounding.*
- (4) For Question 7, asterisks in the last column indicate that "Not applicable" responses were filtered from the data for clarity of the analysis and presentation. Only respondents actually providing assessments were included in calculating the rates of satisfaction and dissatisfaction.*

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1. Are you a Contracting Officer's Representative (COR), Government Technical Monitor (GTM), or Executive Director? (please check one)
 1. [(210) 68%] COR -----> **CONTINUE.**
 2. [(58) 19%] GTM -----> **CONTINUE.**
 3. [(7) 2%] Executive Director -----> **GO TO QUESTION 3.**
 4. [(6) 2%] I am both and Executive Director and a COR or GTM -----> **CONTINUE.**
 5. [(26) 8%] I am not a COR or GTM -----> **GO TO QUESTION 17.**

2. Are you currently performing COR or GTM duties for an active contract awarded by A/LM/AQM?
 1. [(219) 80%] Yes -----> **CONTINUE.**
 2. [(55) 20%] No -----> **GO TO QUESTION 17.**

3. Does your office or bureau have any A/LM/AQM contracting officers or contract specialists on site (i.e., embedded)?
 1. [(104) 46%] Yes -----> **GO TO QUESTION 5.**
 2. [(122) 54%] No -----> **CONTINUE.**

4. Would you like any A/LM/AQM contracting officers or contract specialists assigned on-site to your office or bureau (i.e., embedded)?
 1. [(51) 42%] Yes -----> **GO TO QUESTION 6.**
 2. [(71) 58%] No -----> **GO TO QUESTION 6.**

5. Please provide the number of A/LM/AQM contracting officers and contractor specialists that your bureau or office has on site (i.e., embedded).

Total number of A/LM/AQM contracting officers and contract specialists on site

Responses averaged 10 on-site contracting officers and contract specialists.

PLEASE REMEMBER TO CONSIDER THE SERVICES PROVIDED BY THE A/LM/AQM CONTRACTING OFFICERS OR CONTRACT SPECIALISTS ASSIGNED ON SITE TO YOUR OFFICE (I.E., EMBEDDED) AS WELL AS STAFF LOCATED IN A/LM/AQM'S OFFICE WHEN RESPONDING TO ALL QUESTIONS REGARDING THE SERVICES PROVIDED BY A/LM/AQM.

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6. Please indicate whether you are aware of the following services provided by A/LM/AQM.

		Yes	No
1.	Assists with procurement planning	[(162) 72%]	[(64) 28%]
2.	Performs contract administration	[(197) 87%]	[(29) 13%]
3.	Performs contract negotiations	[(199) 88%]	[(27) 12%]
4.	Assists with and reviews statements of work	[(183) 81%]	[(43) 19%]
5.	Assists with cost and pricing support	[(153) 68%]	[(73) 32%]
6.	Assists in evaluation coordination	[(173) 77%]	[(53) 23%]
7.	Assists in contract terminations	[(204) 90%]	[(22) 10%]
8.	Assists with claim services	[(187) 83%]	[(39) 17%]
9.	Assists with managing protests of contracts	[(211) 93%]	[(15) 7%]

7. For every listed service that you have used, how dissatisfied or satisfied were you, in general, with the service provided by A/LM/AQM? (Check one box in each row; choose not applicable only if you have never used the service.)

	Very satisfied	Generally satisfied	As satisfied as not	Generally dissatisfied	Very dissatisfied	Not applicable/ never used
1. Assists with procurement planning	[(32) 28%]	[(38) 34%]	[(27) 24%]	[(7) 6%]	[(9) 8%]	*
2. Performs contract administration	[(24) 21%]	[(35) 30%]	[(36) 31%]	[(8) 7%]	[(12) 10%]	*
3. Performs contract negotiations	[(32) 26%]	[(41) 33%]	[(30) 24%]	[(8) 6%]	[(14) 11%]	*
4. Assists with and reviews statements of work	[(38) 21%]	[(56) 31%]	[(40) 22%]	[(24) 13%]	[(24) 13%]	*
5. Assists with cost and pricing support	[(32) 19%]	[(46) 28%]	[(38) 23%]	[(27) 16%]	[(23) 14%]	*
6. Assists in evaluation coordination	[(37) 20%]	[(55) 29%]	[(43) 23%]	[(26) 14%]	[(28) 15%]	*
7. Assists in contract terminations	[(36) 20%]	[(68) 38%]	[(35) 19%]	[(21) 12%]	[(21) 12%]	*
8. Assists with claim services	[(39) 20%]	[(69) 36%]	[(37) 19%]	[(28) 15%]	[(20) 10%]	*
9. Assists with managing protests of contracts	[(31) 19%]	[(43) 27%]	[(34) 21%]	[(29) 18%]	[(24) 15%]	*

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8. Have you ever contacted A/LM/AQM for assistance or information **since** it became a WCF cost center in February 2008, including any A/LM/AQM contracting officers or specialists that may be working on-site in your office or bureau (i.e., embedded)?

1. [(175) 77%] Yes -----> **CONTINUE TO QUESTION 9.**
2. [(51) 23%] No -----> **GO TO QUESTION 12.**

9. On average, about how many times per year do you contact A/LM/AQM?

_____ times per year

Responses averaged 63 times per year.

10. Generally, to what extent, if at all, have you found the assistance or information provided by A/LM/AQM useful **since** it became a WCF cost center in February 2008? (*Please check one.*)

1. [(17) 10%] Little or no use
2. [(37) 21%] Some use
3. [(45) 26%] Moderate use
4. [(60) 34%] Great use
5. [(16) 9%] Very great use

11. Generally, how dissatisfied or satisfied have you been with the timeliness of the assistance or information provided by A/LM/AQM **since** it became a WCF cost center in February 2008? (*Please check one.*)

1. [(21) 12%] Very dissatisfied
2. [(33) 19%] Generally dissatisfied
3. [(40) 23%] As satisfied as not
4. [(55) 31%] Generally satisfied
5. [(26) 15%] Very satisfied

12. Are you aware that A/LM has a Customer Advocate to who you can contact if you have an unresolved issue with A/LM/AQM's services?

1. [(37) 16%] Yes
2. [(189) 84%] No

13. Were you a COR, GTM, or Executive Director at the Department of State **before** A/LM/AQM became a WCF cost center in February 2008?

1. [(114) 50%] Yes -----> **CONTINUE TO QUESTION 14.**
2. [(112) 50%] No -----> **GO TO QUESTION 17.**

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14. Did you ever contact A/LM/AQM for assistance or information **before** it became a WCF cost center in February 2008?

1. [(93) 82%] Yes -----> **CONTINUE TO QUESTION 15.**
2. [(21) 18%] No -----> **GO TO QUESTION 17.**

15. Generally, to what extent, if at all, did you find the assistance or information provided by A/LM/AQM useful **before** it became a WCF cost center in February 2008? (*Please check one.*)

1. [(5) 5%] Little or no use
2. [(19) 20%] Some use
3. [(33) 35%] Moderate use
4. [(30) 32%] Great use
5. [(6) 6%] Very great use

16. Generally, how dissatisfied or satisfied have you been with the timeliness of the assistance or information provided by A/LM/AQM **before** it became a WCF cost center in February 2008? (*Please check one.*)

1. [(5) 5%] Very dissatisfied
2. [(19) 20%] Generally dissatisfied
3. [(27) 29%] As satisfied as not
4. [(33) 35%] Generally satisfied
5. [(9) 10%] Very satisfied

17. Please use the space below to elaborate on any of your responses, provide any information related to the customer service you have received, or make suggestions on how A/LM/AQM could improve customer satisfaction.

191 respondents provided additional information.

QUESTIONS FROM THE 2010 A/LM/AQM CUSTOMER SURVEY

SECTION 1: ADMINISTRATION AND RESPONSE RATE

- 1) Please identify your office.

SECTION 2: RESULTS

- 2) How long have you used A/LM acquisition services?
- 3) Please identify your role in the procurement process.
- 4) To what extent do you agree with the following aspects of customer service provided by A/LM acquisition personnel - the procurement specialists and contracting officers you work with?

Strongly Agree
Agree
Sometimes Agree/ Sometimes Disagree
Disagree
Strongly Disagree
Not Applicable

- 4a) Provide requested acquisition services in a time frame that meets my needs
- 4b) Ensure that the duration between my request and receipt of commodity is acceptable
- 4c) Provide services at the time they promise to do so
- 4d) Reaching the right person who has the needed information is easy
- 4e) Provide timely resolution of my problems
- 4f) Highly responsive to emergency, urgent, and priority requests
- 4g) Ensure that the end commodity meets my initial request
- 4h) Highly knowledgeable and skilled
- 4i) Treat me courteously and professionally
- 4j) Provide consistent guidance and procedures regardless of whom I talk with in the office
- 4k) Overall, provide outstanding acquisition support and assistance

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5) To what extent are you satisfied with the A/LM acquisition products listed below?

Very Satisfied
Satisfied
Sometimes Satisfied/ Sometimes Dissatisfied
Dissatisfied
Very Dissatisfied
Not Applicable

- 5a) New simplified acquisitions under \$100,000, including delivery or task orders
- 5b) New contract, BPA, delivery or task order over \$100,000
- 5c) New construction contract over \$100,000, including pre-qualification of vendors
- 5d) Grants and cooperative agreements

**EXCERPT OF QUALITY ASSURANCE PLAN
A/LM/AQM Quality Assurance Plan (2/3/11)**

DOCUMENT	REVIEWS	SIGNS	APPROVES	REFERENCE/ AUTHORITY	REMARKS
A/SDBU REVIEW <ul style="list-style-type: none"> all new acquisitions over simplified acquisition threshold all GSA schedule or GWACS orders over \$2,000,000 if activity performed by a Small Business is to be transferred to another agency via IAA. 			A/SDBU		Use DS-1910 Review Document Setaside recommendations
ACQUISITION PLANS ACQUISITION PLANS, HIGH IMPACT	A/OPE	A/OPE and HCA		FAR 7.1, DOSAR 607.1 A/OPE PIB 2004-8	As a part of annual acquisition planning, the HCA will recommend a selection of transactions meeting criteria of PIB 2004-8 for joint selection with A/OPE for year-long tracking and consultation.
APPROVAL OF SOLICITATIONS, CONTRACTS AND MODIFICATIONS:					
Up to \$1 million	CO	CO	CO		
Over \$1 million up to \$5 million	Branch Chief L/BA	CO	Branch Chief or RPSO Dir/Deputy	DOSAR 604.71(c)	May not be redelegated
Over \$5 million up to \$10 million	Branch Chief L/BA	CO	Division Chief or RPSO Director	DOSAR 604.71(c)	HCA may require independent review(s) on a case by case basis
Over \$10 million	Branch Chief Division Chief L/BA	CO	HCA - for solicitations and contracts Division Chief - for modifications	DOSAR 604.71(c)	

* Throughout this document,

1. "Level above CO" reviews are waived for RPSOs. No approvals are waived.
2. RPSO Director or Deputy Director are = Division Director review/approval requirements, unless otherwise noted.
3. Branch Chief = Team Leader and/or Independent GS-14, with appropriate warrant, when designated specified authority by the cognizant Division Chief.
4. HCA = AQM Director unless otherwise specified.

A/LM/AQM Quality Assurance Plan (2/3/11)

DOCUMENT	REVIEWS	SIGNS	APPROVES	REFERENCE/ AUTHORITY	REMARKS
COMMERCIAL COMMODITY PURCHASES outside of FEDBID	n/a	CO	Division Director	AQM Memo 09-02	Need memo to file to document rationale if FEDBID is not used for non-complex commodities.
COMMUNICATIONS WITH OFFERORS (over \$10 million, including IDIQs and IDIQ task orders)	Branch Chief	CO	L/BA	AQM Memo 10-09	Submit plan for conversations in writing to L/BA for clearance.
CONGRESSIONAL NOTICE (over \$10 million)	HCA	H – Legislative Affairs		DOSAR 605.303	Process chart on BOD webpage http://lm.a.state.gov/index.cfm?fa=user_retrieve_file&file_ID=1770
CONTINGENT FEES – MISREPRESENTATIONS or VIOLATIONS	Branch Chief Division Chief L/BA	CO	HCA	FAR 3.405(b) DOSAR 603.405(a)	Forward copy of decision to OPE
CONTRACT AWARD, see Approvals, page 1					
CONTRACT TYPE: Each contract file shall include documentation to show why the particular contract type was selected. Findings and Determinations required:				FAR 16.103(d):	
1. Time and Materials or Labor Hour		CO	Branch Chief	FAR 16.601(c)	
2. Fixed Price with Economic Price Adjustment Based on Cost Indexes of Labor or Material	Branch Chief	CO	HCA	FAR 16.601(c)	
3. Firm Fixed Price, Level of Effort, Term over \$150,000	Branch Chief	CO	HCA	FAR 16.207-3	

A/LM/AQM Quality Assurance Plan (2/3/11)

DOCUMENT	REVIEWS	SIGNS	APPROVES	REFERENCE/ AUTHORITY	REMARKS
OVERTIME PREMIUMS, Authorization of		CO	Division Chief or RPSO Director	FAR 22.103-4	
PERIOD OF PERFORMANCE: 1. Exceeding 5 years	Branch Chief Division Chief HCA		A/OPE	FAR 17.204(e) FAR 22.1002-1 DOSAR 617.204(e)	May be a standalone D&F or combined with J&A for other than full and open. Note that A/OPE approval is required regardless of \$ amount unless extension is made under 52.217-8 Option to Extend Services.
2. Over one year for contract awarded as unusual and compelling urgency	Branch Chief Division Chief L/BA AQM - Comp.Adv.	Tech/Rqmts CO HCA Comp Adv.	A/OPE	FAR 6.302-2	Effective 10/13/09 for acquisitions over simplified acq. level.
PRECONTRACT COSTS – Advance Agreements for	Branch Chief L/BA	Division Chief	Division Chief	FAR 31.109 FAR 31.205-32	
PRICE NEGOTIATION MEMORANDA NEGOTIATION MEMORANDUM, OR PROCUREMENT SUMMARY:					
Up to \$1 million	CO	CO	CO		
Over \$1 million up to \$5 million	Branch Chief	CO	Branch Chief or RPSO Director/ Deputy		
Over \$5 million up to \$10 million	Branch Chief	CO	Division Chief or RPSO Director		
Over \$10 million	Branch Chief Division Chief	CO	Division Chief or RPSO Director		
Over \$62.5 million	Branch Chief Division Chief HCA	CO	DAS A/LM		

A/LM/AQM Quality Assurance Plan (2/3/11)

DOCUMENT	REVIEWS	SIGNS	APPROVES	REFERENCE/ AUTHORITY	REMARKS
PROCUREMENT INTEGRITY ACT – Possible Violations	Branch Chief Division Chief L/BA	CO	HCA	FAR 3.104-7 DOSAR 603.104-7	Must notify OIG and OPE
PROTESTS:					
1 Agency protest decision	Branch Chief L/BA	CO	Division Chief or RPSO Director	FAR 33.103 DOSAR 633.103	All protests shall be reported immediately to the HCA and L/BA
2 GAO protest report	Branch Chief Division Chief L/BA	CO L/BA	HCA	FAR 33.104 DOSAR 633.104 4 CFR Part 21	A/OPE shall be notified regarding all Agency protests as well as about the Agency disposition
3 Decision to proceed with contract award or to continue contract performance despite pending protest	Branch Chief Division Chief L/BA	HCA	HCA	FAR 33.104(b)&(c) DOSAR 633.104	
4 Notice to GAO that agency has not fully implemented GAO recommendations within 60 days	Branch Chief Division Chief L/BA	HCA	HCA	FAR 33.104(g) DOSAR 633.104	
QUALIFICATION REQUIREMENTS – Justifications to establish	Branch Chief Division Chief	HCA	HCA	FAR 9.202(a)(1) DOSAR 609.202	May not be redelegated
RATIFICATION OF UNAUTHORIZED COMMITMENTS	Branch Chief Division Chief L/BA HCA	Tech Reqmts CO	OPE	FAR 1.602-3 DOSAR 601.602-3	HCA can approve if less than \$1000 A/LM/AQM/BOD coordinates submission to A/OPE
RESPONSIBILITY DETERMINATION		CO		FAR 9.103, 9.105-2 AQM Memo 11-02 FAR 15.3 AQM Memo 10-8 OPE PIB 2010-14	Affirmative determination must be made in writing for all AQM transactions. Past performance information, including ePLS, FAPIIS, and PPIRS must be checked and documented.

Operating Guidance for A/LM/AQM

Memo Number	Title
13-01	Federal Funding Accountability and Transparency Act (FFATA) Procedures
12-08	CPARS User ID Access Request
	User Role Checklist
12-07	Synopsis of Proposed Contract Actions (Fedbid vs FedbizOpps)
12-05	SPOT LOA's in Afghanistan
	Kabul Management Policy
12-04	Contractor Recruitment of Third Country Nationals
	Procurement Information Bulletin No. 2012-10
	Procurement Information Bulletin No. 2011-09
12-03	Selected Necessary Steps during the Acquisition Cycle
12-02	Justification and Approvals for Other than Full and Open Competition
	J&A Transmittal DOC Rev. 01-20-2012
	J&A Rev 01-20-2012
12-01	Interagency Acquisition Agreements
11-09A	JCCS Memo
11-09	Acquisition Plan Template
11-08	Acquisition Plan
11-07	Data Quality Verification and Validation Process
11-06	Contracts Over 5 Years
11-05	A/LM/AQM Quality Assurance Plan
	A/LM/AQM Quality Assurance Plan (2/3/11)
	A/LM/AQM Quality Assurance Plan (2/3/11) (track changes version)
11-04	COR Delegation Appointment Letter
	COR Delegation Appointment Letter attachment A
11-03	AQM Congressional Notification of Award
	AQM Congressional Notification of Award attachment
11-02	Contract File Documentation
11-01	File Review Requests
10-11	FFATA Reporting Executive Compensation And First-Tier Subcontract Awards
10-10	Updated American Recovery and Reinvestment Act Reporting Clauses
10-09	Communication with Offerors during Competitive Processes
10-08	Request for Contractor Performance Assessment Report System (CPARS)
	CPARS Request Checklist
	User Roles in CPARS
10-07	Review of AQM Compliance with FAC-C Training Requirements

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Memo Number	Title
10-06	eDistribution - AQMs Electronic Distribution Process
	Distribution of Procurement Actions
10-05	Request for BOD/QA Cost Advisory Services
10-03	Prime Contractor Employment of Iraqi Citizens and Nationals Contracting Officer (CO) Responsibilities
10-01	Audit Coordination Services
09-06	AQM Intern Program
09-05	Contract Administration Data Template Items
09-04	Contractor Identification Card Issuance Procedures for AQM Sponsors
09-03	Justification and Approvals for Other than Full and Open Competition
	Attachment 1
09-02A	Implementing Guidance for A/LM/AQM Recovery Act Transactions
	AQM Recovery Act Award Data
09-02	First Consideration for FedBid to Procure Commercial Supply Items
09-01	Data Quality Validation and Verification (FPDS)
08-09	08-09 Interagency Acquisitions
	OFPP Interagency Acquisitions Guidance 7/08
	Department Notice on State First Policy 4/18/08
08-08A	GSA Orders with open markets items
08-07	New Hire Orientation Process
08-06	Dun & Bradstreet Reports
08-05	Publication of Name Brand Justifications
08-04	AQM FOIA Process
	Attachment: Process Map
08-03	Legal Review of United States Person Status - Construction Contracts
	Attachment: Certifications Pamphlet
08-02	Small Business Set Aside Documentation
	Tab A Form DS 1910
08-01	Documenting Transfer of Contracting Officer Cognizance
07-07	Contracting Officer Government Property Administration Responsibilities
	Tab A COR Appointment
	Tab B Property Administrative Appointment
07-06	Information Technology Equipment Purchase Specifications
07-05	07-05 Dealer/Reseller Offers and GSA Multiple Award Schedule (MAS) Contracts
07-04	Employee Notice of Contractor Employee Affiliation
07-03	Ratification Procedure for an Unauthorized Commitment
	Tab A Processing Map
	Tab B Checklist
07-02	AQM Memo 07-02 is cancelled and replaced with AQM memo 10-04

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Memo Number	Title
06-03	When and How to Send Mail, Return Receipt Requested
06-02	Publication of Brand Name Justifications
06-01	COTS Hardware for CLAN
93-2	Standard Acquisition Instrument Identification Numbering System

Source: A/LM/AQM Intranet Web site, <http://lm.a.state.gov/AQM/Memorandums/>, downloaded Dec.16, 2012.

**Selection of Reports That Identify Procurement
Deficiencies at the Department of State**

Office of Inspector General, Office of Audits

1. *Evaluation of Invoices and Payments for the Embassy Baghdad Operations and Maintenance Contract* (AUD-MERO-12-43, August 2012)
2. *Audit of Bureau of Oceans and International Environmental and Scientific Affairs Administration and Oversight of Funds Dedicated to Address Global Climate Change* (AUD-CG-12-40, July 2012)
3. *Review of Costs Charged to Iraq Democracy-Building Grants Awarded to the International Republican Institute During FYs 2004-2010* (AUD-CG-12-35, June 2012)
4. *Audit of Contracting Officers Exceeding Delegated Procurement Authority* (AUD/CG-12-26, March 2012)
5. *Audit of Funding Provided by the American Recovery and Reinvestment Act for the Bureau of Consular Affairs Passport Facilities Project* (AUD/CG-12-25, March 2012)
6. *Audit of Funding Provided by the American Recovery and Reinvestment Act for the Foreign Affairs Security Training Center* (AUD/CG-12-13, December 2011)
7. *Improved Contract Documentation and Monitoring by the Regional Procurement Support Office Are Needed for Construction Projects Associated With the President's Emergency Plan for AIDS Relief (PEPFAR)* (AUD/IP-12-03, November 2011)
8. *DoD and DOS Need Better Procedures to Monitor and Expand DoD Funds for the Afghan National Police Training Program* (AUD/CG-11-30, July 7, 2011)
9. *Limited-Scope Review of the Design and Construction of a Recreation Center at Embassy Dushanbe, Tajikistan* (MERO-I-11-04, March 2011)
10. *Performance Evaluation of PAE Operations and Maintenance Support for the Bureau of International Narcotics and Law Enforcement Affairs' Counternarcotics Compounds in Afghanistan* (MERO-I-11-02, February 2011)
11. *PAE Operations and Maintenance Support at Embassy Kabul, Afghanistan – Performance Evaluation* (MERO-I-11-05, December 2010)
12. *Audit of Allegations Pertaining to Contract With DynCorp International for the Security Sector Transformation Project in South Sudan, Africa* (AUD/SI-10-23, August 2010)
13. *The Bureau of International Narcotics and Law Enforcement Affairs Air Wing Program in Afghanistan and Pakistan* (MERO-A-10-03, March 2010)
14. *Audit of the Design and Construction of the New Embassy Compound in Baghdad, Iraq* (AUD/IQO-09-25, October 2009)

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15. *Memorandum Report on the Preliminary Review of the Second Worldwide Personal Protective Services (WPPS II) Contract Task Orders* (MERO-A-09-12, August 25, 2009)
16. *Joint Audit of Blackwater Contract and Task Orders for Worldwide Personal Protective Services in Iraq* (AUD/IQO-09-16, June 2009)
17. *Review of Diplomatic Security's Management of Personal Protective Services in Iraq* (MERO-IQO-09-02, January 2009)

Office of Inspector General, Office of Inspections

1. *Inspection of the Bureau of Counterterrorism* (ISP-I-12-32A, June 2012)
2. *Inspection of the Bureau of Diplomatic Security, Office of Antiterrorism Assistance* (ISP-I-12-31, June 2012)
3. *Inspection of Embassy Beirut, Lebanon* (ISP-I-12-10A, February 2012)
4. *Compliance Follow-Up Review The Bureau of Administration's Office of the Procurement Executive, Office of Acquisitions Management, and Office of Small and Disadvantaged Business Utilization* (ISP-C-10-23, February 2010)
5. *The Bureau of African Affairs* (ISP-I-09-63, August 2009)

Government Accountability Office

1. *IRAQ AND AFGHANISTAN – State and DOD Should Ensure Interagency Acquisitions Are Effectively Managed and Comply with Fiscal Law* (GAO-12-750, August 2012)
2. *CONTINGENCY CONTRACTING – Improvements Needed in Management of Contractors Supporting Contract and Grant Administration in Iraq and Afghanistan* (GAO-10-357, April 2010)
3. *COMBATING TERRORISM – Planning and Documentation of U.S. Development Assistance in Pakistan's Federally Administered Tribal Areas Need to Be Improved* (GAO-10-289, April 2010)

Commission on Wartime Contracting in Iraq and Afghanistan

1. *Special Report on Iraq Transition Planning – Better planning for Defense-to-State transition in Iraq needed to avoid mistakes and waste* (CWC Special Report 3, July 12, 2010)

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Appendix G



United States Department of State

Washington, D.C. 20520

May 6, 2013

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MEMORANDUM

TO: OIG/AUD – Evelyn Klemstine
FROM: A/LM – Catherine I. Ebert-Gray 
SUBJECT: Audit of Bureau of Administration Procurement Shared Services

Thank you for the opportunity to address the audit report concerning the Bureau of Administration's Procurement Shared Services. Mr. Robert Lower is the point of contact on this response and he can be reached at (703) 875-5822.

The following are the Bureau of Administration's, Office of Acquisitions Management's (AQM) comments on the subject audit report.

Recommendation 1. OIG recommends that the Bureau of Administration, in coordination with the Bureau of Budget and Planning, create a separate point limitation within the Working Capital Fund for the Procurement Shared Services service center.

A/LM's response: The Bureau of Administration respectfully disagrees with this recommendation. In lieu of a point limitation, AQM's Working Capital Fund (WCF) currently has its own unique allotment code within 19X4519.0 which allows A/EX/WCF to track all revenue, obligations, liquidations, and carry forward associated with AQM. The Bureau of Administration (A) and the Bureau of Budget and Planning (BP) jointly address carry forward, and came to a consensus on AQM's carry forward balance this year, and will continue to work together using Global Financial Management System (GFMS) budget data on an annual basis.

In accordance with the Government Accountability Office audit on Interagency Contracting (GAO-11-784); Under a revolving funding structure, any WCF that expends more than it collects in reimbursements can be absorbed by the remaining working capital fund accounts in order to remain solvent. The A Bureau's WCF includes 32 of the 36 Department cost centers, working in conjunction with IRM on three of those cost centers; with INL/A on three cost centers for the Aviation WCF; and with the Bureau of the Comptroller and Global Financial Services (CGFS) on one cost center. Inserting a point limitation on one cost center, early in its inception, would be unduly restrictive at a time when workloads and potential income are declining.

Furthermore, as you note in your draft report, the augmentation of funds is not prohibited by law:

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- United States Code, 22 U.S.C. 2684, authorizes the Department's WCF, and does not specifically prohibit the Department from using amounts collected for one WCF service or cost center to cover expenses for another service or cost center.

We believe that this recommendation should be held pending anticipated adjustments to workload, with our downsizing in Iraq and Afghanistan, and a fee structure review in FY14.

Recommendation 2. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement a plan for how it will use its portion of the available Working Capital Fund carryover to either implement its Business Plan goals or to improve the efficiency and effectiveness of contract monitoring.

A/LM's response: The Bureau of Administration agrees with this recommendation and will develop a plan for how it will use the available WCF carryover to support acquisition-related activities. AQM further notes that carryover funding has always been a part of the A's business plan to fund acquisition operations.

Recommendation 3. OIG recommends that the Bureau of Administration develop and document a methodology for calculating the procurement-service fee, including a process to consider future program costs and the timeframe for periodically reassessing the fee.

A/LM's response: The Bureau of Administration concurs with this recommendation.

Recommendation 4. OIG recommends that the Bureau of Administration reassess the amount of the fee to ensure that it is sufficient and supportable. The results of the reassessment should be made available to customers.

A/LM's response: The Bureau of Administration concurs that WCF fees should be assessed in light of current circumstances to ensure they are sufficient and supportable.

Recommendation 5. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement a formal process to obtain feedback from customers that would include providing customers information on the results of the effort including specific plans on how concerns would be addressed.

A/LM's response: The Bureau of Administration concurs with this recommendation. We have already conducted numerous outreach events with several Department Executive Directors. So far this year, we have visited with AF, WHA, IRM, M/PRI and NEA, and we have achieved a better understanding of bureau and post requirements. Additionally, A/LM has an 'open door policy' with Management Officers and other customers to visit our office and meet with all the leaders in A/LM who manage the Department's entire supply chain. We will revisit previous initiatives such as customer survey boards and annual customer surveys as ways to obtain

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customer feedback and assess the needs of AQM's customers, particularly during this era of reduced interaction at conferences and workshops.

Recommendation 6. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop and implement a plan of action to inform customers of the services that it provides, and the benefits of using these services, including enhancing its Intranet Web site.

A/LM's response: The Bureau of Administration agrees with this recommendation.

Recommendation 7. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), develop a formal methodology to identify customers who want and whom A/LM/AQM determines would benefit from on-site procurement staff.

A/LM's response: The Bureau of Administration agrees with this recommendation.

Recommendation 8. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), take action to provide on-site procurement staff to bureaus and offices that A/LM/AQM determines would benefit from this practice.

A/LM's response: The Bureau of Administration agrees with this recommendation. AQM currently provides on-site procurement staff to bureaus and offices in need of this type of support, have sufficient volume to justify full-time staffing, and have the office space to accommodate additional staff. We are aware of customers who are in need of embedded contracting professionals and we discuss the complexity of contracting actions with the AQM Division Directors weekly.

Recommendation 9. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop a 3-year staffing plan that identifies the number of staff needed and the required mix of staff, based on expectations of contracting needs, including contract oversight responsibilities.

A/LM's response: The Bureau of Administration agrees with this recommendation. AQM currently plans for staffing needs and identifies this in the Department's Acquisition Human Capital Plan. AQM will supplement the Department's Acquisition Human Capital Plan with a more robust staffing plan that takes into account attrition and support for new Department program requirements.

Recommendation 10. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), revise the performance standards of its employees to include additional standards related to customer service. A/LM/AQM should consult with customers on their needs and develop these additional standards accordingly.

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A/LM's response: The Bureau of Administration agrees with this recommendation.

Recommendation 11. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop a mandatory customer service training curriculum for its employees.

A/LM's response. The Bureau of Administration agrees with this recommendation. AQM will use the Department's Foreign Service Institute to provide customer service training for our employees.

Recommendation 12. OIG recommends that the Bureau of Administration, Office of Logistics Management, develop and implement a plan to ensure that customers are aware of the Customer Advocate position.

A/LM's response. The Bureau of Administration agrees with this recommendation.

Recommendation 13. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, implement a process to track attrition rates and regularly determine employee satisfaction, which would include tracking concerns identified by departing employees.

A/LM's response: AQM will work with HR/SS to track office attrition rates in addition to instituting an exit interview process which would identify concerns or issues raised by departing employees.

Recommendation 14. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop a succession plan.

A/LM's response: The Bureau of Administration agrees with this recommendation and notes that AQM's succession plan is contained in the Department's Acquisition Human Capital Plan.

Recommendation 15. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop a plan to improve its communication of its intern program to employees, such as including information in its Welcome Package.

A/LM's response: The Bureau of Administration agrees with this recommendation and will include this information in the AQM employee Welcome Package.

Recommendation 16. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, develop guidelines on training provided to contracting professionals, including annual goals for providing training to employees, such as the number of employees receiving courses each year.

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A/LM's response: The Bureau of Administration agrees with this recommendation. AQM will provide guidelines to ensure that contracting professionals are aware of the types of training that are available to them.

Recommendation 17. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, identify additional internal reviews that it would perform to assess procurement activity, internal processes, and performance and develop a plan to implement the reviews that it considers beneficial.

A/LM's response: The Bureau of Administration agrees with this recommendation.

Recommendation 18. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, identify significant procurement processes to map and develop standard operating procedures that currently are not included in available procedures.

A/LM's response: The Bureau of Administration agrees with this recommendation. AQM has a robust Quality Assurance Plan that maps out the federal procurement process that is required by contract type. AQM believes that the QA plan allows us to be flexible and nimble when responding to urgent requests based on emergency or contingency requirements.

Recommendation 19. OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), develop a process to formally measure and report on its accomplishment of the Business Plan goals. A/LM/AQM should refine or update the goals as needed.

A/LM's response: The Bureau agrees with this recommendation. AQM will report accomplishments to the A/LM DAS and through her to the Assistant Secretary.

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United States Department of State
Washington, D.C. 20520

April 24, 2013

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MEMORANDUM

TO: OIG – Harold W. Geisel

FROM: BP – Barbara A. Retzlaff *BAR 4/24/13*

SUBJECT: Draft Report on *Audit of Department of State Application of the Procurement Fee to Accomplish Key Procurement Services Goals*

In response to the Office of Inspector General's letter, of the subject draft report dated 10 April 2013, the Bureau of Budget and Planning (BP) have reviewed and offer the following response to Recommendation 1:

Recommendation 1: OIG recommends that the Bureau of Administration, in coordination with the Bureau of Budget and Planning, create a separate point limitation within the Working Capital Fund for the Procurement Shared Services service center.

Response: The Bureau of Budget and Planning, with concurrence of the Bureau of Administration, disagrees with this recommendation.

AQM's WCF currently has its own unique allotment code within 19X4519.0 which allows A/EX/WCF to track all revenue, obligations, liquidations, and carry forward associated with AQM. A and BP came to a consensus on AQM's carry forward balance this year, and will continue to work together using GFMS Budget Data on an annual basis.

In accordance with the latest GAO Audit: Under a revolving funding structure, any Working Capital Fund (WCF) that expends more that it collects in reimbursements can be absorbed by the remaining working capital fund accounts in order to remain solvent.

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The A Bureau Working Capital Fund consists of 32 of the 36 Department's cost centers, working in conjunction with IRM on 3 of those cost centers, INL/A on 3 cost centers for the Aviation Working Capital Fund, and CGFS on 1 cost center.

Further, as you note in your draft report, the augmentation of funds is not prohibited by law:

- United States Code, 22 U.S.C. 2684, authorizes the Department's WCF, and does not specifically prohibit the Department from using amounts collected for one WCF service or cost center to cover expenses for another service or cost center.

We believe that this recommendation may more directly address a statement that funds collected by AQM will only be used for AQM operations. We do, however, note your explanation of intent and will continue to work together with A Bureau in the responsibility of managing the WCF AQM accounts.

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