
Office of Inspector General
Audit Report

**WEAKNESSES IN THE OFFICE OF
THE SECRETARY'S ACQUISITION
FUNCTION LIMIT ITS CAPACITY TO
SUPPORT DOT'S MISSION**

Office of the Secretary
Report Number: ZA-2011-119
Date Issued: May 25, 2011





Memorandum

**U.S. Department of
Transportation**

Office of the Secretary
of Transportation
Office of Inspector General

Subject: **ACTION:** Report on Weaknesses in the Office of
the Secretary's Acquisition Function Limit Its
Capacity To Support DOT's Mission
Report Number ZA-2011-119

Date: May 25, 2011

From: Lou Dixon 
Principal Assistant Inspector General for Audit and
Evaluation

Reply to
Attn. of: JA-1

To: Deputy Secretary
Deputy Assistant Secretary for Administration

The Office of Management and Budget has called upon Federal agencies to improve their acquisition practices and guard against inefficiency and waste in order to protect the billions of taxpayer dollars spent on acquisitions each year. In fiscal year 2010, the Department of Transportation (DOT) spent \$5.8 billion on contracts for goods and services. The Office of the Secretary of Transportation (OST) is tasked with ensuring that all of DOT's Operating Administrations use these funds effectively and safeguard them against fraud and abuse. Strong leadership and acquisition practices within OST's Office of the Senior Procurement Executive (OSPE)—which establishes DOT's acquisition policies and procedures—are critical to meet these goals.

This report presents the results of our audit to assess the effectiveness of OST's acquisition function focusing on its (1) organizational structure and leadership (2) policies and processes and (3) management controls over acquisition data. We conducted our audit between October 2009 and March 2011 in accordance with government auditing standards prescribed by the Comptroller General of the United States. Exhibit A details the scope and methodology we used in conducting this review.

RESULTS IN BRIEF

OST's current acquisition organizational structure does not effectively support the DOT's acquisition function. In contrast to the intent of the Service Acquisition Reform Act of 2003,¹ OST's acquisition structure creates an additional layer of management and review that restricts the flow of information and diminishes the Senior Procurement Executive's (SPE) ability to effectively perform acquisitions in support of DOT's missions. These structural problems are further complicated by long-standing vacancies in leadership and staff positions within OSPE that prevented the office from fulfilling key procurement duties. For example, OSPE operated for approximately 10 months without a permanent SPE, leaving OST without a principal to implement procurement policies, regulations, and standards for Department-wide use and to account for the DOT's procurement system. These weaknesses not only affect the success of OST's acquisition function but also impact acquisitions for all of DOT's Operating Administrations (OA).

OSPE's written policies and procedures do not promote effective acquisition management. Specifically, OSPE lacks a comprehensive set of standard operating procedures to facilitate consistent compliance with Federal and departmental acquisition requirements. While OST is responsible for maintaining the Transportation Acquisition Regulation (TAR) and Transportation Acquisition Manual (TAM), long-standing staff shortages at OSPE have resulted in TAR and TAM policies remaining out-of-date since 2005 and 2006, respectively, even though OSPE was aware of the required updates and changes. Weaknesses in OSPE's policies and procedures hinder OST's ability to promote consistent implementation of acquisitions Department-wide.

OST also lacks the management controls needed to ensure its acquisition data are accurate, complete, and timely. In fiscal years 2008 and 2009, roughly one-third of OST's data in the Federal Procurement Data System-Next Generation (FPDS-NG)—the Government-wide procurement information system—were inaccurate.² OST acquisition data are also vulnerable to compromise. We found that 55 of 90 former OST employees (61 percent) had full access to PRISM—DOT's system for managing and reporting procurement data. Similarly, 29 of 53 former OST employees (55 percent) had full access to FPDS-NG. Without appropriate controls, OST risks compromising the integrity of its acquisition data and cannot be assured of this data's usefulness in making informed management decisions at either the strategic or transactional level. Moreover, it cannot sufficiently protect Department funds from fraud, waste, or abuse. In response to

¹ Public Law 108-136, Section 1421(c).

² Data derived from U.S. DOT FPDS-NG Data Quality Reports for 2008 and 2009.

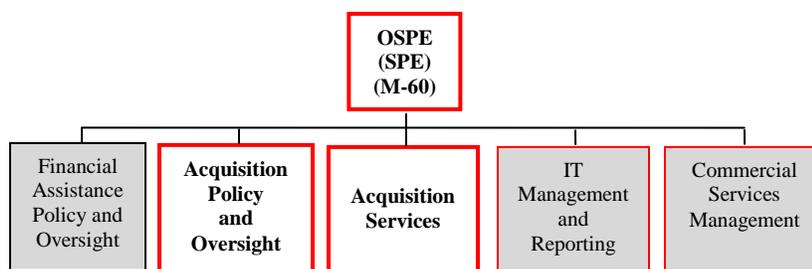
our audit, OST deactivated all of its former employees' access in both systems. However, OST still needs to establish and implement the appropriate controls to prevent future occurrences of unauthorized access to the acquisition systems.

We are making a series of recommendations to address the weaknesses we identified in OST's acquisition function.

BACKGROUND

OSPE is part of OST's Office of the Assistant Secretary for Administration. OSPE's mission includes ensuring that acquisition and financial assistance efforts strategically contribute to the achievement of DOT's mission. Two of OSPE's five divisions focus specifically on procurement (see Figure 1):

Figure 1. Office of the Senior Procurement Executive



Source: OSPE Organizational Chart. Bold type signifies key acquisition positions. Red indicates leadership position vacant or filled temporarily during the time of our review—October 2009 through August 2010.

- **The Acquisition Policy and Oversight Division** establishes and maintains Department-wide policies, procedures, and regulations for all phases of DOT's contracting, including guidance for implementing statutes, regulations, policies, and procedures. The division also develops, assesses, and facilitates contracting improvement programs and establishes and maintains Department-wide procurement data systems to ensure acquisition and financial assistance system integrity, data quality, accuracy, and timeliness of reporting.
- **The Acquisition Services Division** provides a full range of acquisition services to OST, from acquisition planning to contract closeout. As a headquarters service organization, the division is also responsible for the

award and administration of business arrangements, including contracts and grants.

To encourage efficient use of taxpayer dollars in procurement, the Service Acquisition Reform Act of 2003 (SARA) required DOT and other Federal agencies to designate Chief Acquisition Officers (CAO) and Senior Procurement Executives (SPE) to manage their acquisitions and procurement systems.³ CAOs are required to monitor the performance of acquisition activities and acquisition programs, evaluate the performance of those programs based on applicable performance measurements, and advise the agency regarding the appropriate business strategy to achieve the mission of the agency.

In May 2008, OMB issued guidelines to Federal agencies for conducting internal control reviews of acquisition functions.⁴ The guidelines provide a standard approach for conducting a top-down assessment of the strengths and weaknesses of a Federal agency's acquisition function. All agencies identified in the Chief Financial Officers (CFO) Act,⁵ including DOT, are required to use the framework, beginning in fiscal year 2009. The guidelines also require agencies to integrate these assessments with their existing internal control processes and practices for acquisitions. The guidelines consist of four interrelated cornerstones, representing broad areas that have the greatest impact on efficiency and effectiveness, and laying the foundation for assessing and evaluating an agency's acquisition function: organizational alignment and leadership, policies and processes, information management and stewardship, and human capital. See Exhibit C for details on the cornerstones' critical elements.

OST'S PROCUREMENT FUNCTION IS NOT STRUCTURED TO PROMOTE ACHIEVEMENT OF DOT'S MISSIONS

OST's procurement structure inhibits its ability to play a strategic role in accomplishing departmental missions and provide clear and direct communication to DOT's leaders. Long-standing vacancies in critical leadership positions and OSPE staff have contributed to weaknesses in the acquisition function, including hindering OSPE's ability to adequately fulfill its role as DOT's procurement leader and provide contract oversight Department-wide. The Department's Strategic

³ The SPE position was originally required by amendments to the Office of Federal Procurement Policy Act, Public Law 98-191, dated December 1, 1983.

⁴ OMB Memorandum *Conducting Acquisition Assessments under OMB Circular A-123*, May 21, 2008.

⁵ The Chief Financial Officers (CFO) Act of 1990. Public Law 101-576, lays a foundation for comprehensive reform of Federal financial management and charges OMB's Deputy Director for Management with overseeing many of the Federal Government's general management functions. These functions include information policy, procurement policy, property management, and productivity improvement.

Acquisition Council (SAC) run by OST is underutilized, and OSPE's strategic plan fails to link its activities to DOT's goals and missions. These weaknesses not only limit OST's ability to fulfill its procurement objectives effectively but could also negatively impact OAs.

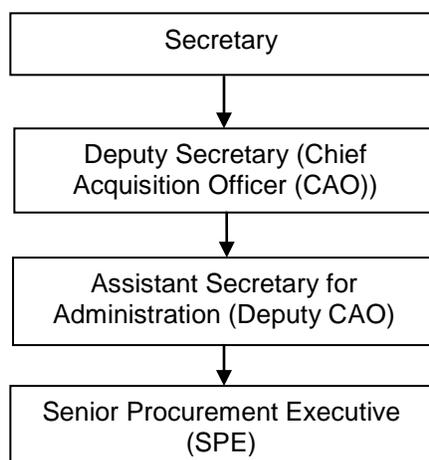
OST's Procurement Structure Does Not Operate Effectively

OST's procurement structure creates an ineffective flow of information and authority in operations. Specifically, the procurement structure does not promote open communication, or position acquisitions to play a strategic role in the Department. Under SARA, each Federal agency with a CFO is required to appoint a non-career official as Chief Acquisition Officer (CAO), with acquisition management as the primary duty. CAOs are required to monitor the performance of acquisition activities and programs, evaluate the performance of those programs, and advise agency officials regarding the appropriate business strategy to achieve the agency's mission. The CAO was created as a separate position from the SPE, although the positions can be combined. If separate, SARA requires that the SPE report directly to the CAO without intervening authority.

To implement SARA requirements, the Secretary designated the Deputy Secretary to serve as the Department's CAO, a position separate from the SPE. However, DOT's current procurement authority flows from the CAO through the Deputy CAO to the SPE (see Figure 2), creating an organizational stovepipe. According to the SARA's legislative history, designating a CAO was intended to eliminate such stovepipes and allow the CAO to serve as a focal point for acquisition in day-to-day operations, as well as in the agency-wide strategic planning and performance evaluation processes.⁶ To perform CAO functions, the SPE should be in an executive-level position, and empowered and positioned within the organization to fulfill the functions established by SARA, which OST's current structure does not promote. Although originally envisioned by OST as an interim solution in 2004 for SARA implementation, this structure is set to remain in effect until changed in writing by the Secretary.

⁶ House Report No. 108-117 (1); House Committee on Government Reform, May 19, 2003, page 23.

Figure 2. DOT's Procurement Authority



Source: OST

Because the SPE reports to the Deputy CAO instead of to the CAO, as required by SARA, the SPE is not included in top-level management discussions and meetings, limiting the SPE's ability to promote acquisitions as a strategic contributor to DOT's success. Additionally, this procurement management structure does not elevate the acquisition authority to a level that allows acquisitions to play a strategic role in supporting DOT's missions. OMB has identified this issue as a critical factor for an acquisition function's success. In the current OST structure, neither the CAO's nor the Deputy CAO's duties focus primarily on acquisitions. Unlike other Federal agencies, DOT's SPE does not report directly to the CAO, and does not have sufficient authority to promote strategic acquisition decisions and policy across the Department.

Furthermore, the placement of and duties assigned to the SPE in OST's structure prevents sufficient separation of duties because the SPE could be tasked with conducting direct contract work that the SPE is responsible for independently overseeing. For example, the previous SPE was tasked with closing out⁷ OST contracts. However, the SPE is responsible for independently managing and overseeing the contract closeout process Department-wide and it is inappropriate for this individual to be closing out the contracts that he or she oversees. The

⁷ The contract administration office is responsible for initiating administrative closeout of a contract as soon as practical after receiving evidence of physical completion. The closeout process is to ensure that the contractor performed in accordance with the terms, conditions, and specifications of the contract, and that all contractual actions have been completed, reviewing for excess funds that should be de-obligated, and preparing statements that authorize the closing of contract files.

possibility of insufficient separation of duties will remain as long as the current authority structure remains in place.

Long-Standing Vacancies in Key Leadership and Staff Positions Contribute to Weaknesses in OSPE's Acquisition Function

Vacant positions at OST created critical gaps in leadership and contributed to the acquisition function's weaknesses. We identified four important procurement leadership positions that OST had not permanently filled—the Assistant Secretary for Administration, the Head of Contracting Activity (HCA), the SPE, and the Chief of Contracting Office (COCO).⁸ According to OMB's guidelines on conducting acquisition assessments, leadership is critical for establishing direction and vision, and if necessary, changing the culture of an organization. Three prior external assessments of OSPE's acquisition function came to similar conclusions and found that a lack of leadership contributed significantly to other weaknesses in the acquisition function.⁹ Congress has recognized the critical role leaders play in providing direction and vision, and required certain agencies, including DOT, to designate SPEs to take responsibility for the management of their procurement systems.

Leadership and staff vacancies have hindered the effectiveness of OSPE's acquisition function. OST's failure to designate a permanent SPE, and other acquisition positions, has hindered the proper execution of critical procurement duties. For example, when the former SPE left DOT in December 2009, OST informally assigned the SPE's responsibilities to two non-procurement managers, who were not in a position to adequately manage these responsibilities. In one instance, we found that a non-procurement manager issued an unlimited contract warrant to an unqualified contracting officer (CO),¹⁰ and thus incorrectly gave the individual authority to award contracts of unlimited dollar amounts. All 8 OAs whose SAC members responded to our May 2010 survey—sent to SAC members from the 10 OAs that signed the SAC charter—reported an absence of OST acquisition oversight, leadership, and guidance. They also reported that this problem had become more significant since the SPE position had been vacant.

As a result of our review, OST took corrective actions in July and August 2010 by designating staff in an acting capacity with authority to carry out certain duties

⁸ OST filled the HCA/SPE positions in October 2010.

⁹ OSPE had three contractors perform assessments of its acquisition function—Martin Contract Management (2005), Bearing Point (2008), and NetAmerica (2009).

¹⁰ Only a warranted CO can obligate the Government. The warrant sets the level of authority that the CO cannot exceed. There are specific education, training, and experience requirements tied to the different levels of warrant authority.

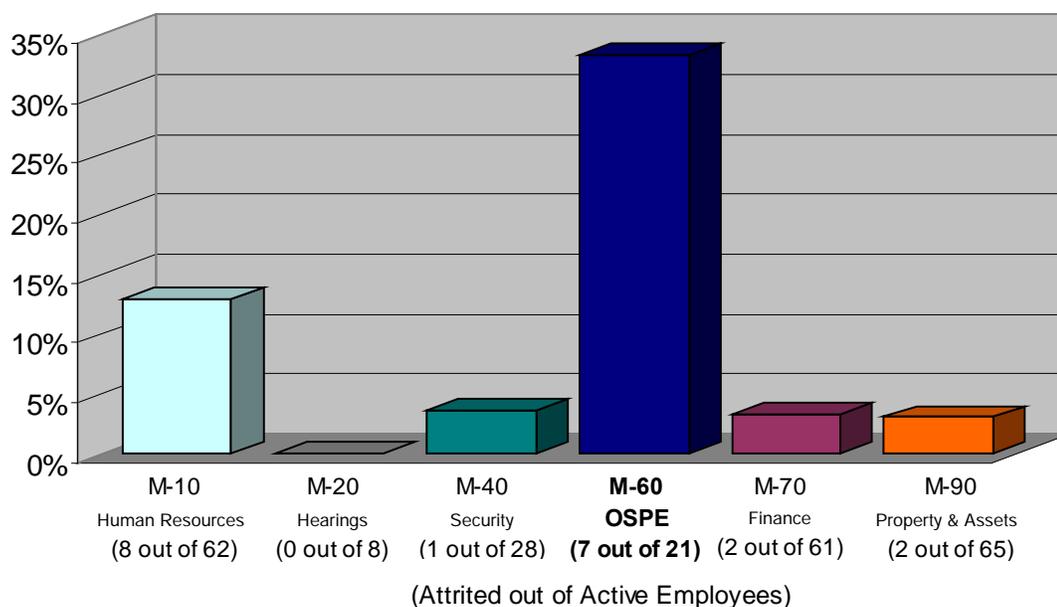
associated with three of the vacant leadership positions. However, without permanent leadership, OSPE is missing an element of organizational support needed to effectively execute the acquisition function and promote acquisitions as a strategic business resource in accomplishing DOT's missions.

Three other long-standing OSPE staff vacancies have also hindered OST's ability to efficiently carry out its procurement responsibilities. (OSPE has filled two of these vacancies.) For example:

- A team lead position—with unlimited warrant authority—became vacant in December 2009. OST has not yet filled the position.
- The Associate Director of Policy and Oversight position, responsible for making changes to the TAR and TAM, became vacant in May 2010. OST filled the vacancy in December 2010.
- The Associate Director for Commercial Services Management, who is responsible for the OSPE strategic plan, left in May 2010. OST filled the vacancy in December 2010.

From October 2009 through July 2010, OSPE's attrition was almost 30 percentage points higher than the average attrition rate of the other five offices making up the Office of the Assistant Secretary for Administration for the same period (see Figure 3). Specifically, due to attrition during this period, 7 out of 21 OSPE positions were vacant.

Figure 3. Attrition Rates of Offices Within the Office of the Assistant Secretary for Administration - October 2009 through July 2010



Source: OIG analysis

Seven of the eight OAs' SAC members that responded to our May 2010 survey (88 percent) attributed the OSPE vacancies and staff turnovers to the decreases in acquisition leadership and communication from OST. They also stated that because of vacancies and turnover, which date back to 2005, they do not know whom in OSPE to contact regarding acquisition issues and concerns. The members also expressed concerns about the lack of OSPE staff with a working knowledge of each OA's acquisition situation.

In response to our review, OST recognized the need to stabilize and rebuild its SPE function. On October 24, 2010, OST officially designated an SPE for the Department, who is also designated as the HCA.¹¹ According to OST, the SPE is engaged in rebuilding OSPE's leadership role within the Department and has taken steps to improve staff morale and stabilize the workforce. Additionally, a recent review of OSPE's attrition from September 2010 through April 2011 shows its attrition rate has dropped to 10 percent.

¹¹ OST previously designated this official as the Acting SPE on August 13, 2010.

The Strategic Acquisition Council Has Not Provided Acquisition Leadership to the Department

The SAC has not been used as the Department's intended forum for procurement leaders. Chartered in January 2009, the SAC's mission is to provide a forum for senior DOT acquisition leaders in each OA to address issues affecting DOT's procurement community, facilitate a consistent focus on acquisition improvement throughout the Department, and ensure that acquisitions strategically contribute to DOT's mission. The SPE serves as SAC's chairperson and acts as liaison between the SAC, senior DOT officials, and other external Federal agencies on Department-wide acquisition issues. Without an SPE to chair it, the SAC became inactive for over a year leaving the Department's senior acquisition leaders without a way to address acquisition issues.

SAC members from seven of the eight OAs that responded to our May 2010 survey stated that they believe the SAC could be an effective tool for promoting a successful and united acquisition process for the Department. They also stated, however, that the SAC is underutilized and has not had an opportunity to fully develop. Further, members of all eight OAs who responded to the survey uniformly acknowledged that they do not receive the leadership and guidance on acquisition they need from OST. Specifically, the respondents noted that

- OST does not provide adequate Department-wide acquisition leadership, such as actively supporting OAs in effectively carry out their acquisition missions;
- the quality of OST's support and involvement in the OAs' acquisition functions has diminished; and
- there is little focus on the acquisition function in general at the Department level.

Since being appointed acting SPE in August 2010, the now permanent SPE has worked towards revitalizing the SAC by reestablishing its monthly meetings—the first of which occurred in August 2010.

OSPE's Strategic Plan Does Not Link Its Goals to DOT's Strategic Plan or Address the Identified Acquisition Function Deficiencies

OSPE's strategic plan is missing key elements necessary for an effective organizational vision. OSPE issued its first strategic plan in March 2010 covering fiscal years 2010 through 2013. In the plan, OSPE acknowledges its responsibility for the Department's acquisitions. However, the plan does not clearly align the

organization's purpose or establish realistic goals and objectives consistent with DOT's overall mission.

The plan commits to providing useful acquisition processes and products to OST and OAs, but the plan has deficiencies in several key areas. First, it does not tie OSPE's activities to the goals and mission outlined in the Department-wide strategic plan, and fails to place OSPE's work in a long-term strategic context. Second, OSPE's strategic plan does not address deficiencies in the elements that, according to OMB, must be addressed for successful acquisition functions—contract oversight, clearly defined roles and responsibilities, established policies and processes, and the prevention of gaps in leadership.¹² Finally, OSPE has not developed performance measures and metrics to track its progress in meeting the plan's goals.

OSPE LACKS ADEQUATE POLICIES AND PROCEDURES TO EFFECTIVELY ADMINISTER ITS ACQUISITION FUNCTIONS AND WORKFORCE

OSPE lacks comprehensive policies and procedures for managing and performing its acquisition tasks. Additionally, OSPE does not regularly update DOT's acquisition guidance to reflect changes in Federal policy, affecting the entire Department's ability to rely on this guidance. Furthermore, contract and oversight files do not include required documents or complete histories of the contracts. Finally, OST does not maintain accurate records on its acquisition workforce in the Acquisition Career Management Information System (ACMIS), the Government-wide system for acquisition personnel, as required by both Federal and Department policies.

OSPE Does Not Have Adequate Standard Operating Procedures for Many of Its Acquisition Tasks and Processes

OSPE does not have a comprehensive set of standard operating procedures (SOP) for daily acquisition tasks and processes, a weakness previously identified in external assessments dating back to 2005.¹³ In response to our audit, OSPE has begun to develop written procedures for various acquisition processes and has identified 35 needed SOPs. However, these SOPs do not address all aspects of an effective acquisition function. For example, OSPE has not identified the need for an SOP for developing acquisition plans—a critical step for ensuring DOT

¹² OMB Memorandum *Conducting Acquisition Assessments under OMB Circular A-123*, May 21, 2008.

¹³ Martin Contract Management performed an assessment of OSPE's acquisition function in 2005 identifying a lack of written procedures, including a Standard Operations and Procedures manual, for the Acquisition Services Division.

efficiently and effectively meets its contracting needs. Furthermore, we reviewed three completed SOPs—contract administration, closeout procedures, and CO warrants—and found two of the three lacked detailed steps, guidance, and delineation of roles and responsibilities. A more cursory review of seven other SOPs revealed that several were little more than existing Federal or Department policies with no guidance or clear roles and responsibilities.

Additionally, OSPE staff we interviewed did not know which SOPs had been finalized or how to locate them. OSPE had not established an effective method for communicating new SOPs to staff and had not posted any SOPs to its intranet site. After we requested copies of existing SOPs, OST began posting them to its intranet. Currently, however, OSPE has posted only ten.

OSPE Does Not Adequately Maintain DOT's Acquisition Policy

OSPE has not updated the TAR—which establishes uniform acquisition policies and procedures for DOT—since 2005, or the TAM—which establishes uniform internal operating acquisition procedures—since 2006. Both clearly state that they implement and supplement the Federal Acquisition Regulation (FAR)—the Federal Government's principal acquisition policy.¹⁴ However, over 44 Federal Acquisition Circulars (FAC), which identify changes to the FAR, have been released since 2005. Each of these FACs could result in one or more changes to the TAR or TAM. For example, the TAM does not reflect a new FAR requirement that COs be responsible for the accuracy of contract award data prior to reporting it into FPDS-NG.¹⁵

In 2009, OSPE identified a backlog of changes for TAR and TAM. However, according to OSPE, staffing shortages prevented OSPE from implementing any changes during fiscal year 2010. OSPE staff also informed us that since a previous policy team lead left OST in fiscal year 2005, OSPE has focused little attention on keeping TAR and TAM updated.

Maintaining of current requirements in TAR and TAM is critical to OST and OA acquisition functions. All eight OAs that responded to our May 2010 survey of the SAC members expressed concerns regarding a lack of acquisition guidance coming from OST. Specifically, six OAs mentioned that TAR and TAM were out-of-date and therefore unreliable. They also stated that OST does not provide new or updated acquisition guidance or policy in a timely manner, and that policy lacks

¹⁴ The FAR establishes policies and procedures to ensure that agencies conduct acquisitions with fairness and integrity, minimize administrative operating costs, receive best quality products and services, and fulfill policy objectives.

¹⁵ FAR Part 4.604(b).

implementation guidelines. As a result, OAs must rely on external resources for regulations, and interpret changes on their own, thus exposing DOT to the risk of error and inconsistent acquisition practices.

Since being appointed, the current SPE has been working to ensure that acquisition guidance is up-to-date throughout the Department, and that effective communication mechanisms for DOT's procurement community are in place. Additionally, the SPE has directed a review of outstanding updates to the TAR and TAM.

OST Does Not Maintain Complete Contract Files or Complete Records of Contract Oversight

OST does not sufficiently maintain contract files, as required by FAR,¹⁶ to make informed decisions at each step of the acquisition process and to support actions taken. We reviewed a random sample of seven contract files from fiscal years 2007, 2008, and 2009. These files lacked documents required by both Federal and Department policy, including acquisition plans, independent government cost estimates, and legal reviews. Furthermore, none of the six contract files from 2008 and 2009 included the contract file document checklist required since 2008 by OST policy.¹⁷ The previous Associate Director of Acquisitions Services did not use the checklist, and the former acting Associate Director was unaware of it. OSPE operates without an SOP on contract file maintenance, indicating a lack of standards that ensure consistency and compliance with regulations. For example, COs use their discretion on when to obtain legal reviews or develop acquisition plans since no existing SOP addresses either of these issues. In March 2010, OSPE finalized a contract administration SOP. However, it merely copies verbatim FAR policy; provides no explanation for implementing the policy; and sets no processes, procedures, or guidance.

We also found the corresponding seven Contracting Officer Technical Representative's (COTR) files to be incomplete. Specifically, they did not contain documents recommended by DOT policy on the COTR program,¹⁸ including copies of correspondence with the contractor and contractor performance results. Furthermore, the COTR files provided little or no evidence of contract monitoring or oversight such as monitoring plans and documentation of surveillance results.

¹⁶ FAR 4.801(b) requires the head of each office performing contracting to establish files containing the records of all contractual actions sufficient enough to constitute a complete history of the transactions.

¹⁷ DOT Acquisition Policy Letter APL-2008-2, March 5, 2008.

¹⁸ DOT COTR Program, September 2008.

Documenting of contract monitoring and surveillance is key to effective contract administration.¹⁹

OSPE Does Not Maintain Required Information on Its Acquisition Workforce

OSPE staff do not maintain ACMIS records as required by OMB and DOT policies,²⁰ and OST management controls do not exist to ensure compliance with these policies. Specifically, OSPE's ACMIS records are not current, contain inaccurate information, and do not support the level of Federal Acquisition Certification in Contracting (FAC-C) certification and/or warrant authority of several staff.²¹ Furthermore, supervisors do not review staff ACMIS information to ensure its accuracy. For example:

- One CO with an unlimited warrant issued in 2004 has never entered information into ACMIS. OMB Policy Letter 05-01²² requires all COs with authority above the micro-purchase threshold²³ to enter current and complete information in the system by October 1, 2006.
- The ACMIS report for one supervisory CO, who previously was Acting Associate Director of Acquisition Services, shows qualifications for a FAC-C level II certification and a limited level II warrant authority. However, the CO earned a level III certification in June 2008, and was issued an unlimited warrant in June 2009. ACMIS records, last updated June 2008, do not reflect these changes in warrant and certification levels, and do not document the additional training completed to support the level III certification.
- The ACMIS report for an Integrated Systems Management and Reporting Division employee with an unlimited warrant did not support completion of education or training requirements. The report indicated that the employee never completed mandatory FAC-C level II and III training. ACMIS records also indicated the termination of a previous administrative warrant the day before the issuance of the unlimited warrant in January 2010, when

¹⁹ Office of Federal Procurement Policy, *A Guide to Best Practices for Contract Administration*, October 1994.

²⁰ OMB Policy Letter 05-01, *Developing and Managing the Acquisition Workforce*, April 15, 2005; DOT's *Acquisition Career Development Guide*, November 2006.

²¹ To receive a CO warrant, COs must obtain Federal Acquisition Certification (FAC) at a level that supports the level of the CO warrant. There are three FAC-C certifications/CO warrant levels, each of which has specific training, education, and experience requirements that must be met to receive the FAC certification. Level I certification/warrant authority is up to \$100,000; level II certification/warrant authority is up to the \$6.5 million; and level III certification/warrant authority is unlimited dollar amount. Requirements are cumulative, meaning one must achieve the previous level of FAC certification requirements before applying for the next level.

²² OMB Policy Letter 05-01, *Developing and Managing the Acquisition Workforce*, April 15, 2005.

²³ The current micro-purchase threshold is \$3,000.

in fact, OSPE management did not terminate the administrative warrant, as required by Department policy,²⁴ until August 13, 2010.

OST does not have policies and procedures that ensure proper use of ACMIS. OSPE management does not emphasize compliance with requirements for keeping information in ACMIS current and complete. Because both the Acquisition Career Manager (ACM) position²⁵ and the Associate Director of Acquisition Services positions are vacant, no staff person fulfills the duty of reviewing ACMIS information.

A lack of current and accurate information in ACMIS inhibits OST from making informed budgeting, staffing, training, and employment development decisions. It also prevents DOT from complying with the Federal requirement for maintaining training records on the acquisition workforce, and tracking Federal certification requirements and achievement levels.²⁶ Furthermore, because the acquisition workforce information in ACMIS will roll directly into the new system planned to replace ACMIS in 2011, any inaccuracies will compromise the integrity of the new system's data even before it is deployed.

OST LACKS BASIC MANAGEMENT CONTROLS TO ENSURE ACCURATE, COMPLETE, AND TIMELY PROCUREMENT DATA

OST does not have sufficient management controls to report accurate, complete, and timely procurement data as required by OMB regulations. Weaknesses include high rates of inaccuracy in its procurement database, insufficient procedures for promptly removing former employees' access to databases, an inaccurate inventory of its active contracts, and inadequate contingency plan for DOT's internal procurement database, PRISM, in the event of a systemwide emergency. These weaknesses affect the integrity of the data used for decision making by the Department as well as Congress and other Federal agencies.

Data that OST Reports to the FPDS-NG Has a High Inaccuracy Rate

OST's FPDS-NG²⁷ data has a high rate of inaccuracy, even though OMB requires agencies to certify annually the accuracy and completeness of their data

²⁴ DOT's *Acquisition Career Development Guide*, November 2006.

²⁵ ACM is an appointed position responsible for managing DOT's acquisition workforce and ensuring accurate and consistent Department-wide data in ACMIS. The position has been vacant since May 2010.

²⁶ OMB Policy Letter 05-01, *Developing and Managing the Acquisition Workforce*, April 15, 2005.

²⁷ The Federal Procurement Data System-Next Generation (FPDS-NG) is the database that stores procurement data from all Federal Departments.

transmissions to FPDS-NG.²⁸ OST had accuracy rates of 27 percent and 34 percent for fiscal years 2008 and 2009, respectively.²⁹ In April 2010, OMB emphasized the importance of agencies' reporting accurate data to FPDS-NG to improve the timeliness, completeness, and accuracy of Federal spending information. It set a goal that 100 percent of USASpending.gov's data—which comes from FPDS-NG—be reported on time, completely, and accurately by the end of fiscal year 2011.³⁰

The high rate of inaccuracy in OST's procurement data is due primarily to a lack of internal controls over the data's entry into PRISM. According to the Department's OMB A-123 Acquisition Assessment Report, approximately 80 percent of OST's procurement data feeds directly into FPDS-NG. OST's contract staff must enter the additional 20 percent into PRISM manually, and have no process for reviews of the entries for errors, thus increasing the risk of inaccuracies. According to OST, it should reconcile its PRISM and FPDS-NG data on a quarterly basis and correct any identified discrepancies; however, it lacks a process to ensure that corrections are made.

OSPE management acknowledged that the staff member temporarily assigned to oversee FPDS-NG administration—DOT's FPDS-NG Administrator left OST in August 2010—does not have the knowledge required to review and analyze data reported throughout the Department for accuracy and to ensure regular reporting. This deficiency further compromises the quality of DOT's verification of its FPDS-NG data.

²⁸ OMB Memorandum *Federal Procurement Data Verification and Validation*, March 9, 2007.

²⁹ U.S. DOT Memorandum from Cassandra Wells, Director of Acquisition Oversight, to Carmencita Jones, Chief of Contracting Office, "FPDS-NG Data Quality Audit Summary Report", August 28, 2008; U.S. DOT Memorandum from Cassandra Wells, Associate Director of OSPE, to Carmencita Jones, Director of Acquisition Services, "FPDS-NG Data Quality Verification and Validation Report", June 29, 2009.

³⁰ USASpending.gov will enable compliance with the Transparency Act of 2006 and allow for future growth of reporting on Federal spending. Launched in January 2008, it currently contains information on grants and contracts at the prime award level.

Untimely Removal of Former Employees' Access to Procurement Databases Creates Risks for Data Integrity

Many OST employees retained access to DOT's procurement databases after their employment with OST ended. Specifically, in March 2010, 55 out of 90 former employees, or 61 percent, retained access to PRISM, while 29 out of 53 former employees, or 55 percent, retained access to FPDS-NG. OMB requires agencies to apply internal controls over data entry, transactions processing, and reporting to protect resources from waste, loss, and misuse. Internal control standards also state that access to resources and records should be limited to authorized individuals, and that management should assign and maintain accountability for their custody. In response to our audit, OST deactivated all former employees' access in both systems. However, OST does not have a standard process in place to ensure that each employee's access to DOT's procurement systems is deactivated upon termination of employment. The absence of such a procedure also potentially jeopardizes the integrity of the Department's acquisition data.

OST Cannot Accurately Account for Its Active Contracts

OSPE cannot accurately account for all of OST's active contracts. Government internal control standards state that a good internal control includes periodic inventories of assets.³¹ Without a complete and accurate record of active contracts, OSPE cannot ensure proper contract management and oversight. Government control standards also call for periodic reconciliation of data records with contract files to help reduce the risk of error, fraud, misuse, or unauthorized alterations. OSPE officials acknowledged the need to inventory its contract files, but stated that it has no staff available to complete the inventory. OSPE's lack of a complete and accurate record prevents reconciliations of the data reported to the procurement systems with its contract files.

³¹ GAO *Standards for Internal Control in the Federal Government*, November 1999.

OST's Contingency Plan for PRISM Does Not Adequately Mitigate Risk to the System

OST's contingency plan³² for PRISM lacks important elements required by Federal contingency planning guidelines,³³ including resource requirements, training requirements and exercises, testing schedules, and a maintenance schedule. All Federal organizations must develop contingency plans for each information system that meets critical operations needs in the event of a system disruption.³⁴ By not including key elements in its contingency plan for PRISM, OST reduces the plan's effectiveness, and cannot ensure that all personnel will fully understand planning requirements.

Furthermore, OST cannot provide evidence to demonstrate that it annually reviews and tests its contingency plan for PRISM, as required,³⁵ to maintain the plan's effectiveness and operability. Annual testing is critical to a contingency plan's viability because it identifies and addresses possible deficiencies through the validity testing of at least one component and plan operability. Because information systems undergo frequent changes and system risks may vary over time, contingency plan testing and review must be ongoing. OST's 2010 PRISM Contingency Plan shows that since the plan's inception in 2004, updates only occurred in 2006 and 2010.

CONCLUSION

DOT is responsible for billions of dollars of acquisitions each year. OST represents the core of the Department's acquisition functions. Significant weaknesses in its acquisition function, however, limit OST's ability to carry out its responsibilities to support DOT's mission. OST has recognized that it needs to make changes—in both its organization and culture—and has begun to take action. However, until OST fully commits to reforming its own acquisitions, it will be challenged to provide clear direction and vision to acquisitions Department-wide, putting nearly \$6 billion worth of annual contracted goods and services at risk of fraud, waste, and abuse.

³² An information system contingency planning represents a broad scope of activities designed to sustain and recover critical information technology services following an emergency.

³³ National Institute of Standards and Technology (NIST) Special Publication 800-34: *Contingency Planning Guide for Federal Information Systems*, June 2002, revised May 2010.

³⁴ The Federal Information Security Management Act (FISMA) of 2002 mandates federal organizations Contingency plans. The NIST develops and issues standards, guidelines, and other publications to assist federal agencies in implementing the FISMA.

³⁵ NIST Special Publication 800-34: *Contingency Planning Guide for Federal Information Systems*, June 2002, revised May 2010.

RECOMMENDATIONS

We recommend that the Deputy Secretary take the following action:

1. Develop a permanent procurement structure and corresponding organizational roles and responsibilities for the Chief Acquisition Officer and the Senior Procurement Executive that positions and empowers them to effectively carry out their procurement duties.

We recommend that the Senior Procurement Executive take the following action:

2. Permanently fill the Chief of Contracting Office position and the Federal Procurement Data System-Next Generation Administrator position.
3. Create and implement a staffing plan that addresses OSPE's current and anticipated future workload needs.
4. Develop measures to track achievement of OSPE's strategic plan goals.
5. Finalize and set individual employee performance standards that align with OSPE's strategic plan.
6. Develop comprehensive SOPs for its acquisition processes and tasks that include specific steps, expected timeframes, and clearly assigned roles and responsibilities.
7. Implement a process delineating staff roles and responsibilities to ensure TAR and TAM remain up-to-date.
8. Issue guidance that re-emphasizes the requirement that COs and contract specialists use DOT's standard contract checklist to maintain accurate and complete contract records.
9. Require the Acquisition Career Manager and supervisors to review and approve ACMIS information for all employees to ensure its accuracy.
10. Ensure that FPDS-NG data quality reviews are conducted and documented.
11. Create and implement a procedure to ensure that employees leaving the Agency have their access to procurement systems terminated as part of the checkout process.
12. Establish and implement regular reviews of the procurement database user access lists to ensure that current employees' access rights are properly maintained and modified, as needed.
13. Develop and maintain a comprehensive list of OSPE's contracts.

14. Create and implement a process for periodically reconciling a comprehensive list of OSPE's contracts to its contract files and procurement databases.
15. Update and maintain the PRISM Contingency Plan to comply with Federal regulations.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

We discussed the results of our review with officials from OST on December 15, 2010, and provided a draft of this report to OST on March 31, 2011. We received OST's response on May 2, 2011, which is included in its entirety in the Appendix of this report. OST concurred with recommendations 10 and 11, has already completed actions to address those recommendations, and we consider them closed.

OST also concurred with all except 4 of our recommendations and provided acceptable planned corrective actions and implementation dates. OST partially concurred with recommendations 1, 4, 5, and 9 but provided alternate actions that meet the intent of those recommendations. OST also provided implementation dates. We consider all of these recommendations resolved pending completion of the planned actions.

For the remaining recommendation, however, OST needs to provide further information. Specifically, OST concurred with recommendation 7 (assigning responsibility for TAR/TAM updates) but since the final milestone for these actions is not until December 2013, we are requesting that OST provide us with periodic updates on its progress.

ACTIONS REQUIRED

In accordance with the Department of Transportation 8000.1C, we are closing recommendations 10 and 11. We are also requesting that OST inform us when it has completed its remaining planned actions for the remaining recommendations for which acceptable actions were proposed. We request that OST provide us with additional information for recommendation 7.

We appreciate the courtesies and cooperation of the Office of the Senior Procurement Executive's representatives during this audit. If you have any questions concerning this report, please call me at (202) 366-1427 or Tony Wysocki, Program Director, at (202) 493-0223.

#

cc: Willie Smith, Senior Procurement Executive, M-60
Martin Gertel, M-1

EXHIBIT A. SCOPE & METHODOLOGY

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

We conducted this audit between October 2009 and March 2011. Our audit objective was to assess OST's acquisition function and identify vulnerabilities that could impact DOT's ability to implement an effective and efficient approach consistent with best practices, including the Office of Management and Budget (OMB) Guidelines on conducting acquisition assessments under Circular A-123. This effort is part of our risk-based oversight strategy to help DOT address management challenges in its acquisition function. We focused our audit on an assessment of OST's acquisition function to identify vulnerabilities that could impact OST's ability to manage its own acquisitions and implement and promote effective and efficient acquisition processes Department-wide.

To address our audit objective, we conducted a high-level review of OST's acquisition function, focusing on three of the four cornerstones identified in OMB guidelines on conducting acquisition assessments under OMB Circular A-123. These four cornerstones are: (1) Organizational Alignment and Leadership; (2) Policies and Procedures; (3) Acquisition Workforce; and (4) Information Management Stewardship. We did not focus on the third cornerstone—Acquisition Workforce—because we determined that the scope for this cornerstone was extensive and should be covered in a separate audit to ensure that adequate time and attention are devoted to the area.

We reviewed the Federal Acquisition Regulation (FAR); Transportation Acquisition Manual (TAM); DOT's Acquisition Career Development Program; OMB's Policy Letter 05-01: *Developing and Managing the Acquisition Workforce*; the Service Acquisition Reform Act (SARA) of 2003; and other applicable departmental and Federal regulations and guidance. We also consulted with OIG's Office of Legal, Legislative, and External Affairs throughout the audit to ensure proper interpretation of SARA and other policies.

We interviewed various Office of the Senior Procurement Executive (OSPE) managers and staff to obtain an accurate understanding of the acquisition-related

processes and practices, culture, and atmosphere. To assess the organizational alignment and leadership we reviewed OST's organizational charts and authority structures, obtained position descriptions for acquisition staff and management, analyzed the OSPE's strategic plan, worked with our statistician to determine OST's attrition rates, and interviewed members of the Strategic Acquisition Council (SAC). To assess OST's policies and processes, we reviewed standard operating procedures, reviewed employee certifications and qualifications—including the Acquisition Career Management Information System records for all OSPE employees in the system as of March 2010—and verified that all OSPE Contracting Officer's qualifications met their warrant authority. To evaluate OST's information management stewardship and data quality, we analyzed required information system processes such as the Certification & Accreditation and Verification & Validation, determined whether a contingency plan with annual testing was in place, and whether OST had an accurate account of their active contracts, and compared OST's roster of current employees to the list of active users for OST's procurement databases as of March 2010.

We reviewed a random sample of 7 OST contracts totaling more than \$271 million from a universe of 3,068 unique contracts totaling \$7.5 billion reported in PRISM for fiscal years 2007 through 2009. We selected contracts with probability proportional to size—in which size was equal to the award amount—thereby giving contracts with larger award amounts a greater chance of being selected while giving every dollar in the universe an equal chance. We used this sample to perform a high-level review of the associated contract and Contracting Officer Technical Representative files to determine whether those files contained complete contract documentation in compliance with Federal and departmental laws and regulations, and whether they demonstrated that OST was providing adequate contract management and oversight. We also used this sample to compare each contract file's information to the contract information contained in PRISM and FPDS to check for consistency and accuracy.

EXHIBIT B. GLOSSARY OF ACRONYMS

ACM	Acquisition Career Manager
ACMIS	Acquisition Career Management Information System
CAO	Chief Acquisition Officer
CFO	Chief Financial Officer
CO	Contracting Officer
COCO	Chief of Contracting Office
COTR	Contracting Officer Technical Representative
FAC	Federal Acquisition Circular
FAC-C	Federal Acquisition Certification in Contracting
FAR	Federal Acquisition Regulation
FISMA	Federal Information Security Management Act
FPDS-NG	Federal Procurement Data System-Next Generation
GAO	Government Accountability Office
HCA	Head of Contracting Activity
NIST	National Institute of Standards & Technology
OMB	Office of Management and Budget
OSPE	Office of the Senior Procurement Executive
OST	Office of the Secretary
SAC	Strategic Acquisition Council
SARA	Service Acquisition Reform Act
SOP	Standard Operating Procedure
SPE	Senior Procurement Executive
TAM	Transportation Acquisition Manual
TAR	Transportation Acquisition Regulation

EXHIBIT C. SUMMARY OF THE ACQUISITION CORNERSTONES IN OMB CIRCULAR A-123 AND THEIR CRITICAL ELEMENTS

Cornerstone	Critical Elements Defining Each Cornerstone
Organizational Alignment & Leadership	<ul style="list-style-type: none"> • Assuring appropriate placement of the acquisition function; • Organizing the acquisition function to operate strategically, aligning it with agency mission and needs; • Clearly defining and integrating roles and responsibilities; • Having commitment from a clear, strong, and ethical executive leadership; • Effective communication of missions, values, and expectations, providing a foundation for continuous improvement.
Policies & Processes	<ul style="list-style-type: none"> • Partnering with internal organizations—acquisition function engages all stakeholders from various disciplines when planning; • Assessing internal requirements and the impact in external events when planning acquisition strategies; • Empowering cross-functional teams; • Managing and engaging suppliers to encourage competition and enhancing price analysis and contractor quality and performance; • Monitoring and providing oversight in order to achieve desired outcomes; • Enabling financial accountability by tracking and communicating financial information throughout the acquisition process for effective evaluation and assessment of the acquisition activity; • Promoting successful outcomes of major projects, using sound capital investment strategies, and employing knowledge-based acquisition approaches.
Information Management & Stewardship	<ul style="list-style-type: none"> • Tracking acquisition data accurately; • Translating data into meaningful formats and analyzing that data; • Ensuring effective general and application controls over all information systems; • Ensuring effective data stewardship to ensure data accurate, accessible, timely, and usable for acquisition decision-making and activity monitoring.
Human Capital	<ul style="list-style-type: none"> • Valuing and investing in the acquisition workforce; • Performing strategic human capital planning; • Acquiring, developing, and retaining talent; • Creating a results-oriented organizational culture that empowers employees and links performance to organizational goals.

Source: OMB Circular A-123

EXHIBIT D. MAJOR CONTRIBUTORS TO THIS REPORT

THE FOLLOWING INDIVIDUALS CONTRIBUTED TO THIS REPORT.

<u>Name</u>	<u>Title</u>
Tony Wysocki	Program Director
Ann Wright	Project Manager
Jill Cottonaro	Senior Analyst
Meghann Noon	Auditor
Karen Sloan	Communication Officer
Susan Neill	Writer/Editor
Petra Swartzlander	Senior Statistician
William Savage	Computer Specialist
Sandra DeLost	IT Specialist
Amy J. Berks	Senior Counsel
Sandra DePaulis	Senior Analyst
Jacqueline Feldman	Analyst

APPENDIX. AGENCY COMMENTS

MEMORANDUM

**U.S. Department of
Transportation**
Office of the Secretary
of Transportation

ACTION: Management Response to OIG Draft Report,
“Weaknesses in the Office of the Secretary’s
Acquisition Function Limit Its Capacity to Support
DOT’s Mission”

MAY 02 2011

DATE:

FROM: Brodi L. Fontenot 
Deputy Assistant Secretary
for Administration

REPLY

TO

Attn. of:

TO: **CALVIN L. SCOVEL**
Inspector General

The Office of the Senior Procurement Executive (OSPE) has weathered a difficult period and is emerging as a stronger organization. During a period of unusual leadership instability and staff attrition, the office struggled to maintain essential functionality. During that period the office was understaffed making it vulnerable to lapses in certain functional areas.

Significant Actions Completed and Underway

Upon becoming Deputy Assistant Secretary for Administration, one of my first actions was to provide new perspective to fully assess the OSPE function. Based on this assessment and information provided by the Office of Inspector General relating to its ongoing review, we recognized the need for, and implemented sound

and effective actions to stabilize and rebuild the OSPE function. We are now well along that pathway.

First, we brought in strong new leadership at the top, hiring a Senior Procurement Executive (SPE) with proven leadership skills and knowledge of both procurement and the Department. Though on board for less than a year, the new SPE has assessed the overall structure and staffing of OSPE and is well on the way to revitalizing the Office. Key leadership positions in the organization are now filled and we will continue filling staff positions to the full extent of resource availability. Office policies and procedures have been reviewed with plans put in place, and responsibilities assigned, to ensure these vital elements are up to date and effective. The SPE revitalized the Strategic Acquisition Council, recognized the importance of this organization, and is convening regular meetings to effect strategic dialogue with the Department's acquisition community.

OSPE took immediate action to remediate issues identified by OIG with regard to system access and continues its work to better verify data input to PRISM and FPDS-NG. The Associate Director of Integrated Systems Management and Reporting position is among those recently filled, and that Division will be leading efforts to improve systems integration and data quality.

The Department will reassess its structural compliance with the Service Acquisition Reform Act of 2003 with regard to reporting relationships. While we understand the issues relating to compliance with all aspects of the statute, it is also important to recognize the unique challenges the Department faces in fulfilling the organizational, political, and workload expectations of the law. As we evaluate alternatives that will most clearly demonstrate fulfillment of the intent of the Act, we want to be clear that that the SPE has currently and will continue to have direct, timely access to the Chief Acquisition Officer for matters relating to strategic acquisition issues or otherwise relevant to department wide procurement.

Leadership in Place and Communication Enhanced

The Senior Procurement Executive has achieved significant progress in the limited time since coming on board. The following highlight some of the specific accomplishments to date:

- **OSPE Leadership is in Place and Staff has Stabilized** – Each of OSPE's leadership positions have now been filled with permanent selections that will afford the office with the management and expertise it needs to move forward. Staffing overall is also improving and attrition has been reduced. During the period covered by the OIG review, 6 people left the office,

Appendix. AGENCY COMMENTS

accounting for the office experiencing an attrition rate in excess of thirty percent. During the time period from July of 2010 to present, only 2 people have left, slashing the attrition rate for the office to less than 10 percent.

- **Strategic Acquisition Counsel Revitalized** – One of the SPE’s first actions on August 26, 2010 was to revitalize the SAC as a vital link to the procurement community. The organization once again meets monthly and is considered a vital link for conducting meaningful and effective dialogue on procurement matters with the OAs. It is relied upon as a forum for resolving departmental procurement issues. SAC has facilitated a consistent focus and discussion on acquisition improvement and strategies, in areas including developing a Departmental Procurement Platform, achieving Contract Savings, increasing the Use of Strategic Sourcing, reducing High Risk Contracting, strengthening the Acquisition Workforce, and expanding opportunities for small businesses.

SAC helps to ensure that acquisitions strategically contribute to DOT’s mission by improving communications throughout the Department. It also serves as an important forum for information exchange thanks to the participation of high-level internal and external officials in the meetings. Based on these and other efforts to revitalize OSPE’s working relationships with the DOT procurement community, we are convinced that were the OIG to conduct an update to its May 2010 survey, its results would be far more positive.

Overall, in a relatively short period of time, significant progress has been achieved in strengthening OSPE. Thanks to the OIG review team’s openness to conducting meaningful dialogue with management, it made a valued contribution to these efforts. There is now a firm basis for moving forward to building a high performance organization offering best in class services to the Department, operating administrations, and the American taxpayer.

RECOMMENDATIONS AND RESPONSE

Recommendation 1: Develop a permanent procurement structure and corresponding organizational roles and responsibilities for the Chief Acquisition Officer and the Senior Procurement Executive that positions and empowers them to effectively carry out their procurement duties.

Response: Concur in Part. In consultation with the Secretary and the Office of General Counsel, OSPE will examine the organizational alignment and the functions/roles of the Chief Acquisition Officer (CAO) and the Office of the

Appendix. AGENCY COMMENTS

Senior Procurement Executive, in the context of the Service Acquisition Reform Act (SARA). The outcome of this examination will be the identification of an organizational structure that aligns activities and functions described in SARA, to the fullest extent possible, consistent with organizational needs. Necessary organizational analysis is ongoing, and we plan to consult with all necessary offices in the coming months. We anticipate completing this action by December 30, 2011.

Recommendation 2: Permanently fill the Chief of Contracting Office position and the Federal Procurement Data System-Next Generation Administrator position.

Response: Concur. As identified in the OIG report, ensuring that leadership is in place is a critical element of providing effective procurement leadership for the Department. We are pleased to note that all leadership positions in OSPE have now been filled. This includes completing the selection of an Associate Director of Acquisition Operations. The incumbent in this position has been delegated Chief of Contracting Officer responsibilities. Further, the position of Associate Director for Integrated Systems Management and Reporting has also been filled. The responsibilities under this official include staffing, and ultimately managing the FPDS-NG Administrator position. We anticipate that the FPDS-NG Administrator position will be filled, resources permitting, before March 30, 2012.

Recommendation 3: Create and implement a staffing plan that addresses OSPE's current and anticipated future workload needs.

Response: Concur. As indicated above, all leadership positions in OSPE have been filled. These include the Senior Procurement Executive, the Associate Director of Policy Oversight, and Business Strategies, the Associate Director of Integrated Systems Management and Reporting, the Associate Director of Acquisition Operations, and the Associate Director of Commercial Services. Now that these leadership positions have been filled, OSPE is working to complete a more detailed staffing plan by December 30, 2011.

Recommendation 4: Develop measures to track achievement of OSPE's strategic plan goals.

Response: Concur in part. We recognize the importance of utilizing the OSPE strategic plan to guide overall management of the acquisition function. As we continue to work through the issues in the OSPE, we anticipate reaching a better position in the months ahead to establish new strategic goals, performance measures, and improve tracking of our accomplishments. The first step, however is to reexamine the existing strategic plan to ensure that it aligns with the new

leadership's goals. We anticipate completing a revised strategic plan before September 30, 2012, and will implement measures to track achievement of the plan at that time.

Recommendation 5: Finalize and set individual employee performance standards that align with OSPE's strategic plan.

Response: Concur in Part. All employees have performance standards that are rationally based and aligned with the Office's objectives and have been updated to align with ongoing strategic goals. For example, performance standards now include measures relating to improving acquisition workforce management, improving financial oversight, improving Contracting Officer Technical Representative and project management performance; implementing eProcurement, and implementing process improvements

We concur in part as we fully intend to revisit the OSPE strategic plan in the future, based on broad guidance and requirements from (1) OMB, (2) Departmental strategies defined in the SAC, and (3) internal discussions. As a result, we anticipate that employee performance standards will continue to evolve in alignment with these changes. We intend to have revised standards aligned with a new OSPE strategic plan by June 30, 2013.

Recommendation 6: Develop comprehensive SOPs for its acquisition processes and tasks that include specific steps, expected timeframes, and clearly assigned roles and responsibilities.

Response: Concur. After reviewing the organization's operations and previous efforts to construct Standard Operating Procedures (SOP) the SPE concluded that SOPs will be useful and beneficial. Overall, we intend to implement a full set of 28 specific SOPs to help guide and standardize operations. The SPE has prioritized the completion and implementation of these procedures into two groups. Phase 1 includes 15 separate SOPs that are most critical to overall operations and have been prioritized for completion by December 30, 2011. The remaining 13 SOPs are in Phase 2, which are to be completed by June 30, 2012. The SPE has assigned responsibility for completing these procedures throughout the organization. Once completed, they will be posted on SharePoint site, and staff will be trained in their use to facilitate consistent implementation.

Recommendation 7: Implement a process delineating staff roles and responsibilities to ensure TAR and TAM remain up-to-date.

Response: Concur. OSPE is in the process of developing a comprehensive approach to updating and maintaining the TAR and TAM. First, the office

Appendix. AGENCY COMMENTS

replaced the TAR/TAM updating software with a more efficient and less costly method for records upkeep and retention. The office is now developing and prioritizing a specific update plan to bring the TAR/TAM fully up to date with FAR, OMB Memos, departmental orders, OSPE interim guidance, and other best business practices. While interim guidance will continue to be available to the OAs as the TAR/TAM is updated, due to the volume of materials involved, management anticipates that it will publish the final products by December 1, 2013.

Subsequently, OSPE intends to deploy a systematic approach to maintaining the TAR/TAM that will be enumerated in a maintenance plan that describes staffing assignments and supporting policies and procedures for document revision and version management.

Recommendation 8: Issue guidance that re-emphasizes the requirement that COs and contract specialists use DOT's standard contract checklist to maintain accurate and complete contract records.

Response: Concur. Guidance to re-emphasize the requirement that contract specialists use DOT's standard contract checklist to maintain accurate and complete contract records was provided to M-63 staff in January 2011. Since then, the DOT standard contract checklist is being utilized. Further, all new award contract files since that date are reviewed prior to signature to ensure the checklist is utilized and to provide other quality assurance checks. As a result, action pursuant to this recommendation is considered complete and management will provide supporting documentation by May 31, 2011.

OSPE is also implementing other actions with regard to contract files, which is one of the areas identified as a priority in revising the OSPE SOPs. While there are existing requirements, we intend to both identify required documentation and explain processes and procedures in more detail. In addition, to provide another level of controls in this important area, OSPE is planning to establish a Quality Review Board. The Quality Review Board will meet quarterly and randomly select contract files for review and provide findings/feedback to the Acquisitions Director and contracting staff members.

Recommendation 9: Require the Acquisition Career Manager and supervisors to review and approve ACMIS information for all employees to ensure its accuracy.

Response: Concur in part. OSPE has established checks and balances to support an overall process which ensures that training records for the acquisition workforce are accurate. OSPE management will review each of its employees ACMIS entries and verify their accuracy by June 30, 2011.

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Recommendation 10: Ensure that FPDS-NG data quality reviews are conducted and documented.

Response: Concur. OSPE will continue conducting required data quality review and validation activities to ensure that tracking system information is as accurate as possible. In January 2011, the Department completed its Independent Validation & Verification Report of 2010 FPDS-NG data. A copy of this report has been provided to the OIG. While we will continue this reporting in the future, action pursuant to this recommendation is considered complete.

Recommendation 11: Create and implement a procedure to ensure that employees leaving the Agency have their access to procurement systems terminated as part of the checkout process.

Response: Concur. As of August 2010, OSPE receives “Clearance and Document Removal” forms and provides a copy to the system administrator for acquisition systems. The system administrator then logs the request in a spreadsheet, checks all systems, removes the employee from all applicable systems and updates the spreadsheet. OA’s have system administrators responsible for maintaining their own active user lists. Action pursuant to this recommendation is considered complete.

Recommendation 12: Establish and implement regular reviews of the procurement database user access lists to ensure that current employees' access rights are properly maintained and modified, as needed.

Response: Concur. Beginning October 2010, a list of all active users is sent bi-annually to the respective OST managers seeking validation and verification of the need for continued user access at the access level stated. This information is used to adjust or eliminate access as appropriate. Action pursuant to this recommendation is considered complete and documentation will be provided by May 31, 2011.

Recommendation 13: Develop and maintain a comprehensive list of OSPE's contracts.

Response: Concur. In January 2011, OST Acquisition Services established a Process Action Team, in part, to reconcile an active contract list with FPDS-NG and PRISM to ensure accuracy. We anticipate having a final, reconciled list by December 30, 2011.

Recommendation 14: Create and implement a process for periodically reconciling a comprehensive list of OSPE's contracts to its contract files and procurement databases.

Response: Concur. In January 2011, OSPE implemented revised systems for contract file and procurement database management. The Process Action Team is also developing a process to complete periodic reconciliations of the active contract list with FPDS-NG and PRISM. We anticipate formalizing this process by December 30, 2011.

Recommendation 15: Update and maintain the PRISM Contingency Plan to comply with Federal regulations.

Response: Concur. The Prism Contingency Plan has been updated and was approved by the DOT Security Officer on August 4, 2010. OSPE is in the process of testing and reviewing the plan and will complete any modifications necessary before December 30, 2011. Subsequently, the plan will be tested and maintained in accordance with Federal requirements.