



**Current Issues**



# Current Issues

- President's Management Agenda
- OFPP Initiatives
- GAO High Risk Series
- Major OPAM Initiatives





# President's Management Agenda (PMA)



# President's Management Agenda (PMA) *Background*

- In 2001, the President unveiled his management agenda (PMA) aimed at improving Government performance and management
- The Office of Procurement and Assistant Management (OPAM) actively supports the PMA initiatives in:
  - ✓ Competitive Sourcing
  - ✓ Financial Performance
  - ✓ E-Government
  - ✓ Human Capital Management
  - ✓ Budget and Performance Integration



# Competitive Sourcing

- Promotes cost savings and performance improvements in work designated as commercial under the FAIR Act and OMB Circular A-76
- The Competitive Sourcing Office (CSO) is responsible for DOE's Competitive Sourcing Activities
- As of FY2007, OPAM has awarded contracts or signed Most Efficient Organization (MEO) Letters of Obligation for nine A-76 competitions, that have realized savings of over \$537 million dollars
- Additional Competitive Sourcing opportunities are being identified



# Financial Performance and E-Government

## OPAM's Strategic Integrated Procurement Enterprise System (STRIPES)

- Part of DOE's I-MANAGE initiative
- ✓ Implements improved financial performance, integrated budget, procurement, human resources, performance, and expanded electronic government
- ✓ Creates a simpler, secure, common, integrated business process for buyers and sellers that promotes competition, transparency and integrity
- ✓ Increases data sharing and leverages investment costs



# Financial Performance and E-Government

- Automated contract writing, routing, and management system to be fielded nation-wide during FY-08
- Provides enhanced management controls, consistent application of policy, reduced procurement processing time, and cost savings
- Includes both Procurement and Financial Assistance transactions



# Human Capital Management

- OFPP Policy Letter 05-01 establishes government-wide framework for a federal acquisition workforce with skills to deliver best value supplies and services
  - ✓ Find the best business solutions, and provide strategic business advice to accomplish agency missions.
- OFPP Policy Letter 06-02 establishes the Federal Acquisition Certification requirements for Contracting
- Agencies required to maintain acquisition career management program that:
  - ✓ Assesses the needs of acquisition workforce
  - ✓ Develops the acquisition workforce
  - ✓ Identifies staffing needs and training requirements
  - ✓ Includes other workforce development strategies
  - ✓ Maintains information on the acquisition workforce in the Acquisition Career Management Information System (ACMIS)





# Human Capital Management

- OPAM manages DOE Acquisition Career Management through DOE O 361.1A
  - ✓ sets forth education, training and experience requirements in accordance with Statutes, OFPP policy, and Executive Orders
  
- Includes requirements for:
  - ✓ Contracting and purchasing personnel
  - ✓ Personal property management personnel
  - ✓ Financial assistance personnel
  - ✓ Contracting Officer Representatives
  - ✓ Contracting Officers
  - ✓ Program and project management



# Human Capital Management

- Acquisition workforce requirements institutionalized in the Acquisition Career Management Program Handbook, available on the DOE OPAM homepage
- New training requirements in Earned Value Management, Performance-based Service Acquisition
- Certification programs in Financial Management, Project Management, Property Management, and Contracting Officer Representatives (CORs) established
- Training continuously revised to stay current with changes in acquisition requirements and other agency best practices
- DOE Order 541.1B, Appointment of Contracting Officers and Contracting Officer Representatives, provides requirements for training and experience for warranted officials



# Human Capital Management

- OPAM has succession and development programs for its employees
- DOE competes with other Federal Agencies for a shrinking contracting workforce
- Addressing changes in workforce demographics that are driven by different motivations
- Department has limited resources available to meet training needs for its current workforce
- Limited travel funds available to attend certification classes through Federal Acquisition Institute (FAI) or other sources



# Budget and Performance Integration

- Balanced Scorecard (BSC) supports the Budget and Performance Initiative as a structured approach to performance measurement that links organizational strategic thinking to the activities necessary to achieve desired results
  - ✓ a vehicle for communicating an organization's strategic direction and for measuring achievements towards its predetermined objectives
  - ✓ clearly establishes linkage between strategic objectives, measures for determining progress, establishing stretch targets, and the focused initiatives needed to meet organizational goals
  - ✓ utilizes Department-wide measures plus individually tailored local measures to achieve strategic goals



# Budget and Performance Integration

- FY 2007 Balanced Scorecard Measures are located on the OPAM webpage
- Provides decision-makers with critical information on:
  - ✓ the efficiency with which resources are transformed into goods and services; and
  - ✓ the effectiveness of organizational activities and operations in terms of their specific contributions to strategic objectives
- Key part of the Procurement Executive's performance plan, a critical element in MA-60's SES performance assessments, and a part of the performance plans of all OPAM employees
- Used to assess Contractor performance in procurement management



# 2007 Balanced Scorecard

## *Internal Business Perspective Sample*

OBJECTIVE	MEASURE	TARGET
<p><b>Acquisition Excellence</b></p> <p>Data Source: Manager's Self-Assessment Survey, local protest data, compliance review results.</p> <p>Data Generation: Accomplished by using standardized survey instrument. Individual survey responses are entered into Excel Data Reduction Program which calculates results.</p> <p>Data Verification: Procurement Directors are responsible for accuracy of data and retention of Excel Program Reports in accordance with records management requirements. Reports will be made available for compliance and/or HQ reviews.</p>	<p>Extent to which internal quality control systems are effective, particularly with respect to compliance with laws and regulations, vendor selection and performance, contract administration, and subcontractor oversight.</p>	<p>88%</p> <p>No sustained protests.</p>



# 2007 Balanced Scorecard

## *Learning And Growth Perspective Sample*

OBJECTIVE	MEASURE	TARGET
<p><b>Access to Strategic Information</b></p> <p>Data Source: Manager's Self-Assessment Survey (Data Collection).</p> <p>Data Generation: Accomplished by using standardized survey instrument. Individual survey responses are entered into the Excel Data Reduction Program which calculates results.</p> <p>Data Verification: Procurement Directors are responsible for accuracy of data and retention of Excel Program Reports in accordance with records management requirements. Reports will be made available for compliance and/or HQ reviews.</p>	<p>The extent to which reliable procurement management information systems are in place.</p>	<p>Strategic information system that is 100% accurate, timely, and efficient.</p>



# 2007 Balanced Scorecard

## *Financial Perspective Sample*

OBJECTIVE	MEASURE	TARGET
<p><b>Optimum Cost Efficiency of Purchasing Operations</b></p> <p>Data Source: FPDS-NG, local budget tracking systems.</p> <p>Data Generation: Cost to Spend Ratio is calculated from data extracted from listed data systems.</p> <p>Data Verification: Procurement Directors are responsible for the accuracy of the calculated ratio, and for retention of source documents and ratio calculation sheets in accordance with records management requirements. Records will be made available for compliance and/or HQ reviews.</p>	<p>Cost to Spend Ratio: Procurement organization's operating costs (labor plus overhead) divided by procurement obligations. (Note: the costs and obligations associated with M&amp;O actions are excepted).</p>	<p>.009</p>





# OFPP Initiatives



# OFPP Initiatives

- The Office of Federal Procurement Policy (OFPP) is responsible for developing and implementing procurement policies for OMB
- Current OFPP initiatives and issues include:
  - ✓ Strategic Sourcing
  - ✓ Purchase Cards
  - ✓ Interagency Contracting
  - ✓ Performance-based Contracting



# Strategic Sourcing

- Strategic Sourcing is leveraging the Department's large buying requirements to purchase more cost effectively and efficiently
- OMB requires agencies to have a Strategic Sourcing Council consisting of the CAO, CFO and CIO
- OPAM started strategic sourcing efforts in FY 2004 as a Critical Management Initiative
- Complex-wide prime contracts have been awarded for
  - ✓ Licensing Agreements
  - ✓ Hardware and Software
  - ✓ NEPA Services
  - ✓ Employee Services
  - ✓ Office Furnishings
  - ✓ Express and Ground Delivery Services
  - ✓ Look for any new awards or success stories on the internet at

<http://www.management.energy.gov/1364.htm>



# Strategic Sourcing

- Leveraged savings for Department of Energy (DOE) Site & Facility Contractors through the Integrated Contractor Purchasing Team (ICPT):
  - ✓ **Provide long term strategies** via an established Executive Steering Council and individually chartered Product Teams; and
  - ✓ **Provide a vehicle for communication** of consolidation initiatives, marketing methodology, and procurement related issues of the Site & Facility Contractors community
- Additional information on these contracts is available on the internet at <http://www.1/N/.gov/icpt/>



# Purchase Cards

- Primary method used to acquire goods/services below the (micro-purchase threshold)
  - ✓ also used to place orders for existing contracts and make payments. Authority for use often delegated to the end-user (i.e., program official)
  - ✓ Since 1994, DOE and its major facility contractors have significantly increased use of P-Cards to streamline purchasing/improve cash management
- Total \$ value for purchase card transactions in FY-06 was over \$87,366,971 and DOE received nearly \$780,000 in rebates. There were 3000 cardholders and 166,257 number of transactions.
- A focus on internal controls and use of data mining to manage the risk of waste, fraud, and abuse effectively



# Purchase Cards

- DOE has addressed the vulnerabilities in the purchase card programs
  - ✓ DOE has issued policy and implementing procedures in a guide for all personnel using SMARTPAY cards
  - ✓ Training is required prior to becoming a card holder or approving officials and at regular intervals after certification
  - ✓ DOE has a full-time agency purchase card program manager and 38 organizational coordinators
  - ✓ A data mining project has been developed to aid in the audit process for purchase cards – prevents and detects misuse
    - The project was fully implemented on December 2006
    - Uses off-the-shelf software to sort and identify questionable transactions
    - In-house notification and tracking system developed that automates the communication of questionable items



# Purchase Cards

- GSA SmartPay master contract provides government-wide Purchase, Travel, Fleet, & Integrated charge cards to over 350 agencies
  - ✓ Streamlining purchasing by eliminating the need for purchase orders and reduces admin costs
  - ✓ Allowing fully automated invoicing and payment processing
  - ✓ Performance based refunds for agencies based on net charge volume and productivity (file turn days)
  - ✓ Electronic access systems that allow for streamlined financial operations and allocation methods



# Purchase Cards

- Each agency negotiates a separate task order tailored to their needs or uses a tag along or pool arrangement with other agencies
  - ✓ DOE uses Bank of America for purchase, travel, and fleet card programs
  - ✓ A new bank will be selected in 2008





# Interagency Contacting

- Interagency contracting is the purchase of supplies or services from another Agency through the use of an Interagency Agreement (IA), Federal Supply Schedule (FSS), or Government-wide Acquisition Contract (GWAC).
  - ✓ Leverages Government's buying power
  - ✓ Increases efficiency of time and resources in contracting
  
- OPAM issued Department-wide policy that updates guidance
  - ✓ Terms consistent with Office of Federal Procurement Policy (OFPP);
  - ✓ Reiteration of the importance of monitoring and surveillance; and
  - ✓ Expansion of the functional procedures in the execution of the agreement and the resulting contracting vehicles.



# Performance-based Contracting

- Refers to structuring all aspects of an acquisition around the purpose of the work to be performed,
  - ✓ contract requirements set forth in clear, specific, and objective terms with measurable outcomes, **not** how work is to be performed or in broad and imprecise statements of work.
- Articulated in federal regulation, guidance, and policy for over two decades.
- Services Acquisition Reform Act of 2003 Panel issued a report in December 2006 that includes two major findings:
  - ✓ there still exists significant uncertainty in how and when to use Performance Based contracts; and
  - ✓ Government-wide PBC data collection is insufficient, and in many cases, inaccurate



# Performance-based Contracting

- OPAM participating in an OFPP interagency working group to review and implement recommendations focusing on three areas for improvement:
  - ✓ redefining realistic goals for Government-wide Performance Based Contracting;
  - ✓ developing helpful guidance for agencies to use in defining proper incentives for Performance Based contracts; and
  - ✓ publishing a best practice guide on the development of measurable performance standards for Performance Based contracts.



# GAO High Risk Series



# GAO High Risk Series

- Since 1990, GAO has issued reports on government operations it identifies as "high risk".
  - ✓ Increasingly focused on major programs and operations that need urgent attention and transformation in order to ensure that the government functions in the most economical, efficient, and effective manner.
- DOE's contract management has been designated as a "high risk" area by GAO since 1990.
- GAO's emphasis shifting from contract award and administration to include project management.



# GAO High Risk Series

## *Contract Management*

- DOE has made significant progress in addressing GAO's "high risk" criteria

GAO "Report Card" – High Risk Criteria	Criterion Met	Criterion Not Met
Demonstrate strong commitment and leadership	X	
Demonstrate progress in implementing corrective measures	X	
Develop a corrective action plan that identifies root causes, effective solutions, and a near-term plan for implementing the solutions		X
Have the capacity (people and resources) to resolve the problems		X
Monitor and independently validate the effectiveness and sustainability of corrective measures		X

(Source: GAO)



# GAO High Risk Series

## *Contract Management*

- DOE has several initiatives in progress to address GAO's concerns
  - ✓ Initiated a plan with OMB and GAO to resolve high risk issues
    - Meet regularly with OMB and GAO to address progress against goals
  - ✓ Developed guidance on managing contracts for the acquisition of major projects
  - ✓ Conducting extensive DOE-wide root cause analysis
  - ✓ Track contract risk areas throughout the government to identify and benchmark OIG/GAO and Agency concerns
  - ✓ Address GAO findings and use GAO's Procurement system Evaluation Framework to internally assess DOE's Procurement System



# GAO High Risk Series

## *Contract Management*

- The Secretary and the Senior Leadership Team expect continued focus and action to have DOE removed from GAO's High Risk List.
- The Office of Management has the leadership role in DOE's efforts
  - OPAM (MA-60) leading in contract management
  - OECM (MA-50) leading in project management
- DOE working collaboratively with OMB, OFPP, and GAO
- In FY07, DOE expanded internal participation in our efforts to now include every major DOE program office.





# Major OPAM Initiatives



# Major OPAM Initiatives

- Functional Accountability
- Small Business Contracting
- Contractor Employee Benefits Program
- Personal Property Management Program



# Functional Accountability

- Secretarial Memo of May 23, 2006 addresses objectives to improve management of DOE by giving functional heads ability to exercise certain line authorities within their function
  - ✓ Functions involved
    - Finance
    - Human Capital
    - Information Technology
    - Legal
    - Procurement
    - Public Affairs
  - ✓ Greater involvement in human resources process – currently accomplished collaboratively
- OPAM issued an Acquisition Letter on December 15, 2006, to implement the Department's Functional Accountability Plan



# Functional Accountability

- ✓ Concurrence on reorganizations and request for workforce shaping
  - HCA delegations
  - Annual demographics
  - Periodic workforce surveys
  - Acquisition Regulation Authority
  - Balanced Scorecard
  
- ✓ Concurrence on compensation, performance recognition, and retention, recruitment, and relocation matters
  - Corporate Balanced Scorecard used to establish initiatives
  - Procurement Executive Award



# Small Business Contracting

- Department striving to increase its small business goals, but faces steep challenges
  - ✓ Established DOE Advanced Planning Acquisition Team (APAT) to
    - review proposed acquisition strategies of new and re-competed acquisitions in the developmental stage to identify small business opportunities
- Acquisition Forecast provides advance information on future contracting opportunities
- Alaska Native Corporations (ANCs) and Indian Tribes
  - ✓ Prime contractors may count ANCs and Indian tribes toward their SB and SDB goals, even if they are not SB and even if they are not certified by SBA as SDBs



# Small Business Contracting

- Small Business Re-certification
  - ✓ SBA to recertify all small businesses to ensure that their small business size status is accurately represented and reported
    - whenever they been acquired or merge with another firm
    - after five years of a long-term contract
    - whenever an option is exercised
    - Department's Management and Operating Contract business model limits opportunities



# Contractor Employee Benefit Programs

## DOE's unique treatment

- Under cost reimbursement M&O and Facilities Management (FM) contracts, DOE reimburses reasonable, allowable, and allocable costs for contractor employee benefits, including post-retirement benefits (PRB)
- Because of the nature of M&O/FM contracts virtually all contractor payments for PRB are reimbursed by DOE under the contract
- Contractor Pension plans are pre-funded; medical plans are “pay as you go”
- Approximately 82 pension plans and 246 medical plans associated with M&O/FM contracts
  - DOE reimbursements for annual contractor pension and medical benefit costs total \$1.7 billion or 7% of the annual DOE budget.



# Contractor Employee Benefit Programs

- Pension Plan benefit formulas are diverse. The majority of the DOE Contractors sponsor both defined benefit (DB) and defined contribution pension (DC) plans
- Of the DB plans, the vast majority are currently funded below actuarial liabilities, but in compliance with all Pre-Pension Protection Act funding and contribution requirements
  - PPA funding requirements are effective January 8, 2008
  - PPA requires funding for 100% current actuarial liability – phased in over 7 years
- The number of “under-funded” plans increased over the last 5 years as a result of low interest rates and other economic factors affecting the value of fund investment portfolios





# Contractor Employee Benefit Programs

- As a result, contractors are paying and DOE is reimbursing greater amounts of budgeted monies for defined benefit pension fund contributions
  - ✓ DOE contractor experiences are similar to those of other private sector employer that sponsor DB pension plans
  - ✓ Cost reimbursements associated with contractor medical benefits also increasing by approximately \$500M per year



# Contractor Employee Benefit Programs

- ✓ Continued increases in reimbursement for contractor benefits impact amounts of contract funding available for mission work
- ✓ Projections for DOE out-year budgets are flat and in constant dollars actually decrease, placing greater pressure on contract funding
- ✓ Recent changes in law (e.g., Pension Protection Act of 2006) significantly changes contractor funding requirements for employee pensions
- ✓ Completion of environmental work at “closure sites” significantly increases acquisition planning, contract development and contract settlement at expiration complexity because the final contractors, as employer, is the pension plan sponsor in perpetuity



# Personal Property Management Program

- DOE Property Management oversees an inventory valued at \$18 billion
- Provides valued corporate personal property management policy, analysis, and management related services
- Recent initiatives include implementing key program improvements:
  - ✓ Established a life-cycle approach to property management
  - ✓ Provided guidance on Sensitive & High Risk Property Management Policy with special focus on the Department's large IT inventory
  - ✓ Implemented a streamlined process to loan property to foreign entities
  - ✓ Developed and implemented ASTM property management standards (e.g., E2131, Standard Practice of Assessing Loss, Damage, or Destroyed Property).



# Personal Property Management Program

- Preparing rulemaking to eliminate outdated & prescriptive property management regulations, replacing with performance-based property management consistent with industry best practices
- Implemented a mandatory personal property management career development program



# Personal Property Management Program

- Sensitive property is a significant portion of DOE inventory requiring greater control and accountability, especially for mobile IT assets such as laptops
  - ✓ DOE O 580.1 enhances the management of sensitive assets, especially complex information technology assets
  - ✓ Programmatic execution of DOE's policy governing the management of sensitive property continues to be a concern
- DOE aggressively monitors efficient utilization of vehicles by implementing a fleet management system to enhance the accountability and utilization of vehicle inventory