



OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Audit Report

Office of Acquisition Management Can Strengthen Its Organizational Systems

Report No. 2005-P-00006

February 17, 2005

Report Contributors:

Stephen Burbank
Andres Calderon
Mike Davis
Sanjay Prakash
Denton Stafford
Patricia Brooks Taylor

Abbreviations

EPA	Environmental Protection Agency
OAM	Office of Acquisition Management
OARM	Office of Administration and Resources Management
OIG	Office of Inspector General



At a Glance

Catalyst for Improving the Environment

Why We Did This Audit

This audit was conducted to determine whether EPA's Office of Acquisition Management (OAM) had the seven fundamental components of a high-performing organization:

- Leadership
- Strategic Planning
- Customer Focus
- Information and Analysis
- Human Capital
- Process Management
- Performance Results

Background

High performing organizations are those that have the necessary systems and processes in place for achieving their missions. In 2002, the EPA Office of Inspector General published its "Assessing Organizational Systems: A User's Guide." This document is intended in part to assist Agency managers in determining whether EPA has the components necessary for mission accomplishment.

For further information, contact our Office of Congressional and Public Liaison at (202) 566-2391.

To view the full report, click on the following link:

www.epa.gov/oig/reports/2005/20050217-2005-P-00006.pdf

Office of Acquisition Management Can Strengthen Its Organizational Systems

What We Found

OAM's management systems include various components necessary for organizational success. We found that OAM:

- Communicates its vision, values, and strategic goals to employees and customers.
- Focuses on its customers' needs.
- Emphasizes the development of its workforce.

While OAM has taken those positive steps to achieve its vision and goals, opportunities for strengthening systems exist:

- OAM leadership created its vision and goals without taking all the actions necessary to accomplish its vision. OAM should establish measures to determine whether the vision and goals were accomplished.
- OAM needs to complete *workload* and *workforce* analyses to identify full-time equivalent and skill gaps.
- The information in OAM's Integrated Contracts Management System can measure the timeliness, but not the quality and cost, of its services, and improvements in this area should be pursued.
- OAM does not have data to measure its progress toward achieving its vision of being the preferred business partner for all EPA contracts. It cannot determine the percentage of EPA contracts handled by OAM. Further, OAM does not obtain sufficient feedback on the extent contracts contributed to Agency environmental and performance goals.

What We Recommend

We recommend that the Director, OAM, develop an action plan with milestones for establishing measures and means of measuring progress against its goals, complete a workload and workforce analysis, and capture data needed to analyze short- and long-term performance in achieving its vision and goals.

The Agency generally agreed with the recommendations and indicated that certain corrective actions would have to be taken over the long term.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

OFFICE OF
INSPECTOR GENERAL

February 17, 2005

MEMORANDUM

SUBJECT: Office of Acquisition Management Can Strengthen Its Organizational Systems
Audit Report No. 2005-P-00006

FROM: Robert Mitchell, Director for Contract Audits /s/
Office of Inspector General (2421T)

TO: David J. O'Connor, Acting Assistant Administrator
Office of Administration and Resources Management (3101A)

This is our final report on the subject audit conducted by the Office of Inspector General (OIG) of the U.S. Environmental Protection Agency (EPA). This audit report contains findings that describe the problems the OIG has identified and corrective actions the OIG recommends. This audit report represents the opinion of the OIG and the findings contained in this report do not necessarily represent the final EPA position. Final determinations on matters in this audit report will be made by EPA managers in accordance with established audit resolution procedures.

Action Required

In accordance with EPA Manual 2750, you are required to provide a written response to this report within 90 calendar days of the date of this report. You should include a corrective action plan for agreed upon actions, including milestone dates. We have no objection to the further release of this report to the public. For your convenience, this report will be available at <http://www.epa.gov/oig>.

If you or your staff have any questions, please contact me at mitchell.robert@epa.gov, or Stephen Burbank, Assignment Manager, at burbank.stephen@epa.gov.

cc:

Judy S. Davis, Director, Office of Acquisition Management (3801R)

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Purpose

The Environmental Protection Agency (EPA) relies heavily on contractors to accomplish its environmental goals. During fiscal 2003, EPA processed 122,056 contract actions (contract awards, modifications, delivery orders, etc.) with a maximum potential value of \$1.2 billion. The Office of Acquisition Management (OAM) is the acquisition arm of the EPA Office of Administration and Resources Management (OARM), and the OAM Director is EPA's Procurement Executive. Because effective contracting is crucial to accomplishing the Agency's environmental mission, EPA's OAM must have the necessary systems and processes in place if it is to provide program offices with the contract support needed.

In November 2002, the EPA Office of Inspector General (OIG) published its "Assessing Organizational Systems: A User's Guide." This document is intended to assist the OIG and Agency managers in determining whether EPA organizations possess the necessary components for mission accomplishment. Drawing on the President's Management Agenda, the Federal Managers' Financial Integrity Act, the Government Performance and Results Act, and Malcolm Baldrige and high-performing organization theories, the Guide identifies the components of organizations which, when working well as an integrated system, lead to mission accomplishment. The following table includes the seven components and provides a brief description of each.

Key Area	Description
Leadership	How senior leaders define the organization's vision and mission, address values, and monitor mission accomplishment.
Strategic Planning	How an organization develops and deploys strategic objectives and action plans.
Customer Focus	How preferences, requirements, and expectations of customers are determined, and relationships with customers built.
Information and Analysis	How an organization selects, gathers, analyzes, manages, and improves its data, information, and knowledge assets.
Human Capital	How systems and employee learning enable employees to develop and utilize their full potential in meeting organizational objectives.
Process Management	How an organization examines the key aspects of its processes, including product, service, and business activities.
Performance Results	How an organization examines performance in key business areas, such as customer satisfaction, and function performance.

Due to the significant role OAM has in supporting the Agency's mission, we established an audit objective that asked whether OAM had the seven fundamental components of a high performing organization.

Scope and Methodology

We performed this audit from April to October 2004 in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Our work included site visits to OAM Headquarters and its five divisions (three in Washington, DC, and one each in Research Triangle Park, North Carolina, and Cincinnati, Ohio).

The "Assessing Organization Systems: A User's Guide" provides a series of questions that can be used to assess the health of an organization in each of the Guide's seven areas. We applied questions in the Guide to determine whether OAM had the necessary systems and processes in place for organizational success.

To determine the extent to which OAM had the seven components of a high-performing organization, we reviewed its vision, values, and strategic goals; OAM customer surveys; OAM internal surveys; employee performance agreements; monthly OAM performance requirements reports; the type of data captured in OAM management information systems; OAM's draft workload analysis; Quality Assessment Plans; and Contract Guidance Documents. We interviewed the OAM Director, Deputy Director, all five Division Directors, and employees in all divisions. Using a structured questionnaire, we judgmentally selected 53 OAM personnel to interview, which included Service Center Managers, Team Leaders, Contracting Officers, and Contract Specialists.

There have been no recent audits performed regarding similar OAM management areas.

Results of Review

OAM's management systems include components necessary for organizational success. OAM communicates its vision, values, and strategic goals; focuses on its customers' needs; and emphasizes workforce development. However, opportunities for improvement exist, because leadership created a vision and goals without taking or planning all the actions needed to accomplish its vision. Additional actions are necessary for OAM to determine whether it has achieved its vision of EPA contracting offices being ". . . the preferred business management partners for the protection of public health and the environment." While what we found applies to all seven components of the Guide, we do not separately address what we found for each component because they often overlap.

OAM Has Taken Various Beneficial Actions

OAM Communicated its Vision, Values, and Strategic Goals

Appendix A provides OAM's vision statement. OAM managers developed the vision, values, and goals, and established OAM workgroups to facilitate accomplishing the vision. The strategic goal workgroups were responsible for:

- Proposing performance standards for employees defining what goals meant in terms of individual performance.
- Providing examples of successful achievement of goals.
- Examining whether new goals warranted changing OAM's awards structure.

OAM communicated its vision statement to its workforce and others through staff meetings; its newsletter; and incorporating the vision statement, strategic goals, and examples of successful performance in employee performance agreements.

OAM Focused on Customers' Needs

OAM focused on the needs of its customers (those within EPA in need of contracts) in a variety of ways. OAM used OARM customer surveys, long range acquisition plans, and transaction customer survey cards to assist in determining customer needs and satisfaction. OARM periodically administered customer surveys, and OAM intends to use the fiscal 2004 survey results to gain insight into where and how it could improve customer satisfaction. OAM customers completed long range acquisition plans, and OAM used them in its workload analysis and planning efforts. Transaction customer survey cards were used, albeit sporadically, to seek feedback on specific contracting actions so that OAM could identify and correct potential problems.

OAM said it conducts market outreach to all EPA program offices and among all levels of staff and management. For example, OAM holds monthly Contractor Customer Relations Council meetings with its program office partners to discuss upcoming acquisition issues, and the potential impact of new or changed acquisition policies, procedures, and practices. OAM also participates in various Agency conferences and meetings with program personnel, and conducts annual outreach sessions with Senior Resource Officials.

OAM Emphasized Workforce Development

OAM's values and goals emphasize developing its workforce. Two of OAM's four values and one strategic goal relate to human capital (see Appendix A). OAM invested in its people through training, details, and rotations within and outside of OAM; empowerment initiatives; retention incentives; and a mentor program. Of the 53 people interviewed, 45 (or 85 percent) said they were

satisfied with the relevance of training to the work they perform. In fiscal 2003, 30 percent of the OAM workforce had participated in details or rotational assignments. OAM's new employee handbook discusses a retention incentive and a mentor program.

Further, OAM used the *Empowerment in OAM* report, issued in September 2000, as a catalyst for more investment in its workforce. For example, Quality Assessment Plans were implemented as part of OAM's initiatives to empower its divisions and regional contracting operations. The Plans, which are self assessments of office operations, were created with the ultimate goals of identifying and sharing best practices, and collaborating with other offices to identify any weaknesses and formulate corrective actions.

Opportunities for Strengthening Systems Exist

OAM's leadership created a vision and goals without taking or planning all actions necessary for accomplishing its vision. OAM needs to determine whether there are gaps in the skills of its workforce and act on those gaps, and also needs to address information system weaknesses. Program offices sometimes go to other organizations for contracting services, but OAM does not know that percentage and therefore the extent to which its vision and goals are being achieved. Further, to improve its method for measuring performance effectiveness, OAM needs better information on the quality and cost of its services and better feedback on contract effectiveness.

OAM Needs Better Measures for Goal Accomplishment

OAM has not established measures for goal accomplishment. Accomplishing strategic goals (see box) should not only help OAM achieve its vision but lead to continuous improvements in the efficiency and effectiveness of its operations. For example, "improving internal or external communication" and "attending, participating in customer service visits" were used, respectively, to describe successful accomplishment of optimizing business processes and providing business leadership.

However, OAM did not establish measures, or measurement methodologies, to determine whether these goals were accomplished. Better defining what successful accomplishment of each goal entails, and developing a means for monitoring performance, will assist OAM in accomplishing its vision and lead to continuous operational improvements, even after the vision is realized.

OAM's Strategic Goals

- **Investing in our people**
- **Providing business leadership**
- **Optimizing business processes**
- **Strengthening our link to the Agency mission**

OAM Needs to Identify Skill and Full-Time Equivalent Gaps

Ensuring that the organization has the right people, in the right place, at the right time is critical to organizational success. EPA's human capital strategy, "*Investing in Our People II, EPA's Strategy for Human Capital, 2004 and Beyond,*" requires EPA offices to identify and address skills/competency gaps and surpluses.

OAM began a workload analysis in the summer of 2003 to review quantitative workload among its four operating divisions, standardize metrics, and compare full-time equivalents usage versus workload processes. However, OAM indicated that the poor quality of data in its information systems (see below) presented obstacles to completing its workload analysis. Management also applied several rounds of subjective weighting to the data to distinguish between simple and complex work and to recognize work not captured, which also caused delays.

Once OAM performs a *workload* analysis, it should also perform a *workforce* analysis. Specifically, once OAM identifies the skills on hand, it should determine the skills actually needed, and address any skill gaps that may exist as well as surpluses. In addition to addressing the skills of contracting officer positions, which are cross functional positions, the analyses should be extended to other positions within OAM, such as those related to budgeting, auditing, and computer operations.

Information Systems Need Improvement

OAM identified its information systems as a major weakness in its fiscal 2002 and 2003 Annual Assurance Letters, and created a business case (written justification) to replace them. OAM's information systems do not enable managers to effectively measure, analyze, and improve all aspects of short- and long-term program performance. The information in OAM's Integrated Contracts Management System can measure the timeliness, but not quality and cost, of its services. While OAM is considering an automated "executive dashboard" as a tool for capturing performance data for operational, management, and budget monitoring purposes, its usefulness will be limited until the underlying information systems aggregate cost and quality data against standards.

Results Need to Be Measured

OAM does not have data to measure its progress toward achieving its vision of being the preferred business partner for all EPA contracts. Agency offices sometimes use the contracting services of other organizations, such as the General Services Administration's Federal Supply Schedule, rather than OAM contracts. OAM managers told us they have no means to determine what portion of EPA's

contracting business they have, and until it does so it will not know if it is achieving its vision of always being EPA's preferred business partner.

OAM also does not receive sufficient feedback from program offices on the extent to which contracts have contributed to Agency environmental and operational performance goals. OAM believes its role is to support the programs' missions by providing contract administration services, while it is the program's responsibility to determine whether contracts are supporting the Agency's mission to protect public health and the environment. However, OAM's vision statement implies shared responsibility, and OAM needs better feedback from EPA offices on the benefits received from Agency contracts.

Recommendations

We recommend that the Director, Office of Acquisition Management, develop an action plan with milestones for:

1. Establishing measures for, and a means of measuring progress against, OAM strategic goals.
2. Completing its workload analysis and performing a workforce analysis.
3. Capturing data needed to measure, analyze, and improve short- and long-term program performance in achieving its vision and goals, including:
 - (a) Cost and quality of its contract services;
 - (b) The extent to which OAM contracting offices are the preferred business partner for EPA offices; and
 - (c) Environmental and other benefits received from EPA contracts.

Agency Comments and OIG Evaluation

OARM was in general agreement with the findings and recommendations in the draft report. The Agency suggested two minor changes to the report, which we made. Although the Agency generally concurred with all the report recommendations, OARM explained it faced two serious challenges – staffing constraints and the replacement of the Agency's automated acquisition system – to overcome before it could completely implement the recommendations. As a result of these challenges, OARM, in responding to the draft report, was not prepared to develop milestones for completing a workforce analysis or for the third recommendation.

We understand that OAM maintains that staffing shortages and information system shortcomings make it difficult to identify milestones for completing the

necessary actions. Recognizing that OAM may not be able to address these issues in the short term, we continue to believe that milestones are necessary for OAM to monitor its progress.

OAM Vision Statement



Acquisition Management: Vision, Values and Strategic Goals

Vision

EPA contracting offices are the preferred business management partners for the protection of public health and the environment.

Values

Believing that Together Everyone Achieves More (TEAM).

Continuing to improve results and relationships.

Respecting our people and investing in their development.

Embracing sound progressive business management.

Strategic Goals

Strategic Goal 1

Investing in our people.

Strategic Goal 2

Providing business leadership.

Strategic Goal 3

Optimizing business processes.

Strategic Goal 4

Strengthening our link to the Agency mission.

Agency Response to Draft Report

January 14, 2005

MEMORANDUM

SUBJECT: Draft Audit Report: The Office of Acquisition Management Can Improve Its Organizational Systems, Project Number 2004-000560

FROM: David J. O'Connor, Acting Assistant Administrator /s/ for Administration and Resources Management

TO: Robert Mitchell
Director for Contracts Audit
Office of Inspector General

Thank you for the opportunity to comment on the draft report entitled "The Office of Acquisition Management Can Improve Its Organizational Systems," dated November 24, 2004. The Office of Acquisition Management (OAM) is very proud of its accomplishments over the past several years in achieving organizational success and excellence, and we believe the draft report recognizes these efforts. We are in general agreement with the findings and recommendations. However, we offer the following comments, in order of appearance in the draft report.

General

- We believe the report's title may be a bit harsh. We strongly suggest using the word "strengthen" instead of "improve" as we believe this more accurately reflects the positive findings of the draft report.

- While we generally agree with the Office of Inspector General's recommendations listed in the draft report, OAM is facing two very serious challenges that will preclude us from accomplishing all of the recommended action items in the near-term - staffing constraints, and the continuing need to replace the Agency's automated acquisition systems. Due to these two factors, we are not ready at present to develop detailed milestone plans for all of the recommended actions. In our comments below under **Recommendations**, we have separated the actions into short- and long-term goals for OAM.

Results of Review

- Throughout the draft report, you state that OAM needs to take additional actions if it is to achieve its vision of being the preferred business management partner. In fact, OAM may already be the Agency's preferred business partner. We are currently working on developing the measures, data and information needed to document this determination. Accordingly, we recommend that your statement be amended to show that OAM needs to take actions to *determine (or measure)* if the vision is being achieved.

- Page 4 - While we agree with the findings under "OAM Needs Better Measures for Goal Accomplishment," we would like to point out that individual OAM Divisions and Service Centers track various initiatives and accomplishments directly related to our strategic goals throughout the year. These accomplishments are annually listed and summarized by strategic goal in OAM's Federal Managers' Financial Integrity Act (FMFIA) Assurance Letter to the Office of Administration and Resources Management (OARM), and we believe they demonstrate our commitment to achieving each goal. We are in the process of establishing detailed measures for many of these initiatives, so we can centrally track them. OAM recently took the first step to develop such measures at the OAM managers' training meeting on November 30 - December 1, 2004. See our comments under Recommendation 1 below.

- Page 5 - We agree with the findings under "OAM Needs to Identify Skill and Full-Time Equivalent Gaps." See our comments under Recommendation 2 below.

- Page 5 - We strongly agree with the findings under "Information Systems Need Improvement." As part of the Administration's E-Government strategy (one of the five key elements in the President's Management Agenda), numerous automation-related initiatives related to integrating agency operations have been identified that should significantly improve customer service, as well as the effectiveness and efficiency of the Federal Government. While we are currently in alignment with e-gov initiatives such as the GSA Integrated Acquisition Environment (IAE), there is a limit in the ability of the current acquisition systems to remain in alignment with e-gov. A lack of funding to replace outdated technology will cause us to fall increasingly behind as e-gov moves along its intended maturity path. For EPA to remain involved with e-gov initiatives, our current automated acquisition systems need to be replaced by systems using commercial, off-the-shelf software.

- Page 6 - We generally agree with the findings under "Results Need To Be Measured." However, we are uncertain if accurate data on EPA contract actions not processed by OAM is available in any Agency system or source. We will work with the Office of the Chief Financial Officer (OCFO) to attempt to identify and collect such data.

Additionally, while we agree that feedback from programs on how their contracts help support EPA's mission would perhaps give us a better picture of OAM's effectiveness, we question whether the benefits received would outweigh the significant effort needed to collect such information. OAM would also have to take such feedback at face value, as it would be very difficult to verify the accuracy of such information.

Recommendations

RECOMMENDATION 1 - That the OAM Director develop an action plan with milestones for establishing measures for, and a means of measuring progress against, OAM strategic goals.

OAM agrees with this recommendation, and such a plan can be developed shortly. OAM managers received 2 days of training in strategic planning, performance measurement, and organizational alignment on November 30 to December 1, 2004. At this training session, preliminary OAM performance objectives and measures were established and discussed. We expect to develop an action plan with prioritized milestones by the end of March 2005.

RECOMMENDATION 2 - That the OAM Director develop an action plan with milestones for completing its workload analysis and performing a workforce analysis.

OAM agrees with this recommendation. However, while developing a plan for completing the workload analysis is something we can do in the short-term, we cannot presently commit to a milestone plan for the workforce analysis. Performing a workforce analysis is, at this point, a long-term project. We will develop an action plan and milestones for the workload analysis by the end of March 2005.

RECOMMENDATION 3 - That the OAM Director develop an action plan with milestones for capturing data needed to measure, analyze, and improve short- and long-term program performance in achieving its vision and goals, including: (a) cost and quality of its contract services; (b) the extent to which OAM contracting offices are the preferred business partner for EPA offices; and (c) environmental and other benefits received from EPA contracts.

OAM generally agrees with this recommendation, but these are long-term goals. Also, we believe it may not be physically possible to accurately identify and collect some of this data using currently available Agency systems and sources. OAM will work with OCFO and programs to try to determine how to capture this data in the most efficient and effective manner. We presently cannot commit to developing a milestone plan for these long-term actions.

We appreciate the opportunity to provide comments on the draft report. While OAM strongly supports the need to effectively measure its performance, we cannot overemphasize that replacing the Agency's automated procurement systems is needed to accurately capture a significant share of the required information. If you have any questions or comments, please call Judy Davis, Director, Office of Acquisition Management, at 564-4310, or John Oliver, Policy Training and Oversight Division, at 564-4399.

Distribution

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