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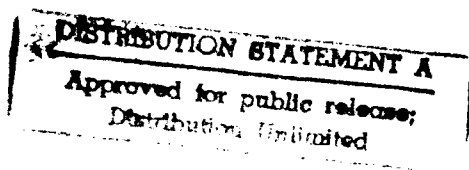
Department of State Office of Foreign Buildings Operations

# Modernizing a Growing Acquisition System

DS002R1



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Department of State Office of Foreign Buildings Operations

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## **Executive Summary**

### **DEPARTMENT OF STATE OFFICE OF FOREIGN BUILDINGS OPERATIONS Modernizing A Growing Acquisition System**

Until 1986, the State Department's Office of Foreign Buildings Operations (FBO) was a small organization managing a modest, stable construction program. Passage of the 1986 Omnibus Diplomatic Security and Anti-Terrorism Act caused facilities acquisition to grow swiftly to a program of over \$2 billion. This growth, together with FBO's decision to comply with all terms of the Federal Acquisition Regulation, has led to major policy and procedural changes and to rapid increases in staff. Some inefficiencies in FBO's construction acquisition currently exists.

The workload handled by the FBO Acquisitions Division justifies an increase in staffing. Moreover, the Acquisitions Division would be more effective and responsive to its customers if it were organized along functional instead of geographic lines. A functional organization would also provide a career path so that the Acquisitions Division could hire contract specialists at the junior level and train them in house for the more senior positions.

The Acquisitions Division's management controls need strengthening. Its automated information system is rudimentary, and it has no policy or system for tracking the status of contract actions and reporting that status to customers. The lack of adequate document control also impairs efficiency. Contract files and documentation are lost or inadequate, and the contract numbering system does not follow the one recommended by the General Accounting Office.

From our analysis, we recommend that the Deputy Assistant Secretary for Foreign Buildings take the following actions:

- *Reorganize the Acquisitions Division into a functional organization and increase its staffing.* The projected workload for the division supports a staffing of 41 positions up from 28 today. A functional organization of

two contract branches and a management support branch would best meet the division's needs.

- *Implement a phased plan to improve the Acquisitions Division's management controls.* The division should increase its level of automation and implement a management philosophy of tracking contract actions so that customers can be kept fully informed of status. Such tracking will also help the division establish performance standards.
- *Improve document control of contract files.* Such improvement is not only an administrative requirement, it is essential for maintaining proper contracting controls and being responsive to customers. FBO should also request the Procurement Executive to adopt the standard contract numbering system recommended by the General Accounting Office.

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## CHAPTER 1

### INTRODUCTION AND BACKGROUND

The State Department's Office of Foreign Buildings Operations (FBO) is organized to establish policies to manage and direct State's overseas building program as authorized by the Foreign Service Buildings Act of 1926, as amended. Within FBO, the principal functions include the design, construction, acquisition, maintenance, and sale of real property in foreign countries. The activities involved, in addition to architect-engineer (A-E) and building construction activities, include space planning and arrangement for furniture and furnishings for new office buildings and representational properties. Life safety and security are two of FBO's special concerns in designing, constructing, and renovating properties.

A significant part of the space within buildings constructed for the State Department is occupied by elements of the Agency for International Development (AID), the U.S. Information Agency (USIA), the Department of Commerce, the Department of Agriculture, and the Department of Defense. As a consequence, space requirements are not just the province of the State Department but must be negotiated with each of these tenant organizations.

The Deputy Assistant Secretary (DAS) for Foreign Buildings Operations heads FBO, a component of State's Bureau of Administration. Four offices report to the DAS: Resource Management, Operations, Program Execution, and Planning and Acquisitions.

The Acquisitions Division (AD) of the Planning and Acquisitions Office is responsible for executing contracts for construction, A-E services, and other supplies and services requested by FBO operating units. The division has three branches organized along geographic lines. All three make small purchases of \$25,000 or less, in addition to their other work.

A 1985 report on security deficiencies relating to the State Department and to the foreign affairs activities of AID, USIA, and Commerce resulted in rapid growth for FBO. Growth started in 1986 with the enactment of the Omnibus Diplomatic Security and Anti-Terrorism Act. Budgets for constructing new embassies,

chanceries, and other buildings and for renovating and expanding existing buildings increased markedly. More than \$2 billion has been authorized for construction of new facilities, and over \$700 million of that total has been appropriated.

This sharp growth has made it necessary to reexamine existing policies, procedures, and practices and to develop new ones to cope with vastly changed circumstances. Reexamination has led to changes as FBO, a dynamic organization in the midst of modernization, has come to terms with its size and with the dollars entrusted to its stewardship. Identified problems have resulted in new procedures and requirements, most of which have been introduced within the last 3 years and some of which have not yet taken root. FBO, in accordance with the Foreign Service Buildings Act, is permitted to contract, when necessary, without regard to statutory provisions relating to contracting for and performance of work in the United States. Now, however, as a consequence of its growth, FBO has elected, as a matter of policy, to follow the requirements of the Federal Acquisition Regulation (FAR) in conducting its business.

Partly as a result of the turbulence attending the expansion of the program and of the organization and the introduction of new procedures, management became concerned that the process of acquiring new and renovated buildings was taking longer than it should.



## CHAPTER 2

### THE ACQUISITIONS DIVISION

#### ORGANIZATION AND STAFFING

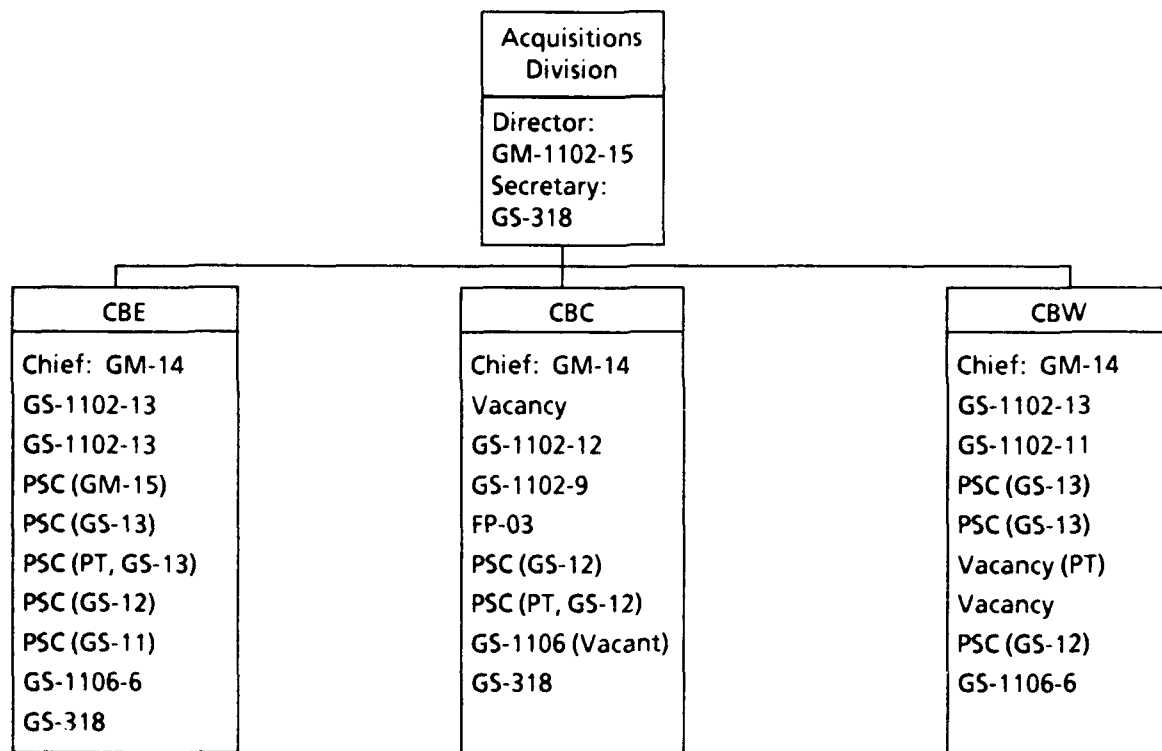
##### Geographic Organization

One of two divisions in the Office of Planning and Acquisitions, AD is headed by a (General Merit) GM-1102-15 and is organized into three geographic branches: Contract Branch East (CBE), Contract Branch Central (CBC), and Contract Branch West (CBW). CBE is responsible for acquisitions for East Asia and the Pacific region and for personal services contracts and contracts supporting the Embassy Task Group (ETG). CBC is responsible for acquisitions for Europe and Africa and for supporting the Fire Safety and Facilities and Maintenance Divisions. CBW is responsible for acquisitions for the Near East and Asia and for supporting the Interior Design and Furnishings (IDF) Division and Art in Embassies. The branch chiefs are GM-1102-14s. The division director and two of the three branch chiefs are assigned (General Schedule) GS-318 secretaries. There are two GS-1106 procurement assistants, and there is one GS-1106 vacancy. The organization is diagramed in Figure 2-1.

Under the geographic organization (East, Central, and West), each contract specialist is expected to contract for construction, A-E services, supplies, and general services and thus is expected to be proficient in each type of commodity and service. The rationale for this organization rests on the geographic orientation of five branches in FBO's Area Management Division and of several bureaus within the Department and on the premise that laws, customs, and practices are consistent among the countries in a given geographic region.

##### Staffing

Current pressures are forcing AD into the functional mode. One GS-1102 is handling construction contracts exclusively, one FP-03 and one part-time personal services contractor (PSC) are concentrating on purchase orders, one and one-half



Note: PT = part time

FIG. 2-1. CURRENT ACQUISITIONS DIVISION ORGANIZATION

employees are negotiating and administering personal service contracts, and one PSC is handling contract close-outs.

The division relies on PSCs to meet its staffing needs. One explanation is that a PSC can be brought in faster than a direct hire. State Department security clearances for direct hires take significantly longer than the Defense Industrial Security Clearance Office clearances accepted for PSCs. Three of the PSCs in CBE (GM-15, GS-13, and GS-12 equivalents) are assigned to work with the 10 contract specialists of the ETG, a construction management organization of the Sverdrup Corporation under contract with FBO.

The division also has three part-time authorizations to fill two full-time positions. Two of the three authorizations are filled at this time by PSCs. One GS-13 in CBE works full-time negotiating and administering personal services contracts, assisted by a part-time PSC paid at the GS-13 level. The other part-time PSC, a GS-12 equivalent, works 3 days a week issuing purchase orders.

Vacancies at the journeyman level have proved hard to fill. Fully qualified GS-12s and -13s are hard to find and difficult to hire, in part because of the amount of time it takes to get a security clearance. The State Department does not accept security clearances of other Federal agencies for its direct hires. In addition, competition for fully qualified, experienced contract specialists is very stiff in the Washington, D.C., area. Although the GS-9 in CBC came into AD under an upward-mobility program, AD has been reluctant to use this program to fill current or future vacancies. The GS-12 in CBC started with AD as a PSC, converting to direct hire within the past 18 months.

It is generally accepted within FBO that AD is understaffed, but the workload has not been measured, and time standards for the contracting process do not exist. Travel to construction sites cuts into available time of contract specialists. It creates the need for back-up personnel to keep work on the traveler's other contracts moving, a need not being met with the present level of staffing and the current organization. Further, to help with the branch workload, one branch chief continues to handle a few large construction contracts, which take him out of the country from time to time.

We also found a lack of adequate administrative support. A 1989 Resources Management Office (RMO) review found that the absence of clerical support required contract specialists to spend up to one-quarter of their time performing clerical and routine administrative functions. We concur that an inordinate portion of a contract specialist's time is spent in that way. Absence of automation -- that is, personal computers linked in a workable network -- also contributes to overload. There are two GS-1106 procurement assistants, one in CBE and one in CBW, but more are needed. The GS-1106 position in CBC has been vacant for months.

At present, each branch continues to issue purchase orders for requirements of \$25,000 or less. One branch has an FP-03 and a part-time PSC (GS-12 equivalent) handling purchase orders. All contract specialists are expected to make these small purchases, however.

The construction management contractor, ETG, assigned to oversee specified major construction projects, is expected to be phased out within the next few months. AD will be expected to pick up unfinished contracting and contract administration duties as this happens. There is currently no estimate of the expected workload or plan to accomplish it.

## Staffing Level Comparison

We compared AD's staffing with that of other Federal acquisition divisions and found AD understaffed. Table 2-1 shows how many personnel AD would be authorized if staffed according to other Federal acquisition divisions' staffing criteria. The first column shows the staffing according to analysis of eight Federal acquisition divisions. The equation, the result of a regression analysis on the annual number of contracts and small purchases of each division, indicated that AD's workload, including that currently handled by ETG, would support 28 contract specialists and 2 purchasing agents. To those numbers, we added positions to handle those AD responsibilities not covered in the data regressed. The total is 40 positions.

TABLE 2-1  
ACQUISITIONS DIVISION STAFFING UNDER VARIOUS CRITERIA

| Position            | Regression | PCMI      | TRADOC    | Air Force |
|---------------------|------------|-----------|-----------|-----------|
| Contract specialist | 28         | 29        | } 27      | ↓         |
| Purchasing agents   | 2          | 3         |           |           |
| Director            | 1          | 1         | 1         |           |
| Branch Chiefs       | 2          | 2         | -         |           |
| Administration      | 3          | 1         | 1         |           |
| Policy/assistance   | 2          | 2         | 2         |           |
| Document control    | 2          | 2         | -         |           |
| <b>Total</b>        | <b>40</b>  | <b>40</b> | <b>31</b> | <b>50</b> |

**Note:** PCMI = President's Council on Management Improvement; TRADOC = Training and Doctrine Command (U.S. Army)

That number of positions had to be substantiated, however, since a direct comparison of numbers of contracts and small purchases hides differences in the sizes and complexity of those actions. For example, not all of the divisions used in the analysis handled construction contracts. We therefore repeated the exercise using ratios recommended by the PCMI, which again indicated the number of contract specialists and purchasing agents that AD's workload would support. Again, we added positions to handle AD responsibilities not covered by the definitions of the PCMI ratios. Note that, while differences between the definitions of the PCMI ratios

and the regression equation led to differences within positions, the total is again 40. Finally, in Table 2-1, we repeated the exercise using the staffing formulas from TRADOC<sup>1</sup> and the Air Force.<sup>2</sup> TRADOC and Air Force acquisition divisions typically handle construction. However, TRADOC acquisition divisions are organized differently from AD, and we therefore gave less weight in considering the results of the TRADOC comparison. Similarly, we gave less weight to the Air Force results, because the staffing report we used is still in draft form and has not yet been officially approved. It is based on a regression containing 28 variables that is coming under some Air Force scrutiny. Moreover, we have found that the Air Force tends to staff functions to a higher level than do other Federal agencies. The result from TRADOC's staffing formulae (the lowest) was 31 positions, while that of the Air Force (the highest) was 50. This disparity confirms our experience of how widely acquisition division staffing varies among the Federal agencies. The average among all of the projections for appropriate AD staffing is 40.25 positions, compared with the 28 full-time equivalents that AD now actually has.

## PHYSICAL ENVIRONMENT

The quarters for AD in State Annex #6 are crowded, dirty, and unattractive. While some employees have private offices, some offices are shared by two or more employees. Two secretaries work in a common area outside five offices: the offices of the division director and two branch chiefs, the office shared by three PSCs, and the room housing the contract files and the facsimile machine. The third secretary shares an office with a part-time employee. Space does not permit grouping of employees by branch.

Office furniture is old, and file cabinets have been scarce, a situation that is being corrected. In the meantime, lack of space and filing equipment results in contract files being stacked on desks, radiators, and the floor. Old desks are being replaced by new ones, and file cabinets are being supplied. Automatic data processing equipment is not available to everyone, and what is available is not always hooked up or used, even to the low level permitted by AD's present equipment and software.

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<sup>1</sup>Manpower Staffing Standards Final Report (FIN-REP), *TRADOC Procurement*, 1 July 1985.

<sup>2</sup>*Operational Contracting*, Federal Acquisition Circular (FAC) 1251, Final Report, Air Force Management Engineering Agency, 18 January 1990.

There are no conference rooms within the AD area or on the AD floor. Conference space within the areas occupied by FBO is limited. AD has no dedicated rooms for meeting with contractors or holding meetings and training sessions. There is no dedicated, controlled access file room. Entrance to the file/fax room is off the common areas shared by the two secretaries, and there is constant traffic in and out.

State Annex #6 is being renovated, and AD is scheduled to move, although its new location has not been agreed upon. New quarters may permit more effective assignment and use of space.

## TRAINING AND EXPERIENCE

The division director has worked out training plans for all AD employees except himself and the GM-15 equivalent PSC. Those plans specify the courses taken and those scheduled to be taken in FY91 through FY95. The director has designated 18 training courses as mandatory for GS-1102 personnel (see Table 2-2).

**TABLE 2-2**  
**MANDATORY TRAINING COURSES**

| Basic (9)                                                                                                                                                                                                                                                                     | Intermediate (6)                                                                                                                                                                   | Advanced (3)                                                                                            |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------|
| Ethics in procurement<br>Management of Defense contractors<br>Federal acquisition process<br>Cost and price analysis<br>Government contract administration<br>Government contract law<br>Contracting for services<br>Contracting by negotiation<br>Contracting by sealed bids | Developing SOWs<br>Effective negotiating styles<br>Contracting for A-E services<br>Contracting for construction<br>Contracting with small business<br>Source evaluation procedures | Advanced contract administration<br>Advanced procurement management<br>Executive seminar in acquisition |

All GS-1102s are expected to take the nine basic courses. GS-12s and -13s are expected to have taken the six intermediate courses as well, and the GM-14s, all 18. Table 2-3 shows the percentages of courses taken by the nine direct-hire GS-1102s.

TABLE 2-3

MANDATORY TRAINING COURSES TAKEN  
OR SCHEDULED, AS OF DECEMBER 1990, EXPRESSED  
AS A PERCENTAGE OF TOTAL COURSES AVAILABLE

| Courses      | Direct hires (9) |           |       |
|--------------|------------------|-----------|-------|
|              | Taken            | Scheduled | Total |
| Basic        | 56               | 27        | 83    |
| Intermediate | 30               | 37        | 67    |
| Advanced     | 3                | 7         | 10    |
| Overall      | 38               | 27        | 65    |

While PSCs also are permitted to take training courses, and while plans have been executed for them, a PSC is assumed to be fully qualified. Although this obviously is not always the case, and the decision to permit PSCs access to formal training was made after much discussion, we question whether PSCs should be a part of the longer range training plans of AD and FBO. As a consequence, most of this discussion focuses on direct hires.

Table 2-4 depicts training records and plans for the GS-1102s. The GS-11 will have completed all but four courses by the end of FY95. The GS-12 will have all but one completed by that same time. The GS-9 has a long way to go if promotion beyond GS-11 is to be a reality.

Training records of more experienced, higher graded employees tend to be spottier, as might be expected. Experience often is substituted for formal training when considering the need to take a newly introduced or required training course. The GS-13s have taken, or will have taken, 72 percent of the basic courses and 66 percent of the intermediate courses by the end of FY95. The record for the advanced courses is not as good. The two GM-14s on the roles at the time of our review have good records for the basic and intermediate courses, but each is

TABLE 2-4

**MANDATORY TRAINING COURSES TAKEN OR SCHEDULED,  
AS OF DECEMBER 1990, EXPRESSED AS A PERCENTAGE OF TOTAL COURSES  
AVAILABLE AND BROKEN DOWN BY INDIVIDUAL DIRECT HIRE**

| Grade          | Basic (9) |           |       | Intermediate (6) |           |       | Advanced (3) |           |       |
|----------------|-----------|-----------|-------|------------------|-----------|-------|--------------|-----------|-------|
|                | Taken     | Scheduled | Total | Taken            | Scheduled | Total | Taken        | Scheduled | Total |
| GS-9           | 33        | 33        | 66    | —                | 17        | 17    | —            | —         | —     |
| GS-11          | 89        | 11        | 100   | 17               | 67        | 84    | —            | —         | —     |
| GS-12          | 100       | —         | 100   | 50               | 50        | 100   | —            | 67        | 67    |
| GS-13          | 56        | 22        | 78    | 17               | 50        | 67    | —            | 67        | 67    |
| GS-13          | —         | 44        | 44    | 33               | 17        | 50    | —            | —         | —     |
| GS-13          | 44        | 44        | 88    | 17               | 33        | 50    | —            | —         | —     |
| GS-13          | 44        | 33        | 77    | 67               | 33        | 100   | 33           | —         | 33    |
| Average, GS-13 | 36        | 36        | 72    | 33               | 33        | 66    | 8            | 17        | 25    |
| GM-14          | 56        | 22        | 78    | 50               | 17        | 67    | —            | 33        | 33    |
| GM-14          | 78        | 22        | 100   | 17               | 50        | 67    | —            | 33        | 33    |

scheduled to take only one of the three advanced courses. Nobody in AD has taken, or is scheduled to take, the executive seminar in acquisition.

The six intermediate courses deal with subjects central to acquisition within FBO. The record in Table 2-5 is not as good as might be expected.

There has been little written guidance beyond that published as A/FBO Policy and Procedures Directives. Those directives are not incorporated into training programs, formal or informal. Office policies and procedures (such as guidance on priorities for treatment of incoming requisitions on Form DST-1089R) have not been written, disseminated, or discussed within AD.

However, two sources of difficulty — statements of work (SOWs), and contract changes and modifications — are the subjects of two recent publications. The writing of SOWs is addressed in a Building, Design, and Engineering (BDE) publication dealing with the generic SOW. The handling of changes is addressed in a handbook drafted by ETG and being circulated within FBO for comment.

The bulk of contracting experience in AD, PSCs aside, resides with the division director and the three branch chiefs. However, those with less experience have



TABLE 2-5

**SIX INTERMEDIATE COURSES TAKEN OR SCHEDULED, AS OF DECEMBER 1990,  
BY THE NINE GS & GM EMPLOYEES**

| Course                          | Taken | Scheduled      | Total/possible |
|---------------------------------|-------|----------------|----------------|
| Developing SOWs                 | 2     | 3 <sup>a</sup> | 5/9            |
| Effective negotiating styles    | 3     | 2 <sup>a</sup> | 5/9            |
| Contracting for A-E services    | 4     | 4 <sup>b</sup> | 8/9            |
| Contracting for construction    | 5     | 3 <sup>a</sup> | 8/9            |
| Contracting with small business | 2     | 4 <sup>c</sup> | 6/9            |
| Source evaluation procedures    | —     | 4 <sup>d</sup> | 4/9            |

<sup>a</sup> Last one to be completed in FY94

<sup>b</sup> Last one to be completed in FY92

<sup>c</sup> Last one to be completed in FY93

<sup>d</sup> Last one to be completed in FY95

completed more training. PSCs, on the other hand, usually bring with them direct knowledge of the acquisition organizations, practices, and procedures of other Federal agencies.

From the file review discussed later in this chapter, there is little evidence that FBO's contract specialists, despite training, have used either of the separate skills of cost and price analysis. Guidance is available. The *Armed Services Pricing Manual* comes in two volumes. "Contract Pricing," Volume 1, was published in 1986. Volume 2, "Price Analysis," was published in 1987. The manuals are intended for instruction and professional guidance. They are not directive and can be used by all Federal agencies. However, they do not cover either A-E or construction contracting directly.

Also from the file review, there is little evidence that FBO's contract specialists apply the skills of contract negotiations. Although 13 of the GS-1102s have had training in cost and price analysis and eight have had training in negotiation, there is little indication that this training is applied in their day-to-day work. For example, we found little evidence that they question cost elements when a proposed total price is close to the government estimate or when the Defense Contract Audit Agency auditor has said that the overhead rates were reasonable. Offerors are not

asked to explain why actual rates for a past period should be used for a future period. A low offer may be determined reasonable on the basis of competition, even if the next low offer is 95 percent higher.

## MANAGEMENT

Little use has been made of automation. The processes of preparing solicitations, evaluating bids and proposals, and preparing contracts and modifications still is largely manual. Few specialists have computers at their desks, and not all who have computers use them. The Acquisition Management System (AMS) is automated, but the stored information has little value to management, even if reliable. Until every contract specialist has a working personal computer, is provided with software, and is trained to use it, AD cannot begin to benefit from the advances other Federal organizations are making in automating the acquisition process. State's Office of Acquisition has a contract-generator package from CompuSearch that runs on the Wang VS and could be adapted for AD's use, once the contract specialists have the hardware in place and operating.

Information needed to manage AD is not readily available. The AMS does not have the data needed to track the progress of a request for contract action (RFCA) through the organization. There are no time standards to measure performance, and there are no reports on numbers and status of protests, claims, and modifications.

There are few written statements of office policies and procedures. We would expect to see memorandums on such topics as management's objectives, contract files and filing, numbering of contracts and modifications, writing price negotiation memorandums, key happenings during the contract process, what to require in an RFCA, and what to do with an incomplete one.

The FBO is becoming more automated through a phased introduction of the Information Resource Management System (IRMS). AD needs to be actively involved in Phase I and Phase II of IRMS. IRMS Phase II gives AD the chance to build in the data elements it needs to manage its work.

Several State Department forms are used by FBO in preparing solicitations and contracts: Form DS-1164, *Provisions and Instructions to Bidders*; Form DS-1168, *Representations and Certifications*; Form DS-1231, *Contract Clauses and Conditions*; and Form DS-1231S, *Supplemental Contract Clauses and Conditions*. The first three

of these, since they incorporate FAR provisions or clauses that are subject to change, can become outdated unless closely maintained. Storage in a data base would make it easy to keep the documents current.

The DS-1231 and -1231S contain FAR clauses; FAR clauses modified as to style, format, or content; and clauses devised by FBO, most of which cover topics also covered by the FAR. The need for these nonstandard clauses is not clear, but the Procurement Executive has given tacit approval to their use.

The AD is charged, in FBO Organization and Functions, with maintaining performance evaluations on contractors performing work for FBO. Directive AD012, *Assessment of Contractor Performance*, March 29, 1988, requires contracting officer technical representatives to conduct annual evaluations of contractors having performance periods of 12 months or more and submit them to the contracting officer. All contractors are to be evaluated upon completion of work under contract, and these evaluations are to be retained in AD files and may be used in determining contractor responsibility in future contract actions. The directive prescribes Standard Form (SF) 1421 for use in evaluating A-Es, SF 1420 for use in evaluating construction contractors, and Form DS-1771 for use in evaluating personal and professional services contractors. Completed evaluations were found in few of the contracts reviewed, and we found no evidence that evaluations were used in determining contractor responsibility or in making source selections.

Professional communication among the AD staff is limited. Those staff members interviewed complained about a lack of information on management's priorities and policies, and on the methods used by other AD branches. The weekly staff meeting is limited to disseminating routine administrative information, and its format does not encourage a sharing of ideas, problem areas, successes, and management direction. There is no meeting within AD wherein management identifies problem areas or areas needing management attention, formulates the strategies needed to redress them, communicates those decisions to the staff, and monitors the staff's implementation of those decisions.

## WARRANTS AND APPROVALS

At the time of our review, the division director and the three branch chiefs had the only contracting officer warrants in the division. Limitations on their contracting authority are established by FBO Policy and Procedures Directive AD002, April 6, 1987. The approval levels for contract actions are shown in Table 2-6.

TABLE 2-6

### APPROVAL LEVELS FOR ACQUISITIONS DIVISION CONTRACT ACTIONS

| Amount                  | Approval level                          |
|-------------------------|-----------------------------------------|
| Under \$25,000          | CO (branch)                             |
| \$25,000 – \$500,000    | One level above CO (division)           |
| \$500,000 – \$1 million | Two levels above CO (office)            |
| Over \$1 million        | Appropriate office director and FBO DAS |

Note: CO = Contracting officers

The Procurement Executive has given warrants to three contract specialists, an action that would have the effect of raising the approval level for the branch and division heads. The branch chiefs would approve contracts in the \$25,000 to \$500,000 range, and the division chief would approve, contracts between \$500,000 and \$1 million.

Limitations on a contracting officer's authority to obligate the Government are a measure of competence and the confidence management has in the contracting officer's judgment and skill. Approval of contracts should be a function of the complexity, dollar value, and sensitivity of the contract action, in addition to a contracting officer's competence. Approval levels of \$25,000, \$500,000, \$1 million, and over \$1 million are lower than those of comparable Federal agencies.

## INDICATORS OF ACTIVITY

There is no formal, regular accumulation of workload statistics. However, data gathered manually supported the following findings:

- Personnel turnover is low but, because hiring moves slowly, vacancies persist.
- Contractor protests are few, and those few have been denied.
- Ratifications of unauthorized contract actions are rare.
- Most claims are confined to major construction projects. Frequency and value can be determined only by review of individual contracts. Handling claims is the subject of a directive (AD011, March 29, 1988) and of a draft handbook in the process of review.
- Goals for contracting with small and small disadvantaged business concerns are being met.
- Competition goals also are being met, again without much visible effort.
- Standard processing times do not exist, and attempts to measure actual times give unreliable results; data extracted from contract files are incomplete.
- Recorded overtime is low. In our acquisition reviews, an overtime level of 10 percent of normal hours is cause for investigation, and a 20 percent level is anomalous. Recorded overtime in FY89 and FY90 for AD's contracting staff was 4 and 5 percent. For the administrative staff it was 2 percent. The Federal average is 12 percent.

## INDEFINITE-QUANTITY CONTRACTS

Use of indefinite-quantity contracts authorizing qualified persons outside the contracting organization to issue orders offers a way to reduce the organization's workload. The contract specifies the supplies that can be ordered, together with maximum and minimum order quantities and corresponding unit prices. When requirements arise that can be filled from the contract, a designated ordering person places the order, citing funds and specifying item, quantity, price, and time and place of delivery. The designated ordering person should be trained and is named in a written notice authorizing use of one or more contracts and setting any limits necessary.

This method of contracting is commonly used in other organizations and AD should continue to explore and expand its possibilities. If it were adopted, AD could retain the essential contracting responsibility for soliciting offers; selecting a contractor or contractors; negotiating terms, conditions, prices, and discounts; and awarding the contract. The contract could be funded but would not have to be; funds could be obligated by each order. Use of this kind of contract would not diminish the contracting task, but it would relieve AD of the clerical function of ordering against an existing contract with prices already fixed.

## **FILE REVIEW**

FAR, Section 4.801 directs that the chief of each contracting office shall establish files containing records of all contract actions. The documentation is to be sufficient to constitute a complete history of the transaction. The FAR also lists the purpose of the documentation. FAR 4.802 and 4.803 give further guidance on file maintenance and contents. Need for adequate documentation is based on the knowledge that many outside organizations will have good reason to review contracts. The Comptroller General has the right of access. Congress has reason to question what is done with monies it has authorized and appropriated. The departmental inspector general has the need and the right to review contract files, as do various levels of management within the Department. More importantly, the transaction history helps the contracting staff to handle future transactions rapidly and efficiently.

We reviewed files selected at random from the AMS report of October 1, 1990. The report includes all active contracts as of that date and is divided into three sections: total construction, total A-E contract actions, and other contract actions. The original selection included 18 from construction, 17 from A-E, and 31 other actions.

Twelve of the 18 from the construction section were reviewed. Four contracts too old to have relevance to this study were not reviewed, and 2 could not be found. Of the 12 that were reviewed, 2 were for projects managed by ETG, while 3 were personal services, not construction contracts.

We reviewed 7 of the original 17 contracts from the A-E section of the report. Two of the 17 had already been selected for review as construction contracts, 3 could not be found, 2 were classified, and 3 were too old to be relevant to the study. One of

the 7 reviewed was listed under an old, superseded contract number, and 2 were contracts managed by ETG.

Twenty of the 31 contracts in the other contract action section were reviewed. Six of the 31 could not be found, 1 was classified, 1 already had been selected from the A-E section, and 3 were too old to be relevant to this study.

Few of the files for contracts awarded before FY90 were well organized or complete.

### **AD Contracts**

Twenty-two contracts other than contracts for personal services and ETG contracts were reviewed. Eight were for construction, 4 for A-E services and 10 for various supplies and services. Two of the 22 were with small businesses and 6 were with 8(a) firms (minority firms).

Time from date of RFCA to date of contract award could be calculated for 14 of the 22 contracts. For the other 8, either there was no RFCA in the file or the RFCA was not dated. The results were not conclusive. Times ranged from a low of 28 days to a high of 869 days. Time from receipt of the RFCA by AD to award could be calculated for 8 of the 22 contracts. Times ranged from a low of 46 days to a high of 393 days. These results are set forth in Table 2-7.

Only 4 of the 22 contracts had some sort of acquisition plan (the 12 construction and A-E contracts are exempt from the requirement). The Office of the Procurement Executive's Procurement Policy Directive No. 3, 8/7/87, states in paragraph 2, "The basic document in the contract file, which will initiate the procurement process, shall be the approved advance acquisition plan." The directive adds that the plan shall be developed jointly by the requirements office and the contracting officer, and it states in subparagraph 3B that the contracting activity will prepare the check list and identify the sources of information needed to complete the plan. The directive restates the exemption of acquisitions of \$25,000 or less and of A-E and construction contracts let under the authority of the Foreign Service Buildings Act of 1926.

Five of the 22 contracts were labor-hour contracts, 3 were fixed-price indefinite-quantity contracts, 1 was a cost-reimbursement contract, and the remaining 13 were

TABLE 2-7

**DAYS FROM INITIATION OF RFCA  
OR FROM ITS RECEIPT BY AD  
TO CONTRACT AWARD,  
AD CONTRACTS**

| Date RFCA to<br>date of award | Date in AD to<br>date of award |
|-------------------------------|--------------------------------|
| 28                            | -                              |
| 50                            | 46                             |
| -                             | 63                             |
| 85                            | 82                             |
| 108                           | 81                             |
| 110                           | 106                            |
| 194                           | 177                            |
| 216                           | -                              |
| 254                           | -                              |
| 261                           | 261                            |
| 270                           | -                              |
| 282                           | -                              |
| 395                           | 393                            |
| 439                           | -                              |
| 869                           | -                              |

Source: Contract file review

firm-fixed-price contracts. The determination and findings required by FAR 16.601(c) had not been executed for any of the 5 labor-hour contracts.

One of the 22 contracts, a construction contract, was let after sealed bidding; the rest were subject to negotiation procedures. Five of the other 7 construction contracts and 3 of the 4 A-E contracts were competitive. One of the 2 contracts with small businesses and 3 of the 6 8(a) contracts were awarded competitively.

The files of 9 noncompetitive contracts did not contain justifications for other than full and open competition as required by law and FAR 6.301(a). There were such justifications in the files of 5 contracts, but 2 of these contracts appeared to be competitive and, if so, did not require a justification.



*Selection Procedures for Architectural and Engineering Services*, PM001, revised 9/5/90, requires that all files of the Pre-Selection Board (PSB), Architectural Advisory Board (AAB), and Architectural and Engineering Council (AEC) be transferred to the contracting officer's contract file. The documentation is to include minutes of all meetings, presenting in detail, justification for ranking and selection decisions. Of the four A-E contracts reviewed, one file documented the selection (but not in detail), two did not, and one was justified as a sole-source contract. None had the PSB, AAB, or AEC files.

We rated the adequacy of documentation in 21 of the 22 files. The adequacy evaluation was based on the following criteria:

- *Source selection*: Formal or informal selection; identify companies solicited, evaluation criteria, evaluations and ranking of offerors, and the competitive range. If A-E, identify the board rankings (PSB, AAB, AEC).
- *Cost and price analysis*: Give the identity of the offerors, describe their proposals, give cost breakdowns (detailed cost estimates), and provide results of analysis (data used to evaluate validity of rates, basis for profit determination).
- *Negotiations*: Who participated (Government and contractor), when and where held, offers, objectives, summary of discussions, changes in offers and objectives with reasons, and what was agreed to and why it should be approved.

Application of these criteria resulted in documentation ratings as shown in Table 2-8:

**TABLE 2-8**  
**DOCUMENTATION RATINGS**

| Criterion               | Number of contract files found adequate | Percentage of total found adequate |
|-------------------------|-----------------------------------------|------------------------------------|
| Source selection        | 7                                       | 33                                 |
| Cost and price analysis | 3                                       | 14                                 |
| Negotiations            | 3                                       | 14                                 |

Seven additional contracts awarded in FY90 were reviewed to test the implementation of AD010. Two of the seven were for construction, two for A-E services, and two for equipment; one was to buy a bill of materials. All seven files were organized as required by the directive, but documentation was not complete. As demonstrated by the review for adequacy already reported and in summary, few contract files contained documents explaining (1) the competitive source selection process or the decision to go to a single source, (2) the analysis of offered price or prices, or (3) the negotiation of contract terms and conditions. None had documents for all three. The documents that were found in the files were neither complete nor persuasive.

### ETG Contracts

Seven ETG contracts were reviewed. Three were for A-E services, one was for new construction, one was for renovation, one was for furniture and furnishings, and one was for bill of material and procurement services. Two of the seven involved 8(a) concerns.

Time from date of RFCA to date of contract award could be calculated for five of the seven contracts; the other two files had no RFCAs. Of the five, times ranged from a low of 41 days to a high of 349 days, as shown in Table 2-9.

**TABLE 2-9**

**DAYS FROM INITIATION OF RFCA  
OR FROM ITS RECEIPT BY ETG TO  
CONTRACT AWARD, ETG  
CONTRACTS**

| <b>Date of RFCA<br/>to date of<br/>award</b> | <b>Date in ETG<br/>to date of<br/>award</b> |
|----------------------------------------------|---------------------------------------------|
| 41                                           | 33                                          |
| 42                                           | -                                           |
| 164                                          | -                                           |
| 269                                          | -                                           |
| 349                                          | -                                           |

*Source:* Contract file review

None of the seven contract files contained an acquisition plan (the three A-E and two construction contracts are exempt).

All of the contracts were firm-fixed-price contracts. Four of the seven were awarded competitively. The contract for furniture and furnishings was awarded after sealed bidding, and two of the three A-E contracts were awarded competitively. The file for the third does not document how the firm was selected or whether others were considered. The construction contract was awarded after competition among prequalified firms. There was nothing in either 8(a) file to indicate a competitive procurement.

There was no justification for other than full and open competition for the two noncompetitive contracts. There was nothing in the file for one A-E contract to indicate that evaluation and ranking had preceded the selection of the contractor for negotiation, and there was no justification.

The ETG files do not follow the AD010 format. Instead, they are filed chronologically, with invoices and related correspondence interspersed in the same file with change orders, modifications, negotiation memorandums, and other documents relating more directly to the contract. The explanation was that the files were shared with program people, and this was the way they liked it.

### **Contracts for Personal Services**

We reviewed 17 contracts for personal services, 3 without modifications and 14 with at least one modification extending the contract term. Time from date of RFCA to date of contract award could be calculated for 16 of the 17 contracts (1 RFCA was undated) and for 12 of the 22 modifications (see Table 2-10). Time could not be figured for the other 10 modifications because we could not find RFCAs for them. As displayed in Table 2-8, times for the 16 basic contracts ranged from 6 to 123 days and for the 12 modifications, from 1 to 146 days. On the 6 contracts where there were dates for both RFCA and its arrival in AD, it took from 2 to 18 days to reach AD.

The decision to use a personal services contract must be cleared through RMO/A, RMO/F, and AD and approved by division and office directors and the DAS for Foreign Buildings. After this, the RFCA is sent back to AD for action. After AD's work is done, the contract specialist prepares the contract, writes a memo, and prepares a Contract/Modification Summary and Approval form. To send the contract

TABLE 2-10

**DAYS FROM INITIATION OF RFCA (OR RECEIPT IN AD) TO CONTRACT AWARD  
FOR PERSONAL SERVICES CONTRACTS AND MODIFICATIONS**

| Contracts                     |                             |            | Modifications                 |                             |            |
|-------------------------------|-----------------------------|------------|-------------------------------|-----------------------------|------------|
| Date of RFCA to date of award | Date in AD to date of award | Difference | Date of RFCA to date of award | Date in AD to date of award | Difference |
| 6                             | 4                           | 2          | 1                             | —                           | —          |
| 13                            | —                           | —          | 2                             | —                           | —          |
| 21                            | 14                          | 7          | 11                            | —                           | —          |
| 28                            | —                           | —          | 15                            | —                           | —          |
| 30                            | 18                          | 12         | 35                            | —                           | —          |
| 30                            | —                           | —          | 37                            | 8                           | 29         |
| 36                            | 27                          | 9          | 37                            | 1                           | 36         |
| 36                            | —                           | —          | 39                            | —                           | —          |
| 40                            | —                           | —          | 49                            | —                           | —          |
| 41                            | 31                          | 10         | 52                            | —                           | —          |
| 46                            | —                           | —          | 53                            | 15                          | 38         |
| 47                            | —                           | —          | 146                           | —                           | —          |
| 48                            | —                           | —          |                               |                             |            |
| 56                            | —                           | —          |                               |                             |            |
| 66                            | 48                          | 18         |                               |                             |            |
| 123                           | —                           | —          |                               |                             |            |

Source: Contract file review.

forward through channels for signature, both the form and the memo, respectively, are signed off by five and six of the same people on the same day.

#### **DUAL USE OF THE REQUEST FOR CONTRACT ACTION**

The Request for Contract Action, A/FBO Form AD001, March 1990, is designed for use on all acquisitions expected to exceed \$25,000. It is used as a control document as well as a request to AD to take action. Clearance is required from the division director, RMO/A (if personal or nonpersonal services are required), RMO/F

(for funding availability), and AD (to make sure the action is within FBO's contract authority and consistent with current procurement policies).

The office director approves all RFCAs. If the request involves less than \$250,000 or is not for personal or nonpersonal services, the approved request goes to AD; otherwise, it goes to the DAS for final approval before being sent to AD. If personnel security is involved, preparation and award of the contract must wait for the security clearance.

The form, in order to be used for personal services as well as for all other acquisitions, does not satisfy the requirements of each. It requests information peculiar to personal services contracts; that runs counter to statutory requirements for full and open competition on construction, A-E, and hardware contracts. It requests name, address, social security number, and citizenship of the recommended contractor but does not ask for a list of suggested sources.

## **PURCHASE ORDERS**

Small purchases (those routine purchases of \$25,000 or less made in accordance with the simplified procedures of FAR Part 13) make up about 5 percent of the dollar value of AD's annual contracting. The vast majority of purchase orders (POs), about 3,400 per year, are generated by requests from the IDF Division in the Operations Office. Of the remainder of AD's annual POs, about 500 come from the Engineering Support Branch, 100 from the Facilities and Maintenance Division, and 50 from the Fire Safety and Hazard Control Division. The purchase requests that AD receives are much like those of any other Federal acquisition division with the exception of the requests from IDF. The interior designers of IDF sole source their purchases because they customize the decor of every embassy. They contact the vendors directly, prepare complete purchasing packages, and hand carry them to AD. AD only has to enter the information into the AMS and sign the POs. AD occasionally calls vendors to spot-check the validity of IDF's POs.

The purchase requests are distributed by the AD director, and most of the contract specialists are occasionally tasked with them. One full-time procurement assistant is assigned to handle IDF's POs, and two part-time personnel are dedicated to other POs. None of the personnel processing POs has a contracting warrant.

The turnaround times for handling POs are shown in Table 2-11. The times for non-IDF POs compare favorably with the times found at other Federal agencies. We would have expected the times for IDF POs to have been shorter, since the interior designers do most of the work on them. We were told, however, that an informal AD policy gives non-IDF POs higher processing priority. The number of staff hours dedicated to handling POs is high. The staff members dedicated to non-IDF POs handle only six POs on a busy day, whereas the Federal standard is an *average* of six POs per person per day. Moreover, that standard is some years old, and many agencies are now more automated and handle far more per person.

TABLE 2-11

AD TURNAROUND TIMES FOR PURCHASE ORDERS

| Sample         | Size | Working days |          |
|----------------|------|--------------|----------|
|                |      | Average      | Variance |
| IDF            | 203  | 9            | 8        |
| FAC            | 34   | 6            | 9        |
| All except IDF | 27   | 11           | 6        |

Source: Random sample

The AD customers who submit purchase requests complain about the lack of status information from AD. Most of them have devised their own systems to track purchase requests into and out of AD because AD does not do so. AD does not affix a time and date stamp to the POs upon receipt, and the procurement log-completed action report produced by AMS does not provide suitable dates for managing POs. The report does not show the date when AD received the request, but only the date when it was entered into AMS, which could be one or several days later. Similarly, the report gives only the date the PO forms were printed out by AMS, not the date the PO was signed or the purchase made. Moreover, customers commonly complain that they do not receive copies of the POs to help them monitor their purchases. The data in Table 2-9 were taken from customer tracking systems, because suitable management data are unavailable in AD.

There are several inefficiencies in the PO process. The PO files are incomplete and disordered in a fashion already described for the other contract files. POs often

stay in in-boxes for a day or two awaiting the return of a part-time employee. There is no formal priority system for POs, and urgent ones require a visit by the customer to urge expedited handling. AD invariably accepts purchase requests even though some of them are incomplete or confusing. Those are usually held in AD while the customer is contacted to resolve the problem. Our random sample showed that sometimes takes months. Other Federal acquisition divisions would normally return such requests to the customer to preclude the possibility of losing the request amid the thousands that pass through the acquisition division and to reinforce the point that it is the customer's responsibility to generate a proper request. The fact that no formal training is given to those customers who submit purchase requests may explain some of the unsatisfactory submittals.

## **CHAPTER 3**

### **CONCLUSIONS**

#### **MANAGEMENT CONTROLS**

From the findings in Chapter 2, we conclude that management controls in AD are very weak. Some of the basic tools of management are unavailable, and basic management concepts are not followed. For example, tracking and recording work progress provides vital information to customers – the beneficiaries of the work effort – to help them manage their workloads. Just as importantly, however, work status should be recorded to provide AD management a picture of the efficiency and effectiveness of AD's performance. A detailed history of dates and times for a chosen set of work milestones allows management to identify those work segments that are being conducted inefficiently or are not meeting customer requirements. Moreover, a history of the times those work segments take, together with a management review, allows management to establish standards against which to measure individual and organizational performance. These standards, in turn, can be used to judge adequacy of staffing and to support requests for additional personnel if such are needed. In AD, there is no system for such work measurement and status reporting.

The Acquisitions Division has no central logs or registers with which to manually record dates and times of work progress. Individual files are missing the documents, such as RFCAs, that could be used to reconstruct the information needed. Unlike most Federal acquisition organizations, AD does not even routinely time and date stamp most documents when they enter AD. The most important tool for management control is the automated information system (IS), but the AMS used by AD is rudimentary and totally unsuited for management control. Its main purpose is to report information to the Federal Procurement Data System at a much higher level of abstraction than the detailed performance information needed by AD management and customers.

The IRMS is to become FBO's comprehensive IS, and Phase II of its implementation is to include AD's requirements. The Phase II system designers expect that phase to be operational in 1992. Now is the time for AD management to



become actively involved in designing that phase. It is imperative that AD take the lead in selecting the acquisition data elements to be recorded and tracked and the reports to be produced. The new IS should provide AD management detailed, on-line information on the status of contract actions and purchase requests.

Just as importantly, that same information should be available to AD's customers. There is an institutional reluctance in AD to allow customers open access to such information. There is the risk that disclosure will reveal to customers where AD performance failed to meet needs, either on individual procurement actions or in general areas such as small purchases. However, the solution to poor performance is not to withhold the information but to develop and publish a management plan for improvement. AD's portion of IRMS Phase II should calculate performance measures, compare them to established standards, and produce exception reports when those standards are not met. For example, an exception report should alert management when a unilateral contract modification has not been definitized after 90 days. It is difficult to implement a performance measurement program without an adequate IS, but a beginning can be made. The appendix discusses such a program and provides examples of performance measures to use.

The most efficient acquisition systems are those that eliminate as much paper flow as possible. Purchase requests, for example, can be input into the IS directly by the customer and electronically transmitted to AD. The writing of requirements on forms that are hand-carried to the action office so that someone else in the action office can input the information into the IS is rapidly becoming a thing of the past. Moreover, an automated contract-generation package, such as those available from CompuSearch and the U.S. Army Corps of Engineers (USACE), could be installed to eliminate much of the routine work in writing contracts. Routine contracts, such as those for personal services, could be automated to the extent that junior contract specialists could handle them, freeing the journeyman contract specialists for the more complex work. Some State Department forms could be automated to further reduce the contract specialist's workload. Forms DS-1164, DS-1168, DS-1231, and DS-1231S, if maintained in a data base, would be easier to use and – just as importantly – easier to keep current.

Before AD can enjoy any of the advantages of an automated IS, the hardware must be procured and installed, and the staff must not only be trained in its use but must become comfortable with the concept of using computers. Experience has shown

that work automation is often resisted because of computer phobia or because of the time and energy needed to learn the new systems and methodologies. Automation in the modern office is not just another management tool, it is an entirely different way of thinking and working. AD should, therefore, request procurement and installation of the system hardware as soon as possible. The excuses of an eventual AD office move, of asbestos in the ceilings complicating installation, and any number of other excuses should not delay the automation. The time before implementation of IRMS Phase II is needed to allow the staff to become comfortable with operating computers. Training on the new system can commence even before it is fully operational. All of the staff can start using word processing, for example, and some computer applications, such as the automated forms and contract-generation packages, do not have to wait for IRMS Phase II. An aggressive program of office automation now will make the IRMS implementation much easier.

Other indications of weak management controls are poor internal communications and lack of written AD guidance (discussed in the findings). The AD staff complains of a lack of standardized approaches to work requirements among the three AD branches and of a lack of information on how other branches handle common problems. The recently initiated AD weekly staff meeting addresses only administrative items. It could be used to share information on, and solutions to, common problems, to discuss needed policy changes, to review division performance, and to share lessons learned. The full AD staff meeting is attended by all, and it may be a little large to handle the more detailed management discussions. The only executive session for management, however, is not held under the auspices of AD. It is the weekly AD management meeting held by the Office Director of the Planning and Acquisitions Office. We would normally expect to see the management planning and review conducted at those meetings to be a routine internal management function of AD. A basic management responsibility is to identify existing and potential problem areas and to develop and execute plans to address them. We would normally expect to see at the division level, for example, a list of management's top 10 or more concerns and the milestone dates for the actions directed to alleviate them. The list may be an informal one, or it may be closely managed in formal meetings using overhead slides to track and announce progress. The format is not as important as the concept. However, such a management-by-objectives approach is

being imposed outside of AD instead of being a routine part of AD's internal management.

The deficiencies in management control, discussed above, may be partially attributed to a lack of AD staff. AD staffing is discussed later in this chapter. Often, organizations with staffing problems become so focused on daily work output that they fall into the activity trap. Management becomes paralyzed, and even achievable improvements are not attempted. Such improvements in a short-staffed environment usually mean periods of overtime on top of the overtime already worked just to meet the daily workload. The additional effort is valuable, if the end result is a significant reduction in the daily work effort.

Recorded overtime in AD, however, is extremely low compared to overtime in other Federal acquisition divisions. It is possible that most of the overtime worked goes unrecorded, but our interviews indicate otherwise.

## **DOCUMENT CONTROL**

Closely related to management control is document control. In AD, we conclude that documentation is seriously out of control. The findings from the random file review, discussed in Chapter 2, show that 17 percent of the contract files could not be found. In most of the others, documentation on such topics as source selection, cost and price analysis, and contract negotiations was missing or inadequate. Much of the basic documentation (such as RFCAs) needed for performance measurement is also missing. The filing system is so disorganized that most on the AD staff readily state that there is no system. Such disorder has a major impact on the division's efficiency. A significant amount of time is spent searching for lost files and documentation and in trying to re-create a contract's history.

Management has moved to improve the contract files. Our additional sample of files for contracts awarded after FY90 revealed better organization. But the problem of missing documents persists. Part of the management-improvement effort is FBO Directive AD010, April 1988, which assigned AD responsibility for establishing and maintaining contract files that document all actions taken by FBO and the contractor in relation to contract award, performance, and close out. The directive requires the organization of files into six tabs, four of which list documents to be filed therein. The other two tabs are for supporting documentation and general correspondence. This directive represented a great step forward when it was issued, but our review of

contracts awarded after its publication indicates the need to refine it. For example, AD should consider multiple file folders for major projects. With the experience of operating under this directive for 3 years, changes could be made in the tab contents. For example, the directive does not specify where the contract itself should go and does not distinguish clearly between what should go in Tab C, Contract Modification, and Tab D, Supporting Documentation for Contract Modification. Where does the RFCA for the modification go, the contractor's proposal, the analysis and negotiation records, and so forth? Tab E, Contract Administration, and Tab F, General Correspondence, might be placed in separate folders, if volume warrants.

Part of the problem of the lack of document control is that no one person is assigned the responsibility for it. One person is needed to impose files discipline and to organize the files into a manageable system. A first step, for example, would be to reduce access to the contract files. This is especially true for the ETG files, which are also used by the Program Managers (PMs). With the ETG contract about to expire and the removal of the AD personnel from the PMs' area likely, it is time for AD to regain control of the ETG contract files. Any new files should be organized in accordance with the FBO directive, and access to all files should be restricted to AD personnel. Now that Program Management Division (PMD) is reorganizing and becoming better staffed, it should begin to establish its own filing system.

There are several ways to restrict files access and to impose more files discipline. The most stringent is to have a full-time files clerk hand out files as they are needed and record the date, time, and recipient of the issue. The documents are returned at the end of each day. Such a rigid system is seldom practical for an acquisition division, however. It markedly slows down daily transactions, and it takes a full-time position from other contracting duties. An alternative is to have a master file kept in a central location and to allow the contracting specialists to keep working files at their locations. The problem with this arrangement is that many duplicate copies must be made, and it is difficult keeping the master file up to date. In practice, a compromise system is usually adopted. A master file is kept in a central location, but portions of it are signed out to the contracting specialist. They are returned if the specialist is going to be absent for more than a day. In addition, the specialist keeps some working files that duplicate parts of the master file. Someone is assigned the part-time duty of files manager to keep the files in order and spot check

them for accuracy and completeness. To make the system work, however, management must view missing or inaccurate documentation as a serious matter.

A second step is to secure permission to introduce the standard contract-numbering system that most other Federal agencies use. That system, recommended by the General Accounting Office, is an easy and meaningful system to work with. Once a contract number is assigned, it remains with a contract throughout its life, even for contracts spanning several fiscal years. The standard contract number should consist of nine alphanumeric characters, as follows:

- The first character is "S", to signify the Department of State.
- The second character is "F", to signify FBO.
- The third character is the second digit of the two-digit fiscal year in which the procurement is authorized.
- The fourth character is a letter designating the type of procurement document, and it is preceded and followed by a dash.
- The remaining five characters constitute the number assigned to the contract. Numbering begins with 00001 for the first contract in a fiscal year and proceeds sequentially.

An example of a standard number is SF1-C-03647. Note that funding and allotment information would be provided in the specified blocks on SF 33 instead of within the contract number. Contract files should be filed sequentially by their contract numbers, thus reducing the number of lost files.

## **PROCUREMENT PRACTICES**

Our findings on how AD conducts the business of acquisition lead us to several conclusions on its procurement practices. AD should increase its use of indefinite-quantity contracts and designate a limited number of persons outside of AD who are authorized to place orders against those contracts. Indefinite-quantity contracts are commonly used in other Federal agencies and offer a means of reducing AD's workload. Once AD has negotiated and awarded an indefinite-quantity contract, the routine, almost clerical task of placing the actual orders can best be performed by the AD customer who needs the items. The customer is far more familiar with the specifications of the items being ordered and with the relative urgency of each of his or her requests. The current practice of having the customer submit a request to AD so that AD can place the order eliminates most of the

advantage of the indefinite-quantity contract. AD must continue a dialog with the customer to ensure that his or her specifications are met, the vendor is contacted, and the transaction documented.

When customers are allowed to place their own orders, however, AD must establish some stringent controls. Only those customers designated in writing by AD for each indefinite-quantity contract are allowed to place orders. AD would designate a customer only after he or she has successfully completed appropriate training. Like some other Federal acquisition organizations, AD could also require regular refresher training. Further control can be established by limiting the dollar amount a customer can spend on each order or in any time period. Those dollar limits can be related to the customer's training and experience. AD would also establish control through the documentation it requires of the customer for each transaction. The customer would maintain a log of the details of each transaction and either periodically submit copies of it to AD or be prepared for AD's unannounced inspections of his or her records. If AD discovers indications of abuse on the part of a designated customer, that customer's ordering authority can be suspended, withdrawn, or reduced. Together, the above controls minimize the risk of abuse.

The new procedures shift most of the workload to the customer, but customers would happily accept it. They spend just as many resources now in submitting the requests to AD, trying to keep track of progress, and explaining to AD exactly what is needed. There is also an initial workload for AD in training the designated customers. Turnover among the customers is fairly low, however, and once they are trained, AD's continuing workload should be minimal. The resources AD needs to conduct the training are discussed later in this chapter.

The recent decision to give warrants to three AD contract specialists is a step in the right direction. The dollar limitations on AD's warrants are appropriate for now, but after AD has implemented the management controls and other recommendations in this report, FBO should again request the Procurement Executive to raise AD's warrant levels. The next increases should give the division director an approval level of \$2.5 million and each branch chief \$1 million. Those approval levels would be more typical of other Federal acquisition organizations similar to AD.

An important procurement practice overlooked by AD is the documenting of contractor performance to help evaluate contractors during future source selections.

The requirement is explained well in FBO Directive AD012, Assessment of Contractor Performance, March 29, 1988, but the directive's mandates are seldom enforced. Without documented contractor performance, AD runs the risk of having to award a contract to a company that has performed poorly in the past. AD should make this oversight an item of interest in its weekly staff and executive meetings and should establish internal procedures to comply with the FBO directive. IRMS Phase II should allow contractor evaluations to be automated for easy access and maintenance.

There are several other oversights of fundamental procurement practices. Justifications for other than full and open competition as required by the FAR are not documented. Source selection documentation files -- such as PSB, AAB, and AEC files -- are not maintained. In fact, as our findings in Chapter 2 suggest, far less than half of AD's documentation is adequate. It is difficult to tell whether that documentation is not produced or is produced and lost.

On the other hand, several procurement activity indicators are noteworthy. Contractor protests and contract ratifications are extremely low, for example. AD's compliance with the goals for contracting with small and disadvantaged business concerns has merited a letter of appreciation. There is a caution here, however. Most of AD's contract specialists were unaware of the goals. Customers have been requesting contracting with small and disadvantaged businesses because the process, involving the Small Business Administration (SBA), is quicker than AD's normal contracting avenues. As AD improves the processing time of its normal contracting, its customers may be less inclined to deal with the SBA, and more management attention may be needed to meet the goals.

On another issue, AD should work with the Procurement Executive to change State Department Forms DS-1231 and DS-1231S so that their clauses are taken from the FAR. The use of nonstandard clauses, when FAR clauses appear to cover the same topics, is confusing to contractors and may constitute deviations. Special clauses should be incorporated only when they are critical to the successful performance of the contract. Those forms are excellent candidates to add to AD's automated data base. They would then be easy to use and maintain.

The AD director's practice of assigning most of the incoming work probably slows the process. Usually the director establishes policies and guidelines for routine

work distribution, and administrative staff receive and distribute work accordingly. That practice should be followed in AD to remove the director from some of the routine workload and free him to attend to more pressing management needs.

In the same vein, the routing and approval of FBO's RFCAs is unusual and probably unnecessarily cumbersome. Normally, a requirement has been authorized before an RFCA to meet that requirement is initiated. Therefore, the RFCA is usually a fairly routine document that does not need high-level coordination and approval. It would proceed from the initiator through the appropriate branch and division chiefs to ensure that the contract action requested matches the authorized requirement. It would then be routed through the budget or finance function to validate the availability of funds, and then go straight to the acquisition division for action. The RFCA's routing in FBO carries it through the office directors and, for acquisitions expected to exceed \$250,000, to the DAS. Along the way it stops at AD to ensure that it will be accepted by AD when all of the coordination and approval of the request to AD is complete. FBO should review this process to see whether the additional steps are worth the delays they cause. There may be something peculiar to the FBO environment that other Federal agencies do not face. For example, the DAS review may be needed as a final check that the world political scene has not shifted and altered the requirements of the action requested. Lower level managers may not be able to match RFCAs to previously authorized requirements. Perhaps the requirements have not been fully established and authorized before the RFCA is submitted, and the RFCA is needed as a final requirements authorization document. FBO should review these matters and, where possible, delegate routine RFCA coordination to lower levels.

Some minor changes in the RFCA itself are also needed. The form is also used for personal services contracts, which require information not needed for other types of contracts. A special RFCA for personal services contracts would alleviate the problem.

Our general conclusion, based on all of the procurement practices discussed above, is that AD has a great deal of work ahead of it to bring its acquisitions up to generally accepted standards. An aggressive and detailed management improvement program is needed to address each of the issues raised.



## SMALL PURCHASES

The number of non-IDF purchase requisitions handled by AD is relatively low. Although processing turnaround time is about average, it could be improved by better management controls. The turnaround time for IDF requisitions appears high, considering the small amount of work that AD must do on them. The high statistical variances shown for the processing times in Table 2-11 are indicative of a process that is not smooth. In part, they may be due to AD's policy of holding unacceptable requisitions while customers sort out problems with them. During the sampling, we discarded three samples because their processing time ranged from 6 to 12 months. They had probably been held by AD awaiting customer action. Normally, such requisitions should be returned to the customer. Customer education is essential to keep such returned requisitions to a minimum, since so much depends on the information the customer provides. Customers are usually far more knowledgeable about the items to be purchased and the vendors who would be suitable. They need to be trained, however, on what information AD needs to make an accurate, timely, and competitive purchase.

The need for more automation in AD has already been discussed. The purchasing function is an ideal one to automate. The IRMS Phase II under design should include a purchasing subsystem. It should enable management to track requisition progress through AD and to provide ready status reporting to the customer. Much purchase order processing in the Federal Government is now done "on line" with the customer, whereby the customer enters the requisition information into the automated system and transmits it electronically to the purchasing agent. A purchase request priority code would allow the customer to indicate how urgent a requisition is. This would help AD determine the order of processing and would affect how requisitions were handled. A requisition coded "emergency," for example, would not be returned to the customer because of missing information. In that case, the customer would be contacted by telephone. Customer priority systems usually need policing to avoid priority inflation, but their benefits usually outweigh their disadvantages, and they add to customer satisfaction.

A functionally organized AD, discussed later in this chapter, would improve requisition processing. Purchasing agents (or at least the head purchasing agent) are normally given a small contracting authority of \$2,000 or \$2,500. This reduces the routine workload on senior contracting officers and expedites processing without

much risk. A greater use of indefinite quantity contracts for small purchases would also relieve AD of some of the workload. Common in other Federal purchasing functions, they allow designated customers to place orders directly with the vendors under contract. Customers are given this authority by name and only after they have completed a detailed training course. Their purchases must be monitored periodically, and any infractions of policy can result in termination of their purchasing authority. At least one Federal agency follows up the initial training with regular refresher training and recertification tests. These two controls – training and inspection – ensure that AD maintains the integrity of the organization's purchasing.

## **TRAINING**

The findings from our training review, outlined in Tables 2-2 and 2-3, show that training in AD needs a great deal more emphasis. Percentages of completed training are low, and courses are scheduled on a timetable that will take many years to complete. The mandatory courses included in the individual training plans have the right titles, but their relevance to FBO must be established. There are no courses designed in house to emphasize FBO-peculiar needs, and there is no follow-up training to address weak areas such as cost and price analysis. Other Federal agencies are designing their own training courses to meet their own needs. The initial workload to develop the syllabi is extensive, but the complexity of today's acquisition environment dictates the need for constant training. A data base of detailed, tailored, in-house training courses may take years to build, but a beginning should be made. For example, AD and the BDE cost-estimating section working together could use the Armed Services Pricing Manual to help develop material for in-house training in cost and price analysis.

To ensure that the training offered produces the necessary results, AD should take several steps:

- Evaluate the content and time allotted for each course. Assess its currency and relevancy to FBO operations. Review student evaluations of the course and the instruction. Particular attention should be given to the six intermediate courses identified in Table 2-4.
- Take inventory of other courses offered within the Federal establishment and evaluate their usefulness. The Federal Acquisition Institute is a good place to start.

- Evaluate the performance of each AD contract specialist and determine the training needs of each on the basis of those evaluations. Determine whether existing courses will meet the needs.
- If common needs are not met by existing courses, develop specially designed courses using FBO specialists, training contractors, or a combination of both resources. For example, Educational Services Institute in Falls Church, Virginia, assisted in developments of training courses in price analysis for GSA and DoD. Addition of some training material and cases specific to FBO's experience would make one of the existing courses extremely beneficial.
- Make a conscious decision to schedule seminars for both AD personnel and customers to discuss new developments, recurring problems, and the like.

## **ORGANIZATION AND STAFFING**

From the calculations discussed in the findings, we conclude that AD should be staffed at 41 total positions. Although the calculations indicate 40 positions, we have added 1 staff year for portions of the workload that are higher than in the other Federal agencies. Those portions are the frequent changes imposed on the acquisition process from outside of FBO, and the additional work caused by the peculiar security needs for FBO acquisitions.

A staffing level of 41 positions assumes that AD is brought up to the technological and organizational standards of the typical Federal acquisition function. For example, the projection assumes that AD becomes fully automated with an effective IS. Without such improvements, it is unlikely that a staff of 41 could handle the total AD and ETG workload to the customers' satisfaction.

The staffing level also assumes that the acquisition workload remains stable at the FY90 level over the long run. AD does not have any workload projections, but a look at the 5-year plan for capital projects gives an approximation of AD's expected overall workload. The plan shows an increased workload in FY91 but a decline in FY92. The FY90 level would, therefore, seem to be a suitable long-range average to use.

We also conclude that the best organization for AD is a functional one. That conclusion is supported by most of the AD staff and by all of the AD customers with whom we spoke. The customers want to deal with a small number of contract specialists for a particular type of contracting. Currently, contract specialists in each

of the AD branches are assigned to handle a wide variety of contracts, since there is no formal functional organization. In practice, the AD staff is already coalescing along functional lines, with a limited number of people handling construction contracts, one full-time and one part-time employee handling personal services contracts, and one part-time employee and two full-time employees dedicated to POs. The other contract specialists may, in theory, be assigned any type of contracting action in their geographic region. That wide range of assignments is arguably one of the advantages of geographic organization since it can be more professionally challenging for the staff. However, it can also dilute the staff's expertise, denying the contract specialists a thorough knowledge in any one area. A staff member may be wrestling with the peculiarities of A-E contracts for one action and trying to find appropriate vendors of maintenance supplies for the next. A better way to train employees to become journeyman contract specialists is to develop their careers in a planned, methodical progression. They should be fully trained in a particular area before being moved up to the next level of contract complexity.

Another argument for geographic organization is that under it, the staff becomes familiar with the laws, customs, and practices in a given region. In the case of acquisitions, however, those things vary too widely among countries within a region, and there is no real advantage gained. Construction contract bonding requirements, for example, vary even among the countries of the European Community. Moreover, under geographic organization, the workload among branches is more likely to be unbalanced as various areas of the world rise to the top of the political agenda. Soon, for example, the countries of the Persian Gulf may take priority in the State Department's construction, expansion, repair, and maintenance agenda.

A typical functional organization for AD could look like that shown in Figure 3-1. The two broad functional groupings are (1) construction and A-E contracting and (2) services, commodities, and purchasing. Usually, construction and A-E contracts are related and are the largest and most complex of the contracting types. Commodities contracting and POs fit into the same branch, because the former is a more complex version of the latter. Services and commodities contracting are of about the same complexity.

In Figure 3-1, both branches discussed above are shown split into two sections to accommodate supervisory span of control. The head of each section should be a

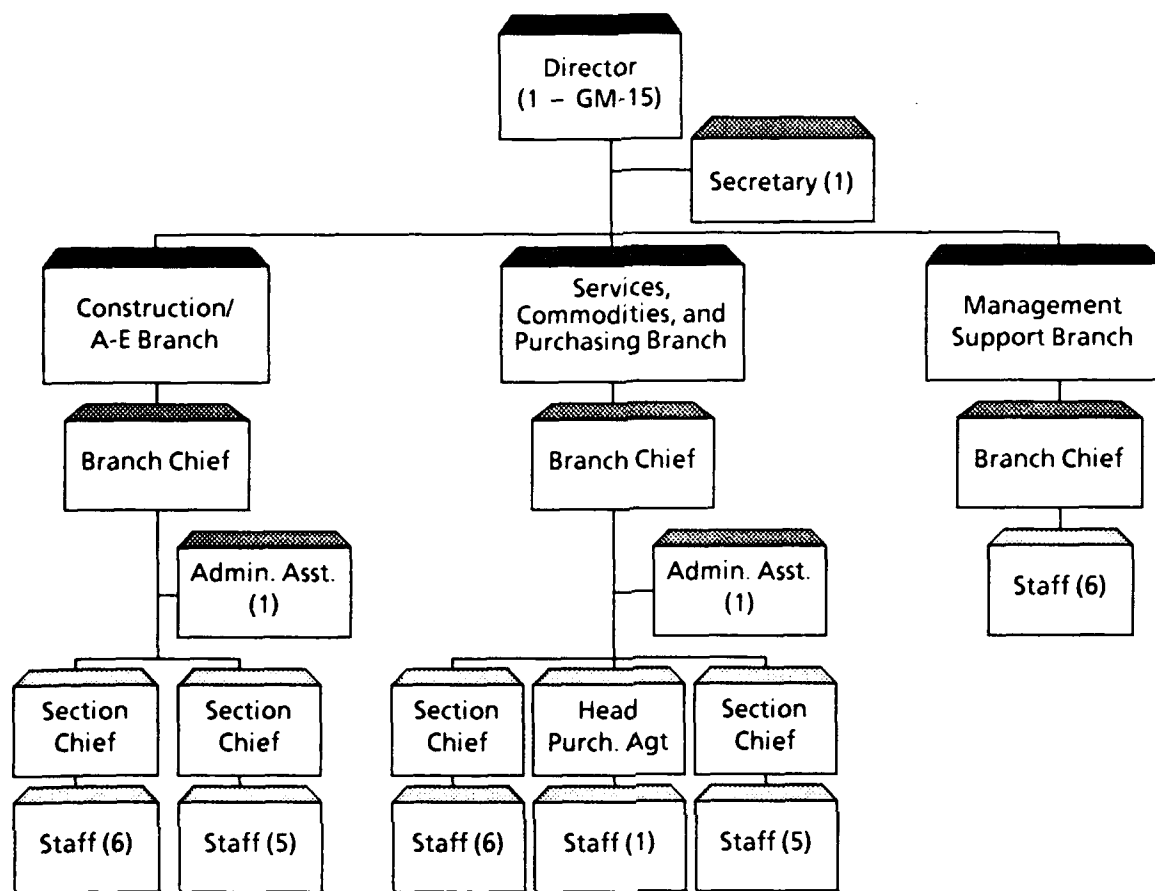


FIG. 3-1. A FUNCTIONAL ORGANIZATION FOR ACQUISITIONS DIVISION

working supervisor to minimize unproductive time. A year's experience gained from operating in a functional mode may suggest that the branches should be further functionally defined by making each section responsible for only one type of contract. In the Services, Commodities, and Purchasing Branch, for example, one section could handle the services contracts and another the commodities. The split in the Construction and A-E Branch would be between construction and A-E contracts. There is a potential problem in defining a functional organization too finely. The more divisions you make, the more you are exposed to inefficiencies. If a functionally designed organization becomes too compartmentalized, minor fluctuations in types of workload leave some sections overloaded and others with slack time. Although, in theory, work can be moved among sections or staff may be loaned, in practice this is

not done unless the workload imbalance is severe and prolonged. Moreover, over-compartmentalization tends to make organizations parochial.

The AD staff feels strongly that one of the two sections in the proposed Construction and A-E Branch should be dedicated to A-E contracting, and this argument has merit. Experience in other Federal construction agencies suggests that a dedicated A-E function is not merited unless the number of A-E contracts awarded annually averages 50 or more. FBO averages 27. However, the workload associated with each of those 27 A/E contracts is higher in AD, because each undergoes many more contract modifications than equivalent contracts in other Federal agencies. USACE, for example, averages about three changes per A-E contract. Although AD does not track those data, a rough estimate can be made by looking at the average number of modifications on all A-E contracts and dividing by 27. By that estimate, FBO averages about eight modifications per A-E contract. The normal and additional work is probably equivalent to another agency's handling about 50 A-E contracts. We could, therefore, support AD's rationale for a dedicated A-E function.

The dedicated A-E function should not start as a separate branch under the AD director, however. There is a great deal of concern in AD that a section chief will not have the prestige and credibility to deal with the branch chiefs and division chiefs in the other FBO functions. We are not persuaded by that argument. The section chief represents his or her branch chief and ultimately the director of AD. Those people can delegate the authority the section chief needs and can deal with any conflicts that arise between the section chief and other FBO managers.

We also realize that this hierarchical organizational structure, introducing sections under the branch level, is unusual for FBO. FBO organization tends to be rather flat, and managers start at the branch level. A check with the Office of Federal Procurement Policy and the Federal Acquisition Institute, however, confirms our experience that a hierarchical organization is fairly typical for Federal acquisition organizations.

AD's purchasing workload is relatively low and justifies only a head purchasing agent and one other position in the PO section. The purchasing agents are typically junior staff members.

The third branch shown in Figure 3-1 is the Management Support Branch. That branch is intended to perform many functions not now being carried out. Those functions include the following:

- *Acquisition Policy Review.* The branch should publish and maintain written acquisition policies for the AD staff. It should also review FAR changes and related legislation and directives to ensure that AD policies and procedures incorporate any changes needed.
- *Training.* It should manage the AD training program and give most of the training. It should also handle customer education and training. For example, the branch would train and test those people in technical branches who are nominated for the authority to place small purchases under indefinite-quantity contracts.
- *Site Assistance.* The branch should conduct regular site visits to review PD acquisition procedures and to train the PDs when necessary.
- *Customer Service.* Together with the customer training, the branch should provide customer service by answering complaints and providing status of acquisitions as needed.
- *Document Control.* The branch should maintain the official contract files and enforce files discipline.
- *Receipt and Assignment.* All incoming RFCAs and other work requests should go to the branch for work assignment according to established AD policies.
- *Contract Close-out.* The full-time person now assigned to contract close-out should be assigned to the branch. Most Federal acquisition agencies have determined that having a person dedicated to contract close-out is more efficient than relying on each contract specialist to close out his or her own contracts.
- *Supply, Equipment, and IS Support.* The branch should request supplies and equipment for the division and ensure that equipment is maintained. It should also manage the division's IS, ensuring data-base currency and integrity and distributing IS reports.

The role of the Management Support Branch in other Federal agencies ranges from a mainly administrative staff function to that of an influential branch staffed by senior people. The roles of the more influential branches are expanded by adding more procurement policy oversight and such responsibilities as cost and price analysis, contract protests, and requests under the Freedom of Information Act.

Figure 3-1 shows a staffing distribution for the 41 AD positions we are recommending. The distribution is based on the comparative workloads of the two contracting branches and on the projection of six people required to handle the workload described above for the Management Support Branch.

We conclude that the current GM-15 grade for the AD director's position is appropriate for a division the type and size of AD. Table 3-1 compares the director's grade with grades in other Federal construction acquisition organizations. It also shows comparative grades for branch chiefs.

**TABLE 3-1**  
**A COMPARISON OF GRADES**

| Organization                | Annual contract value (\$ millions) | Director's grade | Branch chiefs' grades |
|-----------------------------|-------------------------------------|------------------|-----------------------|
| FBO/AD                      | 156                                 | GM-15            | GM-14                 |
| GSA National Capital Region | -                                   | GM-15            | GM-14/15              |
| Baltimore District USACE    | 161                                 | GM-14            | GM-13                 |
| Fort Worth District USACE   | 213                                 | GM-14            | GM-13                 |
| Mobile District USACE       | 218                                 | GM-14            | GS-12/13              |
| Sacramento District USACE   | 168                                 | GM-13            | GS-12                 |

This analysis of AD organization and staffing is not intended to replace the required job classifications by the Civilian Personnel organization. Individual job classifications should be conducted for the new and reorganized positions.

The functional organization described above will enable AD to institute a totally different concept in personnel management. AD's current concept of trying to hire journeyman contract specialists should give way to the concept of hiring at the junior level and then training the employees in house. This latter concept is the more normal approach, and it has several advantages. AD has found it difficult to hire at the journeyman level, but it is far easier to hire at the junior level. Junior people gain training and experience within the organization and, as they assume more senior positions, they bring stability and in-depth, FBO-unique corporate knowledge to the management positions. AD has hired one employee under the civilian person-



nel "upward mobility" program and, although this hiring was successful, it has not been repeated. Upward mobility should be commonplace in an organization such as AD. As the junior personnel are being trained, they are assigned to the simpler, more routine contract actions, thus releasing the journeyman contract specialists to concentrate on the bigger, more complex contracts.

A functional organization offers a career path along which junior employees may progress to the more senior levels. Employees may be hired as procurement assistants (GS-1106s) or purchasing agents (GS-1105s) to start with simple contract actions or purchase orders. After experience and formal and on-the-job training, the best employees may handle progressively more complex contract actions. For example, an employee may start by handling personal services contracts; progress to routine commodities contracts, services contracts, and A-E contracts; and finally go on to construction contracts. Along the way, he or she may be assigned to the Management Support Branch for career broadening. A stint with the job of contract close-outs, for example, is a good way to learn a lot about a variety of contracts. Depending on what duties are assigned to that branch, it may also have some of the most senior journeyman positions for the policy review, site assistance, and training functions. The section chief, branch chief, and director positions offer a progression up through the management ranks for those who have management ambitions and abilities.

The concept of hiring junior people and offering them career progression depends on AD's having the time and other resources to handle an extensive in-house training program. The 41 positions recommended by this report include the resources needed.

## **PHYSICAL ENVIRONMENT**

The type and amount of space now assigned to AD is not conducive to a productive and efficient acquisition organization. The lack of an AD conference room, or at least smaller meeting rooms, makes it difficult to schedule and organize some of the routine requirements of acquisitions, such as contract negotiations. It hampers normal management functions, such as staff training and staff meetings. The lack of that meeting space will become more crucial as AD expands and initiates the customer training discussed above.

The current configuration of small offices makes it difficult to collocate branch members, and it discourages staff interaction and communication. Some of the most successful acquisition functions configure their staffs in common, partitioned areas. That approach provides maximum flexibility to accommodate growth and organizational changes. It also encourages professional interaction and communication. AD's new location should be chosen and configured with this in mind.

Many of the improvements discussed in this report, such as a controlled access files room, staff increases, and more training will be difficult to implement without more space. It is, therefore, imperative that FBO decide on AD's new location and move quickly to achieve it. AD's management can then start planning the working space improvements that AD so urgently needs.

## CHAPTER 4

### RECOMMENDATIONS

From the findings and conclusions of the previous chapters, we recommend that the DAS for Foreign Buildings take the following actions:

- *Reorganize AD into a functional organization and increase its staffing.* The projected workload for AD, including the work currently handled by ETG, supports a staffing level of 41 positions. A functional AD organization of 3 branches would improve contracting quality and customer responsiveness. It would also provide a career path so that AD could hire contract specialists at the junior level, train them in house, and promote them to the more senior positions. Implementing this policy would eventually eliminate the need for personal services contracts.
- *Establish a suitable physical environment for AD.* The future location of AD should be decided upon quickly so that AD can begin planning the new space. AD's current space limitations are detrimental to efficient contracting and customer service. An acquisition organization needs an enclosed conference room to facilitate contract negotiations and other sensitive contractor meetings. The new location should have a single designated area for each of the three branches to allow staff interaction. For this same reason, it should adhere to the open-space concept.
- *Implement a phased plan to improve AD management information.* Phase II of the IRMS implementation should be accelerated to fully automate AD as soon as possible. The design of AD's portion of the system is a major undertaking that AD management should be aggressively pursuing. Automation will enable AD to adopt a different management philosophy, that of tracking the status of procurement actions and keeping its customers apprised of that status. It will also make it easier for AD to adopt performance standards and measure performance against those standards. Even before AD is automated, it can begin to implement the different management philosophy. At the very least, all acquisition and purchase requests can be time- and date-stamped upon receipt, and RFCAs can be logged in and out. The implementation of some manual controls will help formulate requirements during design of the automated system.
- *Impose more management control.* AD's management should develop more written guidance on office policies and procedures and improve its internal management communications. Management needs to identify and prioritize areas for improvement, develop plans and timetables for improvements,

communicate those plans to the staff, and ensure their implementation. Currently, those actions take place outside of AD.

- *Expand the use of indefinite-quantity contracts.* Such contracts offer a means by which AD can reduce its workload, and they are commonly used in other Federal agencies. AD should increase their number and delegate ordering authority for those already in force. Ordering authority delegated to individuals in the using technical branches poses little risk if AD first trains and tests those individuals and imposes adequate controls.
- *Review the RFCA coordination process with a view to streamlining it.* The process in FBO involves more coordination, and coordination at higher management levels, than is typical among Federal agencies. Unless there are unique management reasons for this intensive RFCA coordination, it should be reduced to improve acquisition efficiency.
- *Improve document control for contract files.* Although totally adequate document control must wait for better space and a properly staffed management support branch, AD can do much now to regain control of its contract files. AD should designate a files manager and make that person responsible for files improvement. That person should publish more detailed guidance on how to maintain the files and should start to plan how the ETG contract files are to be separated from the PMs' working files. He or she should begin locating the most active contract files, cataloging them, and reviewing them for missing documentation.
- *Request approval to adopt the standard Federal contract numbering system.* OPE has the authority to change the State Department's contract numbering system to the one recommended by the General Accounting Office. That system will allow the new AD files manager to implement a simple and effective numerical filing system.
- *Establish an effective AD training program.* AD should expand and accelerate its current training program with a view to hiring procurement assistants and junior contract specialists and training them in house. The training should be a combination of formal training from outside sources and in-house training customized to meet FBO's needs. AD should establish training goals that employees must meet before advancement.

## APPENDIX

### PERFORMANCE MEASURES

This appendix suggests some performance measures for the Acquisitions Division (AD). A good performance measures program should use measures based on a solid history of actual performance times from an efficient operation. It also needs a means for routinely measuring performance and reporting on it. In AD, there is no history of actual performance times, and there are only limited means for measuring performance. The measures presented here should, therefore, be introduced on a test basis while AD management establishes the means to track and record performance times and builds a history of performance.

To compensate for the lack of a history of actual performance times, we turned to some of the performance measures used by another construction contracting agency. The measures below are extracted from the U.S. Army Corps of Engineers' efficiency review of the Corps' contracting divisions, 3 November 1988. They represent work items common to both the Corps and AD that AD can measure fairly easily even without a proper automated information system. The Corps' acceptable performance level is that each task be performed within its time standard at least 95 percent of the time. For the AD program, we recommend that this requirement be lowered to 85 percent of the time, since the standards are not based on AD's performance history and AD is in the midst of major organizational and policy changes. While the performance measures apply to a "typical" contract, management should not expect every contract to meet the standards. Performance should be measured over a period of time and from experience with a large number of contracts.

A full performance measurement program must wait until AD's new automated information system is operational. The limited program set out here, however, can be implemented through manual tracking. A minor modification to the contract file cover sheet check lists would enable the AD staff to note the date each step is completed and, thus, provide a record for later review. AD could introduce further sophistication with a central log in which to record the dates used for the performance measures. Such a log would make it easier to calculate the performance measures later but would be cumbersome and time-consuming for the AD staff to use. During

the test period, AD management should try both approaches to see which is more efficient and reliable.

The section and item numbers referred to in the next section are taken from the checklists mandated by Procurement Division Memorandum Number 10, Revision 2. An additional column is needed on those check lists in which to record the dates for those tasks selected as performance measures. In the meantime, there is room simply to note the dates next to the task numbers. Some of the items require minor rewording or expanding to ensure that the date recorded is the date needed for the measure. To determine the level of performance, the reviewer will have to calculate the working days between the applicable dates. For example, in the first measure listed below, Section 6, item 1, has a check point for the requisition/funding document and the major system acquisition plan. The difference between the two dates recorded for those two items yields the measure of performance.

#### **CONTRACT PERFORMANCE MEASURES**

- Complete acquisition plan within 4 working days of receipt of the request for contract action (RFCA). Section 6, item 1.
- Complete *Commerce Business Daily (CBD)* synopsis within 2 working days of RFCA acceptance. Section 6, item 4.
- Complete solicitation within 15 working days of synopsis completion. Section 6, item 6.
- Request legal/technical review of offers within 2 working days of receipt, unless an audit is required. Add to Section 6, item 11.
- Award contract within 3 working days of completed actions. Add to Section 6, item 17.
- Distribute contract within 5 working days of execution. Add to Section 5.
- Review close-out and recommend final payment within 2 working days of receipt of payment request. Section 3, item 10.
- Prepare/solicit modifications within 3 working days of RFCA acceptance. Section 2, item 1.
- Evaluate modification proposals under \$500,000 within 5 working days of receipt. Section 3, item 5.
- Process modifications within 3 working days after completion of negotiations. Section 3, item 9.

## **SMALL PURCHASES**

The time allowed from receipt of an acceptable small-purchase request to dispatch of customer's copy of the purchase order is as follows:

- Five working days for Interior Design and Furnishings' small purchases
- Ten working days for all other small purchases.

Less time is allowed for Interior Design and Furnishings' small purchases because that section does most of the work on them. Currently, only 29 percent meet the 5-working-day standard. The 10-working-day standard for all other small purchases is currently met 47 percent of the time (although for the Facilities Division, that figure is 85 percent).

The simplest way to record the performance measure is to time- and date-stamp all incoming requests for small purchases at the time and point of receipt. The customer's copy of the purchase order should then be time- and date-stamped on its way out. The dates can then be recorded in a simple log for monthly analysis of the performance measure.

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| 1. AGENCY USE ONLY (Leave Blank)                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                                                             | 2. REPORT DATE<br>September 1991                           |                                  | 3. REPORT TYPE AND DATES COVERED<br>Final                  |  |
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| 13. ABSTRACT (Maximum 200 words)<br>The 1986 Omnibus Diplomatic Security and Anti-Terrorism Act has caused the State Department's facilities acquisition to grow swiftly to a program of over \$2 billion. That growth, together with the Department's decision to comply with all terms of the Federal Acquisition Regulation, has led to major policy and procedural changes, and those changes have resulted in some inefficiencies in construction acquisition. The Acquisitions Division would be more effective if it were organized along functional instead of geographic lines. Moreover, the projected workload for the division supports a staffing of 41 positions, up from 28 today. However, the Acquisitions Division needs a phased plan to strengthen its management controls. The division should increase its level of automation, implement a system to track contract actions and report their status to the division's customers, and establish performance standards. In addition, the division should improve document control of contract files and request the Procurement Executive to adopt the standard contract numbering system recommended by the General Accounting Office. |                                                             |                                                            |                                  |                                                            |  |
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