



In Brief

Acquisition Workforce Training Report Number A-10-06, October 28, 2010

Why We Did This Audit

We conducted an audit of the Smithsonian's acquisition workforce to assess whether (1) policies and procedures existed that specified responsibilities for contracting personnel; (2) contracting personnel were meeting Smithsonian-specified training and certification requirements; and (3) Smithsonian acquisitions complied with applicable laws and regulations.

What We Recommended

We made four recommendations to ensure that the Office of Contracting and Personal Property Management (1) creates and implements appropriate training policies and procedures and (2) monitors the acquisition workforce's training.

Management concurred with our findings and recommendations and has planned corrective actions to resolve the recommendations.

We initiated this audit because the Office of the Chief Financial Officer's (CFO) response to a Board of Regents' Governance Committee recommendation highlighted the Institution's need for increased monitoring and training of contracting personnel to improve its internal control foundation. In addition, the Office of Management and Budget (OMB) is stressing the importance of improving the efficiency and oversight of government contracting.

We focused on the roles, responsibilities, and training requirements of the employees who make up the Smithsonian's acquisition workforce: contract specialists, procurement delegates, and simplified acquisition Contract Officer's Technical Representatives (COTRs). Our assessment of compliance with procurement laws and regulations focused on purchase orders less than \$100,000, known as simplified acquisitions, because the Office of Contracting and Personal Property Management (OCon&PPM) indicated there is minimal oversight of these types of transactions.

What We Found

We found that the Smithsonian has policies and procedures that specify the responsibilities for the acquisition workforce; however, the policies regarding training were not always clear and did not always reflect best practices. We also found that OCon&PPM had not finalized contracting manuals that are to provide detailed implementation guidance and procedures for the Smithsonian Contracting Directive. Further, neither OCon&PPM nor the units have adequate systems in place to monitor and enforce training requirements. Consequently, the acquisition workforce may not be fulfilling Smithsonian-specified training requirements. For example, 74 percent of contract specialists and 68 percent of simplified acquisition COTRs were deficient in training. Nonetheless, according to responses to a survey of the acquisition workforce, most employees have confidence in their competence to perform their job duties and in the support from their supervisors to attend training classes. At the same time, they expressed interest in more procurement training as they face an environment of changing expectations and dispersed responsibilities at the Smithsonian.

We found that the Smithsonian generally complied with applicable laws and regulations, but needs to improve training in the areas of preparing statements of work and justifying the use of sole-source contracts.

For additional information or a copy of the full report, contact the Office of the Inspector General at (202) 633-7050 or visit <http://www.si.edu/oig>.



Smithsonian Institution

Office of the Inspector General

Date October 28, 2010

To Audit and Review Committee, Board of Regents
G. Wayne Clough, Secretary
Dorothy A. Leffler, Acting Director, Office of Contracting and Personal Property Management

cc Alison McNally, Under Secretary for Finance and Administration
Alice C. Maroni, Chief Financial Officer

From 
A. Sprightley Ryan, Inspector General

Subject Audit of Smithsonian Institution Acquisition Workforce Training, Number A-10-06

This report presents the results of our audit of the Smithsonian's acquisition workforce training. We initiated this audit because the Office of the Chief Financial Officer's (CFO) response to a Board of Regents' Governance Committee recommendation highlighted the Institution's need for increased monitoring and training of contracting personnel to improve its internal control foundation. In addition, the Office of Management and Budget (OMB) is stressing the importance of improving the efficiency and oversight of government contracting.

The objectives of this audit were to assess whether (1) policies and procedures exist that specify responsibilities for contracting personnel; (2) contracting personnel are meeting Smithsonian-specified training and certification requirements; and (3) Smithsonian acquisitions comply with applicable laws and regulations.

We focused on the roles, responsibilities, and training requirements of the employees who make up the Smithsonian's acquisition workforce: contract specialists,¹ procurement delegates, and simplified acquisition Contract Officer's Technical Representatives (COTRs).² Our assessment of compliance with procurement laws and regulations focused on purchase orders less than \$100,000, known as simplified acquisitions, because the Office of Contracting and Personal Property Management (OCon&PPM) indicated there is minimal oversight of these types of transactions. We include a detailed description of our scope and methodology in Appendix A.

RESULTS IN BRIEF

We found that the Smithsonian has policies and procedures that specify the responsibilities for the acquisition workforce; however, the policies regarding training were not always clear and did not always reflect best practices. We also found that OCon&PPM had not finalized contracting manuals that are to provide detailed implementation guidance and procedures for the Smithsonian Contracting Directive.

¹ Contract specialists work in the Office of Contracting and Personal Property Management and the Smithsonian Astrophysical Observatory.

² For the purposes of this report, we defined the acquisition workforce as contract specialists in OCon&PPM and SAO; procurement delegates; and COTRs on simplified acquisitions.

Further, neither OCon&PPM nor the units have adequate systems in place to monitor and enforce training requirements. Consequently, the acquisition workforce may not be fulfilling Smithsonian-specified training requirements. For example, 74 percent of contract specialists and 68 percent of simplified acquisition COTRs were deficient in training. Nonetheless, according to responses to a survey of the acquisition workforce, most employees have confidence in their competence to perform their job duties and in the support from their supervisors to attend training classes. At the same time, they expressed interest in more procurement training as they face an environment of changing expectations and dispersed responsibilities at the Smithsonian.

The reported interest in more training is commendable yet underscores the serious concerns we found that the Smithsonian is not adequately training its acquisition workforce.

We found that the Smithsonian generally complied with applicable laws and regulations, but needs to improve in the areas of preparing statements of work and justifying the use of sole-source contracts.

We made four recommendations to ensure that the OCon&PPM: (1) creates and implements appropriate training requirements and (2) monitors the acquisition workforce's training.

BACKGROUND

OMB Initiative on Strengthening the Acquisition Workforce

OMB has recently stressed the importance of proper training for the acquisition workforce and has issued significant guidance on this area. A memorandum on government contracting instructs agencies to focus on several priorities to improve the effectiveness and efficiency of the federal acquisition system.³ Two of these priorities include strengthening contract management and internal review practices, as well as building the skills of the acquisition workforce. In October 2009, OMB published the Acquisition Workforce Development Strategic Plan, which calls for talented and trained individuals to develop, manage, and oversee acquisitions in accordance with sound acquisition management principles. This document also emphasizes succession planning and workforce development as a priority for the acquisition workforce. Most recently, President Obama tasked OMB with leading the Accountable Government Initiative to make the government more efficient and effective. As part of this effort, OMB published a memorandum on September 14, 2010 emphasizing improved training and encouraging best practices for increasing the capacity and capability of the acquisition workforce. While the Smithsonian is not required to adhere to OMB policy, Smithsonian Directive (SD) 314, ***Contracting*** states that the Institution looks to well-established federal statutes and regulations for procurement guidance. As such, we considered OMB policies to be best practices. Appendix B lists OMB's recent policy updates on the topic of procurement management.

³White House Memorandum for the Heads of Executive Departments and Agencies: Government Contracting. (Mar. 4, 2009)

Moreover, the Administrator of the OMB's Office of Federal Procurement Policy (OFPP), which sets government-wide acquisition policies, has emphasized the urgency facing the federal procurement workforce. Since 2001, federal acquisition expenditures have risen an average of 12% per year, while the acquisition workforce to administer and oversee the expansion of contracted services has declined during that period. He has stated that hiring, training, and developing a new acquisition workforce is the highest priority at OFPP.

Board of Regents' Governance Recommendation 23

In June 2007, the Board of Regents' Governance Committee recommended a review of the Institution's internal controls. In response to this recommendation, the CFO reviewed 23 critical control processes, including procurement and contracting. The review noted that contracting was a high-risk area due to a lack of formalized policies and procedures, staff shortages, and training. These issues contribute to a weak internal control environment, exposing the Smithsonian to unnecessary risk.

The Smithsonian Purchasing Process

OCon&PPM acts as the principal acquisition management office for the Smithsonian's contracting, procurement and charge card programs. As part of its mission, OCon&PPM produces policy, program guidance, and standards. OCon&PPM's contract specialists manage large contracts, generally procurements valued over \$100,000.

The Smithsonian's simplified acquisition processing is decentralized. Each of the Smithsonian units has employees with a specific amount of delegated procurement authority from the Director of OCon&PPM. These employees are authorized to execute awards that do not exceed their spending limitations. Procurements valued over the spending authority, or which require prior review by OCon&PPM, must be submitted to OCon&PPM for approval and budget-checking. In fiscal year (FY) 2009, the Smithsonian spent approximately \$495 million for goods and services, of which \$195 million were simplified acquisitions (generally purchases under \$100,000).

Although the Smithsonian uses several methods to purchase goods and services, purchase orders are the most commonly used method. In this audit, we concentrated on acquisitions processed using purchase orders.

The Smithsonian's purchasing process for simplified acquisitions is multi-step and engages many people from across the units. First, the employee requiring the good or service must define the purchase requirements and estimate the cost. Next, he or she must determine the funding source for the purchase and ensure that the item is not on the restricted purchases list.⁴ Once the requester determines that the item is not restricted, he or she must research vendors based on OCon&PPM guidelines. Requesters must then verify that the potential contractors are registered in the government's Central Contractor Registration (CCR) system and do not appear on the government's Excluded Parties List System.

⁴ Restricted purchases include items such as firearms, hazardous materials, motor vehicles, construction, and real property. These items may be purchased, but require additional approvals.

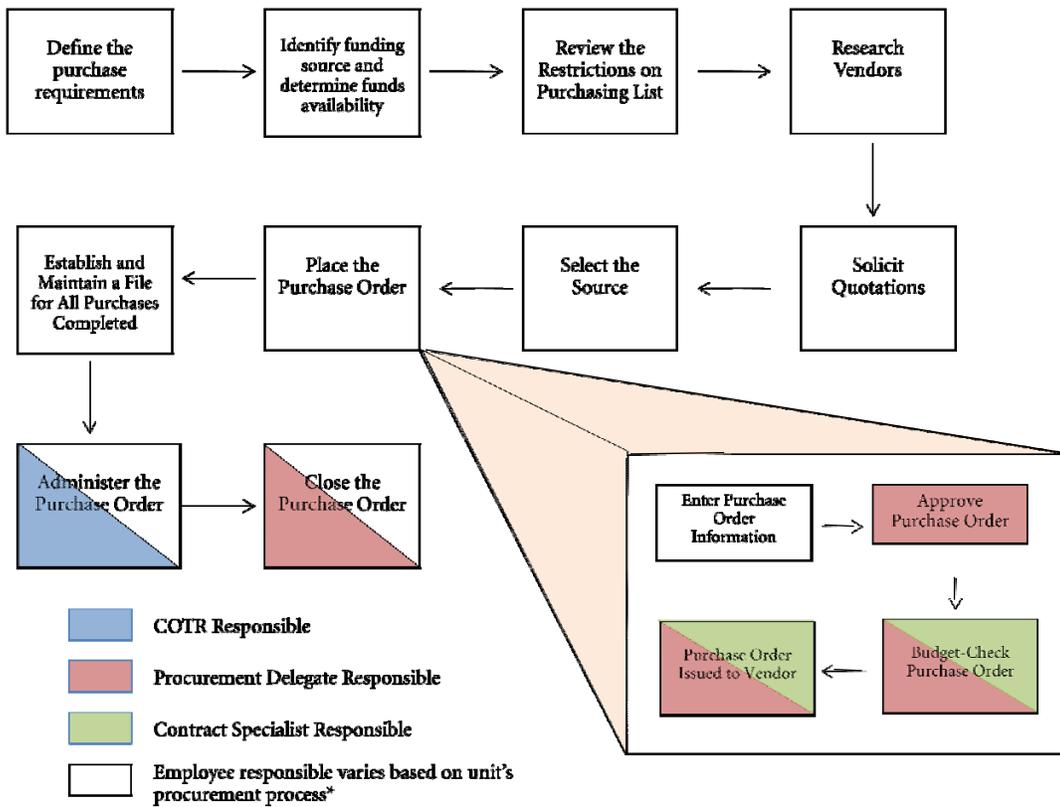
The next step is to solicit price quotes if the purchase is for more than \$10,000. Once the requester receives these quotes, he or she then selects the appropriate vendor that is the best value to the Smithsonian, based on established evaluation criteria, which may include price and other factors. At this time, he or she creates or requests a purchase order.

When creating the purchase order, a buyer enters the basic information, received from the requester, into the Smithsonian's financial accounting system - Enterprise Resource Planning (ERP). Once the buyer enters the information, another individual must approve the purchase. Approval represents that: (1) the purchase is appropriate for the program, (2) funds are available, and (3) the chart fields (accounting data) are correct. Once approved, procurement delegates with the appropriate authority must then budget-check the purchase order; this step actually obligates the funds against the budget. If the purchase is within the procurement delegate's spending authority, he or she may budget-check. If the order exceeds the procurement delegate's authority, a contract specialist in OCon&PPM must perform the budget-checking. Once the purchase order is budget-checked, the contract specialist or procurement delegate issues the purchase order.

OCon&PPM requires units to establish and maintain a file for the purchase order, and the requester or COTR for the purchase must administer it. They should ensure that the vendor has met all requirements, the deliverables have been received, and all Smithsonian equipment and non-consumable supplies used by the contractor have been returned.

Once the Smithsonian has received all goods or services on the purchase order, and paid the final invoices, the unit managers and procurement delegates should ensure that they close the purchase order in ERP. OCon&PPM contract specialists are available to assist Smithsonian employees at any step in the above process.

Figure 1. *Overview of the Smithsonian's Purchasing Process*



* These tasks may be performed by Contract Specialists, Procurement Delegates, COTRs or any other employees within each unit. Who performs these duties is determined by the units' procurement processes.

Key Roles in Purchasing at the Smithsonian

This audit focused on contract specialists, procurement delegates, and COTRs because they play the key roles in processing simplified acquisitions.

Contract Specialists

Contract specialists provide project-specific services including purchase planning, market analysis, sourcing, contract evaluation and award, contract administration, risk management, supplier relations, negotiations, dispute resolution and contract close-out. At the Smithsonian, the Director of OCon&PPM delegates procurement authority with spending limitations ranging from \$25,000 to multi-millions of dollars to contract specialists. They must also meet mandatory training, continuing education, and professional development requirements.

Contract specialist responsibilities go beyond simplified acquisitions. They are also responsible for administering major acquisitions, those exceeding the \$100,000 threshold. In view of the breadth of their duties, their training is especially important.

Procurement Delegates

All Smithsonian employees who are delegated procurement authority by the Director of OCon&PPM may obligate Smithsonian funds to obtain commercially available goods and services. Obligations of funds may not exceed the spending limitations cited in the delegation of authority. Procurement delegates are responsible for assisting unit management with oversight and assuring the integrity of unit purchasing activities.

The levels of delegated procurement authority are:

- Primary Procurement Officer and Alternate Procurement Officer – Up to \$25,000.
- Unit Procurement Officer – Up to \$10,000.
- Purchase Card Delegate – Up to \$3,000.

COTRs on Simplified Acquisitions

After the purchase order is complete, the COTRs for simplified acquisitions are responsible for ensuring the goods or services are in accordance with the purchase order terms and conditions.

RESULTS OF AUDIT

Training Policies are Inadequate or Unclear

We found the Smithsonian has policies and procedures that specify the responsibilities of the acquisition workforce. However, the training-related policies are either inadequate or unclear and do not always reflect best practices.

The Smithsonian's training-related policies are deficient in the following ways: (1) contract specialists' training requirements do not align with current Federal Acquisition Certification in Contracting Program (FAC-C) guidance; (2) the Procurement and Contracting Procedures Manual (PCPM) draft we reviewed does not identify expectations for procurement delegates' training; and (3) simplified acquisition COTR training requirements are unclear.

Contract Specialists

Presently, OCon&PPM has no formal training policy for contract specialists. Rather, OCon&PPM spells out the training expectations for each employee in his or her performance plan. The performance plan is the only procedure we found that referred to specific training requirements. Through the plan, supervisors require contracting specialists to complete one or two technical courses or seminars regardless of the topic or length of the course. Contract specialists may fully satisfy their annual training obligation by attending nothing more than a one-hour briefing.

The Smithsonian's minimal requirements for contract specialist training contrast dramatically with the ambitious training and professional development expectations set forth by OMB. The FAC-C, developed at the direction of the OMB Office of Federal Procurement Policy, requires a minimum of 171 hours of training to obtain

contracting specialist certification. Additionally, FAC-C certified contracting specialists must complete 80 training hours every two years to maintain their certification. We considered the FAC-C program to represent best practices for contract specialist training.

In its FY 2010 Operating Plan, OCon&PPM acknowledges FAC-C standards and states that it will assess the extent to which the Smithsonian can use these standards for development and certification of contract specialists. OCon&PPM officials concede that their current policy for contract specialists' training does not align with FAC-C standards. They lack the funding and personnel resources to implement such a costly and time-intensive undertaking as FAC-C. Instead, OCon&PPM relies on the collective expertise of its staff, who bring extensive on the job experience to their work.

While OCon&PPM has confidence in the skills of its contract specialists, it nonetheless faces significant risks as it looks to the future. OMB expects the current trend of reliance on contractors to continue. At the same time, guidelines governing acquisitions oversight continue to expand. These two trends demand a committed investment in the technical competence of the contracting staff.

Procurement Delegates

Although OCon&PPM has published guidance known as the Blue Book that addresses simplified acquisitions procedures and training requirements for procurement delegates, Smithsonian Directive (SD) 314, ***Contracting*** does not identify it as policy. Published in June 2008, SD 314 includes information on the policies and responsibilities related to all forms of Smithsonian Institution contracting, including purchase orders. According to SD 314, the PCPM implements these policies and should contain information on the responsibilities and procedures to be followed by Smithsonian employees, including training requirements. However, to date, OCon&PPM has not issued the PCPM in its entirety. Completing the PCPM, incorporating standards from the Blue Book, will enhance the transparency of the procurement process outlined in the SD, and will clearly direct procurement delegates to a source for information on operational policy.

Simplified Acquisition COTR

The Smithsonian offers two training courses for COTRs: a 1-day class, which explains the basics of COTR duties for simplified acquisitions, and a 3-day COTR class, which explains the responsibilities for COTRs overseeing contracts over \$100,000. However, ambiguous language in the course descriptions made it unclear which of the two courses simplified acquisition COTRs should attend. For the 1-day class, the description does not explicitly state that the simplified acquisition COTRs must take this course. For the 3-day course, the description states that the class is required for COTRs on contracts over \$100,000 or "contracts for goods or services related to the COTR area of expertise." This language suggests that simplified acquisition COTRs are required to take the 3-day class, because presumably they are selected to be COTRs based on their technical expertise.

At the time of our testing, the Blue Book did not specify training requirements for Simplified Acquisition COTRs; however, the March 2010 revision of the Blue Book now includes information about required training courses.

The Smithsonian Could Improve Compliance with Its Training Requirements

The Smithsonian could improve compliance with its training requirements. Contract specialists did not meet minimum training requirements as outlined in their performance plans. Procurement delegates generally attended the required training except for the simplified acquisition refresher. Simplified Acquisition COTRs did not attend COTR training. Figure 2 depicts a summary of attendance at required training courses.

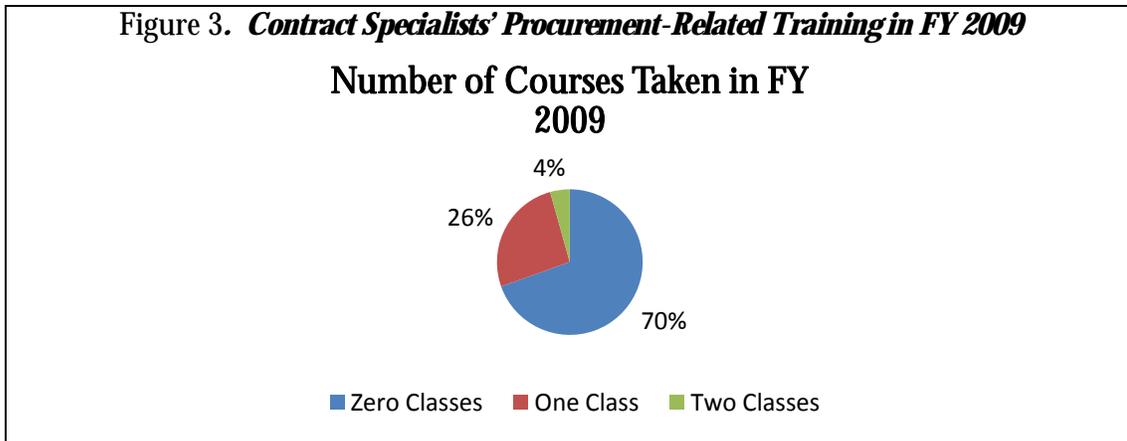
Figure 2. *Compliance with Smithsonian Training Requirements*

Position	Training Requirement	# Should have Attended	Compliant
Contract Specialist	1-2 Courses or Seminars Annually	23	26%
All Procurement Delegates	Informational Briefing	186	85%
Procurement Delegates \$5,000 or higher	Simplified Acquisitions Course	156	95%
Procurement Delegates \$5,000 or higher	Simplified Acquisition Refresher (every 3 years)	91	22%
Procurement Delegates \$10,000 or higher	Advanced Simplified Acquisition Course	119	85%
COTRs for Simplified Acquisitions	1 or 3 day COTR for Small Purchase Course	910	32%

Contract Specialists

Contract specialists are not meeting the minimum OCon&PPM training requirements of one to two classes per year. Of the 23 contract specialists in OCon&PPM and the Smithsonian Astrophysical Observatory (SAO), 16, or 70 percent, had no contracting or procurement related training in FY2009. Six employees, or 26 percent, attended one course in FY2009; 1 employee, or 4 percent, attended two courses. Of the seven employees who did attend a course, six of them met the minimum training requirements specified in their performance plans.

Figure 3. *Contract Specialists' Procurement-Related Training in FY 2009*



Although contract specialists have not met the minimum Smithsonian training requirements, they did express an interest in more training in their survey responses. Thirty-eight percent of the contract specialists who responded to the survey expressed interest in added training in determining requirements and verifying vendors in CCR. Respondents did not always explain why they desired this particular training in their written comments. Respondents also commented on the lack of management commitment to adequate staffing and resources. This point is illustrated by the following quote from one contract specialist:

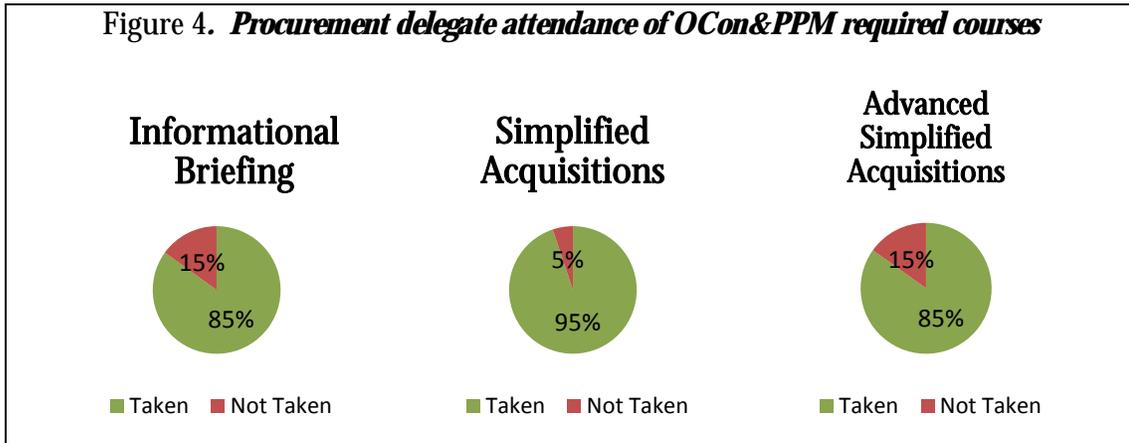
The shortcoming in the Smithsonian's procurement process is the lack of commitment both in philosophy and resources from the highest levels of leadership. The Institution made a commitment to decentralize the procurement process. Resources are not committed for training people whose normal duties are programmatic or project related and there is no mandate to attend procurement classes. Basically the training is not being deployed to ALL appropriate personnel in the units charged with the procurement process, especially at the solicitation level. It should be more focused, customized and presented at a layman's level of understanding. One must remember, this is not the normal task assigned to a program or project manager but he/she is expected to process a solicitation.

Procurement Delegates

Overall, the majority of procurement delegates are meeting Smithsonian-specified training requirements. We found that 158 of 186 procurement delegates,⁵ or 85 percent, took the basic introductory course, ***Informational Briefing Making Small Purchases at the Smithsonian Institution*** (Informational Briefing); this course is a requirement for all delegates, no matter their spending limit. Further, 148 out of 156 (95 percent) of employees permitted to spend \$5,000 or more completed the Simplified Acquisitions course, a requirement for this authority. In addition, 101 of the 119 (85 percent) delegates permitted to spend \$10,000 or more attended the required course on Advanced Simplified Acquisitions. Figure 4 depicts the results of

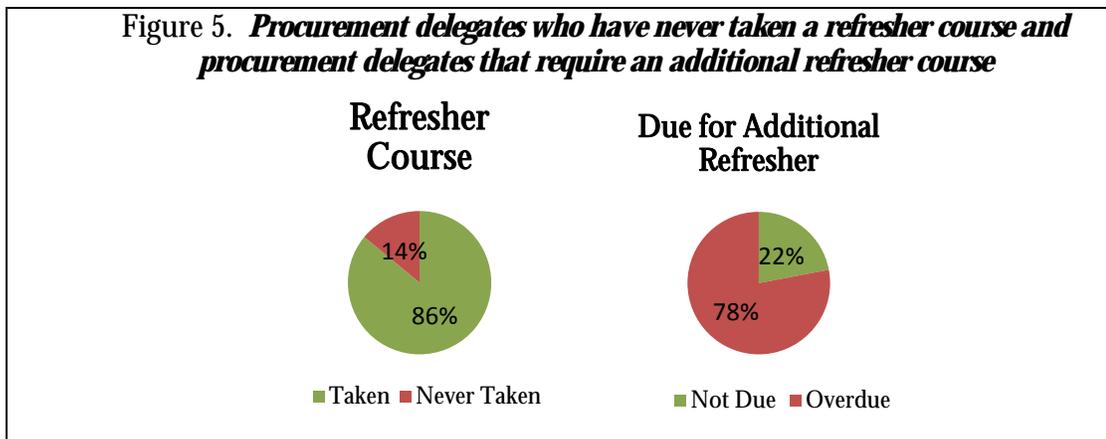
⁵The 186 procurement delegates excludes employees from OCon&PPM and SAO in Cambridge, Massachusetts. According to OCon&PPM management, these employees are exempt from the requirements to take OCon&PPM-sponsored procurement training.

our procurement delegate testing of the three basic courses for procurement delegates. It shows the percentages of delegates who had not attended required classes.



Although most procurement delegates met basic training requirements, they generally failed to take required simplified acquisition refresher training. OCon&PPM simplified acquisition procedures require procurement delegates with spending authority of \$5,000 and above to complete the Simplified Acquisitions refresher course every three years after completing the original Simplified Acquisition course. At the time of our testing, 18 of the 156 procurement delegates (14 percent) required to take Simplified Acquisitions never took a refresher course after 3 years. Of the delegates who took a refresher course, 78 percent require another refresher, per OCon&PPM’s 3-year requirement. See figure 5.

Refresher courses are important for procurement delegates to maintain their skills and stay informed about changes in law and policy. We did not confer with procurement delegates to verify why they did not attend training. However, we noted a lack of enforcement of this training requirement.



Given their high rate of compliance with Smithsonian training requirements, and in spite of their lack of refresher training, our survey showed procurement delegates were confident in their procurement skills and generally satisfied with the level of training they receive. For example, procurement delegates agreed that they were

confident in most key areas of procurement, including: reviewing and approving purchase orders, market research, identifying sources, estimating cost, analyzing quotes, and documenting the evaluation. See Appendix C for the acquisition workforce survey results.

Despite this general confidence in their abilities, 40 percent or more of the procurement delegates who responded to the survey expressed an interest in additional training in the following areas: developing evaluation criteria, documenting the evaluation, determining the best value, estimating the cost, analyzing quotes, and determining requirements. Procurement delegates' narrative responses did not always explain why they needed the classes; however, a general theme emerged: they were short-staffed and procurement was not always their primary job. In addition, some respondents reported a lack of interest and expertise by their superiors. The following quote summarizes several comments regarding management's apparent apathy:

The main shortcoming I see is a lack of importance placed on the procurement process by unit Managers and Directors. Most of the time the Supervisor of the unit procurement employees has no background or interest in procurement...Procurement and administrative duties at the Smithsonian are not given much attention.

In addition to the desire for more targeted training, some procurement delegates also expressed an interest in more refresher training. One procurement delegate stated, "I believe that all procurement officers and fund managers should attend regularly scheduled refresher courses," while another stated, "The refreshers are good because it [sic] now reminds us of the proper rules and provides critical updates in laws and policies." Another procurement delegate made suggestions for how to administer such refresher training: "Maybe do it on-line, then follow-up with questions and answers."

COTRs on Simplified Acquisitions

We found that the Smithsonian's COTRs on simplified acquisitions may not be meeting training requirements. The units identified 910 COTRs on simplified acquisitions. However, since OCon&PPM does not require the units to maintain a list of these COTRs, or report on who these people are, and OCon&PPM does not maintain such a list, we could not verify whether these individuals serve as COTRs on simplified acquisitions. We found 618 of the 910 COTRs, or 68 percent, had not attended either the one-day COTR for Small Purchases course or the three-day COTR course.⁶ As we discussed earlier, the course descriptions for COTR training courses are ambiguous as to who should take them.

Although the COTRs did not comply with Smithsonian training requirements, they too expressed a desire for additional training. Forty percent or more of the COTRs who responded to the survey also expressed interest in training for the following contracting subjects: estimating the cost, developing evaluation criteria, analyzing

⁶We performed a similar test for the Smithsonian's COTRs on major acquisitions. We found that OCon&PPM uses an electronic system, the Complex Acquisition and Contracting System, to record COTRs on major acquisitions. We found 403 out of 445 COTRs in this system, or 91 percent, had attended OCon&PPM's three-day or similar COTR training.

quotes, determining the best value, and documenting the evaluation. Although not all COTRs are involved in all of these aspects of the contracting process, some expressed frustration with training in general. A number of COTRs felt that COTR training should be mandatory; others felt refresher courses would be helpful, but expressed concern that there was not always time to attend classes. They also stated that the training they received was not always relevant to their particular type of purchasing, and some suggested that specialized training would be more meaningful. One COTR stated:

Too often, the training I have received includes only anecdotal/situational examples such as major capital or facilities projects that have little bearing on what we do in the museums on an on-going basis (i.e., scholarly consultants, traveling exhibitions, technical specialists such as mount-makers or riggers). My years of experience allows [sic] me to extrapolate the concepts to my daily work, but employees new to the Smithsonian and/or to a museum environment may be clueless as to how to apply the training concepts to their daily work and specific procurements. The Smithsonian is a conglomerate of research and museum facilities; trainers should know more about our work in our language—not merely from their own [often unrelated] experience and/or from the larger Federal perspective and its lingo.

Neither OCon&PPM nor the units have adequate systems in place to monitor and enforce training requirements. In addition, OCon&PPM lacks a system to identify who has been granted simplified acquisition COTR responsibility. As a result, OCon&PPM cannot confirm that all COTRs attended training. Since it cannot verify who should have attended training, OCon&PPM must rely on information from the units to ensure that designated COTRs are trained. By contrast, OCon&PPM does have a system to identify procurement delegates and thus knows who should have been trained. However, OCon&PPM has not routinely queried its system to identify procurement delegates who may have missed training.

COTR training has been an ongoing issue at the Smithsonian. Our office issued a management advisory in September 2007⁷ resulting from questionable oversight on a contract by an untrained COTR. At that time, OCon&PPM committed to reevaluate its COTR training process to ensure that all COTRs receive the proper training. Based on our findings in this audit, it appears that while OCon&PPM has strengthened controls over training for COTRs on major acquisitions, it has failed to ensure that COTRs on simplified acquisitions receive training.

Both OMB policies and the CFO's response to the Smithsonian's Board of Regents emphasized the need for acquisition training. In numerous recent publications, OMB stressed the need to build the skills of the acquisition workforce. Inadequate support for staff training and professional development in general at the Smithsonian is a matter of longstanding concern to OMB. While several survey respondents indicated that Smithsonian management may be apathetic toward procurement training and may not allocate enough resources to the area, training and resources must be a priority for the Smithsonian acquisition workforce to stay abreast of new laws and

⁷OIG Investigative Memorandum on Management Issues, No. M-07-25.

regulations that affect the Smithsonian's contracting activities, policies and procedures.

The Smithsonian Complies with Applicable Laws and Regulations

To assess compliance with applicable laws and regulations, we largely relied on a review of procurement activities at five units conducted by an OCon&PPM contractor.⁸ The contractor's review covered a sampling of purchase orders for goods and services awarded in FY 2008 and FY 2009. Overall, the review found that units had adequate purchasing operations that generally complied with applicable laws, regulations, Smithsonian policies, procedures and guidelines. However, the review identified weaknesses in the areas of developing statements of work and justifying sole-source contracts.

The purchase order review found poorly written statements of work to be the most pervasive weakness - they were either too general or too brief. A statement of work is necessary for purchase orders for services. A well-written statement defines the requirements so that the contractor can clearly understand the expected results. A poorly written statement of work can result in poor quality work and added expense to the Institution. Based on feedback from the employee survey, not everyone is aware that training in this area is available. Some people stated that very few people could create an effective statement of work. Overall, additional training for writing statements of work was a prominent request in the survey.

Sole-source justifications were the other significant weakness the purchase order review identified. Specifically, the justifications were inadequate or lacked proper documentation. Sole-source justifications are needed for purchase orders that are \$10,000 or more when only one source can satisfactorily meet the requirements of the requestor. A procurement delegate or a contract specialist must approve these justifications prior to engaging contractors to provide goods or services. The justification must clearly describe how it was determined that the good or service is not available from other sources and must show that the proposed price is reasonable. Employees maintain the sole-source justification forms in the files. An inadequate or poorly documented sole-source justification increases the risk of improper or fraudulent contracting, or conflicts of interest, and may subject the Institution to award protests. Some respondents to the employee survey expressed frustration and confusion regarding requirements for sole-source justifications and requested additional training in this area.

Based upon the results of the contractor's purchase order reviews and the responses to our survey, we believe there should be improvements in training to strengthen these areas.

⁸The contractor submitted all draft reports of their findings to OCon&PPM by September 2009. To date, OCon&PPM has not yet finalized the report.

RECOMMENDATIONS

To strengthen training policies and procedures for the Smithsonian's acquisition workforce, we recommend that the Director, OCon&PPM:

1. Establish and implement a contract specialist training policy and supporting procedures modeled on FAC-C training standards and tailored to satisfy Smithsonian procurement practices.
2. Finalize and implement the PCPM in a timely manner. The PCPM should include training requirements for all members of the acquisition workforce.
3. Review OIG survey results and the OCon&PPM contractor's review findings to identify training needs, including developing statements of work and sole-source justifications, and design or modify training courses to address these needs.

To ensure compliance with Smithsonian training requirements, we recommend that the Director, OCon&PPM:

4. Create a process to monitor and enforce compliance with training requirements.

MANAGEMENT COMMENTS

The Acting Director of OCON&PPM and the CFO provided written comments to our draft report on October 15, 2010. In their comments, they generally concurred with our four recommendations. Below, we summarize their comments and offer our responses.

Management offered the following comments to demonstrate actions they have or will take to address our four recommendations:

- By July 30, 2011, OCon&PPM will ascertain the types of training requested by contract specialists; review the Federal Acquisition Institute's curricula as well as other training sources; assess information gleaned from the requests and review; and establish training schedules for contract specialists in individual development plans.
- By December 31, 2010, OCon&PPM will finalize part one of the Procurement and Contracting Procedures Manual to clearly state the training requirements for ancillary procurement staff.
- By November 30, 2010, OCon&PPM will ascertain training courses that reflect the needs of the acquisition workforce identified in the OIG survey results; review and emphasize the extent that developing statements of work and sole-source justification information are included in current training; and promote statement of work training classes.

- By March 31, 2011, OCon&PPM will examine the possibility of using ERP to monitor and enforce COTR compliance with training requirements.

OCon&PPM officials report that they will continue their process of monitoring and enforcing compliance with training requirements. They accomplish this task by updating the course schedule on their website and e-mail reminders. According to OCon&PPM they have recently completed a review of training records and identified individuals who are in need of training.

Management also suggested we clarify or more fully explain the following parts of the audit report. First, management asked that we more clearly explain the differences between the roles of OCon&PPM and unit staff. Second, in the results in brief section of the report, management believed there were inconsistencies between the employees' survey responses, which indicated that they received adequate training, and our conclusion that employees need further training. They also asked that we add a further explanation of the simplified acquisition process. Management suggested we supplement our explanation of OCon&PPM training in Figure 2 by adding the training data of COTRS for major acquisitions. They also stated the figures were not adjusted to account for training prior to their Smithsonian employment, training waived by OCon&PPM, and self-sponsored training.

We have included the full text of management's response as Appendix D.

OIG RESPONSE

Management's planned actions are generally responsive to the recommendations, with two exceptions. Management's response to Recommendation 2 does not fully address its intent. Our recommendation was to include training requirements for all acquisition personnel in the PCPM. In that management has limited the update to the PCPM to the training requirements for ancillary procurement staff, they exclude the training requirements for contract specialists. We continue to recommend that management update the PCPM to include contract specialists' training requirements. In addition, our recommendation addressed entire PCPM, not just PCPM Part 1. For Recommendation 3, management does not address the recommendation to review the OCon&PPM contractor's review. In our review of the contractor's results, we noted several problem areas that point to training shortcomings. We continue to recommend that management review the contractor report for opportunities to improve its acquisitions training.

We considered management's proposed changes to the audit report but declined to adopt their suggested revisions. Management asked that we more clearly explain the differences between the roles of OCon&PPM and unit staff, and they asked that we add a further explanation of the simplified acquisition process. We agree that management's suggested language regarding the contracting and procurement activities at the Smithsonian is useful; however, we believe the information throughout the report sufficiently explains this issue.

Regarding management's request that we explain the disparity between the employees' survey responses that they received adequate training and our conclusion that

employees need further training, we believe that the collective evidence put forth in the report shows clearly that the acquisition workforce needs additional training.

For the section of the report which recommends that the Smithsonian improve compliance with its training requirements, management suggested we supplement our explanation of OCon&PPM training in Figure 2 by adjusting the amount of training taken by OCon&PPM staff prior to their Smithsonian employment, training waived by OCon&PPM, and self-sponsored training. We discussed this matter in the course of the audit and requested information from OCon&PPM to support their position. However, despite our repeated requests, OCon&PPM management did not provide this information to us.

OCon&PPM would prefer that information on major acquisition COTRs be in the body of the report rather than a footnote. However, since major acquisition COTRs were not the focus of the audit, we feel its placement in the footnote is appropriate.

We appreciated the courtesy and cooperation of Smithsonian representatives during this audit.

APPENDIX A. SCOPE AND METHODOLOGY

Through discussion with OCon&PPM management, we determined that simplified acquisitions posed a greater risk to the Institution than other types of acquisitions, because there is minimal oversight of acquisitions under \$100,000. Therefore, we limited our audit to employees who process and administer simplified acquisitions. These employees include contract specialists, procurement delegates, and COTRs. We also excluded acquisitions processed using purchase cards.

To determine whether policies and procedures exist that specify responsibilities for acquisition workforce, we interviewed management from OCon&PPM. We also reviewed Smithsonian policies and procedures, executive branch policies, federal statutes, federal agency regulations, and other federal programs.

To confirm whether the acquisition workforce was meeting Smithsonian-specified training and certification requirements, we obtained training rosters and lists of procurement delegates, OCon&PPM staff, and major acquisition COTRs from OCon&PPM. We identified simplified acquisition COTRs through coordination with Deputy Directors and Administrative Officers at the units. We then compared the training rosters to the training requirements found in Smithsonian policies, procedures, and websites, and discussed our results with OCon&PPM management. Since the ERP Human Resources Management System (HRMS) is the official training database for the Institution, we also verified whether the training data provided by OCon&PPM was complete and accurate in ERP HRMS.

To better understand the acquisition workforce, we distributed a web-based survey to the appropriate population concerning basic employment information (job series, grade, tenure, etc.), confidence with their appointed acquisition function(s), and interest in receiving further training.

To determine whether Smithsonian simplified acquisitions complied with applicable laws and regulations, we relied on the work completed by an OCon&PPM contractor. This contractor had previously conducted purchase order compliance reviews at five units and had issued a draft report. To validate the findings in this report, we met with representatives from each of the five units. We also met with the contractor to validate his qualifications and independence.

We conducted this performance audit in Arlington, VA and Washington, D.C. from November 2009 to July 2010 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX B. OMB POLICY UPDATES

The President and the Office of Management and Budget (OMB) have stressed the importance of strengthening the acquisition workforce. In addition to the Presidential Memo, *Government Contracting* March 4, 2009, OMB's Office of Federal Procurement Policy has issued numerous guidances and memoranda urging Federal agencies and entities towards this goal, including the following:

OMB Guidance and Reports

- Improving Government Acquisitions, M-09-25 (July 29, 2009)
- Managing the Multi-Sector Workforce, M-09-26 (July 29, 2009)
- Developing and Managing the Acquisition Workforce Policy Letter 05-01 (April 15, 2005)

OMB Office of Federal Procurement Policy Memoranda

- The Accountable Government Initiative – an Update on Our Performance Management Agenda (September 14, 2010)
- Achieving Better Value From Our Acquisitions (December 22, 2009)
- Survey on FY 2009 Green Purchasing Requirements (November 23, 2009)
- Performance-Based Management Systems (October 29, 2009)
- Increasing Competition and Structuring Contracts for the Best Results (October 27, 2009)
- Acquisition Workforce Development Strategic Plan for Civilian Agencies - FY 2010-2014 (October 27, 2009)
- Interim Guidance on Reviewing Contractor Reports on the Use of Recovery Act Funds in Accordance with FAR Clause 52.204-11 (September 30, 2009)
- Improving the Use of Contractor Performance Information (July 29, 2009)
- Acquisition Workforce Human Capital Succession Plans (January 7, 2009)
- Preventing Fraud in Federal Contracting (November 14, 2008)
- M-09-04, Report to Congress on FY 2008 Competitive Sourcing Efforts (October 30, 2008)
- Effective Practices for Enhancing Competition (July 18, 2008)
- Conducting Acquisition Assessments under OMB Circular A-123 (May 21, 2008)
- Improving Acquisition Data Quality — FY 2008 FPDS Data (May 9, 2008)
- The Federal Acquisition Certification for Contracting Officer Technical Representatives (November 26, 2007)
- The 2007 Federal Contracting Workforce Competencies Survey (October 17, 2007)
- Office of Government Ethics Guidance Ethics and Procurement Integrity (October 3, 2007)
- The Federal Acquisition Certification for Program and Project Managers (April 25, 2007)
- The Federal Acquisition Certification in Contracting Program (January 20, 2006) (Revised December 2008)

APPENDIX C. SMITHSONIAN ACQUISITION WORKFORCE TRAINING SURVEY

We surveyed the Smithsonian acquisition workforce to understand the workforce's basic employment information (job series, grade, tenure, etc.), confidence with their appointed acquisition function(s), and interests in receiving further training. We also gave respondents the opportunity to provide their opinions concerning training adequacy and procurement process shortcomings.

We electronically distributed the survey on April 5, 2010 to 1,242 procurement delegates, OCon&PPM staff, and COTRs on major and simplified acquisitions. We allotted two weeks to complete the survey, and received 494 responses, approximately 40 percent, during that period.

We asked 57 quantitative questions regarding the respondent's employment background, experience, confidence in various aspects of the procurement process, and interest in various training opportunities. We also asked two qualitative questions that allowed for the respondent's opinion. These two questions concerned training adequacy and procurement process shortcomings.

Survey Results

We found that 49 percent of respondents serve as COTRs in some capacity. The majority of respondents (at least 63 percent) served in a pay grade of 12 or higher. Sixty-eight percent of respondents perform their procurement functions at least monthly.

We evaluated the levels of perceived confidence in the Smithsonian purchase order process and the interest in and expected benefit from additional types of training. We found that survey respondents generally felt confident with performing procurement functions, and indicated interest in and expected benefits from additional training on various subjects.

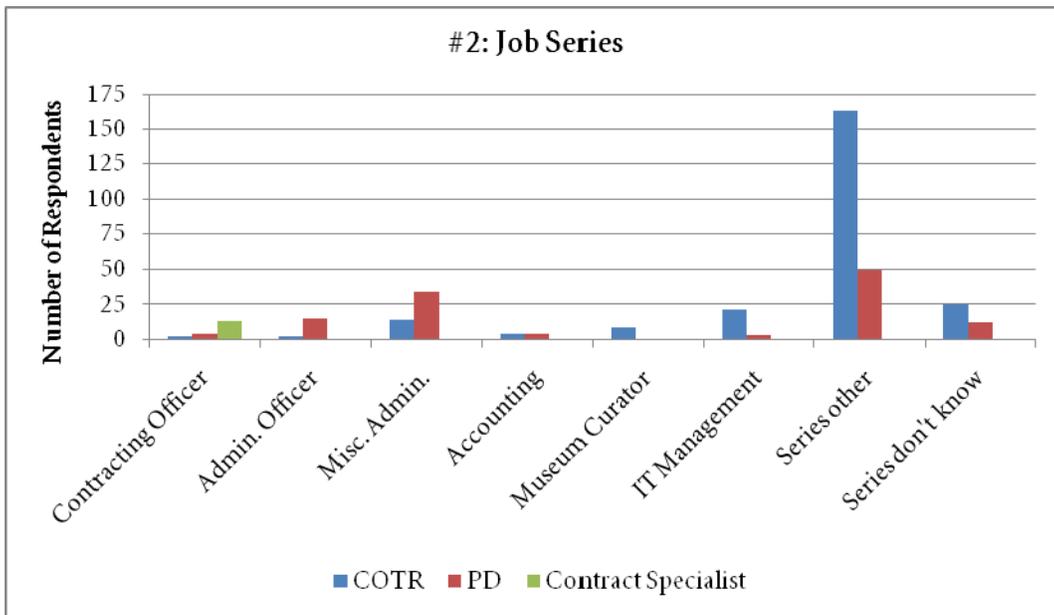
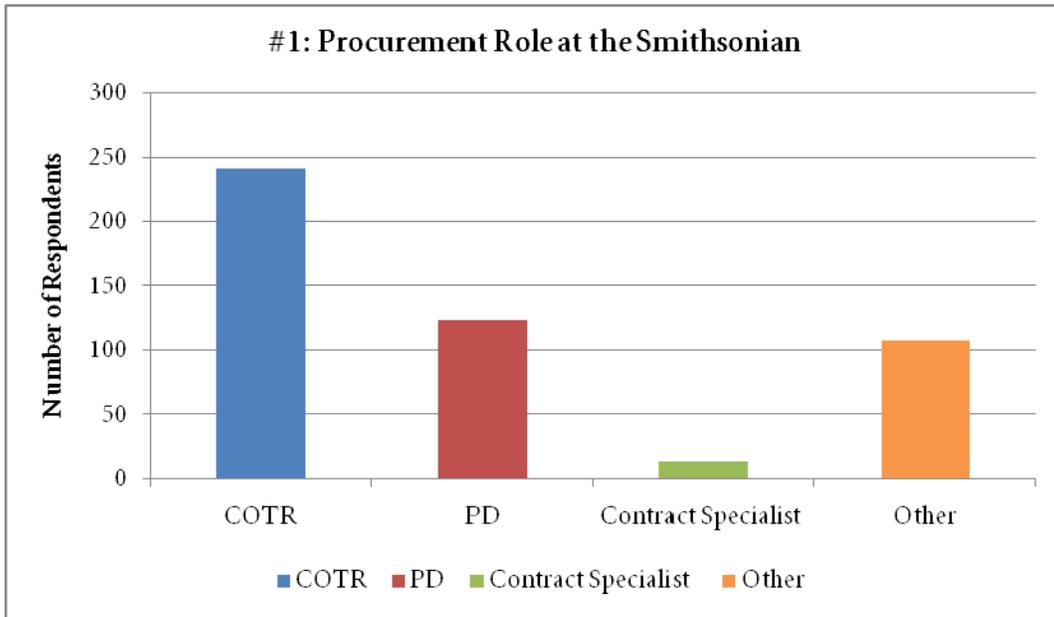
Common Responses

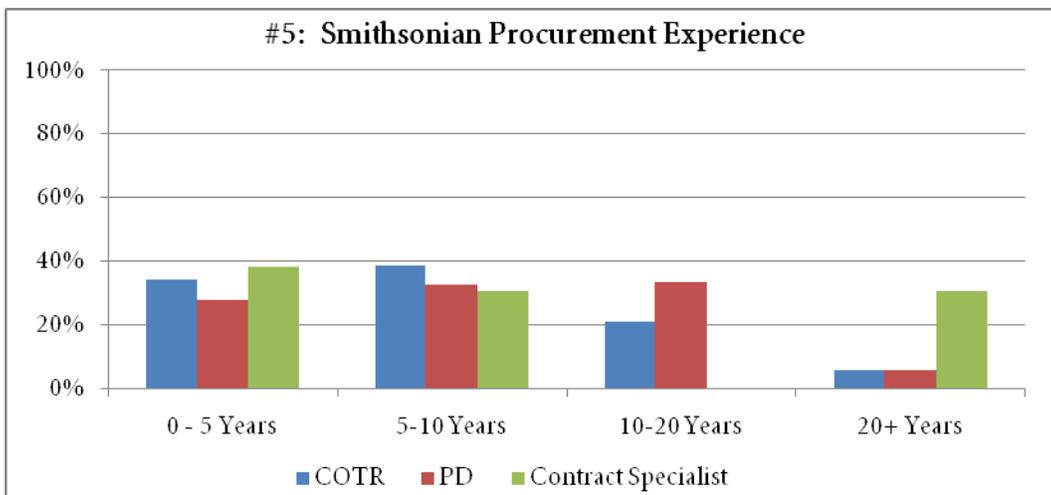
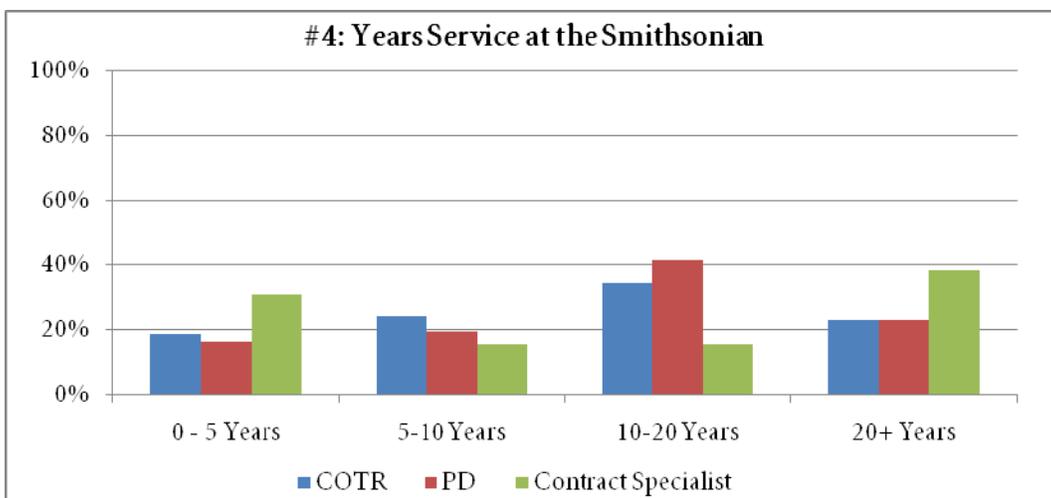
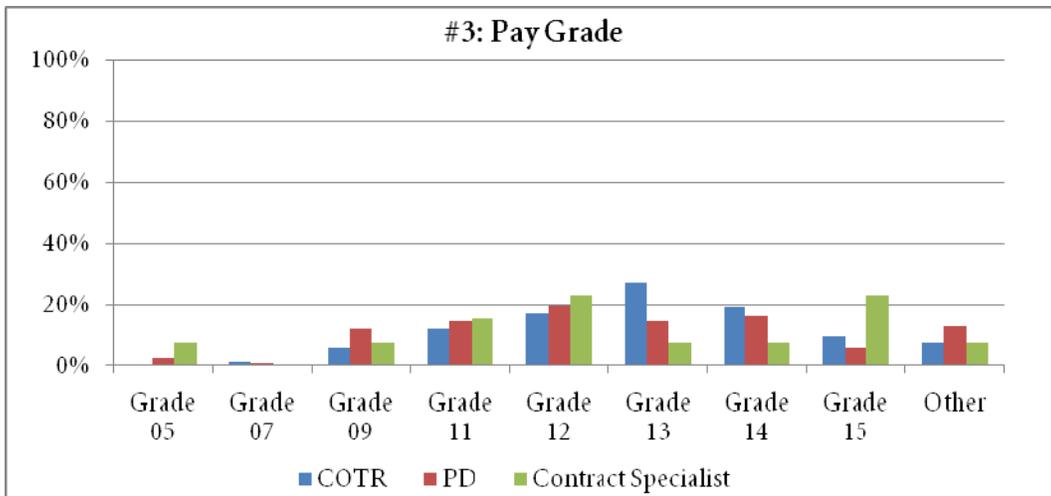
Overall, the respondents to the survey offered a generally positive assessment of the OCon&PPM training they receive. Many stated that they are appropriately trained, and that the variety of OCon&PPM classes helps them to perform their procurement duties. Some had suggestions for making the training more effective, such as through online, unit-specific, and trust-focused classes. Many respondents would prefer that OCon&PPM offer more frequent classes and that OCon&PPM hold classes at Mall sites, rather than in Arlington, VA.

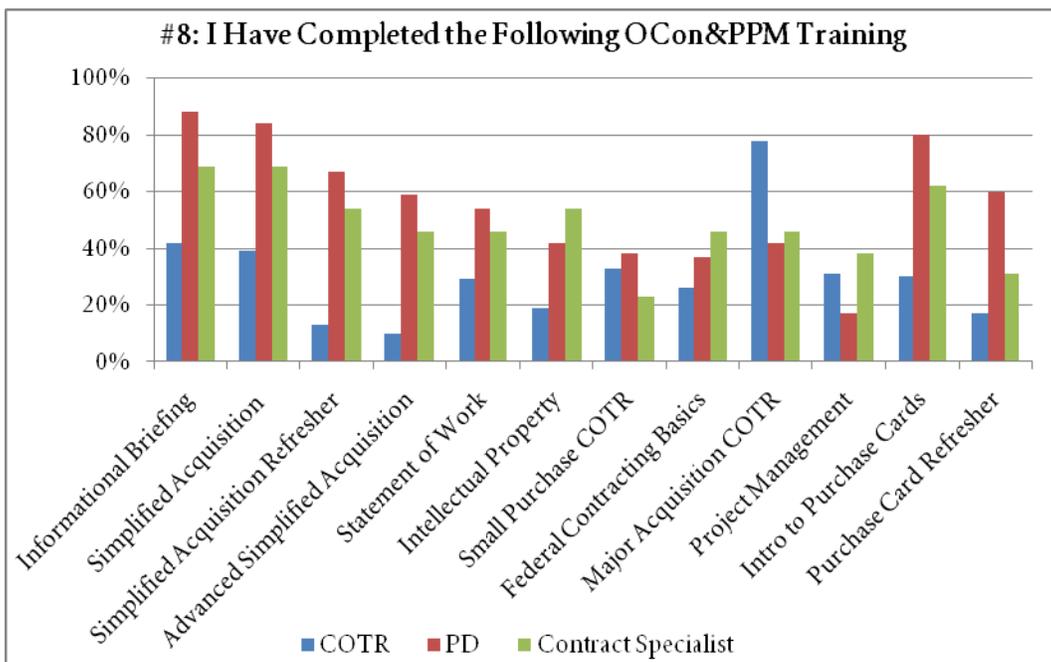
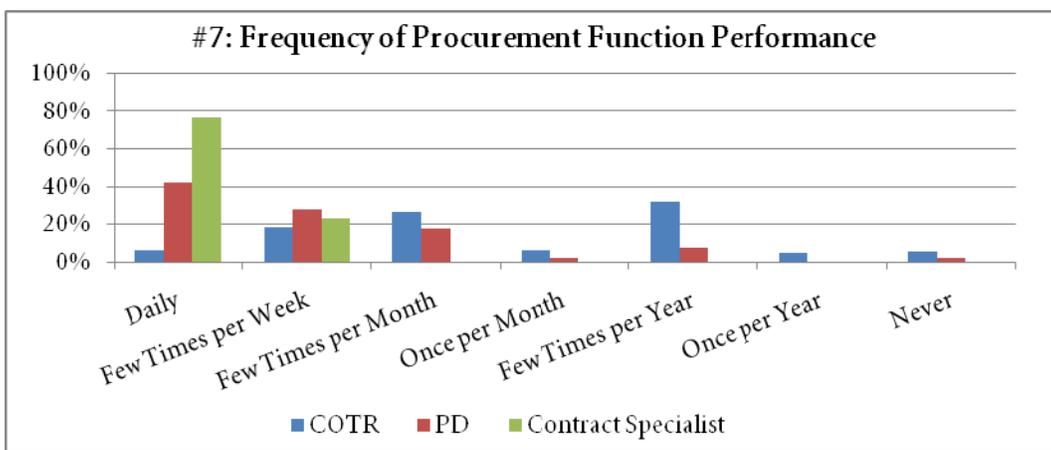
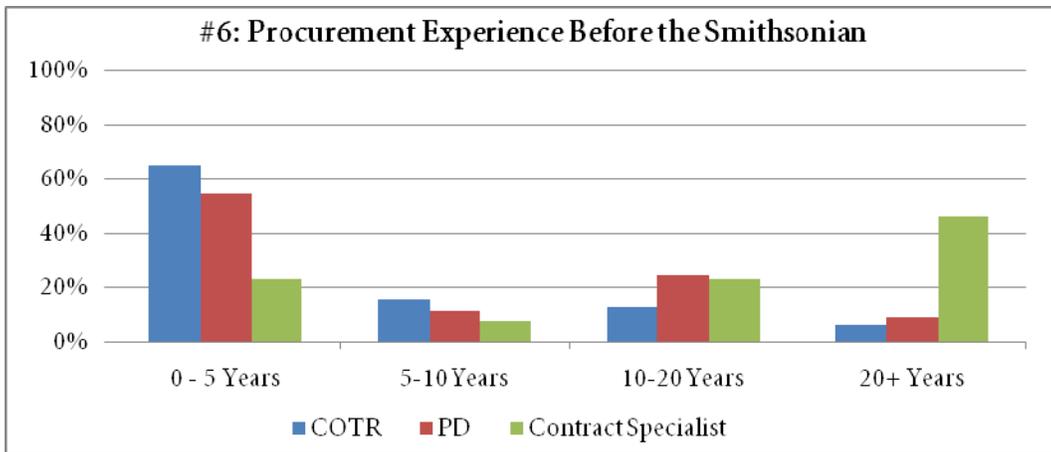
Survey respondents expressed frustration with the constant change in acquisition policies and the poor communication channels; when there are policy updates, not everyone is informed. Another recurring comment was that procurement policies are inconsistently interpreted. One response was, "I never seem to get the same answer twice. If I ask the same question to two different Procurement Officers I will get two different answers."

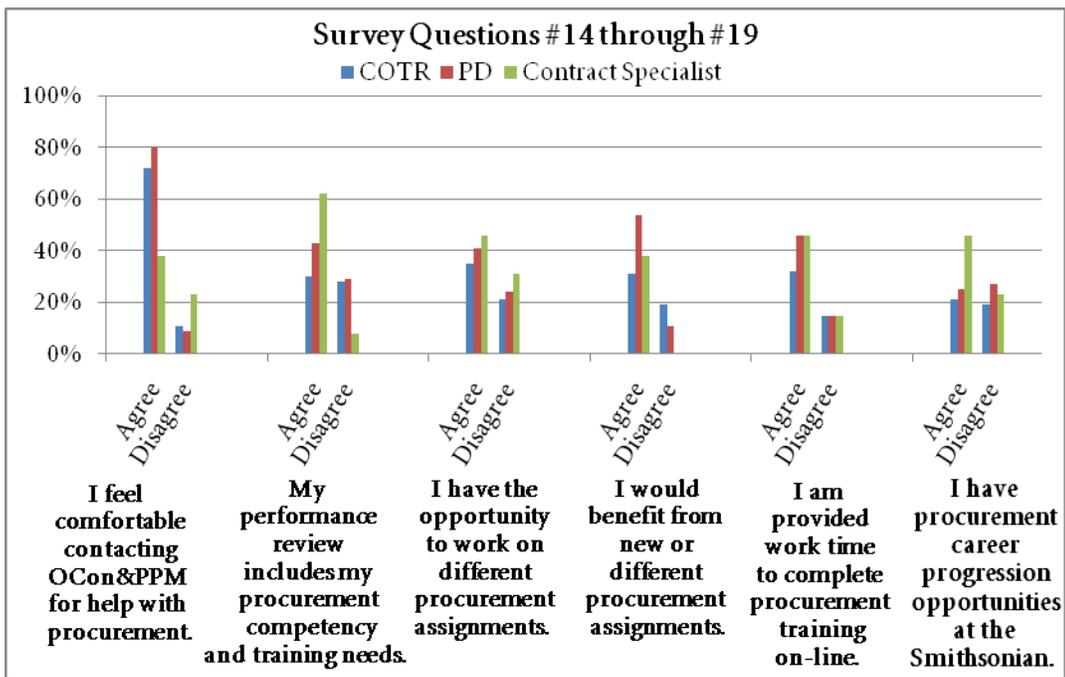
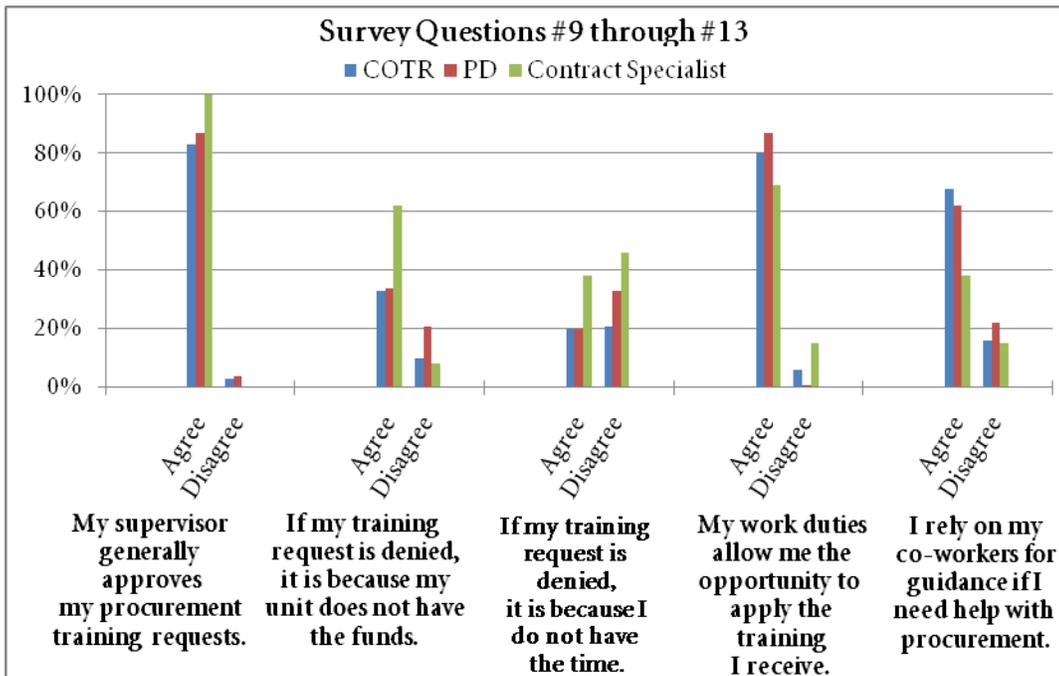
While we received 494 responses to the survey, we limited the results reported here to those from contract specialists, procurement delegates (PDs), and simplified acquisition COTRs since these were the key roles we focused on during the audit. Figure C-1 graphically depicts the survey responses of these individuals and does not represent the full population of responses. We have provided the full survey results to OCon&PPM.

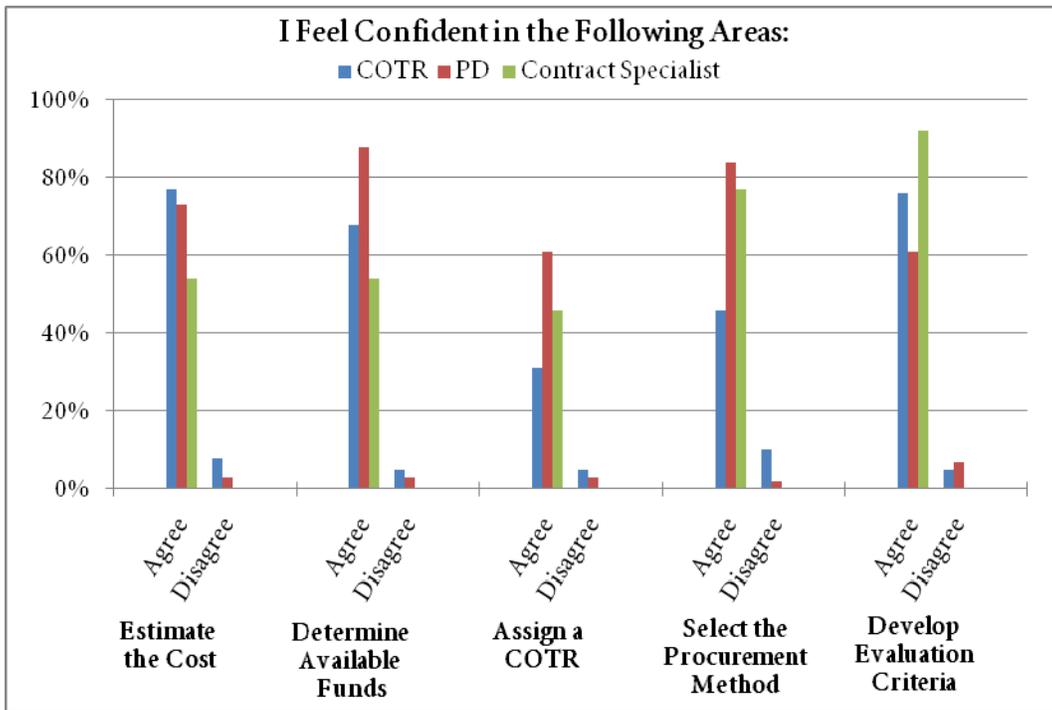
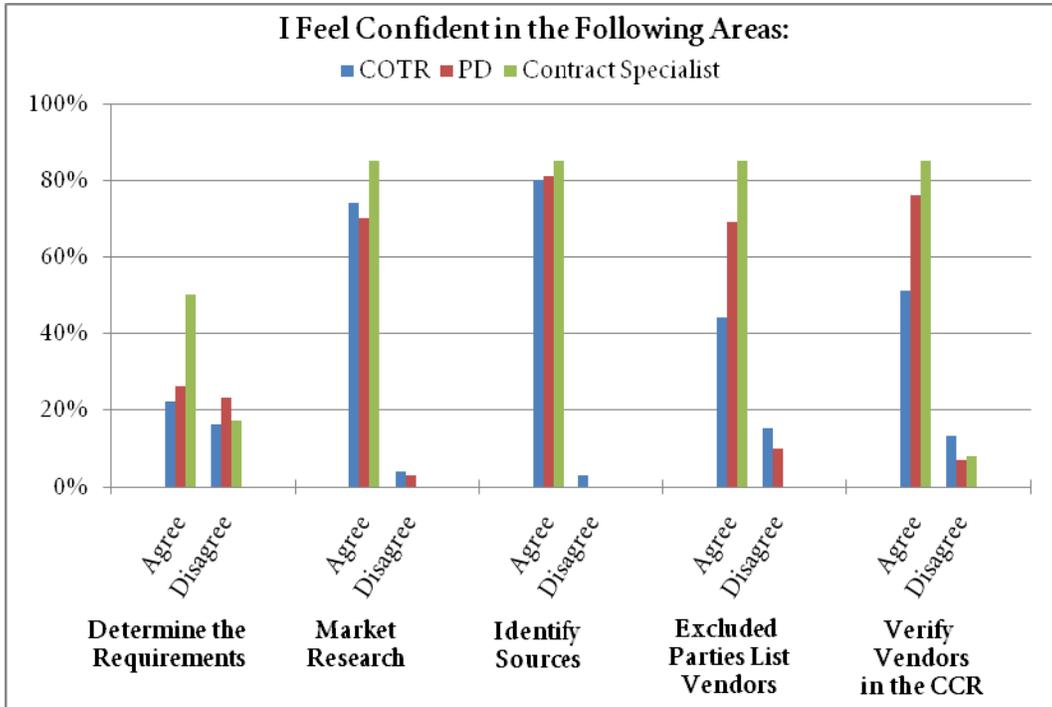
Figure C-1. *Summary of survey results by procurement role*

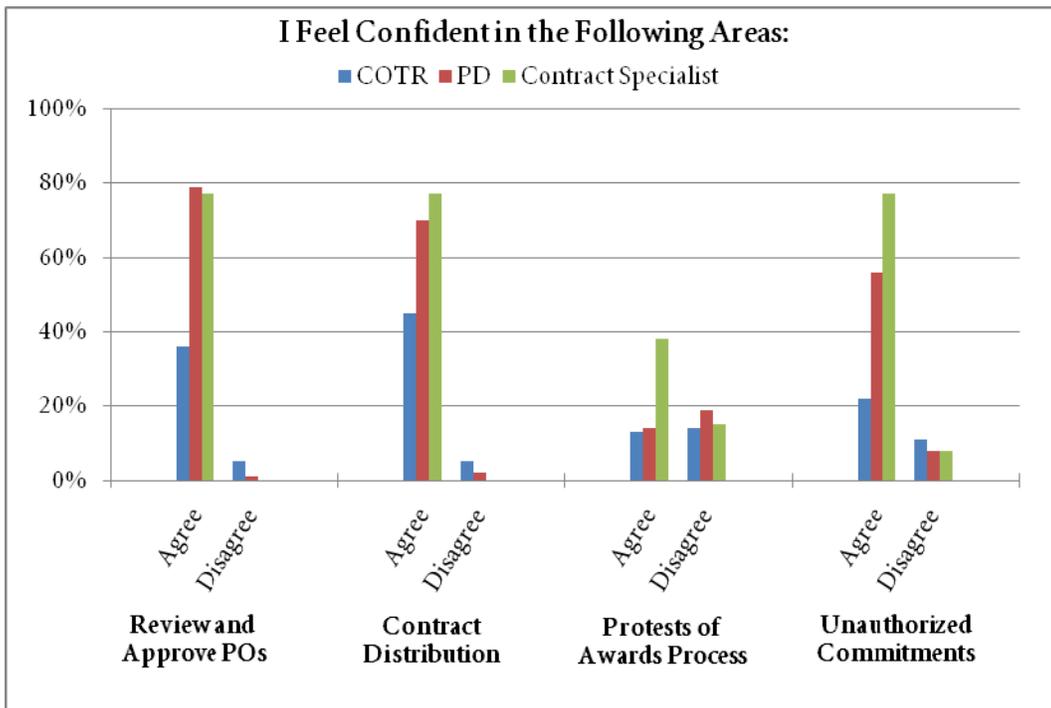
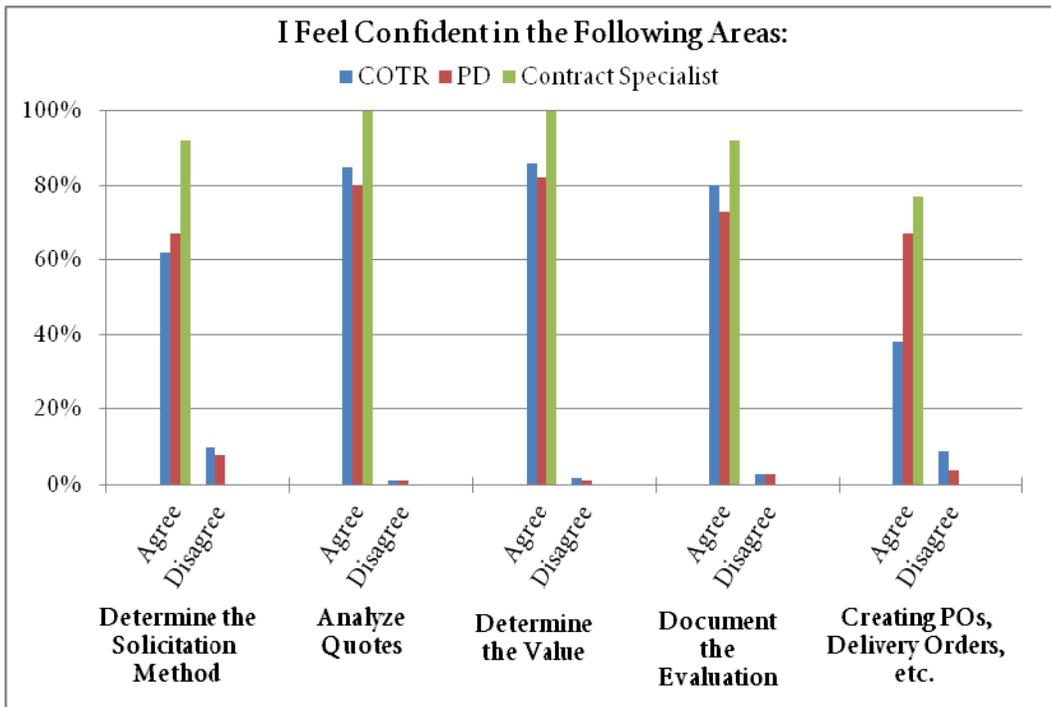


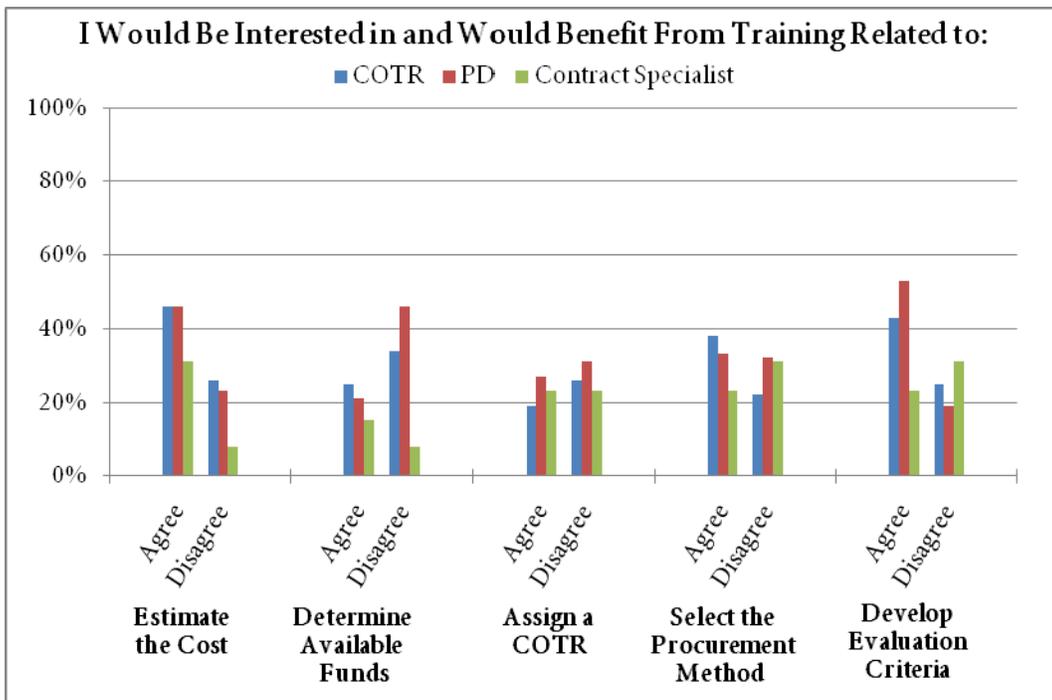
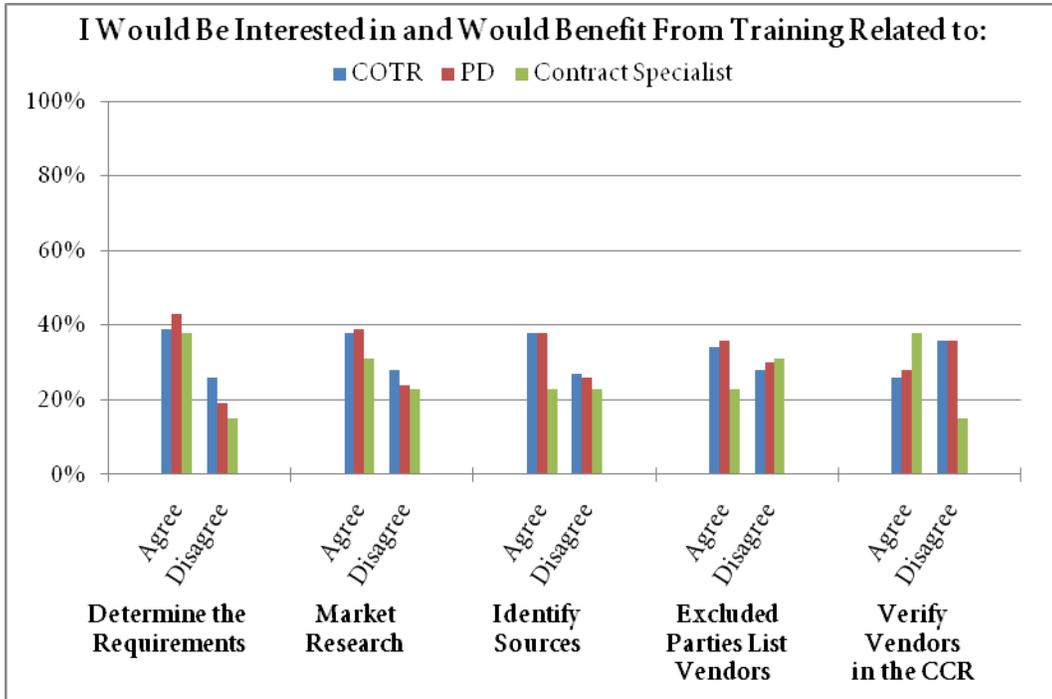


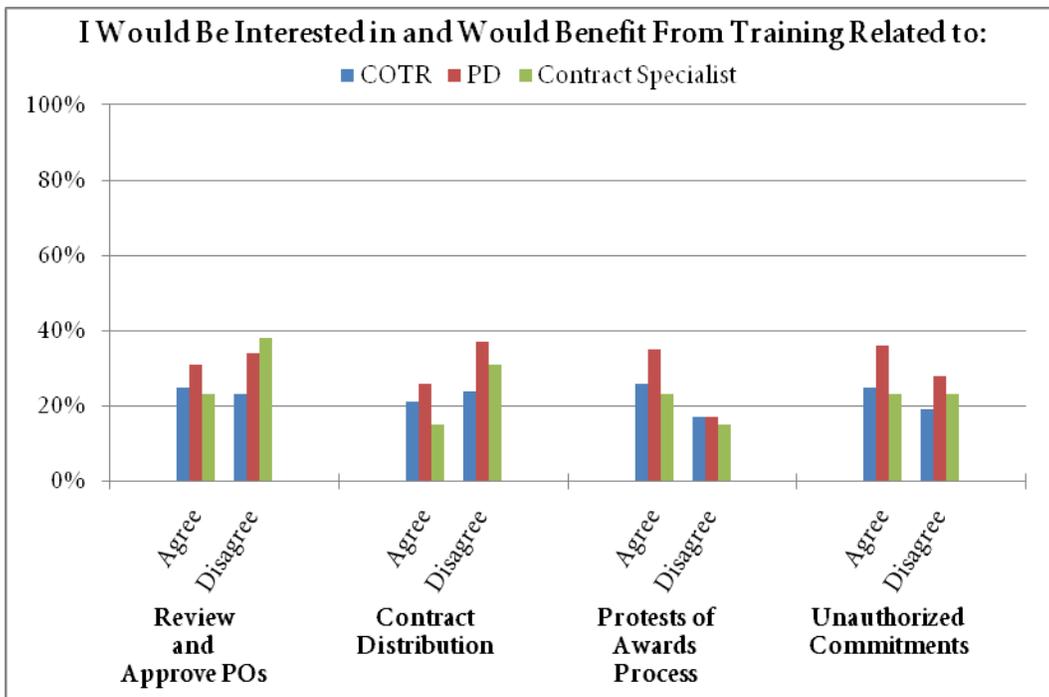
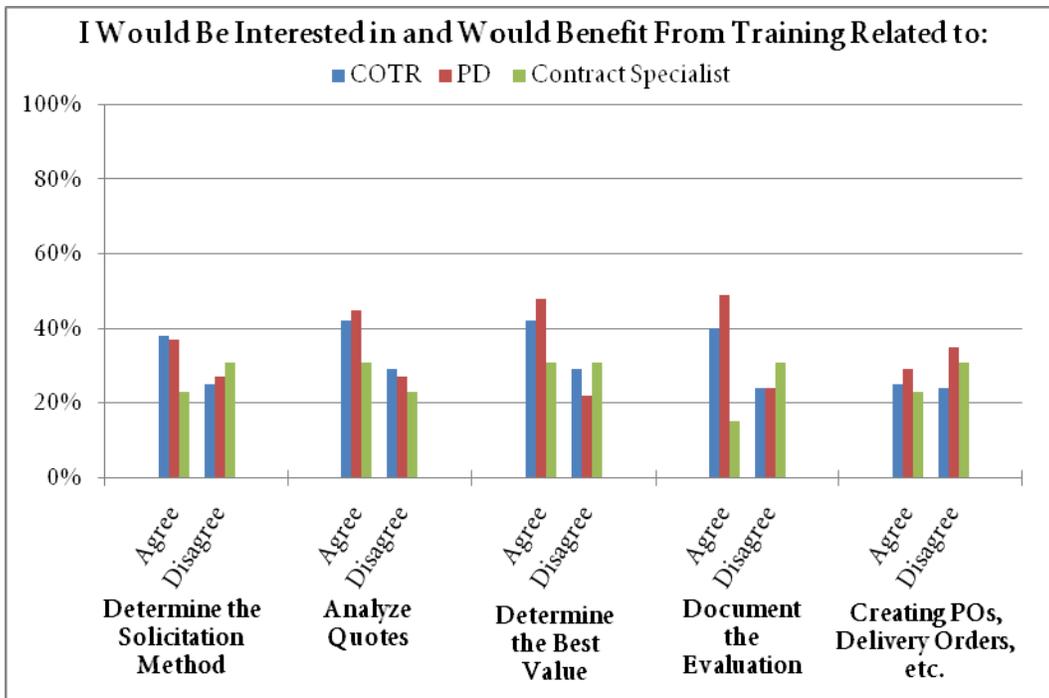












APPENDIX D. MANAGEMENT'S RESPONSE



Smithsonian Institution

Memo

Office of the Chief Financial Officer
Office of Contracting and Personal Property Management

Date October 15, 2010

To A. Sprightley Ryan, Inspector General

Attn: Brian W. Lowe
Supervisory Auditor, Office of the Inspector General

cc Alison McNally, Under Secretary for Finance and Administration
David L. Voyles, Senior Program Officer, Office of the Under Secretary for Finance
and Administration
Curtis B. Sanchez, Associate Director for Policies and Resources, Office of Contracting
and Personal Property Management

Through Alice C. Maroni, Chief Financial Officer

From Dorothy A. Leffler, Acting Director, Office of Contracting and Personal Property Management

Subject Management Response to the Draft Report on Office of the Inspector General Audit of the
Smithsonian Institution Acquisition Workforce Training, Number A-10-06

Thank you for the opportunity to review and comment on the draft report of the audit on
Smithsonian Acquisition Workforce Training, Number A-09-06, dated September 28, 2010.

We appreciate the time devoted by the Office of the Inspector General (OIG) staff to ensure a
thorough review of the Smithsonian's contracting and procurement-related training program.
The comments made part of this management response are a result of our review of the audit
findings and recommendations included in the draft report.

INTRODUCTORY PARAGRAPHS

1. Page 1, paragraphs 2 and 3:

Comment:

As a matter of clarification for readers, 'contracting personnel' referred to in the
second paragraph on page 1 are employees in the Office of Contracting and
Personal Property Management (OCon&PPM) at Arlington, VA, and in the
Sponsored Programs and Procurement Department, Smithsonian Astrophysical
Observatory (SAO) at Cambridge, MA. These are employees whose positions are
classified in occupational series 1102, Contracting Series. Procurement delegates
and Contracting Officer's Technical Representatives (COTRs) are employees
whose positions are classified in other than the 1102 job series and work in
Smithsonian units other than the contracting offices.

PO Box 37012, CC 350, MRC 1200
Washington, DC 20013-7012
202.633.7290 Telephone
202.633.7319 Fax

RESULTS IN BRIEF

2. Page 2, statement comprising the second paragraph:

The reported interest in more training is commendable yet underscores the serious concerns we found that the Smithsonian is not adequately training its acquisition workforce.

Comment:

The opinion expressed by this statement does not seem to be consistent with the remainder of the report, or the results of the OIG survey conducted as part of this audit. The survey shows that the acquisition workforce, both contract specialists and ancillary procurement staff, believe that they are 'adequately' trained as most respondents to the survey believe they have received appropriate training. The expressed interest on the part of survey respondents in more training reflects their desire for additional training, time to attend additional training, and the opportunity to use what they have learned.

RESULTS OF AUDIT

3. Page 3, *The Smithsonian Purchasing Process*:

Comment:

The report would be more useful if the following paragraph were included. It provides for readers a brief overview of the contracting and procurement activities at the Institution necessary to understand the information included in this section:

The OCon&PPM is the central and principal office for professional advice and support to employees on the Institution's contracting, procurement and charge card program policies, procedures and activities. Awards of contracts, generally procurements valued over \$100,000 but which may be less, are managed from initial purchase request through close-out (cradle to grave) by OCon&PPM. The Smithsonian's simplified acquisition processing is decentralized and accomplished by employees across the Institution. Each of the SI units has employees who have been delegated procurement authority by the Director, OCon&PPM, who is the Smithsonian's Principal Contracting Officer. These employees are authorized to execute awards that do not exceed the spending limitations cited in their delegations of authority for the departments indicated by their Unit Directors. Procurements valued over the spending limitations in delegations of authority, or that otherwise require review by OCon&PPM, must be submitted to OCon&PPM for review and approval.

4. Page 8, Figure 2, *Compliance with Smithsonian Training Requirements*:

Comment:

The report would be more useful if the following information were reflected. The information provides context and would help readers understand the numbers and percentages of employees who have complied with the OCon&PPM training requirements as shown in the report.

- A. The numbers for employees in the *'Should have Attended'* column are not adjusted for:
- Training waived by OCon&PPM for courses completed by contract specialists and ancillary procurement staff prior to SI employment and accepted in lieu of OCon&PPM required training;
 - Training waived by OCon&PPM for employees considering their SI positions and/or prior work experience in contracting and procurement activities; and/or
 - Self-sponsored training completed by employees and considered to satisfy OCon&PPM training requirements.
- B. The accuracy of the number of simplified acquisition COTRs who *'Should have Attended'* training could not be verified by the OIG or OCon&PPM.

It would be helpful if Figure 2 on page 8 reflected the information contained in footnote 6 on page 11. The table in Figure 2 does not reflect that 403 (91%) of 445 employees who *'Should have Attended'* the required class to be eligible to serve as COTRs on awards over \$100,000 and IT awards of any dollar amount, did complete the advanced COTR training class.

RECOMMENDATIONS

Recommendation #1:

Establish and implement a contract specialist training policy and supporting procedures modeled on FAC-C training standards and tailored to satisfy Smithsonian procurement practices.

Comment: Concur

Planned Action:

- A. OCon&PPM will complete its review of responses by contract specialists to the OIG-conducted survey questions to ascertain what types of desired training were most frequently indicated.
- B. OCon&PPM will again review Federal Acquisition Institute (FAI) curricula for each of the FAC-C levels of certifications and as well as contracting-related curricula of non-governmental training facilities, and contract management conferences and contracting profession networking opportunities.
- C. Assessments of information obtained through actions in 1.A and B above will be conducted by managers in the contracting offices who will then prioritize contracting-related classes and conference/networking attendance.
- D. Training schedules for each contract specialist will be established by supervisors in Individual Development Plans considering both the Smithsonian's and employees' needs.

Target Date: July 30, 2011

Recommendation #2:

Finalize and implement the PCPM in a timely manner. The PCPM should include training requirements for all members of the acquisition workforce and tailored to satisfy Smithsonian procurement practices.

Comment: Concur

Planned Action:

PCPM 1, Introduction and Acquisition Management Oversight, will clearly cite the Smithsonian contracting and procurement related training requirements for ancillary procurement staff. PCPM 1 will be issued by the end of calendar year 2010, with section(s) reserved for Acquisition Career Management procedures that are to be decided concurrent with actions listed for Recommendation No. 1 above.

Target Date: December 31, 2010

Recommendation #3:

Review OIG survey results and the OCon&PPM contractor's review findings to identify training needs, including developing statements of work and sole-source justifications, and design or modify training courses to address these needs.

Comment: Concur

Planned Action:

- A. OCon&PPM will complete its review of responses by ancillary procurement staff to the OIG-conducted survey questions to ascertain the types of training most frequently indicated.
- B. OCon&PPM shall review the extent to which statements of work, evaluation criteria, and sole-source justifications are covered in its Simplified Acquisition classes (basic, advanced and refresher). Instructors will be requested to increase emphasis on these procedural requirements.
- C. OCon&PPM will continue to promote availability of the *Developing Statements of Work* classes to all Smithsonian employees. The OCon&PPM class schedule posted on Prism will be revised to reflect that all procurement delegates are required to complete a *Developing Statements of Work* class.

Target Date: November 30, 2010

Recommendation #4:

Create a process to monitor and enforce compliance with training requirements.

Comment: Concur

Planned Action:

A. OCon&PPM is examining the possibility of establishing a field in ERP whereby employees who process procurement actions will be able to verify if employees selected for COTR appointments have completed required training. The feasibility of implementing this action, or need for an alternative action, could be determined by the end of 2nd Qtr, FY 2011. It may be necessary to identify funding before a system customization can be implemented.

Target Date: March 31, 2011

B. Employees who are delegated procurement authority are required to complete procurement-related training classes at no cost to the units. OCon&PPM will continue to promote its training classes to all Smithsonian employees and keep the training schedule up-to-date and posted on the OCon&PPM Prism website. OCon&PPM will also continue to transmit an SI-wide email message at the beginning of each month to inform employees of classes scheduled in the succeeding month in which chairs remain available.

C. OCon&PPM has already completed a review of procurement delegates' training records and determined which employees have not fulfilled the training requirements for their current levels of delegated authority. When it is determined that training requirements have not been fulfilled OCon&PPM notifies employees that they are pre-registered in the required training class(es) and requests a response from employees to confirm attendance.

Target Date: October 1, 2010 (on-going)

Please direct any questions you may have regarding this response to Curtis B. Sanchez, OCon&PPM, for a coordinated response. Curtis may be reached by telephone at 202.633.7294 or via email at SanchezC@si.edu.

APPENDIX E. CONTRIBUTORS TO REPORT

The following individuals from the Smithsonian Office of the Inspector General contributed to this report:

Daniel R. Devlin, Assistant Inspector General for Audits
Brian W. Lowe, Supervisory Auditor
Teena R. Propst, Senior Auditor
Katie L. ~~7INPERI~~, Auditor
Mark E. McBride, Auditor