

STATEMENT OF
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OFFICE OF MANAGEMENT AND BUDGET
BEFORE THE
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON TECHNOLOGY, INFORMATION POLICY,
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Chairman Lankford, Ranking Member Connolly, and members of the Committee, I appreciate the opportunity to appear before you today to discuss the importance of strengthening the federal government acquisition workforce. A capable and appropriately sized workforce serving as stewards of taxpayer dollars is a critical element in providing better acquisition outcomes and improving government performance. This Administration has accomplished much in this area, and I look forward to sharing with you the concrete progress we've made on a number of important workforce initiatives.

Between FYs 2000 and 2008, spending on contracting doubled while the size of the acquisition workforce remained essentially flat. This lack of capacity has caused harm at every step of the acquisition process, from inadequate communication with industry, poor definition of the government's requirements, unjustified sole-source contracting, and poorly-run competitions, to failure to adequately oversee the contractor and ensure that it delivers what it committed to, in terms of cost, schedule, and performance.

To reverse this trend, it has been a top priority of this Administration to make sure agencies apply fiscally responsible acquisition practices that cut contracting costs and better protect taxpayers from cost overruns and poor performance. The President's March 2009 directive to improve federal procurement practices has instilled a new sense of accountability in agencies and fostered the recent Campaign to Cut Waste. While there is much left to be done, there are clear signs of progress.

- **We have stopped uncontrolled contract spending.** In FY 2010, spending on federal contracting decreased for the first time in 13 years –by nearly \$15 billion when compared to the amount spent in the prior year and \$80 billion less than what would have been spent had contract spending continued to grow at the same rate it had under the prior Administration. As agencies complete the validation of their contract data covering the past fiscal year, we expect it will show that FY 2011 spending remained near the FY 2010 lower levels.
- **We are buying smarter.** We have reformed the way the government buys everyday commodities, such as office supplies and overnight delivery services, so that we are – finally

– leveraging the federal government’s purchasing power as the world’s largest customer to deliver a better value for the American taxpayers. Increased use of government-wide contracts for these requirements saved nearly \$30 million for domestic delivery services and \$18 million for office supplies in FY 2011. Our savings from strategic sourcing will grow larger as agencies across the government pool their resources for print management services, wireless plans, and software licenses.

- **We are paying closer attention to our large and complex projects, particularly in the IT arena.** As a result of our collaboration with OMB’s Office of E-Government and Information Technology in implementing the “25 Point Implementation Plan to Reform Federal Information Technology Management” and consistent with our “Myth-Busters” campaign to increase and improve communication with vendors, agencies are working to conduct more open communication with industry before a solicitation is issued to better understand how the marketplace can meet our needs. In addition, new guidance issued by the Office of Federal Procurement Policy (OFPP) has provided agencies with a roadmap to establish specialized acquisition cadres that can concentrate on information technology purchases and the challenges unique to this critical class of acquisitions. OMB and the agencies have conducted “TechStats” to diagnose the causes of underperforming IT projects and get them back on track and “AcqStats” to identify opportunities for systemic improvements in the acquisition process for IT and other investments.
- **We are paying closer attention to inherently governmental and critical functions.** We have issued the final policy letter on how agencies should manage the performance of inherently governmental and critical functions. As part of acquisition planning, agencies must confirm that services being procured do not include work that must be reserved for performance by Federal employees and, if services will be performed by contractors, that the agency will be able to manage the contractors appropriately. If agencies determine that an overreliance on a contractor has occurred after award, they may need to rescope the contract, increase agency management and oversight of the contract, or insource a portion of the work.
- **We are stepping up accountability.** We have given our contracting officers a new tool -- the Federal Awardee Performance and Integrity Information System -- to provide them with broadened access to information about the integrity of contractors -- including suspensions and debarments, contract terminations, and contractor disclosure of adverse criminal, civil, and administrative actions -- so that they can more easily determine whether a company is playing by the rules and has the requisite integrity to do business with the government. Additionally, we have continued to make concerted efforts to address the issue of contractors receiving federal contracts notwithstanding tax delinquencies, and have increased the amount collected from contractors owing tax debts -- more than \$110 million in FY 2010. And, we are tracking spending at the subcontractor level on USASpending to ensure unprecedented transparency.
- **We are buying more from small businesses.** In FY 2010, the federal government awarded nearly \$100 billion in government contracts to small businesses, which is equivalent to

22.7% of total eligible dollars. This marks the largest two-year increase in over a decade and the second consecutive year of increases after three years of decline. Even more opportunities will open up as we unveil new small business buying tools and modernize existing ones. These actions are enabling agencies to reap the benefits of the innovations and skill that small businesses bring to the federal marketplace. And when we do buy from small businesses, we are making sure that they get paid faster. Earlier this fall, OMB issued a memorandum directing agencies to begin accelerating payments to small business contractors. Agencies have already begun to implement this policy, cutting the time in which they pay small businesses by up to half in many cases. This is getting money back in the hands of small businesses faster, improving their cash flow and allowing them to reinvest funds in their business.

Sustaining these important efforts, as well as achieving success with new efforts to cut unnecessary and wasteful spending depends on a capable and competent acquisition workforce. More than just contracting personnel, the acquisition workforce also includes Project and Program Managers who define requirements, Contracting Officer's Representatives (CORs) who oversee performance of the contracts, and often other subject-matter experts - all of whom work together to realize savings and reduce contract risks. Our contracting and program offices must understand the marketplace and work collaboratively to clearly describe the government's requirements in a way that can generate robust competition – our most effective tool for achieving best value for the taxpayer. Led by our contracting officers, our acquisition teams must be able to negotiate lower prices, favorable contract terms, and the right incentives to ensure that contractors control their costs and perform efficiently. The acquisition workforce is also critical in implementing our new policy on inherently governmental and critical functions. They play a vital role both prior to contract award by confirming that services do not include work that must be reserved for performance by Federal employees, and after contract award by addressing issues where an overreliance on contractors may have occurred.

Once a contract is awarded, a staff of well-trained CORs is critical for contract management as they ensure that contractors perform as promised and work to take corrective action to address performance shortfalls. When use of a higher-risk vehicle, such as a cost-reimbursement contract, is justified, the acquisition workforce must be able and ready to deploy the broader range of management skills these contracts demand – including finance, accounting, cost and price analysis, and program management. For highly complex contracts, such as those for IT systems and services, the same acquisition team of key experts and stakeholders that worked to develop the requirement must remain active in evaluating all aspects of the project, and ensuring delivery of promised functionality.

OMB has been at the forefront of efforts to strengthen the acquisition workforce, including creating a senior-level position within OFPP whose primary focus is on improving the acquisition workforce. I'd like to bring your attention to a few of our achievements in strengthening the acquisition workforce.

In October of 2009, OMB issued its Acquisition Workforce Development Strategic Plan which requires agencies to perform comprehensive human capital planning specifically for their acquisition workforce. This planning requires agencies to analyze their acquisition workforce, determine skill gaps, and address training and developmental needs, with the ultimate goal of increasing the competence of the workforce. The result is that agencies better understand how acquisition can strategically contribute to accomplishing the agencies' mission and can tie acquisition more closely to agency budget processes.

Our efforts to strengthen the acquisition workforce included requests in both the FY 2011 and FY 2012 Budget to increase the capacity, capability, and effectiveness of the civilian agency acquisition workforce. Agencies have experienced some success in building the capacity of their acquisition workforce; the number of civilian agency contracting professionals in the GS-1102 series grew by six-and-a-half percent from FY 2009 to FY 2010 and the number of Department of Defense GS-1102s grew by slightly less. Identifying CORs and Project and Program Managers at civilian agencies has been more challenging. Because these functional groups do not have their own occupational series and because they typically are not located in the contracting office, they are not easy to identify. Through a focus on these important segments of the acquisition workforce and the introduction of a new system to track them, the identification of CORs and Project and Program Managers has significantly improved since FY 2009 and is continuing to improve. By identifying these workforce members, we can ensure they are trained and certified in accordance with our certification programs, resulting in a more competent workforce.

OMB has given particular attention to skills associated with acquisition planning and contract management. For too long, because of insufficient numbers of contracting professionals, we have focused so much on awarding contracts that we have neglected acquisition planning and contract management, both of which are important in obtaining successful acquisition outcomes. Too often, agencies have taken old requirements, dusted them off and reused them, instead of reviewing them to see if they meet their current needs. By taking time to develop appropriate requirements, agencies can increase competition, get better pricing and obtain a more effective acquisition solution. Now, after years of inattention, we are restoring the capacity of contracting professionals to plan effectively and negotiate aggressively, and building the capability of those responsible for contract management to ensure vendors meet their contractual promises. I'd like to provide a few examples of our accomplishments in these areas.

In February, 2011, OMB issued a memo on "Myth-Busting," part of OMB's 25 Point Plan, which addressed misconceptions impeding communication with industry during the acquisition process. As we visited various federal agencies, we learned that far too frequently there was little meaningful contact with industry during market research. Our industry partners are the experts in what solutions are available in the marketplace, so we encouraged productive interactions between federal agencies and industry to ensure that the government clearly understands the marketplace and can award a contract or order for an effective solution at a reasonable price. Since issuance of the memo, we have performed significant outreach to

kickstart the conversation on how to effectively engage vendors during acquisition planning. The Federal Acquisition Regulation (FAR) authorizes many avenues of vendor communication, but contracting officers are reluctant to take advantage of the flexibilities, perhaps because they are overworked, out of fear of protests, or for other reasons. We have been encouraging agencies to develop practices that will ensure early, frequent, and constructive communication during the acquisition process. Agencies have embraced our guidance and many agencies have already posted their vendor communication plans on their public webpages. We have plans to address both industry myths and vendor-friendly contract strategies in the future in order to continue the conversation and effect even better acquisition outcomes.

In July, 2011, OMB issued guidance for specialized IT acquisition cadres, also part of OMB's 25 Point Plan. The concept of developing specialized IT acquisition cadres was primarily driven by the fact that far too often, federal IT acquisitions are plagued by budget overruns, missed milestones, and/or failure to deliver expected functionality. Our guidance addressed how to organize a specialized IT acquisition cadre, what functions should be included in the cadre, and how to strengthen cadre skills and capabilities. We suggested that various support staff members could help improve program outcomes, such as customer liaisons, commodity experts and cost/price analysts, because they could focus on specific areas of acquisition and take the burden off of our overworked contracting professionals. We encouraged members of cadres to gain knowledge and skills in their specialized area by training, obtaining on-the-job experience, or by pursuing developmental activities. In developing the guidance, we visited many agencies, some of which already had notable success in developing specialized IT cadres. For example, the Department of Veterans Affairs demonstrated that acquisition outcomes can be positively affected by customer liaisons and collaboration, key tenets of specialized cadres. To be more specific, at the Department's Technology Acquisition Center, an Acquisition Rapid Response Office is the first stop for procurement requests. A team comprising the procurement coordinator, contracting officer, contract specialist, and engineer works with the customer to clarify, improve, and assist in developing the requirement. Spending time in developing the requirement up front pays off with a better acquisition solution, particularly with high-risk and complex procurements. The idea of developing a cadre for contracting professionals working in a specialized area, while particularly helpful for large IT acquisitions, may be beneficial for other specialized program areas as well. For example, the National Institutes of Health, in the Department of Health and Human Services, developed a cadre around the acquisition of highly scientific services. The National Institutes of Health reports that having contracting professionals partner closely with their Ph.D./M.D. scientific customers improves everyone's understanding of how results from one contract affect the overall program which ultimately results in better acquisition outcomes. Agencies have analyzed their current IT acquisition management staffing challenges to determine if they will either implement or expand the use of specialized IT acquisition cadres, how they will resource the cadres, how they will train and develop the cadres, and how they will measure success.

We also recognize the importance of strengthening contract management. In September, 2011, OMB issued an update to the Federal Acquisition Certification for CORs, which applies to civilian agency CORs. These updated certification standards reflect OMB's recognition of the

important role of CORs in ensuring that contractors meet the commitment of their contract and the fact that CORs are increasingly asked to manage high-value, complex contracts that involve varying degrees of risk. The revised Federal Acquisition Certification for CORs incorporates three levels of certification, with Level III reserved for CORs assigned to the most complex and mission-critical contracts within the agency. To maximize the effectiveness of the COR, we encouraged agencies to provide mentors to CORs to help them develop their capabilities, encouraged CORs and contracting officers to work closely together, and encouraged agencies to rate their CORs on their COR duties, which are often collateral duties, as part of their annual performance review.

In addition to these initiatives, I'd like to briefly highlight a few other activities that we have initiated over the past two years:

- The Federal Acquisition Institute and OFPP have hosted a number of learning events, for instance, a recent Acquisition Learning Webinar on the new FAC-COR and best practices for CORs. It was a huge success, with 5600 individuals from across the country logging in to participate.
- Several months ago, a group of newer acquisition professionals from the Department of Education came to brief me on their concept for a "Rising Acquisition Professionals Community," which they call "RAP-C." They said they wanted to connect with their peers at other federal agencies and were willing to host learning and networking events. I was impressed with their plan and pledged OMB's support; with that, a community of new acquisition professionals was born. Since then, the Rising Acquisition Professionals Community has held several networking events and even developed a page on Facebook. We envision an ever-widening network of new and engaged contracting professionals.
- OFPP has several forums for sharing acquisition improvement initiatives and best practices: a monthly teleconference with Senior Procurement Executives, a quarterly Front Line Forum with front line contracting professionals from across the federal government, and a monthly "Notes from the Administrator."
- OFPP holds acquisition status ("AcqStat") sessions with each large agency to find out how our initiatives are improving overall acquisition outcomes and contributing to mission success, and to share best practices among agencies.

In addition to these government-wide initiatives, individual agencies have developed their own initiatives as part of their acquisition human capital planning. OFPP's Associate Administrator for Acquisition Workforce Programs works closely with the Federal Acquisition Institute, Defense Acquisition University, and individual agencies to leverage resources and share best practices in strengthening the acquisition workforce. Again, I'd like to highlight a few:

- Many agencies, such as the Department of Veterans Affairs and the Department of Homeland Security are using intern programs to provide structured paths for training and development.
- The Department of Education has an on-boarding program in which new acquisition workforce members are more formally integrated into the acquisition office and provided a path ahead for training and development.
- Many agencies are developing specialized agency training for their acquisition workforce, including cross-training of the various functions to improve collaboration and communication. The Department of the Interior and the National Aeronautics and Space Administration both have periodic webinars in order to reach acquisition workforce members around the country.
- Finally, many agencies, such as the Department of Health and Human Services, the Department of the Interior, and the Department of Homeland Security, bring their acquisition workforce together at an agency procurement conference. They bring in various speakers to provide focused training and networking opportunities to their acquisition workforce members. Where capacity is available, they frequently invite acquisition workforce members from other agencies to attend as well, which helps to leverage training resources.

As stewards of the taxpayer dollars, we are responsible for ensuring that agencies are achieving the best results possible from their contractors. As my tenure as OFPP Administrator draws to a close, I look back with great pride on the accomplishments that the acquisition workforce has made over the past two years to eliminate waste and get better value for our taxpayers – by buying less, buying smarter, reducing unnecessary risk from contracts, increasing opportunities for small business contractors, and strengthening the workforce's ability to negotiate better deals and hold contractors to their promise of delivering on time and on budget. I have great confidence that my OFPP colleagues, along with our agency acquisition professionals, will sustain and build on this progress.

I thank the Committee for its leadership and support during my tenure and look forward to seeing the continued improvements that will be made to our federal acquisition system through the collaborative efforts of this Committee, other members of Congress, OMB, and our procuring agencies.

This concludes my remarks. I am happy to answer any questions you may have.