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REPORT BY THE  
**Comptroller General**  
OF THE UNITED STATES

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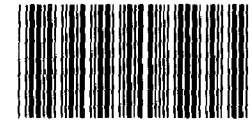
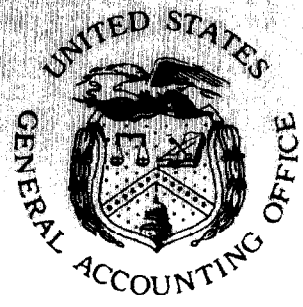
**Progress Of Federal Procurement  
Reform Under Executive Order 12352**

The President issued Executive Order 12352 in March 1982 to reform Federal procurement by

- establishing a system in each agency to manage procurement,
- simplifying the procurement process,
- developing a professional work force, and
- increasing use of competition.

A comprehensive plan has been developed and considerable work to design the reforms is ongoing. In addition, an official, referred to as the Procurement Executive, has been appointed in each agency to manage its procurement system. However, agencies have not given Procurement Executives the complete system responsibilities or authority to carry out the Executive order's reforms.

This report recommends several executive and legislative actions to improve agency response and strengthen reform leadership.



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COMPTROLLER GENERAL OF THE UNITED STATES  
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B-211529

The Honorable William S. Cohen  
Chairman, Subcommittee on Oversight  
of Government Management  
Committee on Governmental Affairs  
United States Senate

Dear Mr. Chairman:

This is our first report in response to your Subcommittee's request that we keep it informed on progress of procurement reform under Executive Order 12352. It reviews the background and goals of the Executive order, assesses agencies' responses to date, and recommends Executive and Legislative actions to improve implementation.

As arranged with your Office, copies of this report are being sent to interested congressional committees, the Director, Office of Management and Budget, the Administrator for Federal Procurement Policy, heads of executive agencies and others having management responsibility for the matters discussed. Copies will also be made available to other interested parties upon request.

Sincerely yours,

A handwritten signature in cursive script that reads "Charles A. Bowsher".

Comptroller General  
of the United States



D I G E S T

The President issued Executive Order 12352 in March 1982 to reform Federal Procurement. The Executive order has four goals

- establishing a system in each agency to manage procurement,
- simplifying the procurement process,
- developing a professional work force with latitude to use business judgment and initiative, and
- increasing the use of competition.

The Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs, has asked GAO to report during this Congress on the progress achieved and on any recommendations for improvement.

In its review, GAO visited twelve agencies including the largest ones. Collectively, they spend 97 percent of Government procurement dollars. Twelve additional agencies responded to written inquiries on the status of their Executive order implementation.

IMPLEMENTATION OF THE EXECUTIVE ORDER

As directed by the Executive order, the Office of Management and Budget and its Office of Federal Procurement Policy are working jointly with agencies to develop broad policy guidance for the reforms. They have developed a comprehensive plan and established interagency task groups who are designing guidance for the system reforms. (See pp. 5-7.)

Approved guidance on one key system reform has been available for implementation since July 1982. This first reform lays the foundation for the remaining ones. It provides for a Procurement Executive in each agency with system-wide responsibilities and authority. This authority may be delegated to operating levels.

Even though the agencies have appointed Procurement Executives, most have not implemented the policy guidance that governs Procurement Executive duties and authority. They also have not delegated authority to operating levels where the reforms must be made. (See pp. 10-14 and 19-21.)

#### PROBLEMS HINDERING REFORM IMPLEMENTATION

The broad based participatory approach being used to implement the order is generally sound. However, GAO has observed several problems.

First, the commitment of agency heads to the reform effort has not been demonstrated, and agency officials interviewed by GAO believe they do not have to follow the policy guidance stemming from the Executive order. (See pp. 8 and 26.)

Second, feedback from the agencies on problems in implementing the reforms is insufficient. Progress reports to the President have tended to stress accomplishments. These reports would be more effective if they also identified problems and actions taken to improve the situation. (See p. 24.)

Third, the interagency task groups established to design the reforms are experiencing difficulties in meeting their objectives because members are required to give priority to their responsibilities at the agencies. (See p. 8.)

Fourth, the executive focal point of leadership does not have decisionmaking authority to carry out its responsibilities. (See p. 25.)

#### THE OFFICE OF FEDERAL PROCUREMENT POLICY NEEDS DECISIONMAKING AUTHORITY

In 1979, the Congress removed the Office of Federal Procurement Policy's authority over agency regulations pending development of a Uniform Federal Procurement System. The Policy Office developed this system last year.

The authority should now be restored. It is especially needed in view of the fact that the Executive order did not establish a strong

implementing mechanism or give the Policy Office decisionmaking authority. Further, there is no decisionmaker among the agencies responsible for putting together a simplified, Government-wide procurement regulation. (See p. 26.)

Over the last few years the Office of Federal Procurement Policy has assumed a new role of procurement system development and assistance. GAO believes the Congress should update the Policy Office's statute to (1) recognize this new role and (2) authorize the Office to prescribe criteria for acceptable procurement systems. (See p. 26.)

To better assure agency head performance in support of these system reforms, the management obligations imposed on the agencies by the Executive order should also be covered by this statute. (See p. 28.)

In addition, the Office of Federal Procurement Policy should have the authority to test initiatives aimed at streamlining the procurement process. (See p. 28.)

#### ADDITIONAL ISSUES

As the Executive order charges agency heads directly with implementation, they are responsible for determining how effectively the order's reforms are being implemented in their respective agencies. Internal agency review and feedback are needed to fulfill this Executive order responsibility.

Once the agencies implement their procurement systems, the Executive order requires a certification that these systems meet approved criteria. The GAO report includes some suggestions to achieve objective evaluation of the procurement system, effective resolution of shortcomings, and followup. (See p. 25.)

Another agency responsibility under the Executive order is the development of a professional work force. Since only 4 of the 12 agencies GAO visited had career management programs and the educational level of new

contracting officers is declining, early attention should be given this requirement. (See pp. 16-19.)

#### RECOMMENDATIONS TO CONGRESS

The Congress is now considering reauthorization of the Office of Federal Procurement Policy and the extent of its authority. The Congress should provide:

- (1) Decision authority for the Policy Office to  
  
prescribe, where necessary, Government-wide criteria for an acceptable procurement system,  
  
oversee the new Government-wide procurement regulation, and  
  
conduct tests of innovative concepts and methods to streamline procurement and increase competition.
- (2) Recognition of the role of assisting the agencies in developing their procurement systems.
- (3) A statutory basis for the agency management responsibilities spelled out in the Executive order.

#### RECOMMENDATIONS TO OFFICE OF MANAGEMENT AND BUDGET DIRECTOR

The Office of Management and Budget Director should

- Ensure that agency administrators are aware of their responsibilities to
- (1) establish a management structure throughout their agencies with complete procurement system responsibilities,
  - (2) dedicate enough time and talent to designing reform guidance,
  - (3) adopt the substance of reform guidance being issued under the Executive order, and
  - (4) conduct an internal review of the effectiveness of agency implementation.



--Use progress reports to the President on the Executive order as a vehicle to encourage implementation by reporting both progress and problems and furnish copies of these reports to the Senate Governmental Affairs and House Government Operations Committees. The reports should be based upon the actual agency response to guidance stemming from the Executive order. Agency feedback for this report should describe the extent of implementation and reasons for any delay.

#### AGENCY COMMENTS

The Office of Management and Budget appraised the report overall as good and agreed with many of the recommendations. It disagreed with two recommendations that would give additional authority to the Office of Federal Procurement Policy. It said regulatory authority and the authority to prescribe criteria for acceptable procurement systems would permit the Executive Office of the President to interfere with agency head responsibilities. (See p. 30.)

GAO believes the Policy Office will need authority to oversee a new Government-wide regulation and prescribe system criteria if it is to have a leadership role in formulating basic rules for the new system. While existence of Government-wide criteria would affect the range of discretion available to each agency to devise their procurement systems, these criteria will be formulated with full agency participation and with opportunities to adjust based on operating feedback. GAO does not consider the issuance of basic criteria that governs the general operating framework of procurement systems as an unwarranted interference with agency management prerogatives.



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#### ABBREVIATIONS

CCMA	Cabinet Council on Management and Administration
COGP	Commission on Government Procurement
DOD	Department of Defense
EPA	Environmental Protection Agency
GAO	General Accounting Office
GSA	General Services Administration
HHS	Department of Health and Human Services
HUD	Department of Housing and Urban Development

NASA	National Aeronautics and Space Administration
NLRB	National Labor Relations Board
NSF	National Science Foundation
OFPP	Office of Procurement Policy
OMB	Office of Management and Budget
OPM	Office of Personnel Management
SBA	Small Business Administration
TVA	Tennessee Valley Authority
USDRE	Under Secretary of Defense for Research and Engineering
VA	Veterans Administration



## CHAPTER 1

### INTRODUCTION

The President's Executive Order 12352 of March 1982 activated a series of Federal procurement reforms. The Subcommittee on Oversight of Government Management, Senate Committee on Governmental Affairs, requested information during this Congress on the progress of these reforms. (See app. I.)

#### HISTORY OF EXECUTIVE ORDER 12352

In 1974, Congress, acting on the key recommendation of the Commission on Government Procurement, created the Office of Federal Procurement Policy (OFPP) within the Office of Management and Budget (OMB). The purpose was to provide executive branch leadership and coordination over Federal procurement which had expanded in scope and complexity and had grown to over \$100 billion annually.

During OFPP's first five years, it created the Federal Acquisition Institute to assist the agencies with work force problems. It also initiated several changes in policy dealing with major system acquisitions, greater use of commercial products and a single government-wide procurement regulation.

In 1979 reauthorization hearings, the Congress concluded that OFPP activities lacked focus and direction. Congress directed OFPP to develop a uniform, comprehensive, innovative procurement system for use by the Federal agencies without regard to current barriers or statutory requirements.<sup>1/</sup> In October 1980, OFPP submitted its first proposal to the Congress. It stressed issues rather than systems and lacked the backing of the key agencies and the Administration. Congress took no action on the 1980 proposal.

In February 1982, OFPP submitted to the Congress a proposal to replace the earlier submission. It integrated procurement and management system components and included desired changes in legislation.<sup>2/</sup> Following this submission, on March 17, 1982, the President's Executive Order 12352 established those parts of the proposed system that did not require legislative action (See

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<sup>1/</sup>House Committee on Government Operations, "Office of Federal Procurement Policy Act Amendments of 1979", Rpt. 96-178 (May 15, 1979), pp. 1, 8 and 9.

<sup>2/</sup>Final legislative amendments were submitted to the Congress in a special supplement on April 30, 1982.

app. II.) The Executive order charges OMB and OFPP, working jointly with the agency heads, to provide the leadership, policy guidance, and coordination necessary to achieve the system reforms.

The systemic problems which the Executive order is designed to correct are:

- Complexity. The procurement process is so complex and over regulated that users of products and services often do not get what they need when they need it. Suppliers are similarly frustrated.
- Inadequate Competition. Competition is curtailed by procurement complexities, funding constraints, restrictive specifications, limited market knowledge and planning, and absence of contracting officer independence.
- Lack of Professionalism. Most agencies have not established adequate career management programs to assure a fully professional work force able to effectively procure needed products and services from the private sector.
- Insufficient Management. There is not enough management attention given to procurement; no one is in charge of the complete system; meaningful standards of performance do not exist; flow of authority and responsibility is not clear; and accountability for results is lacking.

#### INITIAL STEPS TAKEN

After a series of planning sessions with the Federal agencies, OFPP formed an Executive Committee in May 1982 to assist in managing reform implementation. The Executive Committee is composed of representatives from the eight largest procuring agencies, plus the Small Business Administration and the Office of Personnel Management. In June 1982 the Executive Committee chartered six interagency task groups to begin work on the Executive order. They were charged with designing guidance to assist all agencies in implementing the Executive order.

#### OBJECTIVES, SCOPE, AND METHODOLOGY

Our objective was to review the progress of procurement reforms that are currently underway to carry out Executive Order 12352. The review was conducted in accordance with generally accepted government auditing standards. The period of review was February through April 1983.

We reviewed progress reports to the President, minutes of Executive Committee meetings, and visited 12 agencies. Nine of these agencies were selected on the basis that they had the largest dollar value procurement and the remaining three were selected from the smaller agencies. These agencies accounted



for over 97 percent of Federal procurement dollars. We obtained information from the Procurement Executives of these 12 agencies about their new system responsibilities and their agencies' planned and actual response to the order. We also obtained similar information in writing from a number of smaller agencies. We contacted interagency task groups developing policy guidance under the Executive order and compared their progress with initial work plans. Finally, we obtained views of these interagency groups on (1) prospects for successfully completing their tasks and (2) implementation issues.

#### ORGANIZATION OF REPORT

Chapter 2 reviews the process, underway for about a year, to design Executive order reforms. Chapter 3 discloses results of the first reform to establish agency management structures and complete system responsibilities. This includes appointing a Procurement Executive with system-wide responsibilities such as clarifying lines of contracting authority and developing the agency's procurement work force. Chapter 4 assesses overall progress to date and the further actions that need to be taken to implement the reforms.

Figure 1-1 shows the Executive order's requirements and summarizes their current status.

## FIGURE 1-1

### EXECUTIVE ORDER 12352

<u>OBJECTIVE</u>	<u>REQUIREMENTS</u>	<u>STATUS</u>
1. Establish a management system for decentralized procurement operations.	● Designate Procurement Executives to oversee procurement system and workforce development, evaluate performance and certify that agency procurement systems meet approved criteria (sec. 1(i)).	Procurement Executive appointments made but agency heads have been lax in issuing operating charters and in delegating to operating levels.
	● Establish criteria for effective system performance (sec. 1(c)).	In development.
	● Establish clear lines of contracting authority and accountability (sec. 1(g)).	In development.
2. Simplify the procurement process.	● Strengthen agency reviews for balancing program needs against priorities and available resources (sec. 1(b)).	OMB has taken no action on this requirement.
	● Establish program to eliminate unnecessary regulations, paperwork, reporting, solicitation provisions, contract clauses, etc., (sec. 1(a)).	In development.
	● Establish programs to simplify small purchases and minimize burdens on small business (sec. 1(e)).	In development.
	Consolidate common regulations into a single, simplified regulation (FAR) by Dec. 1982 (sec. 2).	Planning version published on Dec. 1982. Completed version to be distributed Oct. 1983 with effective date Apr. 1984.
	● Identify burdensome inconsistencies in law and policies, coordinate with agencies and submit legislation to resolve (sec. 4(f)).	In development.
3. Obtain more effective competition.	● Establish timely payment procedures, especially for small business (sec. 1(f)).	Legislation overtook Executive Order--OMB circular A-125 and agency regulations issued in 1982.
	● Establish criteria to enhance competition and limit non-competitive procurements by such actions as expanding purchase of commercial products, eliminating/simplifying specifications and using functional type specifications (sec. 1(d)).	In development
4. Develop a professional workforce.	● Establish career management programs that will result in highly qualified, well managed professional workforce (sec. 1(h)).	In development.
	● Ensure that personnel policies and classification standards meet agency needs for a professional workforce (sec. 3).	OPM and agencies still reconciling differences.
5. Provide reform leadership.	● OMB/OFPP, working jointly with agency heads, provide leadership, broad policy guidance and coordination (sec. 4).	Active program underway; agency options as to use of policy guidance need further clarification.
	● Keep the President informed of progress and accomplishments (sec. 4(g)).	President has been sent 3 progress reports.

## CHAPTER 2

### PROCUREMENT SYSTEM DESIGN

Under OMB/OFPP leadership, interagency task groups were formed to develop policy guidance for system design and implementation. Agencies are to use this guidance to implement procurement system changes with a minimal investment of time and resources. In this chapter, we discuss the design effort and the progress of the task groups to date.

#### NATURE OF PRODUCTS

OFPP suggested that each task group issue policy guidance in the form of "modules" or segments promptly, rather than wait until they complete all their work. This is to encourage agencies to begin implementing the Executive order more quickly.

For each module in the final product, OFPP's format calls for identification of the problem and action needed to improve the situation. Task Group products will be categorized as follows:

##### A Actions

Those that can be implemented by agency heads with no change in law, regulation, or policy beyond the control of the agency head.

##### B Actions

Those whose implementation depends upon changes in governing regulation or policy documents.

##### C Actions

Those whose implementation depends upon changes in statute. In these cases OFPP will develop an administration position for transmission to the Congress.

When the Executive Committee receives the products, it will consider them in light of several criteria. Specifically these are accuracy of underlying statements, feasibility, usefulness, clarity of the guidance, and whether it is consistent with the Executive order. If the committee finds the guidance lacking, it will designate a committee member to complete the product. Once products are approved by the Executive Committee, the OMB Director or Deputy Director will forward them to agency heads for action. Those products requiring high level visibility, review, and approval as a result of significant resource implications or legislative action will first be put on the agenda of the Cabinet Council on Management and Administration. The council is composed of selected agency heads who meet regularly to act on Government-wide management improvements.

TASK GROUP PROGRESS

The interagency task groups, formed to develop reform policy guidance, are headed by high level agency procurement experts, four from the Department of Defense and two from civil agencies. Figure 2-1 shows the number of products being developed by each of the six task groups as well as their estimated dates of completion. The last column shows any current slippage based on milestones in original work plans.

FIGURE 2-1

**PROGRESS OF INTERAGENCY TASK GROUPS**

Task Group	Approach	No. of Subgroups	No. of Products	STATUS OF PRODUCTS						
				Organizing	Scoping	Developing	Under Executive Committee review	Available for implementation	All completed (EST)	Current schedule slippage
1. Design Procurement Executive Charter	Rely on expertise of group		1					7/82	7/82	
2. Establish clear lines of authority	Rely on expertise of group	4	1			1	1		(6/83)	3 months
3. Develop procurement system criteria	Combination of research, analysis of procurement process, and group expertise	2	2			2	1		(6/83)	none
4. Reduce costs and burdens (Simplify process)	Survey private sector Assess DOD initiatives for wider application	6	19			19			(6/83)	none
5. Simplify small purchases	Surveys and analyses		2			2			(12/83)	3 months
6. Develop career management programs	Combination of group expertise and existing programs	10	10			10			(6/83)	none

Task Group One, as Figure 2-1 shows, has completed a Model Charter for an agency's newly appointed Procurement Executive. This charter outlines the system-level responsibilities to be assumed by the Executive.

Task Group Two is to establish clear lines of contracting authority and accountability, and is about three months behind schedule. It presented preliminary material to the Executive Committee in November 1982, and planned to obtain comments from the Committee on a full draft by January 1, 1983. The group did not release this draft until late March. The draft outlines management concepts and models of management structures with lines of authority for different types of organizations. Because of organizational variations, the group will provide options to avoid agency structural upheaval.

Task Group Three is to develop criteria as to an acceptable procurement system. The agencies are to adapt these criteria to their operations and specify performance levels. The group has submitted draft criteria for evaluating and certifying an agency's procurement system and plans to have a final product by June 1983.

Another part of Task Group Three's effort is to develop criteria for enhancing competition and limiting noncompetitive contract awards. A separate subgroup is focusing only on this Executive order requirement. Its product was distributed to the Executive Committee for an informal review in April 1983.

Task Group Four is to reduce administrative burdens and paperwork presently imposed on the Federal government and the private sector. As figure 2-1 shows, the group is developing 19 products, each to simplify some part of the procurement process. The group expects to submit its final product to the Executive Committee in June and disband, leaving the Committee to take whatever action is necessary.

Task Group Five is the Small Purchase Task Group. The group plans to submit one product to the Executive Committee in June. It will recommend higher and more uniform dollar thresholds which are used to trigger application of socioeconomic programs to procurement actions. The group also intends to survey 1500 small businesses to collect views on how to further simplify small purchases. Its questionnaire was scheduled for release in February 1983. The group told us the questionnaire would be tested in May and released to all 1500 firms after a 30 day comment period.

Task Group Six is the Career Management Program task group and has ten subgroups with three draft products developed so far. These drafts cover a Procurement Intern Program, the Infrastructure for a Procurement Career Management Program, and Contracting Officer Qualifications. The group is relying on its own expertise and in some cases will draw on existing agency Career Management Programs. The quality of the three early drafts we reviewed was mixed. One appeared to be of high quality and in sufficient detail to permit implementation with little additional agency effort. Although four of the ten

subgroups were only organized this spring, the Chairman feels all ten products will be completed in June 1983, as scheduled.

#### LEVEL OF TASK GROUP EFFORTS

The DOD and civilian agency representatives on the task groups have other full time responsibilities which limit the time they can devote to task group work. One group noted the scarcity of resources and the difficulty of sustaining effort when people have so many other things to do. Another group said it is working after hours and on Saturdays at personal sacrifice to get the job done. According to minutes of Executive Committee meetings and other information, task group chairmen have been quite concerned about the limited time members are able to dedicate to task group efforts. Further, one chairman recently informed us that his group would be forced to finish early because he could not keep it together through the end of the year.

According to OFPP, in some cases the task groups have had to scale back the scope of their work from original expectations. OFPP said this was because some members have not devoted the time or talent necessary to meet original goals.

#### TASK GROUP VIEWS ON IMPLEMENTATION

While the groups feel confident of producing useful guidance, they are less optimistic about implementation. They expressed concern with (1) the level of authority which will issue policy guidance to the agencies, (2) the loss of momentum if some results are not visible soon, (3) the difficulty of changing legislation, and (4) a general resistance to change in government.

For example, four chairmen suggested that an OFPP and OMB endorsement of the guidance might not be enough to spur agencies into action, and three of these believed that the Cabinet Council on Management and Administration should endorse the guidance. They also said OMB needs to embrace the task group products as its own. About half the agency Procurement Executives we interviewed said if OMB wants their agencies to act, policy guidance alone is not enough.

One chairman noted that the time is right for procurement reform but that if task group products are not available for implementation this summer, the momentum behind the Executive order will wither away. Two others agreed that delay in issuing guidance would undermine the reform effort. Another Procurement Executive pointed out that the order gave momentum to long needed reforms.

Task groups four and five expect to recommend legislative changes to streamline the procurement process. They acknowledge that such change is difficult and have not predicated all their guidance on such action.

Finally, three groups were somewhat pessimistic about bureaucratic inertia. For example, one said procurement practices are so ingrained in agency operations that unless change is mandated, none will occur.

## CHAPTER 3

### PROCUREMENT SYSTEM IMPLEMENTATION

#### THE AGENCY PROCUREMENT EXECUTIVE

A key feature of the Executive order is the appointment of a Procurement Executive in each executive agency with responsibility to oversee development of the agency procurement system, to enhance career management of the procurement work force and to evaluate and certify that system performance meets approved criteria. (See fig. 1-1.) As of April 1983, 44 agencies had made such appointments, and these formal actions are virtually complete. However, what is important is not these appointments themselves, but what actual responsibilities and authority have been given to the Procurement Executives and what progress they have made in effecting the changes required.

The Executive order, in requiring that Procurement Executives be appointed, also says that they should have certain key responsibilities. In the past, senior procurement officials of the agencies have been concerned primarily with policy and regulatory duties and, depending on the agency, some oversight responsibility. Under the new Executive order these duties will be enlarged to emphasize overall systems management. To carry out this broad policy, the Executive order requires that the newly-appointed Procurement Executives be given the responsibility (and by implication the authority) to oversee development of all elements of the agency's procurement system. These elements include the people, the procurement process, lines of authority, and management controls.

The Executive order instructs the OMB Director and the heads of the agencies to work jointly to develop implementing guidance. The first product developed has been the Model Charter for Procurement Executives, which was provided to the agencies in July 1982 over the signature of the OMB Director.

The significance of the model charter is that, for the first time, the responsibilities of the senior procurement official of an agency describes a system manager with system-wide responsibilities. These responsibilities have been advocated by procurement professionals for years, and recommended in both the Report of the Commission on Government Procurement and the Administration's Proposal for a Uniform Federal Procurement System (1982). In addition to providing agency head authority to carry out the responsibilities, the charter is a way of communicating what must be done to all those affected at various agency levels--from the agency head to field operations. (See summary of Model Charter-fig. 3-1.)



FIGURE 3-1

**SUMMARY OF KEY FEATURES  
OF THE OMB MODEL CHARTER FOR  
PROCUREMENT EXECUTIVES**

**Placement**

The Procurement Executive should be at, or report no lower than to assistant secretary level and have direct access to head of organization served. Position should be full-time one or a primary function.

**Qualification of Procurement Executives**

An experienced procurement professional.

**Delegation**

May designate subordinate Procurement Executives as needed, in sub-agency elements.

**Responsibilities**

Oversee development of the agency procurement system.

Prescribe agency procurement policies and regulations.

Manage and enhance career development of the procurement work force.

Establish clear lines of contracting authority.

Examine, with OFPP, the procurement system to determine Government-wide performance standards.

Determine areas for agency unique standards and develop unique agency-wide standards.

Evaluate and monitor the agency's procurement system performance.

Certify to agency head that procurement system meets approved standards.

Designate contracting officers.

Be the advocate for competition.

For simplicity, we divided the 12 agencies visited into two groups--the Department of Defense (DOD), with about 80 percent of the procurement dollar volume, and the civil agencies who spend most of the balance. DOD is considered first, and then the 11 civil agencies are evaluated together.

## Department of Defense

DOD replied to the Executive order with a June 30, 1982, letter to the OMB Deputy Director, stating that the Under Secretary of Defense for Research and Engineering (USDRE) is the Procurement Executive for DOD. The initial DOD response to the Model Charter was that no special charter of that type is necessary for DOD since sufficient authority is already in existing DOD Directives 5000.30 ("Defense Acquisition Executive") and 5129.1 ("Under Secretary of Defense for Research and Engineering") and also that the functions required for delegation to the Procurement Executive are being performed within DOD. These directives, however, do not contain the clear mandates of the Executive order or all of the responsibilities set forth in the Model Charter.

For example, the Directives do not give the Procurement Executive agency-wide authority to oversee development of the DOD procurement system or require him to certify the system to the agency head. In addition, his responsibility for the designation of lines of contracting authority was not clear to us. As far as career management is concerned, the Procurement Executive has what he calls "cognizance" of the DOD Contracting and Acquisition Career Program. We understand by this that he monitors the DOD acquisition career management program, but does not control it. No Procurement Executives have been appointed at the Military Department levels.

One key item in the Model Charter is that the Procurement Executive may delegate authority to subagencies and operating levels. (See fig. 3-1.) Because DOD's present collection of authority delegations given its Procurement Executive does not lend itself well to such further delegation, a charter is needed for this purpose. A charter would provide a single focus for procurement system management as well as strengthen the hand of procurement officials at operating levels.

In initial interviews with Office of the Secretary of Defense officials, we found little enthusiasm for the adoption of a single, comprehensive charter as suggested in the model. The fact that DOD procurement systems are advanced, as compared to their civil agency counterparts, may help to explain this attitude. According to a March 28, 1983, letter to our Office, the Under Secretary of Defense, Research and Engineering, now recognizes the need to formalize charters delegating features of the Executive order's mandates to specific positions. (See app. IV.) He has since requested the Military Departments and the Defense Logistics Agency to effect formal implementation of this aspect of the order.

## The civil agencies

In this section we evaluate the response of 11 civil agencies to the Executive order. The first two, Energy and NASA, are particularly important because their combined expenditures exceed the total of all the others. Even the smaller ones in the group, however, require a sophisticated management system to spend effectively the hundreds of millions of procurement dollars. For example, Labor spends almost one-half billion dollars annually, a larger expenditure than that of many major corporations.

Of the 11 civil agencies we visited, four have published Procurement Executive charters, five others say they are in the process, and two had taken no action at the time of our visit. All four published charters are incomplete as compared with the Model Charter. (See fig. 3-2 as well as p. 21 for updated information.)

FIGURE 3-2

### STATUS OF PROCUREMENT EXECUTIVE CHARTER ADOPTION<sup>1</sup>

AGENCY	PROCUREMENT DOLLARS 1982 (Billions)	STATUS
1. ENERGY	13.9	NO CHARTER, NONE PLANNED
2. NASA	5.4	INCOMPLETE CHARTER <sup>2</sup>
3. GSA	3.1	INCOMPLETE CHARTER <sup>2</sup>
4. VETERANS	2.2	NO CHARTER, IN PROCESS <sup>3</sup>
5. AGRICULTURE	1.5	NO CHARTER, IN PROCESS <sup>3</sup>
6. INTERIOR	1.5	NO CHARTER, IN PROCESS <sup>3</sup>
7. TRANSPORTATION	1.2	INCOMPLETE CHARTER <sup>2</sup>
8. HHS	1.1	NO CHARTER, IN PROCESS <sup>3</sup>
9. EPA	.4	NO CHARTER, NONE PLANNED
10. LABOR	.4	NO CHARTER, IN PROCESS <sup>3</sup>
11. HUD	.05	INCOMPLETE CHARTER <sup>2</sup>

<sup>1</sup>Civil Agencies As Of April 1, 1983.

<sup>2</sup>As Compared With The OMB Recommended Model Charter  
July 8, 1982.

<sup>3</sup>As reported By Agency, Not Verified By GAO.

One agency not intending to publish a charter is the Department of Energy. A charter was proposed by the new Procurement Executive but was not published due to top management resistance. Also, Energy officials say they are already carrying out the responsibilities and nothing in writing is needed. One senior official said that if the responsibilities in the charter were formally coordinated throughout the agency, the

Procurement function might lose some of its existing authority. However, in our view, a consolidated and comprehensive formal charter for this agency would clarify and strengthen the position of Procurement Executive.

Another agency not planning a charter is the Environmental Protection Agency. It believes existing documentation and delegations are sufficient and that the concept incorporated in the Model Charter of a single procurement official runs counter to "the current EPA management strategy."

NASA and HUD issued charters similar to the Model Charter in many respects, but lacking a few key features. Transportation has published an abbreviated charter which includes the staff functions in the model charter, but eliminates functions on the firing line--entering into the contracting process, establishing lines of contracting authority, and appointing lower level contracting officers. Transportation says it does not plan to have these line and staff responsibilities included in Procurement Executive charters at operating components, such as FAA and the Coast Guard.

Figure 3-3 compares the model charter with the four obtained from the agencies we visited and identifies missing features.

FIGURE 3-3

**COMPARISON OF MODEL CHARTER<sup>1</sup> FOR  
PROCUREMENT EXECUTIVE AND AGENCY CHARTERS  
(APRIL 1983)**

Model Charter For Procurement Executives (PE)	NASA	GSA	DOT	HUD
Signed by Agency Head	●			●
Oversee System Development	●	●	●	●
Issue Policy	●	●	●	●
Enhance Workforce	●	●		●
Establish Lines of Authority	<u>2/</u>			
Designate Contracting Officers	<u>2/</u>	<u>2/</u>		
Enter into Contracting Actions	●	●	<u>2/</u>	<u>2/</u>
Evaluate System Performances	●	●	●	●
Certify System		●	●	●
Delegate	<u>2/</u>			●

1. OMB recommended Model Charter, July 8, 1982.
2. Agency said Procurement Executive had responsibility, but not shown in charter.

Management authority  
and control

One part of the Procurement Executive's charter details the management authority and control necessary to carry out complete system responsibilities. In the 11 civil agencies visited, all Procurement Executives said they had the power to develop procurement policies and regulations for their agencies.

As shown in Figure 3-4, Procurement Executive authority in other areas varies greatly. The two agencies with the most procurement dollar volume say that their Procurement Executives also have extensive responsibility. Energy and NASA Procurement Executives report that they are not only charged with policy direction, but also are formally authorized to designate lines of contracting authority, establish standards, evaluate, and enter into procurement actions if need be. NASA, GSA, Energy, and Labor also report that their Procurement Executives have authority to appoint agency contracting officers. This power gives the Procurement Executive the ability to set standards and enforce them in the designation of such officials. Six agency Procurement Executives, however, are not empowered to establish contracting lines of authority as provided in the model charter.

FIGURE 3-4

AUTHORITY OF PROCUREMENT EXECUTIVES				
Agency	Procurement Dollars-1982 (billions)	Establish Lines of contracting authority	Appoint contracting officer	Reviews, enters procurement process
Energy	13.9	●	●	occasionally
NASA	05.4	●	●	very often
GSA	03.1		●	often
Veterans	02.2			often
Agriculture	01.5	●		occasionally
Interior	01.5			occasionally
Transportation	01.2			often
HHS	01.1	●		occasionally
EPA	00.4	●		often
Labor	00.4		●	occasionally
HUD	00.05			rarely

All the agencies say their Procurement Executives have the authority to establish standards for and evaluate the performance of agency contracting procedures. All agencies also reported they had the authority to enter the contracting process

but their exercise of it varies widely.<sup>3/</sup> NASA says it intervenes "very often," while Agriculture, Interior, Health & Human Services, and Labor reported using this authority only "occasionally" and Housing & Urban Development uses it "rarely". Most agencies have a trigger level, often based on dollar value, whereby certain contracts are reviewed as a matter of course. These reviews evaluate the quality of work done at lower levels and also provide for corrective action as required.

Finally, as regards the Procurement Executive being designated the agency's "Advocate for Competition," about half of the civil agencies had made such appointments. Agencies which had not taken this action are HHS, GSA, Agriculture, DOT, VA and Interior.

### Work force programs

The Executive order directs Procurement Executives to "enhance career management of the procurement work force." The simplified regulations envisioned in the Executive order will demand more skill from the procurement work force. As the detail and scope of the regulations are reduced, the contracting officers, in their new roles as the interpreters of broad guidance, will need more experience, maturity, and education. Upgrading the work force is essential if deregulation and the other elements of the new system are to work effectively.

Over the past two or three years, the quality of the procurement work force has been declining in both the civil and defense agencies. This is evidenced by lower educational attainments among newly appointed contracting officers, difficulties in filling agency intern programs with qualified candidates, and complaints from procurement officials about the lack of skills of new personnel.

An example is provided by OPM's Central Personnel Data File. It shows a 7.2 percent drop in the number of college graduates entering the Contracting Officer (1102) job series in FY 1981 as compared with the average for that job series. According to the OPM data, in FY 1981 42.7 percent of the 20,000 persons in the job series were college graduates, but among the 3,000 new personnel of that year the percentage decreased to 35.5. Procurement Executives interviewed agreed that the downward trend is continuing and may be getting more serious.

The head of a large civilian procurement operation complained that less than one-third of his incoming contracting officers now have college degrees. Another high ranking civilian official pointed out that there was no career management

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<sup>3/</sup>Entering the contracting process means to become involved in contracting actions by making determinations and decisions. An example is to require a sole-source procurement to be opened to all potential suppliers.

program in his agency and very little training or education of procurement personnel. He added that even though he is a senior procurement official, he has little influence in procurement appointments and other personnel matters because his agency is highly decentralized.

The lack of agency progress in developing the work force is indicated in figure 3-5. Of the 11 largest agencies, only 3 have formal career programs for procurement personnel. Three agencies, GSA, VA, and Agriculture are planning career programs for their procurement employees.

FIGURE 3-5

<b>AGENCY PROCUREMENT WORKFORCE PROGRAMS <sup>1/</sup></b>					
	<b>Procurement Dollars-1982<sup>2/</sup></b>	<b>Has a career program</b>	<b>Administers career program</b>	<b>Administers warrant program</b>	<b>Has an intern program</b>
	<b>(billions)</b>				
<b>Energy</b>	13.9	●	●	●	
<b>NASA</b>	05.4	●	<u>3/</u>	●	<u>4/</u>
<b>GSA</b>	03.1	<u>4/</u>		●	<u>4/</u>
<b>Veterans</b>	02.2	<u>4/</u>			●
<b>Agriculture</b>	01.5	<u>4/</u>			
<b>Interior</b>	01.5			●	
<b>Transportation</b>	01.2				
<b>HHS</b>	01.1	●			
<b>EPA</b>	00.4			●	●
<b>Labor</b>	00.4				
<b>HUD</b>	.05				

1/ As reported in interviews, February-March 1983.

2/ From Federal Procurement Data System Report, March 1, 1983 (obligations).

3/ Conducted jointly with personnel.

4/ Career programs in planning stage.

Warrant programs are operated by government agencies to establish the professional qualifications of those authorized to obligate the government in contracts. Only persons holding a written warrant are authorized to act for the Government. While warrant programs technically might not be considered part of career management, they certainly are closely related. Most warrant programs require schooling to qualify and motivate employees to pursue advanced degrees. Five agencies said they have formal warrant programs, while six said they do not.

Intern programs have proven effective for recruiting professionals into the procurement work force. The Navy, for example, has operated a highly successful program for many years. Graduates of the Navy program not only provide leadership for the Navy's procurement program, but are sought often by

many other agencies as well. The high quality of Navy-trained contract personnel is widely recognized by professionals in the field. On the other hand, procurement intern programs require special management and dedicated funds. Also, sometimes the highly trained graduates leave the agency before their training has been fully utilized.

Four agencies, NASA, GSA, VA, and EPA, reported they had intern programs operating or developing. Some agencies said they had considered intern programs, but knew they would be unable to get funding. Other agencies recruit people who had already been trained by other agencies or draw from the ranks of their own clerical and technical personnel.

A recent report <sup>4/</sup> by the National Academy of Public Administration states that they found "virtually unanimous agreement" among 125 industry and government procurement persons interviewed on the need to increase the competence of the government procurement work force. The report warns that no progress is possible without effective workers, and stresses that while industry is demanding creativity, education, and high achievement in procurement, the government is settling for reduced training funds, frozen or reduced staffs, and restriction of college recruitment. The report calls for an upgraded work force capable of independent judgment to manage the reformed procurement system.

A major unresolved issue is the question of classification standards for contracting personnel. The Office of Personnel Management has for three years been developing a new set of criteria for this purpose. Draft proposals, however, have been rejected by the major procuring agencies, and the question of classification standards has become one of controversy. The agencies, in general, reject the standards proposed by the Office of Personnel Management on the grounds that they do not accurately reflect work being done, provide no screening of new workers entering the profession and would result in a large-scale downgrading and reassignment of workers. They claim the net affect of the proposed standards would be negative. The Office of Personnel Management contends that the proposed standards are based on surveys of tasks actually being performed, and are in line with the administration's policy of more realistic standards for Federal employees. This matter

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<sup>4/</sup>Deregulation of Government Management--Federal Procurement Interim Report, National Academy of Public Administration, Washington, D.C. March 1983.



will be reviewed by GAO as part of a new study of the Federal procurement workforce. The study was requested by the Chairmen of the Senate Committee on Governmental Affairs and its Subcommittee on Oversight of Government Management.

Delegation of authority

The delegation of authority is an important aspect of the procurement reform program and is specifically authorized by the Model Charter. In essence, delegation establishes Procurement Executives at subelements within the agency. They have responsibilities similar to those of the Procurement Executive at headquarters but are much closer to actual operations. In this way, the actions required by the Executive order will also be the responsibility of operating managers.

As shown in fig. 3-6 none of the agencies we studied have so delegated Procurement Executive responsibility. Five agencies say no action has been taken to delegate authority, and only two, VA and Agriculture, are planning to do so. Four others have made partial delegations involving far less than system responsibilities.

Delegation is particularly important in the highly decentralized agencies. These agencies are characterized by significant decisionmaking authority at the lower levels of semi-autonomous bureaus. In such loose structures, the headquarters Procurement Executive, even with all the formal authority of the Model Charter, may find reform efforts frustrated at operating levels.

FIGURE 3-6

DELEGATION OF AUTHORITY

<u>Agency</u>	<u>Procurement Dollars-1982 (billions)</u>	<u>None</u>	<u>None, but planned</u>	<u>Partial</u>
Energy	13.9			X
NASA	5.4	X		
GSA	3.1	X		
Veterans	2.2		X	
Agriculture	1.5		X	
Interior	1.5	X		
Transportation	1.2	X		
HHS	1.1			X
EPA	.4			X
Labor	.4			X
HUD	.05	X		

An example of this is shown in a Procurement Executive's comments. He said that while he was in favor of the reforms, he was not sure he could install them department-wide in that his agency operated like a federation where much of the real power resides at lower bureau levels. He said if anything really is to be done, it must occur at the working level.

The smaller agencies

Implementation problems discussed in this chapter are not limited to the larger agencies. Figure 3-7 displays written responses from other agencies with smaller procurement expenditures. These agencies, together with those discussed earlier, are members of a Federal Procurement Council established to work on Executive order implementation.

FIGURE 3-7

**ANALYSIS OF PROCUREMENT EXECUTIVE CHARTERS AT SELECTED AGENCIES\***

	COMMERCE	EDUCATION	EMERGENCY MANAGEMENT	INTERNATIONAL DEVELOPMENT	JUSTICE 1	NLRB 3	NSF 2	OPM	SBA 1	STATE	TVA 3	TREASURY
SIGNED BY AGENCY HEAD							•					
OVERSEES SYSTEM DEVELOPMENT	•	•					•		•			•
PUBLISH POLICY	•	•	•				•		•			•
ENHANCE WORK FORCE	•	•	•				•		•			•
LINES OF AUTHORITY	•		•									•
DESIGNATE CONTRACTING OFFICERS	•	•	•				•		•			•
ENTER INTO CONTRACTING ACTIONS	•	•	•				•		•			•
EVALUATE SYSTEM PERFORMANCE	•	•	•				•		•			•
CERTIFY SYSTEM	•	•	•				•		•			•
DELEGATE	•	•					•		•			•

- 1. No charter, in process
  - 2. Agency says it adopted model charter, but did not publish it
  - 3. No charter, none planned; says existing delegations adequate
- \* As provided GAO, April 1, 1983

The pattern generally is similar to that of the twelve agencies discussed earlier: (1) some agencies do not have Procurement Executive charters, (2) others have charters but they are not authorized by the head of the agency, and (3) still others have charters which omit some of the new key features of complete system responsibility.

#### VIEWS OF AGENCY OFFICIALS

Procurement Executives from the agencies mentioned in this chapter were asked to provide views if desired.

Department of Energy officials reiterated their position that many of the Procurement Executive functions were already being performed and that an operating charter setting forth these responsibilities was not needed. Also, both Energy and GSA officials disagreed with our interpretation of "mirroring" or establishing Procurement Executives within agency sub-elements. These officials said that responsibilities having to do with evaluation, standards, monitoring, and certification should not be delegated. In our view, any responsibilities which would improve performance should be considered for delegation, particularly in the larger decentralized agencies. This does not mean that the entire authority would have to be delegated in every case.

Department of Transportation officials said that a partial charter was sufficient to meet their needs and if experience showed otherwise they will make a change. Transportation officials noted further that OMB has taken no exception to their present charter which was filed several months ago.

Some agency officials confirmed the information in this report while others offered corrections. In addition, officials of the following agencies notified us of a change of status:

- DOD - The Deputy Secretary of Defense will issue a charter to the DOD Procurement Executive.
- Military - The Secretaries of the Military Departments  
Depart- are appointing Procurement Executives and will  
ments issue them charters.
- Justice - A full charter was signed in late April.
- TVA - TVA now has a charter in process as opposed to none being planned previously.

- EPA - As part of an overall evaluation of EPA procurement, the question of chartering a Procurement Executive is being looked at again.
- GSA - GSA may expand the Procurement Executive charter as additional reform guidance becomes available.

## CHAPTER 4

### ASSESSING WHAT NEEDS TO BE DONE

OFPP and OMB sponsored the Executive order believing that administrative action could change many Federal procurement practices. They have initiated a series of actions to encourage agency response to the Executive order. The approach has been one of agency participation, and the first action was to get high level management involved in reform design. This was done by establishing two levels of leadership. The top level is an Executive Committee made up of the Procurement Executives from agencies in which procurement is important. The second level consists of interagency task groups designing the actual reforms.

As noted, the Executive order seeks to establish particular features of a procurement management system:

- a management structure built around a Procurement Executive with clear lines of authority,
- performance criteria for determining an acceptable procurement system,
- a professional work force to exercise sound business judgment, and
- a management control system for evaluation, feedback and correction.

This management system is designed to incorporate the Federal procurement reforms being devised and to respond continuously to the complex and changing nature of Federal procurement.

This chapter will discuss various ways to improve implementation of the Executive order. Particular emphasis will be placed on improving agency response, increasing visibility over reform results, and strengthening leadership authority. In addition, this chapter will review the action taken on three Executive order requirements presently not within the scope of interagency task group assignments. These are system certification, reviews of procurement needs and priorities, and the new Government-wide procurement regulation.

### IMPROVING AGENCY RESPONSE

A Presidential order charges agency heads with responsibility for implementation. However, as shown in chapter 3, many agencies have not accomplished the initial step of adopting a

charter for the Procurement Executive. Further, some inter-agency task groups are having difficulty holding their groups together and fulfilling the original scope of their design efforts.

#### Recommendation to OMB Director

The OMB Director should ensure that high-level agency managers are aware of their responsibilities to

- establish a management structure throughout their agencies with complete procurement system responsibilities,
- dedicate enough time and talent to designing reform guidance,
- adopt the substance of reform guidance being issued under the Executive order, and
- conduct an internal review of the effectiveness of agency implementation.

#### STRENGTHENING PRESIDENTIAL REPORTING

Section 4 of the Executive order requires that the President be kept informed on progress. The three progress reports to date have tended to highlight accomplishments. The reports have not revealed problems such as those encountered in establishing agency procurement management system responsibilities. The quarterly reports to the President, according to OFPP's own guidance, should summarize progress and problems. One required item is the identity of any agency making inadequate progress and a description of remedial actions being taken.

To give more visibility to the entire process, we believe that stronger feedback from the agencies is needed on the actions taken or not taken. Further, to give reform efforts maximum visibility, copies of the Presidential progress reports should be made available to the Senate and House Oversight Committees.

#### Recommendation to OMB Director

The OMB Director should use progress reports to the President on the Executive order as a vehicle to encourage implementation by reporting both progress and problems and furnish copies of these reports to the Senate Governmental Affairs and House Government Operations Committees. The reports should be based upon the actual agency response to guidance stemming from the Executive order. Such agency responses should describe the extent of implementation and reasons for any delay.

## MAKING SYSTEM CERTIFICATION CREDIBLE

The Executive order notes that the Procurement Executive is responsible for developing and evaluating procurement systems and is to certify to the agency head that the system meets approved criteria. This could upgrade the entire system because it would formalize quality standards and organize system evaluation. This is a powerful incentive for managers to improve their systems.

Certification as proposed in the Executive order, however, may present a credibility problem, since design, operation and evaluation of the system will be the responsibility of the same individual. We believe this situation has potential for future problems, and suggest that the system established allow for as much evaluator objectivity as possible. In addition, effective certification needs a formal resolution and followup process. Neither the Executive order nor the proposed Uniform Federal Procurement System have a mechanism for correcting exceptions to certification or followup to assure corrective actions are taken.

Appendix III contains a proposal for a certification program using these principles and building on current agency evaluation programs. We suggest the proposal be considered when the system certification program is being designed.

## INITIATING ACTION ON OPEN REQUIREMENT

The OMB has not yet assigned responsibility for developing guidance under the Executive order requirement that agency heads strengthen their review of procurement needs and priorities. Because this requirement affects both management and budgeting, it does not fit within the scope established to implement the other requirements of the order. An effective procurement process depends on well defined needs and priorities as well as on stable funding.

## Recommendation to OMB Director

Assign responsibility for developing Executive order guidance on agency reviews of procurement needs and priorities.

## STRENGTHENING LEADERSHIP AND DECISION AUTHORITY

OFPP needs additional authority to provide effective leadership and decisionmaking. OFPP was established in 1974 with directive authority to prescribe policies, regulations, procedures, and forms relating to procurement. (Public Law 93-400). As a result of the 1979 amendments to the OFPP Act, this regulatory authority was removed so that OFPP could concentrate on the development of a Federal procurement system.

Executive Order 12352 placed OFPP in a leadership role, but it has not performed in such a capacity. OFPP's role is more of a catalyst and guide rather than of a decisionmaker.<sup>5/</sup> Decisions are made and conflicts resolved elsewhere. Examples are the several procurement issues that were elevated to the Cabinet Council on Management and Administration and the use of Paperwork Reduction Act authority to resolve the new Government-wide procurement regulation to be discussed later.

As shown in chapters 2 and 3, agency officials believe they do not have to implement policy guidance stemming from the Executive order. This is to be expected since the wording in the Executive order did not establish a strong implementing mechanism and OFPP's legislative authority is weak. Our review of progress under the order found a real need for a decision-maker to facilitate reform. There are 44 independent agencies and 4 regulatory authorities working towards the goal of procurement reform. Conflicts are bound to arise. Such conflicts are not always of sufficient importance to go to the Cabinet Council on Management and Administration, but they must be resolved nevertheless if progress is to be made.

#### Recognizing system leadership

Over the last few years, OFPP has been focusing on a new role of procurement system development and assistance. If this new role were recognized in statute, Congress could authorize OFPP to prescribe criteria of a Government-wide nature for acceptable procurement system performance.

As part of Executive Order 12352, an interagency group of experts is developing procurement system performance criteria. Once criteria are available, executive agencies should adapt these criteria to their operations and specify a level of performance. By prescribing criteria and performance standards of a Government-wide nature, the OFPP Administrator can help ensure that reforms are effective. This role is very close to the Administration's proposal last year for a Uniform Federal Procurement System. The only difference is that OFPP would have the authority, where necessary, to prescribe such criteria rather than simply be a coordinator.

#### Restoring regulatory authority

Another area in need of strong leadership is the establishment and maintenance of the first Government-wide

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<sup>5/</sup>The Executive order uses such language as "facilitating inter-agency coordination" and "facilitating the resolution of conflicting views."



procurement regulation known as the Federal Acquisition Regulation (FAR). OFPP was directed by Congress in 1978 to issue "a single, simplified uniform Federal procurement regulation." Originally, the FAR was to be published in the spring of 1980. Executive Order 12352 called for its completion by the end of 1982. Now FAR is scheduled for publication in October 1983, a 3-1/2 year delay, with an effective date of April 1984. To stem further delays, OMB recently used its authority under the Paperwork Reduction Act to disapprove collecting information from the private sector under any regulation other than the FAR beginning April 1984. 6/

The current effort to consolidate agency regulations is being done under a Memorandum of Agreement among DOD, GSA, and NASA, none of whom exercise authority over the others. Once the FAR is produced, two councils (Civil and Defense) will independently maintain the system. These councils will coordinate and be able to convene a third council for discussion and appeal, but that council will not have directive authority. As a consequence, there is no real process for resolving conflicts once the new regulation is in effect. This could result in a proliferation of supplemental agency procurement regulations which are independently maintained.

In 1979 Congress removed OFPP's regulatory authority on the grounds that OFPP was inappropriately injecting itself into agency transactions and that it should concentrate on developing a Federal procurement system concept without being diverted by regulatory functions. Now that OFPP is, in fact, implementing parts of a Federal procurement system under the President's Executive order, it would seem appropriate to restore its regulatory authority. Such authority would enable OFPP to resolve disagreements between agencies with authority to issue regulations. The ability to resolve such conflicts and speed progress will become even more important as new civilian and Defense regulatory councils begin to administer the FAR next year.

The Congress is now considering the reauthorization of OFPP and how much authority it should have (H.R. 2293 and S. 1001). GAO has recently testified before the House Government Operations Committee on the House bill and provided comments to the Senate Subcommittee on Oversight of Government Management on the Senate bill. In both instances we favored restoration of OFPP's regulatory authority and recognition of its new role of procurement system leadership and assistance.

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6/Exceptions are regulations either implementing or supplementing the FAR.

## Prescribing agency management responsibilities

In addition, at the above hearings we strongly favored a congressional proposal to add weight to the Executive order and improve agency response by prescribing agency procurement management responsibilities. Such responsibilities include (1) designating a Procurement Executive responsible for managing each agency's system, (2) establishing clear lines of agency contracting authority and accountability, (3) developing a professional work force, and (4) establishing a program for increasing competition. These are key features of the Executive order. We believe including these agency management responsibilities in OFPP's reauthorization would eliminate uncertainty in agency relationships with OFPP and speed procurement reform.

## Testing legislative changes

Section 4 of the Executive order requires that OFPP submit legislation to correct major inconsistencies in law and policies which impose unnecessary burdens on Federal officials and the private sector. Federal procurement is frequently criticized as being too complex because of the profusion of policies and regulations which have been added over the years. OFPP states it will take the lead in following through on interagency task group recommendations for legislative changes.

In commenting on pending OFPP reauthorization bills, GAO stated its belief that OFPP should be given authority to test such legislative changes under controlled conditions with advance notice to the Congress. Such testing could provide Congress with the data it needs to make informed decisions on proposed changes in procurement statutes. Statutory changes may be needed to simplify the procurement process and increase competition as, for example, in the use of abbreviated and simplified procedures to procure commercial products and services.

## Recommendations to Congress

Provide in the Office of Federal Procurement Policy reauthorization bill

--decision authority for the Policy Office to

prescribe, where necessary, Government-wide criteria for an acceptable procurement system,

oversee the new Government-wide regulation, and

conduct tests of innovative concepts and methods to streamline procurement and increase competition.

--recognition of the role of assisting the agencies in developing their procurement systems.

--a statutory basis for the agency management responsibilities spelled out in the Executive order.

#### AGENCY COMMENTS

Responding on behalf of OMB, the OFPP Administrator appraised the report overall as good but offered comments in particular areas where OMB had more current or accurate information. (See app. V.) Our report has been revised to reflect this new information. In addition to these comments, OMB noted differences in three areas involving a report recommendation or proposal.

#### Presidential reporting

The Executive order requires that the President be kept informed of progress. OMB agreed with our recommendation that these reports should contain problems as well as progress and that they could be provided to Congress. However, it noted that (1) the report cannot be overly detailed, and (2) agencies deserve a reasonable period to assimilate the policy guidance before their performance is assessed. In addition, OMB claimed it has reported on problems such as disagreements between the Office of Personnel Management and the procurement community on classification standards.

While we acknowledge this reporting, our primary concern is that the reports should be more candid in displaying results of current reform efforts. For example, in the third progress report, OMB stated that many of the 44 agencies with Procurement Executives had adopted charters and were taking actions necessary to make those Executives and their functions an integral part of the agency organization and operation. However, at the time the progress report was issued, January 19, 1983, the actual situation seems to have been quite different. Our visits to the larger procuring agencies, made after the report was issued, revealed that they did not have Procurement Executive charters or had incomplete charters. In addition, very little further delegation of the new responsibilities was underway within the agencies. Both issues are discussed more fully in chapter 3.

#### System certification

One of the responsibilities of the Procurement Executive is certifying to the agency head that the procurement system meets approved criteria. OMB has misconstrued our proposal in appendix III for a certification program by assuming we intended

it to be an audit function. Our proposal keeps certification a manager's responsibility. However, we believe the certification process should follow certain principles so that it will have real meaning. We suggest our proposal be considered when the system certification program is being designed.

#### Additional OFPP authorities

OMB said that the additional OFPP leadership authorities recommended in this report are unnecessary and would tend to place the Executive Office of the President in the position of interfering with internal management responsibilities of agency heads. OMB claimed further that it has "broad management responsibilities ordinarily sufficient to obtain agency compliance" with Executive orders.

As previously stated, we believe that OFPP's present authority is insufficient for it to have a leadership role in the Federal procurement reform effort. The problem is that the Executive order places OFPP in a catalyst's role. Decisions are made and conflicts are resolved elsewhere. Examples are the several procurement issues that have been elevated to the Cabinet Council on Management and Administration for resolution and the use of OMB's Paperwork Reduction Act authority to help resolve a procurement issue.

There are 44 independent agencies and 4 regulatory authorities working towards the goal of procurement reform. As previously mentioned, there is no decisionmaker among the various regulatory authorities, yet they are attempting to put together a consolidated Government-wide regulation. It is already 3-1/2 years behind schedule. Similar difficulties could be anticipated in the maintenance of this new regulation unless Congress puts someone in charge.

OMB's position, in our opinion, favors the few large procuring agencies which have regulatory authority and which do not wish to have their regulations subjected to OFPP authority. Smaller agencies, on the other hand, favor regulatory authority so that OFPP can be a court of last resort and balance the interest of all agencies.

We recognize that regulatory authority is a matter for the Congress to decide ultimately. Should Congress grant OFPP regulatory authority, however, we believe congressional intent should be clear that its use be limited to a system oversight and conflict resolution role because only the major procuring agencies have the operating knowledge to draft internal regulations.

Our other recommendation to provide OFPP with authority to establish criteria for an acceptable procurement system is very close to OFPP's own proposal to the Congress last year for a Uniform Federal Procurement System. As previously noted, the only difference is that we recommend OFPP have the authority to prescribe such criteria rather than simply be a coordinator. Although the criteria could be controversial, it is being developed with full agency participation. As in the case of any Government-wide management reform, however, a decisionmaker will be needed to resolve differences and keep the program moving. OFPP admits it does not now have this decisionmaking authority. Placing such authority in OFPP would show the agencies that the Congress is serious about procurement reform.

WILLIAM V. ROTH, JR., DEL., CHAIRMAN

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## United States Senate

COMMITTEE ON  
 GOVERNMENTAL AFFAIRS

SUBCOMMITTEE ON  
 OVERSIGHT OF GOVERNMENT MANAGEMENT  
 WASHINGTON, D.C. 20510

April 4, 1983

The Honorable Charles Bowsher  
 Comptroller General  
 General Accounting Office  
 441 G Street, N.W.  
 Washington, D.C. 20548

Dear Mr. Bowsher:

The Governmental Affairs Oversight of Government Management Subcommittee, which assumed jurisdiction over federal procurement issues in the 98th Congress, is responsible for overseeing implementation of the Administration's procurement reforms set forth in Executive Order 12352 of March 17, 1982.

As you know, the Executive Order requires the heads of all agencies to undertake major initiatives aimed at improving federal procurement. Specifically, agency heads are directed to (1) establish a management system for decentralized procurement operations, (2) simplify the procurement process, (3) obtain more effective competition, (4) develop a professional workforce, and (5) provide reform leadership.

To facilitate the Subcommittee's oversight efforts, I would like to enlist the GAO's assistance in monitoring the progress made in implementation of the Executive Order. It is my understanding that a preliminary review of the Executive Order is currently underway, with a focus on implementation of the model charter for the Procurement Executives within each agency.

Since this initial review -- as well as subsequent reviews of other directives once they have become operational -- would be extremely helpful to the Subcommittee, I request that your staff report its findings, conclusions, and recommendations to the Subcommittee periodically during this Congress. If possible, I would be interested in a report on the GAO's preliminary review of the Procurement Executives by June 1, 1983.

The Honorable Charles Bowsher  
April 4, 1983  
Page Two

The Subcommittee has worked closely with the staff of the Procurement, Logistics, and Readiness Division in the past and would again benefit from its assistance.

With best wishes, I am

Sincerely,

A handwritten signature in black ink, appearing to read 'W. S. Cohen', written over a horizontal line.

William S. Cohen  
United States Senator

WSC:jam

**EXECUTIVE ORDER NO. 12352  
FEDERAL PROCUREMENT REFORMS**

By the authority vested in me as President by the Constitution and laws of the United States of America, and in order to ensure effective and efficient spending of public funds through fundamental reforms in Government procurement, it is hereby ordered as follows:

Section 1. To make procurement more effective in support of mission accomplishment, the heads of executive agencies engaged in the procurement of products and services from the private sector shall:

(a) Establish programs to reduce administrative costs and other burdens which the procurement function imposes on the Federal Government and the private sector. Each program shall take into account the need to eliminate unnecessary agency procurement regulations, paperwork, reporting requirements, solicitation provisions, contract clauses, certifications, and other administrative procedures. Private sector views on needed changes should be solicited as appropriate;

(b) Strengthen the review of programs to balance individual program needs against mission priorities and available resources;

(c) Ensure timely satisfaction of mission needs at reasonable prices by establishing criteria to improve the effectiveness of procurement systems;

(d) Establish criteria for enhancing effective competition and limiting noncompetitive actions. These criteria shall seek to improve competition by such actions as eliminating unnecessary Government specifications and simplifying those that must be retained, expanding the purchase of available commercial goods and services, and, where practical, using functionally-oriented specifications or otherwise describing Government needs so as to permit greater latitude for private sector response;

(e) Establish programs to simplify small purchases and minimize paperwork burdens imposed on the private sector, particularly small businesses;

(f) Establish administrative procedures to ensure that contractors, especially small businesses, receive timely payment;

(g) Establish clear lines of contracting authority and accountability;

(h) Establish career management programs, covering the full range of personnel management functions, that will result in a highly qualified, well managed professional procurement work force; and

(i) Designate a Procurement Executive with agency-wide responsibility to oversee development of procurement systems, evaluate system performance in accordance with approved criteria, enhance career management of the procurement work force, and certify to the agency head that procurement systems meet approved criteria.

Sec. 2. The Secretary of Defense, the Administrator of General Services, and the Administrator for the National Aeronautics and Space Administration shall continue their joint efforts to consolidate their common procurement regulations into a single simplified Federal Acquisition Regulation (FAR) by the end of calendar year 1982.

Sec. 3. The Director of the Office of Personnel Management, in consultation with the heads of executive agencies, shall ensure that personnel policies and classification standards meet the needs of executive agencies for a professional procurement work force.

Sec. 4. The Director of the Office of Management and Budget, through the Office of Federal Procurement Policy as appropriate, shall work jointly with the heads of executive agencies to provide broad policy guidance and overall leadership necessary to achieve procurement reform, encompassing:

(a) Identifying desirable Government-wide procurement system criteria, such as minimum requirements for training and appointing contracting officers;

(b) Facilitating the resolution of conflicting views among those agencies having regulatory authority with respect to Government-wide procurement regulations;

(c) Assisting executive agencies in streamlining guidance for procurement processes;

(d) Assisting in the development of criteria for procurement career management programs;

(e) Facilitating interagency coordination of common procurement reform efforts;

(f) Identifying major inconsistencies in law and policies relating to procurement which impose unnecessary burdens on the private sector and Federal procurement officials; and, following coordination with executive agencies, submitting necessary legislative initiatives for the resolution of such inconsistencies; and

(g) Reviewing agency implementation of the provisions of this Executive Order and keeping me informed of progress and accomplishments.

*Ronald Reagan*

*The White House,  
March 17, 1982*



A PROPOSAL  
FOR A CREDIBLE CERTIFICATION  
PROGRAM AT A REASONABLE COST

Executive Order 12352 requires the head of each executive agency engaged in procurement to designate a Procurement Executive with responsibility to oversee development of procurement systems, evaluate system performance in accordance with approved criteria, and certify to the agency head that procurement systems meet approved criteria. Unless certain precautions are taken, combining all of these responsibilities under the Procurement Executive could undermine the credibility of certification. Hence, the objectivity of certification may be questionable because one person is responsible not only for designing and operating the system but also for evaluating and certifying its effectiveness.

Therefore, a two-step process for certification should be used. First, certification should be based on a thorough and independent evaluation of the procurement system. To assure credibility, the evaluation should adhere to three basic principles:

- (1) The evaluating team must have the background and skills necessary for certifying procurement systems.
- (2) The Procurement Executive should not interfere with or limit the scope or objectivity of the evaluation.
- (3) The procedures and tests used for evaluation should determine how effectively management controls are working.

The second step should be notification to the agency head by means of a written statement from the Procurement Executive that

- (1) notes any deficiencies or opportunities for improvement,
- (2) specifies what corrective actions are needed to correct deficiencies or produce improvements, and
- (3) describes how these actions will be implemented and the follow-up actions to be taken to assure effective changes.

If the evaluators do not identify any issues, the Procurement Executive should simply state that the procurement system meets approved criteria.

The cost of the program outlined above can be kept down if agencies modify their present programs to conform with the principles noted in this proposal. Some agencies presently perform procurement management reviews. These reviews include recommended actions for improvement. Our proposal would build upon these reviews by providing the evaluating team with broader system evaluation responsibilities.



## THE UNDER SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

28 MAR 1983

RESEARCH AND  
ENGINEERING

Mr. Robert B. Hall  
Group Director, Procurement  
General Accounting Office  
441 G Street, N.W., Room 5832  
Washington, D.C. 20548

Dear Mr. Hall:

I was pleased to note that you found DoD has taken a leadership role in the implementation of Executive Order 12352. It may be of further interest that we have taken significant action under our Acquisition Improvement Program to simplify the DoD procurement process and to increase competition. Similarly, DoD has taken action to insure a professional work force by the establishment of the Defense Acquisition Career Management Board and Career Intern and Mandatory Training Programs.

I understand that you are aware that the functions required for delegation to the Procurement Executive are, in fact, being performed within the DoD. However, I recognize the need to formalize the charters delegating the features of the Executive Order's mandate to specific positions. In order to clarify this situation and in response to your concern, I have requested the Military Departments and the Defense Logistics Agency to effect formal implementation of this aspect of the Executive Order.

Sincerely,

A handwritten signature in cursive script, appearing to read "Mark A. Stoen".



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

OFFICE OF FEDERAL  
PROCUREMENT  
POLICY

MAY 11 1983

Mr. William J. Anderson  
Director  
General Government Division  
General Accounting Office  
Washington, DC 20548

Dear Mr. Anderson:

This is in response to your letter of April 22, 1983, which requested comments on the GAO draft report entitled, "Progress of Procurement Reform Under Executive Order 12352." I am responding on behalf of Mr. Stockman because the OFPP has acted as lead office within OMB with respect to the implementation of this Executive Order.

Overall, the report is good. It focuses on appropriate areas: overall implementation strategy, task group progress, and agency implementation of Subsection 1(i) of E.O. 12352 concerning the Procurement Executive. Where we have more recent or more accurate information, or a different opinion, we have explained this in the enclosed comments. If you would like to discuss any of these comments, please call LeRoy Haugh or Barbara Glotfelty on 395-3300.

Sincerely,

A handwritten signature in cursive script that reads "Donald E. Sowle".

Donald E. Sowle  
Administrator

Enclosure

OFPP Comments  
on  
Draft of GAO's Proposed Report  
on  
Progress of Federal Procurement Reform  
Under Executive Order 12352

NOTE:

We have not commented on the Digest, since it reflects the substance in the body of the report. To the extent that you make the changes we suggest in the body of the report, we assume those changes will be reflected in the Digest.

We have also not commented on the GAO assessment of individual agencies' implementation of the Executive Order as a whole or the Model Charter for Procurement Executives in particular. Verification of such assessments is appropriately left to the GAO and the affected agencies.

<u>Page</u>	<u>Comment</u>
2	<u>"Professionalism" bullet.</u> It would be more appropriate to link the need for a "fully professional work force" with the concept of being "able to effectively and economically procure needed goods and services from the private sector."
2	<u>Initial steps taken.</u>  <u>Second sentence.</u> Add "and the Office of Personnel Management" to the end of the sentence.  <u>Third sentence.</u> Change "six" to "five". Task Group 1 had largely completed its task by the time the other groups were formed.
4	<u>Item 4 Status.</u> The "Status" report should indicate that it applies only to the GS-1102 classification and qualification standards. Many other policies influence work force professionalism. For example, OPM has proposed a new policy to halt career promotions of satisfactory interns from the GS-9 to the GS-11 level until they have been in grade for three years. It is not apparent whether OPM is considering Sec. 3 of E.O. 12352 in this regard.
5-6	<u>Nature of Products.</u> This coverage is based on the first draft of the "Task Group Products Outline". Enclosure 1 is the official version, which was agreed to by all five task groups on January 14, 1983. The report should be changed to accurately reflect the content of the official outline.

Note: Where applicable, the page numbers have been changed to correspond to those in the final report.

Page

6

Figure 2-1.

1. Task Group 2 expects to complete its product on time.
2. Task Group 3's approach is not strictly research. Add "Analysis of Procurement Process, rely on expertise of group, systems orientation".
3. Task Group 4 expects to submit 19 modules. Substitute "19" for "25" and delete footnote 1. Under "Developing", change "21" to "19".
4. Task Group 5 is conducting one formal survey (as opposed to the two originally contemplated) and has 14 modules into or through the draft stage. The Chairman intends to release one module early and to meld the others into a single final report. Results of the survey are also expected to be incorporated in the single final report. This information is provided so you can adjust the figures in the matrix accordingly. (It is not clear how you are counting Group 5's products.) Note that while some intermediate milestones have been missed, the group fully expects to complete its products by December 1983.
5. Task Group 6 originally planned to complete its products by June 1983. The Chairman has reported that the task group is on schedule.

7

Task Group 2 reports that it will meet its June 1983 target.

Task Group 3:

Delete third sentence.

Change sixth sentence to read: "Drafts of both products have been distributed to the Executive Committee for comment".

Task Group 4 expects to submit 19 products.

Task Group 5 is doing more than the survey of small businesses. A copy of its work plan is enclosed. Also enclosed is a copy of the task group's submission to OMB that requests clearance of the survey. It includes the survey schedule.

7

Task Group 6.

Replace "Navy" with "agency". The Task Group surveyed the agencies and collected materials on various programs, much of which will be incorporated in the guidance documents.

Please note that GAO was supplied with three early drafts, all of which have undergone substantial modification in the interim.

8

Task Group Views on Implementation.

We are aware of some task groups' concern that the Government will fail to invest the resources necessary to effect many proposed reforms.

- Page
- 10 Fifth sentence. The significance of the Model Charter is misrepresented by this sentence. Its significance is that it incorporates all the essential elements of the Procurement Executive role and position envisioned in the UFPS Proposal and mandated by the Executive Order, and thus describes a system manager with system-wide responsibilities. Each agency should ensure that its Procurement Executive role and position consist of all these elements. Whether they are bestowed by a single document or by various appropriate orders and directives is far less significant.
- 11 Placement. Change to read: "The Procurement Executive should be at, or report directly to, no lower than the assistant secretary level and have direct access to the head of the major organizational element served. Procurement Executive should be a full-time position or primary function of the appointee."
- Responsibilities. No entry represents the Model Charter's responsibility I.b., which you characterize elsewhere as "Reviews, enters procurement process."
- 13, 14, 15  
17, 20 The procurement dollars shown for HUD should be \$.05 according to our FPDS Report. The Treasury Department obligated \$524 million dollars (or \$.5 billion), but HUD only obligated \$49 million ranking it 22nd among all agencies covered in the FPDS Report. You may want to substitute Treasury for HUD in your sample.
- 15-16 The discussion of "entering the contracting process" concentrates on the exercise of the authority to do so. This is the only area in which the report goes beyond assessing whether or not the authority and responsibility exists. We see no need for or significance in noting how often the different Procurement Executives (PEs) "intervene". Unlike other authorities in the model charter, the one in paragraph I.b. does not need to be routinely exercised by the agency PE if such decision-making is appropriately delegated and decentralized. Frequent headquarters "intervention" could represent inefficient micromanagement or the existence of a large volume of problem-ridden procurements, rather than scrupulous attention to duty. In other words, the information does not really mean anything. Yet it could be erroneously construed by a layman to indicate effectiveness of PE performance. For these reasons, we suggest that the second sentence on Page 18 end after "authority" and the third sentence be deleted.
- 18 Last sentence. It should be noted that the out-of-pocket cash outlays for intern programs are insignificant, relative either to salary costs of the interns or the procurements they handle. When an agency hires an intern, in lieu of hiring the employee for an ordinary GS-5 entry position, the only out-of-pocket expenses are the additional travel (for both formal training and rotational assignments) and tuition.
- Also, we do not agree that intern programs are difficult to manage. The real difficulty is in fencing ceiling and funding, which is the key to a successful intern program. It took four years for the Navy to establish separate ceiling and funding for the NAVMAT intern program.

Page

- The major procuring agencies have traditionally filled the bulk of their vacancies in the GS-1102 series with untrained personnel at the GS-5 through GS-9 levels. The purpose of intern programs is not to boost the rate of entry level hiring or the total GS-1102 employment of the agency. Rather, their purpose is to place 20-30% of the entry level hires into a rigorous developmental program. It is always hard to fence ceiling and funds for such a purpose. But, as the Department of Defense can testify, the effort is extremely worthwhile.
- 18      Third sentence. "Other agencies were against intern programs..."
- We know of no agencies on record against intern programs. However, few agencies outside of DOD have been successful in fencing ceiling and funds for an intern program. Even agencies such as NASA and GSA, which have developed fine plans for such a program, have had difficulties in fencing the necessary ceiling and funds. It is this reality which drives the non-Defense agencies to hire talent from DOD. But there has been far less movement from DOD to civilian agencies than imagined. The overwhelming majority of civil agency hires are from the ranks of their own clerical and technical personnel at the GS-5 through the GS-9 level. In normal years, only 10-20% of the newcomers to civil agency procurement positions are from DOD.
- 21      Charters need not be signed by the agency head in order to be "authorized" by the agency head. In some agencies, delegations of authority from the agency head to his or her deputies and assistants may be sufficient to fully justify signing of the charters by one of those delegees.
- 26      Weaknesses. As noted in subsequent comments, we disagree that the enumerated items are weaknesses.
- 26      Last line. Substitute "classification and qualification standards" for "standards and qualifications".
- 25      Certification
1. Third sentence. Substitute "This is" for "If the idea received high level support it could be". The President supports the idea and has mandated the certification process by signing the Executive Order.
  2. Second paragraph. We disagree with your premise and believe that you are misinterpreting the intent of the Executive Order as it concerns system certification. The certification is part of the PE's overall responsibility as manager of the agency's procurement system. In the management structure, according to the Executive Order, the PE will report directly to the agency head on the state of the procurement system, much like a division vice president



Page

reports to the president of a corporation. As system manager, the PE must initially ensure that the system is properly established, and then use the control and feedback mechanisms built into the system to identify any problems and take corrective action where necessary. As system manager, the PE is interested in the system working as it should. As a member of the agency's management team, the PE is interested in providing accurate assessments of the procurement system's operation to foster effective management of the agency as a whole.<sup>1/</sup> The certification envisioned by the Executive Order - and the UFPS Proposal - is essentially the system assessment just described, in a formal, periodic form. If the assessment is completely positive, it constitutes a certification. If the assessment indicates that problems exist, those systemic problems should be identified along with planned corrective actions. This certification can only be made by a member of the management team from within the procurement system. It is not a function for outside auditors.

Agency heads will have feedback from external sources sufficient to check and balance feedback received from their PE's. These include agency Inspectors General and internal auditors, the General Accounting Office, contractors, industry and professional organizations, Members of Congress and the public.

24

Reporting

The second and third sentences are not accurate. The second report described the following problems:

- (1) That significant disagreements remained to be resolved concerning the GS-1102 standards;
- (2) That the FAR publication milestone could be adversely affected by the then-proposed application of the Paperwork Reduction Act to procurement regulations; and
- (3) That few agencies had gotten past very preliminary planning stages in their conversion to the FAR system.

The third report described events leading to the establishment of a special interagency team on the GS-1102 standards, portraying the continuing and serious nature of that problem.

OFPP agrees that both progress and problems should be reported. However, since the report is for the President, it cannot be useful if it is overly detailed. Also, agencies deserve a reasonable period of time to assimilate guidance (such as the model charter) and work related changes through their bureaucracies before their performance is declared to be inadequate in a report of this nature.

<sup>1/</sup> Page 13 of the UFPS Proposal: "The primary thrust of the responsibilities of the Procurement Executive is management of agency procurement operations in support of the agency's overall mission." Also see "An Organized Base to Fine Tune the System" on Pages 17 and 18 of the Proposal.

<u>Page</u>	
Item deleted	<p><u>"Legislative Program"</u>. Improve the accuracy of the first sentence by changing it to read: "Subsection 4(f) of E.O. 12352 requires OFPP to <u>submit</u> legislation to <u>resolve</u> major inconsistencies in law and policies relating to procurement which impose unnecessary burdens on the private sector and federal procurement officials."</p> <p>The draft report contains no evaluation of OFPP's efforts toward this end, yet on Page 26 it states that a legislative program is "lacking" from OFPP's current operating strategy. The drafters should note that in preparing the <u>Administration's Proposal for a Uniform Federal Procurement System</u>, OFPP did identify such inconsistencies and addressed them in proposed amendments to procurement and other statutes. Also, OFPP's Procurement Law and Legislation Division will take the lead in following through on any task group recommendations for legislative changes. (See item 4.c. in attached Task Group Products Outline.)</p>
25	<p><u>"One Action Open"</u>. The second sentence is misleading. The Subsection 1(b) requirement is not being addressed by the existing interagency task groups because doing so is not included in any of their charters. However, it is quite possible - even likely - that an interagency task group will eventually be formed to deal with the mandate. It is, therefore, inappropriate to suggest that a task group would not be suitable for this purpose.</p>
Item deleted	<p><u>Fifth sentence</u>. E.O. 12352 mandates reforms of certain types to serve certain ends. It is relatively unimportant whether an agency achieves them under programs explicitly tied to E.O. 12352 or Reform '88, or under programs that cite neither Government-wide program.</p> <p><u>Sixth sentence</u>. With the exception of designating and chartering their Procurement Executives, agencies have not been expected to pursue independent reform activities because the focus of this early phase of the program has been on the interagency task groups. However, as the implementation program matures and other task group guidance becomes available, more and more reform activity <u>will be identified with E.O. 12352</u>. Therefore, there is no basis for characterizing agency response to E.O. 12352 as "limited", except where agencies are remiss in establishing their Procurement Executives as potent officials capable of managing the development and/or reform of procurement systems.</p>
Item deleted	<p><u>Improve agency response</u>.</p> <p><u>Sixth sentence</u>. Delete "and authority". The Executive Order gives OMB/OFPP responsibility for overall leadership "necessary to achieve procurement reform"; it does not confer any new or additional authority on the offices.</p> <p><u>Seventh sentence</u>. Change "speed progress of" to "ensure that agency representatives give adequate priority, time, and high-</p>

Page

quality contributions to". All task groups are meeting their overall schedules. But in some cases, individual projects have been dropped or significantly diminished in terms of original expectations because some task group members have not devoted the time or talent necessary to complete them. For these reasons, also change "accelerating" to "dedicating enough time and appropriate talent to" in the second bullet under "Recommendation" on Page 31.

24

Recommendation to OMB Director.

1. In his leadership role, the Director is charged with working jointly with agency heads. OMB/OFPP can increase visibility of the reform program to high-level management, provide guidance and suggestions for how to use it, and identify and facilitate correction of inadequacies in agency implementation programs. But OMB/OFPP cannot "assure that agencies respond". Only the agency heads can do that. Change the recommendation to read: "The Director should ensure that high-level management of the agencies are aware of their responsibilities to:

- Create complete ....
- Dedicate ....
- Use this guidance properly".

2. The text preceding this recommendation recognizes agency heads' responsibilities for effecting reform and suggests that their efforts have been, by and large, inadequate thus far. A second recommendation should be written to agency heads to reinforce this finding and emphasize that the ultimate responsibility lies with each agency head. An element of the recommendation might be a suggestion that follow-through on implementation guidance be made a high-visibility special interest item in internal audits.

3. There is also a need at the OMB and agency head levels to recognize that the significant returns expected from implementation of the Executive Order can only be achieved if investments are made. Perhaps a fourth bullet would be appropriate: "allot the resources necessary to implement the procurement reforms."

26-28

Strengthen the Action Program.

Third sentence. Change "45" to "44". The Smithsonian is withdrawing to an observer capacity, since it is not obliged to operate under Executive Branch direction.

Second and third paragraphs. We do not agree that such specific additional authorities are necessary.

We believe that OFPP's current role of providing policy leadership, based on directive authority, should be continued and reflected in the reauthorization legislation. It would also be useful for the

Page

26-28

Administrator to have explicit authority to test new procurement techniques, as provided in our proposal for a Uniform Federal Procurement System. Such authority is necessary for procurement reform because testing is needed as a basis for verifying the effectiveness of proposed procurement methods and procedures.

We believe OFPP can be effective without regulatory authority and without specific additional authority to establish Government-wide systems criteria. Such authorities would tend to place the EOP in the position of interfering with the internal management responsibilities of agency heads. OMB, of course, does have broad management responsibilities ordinarily sufficient to obtain agency compliance with the directions contained in the President's Order.

32

First paragraph. (See comments on the draft report's Page 28 - Certification.) Appendix III is unnecessary and inappropriate.

Third paragraph, first and second sentences. We disagree for the reasons noted in the comment regarding reporting on Page 28.

Recommendation to Congress We disagree for the reasons noted in the comment regarding the second and third paragraphs under "Strengthen the Action Program" on Page 31.

Appendix 5

This and other charts regarding observance of the Model Charter should include "Advocate for Competition" as a basic element of that charter.

Editorial

1

Last full sentence. Substitute "proposal to replace the October 1980 submission" for "second proposal" to clarify the relationship between the February 1982 and the October 1980 submissions.

2

Bullets. Since each bullet is intended to represent a problem, change the headings of the last three as follows:

- Lack of Competition;
- Lack of Professionalism;
- Inadequate Management.

6

Last line. Change to read "a Model Charter for Procurement Executives."

Item  
deleted

Last paragraph, third sentence. If there are only 3 programs in all, subsets of "a few" and "others" are inaccurate.

Page

Item  
deleted

Fourth sentence. The Executive Order does not require that the Procurement Executive administer the career management program, which is what this sentence, taken with the previous sentence, implies. It requires the Procurement Executive to have responsibility to "enhance career management of the procurement work force."

17

What is the difference between a "no" and a blank space?

## TASK GROUP PRODUCTS OUTLINE

### Substantive Output

For each discrete subject investigated and analyzed, prepare a report module containing the information described in 1 through 5 below. A report "module" is a completed component of the task group's overall effort, meaningful in and of itself.

#### TITLE:

EXECUTIVE ORDER 12352 ON FEDERAL PROCUREMENT REFORMS  
IMPLEMENTATION GUIDANCE

SUBTITLE: (e.g., "Procurement Intern Program", "Simplifying Requests for Proposals", etc.)

1. Purpose. (Essentially the "Purpose" section of the task group's charter, identifying the part of the E.O. to which the guidance applies.)
2. Description of module.
  - a. Objective and scope. Specifically identify the problem to be solved, the practice that can be made more efficient, or the program that can be established or improved.
  - b. Describe the relationship of this module to any other modules (of the same or another task group) that treat a similar subject.
  - c. Describe its importance to the overall goal of implementing subsection 1. \_\_\_\_\_.
3. Summary of guidance.
 

(All guidance will be forwarded to all or selected agency heads by the Chairman of the Executive Committee and the Deputy Director of OMB)
4. Enumeration of actions needed to implement the guidance.
  - a. Those that can be taken by agency heads without any change in law, the FAR/DAR/FPR, or other governing regulations or policy documents beyond the control of the individual agency head. ("A" Actions)

- b. Those whose execution depends on changes to FAR/DAR/FPR or other governing regulations or policy documents. ("B" Actions) (Also to be forwarded to DAR and CAA Councils by Chairman and Deputy Director)
  - c. Those whose execution depends on changes in statute(s). ("C" Actions) (Also to be forwarded to OFPP's Associate Administrator for Procurement Law and Legislation, for development of a coordinated Administration position and associated bill language for transmittal to Congress)
5. Full elaboration on each recommended action enumerated in 4, above, to the extent the Group has developed explanatory material and/or guidance for its execution. This may take the form of suggested regulatory coverage, model plans or programs, detailed descriptions of suggested techniques, statements of system criteria, or the like.
  6. Date of completion of the module.

### Administrative Output

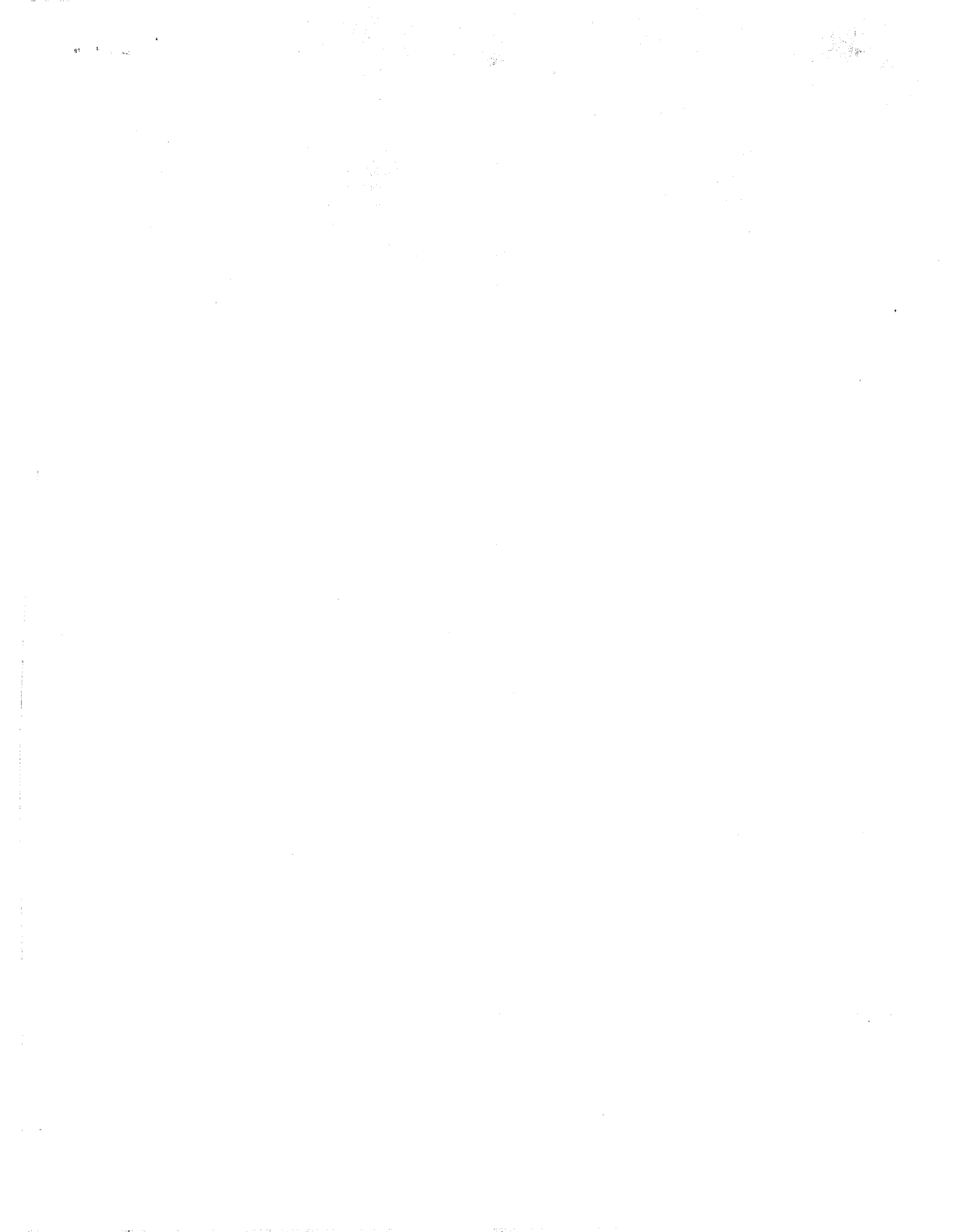
1. For each module, prepare:
  - a. A letter of transmittal to the Chairman, Executive Committee on Federal Procurement Reforms.
  - b. Proposed letter(s) of transmittal to intended recipients of the module from the Chairman, Executive Committee on Federal Procurement Reforms and the Deputy Director, OMB.
2. Consolidate all modules into a final report organized as follows:
  - I. Title Page
  - II. Table of Contents
  - III. Purpose (essentially the "Purpose" section of the task group's charter, identifying the part of the Executive Order to which the guidance applies)
  - IV. Summary of Actions Needed to Implement the Guidance (include reference to page in report that begins elaboration on each action item)
    - A. All "A" Actions
    - B. All "B" Actions
    - C. All "C" Actions
  - V. General Remarks (include overall summary of Task Group effort, general conclusions, and general suggestions for using modules and successfully implementing guidance)
  - VI. Modules (presented in the order deemed most appropriate by the Task Group)
  - VII. Appendices
    - A. Executive Order 12352
    - B. Task Group Charter
    - C. List of Task Group Members, in alphabetical order, including
      1. Full name
      2. Title (in job, not on Task Group)



3. Agency and organizational subdivision
  4. A notation indicating chairman and co- or vice-chairman
  5. Beginning and ending dates of participation on Group (month, year)
- D.-Z. Any supplementary information the Group considers useful to users of the report

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