

**OFFICE OF PROCUREMENT**  
**PROCUREMENT POLICY & EVALUATION STAFF**  
**RIGHTSIZING REPORT**

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## I. Executive Summary

This report presents findings and recommendations gathered during an intensive three week study of the organization and staffing of the Office of Procurement (M/OP) and the Office of Procurement Policy, Planning, and Evaluation Staff (M/PPE). The overall objective of the review was to recommend an organizational structure for both offices (or a combined office) that would address the growing contractual needs of the Agency, reduce redundancies in the Agency, streamline the organizational structure where appropriate, and recommend appropriate staff to carry out the functions of the new office(s). The Team of nine persons under the direction of the Assistant Administrator for Management, was comprised of members from M/OP, M/PPE, and individuals external to both offices. The Team has conducted its analysis and presented its recommendations within the present structure of the Agency, and with minor exceptions, without regard to the vast organizational changes which will shortly occur in the rest of the Agency.

The Team spent considerable time reviewing surveys that have been conducted in the past year by the M/OP, interviewing client offices and internal staff members, reviewing the present structure of each office and the Agency as a whole to identify redundancies and gaps in the procurement process, and identifying significant constraints and issues in carrying out the Mission of the Agency. Major issues that were identified for OP included timeliness, staffing, better communications with the Field, USAID/W, and with the various contractors and grantees, better understanding of what the client offices are trying to accomplish and technical proficiency. For M/PPE, client interviews did not overwhelmingly argue for a separate M/PPE or a merged M/PPE, but some indicated that M/PPE needs to work more closely with M/OP in order to be more responsive to the policy needs of OP and also recognized a need for the evaluation function to be independent to a certain extent.

The Team did not achieve a consensus on whether or not to merge M/OP and M/PPE or to leave them as separate organizations. There is no apparent advantage of staff or funding reductions by such a merger, nor are there functional redundancies.

The Team was also attentive to the elements of the right-sizing analysis that would reduce layers and increase efficiency. At the same time, however, the Team felt that there was a certain hierarchical structure built into any contracting function. Federal contracting, as a function, is almost totally a conflict resolution activity. Resolving conflicting interests between seller and buyer, client office needs and OP needs, and dealing with the four thousand statutes (according to OMB) that affect Federal procurement engenders a work environment which is decision intensive with the need for nearly every decision to be authoritative and contractually binding. The Team's restructuring of OP was considered against the ideal structure to allow for empowerment of staff and authoritative, timely decision making. Before right-sizing M/OP had a supervisory ratio of 1:6.7. M/PPE had a supervisory ratio of 1:7 before right-sizing.

The need for additional staff for M/OP was considered and debated. The Team felt that the closing of various Missions did not present opportunities for Mission Contracting Officers to relocate to M/OP since retirement and/or assignments to regional contracting offices (who will need more staff as a result of the closings) is equally possible. Mission closings and evacuations in the past have resulted in more administrative work for M/OP (contract terminations, claims, etc.) rather than less. The Team considered M/OP's need for staff in concert with the need for better contract enforcement, better team building efforts with the client offices on planning and implementation activities, and general government-wide workload averages. The National Performance Review highlighted the government-wide average of dollar transactions handled per negotiator at \$9 million, while at USAID that number is nearly \$33 million. The Team felt that in order to provide more timely service, and enforce contract performance and compliance with Agency socio-economic goals, more personnel was essential. X

One option merges M/PPE and M/OP into a single office with two Deputy Directors in the Office of the Director, a Deputy for procurement operations, and one for management. This realigned structure has the benefit of integrating the procurement policy function (one of two M/PPE functions) into the operational activity, and promoting closer coordination and understanding of M/OP issues. An offsetting negative would be the dampening effect on independent criticism of procurement evaluation (the other M/PPE function) staff by co-locating that staff in M/OP. The M/PPE staff is required by Presidential Executive Order to conduct procurement certification reviews of Agency procurement offices of which M/OP is the largest with the most Contracting Officers.

For the functions currently housed in M/OP there were two options presented which could be evaluated independent of the M/PPE and M/OP merger possibility. The first M/OP option presents a supervisory ratio of 1:7.7 (with or without PPE combined) and envisions five total divisions comprised of four operational divisions, one procurement support division, and a policy and evaluation staff attached to the Deputy for Management. This option also reflects the addition of 33 FTE, chiefly procurement specialists and procurement assistants to bolster contract administration and tracking of performance, monitoring of vouchers, and capital equipment. Additionally, the Team considered the reorganization of the M/OP division structure to allow for a single division to be responsible for the critical Eastern Europe (EE) and Newly Independent States (NIS) programs. This structural change merges the Transportation Division and the Contracts/Commodities Support Division into a single division. The CIMS Branch was moved from the auspices of the Office of the Director to the Procurement Support Division.

This first option reorganizes the structure of OP by combining functional areas of commodities and transportation into a single division of three branches with mutually reinforcing program areas. The consideration to dedicate a division to EE and NIS programs was the high visibility and interest in the region, tremendous workload demands, and the Agency's move to combine the Eastern Europe Mission and the NIS Task Force into a single organization. The Contract Information Management System (CIMS) is an OP

automation effort which when placed in the Procurement Support Division, combines OP's automation efforts into one division, allows for various automation efforts to share contractor staff, and presents a more coherent liaison with the Office of Information Management.

The second option, while not considered ideal by many of the Team members, presents a supervisory ratio of 1:7.4 (with or without PPE) and also merges the Transportation Division and the Contracts/Commodities Support Division into a single division, and effectively eliminates one Division Chief position. The CIMs Branch is again moved to the Procurement Support Division. Overall FTE are increased by 10, to allow for the establishment of procurement assistant positions and the placement of one per branch. The major difference in this option from the first, is the inability to establish a Division dedicated to servicing the NIS and EE. The lack of FTE beyond the ten procurement assistants in this option will not allow the Agency to effectively manage and administer contracts and grants. Both Option 1 and Option 2 contain the addition of 2 Procurement Analysts which will report directly to the Office of the Director of Procurement and be responsible for special initiatives.

The Team also delved into some areas that will require further examination at the process level to make informed judgements on staffing and redundancies. The PVO registration process is being conducted largely via contract staff managed by FVA, but the process generally does not satisfy the information needs of M/OP in order to award grants to PVOs. This issue has been raised by PVO working groups and Mission Contracting Officers alike. However, for the purposes of this right-sizing exercise, time did not permit an exhaustive comparison of the PVO registration process and M/OP's pre-award audit process to systematically look for procedural redundancies or gaps. Only after a step-by-step analysis of the registration process is done can any conclusions be drawn about functional placement or FTE implications of the registration activity.

## II. INTRODUCTION AND METHODOLOGY

### A. Introduction

As part of the current reorganization of the Agency, the Assistant Administrator for Management directed a review of the Office of Procurement and the Procurement Policy and Evaluation Staff to determine the correct size and composition of the office as well as accuracy of functions. This review focused on functional redundancies within the Agency, span of control over functions, appropriate resource levels, constraints and additional functions to be performed. The review also considered whether the two staffs should be combined and the pros and cons of a merger.

### B. Methodology

The team was composed of three employees from the Procurement Policy and Evaluation Staff and four employees from the Office of Procurement. In addition, there was one representative from a client office as well as an analyst and classifier.

In conducting this review, information was gathered through review of previous reports and studies, interviews with office staff, clients, the Senior Procurement Executive and managers of the Office of Procurement and the Procurement Policy and Evaluation Staff, and results of a client survey. The client survey reached approximately 964 people. Of this amount, 308 were AID/W personnel, 56 mission personnel, and 600 contractors, all of whom had frequent interaction with OP. Interviews were conducted with 31 employees ranging from Acting Assistant Administrators to support staff. The purpose of the interviews was to validate and update information gathered in the client survey as well as to gather additional information. A complete list of those interviewed as well as outside documents reviewed are listed in the appendix.

### III. OFFICE OVERVIEW

#### A. OFFICE OF PROCUREMENT

M/OP FTE:	138
TOTAL PEOPLE:	107
TOTAL POSITIONS:	152
TOTAL FTE UTILIZED:	107
TOTAL CONTRACTORS:	22
TOTAL COMPLEMENT:	4

The Office of Procurement is responsible for administering the Agency worldwide procurement and commodity program.

#### Office of Director

People:	6
Positions:	6
FTE:	6

Manages the Agency's commodity and contract programs worldwide and provides assistance to Agency managers in procurement planning and resolution of problems and issues related to assuring the integrity of AID procurement and acquisition activities.

#### Contract Information Management Systems Staff (M/OP/CIMS)

People:	4
Positions:	7
FTE:	4
Contractors:	4

Directs through completion the initial development of CIMS, installs the system in major mission contracting offices and provides initial and on-going training, enters procurement data into the system for those missions who do not have access to CIMS, continually monitors system usefulness, develops plan for interfacing CIMS with other major Agency systems and transfer to new platform, and reviews future enhancements.

#### Contracts Division A (Front Office)

People:	1
Positions:	2
FTE:	1
Complement:	2 (CSIP)
Contractors:	5

Maintains responsibility for providing service related to contracts, grants, participating agency agreements to Agency organizations for whom responsibility is assigned. Advises and assists missions and other overseas organizations, host countries, geographic Bureaus and technical offices and AID/W functional bureaus on feasibility of proposed contracts and planning and negotiating the contracting portions of the programs. Performs contracting officer responsibilities with respect to pre- and post- award functions, including contract administration, settlement of audit issues, termination claims, disputes and closing of contracts. Provides guidance and TDY contracting assistance to overseas AID organizations.

Health, Resource and Nutrition Branch

People: 5  
Positions: 6  
FTE: 5

FHA, ADM and OIT Branch

People: 4  
Positions: 7  
FTE: 4

AFR, OFDA and TDP Branch

People: 6  
Positions: 7  
FTE: 6

Eastern Europe Branch

People: 6  
Positions: 8  
FTE: 6

Contract Division B (Front Office)

People: 2  
Positions: 2  
FTE: 2  
Complement: 2 (CSIP)

Maintains responsibility for providing service related to contracts, grants, participating agency agreements to Agency organizations for whom responsibility is assigned. Advises and assists missions and other overseas organizations, host countries, geographic Bureaus and technical offices and AID/W functional bureaus on feasibility of proposed contracts and planning and negotiating the contracting portions of the programs. Performs contracting officer responsibilities with respect to pre- and post- award functions, including contract administration, settlement of audit issues, termination claims, disputes and closing of contracts. Provides guidance and TDY contracting assistance to overseas AID organizations.

LAC and Agriculture Branch

People: 4  
Positions: 8  
FTE: 4

PRE, Centers and Energy Branch

People: 4  
Positions: 6  
FTE: 4

ASIA. Econ and Policy Branch

People: 5  
Positions: 8  
FTE: 5

HRDM. Near East and Education Branch

People: 4  
Positions: 7  
FTE: 4

Procurement Support Division (Front Office)

People: 3  
Positions: 3  
FTE: 3  
Contractors: 13

Overhead/Special Costs & Close-Out Branch

People: 7  
Positions: 7  
FTE: 7

Establishes indirect cost (overhead) rates for AID-financed contracts, grants, PASA/RSSAs and cooperative and other agreements, managing the OP automated systems pertaining to negotiated Indirect Cost Rate Agreements (NICRA) and contractor indirect cost rate proposals. Negotiates and issues advance understandings with Agency contractors and grantees on selected items of cost, procurement system deficiencies, exceptions to Federal Travel Regulations to meet special or urgent requirements and the personnel system used by grantees which are principally funded by AID. Acts as Agency representative in resolving IG, Defense Contract Audit Agency (DCAA) and other Federal audit findings pertaining to indirect contract and grant costs and contractor/grantee policies covering personnel, travel and procurement matters. Administers Agency limited excess property function for use in AID-financed or authorized recipient-financed programs.

Support Services Branch

People: 6  
Positions: 8  
FTE: 6

Manages and operates the OP office automation program, identifying new system applications and designing or arranging for their design, providing or arranging for staff training and managing the automation equipment and its utilization. Manages the Agency information program for gathering and report information on award actions, managing a central database pertaining to Agency awards program and generating ad hoc and recurring procurement reports; responds to public inquiries under the Freedom of Information Act; serves as focal point for Commerce Business Daily (CBD) notices program. Monitors OP responses to contract audit reports and prepares monthly status reports of open audit recommendations.

Contract Audit Management Branch

People: 1  
Positions: 11  
FTE: 1

The Contract Audit Management Branch is responsible for identifying the financial audit requirements for the Agency's U.S. contractors and grantees. The branch is responsible for arranging for the audits and monitoring the performance of the audit. The branch reviews and approves for payment invoices from non-federal audit firms and requests for reimbursement from other federal audit agencies for audits performed on behalf of AID. The branch prepares the annual budget submission request and justification for funding needed to support the branch's audit program. They also have the capability to personally perform requested pre-award surveys and audits of potential contractors and grantees based in the U.S. where other federal or non-federal entities are unable to perform the requested reviews in the time allotted.

Contract/Commodities Division (Front Office)

People: 3  
Positions: 6  
FTE: 3

Monitoring Branch

People: 8  
Positions: 8  
FTE: 8

Ensures commodity programs and commodity-related service transactions financed by AID meet statutory, regulatory and contractual requirements and are consistent with the terms of loan and grant agreements. Conducts post-audit of vouchers which AID has paid suppliers directly or reimbursed U.S. banks for payment under bank Letters of Commitment, to verify all aspects of eligibility for AID-financing, issuing Bills for Collection to obtain refund of overpayments. Reviews AID-financed freight payments made under charter contract and reviews and processes dispatch claims.

Technical Support Branch

People: 4  
Positions: 5  
FTE: 4

Recommends and administers policies and develops standards, procedures and rules affecting the procurement of AID-financed commodities; reviews specifications, tenders and notices of procurement to assure compliance with AID commodity practices and standards; administers the componentry rule and recommends its waiver or modification. Reviews proposed source waivers and advises overseas AID organizations and geographic bureaus on the availability of commodities from eligible sources.

Overseas Branch

People: 4  
Positions: 5

Provides guidance and assistance to overseas AID organizations and AID/W Bureaus, suppliers and US banks in the development and implementation of C.I.P.'s and procurement of project commodities. Reviews and processes documentation on behalf of overseas AID organizations and host-country embassies relating to host-country commodity procurement, commodity import programs and AID direct projects, including writing and/or processing IFBs, RFQs, amendments, financing requests, etc. to facilitate the procurement of commodities financed under loan or grant agreement.

Procurement Branch

People:	5
Positions:	9
FTE:	5

Maintains responsibility for providing services related to contracts, grants, participating agency agreement for both services commodities to AID bureaus, offices and overseas organizations. Negotiates interagency agreements with GSA, the Veterans Administration and other federal agencies for procurement and supply of commodities.

New Independent States

People:	5
Positions:	6
FTE:	5

Maintains responsibility for providing service related to contracts, grants, participating agency agreements to NIS. Advises and assists NIS, host countries, NIS Task Force and technical offices on feasibility of proposed contracts and planning and negotiating the contracting portions of the programs. Performs contracting officer responsibilities with respect to pre- and post- award functions, including contract administration, settlement of audit issues, termination claims, disputes and closing of contracts. Provides guidance and TDY contracting assistance to overseas NIS organizations.

Transportation Division

People:	10
Positions:	10
FTE:	10

Recommends and administers policies and regulations governing the transportation of commodities financed by AID and of those financed under Title II, P.L. 480, arranging shipment of commodities under the government-to-government program of Title II and administering compliance with the shipping provisions of the Foreign Assistance Act (FAA) and the requirements of the Cargo Preference Act.

The above figures are based on the staffing pattern as of 11/8/93 and the contractor report as of 9/30/93.

B. OFFICE OF PROCUREMENT POLICY AND EVALUATION

M/PPE FTE:	21
TOTAL PEOPLE:	23
TOTAL POSITIONS:	26
TOTAL FTE UTILIZED:	23

Office of the Staff Director

People:	2
Positions:	2
FTE:	2

Serves as the Agency Competition Advocate, with responsibility for promoting full and open competition in Agency procurement actions and directing reviews of Agency-wide procurement operations. Monitors and provides policy guidance to the Agencywide system of Competition Advocates. Advises AA/M on matters of international trade and commodity financing, procurement and transportation.

Policy Branch

People:	7
Positions:	7
FTE:	7

Provides staff support to the AID Procurement Executive including providing executive secretariat services for the Procurement Policy Advisory Panel (PPAP) and maintaining primary responsibility for authorship and maintenance of Agency's general procurement policies. Reviews and interprets FARs and develops and issues AID Acquisition Regulations which sets forth policy standards, guidelines, procedures and instructions on how AID conducts its direct contracts. Develops policy and provides advice and assistance on matters concerning contracting for personal services. Authors and interprets policy on AID Handbooks 1, Supplement B Procurement Policies, 11 Country Contracting, 12 Use of Federal Agencies, 13 Grants, 15 AID-Financed Commodities.

Evaluation Branch

People:	14
Positions:	17
FTE:	14

Provides staff support to the AID Procurement Executive, including conduct of evaluations of worldwide procurement operations required to support the Procurement Executive's periodic certifications of Agency procurement system and recommends appropriate corrective action. Reviews and recommends action on all Settlement Review Board cases, all proposed debarment and suspensions and ratification of extraordinary contractual relief. Plans and conducts in coordination with HRDM/TD training courses and workshops for AID/W, missions, foreign government agencies and international organizations.

#### IV. FINDINGS AND CONCLUSIONS

This section is an analysis and summary of data collected in interviews and from other sources during the course of the study. The team has drawn conclusions and made recommendations where appropriate.

##### A. CONSTRAINTS

The chief constraint encountered by the contracting divisions of M/OP is the lack of staff. Of the 107 currently filled FTE in the Office of Procurement, only 48 are contracting professionals including 10 contracting officers. A second constraint which exacerbates the staffing situation is the lack of procurement planning.

In FY 1993, the contracting staff was responsible for 3,787 contractual documents obligating over \$1.75 billion. In other words, the average time available for a negotiator to complete any one action (whether incremental funding, delivery order, or fully competitive procurement) was just 2.6 days. When it is factored in that 86% of the contractual actions in FY 1993 were awarded in the last six months of the fiscal year, the actual average time available to negotiators per action was only 1.5 days. Only the simplest of actions (i.e. incremental funding) can, in fact, be done well in such a short amount of time. These time estimates do not take into account any time that is also needed for procurement planning, contract administration or contract closeout activities. The need for obligations has taken priority over all other contracting functions and responsibilities.

This lack of time has serious repercussions. It leads to long hours of overtime and morale problems for the staff, increases the possibility of mistakes being made, encourages less than optimal work products, and in the long run creates additional work to correct problems and deal with protests. Lack of administrative staff to handle the more routine actions - simple purchase orders or just answering the telephone - makes a bad situation worse. If the staff were increased to handle the work properly, time and money could be saved by Agency management, M/OP and GC. The number of complaints and protests would decrease, better prices could be obtained because more time would be available to analyze offers and prepare for negotiations, contract administration would be simplified because of better written contracts, and Congressional inquiries would probably decrease as well. One simple example of where management time could be decreased is the amount of time spent by managers from the operating bureaus and M/OP to handle complaints that negotiators are not responding in a timely manner to accomplish priority activities for the bureau. If staffing were adequate, both OP and client office management would not have to become involved as frequently.

This lack of adequate staffing creates a vicious circle. Lack of adequate staffing creates an excessive workload. (The amount of dollars obligated per contract negotiator at AID was \$32.74 million compared to a government-wide average of \$9 million). The excessive workload contributes to reasons for the high annual turnover rate of 30% of the contracting workforce. The National Performance Review indicated the average annual turnover among procurement professionals government-wide was just 10%. This turnover coupled with lack of training of procurement professionals and a poor perception of the office inside and outside of the agency has plunged the morale of the office to an all time low. The turnover is detrimental to the Agency because it means we continue to have a relatively inexperienced staff

The Procurement Support Division (PS), as pointed out in the interview, has relatively few constraints to fulfilling its functions within the Office of Procurement. PS is inheriting a new organizational entity, the Contract Audit Management Branch (CAM), which will provide audit support to the operating divisions within OP. The CAM is currently being staffed, and sufficient funding has been committed to enable CAM to carry out its function. Generally there is adequate staff and funding in the Procurement Support Division to carry out specified functions. However, in the area of overhead negotiation, special costs, and contract close-out which functionally is organized into a branch (PS/OCC) there is a concern that staffing is not adequate to perform all required functions.

PS/OCC is responsible for the (1) negotiation of indirect costs of all vendors for which USAID has primary responsibility, (2) reviewing and approving vendor procurement systems, and (3) reviewing and approving personnel handbooks which set forth the vendor personnel policies. The Branch, with four employees and the Branch Chief, currently is only able to perform the first function with any regularity. This level of staffing was perceived as adequate in 1990 when USAID was cognizant for 180 firms, but this number has increased to over 400 firms. This number may well increase by as many as 100 additional firms as USAID contracts with firms which specialize in the Eastern Europe and NIS regions.

Currently, the key function of OCC is the negotiation of indirect cost rate agreements based on financial information. This information is needed by line staff in a very short time frame, and if not available then an estimate of an acceptable rate is developed. If one would conservatively estimate that indirect costs represent thirty percent of total USAID budget, OCC is then responsible for providing correct and timely information on hundreds of millions of dollars per year.

It is estimated that five additional personnel are needed to meet the growing workload demand and also begin performing the functions which have not previously been performed. The increase is further justified by the fact that OCC will receive for resolution the audit reports previously issued by the OIG, and now issued by the new CAM Branch in OP. It is expected that the number of audits requested will increase due to the fact that they will now be performed by OP staff. Previously the OIG were frequently nonresponsive when audits were requested and therefore a smaller percentage were performed than were actually requested. Since all audits now requested will be performed, the number of audits requiring resolution will increase, thereby necessitating an increase in the number of personnel to resolve the audits.

#### B. FUNCTIONAL REDUNDANCIES AND GAPS

It should be noted that an earlier OMB Swat Team recommendation suggested that the Office of Procurement should be responsible for the audit function, and that it should be transferred from the Office of the Inspector General (OIG). [Recommendation #18 - AID should develop in-house capability to conduct pre-award audits in cases where Federal auditors cannot provide timely service...] The rightsizing committee does not believe that this function should be returned to OIG or otherwise transferred. It was felt that there is no other logical Bureau or Office within USAID that could house the pre-award audit function. It is considered correctly placed in the Procurement Support Division in order to provide responsive service to the end-user.

Food and Voluntary Assistance which has typically been the organization responsible for PVO registration, has functioned as the Agency's liaison with the PVO community. The PVO registration process requires the submission of 17 forms in order to achieve "registration". The experience of some Grant Officers within OP is that the PVO registration process is perfunctory and does not provide the depth of information needed within OP to make grant awards. PVOs who are put through the full rigors of a "pre-award" audit often feel that this unnecessary due to the fact that the PVO is already "registered". This is not only redundant but is perceived by many PVOs as an oppressive oversight environment.

The difficulties or inefficiencies in the PVO registration process (from the OP perspective) may well be the result of poor coordination between FVA and OP and not stem totally from functional redundancies between OP and FVA. The newly established Contract Audit Management Branch within OP, and the OCC Branch within OP have vital pre-award duties 1) to perform on financial audits, 2) to establish indirect cost rates, 3) to examine purchasing systems, and 4) to review personnel handbooks on not only PVOs, but the greater USAID contractor community. Additionally, OCC has the responsibility within USAID to recycle excess Government Property to the PVO community.

The duplication of automation efforts within the Office of Procurement presents some redundancies within OP or, possibly, a misplaced organizational unit. The Procurement Support Division (PS/SUP Branch) houses automation support services and there is a separate Contract Information Management System (CIMS) staff which reports directly to the Director's office. CIMS is responsible for supporting the Office of Procurement and other Bureaus by furnishing ad hoc and regular reports on contract awards. Additionally, the CIMS unit is responsible for providing regular reports to the Federal Procurement Data Center. The CIMS staff could easily be an additional branch within the Procurement Support Division, taking into consideration function, clients, and span of supervision. One of the constraints mentioned by the CIMS staff was the lack of a GS-1102 Procurement Analyst to complement the four CIMS staff. The Procurement Support Division has a non-assigned GS-1102 functioning as a special assistant to the Division Chief who could function as a resource to the CIMS unit. The manual contract numbering currently in place on the Procurement Support Division should be abandoned and automated by CIMS. (See also Organizational Efficiency and Effectiveness.)

The major gaps identified were in the area of contract administration. Due to the staffing constraints, several functional areas have been taken over by contractors. Contractors perform a number of functions such as no cost contract extensions, negotiating interagency agreements, contract closeout, and in OFDA they even negotiate grants and contracts (the grants and contracts are signed in M/OP). Other administrative functions are not being done at all or only in rare cases such as review of vouchers for cost reasonableness, contractor site visits, post award orientations, tracking government property in control of contractors and grantees, approval of contractor/grantee policies and systems, and monitoring contract cost and performance.

There are gaps in the review and monitoring of the Agency's procurement of commodities. Assistance recipients and contractors too often purchase restricted goods without the advice of the commodity unit. Verification of FDA approval/recall status is required for each procurement of pharmaceuticals and medical devices. Purchasers of non-U.S. and/or right-hand drive vehicles too often assume a lack of U.S. manufacturing or non-availability of local after sales service for U.S. made vehicles. Under utilization of existing

commodity expertise and industry knowledge exposes the Agency to needless vulnerability on many fronts---from the potential danger of buying unsafe medical and pharmaceutical products to missing significant development and business opportunities.

Another gap is the lack of Agency post-audits of project commodities. A recent study recommended it be done and the mechanism exists to facilitate the review of these transaction, but lack of support in the Agency to establish a review process prohibit it. The study noted that that a substantial number of the items purchased from trading companies resulted in higher costs to some projects. The correct application of the Agency's componentry rules was also noted to be lacking. The Monitoring Branch of the Contracts & Commodities Division currently performs such reviews on purchases under Commodity Import Programs to identify violations of price and source/origin regulations and appropriate actions are taken when violations are identified. These actions include issuances of Bills for Collection to recover funds, and referral to the Inspector General's Office for prosecution in cases of fraud.

In addition, the Overseas Branch is responsible for publishing the weekly Procurement Information Bulletin, which provides U.S. businesses with information on upcoming A.I.D.-financed or A.I.D. direct commodity procurements. The current mailing list of this publication includes some 3,000 names. CC/O receives numerous calls regarding the information contained in the Bulletin, as well as requests to receive the weekly publication. Currently, OSDDBU receives the applications for placement on the mailing list and coordinates with AS/ISS in the maintenance of the list. This function should be with the same unit responsible for the preparation of, and follow-up to, the publication.

#### Recommendations for Improvement

- o The government property function which currently consists of directing excess property to eligible PVOs should be increased to strengthen administration of all property related requirements under contracts and grants.
- o The Regulations should be modified and/or enforced to include the requirement that USAIDs, contractors and grantees consult with commodity staff prior to the purchase of potentially restricted commodities.
- o The Monitoring Branch of the Contracts and Commodities Division should begin the post-audit of all project commodities.
- o The responsibility for maintenance of the mailing list for the Procurement Information Bulletin should be placed with the Overseas & Technical Support Branch. There are no staffing implications.
- o PS/SUP/OCC should be authorized to recruit four additional professional and one support personnel at a minimum to accommodate the increase in vendors that USAID is now responsible for.
- o Overlap between the PVO registration process and the OP pre-award and indirect cost negotiations should be reduced and that elements of the two processes be placed in the correct office with consideration to FTE.

- o The CIMS unit should be folded into the Procurement Support Division in order to centralize OP automation efforts.

### C. ORGANIZATIONAL EFFICIENCY AND EFFECTIVENESS

The M/OP operating divisions are considered effective in accomplishing its more visible function which is to award contracts and assistance instruments. Despite the constraints and difficulties, awards are made and the funds are obligated.

The primary complaint among the operating divisions' client offices is the lack of timely service. Clients report that simple actions using mechanisms designed to save time like buy-ins and delivery orders still require at least a month to get through OP. Complicated actions can take up to a year or more. Telephone coverage is often sporadic due to lack of support personnel and access to contracting officers or negotiators is limited.

Additionally, inconsistencies between the various contracting officers in style, interpretation of regulations, paperwork requirements and guidance contribute to the frustration experienced by clients.

Another area of ineffectiveness is the lack of participation in contract administration by contracting offices. Client offices feel that the Contracting Officers and their negotiators do not have a good understanding of the project and cannot provide proactive advice nor can they keep up with the day-to-day problems and changes.

The functions of the Contracts and Commodities Division (CC) are quite diverse - the Division Chief is a warranted contracting officer and actively monitors and assists with the functions of the two contracting branches leaving no time for focusing on commodity related issues. Therefore, the CC Division has a Deputy Division Chief that is the only senior management officer actively addressing critical USAID/Washington and field programmatic issues. While this is the only division within OP that has a deputy, it is clearly a necessary management function in the current organization. Having a senior, field-tested Commodity Management Officer is of immeasurable benefit to the programs and to CC's performance as an AID/W commodity procurement support organization. It is essential that the commodity function receive both daily operational guidance and the overarching support at the Division level that is particularly critical at a time when so many commodity issues are being studied and addressed at high levels in the Agency.

The two commodity branches within CC are under utilized and unrecognized, thus making them less efficient and less effective than they can be. The branches are incorporated into a basic contracting division which overshadows the capability, purpose and function of the two branches. The division is recognized by the functions of the two contracting branches - the NIS branch which has the highly visible NIS Task Force as their client office. The Procurement Branch's client office is R&D/POP and buys the Agency's contraceptives - also a highly visible function.

The Transportation Division is effective and efficient in performing their functions. It has been suggested that these functions might be more effective if they were a part of their main client office (FDC) but, their functions are similar to those of a contracting branch and unless the Agency determines that project offices should have in-house contracting, the Transportation Division should remain within in the Office of Procurement to ensure consistency, autonomy, and effectiveness.

Based on a self-assessment, discussions at the recent Contracting Officer's conference, and interviews and focus groups performed under the rightsizing study, M/PPE is considered to perform its functions efficiently and effectively. None of M/PPE's clients recommended any additions or deletions to M/PPE functions (other than doing more of what is already being done) or suggested any organizational changes. M/PPE's clients stated that they believed the M/PPE staff was adequately trained and properly sized.

**Recommendations for improvements:**

- o The Agency should work to assure that the new procurement planning system is effective, i.e. that a proportion of the Agency's requirements are actually received during the first and second quarters to decrease the unmanageable influx during the third and fourth quarters.
- o M/OP should pursue possibilities for larger umbrella and generic type contracts as well as larger competitive grant programs.
- o There should be more contract negotiators authorized at the GS-13 level, and they should be given limited contracting warrants.
- o The new Commodity/Transportation Division should be headed by a senior commodity management officer.
- o Efficiencies may be gained on automation support by placing the CIMS unit within the Procurement Support Division. Currently hardware problems and CIMS software problems are responded to by separate staff in different locations.

**D. ORGANIZATIONAL RELATIONSHIPS**

M/OP operating divisions provide services to nearly every program office in the Agency. Any organization which implements its program through contracts, assistance, or interagency agreements accomplishes the work in cooperation and coordination with M/OP. While the client offices generally appreciate that the work gets done, as noted above they do think sometimes that it takes too long.

Many clients have expressed the wish to have contracting officers situated in their offices to be dedicated to their program. Such an arrangement would be difficult for maintaining professional standards and flexibility to respond to changes in workload requirements. A decentralized staff would have to be larger in order to accommodate the Agency's needs.

M/OP and client offices need to work together more as a team. Clients would like to have more and better communication with M/OP, including training session early in the fiscal year to address problems identified during the previous year.

M/OP also uses the services of USAID offices including GC, FM, and IG. The relationships with GC and FM seem to function fairly well. M/OP would like to be able to get more support from GC if they had adequate staff. Frequently there just are not enough lawyers on the Contract and Commodity Management staff to handle all the work the M/OP would like to give them. The relationship with IG has been somewhat troublesome because IG has not been able to provide adequate contract audit support. With the addition of the Contract Audit Management Branch in M/OP, this concern should be alleviated.

The primary client/user relationships for CC and Transportation include GC, OIG, OSDDBU, LEG, FM, field offices overseas and project offices. In addition, the commodity staff interacts with U.S. banking institutions, industry officials, U.S. suppliers/exporters, and the Department of Justice. The Transportation Division interacts with FDC/PHA, OFDA, and the Maritime Administration. Most clients/users reported having adequate working relationships with the two divisions. It was noted that the lack of staff and resultant lack of communication in the two contracting branches in CC sometimes makes it difficult to accomplish low priority assignments in a timely fashion.

M/PPE works closely with the Procurement Executive, GC, and M/OP, and maintains close working relationships with contracting and executive officers overseas. There are regular contacts with HRDM, IRM, AS, FM, and IG. These relationships appear to be functioning well.

#### E. ANTICIPATED IMPACT OF CURRENT OFFICE INITIATIVES

Several new initiatives currently being undertaken by the Office of Procurement should impact the efficiency of the procurement operations. Increased efficiency may result from the Acquisition and Assistance Business Area Analysis (BAA), the procurement planning system, and the new contract and grant writing system.

The procurement planning system, which is in place for the first time in FY 1994, should help to spread the work more evenly over the year instead of handling 70 to 80 percent of total actions during the last quarter. The effectiveness of this system is, of course, dependent on Bureaus and Missions meeting their planned goals and funding being available early in the fiscal year, though much of the process for a competitive action can take place prior to funding if we receive adequate assurance that funding will be provided. If the planning function works well it may also favorably impact on another problem area - multiple incremental funding actions. If procurements are planned better, there should be no need for more than one incremental funding action each year.

The Acquisition and Assistance BAA should simplify data input, allow easier, more thorough tracking of contract administration milestones, and provide more time for contracting officers and negotiators to concentrate on

the more complex requirements of acquisition and assistance functions. The real benefits of this BAA may take some time since systems will have to be developed. Appropriate staff and funding resources will be necessary to accomplish the task.

The contract and grant writing and research system is another step to improved efficiency and effectiveness. It is anticipated that this system will be available to M/OP and Mission contracting officers starting within a few months. It will allow quicker assembly of documents, more ability to standardize documents, and better assurance that pertinent clauses are included.

Another recent initiative is the movement of the audit function from the Office of the Inspector General to the Office of Procurement. This represents not only an opportunity to provide the operating units within OP and the Contracting Officers at the Missions with greater responsiveness with the delivery of audit services, but it also presents a somewhat undefined challenge for OP.

A recent initiative combined the Overseas Branch and Technical Support Branch of the Contracts/Commodities Division. This resulted in the elimination of one supervisory branch chief position.

There will be a need to move the Contract Information Management System staff to a new computer platform in the near future since the Wang VS platform is outmoded technology. The need to have a central office to liaise with IRM on this initiative will be extremely important.

#### F. FUNCTIONAL ANALYSIS OF CURRENT ORGANIZATION

This section analyzes the effectiveness and efficiency of each of the major functional areas currently assigned to the Office of Procurement.

##### 1. Operating Divisions OP/A & OP/B and branches OP/CC/N and OP/CC/P

These offices are responsible for procuring goods and services for USAID programs and to meet the administrative needs of the Agency which are outside the authority of M/AS to procure, for awarding grants and cooperative agreements, and authorizing service agreements with other U.S. government agencies: They are also responsible for certain administrative functions relating to the awards that they make.

These offices were faulted to some extent in client interviews for lack of timeliness and inability to communicate directly with the contracting officer or chief negotiator at times, but those raising these points recognized the inadequacy of staff, particularly experienced staff as being the major problem.

Better communication between M/OP and its client offices and more consistency among staff responses and/or longer term relationships between staff members and clients would help foster better relationships.

## 2. Contracts & Commodities Division

The division consists of four branches: NIS Branch, Procurement Branch, Overseas & Technical Support Branch, and Monitoring Branch.

The two contracting branches are covered in paragraph 1 above. The other two branches deal exclusively in the procurement of commodities and the development, implementation, and monitoring of Commodity Import Programs. The Overseas & Technical Support Branch consists of experts in various industries (such as vehicles, raw materials, and pharmaceuticals and medical devices), and professionals with commodity procurement and CIP programmatic experience.

The Monitoring Branch actively monitors all transactions under CIPs worldwide. This includes eligibility of commodities for AID financing and compliance with statutory, regulatory and contractual requirements. The branch consists of professionals experienced in international commerce and AID procurement regulations and enforcement.

## 3. Transportation Division

The division consists of two sections, one dealing with liner transportation and the other dealing with ocean and air charters.

The division performs transportation contracting functions for the PL 480 Titles II and III, Section 416(b) and the Food for Progress programs funded by USDA; provides support in transportation issues to all Missions for AID project cargoes and private sector organizations; recommends transportation policy and proposed legislation. It also reviews and approves all air and ocean charters for commodities.

The Division consists of professionals experienced in all aspects of ocean and air transportation, statutory cargo preference requirements, the negotiation of freight rates, and the administration of various food programs.

## 4. Procurement Support Division

This Division consists of three branches and is responsible for providing overall support to OP. This includes establishing overhead rates for AID-financed contracts, grants, and PASA/RSSAs, negotiating and issuing advance understandings with Agency contractors and grantees on selected items of cost and procurement system deficiencies, administers Agency limited excess property function for use in AID-financed or authorized recipient-financed programs, manages and operates the OP automation program, monitors OP responses to contract audit reports, identifies financial audit requirements for the Agency's U.S. contractors and grantees, and arranging for the audits and monitoring the performance of the audit, reviews and approves for payment invoices from non-federal audit firms and requests for reimbursement from other federal audit agencies for audits performed on behalf of AID.

There has been some concern that the Procurement Support Division is not proactive and not particularly service oriented with respect to general support services. All mailing services are provided outside of the Division, and services such as obtaining micro-fiche copies of contracts are generally the responsibility of the requestor to obtain with Procurement Services Division equipment.

5. Contract Information Management Systems (CIMS) Staff

The Contract Information Management System (CIMS) unit provides regular and ad hoc reports. As a unit, there has not been a lot of criticism of the unit's service. The system itself has been criticized as unwieldy and slow, but still vital to work load management, on-line data retrieval, and report generation.

6. Office of Procurement Policy and Evaluation

Based on self-analysis and discussions with clients, the major functions being performed by M/PPE are considered pretty good. All of the negative comments received were mild and concerned doing things faster, doing more special interest items, and making the regulations simpler.

In no instance were any of the negative comments tied to a specific criticism of or suggestion related to M/PPE's current organizational structure. In each case, it was recognized that both what the office does and how long it takes to do it were not bad, all things considered. The comments related to simplifying regulations were mainly statements of frustration over a complicated system which is to some degree outside the control of USAID or M/PPE's control (legislation, executive orders, OMB directives, other Government-wide requirements, etc.).

Mission contracting officers have expressed concerns that policies are sometimes issued without an adequate understanding of the field perspective. While in many cases there may be little opportunity for accommodating the field point of view, M/PPE has implemented a practice of requesting comments from some Mission contracting officers whenever possible prior to issuing policy.

M/PPE is considered properly organized and staffed for the functions it performs.

## V. PROPOSED ORGANIZATION

The rightsizing team for the Office of Procurement (OP) and the Procurement Policy and Evaluation (PPE) Staff was charged with the responsibility of reviewing the current organizations of M/OP and M/PPE and recommending a rightsizing plan for each, including a possible merger of the two organizations.

After gathering and reviewing information for the past several weeks, the rightsizing team was undecided as to whether to recommend the merger of M/OP and M/PPE. Functions and staff are not duplicated so there would be no savings in dollars or personnel by merging the two organizations.

If M/OP and M/PPE are merged, the team recommends that Policy and Evaluation be set up as staff units under a second Deputy Director in the Director's Office of M/OP. By merging the two organizations you would on one hand eliminate the Director's position in M/PPE but would create a second Deputy's position in OP, thus no savings. The second deputy position is recommended because the Director of M/PPE functions as the Agency Competition Advocate, and this function is supposed to be performed by an individual who is not directly responsible for procurement actions. The team also recommends that the Procurement Support Division of M/OP report to the second Deputy Director in addition to Policy and Evaluation if the offices are merged.

The advantages of a merger would be:

- M/PPE dealing more with the day-to-day policy issues that concern OP (more staff might be necessary in order to do this);
- Available PPE personnel to offer contracting support at the end of the fiscal year, if necessary, and, conversely, available personnel from the operating divisions to assist in the evaluations.
- closer coordination and understanding on the part of M/PPE of operational problems that require policy decisions; and
- Available PPE personnel to offer contracting support at the end of the fiscal year, if necessary. And conversely, available personnel from the operating divisions to assist in the evaluations.
- strengthened evaluation functions by allowing M/OP staff serving on evaluation teams so that team does not lose sight of operational problems.

The disadvantages of a merger would be:

- There is a perception of a conflict of interest by having the evaluation staff report to the Director of M/OP. The evaluation staff is charged under Executive Order to conduct procurement certification reviews to enable the Procurement Executive to certify the adequacy of the Agency's procurement system to the Administrator.
- in the time of crises, or the end of the fiscal year, policy and evaluation issues could take a backseat to operational issues;

- if the Procurement Executive remains separate from M/OP, the staff support needed by the Procurement Executive would not be directly available. In the case of the evaluation and warrant functions, it would be necessary to assure that direct access to the Procurement Executive was available to mitigate potential conflicts of interest.

By not merging M/OP and M/PPE you eliminate the perception of a conflict of interest concerning evaluations and the concern of policy and evaluation taking a backseat to operational issues. Also, the Procurement Executive would continue to have staff readily available. However, the team still feels that there is a need for PPE and OP to work closer together. There does not appear to be any reason, other than shortage of staff why, even as separate organizations, PPE could not deal more with the day-to-day policy issues of OP, or that OP could not serve on the evaluation teams.

#### A. ORGANIZATION STRUCTURE

In determining how the operations portion of M/OP should be structured, the team considered comments from M/OP's management, staff, and clients.

The major considerations included the widely identified problem area of contract administration, staffing constraints, initiatives currently in process, and possible changes in the M/OP workload based on potential program changes, possible changes in contract type and size, and Mission closings. Because we do not know at present what the actual impact may be, we developed options for how the operating divisions should be established.

Initially, some of the team thought that it might be beneficial to reorganize the operating divisions more along functional lines. The team considered the possibility of establishing a separate organization for contract administration and for solicitation preparation. For a number of reasons, however, it became apparent that maintaining the current cradle-to-grave system of contracting would be most advantageous.

A number of customers commented that they wanted to be able to deal with one person as much as possible from the beginning of the procurement planning to completion of the contract. The cradle-to-grave system makes this possible. The current system also allows better overall training of new employees and helps maintain interest and a feeling of ownership in the process on the part of M/OP staff. As one person pointed out, you will have greater stake in assuring that the contract document is a good product if you know you will be administering it as well.

Virtually everyone the team interviewed felt that the office was not doing enough contract administration. A number of reports have also faulted AID on lack of contract administration (GAO Audit on AID Grants and Cooperative Agreements, PPE Certification of Agency Contracting System, OMB Swat Team Report, and AID IG Audit on Advisory and Assistance Services). The team agreed that increased contract administration is critical to improving procurement in the Agency. Some of the new initiatives such as procurement planning and new procurement automation systems should help make administration somewhat easier and should allow some more time for staff to handle administration, but it is critical that more staff be hired in order to handle all of the contract administration needs. An increase in the current staff is the only effective remedy.

Other contract administration functions that have been identified as needing to be done include such things as pre-award surveys (the new Contract Audit Management Branch will have this function), site visits, post award orientation briefings, monitoring compliance with subcontracting plans, contract staff participation in project reviews and client bureau staff meeting, review of contractors' vouchers, and monitoring of contract cost and performance.

Based on all these considerations, the team thinks that staffing in the M/OP operating divisions must at the very least be increased to fill all current vacancies and that future recruitment be phased to ensure that staff is maintained at the 100% level. Ideally, in order to accomplish all the tasks that ought to be done and some such as contract administration which must be done, a significant increase in staff should be authorized. Unfortunately, given the limited amount of time to complete the rightsizing exercise, the team could not adequately document the suggested increase. Events during the next several months may give a clearer picture of how many additional staff members would be needed to accomplish the necessary functions of the offices.

Two options have been developed for a new organizational structure for the operations function in M/OP. Under either option, the contracting branches from M/OP/CC would be removed from the commodities division. This particularly makes sense in the case of the NIS contracting branch. Similarities between the Eastern Europe and NIS program and the fact that they merged argue for having them in the same division where they can work closely together under the leadership of one division chief.

#### Option #1

For the functions currently housed in M/OP there were two options presented which could be evaluated independent of the PPE and OP merger possibility. The first OP option would bring the supervisory ratio to 1:7.7 with or without PPE merged and included in the base of calculation.

This option would envision five total divisions in OP based on a reorganization and no net increase in divisions. This structure would include three operational divisions, one Commodities/Transportation Division, and one procurement support division. (If PPE were combined with OP the Team felt that the PPE policy and evaluation staff should be attached as staff to the second Deputy Director.) This option reorganizes the structure of OP by combining the functional areas of transportation and commodities into a single division of three branches with mutually reinforcing program areas. Two branches, formerly in the Contract/Commodity Support Division, one which procures services and contraceptives in support of USAID family planning programs and one which procures technical assistance for NIS were moved from this new commodity division and into one of the other three operational divisions.

The recommendation to dedicate a division to Eastern Europe and New Independent States programs was based on the high visibility and interest in the regions and, from a staffing perspective, the very likely increase of project activities in FY 94 (\$400 million obligated in FY 93 versus \$1.6 billion projected for FY 94). Assuming that the NIS increase of \$1.2 billion is the beginning of a major U.S. commitment in this region, it makes sense to combine the Eastern Europe Branch and the NIS branch into one division. The

Agency has, or will shortly combine the NIS and EE into a single bureau and very direct client relationship is extremely important with such politically charged programs and the need for consistency and coordination to similar programs is significant. Three branches are proposed for this division because a second NIS branch would provide for much needed contracting services to a very complex and very large program. Equally as important, when dealing with USAID contract transactions pertaining to these fairly new regions, a major portion of the vendors that OP is dealing with are new to Federal or USAID contract procedures often requiring lengthy explanations and more interaction. That fact alone supports the need for the additional branch and commensurate staffing. OP's experience has been that both EE and NIS want more dedicated and intensive contracting support for their respective programs.

Under Option 1, the new NIS/EE division would include management of OP's "Overflow" contractor which is currently staffed with 3.5 FTE. The need for this contractor will come under further examination based on the addition of the requested FTE. The Team felt that the contractor should be retained, in the short term at least, until staffing improves and the workload is spread out over the entire fiscal year through better procurement planning.

The Contract Information Management System (CIMS) staff which had been reporting to the Office of the Director was recommended to be moved to the Procurement Support Division. Both units had automation efforts underway and this would combine all of OP's automation activities into a single division, allow for the various automation efforts to share contractor staff, and present a more linear relationship with the Office of Information Management.

Option 1 would increase the FTE levels in OP by 33 FTE. Staffing within each contracting branch would be increased under Option 1 by adding one procurement assistant and one contracting specialist in each existing branch, plus staff for the additional NIS branch (consisting of one branch chief, 6 contract specialists and one procurement assistant) in order to accomplish tasks which are currently not being done. Having adequate staff to assist clients in the crafting of enforceable statements of work, more timely service, and better administration of contracts is desperately needed. Further, as one of OP's initiatives, it has been proposed that at least one GS13 contract specialist per branch be granted a limited contracting warrant, limited authority to sign contracts. Because the supervisory ratio has increased to 1:7, it was not felt that the branch chief would be able to adequately review and sign the work of every contract specialist in the branch. This would present quality problems and result in process bottlenecks. Also, to the extent that special recruitment efforts of Cooperative Students and summer interns are successful, the ratio would be even larger.

Option 1 also includes the addition of 5 personnel in the Procurement Support Division dedicated to the negotiation of indirect cost rate agreements with the 400 plus organizations for which USAID is responsible. This function, responsible for the hundreds of millions of dollars of USAID contractors' overhead, must be conducted accurately and in a timely manner.

Option 1 (like Option 2) includes the assignment of two Procurement Analysts to the Office of the Director of OP in order to carry out special initiatives. Also included in the Option 1 proposal is the decrease of secretarial support at the branch level of the operating division. With the addition of the Procurement Assistants and the current implementation of voice

mail, secretarial support could be cut in half. One secretary for every two branches would be appropriate which would result in savings of 5 secretarial FTE.

## Option 2

This option, although not considered ideal by many Team members, results in a supervisory ratio of 1:7.4 with or without PPE merged and included in the base of calculation. The overall office (without PPE merged) would consist of two operating divisions, a commodities/transportation division, and one procurement support division. Option 2 also merges the Transportation Division and the Contracts/Commodities Support Division into a single division, effectively eliminating one Division Chief position.

As in Option 1 the Team felt it prudent to locate the MIS contracting branch and the Eastern Europe branch in the same division, but given the dimensions of that workload further analysis would be required to determine the full makeup of that division. While it might appear logical to have one contracting division serve all the regional bureaus, that configuration has not allowed for an even distribution of work, hence bottlenecks, in years past when OP had a Regional Operations Division and a Central Operations Division. Therefore, the Team suggested a careful analysis of workload by client office before aligning the work assignments of the divisions.

The total staffing needs under Option 2 would increase FTE by 10. Staffing under Option 2 would consist of one procurement assistant per branch and the two Procurement Analysts assigned to the Office of Director to handle special procurement initiatives. As in Option 1, at least one GS13 contract specialist in each branch should have a warrant authorizing that individual to sign contracts. One secretary for every two branches and one for each division is recommended.

Under Option 2 the Procurement Support Division is unchanged functionally from Option 1. It would consist of the three current branches (Overhead/Closeouts, Contract Audit, and Support Services) and like Option 1, it adds the CIMS unit (for a total of four branches) which will provide a central OP automation function. Although too early to recommend with certainty, it is possible that contracted automation support could be reduced due to current overlap because of the decentralized automation services within OP.

## B. FUNCTIONS BY UNIT

As no new units are being created, the functions remain the same as presented in the functional analysis of the previous section of this report. The additional operating branch added in option one will be the same in terms of function as the other ten branches.

## C. STAFFING AND SKILLS

Several staffing patterns are attached in Appendix A to reflect the two options that the Team proposes.

The procurement personnel in OP and PPE are highly specialized and unique to their respective offices. Contract professionals are entrusted with the spending of Federal dollars, and Contracting Officers are unique in the sense that they have been delegated authority to bind the Agency on contracts and grants.

Option 1 would increase staff levels by the addition of contract specialists and procurement assistants to OP. Additionally, the Office of the Director would create positions for two Procurement Analysts.

Contract Specialists (GS-1102) typically have a general business background, economics, or law background, good analytical skills, writing ability, a facility with numbers, and strong negotiation abilities. Formal training usually requires courses in areas of contract law, cost analysis, negotiation skills, and economics. Contract Specialists are normally trained within the government since the field is highly specialized.

Procurement Assistant is an entry level para-professional position which requires fundamental skills in one or more of the areas of Contract Specialists. In OP these personnel would have duties which would improve contract administration by maintaining property records of contractors and monitoring contract deliverables and perform lower level contract actions such as processing incremental funding modifications.

The Procurement Analyst positions to be created in the Office of the Director would be responsible for carrying out special initiatives of the Office of the Director. Such initiatives would include projects stemming from Agency procurement reform activities such as coordinating procurement planning, writing special directives, reviewing and streamlining procedures and infusing consistency into the process, functioning as a desk officer for Mission Contracting Officers, organizing seminars, analyzing and briefing Office of Director staff on new legislation, and coordinating procurement reform efforts. Two Procurement Analysts would be added to the staff of the Director of the Office under Option 1 and Option 2.

It has to be emphasized again, that the Office of Procurement has been downsized outside the control of OP by attrition over the years. The OP right-sizing of necessity must seek to add staff. In 1982 each contract professional processed on average, \$3.25 million of transactions; in 1993 each contract professional processed on average \$32.7 million of transactions. This ten fold increase in effort per contract professional came about during a time when the regulatory climate affecting Federal contracting issued new, more complicated regulations, increased contract protest litigation, and also during a time when media and congressional interest in foreign aid expenditures greatly increased. We are vulnerable and many groups are interested in our vulnerabilities.

Many of our detractors, GAO, IG, and others are right when they state that we are not doing an adequate job of monitoring contract performance. With limited staff and no consolidated thrust towards procurement planning, OP does not adequately administer our contracts. The September 10, 1993 Interagency Report on Contract Administration Study points out that the Federal Acquisition Regulations lists over 60 separate actions that are considered part of contract administration. OP is unable to help the Agency do its correct part of contract administration. OP is unable to help the Agency do its correct job in many areas of contract monitoring. This will improve dramatically with the addition of procurement assistants and additional contract specialists so that OP can focus on 1) assisting our clients write meaningful statements of work, 2) conduct source selection in an adequate and legally sound fashion, and 3) ensure that the contractors provide quality deliverables on time and in a quality manner.

Another area of contract administration that can be accomplished within current staffing levels is the monitoring of project funded commodities. OP, in the Monitoring Branch has qualified staff with appropriate skills and experience. This staff can be used equally well to backstop the use and possible increase of Agency Commodity Import Programs (CIP) which is currently anticipated. The Team felt that a huge increase in CIP programs could well require additional staff, but this will not become apparent for some time due to the lengthy process involved in establishing CIO mechanisms. Some staffing may be available by rotational assignments by foreign service commodity management officers.

**Recommendations for Structural Improvements:**

- o Recommend that commodity and transportation functions be merged to form a single division.
- o Recommend that the two contracting branches of Contracts/Commodities Division (OP/CC/NIS and OP/CC/P) be placed into one of the contracting divisions.
- o Recommend that CIMS be included in the Procurement Support Division as an additional branch and should have close affiliation with the automation support staff.

VI. SUMMARY OF RECOMMENDATIONS

- o The government property function which currently consists of directing excess property to eligible PVOs should be increased to strengthen administration of all property related requirements under contracts and grants.
- o The Regulations should be modified and/or enforced to include the requirement that USAIDs, contractors and grantees consult with commodity staff prior to the purchase of potentially restricted commodities.
- o The Monitoring Branch should begin the post-audit of all project commodities.
- o The responsibility for maintenance of the mailing list for the Procurement Information Bulletin should be placed with the Overseas & Technical Support Branch.
- o PS/SUP/OCC should be authorized to recruit five additional personnel to accommodate the increase in vendors that USAID is now responsible for.
- o Overlap between the PVO registration process and the OP pre-award and indirect cost negotiations should be reduced and that elements of the two processes be placed in the correct office with consideration to FTE.
- o The CIMS unit should be folded into the Procurement Support Division in order to centralized OP automation efforts.
- o The Agency should work to assure that the new procurement planning system is effective.
- o M/OP should pursue possibilities for larger umbrella and generic type contracts as well as larger competitive grant programs.
- o There should be more contract negotiators at the GS-13 level, and they should be given some contracting authority.
- o The two commodity branches, the Overseas & Technical Branches and the Monitoring Branch could be more effective and efficient if they were included in a Division that relates primarily to commodities. Missions, as well as as other AID/W offices, need to be made aware of the capabilities and expertise in these branches.
- o Recommend that the new commodity/transportation division be headed by a senior commodity officer.
- o Recommend that commodity and transportation functions be merged to form a single division.

LIST OF INDIVIDUALS INTERVIEWED

John F. Owens, AA/M (Chief Procurement Executive)  
Michael D. Sherwin, AA/M  
Frederick Will, Director, M/OP  
James Murphy, Chief, M/PPE  
Kathryn Cunningham, Deputy Director, M/OP  
Joyce Frame, FA/OP/CC  
Bob Richardson, OP/CC  
Bob Goldman, OP/Trans  
Renata Cameron, OP/CC/M  
Tom Bordone, OP/CC/P  
Gail Warshaw, FA/OP  
Carol Chan, FA/OP CSIP  
Mike Atsalinos, FA/OP CSIP  
Diane Maxwell, M/FA/AS/PP/AP  
Jeanne North R&D/EID  
Brenda Colwell R&D/POP  
Mildred Blakeney R&D/AGR  
Group Interview, FA/OP/CC/P  
Group Interview, NIS  
Scott Overall, GC/CCM  
Chris Randolph, GC/CCM  
Gary Winter, GC/LE  
Tom Ryan, IRM  
Emmalita Jefferson, FHA  
Jim Brody, FM  
Laverne Drummond, OSDBU  
Paul Knapp, Africa Bureau  
Dot Young, Near East Bureau

LIST OF PREVIOUS STUDIES AND BACKGROUND DOCUMENTS

M/OP Client Survey (conducted 12/92)  
Joint AID/OMB "Swat Team" Report  
Certification Reviews of the USAID Procurement System  
Presidential Commission Report  
GAO Audit: Improvements Needed in AID's Oversight of Grants and  
Cooperative Agreements  
Report to AA/M on Procurement Reform  
National Performance Review: General Report  
IG Audit on Advisory and Assistance Services  
IG Audit on Lobbying

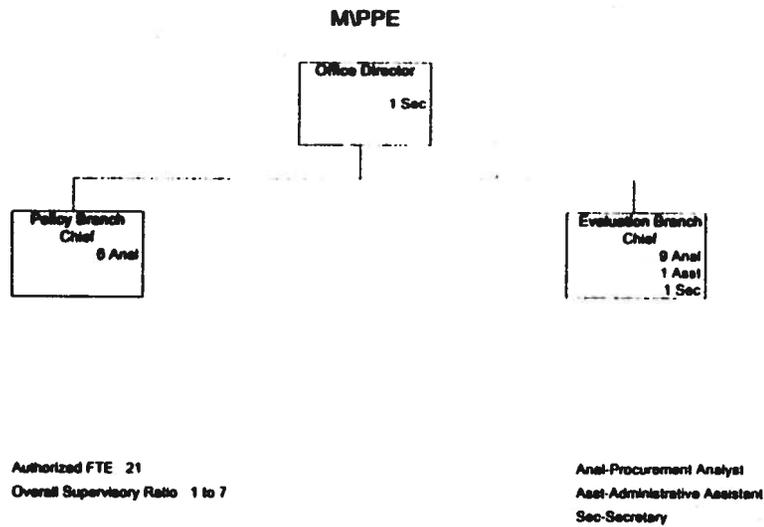
CURRENT BUDGET ALLOCATION

AS OF 9/30/93

FTE:	138
Contractor Workyears:	25
Salaries/Benefits:	\$6,812.2
OE:	\$2,408.0

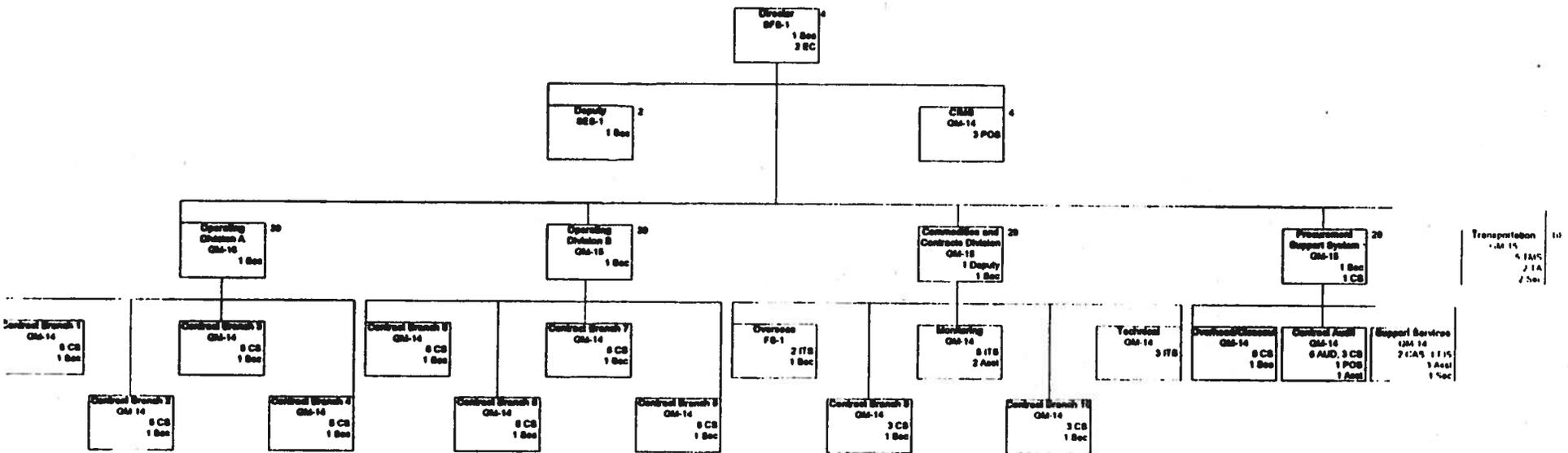
Appendix D

# Procurement Policy and Evaluation



# Office of Procurement

## Current Organizational Structure

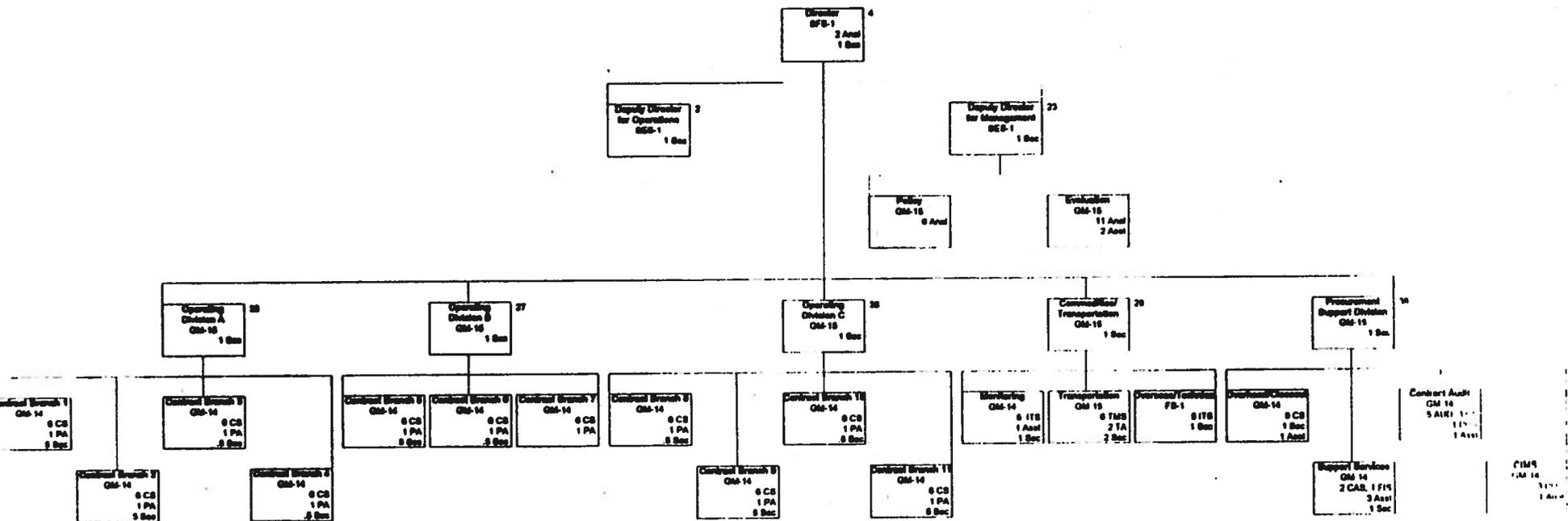


Authorized FTE: 138  
 Contractors: 22  
 Overall Supervisory Ratio: 1 to 6.7

FIS-FOIA Specialist  
 CAS-Contract Audit Specialist  
 POS-Program Operations Specialist  
 AUD-Auditor  
 PA-Procurement Assistant  
 CS-Contract Specialist  
 Asst-Administrative Assistant  
 Sec-Secretary  
 Anal-Procurement Analyst  
 TMS-Transportation Mgt Specialist  
 TA-Transportation Assistant  
 ITS-International Trade Specialist  
 EC-Expert Consultants

# Office of Procurement

## Merged Option 1



Proposed FTE 184  
 Contractors 22  
 Overall Supervisory Ratio: 1 to 7.7

FIS-FOIA Specialist  
 CAS-Contract Audit Specialist  
 POS-Program Operations Specialist  
 AUD-Auditor  
 PA-Procurement Assistant  
 CS-Contract Specialist  
 Asst-Administrative Assistant  
 Sec-Secretary  
 Anal-Procurement Analyst  
 TMS-Transportation Mgt Specialist  
 TA-Transportation Assistant  
 ITS-International Trade Specialist

**M/OP FTE CHANGES  
OPTION 1**

**FTE ADDITIONS**

3 Procurement Analysts  
1 Branch Chief  
1 Transportation Mgmt. Specialist  
1 Division Chief  
1 Secretary  
11 Procurement Assistants  
24 Contract Specialists  
1 Administrative Assistant

43 Total Additions

**FTE DELETIONS**

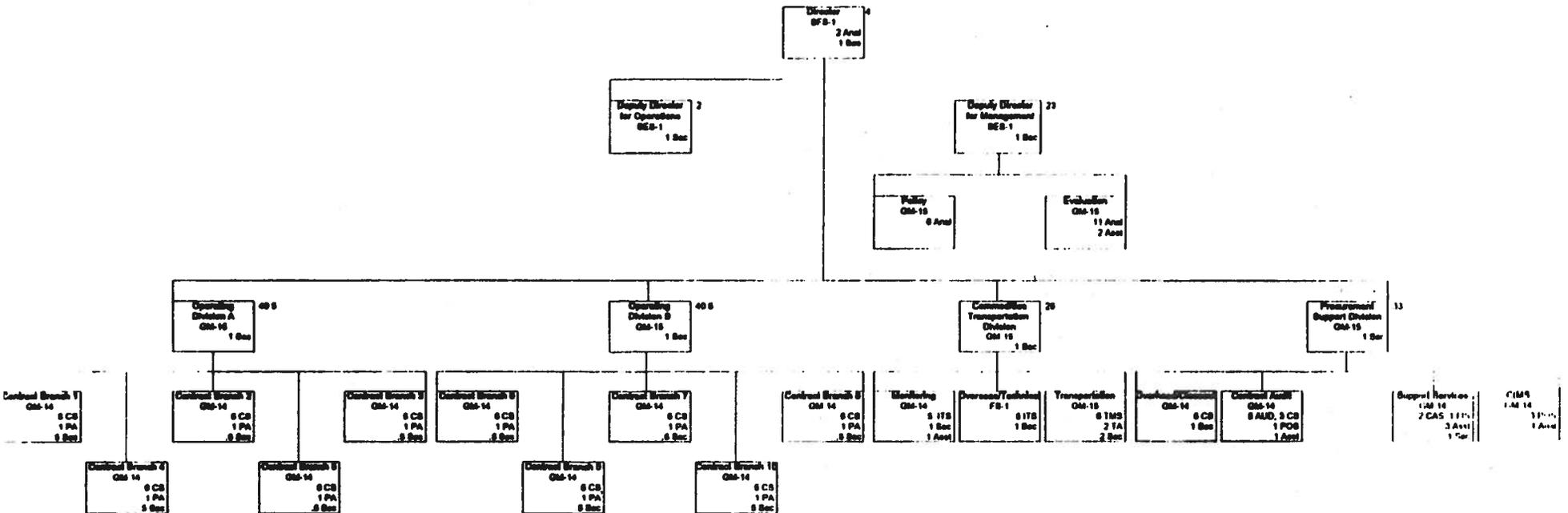
2 Expert Consultants  
1 Contract Specialist  
1 Deputy Division Chief  
5 Secretaries  
1 Branch Chief

10 Total Deletions

NET CHANGE IN FTE +33

# Office of Procurement

## Merged Option 2



Proposed FTE: 171  
 Contractors: 22  
 Overall Supervisory Ratio: 1 to 7.4

FIS-FOIA Specialist  
 CAS-Contract Audit Specialist  
 POS-Program Operations Specialist  
 AUD-Auditor  
 PA-Procurement Assistant  
 CS-Contract Specialist  
 Asst-Cleical Assistant  
 Sec-Secretary  
 Anal-Procurement Analyst  
 TMS-Transportation Mgt Specialist  
 TA-Transportation Assistant  
 ITS-International Trade Specialist

M/OP FTE CHANGES  
OPTION 2

FTE ADDITIONS

3 Procurement Analysts  
6 Contract Specialists  
1 Transportation Mgmt. Specialist  
10 Procurement Assistants

20 Total Additions

FTE DELETIONS

2 Expert Consultants  
1 Contract Specialist  
1 Deputy Division Chief  
5 Secretaries  
1 Branch Chief

10 Total Deletions

NET CHANGE IN FTE +10