



U.S. Department of Energy
Office of Inspector General

Special Report

The Department of Energy's Acquisition
Workforce and its Impact on
Implementation of the American
Recovery and Reinvestment Act of 2009



IG-RA-09-02

March 2009



Department of Energy
Washington, DC 20585

March 30, 2009

MEMORANDUM FOR THE SECRETARY

Greg Friedman

FROM: Gregory H. Friedman
Inspector General

SUBJECT: Special Report on "The Department of Energy's Acquisition Workforce and its Impact on Implementation of the American Recovery and Reinvestment Act of 2009"

INTRODUCTION

Signed by the President on February 17, 2009, the *American Recovery and Reinvestment Act of 2009* (Recovery Act) seeks to strengthen the U.S. economy through the creation of new jobs, aiding State and local governments with budget shortfalls, and investing in the long-term health of the Nation's economic prosperity. Under the Recovery Act, the Department of Energy will receive approximately \$40 billion for various energy, environmental, and science programs and initiatives. To have an immediate stimulative impact on the U.S. economy, the Department's stated goal is to ensure that these funds are spent as expeditiously as possible, without risking transparency and accountability. Given the Department's almost total reliance on the acquisition process (contracts, grants, cooperative agreements, etc.) to carry out its mission, enhanced focus on contract administration and, specifically, the work performed by Federal acquisition officials is of vital importance as the unprecedented flow of funds begins under the Recovery Act.

As the largest civilian contracting agency in the Federal government, sound contract administration policies as well as a stable, experienced acquisition workforce are essential components for the effective execution and performance of the Department's core missions. In recent years, the concern over the availability of acquisition professionals in sufficient numbers to provide effective contract administration has been recognized as one of the Department's most significant management challenges. The Department's enhanced responsibilities under the Recovery Act underscore the importance of this challenge.

BACKGROUND

In September 2007, the Office of Inspector General initiated a review to examine the staffing levels of the Department's acquisition workforce. The results of this review were conveyed in a September 24, 2007, advisory memorandum to the Deputy Secretary. A copy of the memorandum is attached. Based on the results of our review, we raised concerns that the number of Departmental contract specialists had not kept pace with the demand for their services. We observed that without an adequate number of contract specialists, the sheer



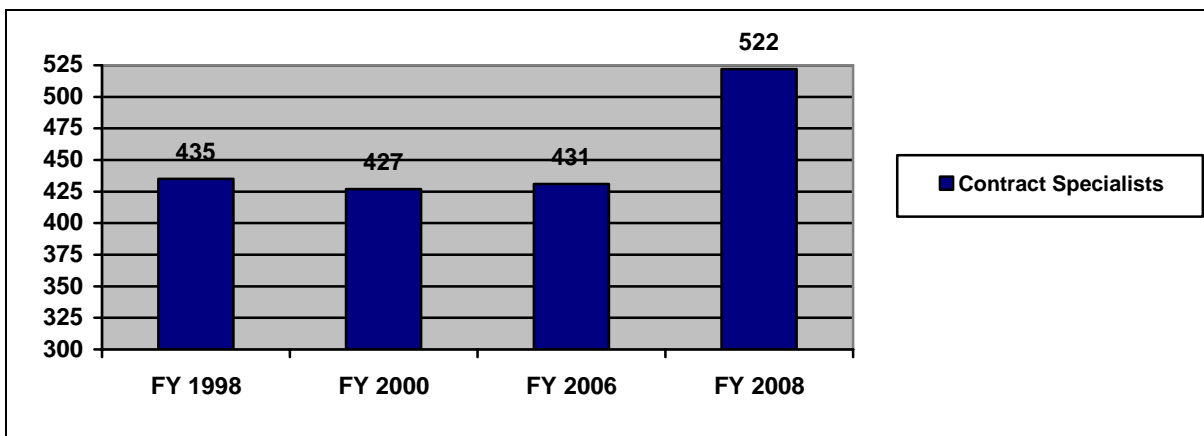
quantity of procurement instruments and their complexity, combined with the expansive nature of the Department's contract management structure, had the potential to affect the success or failure of virtually every endeavor undertaken by the agency.

Using 1998 through 2006 as the comparative period, our analysis showed that the dollar value, impact, and complexity of Department procurement efforts had increased dramatically. For example, between 1998 and 2006, the Department's annual budget increased by 40 percent and procurement obligations increased by nearly 50 percent. However, the overall number of contract specialists had essentially remained constant. In fact, during this period, the number of contract specialists actually decreased from 435 to 431 individuals. Based on this and other analytical factors, such as the rate of retirement eligibility among contract specialists, we concluded that the Department faced a major challenge in ensuring that it had an acquisition workforce properly sized to meet current and future contracting needs.

UPDATE – THE CHALLENGE POSED BY THE RECOVERY ACT

As outlined above, the general conclusion of our 2007 review was that the Department's budget, procurement obligations, and the number of procurement actions had risen steadily in recent years, while the number of contract specialists to oversee and execute these functions had remained relatively constant. As a result of the Recovery Act and its significant impact on Department of Energy operations, we decided to update our analysis through 2008 to determine if the size of the procurement workforce had changed in the intervening period.

We found that since our review in September 2007 the Department had, in fact, increased the number of contract specialists by 20 percent, with more than 520 contract specialists now employed by the agency. Relying on data provided by senior Departmental procurement officials, the following graphic illustrates the overall trend in the number of contract specialists employed by the Department in the 10-year period between 1998 and 2008.



To a large extent, the growth in the number of contract specialists occurred in the National Nuclear Security Administration (NNSA). In fact, of the 91 additional contract specialists, 34 were added to the NNSA roster. We noted that of the Department's complex series of

missions and activities, NNSA is likely to be the least affected by increased funding and program expansion under the Recovery Act.

From our perspective, the overall increase in personnel was an incremental improvement from 2006. However, as was the case at the time of our original review, procurement obligations within the Department have continued to rise steadily in recent years, increasing demands on the procurement workforce. Recent progress in adding contract specialists notwithstanding, from 1998 to 2008, Department procurement obligations increased approximately 61 percent, while the number of contract specialists increased only 20 percent.

Additionally, we found that the annual attrition rate of contract specialists currently exceeds nine percent due to retirement and other factors. The number of contract specialists who were retirement-eligible and those nearly in that category was alarmingly high. For example, in 2008, nearly 20 percent of the Department's contract specialists were eligible to retire.

Finally, senior Departmental procurement officials expressed their concern that the demand for procurement professionals is so great throughout government and in government-support industries that employee recruitment and retention efforts are likely to become more, rather than less, of a problem in the future. Based on publicly available information concerning acquisition staffing, we believe that this concern is well-founded. Collectively, these issues reflect the challenge the Department faces in ensuring that its acquisition workforce is fully staffed.

ACTIONS IN PROCESS

Department Procurement officials informed us that the increase in contract specialists was the direct result of a concerted effort on their part to recruit additional personnel. We were also told that the Department's Office of Procurement and Assistance Management had an aggressive program in place to ensure that it has the "talent" to meet its requirements. We were informed, for example, that Procurement is working with the Office of Human Capital to obtain direct hire authority, which Procurement officials believe would be of great assistance in recruiting additional contract specialists. Direct hire authority requires that the Secretary make a determination that a shortage of qualified candidates exists for the acquisition workforce, a situation that appears to be a reality at the Department. Procurement officials also indicated that one field contracting office had successfully utilized special authority granted at the end of Fiscal Year 2008 to rehire Federal annuitants, who can return to government service without a corresponding loss in pension benefits. Further, the Department informed us that it is using an Office of Personnel Management (OPM) generated, pre-qualified applicant listing to recruit entry-level contract specialists pursuant to a joint OPM/Federal Acquisition Institute pilot program.

While these are positive steps, senior Procurement officials acknowledged that there are still a number of institutional barriers that make personnel recruitment a significant challenge. Institutional impediments to Department staffing were discussed at a March 4, 2009, hearing

before the Subcommittee on Energy and Water Development, House Committee on Appropriations, at which the broader concern of having the necessary human capital in place to meet Departmental mission requirements was explored in depth.

ADEQUACY OF ACQUISITION WORKFORCE – A GOVERNMENT-WIDE CONCERN

Concerns relating to a sufficient number of acquisition professionals are not unique to the Department of Energy. In fact, on March 4, 2009, the President issued a memorandum on government contracting to all Federal agencies. The President's memo described a number of problems that currently exist in the Federal contracting arena. It also identified a number of remedial steps that agencies should be taking to address these concerns. One of the most emphatic points made in the Presidential memorandum concerned the size and capability of the acquisition workforce. The President stated, "the Federal Government must have sufficient capacity to manage and oversee the contracting process from start to finish, so as to ensure that taxpayer funds are spent wisely and are not subject to excessive risk." Among other things, the President directed the Director of the Office of Management and Budget, in collaboration with appropriate agency officials, to develop and issue government-wide guidance by September 30, 2009, to "...assist agencies in assessing the capacity and ability of the Federal acquisition workforce to develop, manage, and oversee acquisitions appropriately." As one of the largest contracting agencies in the Federal Government, the need for the Department to implement aggressive efforts to adopt the President's proposals is essential, particularly in light of the Recovery Act-related increase in acquisition workload.

CONCLUSION

In the environment currently facing the Department, ensuring transparency, accountability, and high quality program management requires the services of experienced, well-trained contract specialists. Over the last two years, the Department has made progress in expanding its roster of professionals in this field. Moreover, as noted previously, additional staffing initiatives are underway. We remain concerned, however, that sustaining this progress will be exceedingly difficult under current circumstances. Further, the recent increase in the number of contract specialists, as positive a step as it may be, does not reflect the increased demand for procurement service as a result of the unprecedented additional funding provided to the Department under the Recovery Act.

We are also concerned that the work funded by the Recovery Act through Department contracts and financial assistance will place additional pressures on other segments of the acquisition workforce, particularly Federal Project Directors and Contracting Officers Representatives. Procurement officials expect that actions associated with the Recovery Act will be complex, requiring more rigor and oversight, resulting in increased demands on contract specialists as well as Federal Project Directors and Contracting Officers Representatives. While it is clearly management's responsibility to determine the precise staff size needed as the Department moves forward, the current staffing level appears inadequate relative to current and anticipated future needs as the Department's mission responsibilities expand.

We concluded that the Department staffing efforts should continue and, in fact, be intensified. We suggest that the Department periodically re-evaluate the need for additional contract specialists and other procurement professionals. In addition, we suggest that the Department: (1) maximize the use of the full range of recently adopted techniques for employee recruitment; (2) explore new methodologies to recruit and retain qualified procurement personnel; (3) determine if there are cross-training opportunities for existing employees who can augment the current procurement workforce on a temporary basis; and (4) expedite formal determinations concerning the availability of qualified candidates that exist for acquisition positions, once such requests are submitted by the Office of Human Capital.

Attachment

cc: Office of the Deputy Secretary
Office of the Under Secretary for Science
Office of the Under Secretary of Energy
Administrator, National Nuclear Security Administration
Chief of Staff
Chief Financial Officer
Chief Human Capital Officer
Director, Office of Management



Department of Energy
Washington, DC 20585

September 24, 2007

ADVISORY MEMORANDUM FOR THE DEPUTY SECRETARY

Greg Friedman

FROM: Gregory H. Friedman
Inspector General

SUBJECT: The Department of Energy's Acquisition Workforce

INTRODUCTION

For over a decade, the Office of Inspector General has identified "contract administration" as one of the most significant management challenges facing the Department of Energy. Our concern has been echoed in the form of numerous Departmental self-evaluations, studies and analyses as well as by reports issued by the U.S. Government Accountability Office. In an agency as contractor-dependent as the Department, effective contract administration is critical. It involves active roles for many participants, primarily the professional acquisition officials dedicated to the procurement process.

We have become concerned that the number of Departmental acquisition officials has not kept pace with the demand for their services. Based on this concern, we initiated a limited review to examine trends in the staffing levels of the acquisition workforce. This advisory memorandum summarizes the results of our review.

BACKGROUND

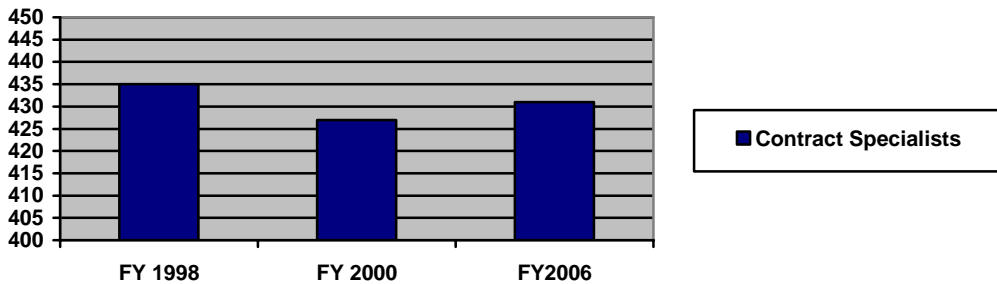
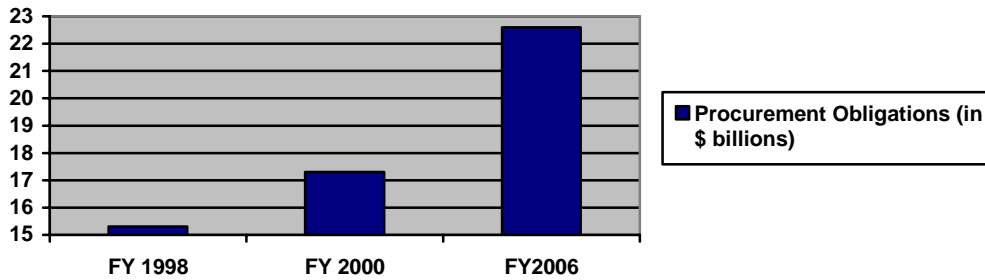
The Department relies heavily on its contractor workforce to operate a vast network of laboratories, production facilities and environmental remediation projects across the country. In addition, on an annual basis, the Department awards thousands of contracts, grants, cooperative agreements and other instruments in pursuit of its energy and science missions. Consuming more than 90 percent of the Department's annual budget, contractual instruments are awarded to industrial companies, states and localities, small- and mid-sized firms, academic institutions and non-profit organizations that are involved in a broad range of Department programs, including its most sensitive national security activities. Sound contract management principles as well as a stable, skilled and experienced acquisition workforce are key components to the effective performance of the Department's programs.

The Department’s contract management structure centers on its Federal acquisition workforce. Two critically important components of this workforce are contract specialists and contracting officer representatives. Contract specialists, often referred to as “1102” series personnel, are responsible for soliciting, negotiating, administering, terminating and retiring (close-out) contracts and other procurement instruments. Contracting officer representatives act for contract specialists in support of numerous specific functions, including essential on-site contract administration and various technical monitoring functions.

OBSERVATIONS

In recent years, the dollar value, impact and complexity of Department procurement efforts have increased. However, the overall number of acquisition officials has essentially remained constant. Between 1998 and 2006, the Department’s annual budget increased by 40 percent to \$23.5 billion. Of the \$23.5 billion, procurement obligations accounted for \$22.6 billion, more than 90 percent of the overall budget. Between 1998 and 2006, procurement obligations increased by nearly 50 percent.

During the same period, the number of contract specialists actually decreased from 435 to 431 individuals, while the number of contracting officer representatives rose only slightly, from 1067 to 1103 individuals. The diagrams below contrast the trends in procurement obligations and the number of contract specialists between 1998 and 2006.



Similarly, in this eight year period, the number of Departmental contract actions rose by nearly 30 percent. Yet, as noted previously, there was essentially no corresponding increase in the number of acquisition professionals. As a direct consequence, the monetary value of contractual obligations handled by each contract specialist rose by nearly 50 percent.

Looking at this issue from another perspective, in 2006, contract specialists accounted for 2.9 percent of the Department’s total workforce, but were responsible for important aspects of 90 percent of the Agency’s budget. Even in the best of circumstances, managing a large inventory of contracts and related procurement instruments is difficult and complex. Significant changes in the balance between workload and available staff may complicate this already challenging work.

Prospective Retirements

We examined statistics related to the retirement status of the Department’s acquisition workforce. Between 1998 and 2006, the percentage of contract specialists eligible to retire nearly tripled, rising from 5.1 percent to 18.5 percent. In 2006, nearly 45 percent of the contract specialists were over the age of 50. In 1998, by contrast, just over 30 percent were in this age category. According to statistics prepared by the Federal Acquisition Institute, the retirement vulnerability of contract specialists at the Department of Energy for 2010 represents one of the highest acquisition workforce retirement rates within the Federal Government. The table below summarizes the statistical findings.

	Contract Specialists	Over 50	Eligible to Retire
FY 1998	435	31.1%	5.1%
FY 2006	431	44.5%	18.5%

The retirement status of the procurement workforce should be an issue of interest as the Department looks to the future. Clearly, it has the potential to significantly exacerbate the overall human resource challenge.

Supporting Functions

Our observations focused on the traditional “1102” contracting workforce. Yet, there are numerous other positions and functions that are critical to successful contract placement and administration. These positions, which support the contract specialist function, include cost and price analysts, personal property management specialists and contractor human resource management specialists. While we did not specifically analyze trends in these categories, anecdotal information suggested that these important support functions may face demographic and other challenges similar to those of the “1102” workforce.

Complexity

In examining the current state of the contracting processes at the Department, it was apparent that the overall complexity and sophistication of contracts had increased dramatically in recent years. Specifically, we noted that as the Department’s acquisition strategy has shifted to more performance-based contracts and to an increased emphasis on competitive sourcing, the complexity of operations and workload associated with individual contracts has placed an added burden on contracting officials. Further, the Department has implemented a new

contractor governance model for several of its sites under the authority of the National Nuclear Security Administration. While the Office of Inspector General has expressed its concerns about the governance model, if it is to be successful, an appropriately sized and highly proficient Federal acquisition workforce is essential.

CONCLUSION

The Department faces a major challenge in ensuring that it has the acquisition workforce necessary to meet current and future contracting needs. Clearly, simply adding additional specialists will not automatically solve every contract management concern. There are other factors which must be considered. For example, adequate and appropriate formal and informal training programs are important elements in improving the Department's contract management activities. In addition, the organization and structure of the Department's field contracting offices should be periodically re-evaluated to be sure that they reflect the Department's evolving operating environment.

Given the importance of the Department's mission and the fact that the Department will spend billions of dollars pursuing programs vital to the well-being of the American people, there are compelling reasons to ensure that the Agency's acquisition workforce is adequately staffed, well-trained and well-equipped. Under your leadership and that of Secretary Bodman, the Department has emphasized human resource issues. We concluded, however, that special attention is needed to develop specific strategies to address acquisition workforce concerns.

cc: Under Secretary for Science
Under Secretary for Energy
Administrator, National Nuclear Security Administration
Chief of Staff
Chief Human Capital Officer
Director, Office of Management

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