



# Report In Brief

U.S. Department of Commerce Office of Inspector General

October 6, 2011



## Why We Did This Review

The Department of Commerce submitted a presidentially mandated acquisition savings improvement plan to the Office of Management and Budget (OMB) in November 2009. The Commerce Office of Acquisition and Management (OAM) assumed oversight of the plan's implementation—which entailed reducing contract spending costs by about \$39.5 million per year in FY 2010 and 2011 and decreasing the use of high-risk contracts.

This report presents the results of our audit on the (1) validity of the Department's estimated savings from these initiatives, (2) Department's progress in implementing the savings initiatives, and (3) extent that costs have been reduced by implementing the savings initiatives.

## Background

In March 2009, the President directed federal agencies to take immediate steps to achieve real, sustainable improvements in contract processes. Specifically, agency efforts would involve (1) cutting contract costs by using smarter, money-saving practices and improving contractor oversight, as well as (2) reducing the use of high-risk contracts.

To facilitate immediate improvement to federal contracting practices, in July 2009 the Office of Management and Budget (OMB) directed each agency to (1) save 3.5 percent of baseline contract spending in FY 2010 and a further 7 percent in FY 2011 and (2) reduce the share of dollars obligated to new high-risk contracts in 2010 by 10 percent.

## Commerce's Office of Acquisition Management Must Continue to Improve Its Ongoing Oversight of Acquisition Savings Initiatives (OIG-12-001-A)

### What We Found

While the Department has achieved some savings in its plan to improve contracts and acquisition practices, implementation problems and oversight challenges limited the Department's ability to produce desired results. Specifically, we found the following:

- *Baseline costs were unsupportable and inaccurate.* The Department later revised both baselines, but the baseline for overall contract spending still appears to be inaccurate due to OAM's interpretation of OMB's direction regarding adjustments for spending anomalies.
- *The magnitude of cost savings is uncertain and high-risk contracts increased.* The Department claimed cost savings of several million dollars. However, the magnitude of cost savings achieved to date is uncertain because a large amount of the savings are unsupported or overestimated, and controls used to develop the methods for estimating savings are inadequate and not well-defined. In addition, while the percentage of high-risk contracts decreased in FY 2010, the dollar value of these contracts actually increased from 2008 to 2010.

OAM will need to continue managing the acquisition savings plan implementation. In its oversight, however, OAM has relied heavily on voluntary information and coordination with the operating units' procurement offices, without adequate controls. We found that OAM

- routinely accepted procurement office information without verification or asking for supporting data,
- did not maintain adequate documentation to support facts and figures in its November 2009 report to OMB, and
- did not capture information to track the savings attributable to its initiatives and ensure the Department realized high-risk-contract reductions.

Since June 2010, the Department has improved its acquisition savings oversight, documentation requirements, and validation processes—in part by reviewing how the Department plans and reports its acquisition savings. A new Director of Acquisition Management—hired in February 2011—has further overhauled the review, validation, and reporting processes to ensure that savings are properly measured, verified, and documented.

### What We Recommended

We recommend that the Director of Acquisition Management

- implement adequate controls to ensure future acquisition savings baselines and targets are established as required by OMB,
- prescribe minimum documentation standards required from the operating units' procurement offices to support claimed savings resulting from implementing initiatives for reducing contract spending and high-risk contracts, and
- establish a process to verify the accuracy and reliability of data collected by the procurement offices and track ongoing and future initiatives with a primary objective of determining whether savings are actually realized.