

DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

SALARIES AND EXPENSES, HOUSING AND URBAN DEVELOPMENT

BUDGET ACTIVITY 12: OFFICE OF CHIEF PROCUREMENT OFFICER

SCOPE OF ACTIVITY

During fiscal year 2006, the Office of the Chief Procurement Officer (OCPO) was authorized to reorganize and become independent of the Office of Administration. The new alignment placed OCPO directly under the Deputy Secretary at an organizational level commensurate with its strategic importance in meeting the Departmental mission. The Chief Procurement Officer serves as HUD senior procurement executive, and is responsible for all matters related to the Department's acquisition needs and activities. The CPO serving as the senior management official supervises Assistant CPOs, who in turn has direct supervision over Division Directors both at Headquarters and in the Field. Contracts are awarded and managed by four principal offices within the Department; the Office of the Chief Procurement (OCPO) in HUD Headquarters and the three Field Contracting Operations (FCOs) located in Philadelphia, PA, Atlanta, GA and Denver, CO. The Chief Procurement Officer (CPO) delegates procurement authority to HUD personnel who meet Federal Statutory qualification standards. The procurement staff must possess specialized academic backgrounds and therefore are given formal training as required and specified by the Clinger-Cohen Act. The tasks of the procurement staff include providing the necessary procurement support to achieve the Department's goals through the award and administration of contracts, purchase orders, and interagency agreements; developing and implementing Departmental policies, standards, and procedures for an effective contracting program; and ensuring that HUD receives good value for the funds expended.

The reorganization also created a new Customer Service and Administrative Support Division (CSAS). A driving force is the expectation to achieve enhanced communications, with identifying and resolving problem areas; program office acquisition training needs, as well as improve acquisition planning in support of procurement needs. The focus of CSAS will be on building stronger liaison coalitions, creating better acquisition teams and increasing the level of customer service extended to the clients. CSAS staff will work closely with Office of Human Resources to maintain appropriate records to document the development of each employee in its workforce, addressing training needs, ensuring all staff have conformed to the position descriptions, process career promotions, and within grade increases, etc. Improved hiring strategies using creative and innovative methods will be implemented to ensure the most effective hiring. Succession planning will be implemented and monitored to seek ways to empower, recruit and retain staff in replacing an aging workforce while also reducing retention.

In addition, a reorganization of the three Field Contracting Operations has placed responsibility for all of HUD's procurement activity under the leadership of a single organizational component thereby reducing the Administrative Service Centers (ASC) staffing levels. ASCs will no longer perform the contracting function. This new organizational structure will dedicate the attention of specific components within the OCPO to each customer area, focusing on its unique challenges and programmatic needs. Dedicating contracting staff to specific clients will enhance establishment of Integrated Program Teams (IPTs) that can effectively shepherd requirements from planning through final delivery. It will serve to create an environment of partnership and customer service that is critically needed to meet Departmental objectives.

OCPO supports the Presidential Management Agenda by expanding on the methods by which it supports the Strategic Goal: "Embracing High Standards of Ethics, Management and Accountability." OCPO's objective is to improve government performance through its management plan proposed changes in addressing small business goals, contract acquisition training, and performance based contracts. The plans reflect rationales for accomplishing particular goals and objectives in ways that are responsive to program requirements, while still maintaining a high level of customer service.

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Management Plan Goals include:

- Ensure that the total obligations for performance-based contracts increase to 40 percent of eligible service actions over \$25,000;
- Provide at least 40 hours of mandatory core acquisition training for the career ladder 1102 contracting staff; and
- In conjunction with program clients and OSDBU, encourage and promote the utilization of small business programs to achieve the Department's Small Business goal of awarding 50 percent of fiscal year 2007 contract dollars to small businesses.

WORKLOAD

OCPO services every HUD program area, (e.g., Housing, Community Planning and Development (CPD), Public and Indian Housing (PIH), Office of the Secretary, Policy Development & Research (PDR), Office of Public Affairs, Ginnie Mae, Fair Housing and Equal Opportunity (FHEO), etc). The Chief Procurement Officer (CPO), Deputy CPO, Assistant CPOs and Division Directors management structure was developed to ensure effective use of resources for maximum positive impact. OCPO strategically has responsibility for building strong teaming partnerships with its customers in maintaining effective relationships in procuring services in support of HUD's mission, goals and objectives. HUD has been confronted with various governmentwide procurement initiatives that directly increase volume of contracting activities, such as de-bundling contracts (i.e. separate large contracts into numerous smaller contracts that fulfill portions of the original large contract). This often means a higher volume of smaller contracts, thereby resulting in higher goals for contracting with small businesses.

The fiscal year 2006 reorganization which realigns all of field contracting staff and functions under OCPO, will greatly increase the volume and multitude of services provided by OCPO. The objective was to create a single virtual contracting workforce that will allow for greater flexibility in allocating departmental contracting resources to meet the procurement needs of all program offices, both at headquarters and field contracting operational levels. Finally, the reorganization has increased efficiency and the ability to deliver high quality customer service.

- CPO strategically manages the contracting operations at headquarters and the Field to ensure that OCPO is in alignment to support HUD's procurement activities, operations and program requirements.
- Ensure effective use of resources for maximum positive impact.
- Develop mechanisms to ensure critical contracting operational and policy program delivery issues are addressed.
- Assess program impacts and customer service at the Headquarters and Field levels and provide operational feedback designed to constructively influence program requirements and Departmental policy-making.
- Increased contracting obligations have risen by more than 200 percent.
- Develop and disseminate policies and procedures governing HUD procurement and contract management.
- Advise senior management on procurement strategies to meet HUD goals and mission.
- Evaluate contract operations at headquarters and in the field to ensure that HUD procurement activities meet policies and standards as provided in the Federal Acquisition Regulations (FAR).

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- Administer an Acquisition Career Program to ensure the Development and maintenance of a professional contract oversight workforce.

TRAVEL

The table below identifies travel requirements unique to this activity.

	ACTUAL <u>2006</u>	ESTIMATE <u>2007</u> (Dollars in Thousands)	ESTIMATE <u>2008</u>	INCREASE + DECREASE - <u>2008 vs 2007</u>
Travel (HQ)	\$101	\$101	\$110	+\$9
Travel (Field)	<u>18</u>	<u>19</u>	<u>40</u>	<u>+21</u>
Total	119	120	150	+30

OCPO travels extensively in support of the procurement activities of the entire Department. Funding will provided Headquarters and Field staff the ability to perform its contracting activities in conjunction with fulfilling the mission and strategic objectives of the Department. The travel estimate for fiscal year 2008 reflects additional funds needed to accommodate OCPO realignment with Field offices, under the proposed reorganization, and Headquarters historical travel experience (includes Procurement Management Reviews/Contract Oversight; Field Operational Support to Headquarters; and travel associated with training). The Assistant CPO for Field Operations requires frequent trips to Washington, DC and to visit/coordinate with the Field staff. The Field has adopted a substantial amount of work including responsibility for program offices. The additional responsibility requires trips to headquarters relative to specific procurements as well as to consult with the program customer.

Our increased travel dollars for fiscal year 2008 supports OCPO reorganization, and the migration of the Field activities into the OCPO organization with the creation of an Assistant CPO for Field Operations to oversee them to help ensure consistency in operations, policy and delegation of authority. Travel dollars will be necessary to carry out travel that was previously covered through the ASCs but will no longer be funded by the Office of Administration. Additional travel funding is needed to support the three field contracting operations for the northern, southern, and western regions. The travel will allow them to conduct management oversight of their out stationed staff, provide combined customer service and GTR refresher training courses in high volume client offices, provide support to program staff in conducting quality control reviews of Marketing & Management contractors, and provide technical assistance and training to PIH staff and PHA officials. The new division will create the need to coordinate frequent travel efforts to all locations covering the northern, western, and southern regions.

OCPO historical experiences include:

- Chief Procurement Officer’s visit to the three Field contracting operations sites and Ft. Worth Contracting Branch in support of HUD/OCPO leadership program offices;
- Support for the Department’s Continuity of Operation Plan (COOP) program, run by the Department of Homeland Security for all Federal Agencies;

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- Travel of field contracts personnel to attend Industry Briefings/One-on-One Meetings with Contractors for Headquarters assigned actions;
- Integrated Program Team meetings to support the contracts of particular interest to the Deputy Secretary and senior HUD management;
- Procurement Management Reviews/Staff Assistance Visits to field contracting operations;
- Participate in Quality Management Review Process;
- Contractor (on-site) performance reviews;
- Provide a cost-effective and coordinated strategy for the delivery of training and employee development;
- Mission critical and personnel management meetings to be held with out-stationed staff;

The Counterpart Retreat Conference is designed to bring Headquarters and Field together to discuss reorganization implementation, strategically focus on mission and objectives in support of its management plan and President Management Agenda initiatives. This counterpart meeting will also focus on improving OCPO efficiency in serving its program customers in managing daily procurement operations in Headquarter and its three Field offices. Principal staff will be invited to address the conference and participate in the process of developing solutions to cross-program issues. This initiative will also build relationships, allow for the sharing of ideas, and result in improved internal and external communications.

OTHER SERVICES AND CONTRACTS

The table below identifies contract requirements.

	<u>ACTUAL</u> <u>2006</u>	<u>ESTIMATE</u> <u>2007</u>	<u>ESTIMATE</u> <u>2008</u>	INCREASE + DECREASE - <u>2008 vs 2007</u>
	(Dollars in Thousands)			
Technical Services	\$178	\$227	\$392	+\$165
Total	178	227	392	+165

As mandated by Federal regulations and in support of the Clinger-Cohen Act, OCPO will provide a significant amount of training to the staff to meet the established academic standards. Fiscal year 2008 requests funds to provide mandated training to Contract Specialists as well as support the professional development of other staff.

Additionally, resources will be needed to obtain contractor support. The contract services include procurement activities to acquire the following services.

Interagency Agreements. Fiscal Year 2008 requests funds for the acquisition of the expert services of Defense Contracts Audit Agency (DCAA) to obtain contractor cost proposal evaluations and incurred cost audits to support contract administration and closeout activities. Previous allocations funded at a lower level of effort and did not support OCPO needs. In fiscal years 2007 and 2008, the demand for audits will increase for both pre-award and post-award activities. The awarding of a greater number of contracts to 8(a) and small business firms with little prior Federal business, proposal costs and accounting system evaluations will create an increased demand to support contract negotiation and award decisions. Additionally, the HUD Integrated Information Processing Service (HIIPS) contract will continue into 2008. This cost-type contract, valued at over \$1 billion, requires a significant amount of audit services to analyze direct and indirect costs incurred during the contract's 10+ years of performance.

Data & Statistical Services. OCPO request funds to acquire contractor support to access credit reports and other vendor data to assess the capacity and financial integrity of prospective vendors. The estimates are based on historical data and credit report usage. It is important that we continue to fund these services, for it is essential in assessing the financial integrity of prospective contractors when contemplating new awards. More importantly this effort will support our internal policy that each new contractor is a "first time" vendor with the Department, and an assessment can be made to ensure financial integrity prior to executing awards.

Contractor Performance System - Integrated Acquisition Environment (IAE). The Contractor Performance System (CPS) is a Federal, multi-agency, web-based system created by the National Institutes of Health (NIH) to collect, maintain, and disseminate contractor performance information as required by Federal Acquisition Regulation (FAR), Subpart 42.15. The System allows registered contractors to access HUD interim and final performance evaluations electronically for review and comment. The funding will pay for HUD's subscription to this NIH-sponsored system for capturing past-performance evaluations of HUD contractors. OCPO is requesting \$22,000 for 2008 to maintain this service and keep HUD compliant with the FAR requirement. The FAR requires all agencies to maintain a systematic means of assessing contractor performance, vetting the agency's position with the affected contractor, and making that information available to other Federal contracting officials.

Contractor Support Services. OCPO has been using contractor resources to support contracting personnel in all phases of the acquisition process: contract award, contract administration, and contract closeout. This support has been critical in meeting current workload demands, while ensuring that inherently governmental tasks are performed by OCPO contracting staff. The fiscal year 2008 request consists of funding to conduct the following initiatives:

- (1) Contractor support to augment OCPO staff in closing out a huge backlog of over-aged contracts and de-obligating millions of dollars for potential use. There are more than 4,500 contract actions to be closed out with an estimated total cost of more than \$4.5 million.
- (2) Provide temporary services in the form of senior level contract support with awarding and administering contracts. The funding will support the services of three to four experienced senior level specialists.
- (3) Develop an Operational Desk Guide that sets forth procedures for standardization and consistencies in OCPO operational procedures. This will serve as a resource guide to contract professionals and eliminate any duplications or inconsistencies in procedures between Headquarters and Field Contract Operations

Assessment of Contract Monitoring practices

In fiscal year 2008, OCPO would like to conduct an independent assessment of HUD's contract monitoring practices. The goal is to assess HUD's practices against "best-practices" in the public sector with a view towards streamlining and standardizing HUD's approach to better utilize the efforts of OCPO and program staff engaged in contract monitoring and oversight.

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OFFICE OF CHIEF PROCUREMENT OFFICER
 Personal Services
 Summary of Change
 (Dollars in Thousands)

<u>Personal Services</u>	<u>FTE</u>	<u>S&E Cost</u>
2006 Actual.....	49	\$5,021
2007 Estimate.....	121	12,497
<u>Changes Due To</u>		
Additional Workdays (2).....		93
2008 January Pay Raise.....	0	219
2007 January Pay Raise.....	0	74
Staffing increase/decrease.....	-2	-238
Other benefit changes.....	0	206
2008 Request.....	119	12,851

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OFFICE OF CHIEF PROCUREMENT OFFICER
 Summary of Requirements by Grade
 Salaries and Expenses
 (Dollars in Thousands)

<u>Grade:</u>	<u>2006</u> <u>Appropriation</u>	<u>2007</u> <u>Estimate</u>	<u>2008</u> <u>Request</u>	<u>Increase/</u> <u>Decrease</u>
Executive Level IV	0	0	0	0
ES-6	0	0	0	0
ES-5	0	0	0	0
ES-4	0	0	0	0
ES-3	0	0	0	0
ES-2	0	0	0	0
ES-1	3	4	4	0
GS-15	12	14	14	0
GS-14	13	16	16	0
GS-13	16	19	19	0
GS-12	33	40	39	-1
GS-11	8	10	9	-1
GS-10	0	0	0	0
GS-9	7	8	8	0
GS-8	1	1	1	0
GS-7	6	7	7	0
GS-6	0	0	0	0
GS-5	1	1	1	0
GS-4	1	1	1	0
GS-3	0	0	0	0
GS-2	0	0	0	0
GS-1	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Positions a/	101	121	119	-2
Average ES Salary	\$139,458	\$142,805	146,232	+\$3,427
Average GS Salary	\$82,144	\$84,115	\$86,134	+\$2,019
Average GS Grade	12.0	12.0	12.1	0.0

a/ Due to the reorganization with the Office of Administration, FTEs for OCPO are partially accounted for in both the Office of Administration and the OCPO.

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OFFICE OF CHIEF PROCUREMENT OFFICER
Summary of Requirements by Object Class
Salaries and Expenses
 (Dollars in Thousands)

<u>Object Class</u>	<u>2006 Actual</u>	<u>2007 Estimate</u>	<u>2008 Request</u>	<u>Increase/Decrease</u>
Personal Services.....	\$5,021	\$12,497	\$12,851	+\$354
Travel and Transportation of Persons.....	119	120	150	+ 30
Transportation of Things.....	20	0	24	+ 24
Rent, Communication & Utilities.....	0	0	0	0
Printing and Reproduction.....	19	15	22	+ 7
Other Services.....	178	227	392	+ 165
Supplies and Materials.....	50	15	65	+ 50
Furniture & Equipment.....	0	0	0	0
Insurance Claims & Indemnities.....	0	0	0	0
Total Obligations.....	\$5,407	\$12,874	\$13,504	+\$ 630

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**OFFICE OF CHIEF PROCUREMENT OFFICER
 Performance Measurement Table**

<p>Program Mission: The Office of the Chief Procurement Officer (OCPO) is responsible for awarding and administering contracts and purchase orders for HUD's program offices in order to achieve HUD's mission, goals and objectives. OCPO is primarily staffed with Contract Specialists and Contracting Officers, with support by other staff (e.g., procurement and management analysts, and procurement technicians). OCPO provides vital procurement and logistic services to HUD's program and support offices, and leadership in applying fundamentally sound business practices to the Department's acquisition of goods and services.</p>						
<p>Strategic Goal E: Strategic Goal E: Embrace high standards of ethics, management, and accountability.</p>						
Performance Indicators		Data Sources	Performance Report		Performance Plan	
			2006 Plan	2006 Actual	2007 Plan	2008 Plan
<p>Ensure that the total obligations for performance-based contracts maintain a projected OFPP goal of 40 percent of eligible service actions over \$25,000.</p>		<p>Federal Procurement Data Systems - Next Generation</p>	40%	56.30%	40%	40%
<p>Reduce the backlog of contracts and reduce unliquidated balances in FY 2007 by closing out 30 percent of the fixed price, labor hour, time and material contracts, task orders and interagency agreements which expired in FY 2005. 100 percent completion of FY 2005 close-out contracts in FY 2008.</p>		<p>Internal/External Assessment</p>			30%	50%

Overall Summary of Chief Procurement Officer Staff Requirements

	FTE			Increase + Decrease - 2008 vs 2007
	Actual 2006	Estimate 2007	Estimate 2008	
Headquarters.....	49.9	121.0	119.0	-2.0
Total	49.9	121.0	119.0	-2.0

Summary of Chief Procurement Officer Staff Requirements

	Actual 2006	Estimate 2007	Estimate 2008	Increase + Decrease - 2008 vs 2007
<u>Headquarters Employment</u>				
Immediate Office	11.9	12.1	12.1	0.0
Program Support	17.1	14.1	14.1	0.0
Administrative Support	15.7	33.4	33.4	0.0
Policy and Field Operations	11.1	17.4	15.4	-2.0
Field Contracting Operations	44.0	44.0	44.0	0.0
Subtotal	99.8	121.0	119.0	-2.0
Adjustment - Time charged to Administration by OCPO employees transferred out of Administration in FY 2006	-49.9	0.0	0.0	0.0
Total	49.9	121.0	119.0	-2.0

Detail of Chief Procurement Officer Staff Requirements

Workload Guideline	Workload Indicator	Fiscal Year 2006			Fiscal Year 2007			Fiscal Year 2008			
		Projected Accomplishment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/Allocation	Projected Accomplishment	Projected Unit Cost (Hrs)	FTE	Underfunded Workload/Allocation	Projected Accomplishment	Projected Unit Cost (Hrs)	FTE
Headquarters Employment											
Immediate Office											
Perform Administrative and Human Resource Activities - CPO I/O	NA	...	...	9.5	...	...	5.7	...	...	5.7	...
Provide OCPO Advisory Activities	NA	...	...	2.4	...	...	6.4	...	...	6.4	...
Subtotal				11.9			12.1				12.1
Program Support											
Perform Contract Placement Activities - PS	Number of RCS packages received	382	44.86	8.2	150	27.62	2.0	150	27.62	2.0	...
Perform Contract Administration Activities - PS	# of contracts/TOs administered	22	551.29	5.8	25	881.92	10.6	25	881.92	10.6	...
Provide Procurement Management Support - PS	NA	...	...	3.1	...	...	1.5	...	...	1.5	...
Subtotal				17.1			14.1				14.1
Administrative Support											
Perform Contract Placement Activities - AS non-WCF	# of RCS packages received	806	12.3	4.8	1,000	23.71	11.4	1,000	23.71	11.4	...
Perform Contract Administration Activities - AS non-WCF	# of Contracts/TOs Administered	81	134.94	5.3	100	332.8	16.0	100	332.8	16.0	...
Provide Procurement Management Support - ASD S&E	NA	...	...	5.6	...	...	6.0	...	...	6.0	...
Subtotal				15.7			33.4				33.4
Policy and Field Operations											
Provide Procurement Management Support	NA	...	...	2.7	...	...	10.7	...	...	8.6	...
Provide Procurement Policy and Procedural Support - PFOD	NA	...	...	5.2	...	...	3.5	...	...	3.5	...
Provide CPO Systems Management	# of Systems/interfaces maintained	7	943.53	3.2	7	943.53	3.2	7	980.57	3.3	...
Subtotal				11.1			17.4				15.4
Field Contracting Operations											
Perform Contract Placement Activities - FCO	# of RCS packages received	1,933	19.22	17.9	1,583	20.5	15.6	1,583	20.5	15.6	...
Perform Contract Administration Activities - FCO	# of Contracts/TOs Administered	160	266.78	20.5	482	78.5	18.2	482	78.5	18.2	...
Provide Procurement Management Support - FCC	NA	...	...	5.6	...	...	10.2	...	...	10.2	...
Subtotal				44.0			44.0				44.0
Adjustment - Time charge to Administration by OCOP employees transferred out of Admin in FY 2006				49.9							

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HEADQUARTER EMPLOYMENT

EXPLANATION OF CHANGES FROM 2006 BUDGET ESTIMATE TO 2007 ESTIMATE

OCPO's request for 121 FTE in fiscal year 2007 is 71 FTE more than the 49.9 actually used in fiscal year 2006. The reason for the increase is that until April 2006, OCPO was part of the Office of Administration and its FTE used prior to April (49.9 FTE) were charged to Administration. OCPO's total FTE usage for fiscal year 2006 was 99.8. OCPO successfully implemented an aggressive hiring plan in fiscal year 2006 designed to fully staff the new, independent OCPO, but since hiring didn't begin until well into the fiscal year, not all of the 122 FTE were used. In addition, one FTE was transferred to the Office of Field Policy and Management in fiscal year 2006, reducing OCPO's ceiling to 121. The fiscal year 2007 request of 121 FTE, therefore, is the same as that assigned to OCPO in fiscal year 2006 and represents no change.

FIELD EMPLOYMENT

EXPLANATION OF CHANGES FROM 2007 BUDGET ESTIMATE TO 2008 ESTIMATE

OCPO's request for 119 FTE in fiscal year 2008 is a decrease of 2 FTE from the fiscal year 2007 request. The reduction will occur in the policy function.