

OFFICE OF INSPECTOR GENERAL
OFFICE OF EVALUATION



U.S. DEPARTMENT
OF HOUSING
AND URBAN
DEVELOPMENT

Comprehensive Strategy Needed To Address HUD Acquisition Challenges

Report Number: 2015-OE-0004
February 2, 2016
Washington, DC

MEMORANDUM



U.S. DEPARTMENT
OF HOUSING
AND URBAN
DEVELOPMENT

TO: Nani Coloretti, Deputy Secretary, SD
Keith W. Surber, Acting Chief Procurement Officer, N

FROM: Kathryn Saylor 
Assistant Inspector General for Evaluation, GAH

SUBJECT: Comprehensive Strategy Needed To Address HUD Acquisition Challenges (2015-OE-0004)

Attached is the report on our evaluation of the U.S. Department of Housing and Urban Development's (HUD) initiatives to address longstanding challenges facing its acquisition function. This review was conducted by Zelos, LLC, for the HUD Office of Inspector General.

Our evaluation assessed the HUD Office of the Chief Procurement Officer's acquisition improvement initiatives. Zelos observed three areas where HUD could improve the acquisition function and made ten recommendations. The agency concurred with all the recommendations and provided additional information on improvements in process or actions they plan to initiate. The agency's complete response is provided in appendix C.

HUD Handbook 2000.06, REV-4, sets specific timeframes for management decisions on recommended corrective actions. For each recommendation without a management decision, please respond and provide status reports in accordance with the HUD Handbook. Please furnish us copies of any correspondence or directives issued as a result of the evaluation.

If you have any questions, please contact me at 202-809-3093 or Nikki Tinsley at 443-822-8285.



January 12, 2016

Ms. Kathryn Saylor
Assistant Inspector General for Evaluation
Office of Inspector General
U.S. Department of Housing and Urban Development
Washington, DC 20410-0001

Dear Ms. Saylor:

Zelos, LLC performed an evaluation of the Department of Housing and Urban Development's initiatives to address longstanding challenges facing its acquisition function. The evaluation objectives were to determine the extent to which the improvement initiatives of the Office of the Chief Procurement Officer addressed the acquisition challenges of the program offices and to identify successful practices from selected Federal agencies that might address and improve the quality and timeliness of HUD acquisitions.

This report presents the results of the evaluation and includes recommendations the agency can implement to enhance the acquisition program's overall success. We conducted our evaluation as stipulated in BPA agreement number TFSAHUGBPA14001, project 2015-OE-0004.

We appreciate the opportunity to perform this evaluation. Should you have any questions, or if we can be of any further assistance, please contact me at stacia.aylward@zelosllc.com or at 703-828-7831.

Sincerely,

Stacia C. Aylward, CEO
Stacia C. Aylward, CEO

At A Glance

What We Evaluated and Why

The Office of the Chief Procurement Officer (OCPO) is responsible for obtaining goods and services so that the U.S. Department of Housing and Urban Development (HUD) can meet its objectives. Acquisition management has faced many challenges over the years, and HUD's Fiscal Year 2016 Annual Performance Plan cited the acquisition function as a management challenge. OCPO has developed several acquisition improvement initiatives to address these longstanding concerns. The Office of Inspector General wanted to know the status of these efforts and whether practices used by other agencies would enhance the quality and effectiveness of HUD acquisitions.

What We Found

OCPO had made progress in several areas, including revising and updating HUD's Procurement Handbook and redesigning its Web site. However, some initiatives had not been fully implemented or completed on schedule. OCPO officials said that additional resources would be needed to effectively implement ongoing and planned improvement efforts. OCPO had not developed a sound, cohesive strategy to address its improvement initiatives, and program offices did not all agree on resource requirements and respective responsibilities for their acquisitions staff.

Many OCPO improvement initiatives did not follow successful program management practices or meet the U.S. Government Accountability Office's criteria for achieving an efficient, effective, and accountable acquisition function. We identified several successful practices of other Federal agencies that would improve HUD's acquisition function by using measurable objectives and goals, building partnerships, engaging stakeholders, managing change, streamlining functions, and training staff.

OCPO and the program offices did not collaborate or communicate effectively and did not agree on the best way to address acquisition problems. HUD had not maintained cost and performance metrics to determine where inefficiencies existed. Program offices continued to experience challenges, and some sought alternatives in shared services arrangements with Federal agencies to accomplish their acquisition objectives. HUD leadership needs to address these issues, or its acquisition function will remain at risk.

What We Recommend

Our primary recommendations in this report are below. In a January 6, 2016 response to the report, HUD concurred with all the report's recommendations.

1. Leadership across HUD's administration, programs, and OCPO needs to agree on the focus, priorities, funding, and resources for improving acquisitions.
2. OCPO should develop an acquisition strategy with measurable goals and objectives that incorporate successful practices and a communications plan to inform and engage program offices.
3. Leadership needs to develop decision criteria and metrics to determine which contract types, sizes, or categories may be most efficiently and effectively accomplished by OCPO or, alternatively, by shared services providers.

Table of Contents/Abbreviations

Background and Objectives.....	4
The Office of the Chief Procurement Officer.....	4
HUD Acquisition and Procurement Challenges	4
HUD Acquisition Improvement Initiatives.....	5
Evaluation Objectives	6
Evaluation Results.....	8
Observation 1: OCPO Had Made Progress on Acquisition Improvement Initiatives	8
Conclusions.....	11
Recommendations.....	11
Management Response and Contractor Analysis.....	11
Observation 2: OCPO Did Not Fully Implement Acquisition Improvement Initiatives	12
Conclusions.....	17
Recommendations.....	17
Management Response and Contractor Analysis.....	18
Observation 3: HUD Lacked a Strategic Approach for Using Shared Services and Improving Internal Acquisitions Capacity	19
Conclusions.....	20
Recommendations.....	20
Management Response and Contractor Analysis.....	21
Scope and Methodology	22
Appendixes	23
Appendix A	23
Appendix B	24
Appendix C	25

Table of Contents/Abbreviations

Abbreviations

ARRT	Acquisition Requirements Roadmap Tool
COR	Contracting Officer Representative
FAC	Federal Acquisition Certification
FEVS	Federal Employee Viewpoint Survey
GSA	General Services Administration
GAO	Government Accountability Office
HUD	Housing and Urban Development
OCPO	Office of Chief Procurement Officer
OFPP	Office of Federal Procurement Policy
OIG	Office of Inspector General

Background and Objectives

The Office of the Chief Procurement Officer

The Office of the Chief Procurement Officer (OCPO) was created in 1998 as part of the U.S. Department of Housing and Urban Development's (HUD) 2020 Management Reform to serve as the focal point to reform, streamline, and improve procurement operations. OCPO is responsible for obtaining services and supplies efficiently and in the most cost-effective manner possible to enable HUD to meet its strategic objectives. For fiscal year 2014, HUD had more than \$1.2 billion obligated for a wide range of goods and services.

HUD Acquisition and Procurement Challenges

The problems with HUD's acquisition and procurement processes have been a longstanding issue. The U.S. Government Accountability Office (GAO) concluded in a 2001 study that acquisitions management was one of the significant challenges facing HUD in its attempts to sustain the progress of its management reform.¹ In 2002, GAO reported that weaknesses in acquisitions management limited HUD's ability to prevent, identify, and hold its contractors accountable.² In 2003, GAO designated acquisitions management as a major management challenge for several reasons, including managing and training HUD's acquisitions workforce.³

In 2010, HUD engaged the National Academy of Public Administration to provide the agency with strategic planning and business transformation and management consulting services in several areas, including acquisitions.⁴ The National Academy of Public Administration made several recommendations to improve

- Procurement planning.
- Management and performance of government technical representatives and government technical monitors.
- Alignment of procurement requirements with program and procurement units.
- OCPO operations and support functions.
- Program office performance and acquisition responsibilities.

1 U.S. General Accounting Office, HUD Management: Progress Made on Management Reforms, but Challenges Remain, [GAO-02-45](#) (Washington, DC, October 31, 2001)

2 U.S. General Accounting Office, HUD Management: Actions Needed to Improve Acquisition Management, [GAO-03-157](#) (Washington, DC, November 15, 2002)

3 U.S. General Accounting Office, Major Management Challenges and Program Risks for the Department of Housing and Urban Development, [GAO-03-103](#) (Washington, DC, January 2003)

4 National Academy of Public Administration report: HUD Transformation Support Services, April 2010

In December 2014, HUD’s Office of the Inspector General reported that HUD did not always follow applicable requirements or use the best procurement practices.⁵ This report recommended that HUD implement procedures to ensure that it

- Promotes consistent oversight, accountability, and communication.
- Follows best practices to provide maximum competition.
- Makes decisions with the input of all parties involved.

HUD’s 2014-2018 Strategic Plan identified acquisitions as a management challenge. The plan stated that for HUD to achieve its program goals, its acquisition operations must be efficient and effective and serve customer needs. It identified plans to improve planning, processes, accountability, and transparency and develop and use customer feedback mechanisms. In addition, it stated the need for early collaborative planning and enhanced use of acquisition tools to improve HUD’s acquisitions performance.

The acquisition function was also cited as a management challenge in HUD’s Fiscal Year 2016 Annual Performance Plan.⁶ The Plan stated that the acquisition process can be lengthy, partially due to necessary compliance with statutes, policies, and procedures, and that OCPO can streamline the acquisition process and increase customer satisfaction through

- Enhancing the use of available acquisition tools.
- Improving early collaboration and teamwork in executing plans.
- Optimizing the use of acquisition strategies.
- Enhancing accountability for successful outcomes through performance metrics.

HUD Acquisition Improvement Initiatives

OCPO identified in a December 2014 “state of the OCPO” briefing four top priorities⁷ in addressing acquisition challenges. These initiatives included

- A contracting officer representative (COR) professionalization initiative.
- Development of program and project managers.
- OCPO reorganization and leadership development.
- Improvement of acquisition polices and quality of requirements documents.

OCPO completed an analysis to identify strengths, weaknesses, opportunities and threats – the factors that are favorable and unfavorable for achieving its improvement initiatives.⁸ It outlined these factors in the state of the OCPO briefing to acknowledge the internal and external attributes that could help and hinder OCPO’s efforts to achieve its goals and objectives.

⁵ HUD OIG report: HUD Did Not Always Follow Applicable Requirements or Use the Best Procurement Practices in the Procurement and Administration of Its Multifamily Servicing Contract, Audit report number 2015-NY-0001, December 2, 2014

⁶ HUD Fiscal Year 2014 Annual Performance Report and Fiscal Year 2016 Annual Performance Plan

⁷ OCPO officials stated that these initiatives were not necessarily in a prioritized order.

⁸ See appendix A for a list of all strengths, weaknesses, opportunities, and threats.

Following this briefing, in April 2015, OCPO completed a “deep dive” of OCPO for the Deputy Secretary – a summary briefing to provide leadership with a better understanding of specific programs and offices and baseline data to help focus the operational agenda. In this deep dive, OCPO outlined generally the same four acquisition improvement initiatives and timeframes cited in the state of the OCPO briefing.

OCPO officials then introduced another improvement initiative: establishing an Acquisition Work Group. In addition, the Deputy Secretary and HUD’s Office of Strategic Planning and Management formed a Procurement Transformation Steering Committee to address acquisition issues. A briefing was issued on July 27, 2015, which outlined the following five key work streams for improving the acquisition function.

Key work streams	Milestones
Build a high-priority procurement dashboard	To be discussed and established at July Steering Committee meeting
Enhance the quality of key documents	Full implementation timeline not yet established
Form a shared services partnership	Ginnie Mae* interagency agreement to be awarded August 2015 Finalize joint interagency agreement among the Offices of Housing and Policy Development & Research, and the Program Support Center of the U.S. Department of Health and Human Services for fiscal year 2016 contracts
COR professionalization	Several key milestones cited with dates beginning September 2015 through June 2016
OCPO workload rebalancing	Still in development

* Ginnie Mae = Government National Mortgage Association

These five work streams capture one of OCPO’s original state of the OCPO four top priorities: COR professionalization. Three of the original four initiatives are not listed

- Development of program and project managers.
- OCPO reorganization and leadership development.
- Improve acquisition polices and quality of requirements documents.

Office of Strategic Planning and Management officials told us that the deep dive of OCPO briefing, which included OCPO’s four original initiatives, had become the focus for improving HUD’s acquisition function. They also said that the Procurement Transformation Steering Committee’s work streams and efforts would be incorporated into the deep dive initiative.

Evaluation Objectives

Our evaluation assessed OCPO’s acquisition improvement initiatives. Specifically, our objectives were to:

- Obtain an understanding and determine the status of OCPO acquisition improvement initiatives.
- Determine to what extent OCPO's improvement initiatives addressed the acquisition challenges identified by the program offices.
- Where gaps existed, identify and recommend successful practices from selected Federal agencies to address and improve the quality and timeliness of HUD acquisitions.

While OCPO had acquisition improvement initiatives underway, the Office of Inspector General wanted to know whether the initiatives adequately addressed identified acquisition issues, HUD program offices' needs, and agency wide goals.

Evaluation Results

Observation 1: OCPO Had Made Progress on Acquisition Improvement Initiatives

OCPO had made progress in several important areas but had not completed several of its acquisition improvement initiatives and had delayed starting others. According to OCPO officials, OCPO had not had sufficient resources and staffing to adequately address deficiencies in HUD’s acquisition function. In addition, program offices had not agreed with OCPO on staff roles and responsibilities in developing and managing acquisitions, had continued to experience acquisition challenges, and had sought shared services arrangements with other Federal agencies to achieve their acquisition objectives.

OCPO Acquisition Improvement Initiatives and Status

OCPO cited in a December 2014 state of the OCPO briefing four top priorities in addressing acquisition challenges.⁹ Actions OCPO had taken since then to address these priorities included

- Signing a memorandum of agreement with HUD’s training office to develop and deliver Federal acquisition certification training.
- Rewriting the HUD Procurement Handbook.
- Redesigning the OCPO Web site.

However, OCPO had delayed some and not completed other acquisition improvement initiatives as shown in table 1.

Table 1: OCPO acquisition improvement initiatives

Priority	Original timeline	Current timeline status (as of October 23, 2015)
COR professionalization initiative	Federal acquisition certification COR draft guidance: November 2014 Final guidance: January 2015 Fully implement across all offices: October 2016	Memorandum to be signed by Deputy Secretary directing an incremental 3-year implementation, beginning during fiscal year 2016
Develop program and project managers	Issued requirements: September 2014 12-month certification process for program and project managers – to be completed by September 2015	To be completed by September 2016

⁹ OCPO officials stated these initiatives are not necessarily in a prioritized order.

OCPO reorganization and leadership development	Phased implementation: Develop plan: January 2015 Identify training targets and develop curriculum: December 2014 (for training in fiscal year 2015)	No progress or new timeline defined
Improve acquisition polices and quality of requirements documents	Update guidance: February 2015 Rewrite HUD Procurement Handbook: June 2015 Fully implement the Acquisition Requirements Roadmap Tool in all offices by March 2015	Handbook revised August 2015, in review and approval process. Its estimated issue date is by February 28, 2016. Training ongoing and use of this Tool was mandatory beginning October 1, 2015.

The status of each initiative is discussed below.

COR Professionalization Initiative

OCPO proposed the COR professionalization initiative as a key concept for addressing many acquisition-related problems.

OCPO and the program offices did not agree on the (1) feasibility of and resources required for the COR initiative and (2) appropriate roles and tasks of OCPO and program office staff in developing and managing acquisitions. The program offices had continued to

experience challenges working with OCPO and had sought shared services arrangements with other Federal agencies to achieve their acquisition objectives. To address these issues, key stakeholders were consulted through the Deputy Secretary’s deep dive initiative, which was implemented to build a stronger HUD by connecting mission advancement to operational efforts. In addition, key stakeholders, including several OCPO staff members, were on a newly established Procurement Transformation Steering Committee, created to address and improve the acquisition function.

COR Professionalization Goals:

- Reengineer HUD’s certification program to comply with the Federal Acquisition Institute’s Federal acquisition certification FAC-COR model.
- Professionalize the COR job series.
- Merge the often collateral government technical representative and monitor functional roles into the single, full-time functional role of a COR.
- Streamline the pre-award and post-award acquisition processes.

Develop Program and Project Managers

To address this initiative, OCPO signed an agreement with HUD LEARN to train all HUD employees requiring Federal acquisition program and project manager certification by September 30, 2016.¹⁰ The

¹⁰ HUD LEARN is HUD’s Office of the Chief Human Capital Officer’s Learning, Enrichment, and Resources Network.

original completion timeframe for this initiative was fiscal year 2015. In August 2015, OCPO provided a list of the Federal acquisition certification courses and number of employees to be trained in fiscal year 2016, but this list did not include the budget necessary to complete the training.

OCPO Reorganization and Leadership Development

The December 2014 briefing cited plans for a phased implementation and training during fiscal year 2015 for this initiative. OCPO had planned a phased reorganization and training for this initiative, but OCPO officials told us that this effort was delayed due to a lack of funding.

Improve Acquisition Policies and Quality of Requirements Documents

OCPO had made progress in revising the HUD Procurement Handbook, redesigning the OCPO Web site, and issuing several detailed acquisition instructions. OCPO officials told us that the Handbook should be finalized, approved, and published by the end of February 2016. They said that the new design of the Web site would provide better acquisition policies and procedures, as well as guidance from both a task-based and role-based approach. The Web site was in an interim stage, and the officials had funding and resources to complete a permanent “in state” version in fiscal year 2016. The original completion timeframe for the Web site was fiscal year 2015.

OCPO planned to have the Acquisition Requirements Roadmap Tool (ARRT) fully implemented in all offices by March 2015. OCPO officials told us that they had customized the ARRT training to be more HUD specific and were providing training to program offices and getting positive reviews. They added that the use of ARRT would be mandatory beginning October 2015. They said that the benefit of ARRT is the standardization it provides for developing requirements packages.

OCPO Strengths, Weaknesses, Opportunities, and Threats

The state of the OCPO briefing cited strengths and opportunities that OCPO can leverage to help it achieve its goals and objectives. It also recognized weaknesses and threats (which included attrition and that turnover reduces the knowledge base and creative problem solving) that could negatively impact OCPO’s improvement efforts. Focusing on these key factors, coupled with the GAO Framework for Assessing the Acquisition Function at Federal Agencies to enable high-level, qualitative assessments of the strengths and weaknesses of the acquisition function, provides OCPO avenues for promoting an efficient, effective, and accountable acquisition function and addressing areas needing improvement.

OCPO acted on its strength for establishing standard policies, processes, and procedures in its handbook, Web site, and acquisition instructions. In addition, it pursued the opportunity to develop better training courses more specific to HUD by customizing the ARRT training and partnering with HUD LEARN to develop and deliver Federal acquisition certification training for HUD employees.

OCPO acted on the opportunity to use Federal Employee Viewpoint Survey (FEVS)¹¹ results. OCPO officials told us that they emphasized the importance of completing the 2015 survey and OCPO’s staff response rate was 97 percent. OCPO improved on 63 of the 71 core FEVS questions from 2014 to 2015. Despite this improvement, OCPO’s FEVS scores remained below those of HUD as a whole, and HUD’s

¹¹ FEVS measures Federal employees’ perceptions of whether and to what extent conditions that characterize successful organizations are present in an organization.

scores were generally lower than those of the Federal Government. Thus, several key areas will require continued monitoring and effort by management to improve working conditions and relationships. These areas include satisfaction with collaboration and communication across work units, opportunities for adequate training, and overall satisfaction with work environment. Potential attrition is of particular concern as more than 60 percent of OCPO staff members responded that they were considering leaving in the next year.

Conclusions

OCPO had made some progress but had delayed or not completed several of its acquisition improvement initiatives. The deep dive and associated initiatives being directed from the Deputy Secretary's office changed the emphasis of several OCPO initiatives and added others. Further, OCPO and program offices did not agree on the feasibility of and resources required for one of the major initiatives—COR professionalization—or on the best use of shared services from other Federal agencies. Without agreement on and commitment to acquisition improvement priorities, resources, and staffing, HUD acquisitions will remain at risk.

Recommendations

To improve HUD's acquisition function, we recommend the Acting Chief Procurement Officer:

- 1A. Reach agreement with and obtain commitment from HUD leadership and program offices on the focus and priorities for improving acquisitions.
- 1B. Communicate and collaborate more effectively with and actively engage the program offices and other key stakeholders.
- 1C. Continue to emphasize its initiatives to address workforce morale and job satisfaction and to address FEVS areas that need improvement.

Management Response and Contractor Analysis

HUD concurred with the above recommendations. It provided additional information on accomplishments the agency has made and plans for continuing acquisition improvements.

Management's complete response is provided in appendix C, pages 3, 4, and 5.

Observation 2: OCPO Did Not Fully Implement Acquisition Improvement Initiatives

Although OCPO had made progress in some important areas, it had not always followed proven, effective planning and program management practices. Factors contributing to OCPO's inability to fully implement acquisition improvement initiatives included staff turnover and not effectively collaborating with key stakeholders.

OCPO's initiatives were not supported by detailed plans that specified budget and resource requirements, measurable goals and objectives, completion timeframes, or reporting strategies for monitoring progress. This level of information is critical for OCPO to appropriately address and improve the acquisition function. OCPO needs an acquisition improvement strategy with a well-defined and agreed-upon mission, objectives, goals, and outcome measures. This strategy needs to include the following key program management components

- A communications plan to effectively inform and engage the program offices and other key stakeholders.
- An acquisition human capital plan that includes steps to recruit, train, and retain talented acquisition professionals and a long-term strategy to address attrition challenges.
- A training plan with specific milestones and timeframes for acquisition workforce development training, rolling out the HUD Procurement Handbook and redesigned OCPO Web site, and defining the OCPO reorganization and leadership development initiative.
- An Acquisition Work Group charter that defines the Group's mission, goals, objectives, tasks, and responsibilities.

We identified successful practices of other Federal agencies that could be incorporated into OCPO's current or future initiatives. These practices align with the GAO Framework to promote an efficient, effective, and accountable acquisition function. Incorporating key project management components and successful practices of other Federal agencies can help HUD improve its acquisition function.

Strategic Approach for Improving HUD's Acquisition Function

According to the GAO Framework, strategic planning requires identifying and managing relationships among the parties involved in the acquisition process. Sufficient attention should also be given to analyzing overall agency needs and devising strategic acquisition plans to meet those needs.

OCPO did not have an acquisition improvement strategy with a well-defined and agreed-upon mission, charter, goals, outcome measures, objectives, and a monitoring system. The state of the OCPO briefing identified priorities and some timeframes, but needed additional details to effectively guide and measure progress. In July 2015, as part of the deep dive initiative, OCPO began to work with HUD's Office of Strategic Planning and Management to

- Develop a broad plan with specific components, each having milestones and metrics.
- Provide regular project updates.

- Manage the components to completion in an agreed-upon timeframe.

HUD did not have metrics and performance measures related to acquisition efficiency, effectiveness, or results embedded into its overall acquisition improvement approach and communicated regularly to the entire organization. It is important that these metrics be tied to the

agency’s mission and goals and be used to assess the success of the acquisition function. In addition, leaders need to use meaningful metrics to measure the effectiveness of the acquisition function and provide the foundation for continuous improvement.

Performance Measures assess:

1. An organization’s current performance level.
2. Important processes that require focused management attention.
3. Realistic goals for improvement.
4. Impacts over time

OCPO used procurement administrative lead time to determine the overall efficiency of the acquisition process. Program office officials said that this was not a true measure of how long the process took. They stated that it measured the time after the procurement package was accepted by OCPO. Several offices stated that additional performance measures would be needed to identify where delays occur from the time a need for goods and services is identified to final contract issuance.

The Defense Acquisition University developed an acquisition lead time metric that captures all activities before the procurement package is complete. A University official said that agencies need to measure the entire acquisition process from the time a need is identified through the steps of research, dialogue with vendors, and communication and collaboration between the acquisition and program office staff. The University’s guidance states that early collaboration of the program and contracting officials in the planning phase can result in a thorough statement of work and expedite procurement lead times. It also cites the importance of complete specifications and obtaining all necessary internal clearances and adds that both program and contract personnel must meet all agreed-upon schedules.

Communications Strategy and Customer Feedback

GAO’s Framework cites “effective communications and partnering with internal organizations” as factors critical to the success of the acquisition function and notes that agency leadership needs to communicate effectively to employees the agency’s missions, values, and guiding principles. OCPO did not have a communications strategy to inform and engage the program offices and other key stakeholders effectively. HUD’s program offices cited many examples of ineffective communications and limited partnering and collaboration with OCPO.

A March 2015 Office of Federal Procurement Policy (OFPP) memorandum to all chief acquisition officers outlined the importance of and requirement for agencies to improve how they receive and use

OFPP guidance states that “Ineffective communication between the program office and contracting team can adversely impact an acquisition leading to unfavorable outcomes for taxpayers.”

industry and internal feedback to strengthen their acquisition function.¹²

Agencies were to obtain feedback on how well they planned, communicated, and provided support for the acquisition function by July 2015. Specific communications questions addressed how satisfied respondents were with the procurement offices’

- Responsiveness to questions and communicating in a clear, courteous, timely, and professional manner.
- Effectiveness in resolving any issues or delays encountered during the acquisition process.
- Early communications describing the roles and responsibilities of the procurement office and program office.

While OCPO had not obtained this feedback by the July due date, an OCPO official told us the survey was sent to HUD procurement and program office personnel as well as industry officials on October 22. Responses are due November 10, 2015.

Acquisition Human Capital Plan

The GAO Framework states that successfully acquiring goods and services and executing and monitoring contracts to help the agency accomplish its missions requires valuing and investing in the acquisition workforce. Agencies must think strategically about attracting, developing, and retaining talent and creating a results-oriented culture within the acquisition workforce.

OFPP guidance states that “Many agencies concentrate on filling vacancies in the contracting community rather than developing longer term growth and succession plans for their acquisition workforce, including program managers and contracting officer representatives.”

OFPP guidance states that for human capital planning to be successful, it must be an integral part of each agency’s strategic planning process.

HUD is not alone in having significant human capital needs and challenges in getting and keeping trained procurement and acquisition personnel. Acquisition organizations across the government are facing mission and performance challenges resulting from an anticipated and unprecedented loss of their knowledgeable and experienced acquisition professionals. In addition, there is a lack of a substantial, knowledgeable pool of successors to replace them.

HUD needs a strategic approach to recruit, train, and retain talented acquisition professionals and address attrition challenges. OCPO officials acknowledged that both turnover and shortages of staff had impeded its acquisition improvement initiatives. The 2015 FEVS results highlighted that attrition was of particular concern as more than 60 percent of OCPO staff members responded that they were considering leaving in the next year. Staff attrition in OCPO was a significant concern identified by all of the program offices in

¹² March 18, 2015, memorandum from Anne Rung, OFPP Administrator, Office of Management and Budget, on Acquisition 360 - Improving the Acquisition Process through Timely Feedback from External and Internal Stakeholders

our review. They stated that turnover negatively impacted their experience with OCPO and contracting decisions. As a result of attrition, OCPO faced challenges in meeting its customers' expectations.

HUD's Fiscal Year 2015 Acquisition Human Capital Plan cited that recruiting, hiring, and retaining an agile and high-quality Federal acquisition workforce is essential to the efficiency, effectiveness, and stewardship of agency program objectives, outcomes, and results. The Plan included a more robust employee recognition program to enrich employee morale and retention. However, it stated that "reduced budgets for awards and little differentiation in amounts between ratings reduced their effectiveness in retention." It also cited an OCPO initiative for fiscal year 2014 to "Revise the Federal Acquisition Certification for Program and Project Managers" to improve the program and add information technology specialization for these managers. However, it stated that OCPO had not met the initiative's objectives as it did not have enough certified managers to meet HUD's needs.

The Plan named adequate staffing and training as critical challenges in managing HUD's acquisition workforce. It stated that the shortage of trained and certified program and project managers increases risk in successful programmatic outcomes, including the effective use of budget, resources, and performance metrics. In addition, it acknowledged that a shrinking budget authority challenges HUD's ability to provide a robust training program.

The section of the Plan called "Talent Management" included the COR professionalization initiative, stating that it would

- Improve performance of HUD's CORs.
- Develop a COR workforce that maintains dual expertise to drive programmatic outcomes and maintain focused contract oversight.

The Plan acknowledged that this initiative may require additional funding, training, and full-time employees in some program offices but that these items were not funded in the fiscal year 2016 budget.

Training Strategy

Industry and government experts recognize that training is a critical tool in successfully introducing and implementing new ways of doing business as well as reacting to change. An agency's overall training strategy—including planning, developing, implementing, and continually improving its programs—is an important factor in ensuring that staff has the necessary skills, knowledge, and experience to meet agency missions.

OFPP guidance states that successful acquisition outcomes depend on having properly trained and experienced staff to

- Select the proper contract vehicle for various acquisition approaches.
- Evaluate whether the contractor is meeting its cost, schedule, and performance goals.
- Identify what specific corrections and actions are needed if changes warrant.
- Ensure that taxpayer dollars are spent effectively, efficiently, and economically.
- Identify the possibility of fraud, waste, or abuse.

- Recognize situations that warrant termination if contracts do not meet the government’s needs.

OFPP also stated in its September 2011 guidance that “Strengthening the acquisition workforce is critical to ensuring that the government gets the best value for the more than \$500 billion of goods and services it procures annually.” The previous Federal acquisition certification requirements had just one level of certification for all CORs. This updated guidance has three levels of certification with varying requirements for training, experience, and continuous learning, depending on the types of contracts being managed. This guidance was effective for all CORs beginning January 1, 2012. OCPO planned to have CORs trained by September 30, 2015. However, this did not occur and subsequent plans were to complete the Federal acquisition certification requirements by the end of fiscal year 2016.

OCPO did not have a training strategy for ensuring that the acquisition workforce provided the proper contract management and oversight. While OCPO had implemented some training, most had been delayed until fiscal year 2016. In addition, officials told us that inadequate training in the acquisition area had been a longstanding concern and continued to be a significant weakness in the acquisition area. Program offices also told us that training was inadequate, stating that

- Guidance was unclear as to what was required for staff to be certified at levels I, II, or III.
- Additional training was needed for both OCPO and program office staff on how to complete a project work statement.
- Staff members needed COR certification before they could be assigned to work on contracts.
- The combination of turnover and inadequate training had resulted in an inexperienced workforce in OCPO.

Also, program offices had significant concerns about and questioned whether they would be able to obtain the resources and training to fit the COR professionalization initiative model.

Acquisition Work Group Charter

OCPO developed the Acquisition Work Group to address acquisition issues. OCPO officials told us that Group’s mission was to work on various projects to enhance collaboration and communications between OCPO and the HUD program offices; however, it did not have a charter, mission statement, goals, or objectives to guide its actions. We provided OCPO officials with a sample of another Federal agency’s acquisition work group charter, which outlined the mission, goals, objectives, membership, and responsibilities. OCPO officials said that the charter was useful and would help define and guide their Acquisition Work Group objectives and actions.

Successful Acquisition Practices

We identified successful acquisition practices of other Federal agencies to provide assistance and alternatives that could be incorporated into OCPO’s current or future initiatives. The following items address developing useful guidelines, streamlining functions, training staff, building partnerships, and managing change:

- Charter documents, standard operating procedures for an acquisitions portal (Web site), and an acquisition workforce survey. These documents streamline acquisition functions, improve communications, and provide professional development for the acquisition workforce [General Service Administration (GSA)].
- Templates, policies, procedures, and instructions to guide the acquisition function (Bureau of Fiscal Services, U.S. Department of the Treasury).
- Many guidelines on successful acquisition practices, including Transforming the Marketplace, Improving the Acquisition Process through Timely Feedback, and Conducting Acquisition Assessments (OFPP).
- Quarterly Interagency Acquisition Career Managers Council meetings with more than 20 civilian agencies. The goals are to (1) increase efficiencies by leveraging resources, (2) reduce duplication, and (3) optimize outreach and communication opportunities. Successful practices and information on topics, including human capital planning, contract specialist training, and acquisition internships, are provided on the Federal Acquisition Institute's Web site.
- Federal Shared Services Implementation Guide, which provides information on using shared services in the Federal Government to help achieve organizational goals, improve performance, increase return on investment, and promote innovation (Federal Chief Information Officer Council).
- An online continuous learning center with a curriculum and learning opportunities that offer successful practices (Defense Acquisition University).

These practices align with the GAO Framework for promoting an efficient, effective, and accountable acquisition function. Incorporating key planning and project management components and successful practices of other Federal agencies can help HUD improve its acquisition function.

Conclusions

While OCPO had several improvement initiatives underway, many did not meet the criteria stated in the GAO Framework for achieving an efficient, effective, and accountable acquisition function. OCPO has opportunities to incorporate the advice of experts by building partnerships with successful organizations that are leaders in the area. Without effective implementation steps, including adequate planning, and active collaboration with customers, HUD's acquisition improvement initiatives had not been successfully accomplished, placing the acquisition function at risk. These longstanding acquisition challenges and weaknesses hindered HUD's ability to make progress in its management reform to streamline and improve acquisition operations.

Recommendations

In consultation with the Office of Strategic Planning and Management and program offices, OCPO should implement and follow a systematic program management plan. This plan should incorporate successful practices and tools from other agencies to ensure that the planned approaches meet OCPO's and program offices' needs and will be successful.

To strengthen HUD-wide acquisitions that will result in contracts that meet program needs and comply with Federal procurement policies and procedures, we recommend that the Deputy Secretary:

2A. Direct OCPO, the Procurement Transformation Steering Committee members, working teams, and project leaders to incorporate successful acquisition practices to improve and strengthen current or planned acquisition improvement efforts. These practices include developing and implementing the following:

- An acquisition improvement strategy with measurable goals and objectives.
- A communications strategy to effectively inform and engage OCPO, program offices, and other key stakeholders.
- An acquisition human capital plan that includes steps to recruit, train, and retain talented acquisition professionals and a long-term strategy to address attrition challenges.
- A training strategy with specific milestones and timeframes for acquisition workforce development training, rolling out the HUD Procurement Handbook and redesigned OCPO Web site, and defining the OCPO reorganization and leadership development initiative.
- An Acquisition Work Group charter that defines the Group's mission, goals, objectives, tasks, and responsibilities.

2B. Evaluate the resources and organizational support needed to develop and implement an ongoing, comprehensive, HUD-wide acquisition improvement strategy.

Management Response and Contractor Analysis

HUD concurred with the recommendations. HUD stated that the Deputy Secretary has directed the CPO to (1) continue to refine and/or develop a strong acquisition improvement plan that includes successful acquisition practices, such as those listed and (2) provide options related to the resources and organizational support needed to develop and implement a comprehensive HUD-wide acquisition improvement strategy. Some of this work is underway through the deep dive management and operational review, particularly with respect to strategic sourcing, contract consolidation, and enhanced use of shared services. The agency also stated that as evidenced in part by GSA's government-wide benchmarking exercise, OCPO is relatively under-resourced; HUD advocated and was successful in increasing resources for OCPO in fiscal year 2016.

Management's complete response is provided in appendix C, pages 5, 6, 7, and 8.

Observation 3: HUD Lacked a Strategic Approach for Using Shared Services and Improving Internal Acquisitions Capacity

OCPO and program offices did not agree on the fundamental approach for addressing acquisition issues. OCPO had focused on COR professionalization to improve the quality of requirements documents and contract management, but some program offices sought to use shared services models provided by other Federal agencies. They did not agree on the

- Feasibility of the COR professionalization initiative.
- Appropriate roles and tasks of OCPO and program office staff in developing and managing acquisitions.
- Best use of shared services provided by GSA, the U.S. Department of Health and Human Services, the U.S. Department of the Treasury, and other agencies.

These issues were being reconsidered as part of the Deputy Secretary's deep dive. OCPO acknowledged that the COR professionalization initiative was not working as initially planned. Program offices were moving to shared services in response to difficulties working with OCPO. These stakeholders had not developed, agreed upon, communicated, and implemented a strategic plan for effective assignment of acquisition roles and tasks to OCPO staff, program office staff, and shared service providers.

Internal Resources Versus Shared Services

OCPO's and the program offices' lack of collaboration and a strategic approach for using internal acquisitions resources versus shared services was not consistent with the GAO Framework criteria. Program offices said that they were concerned about collaboration, training, and the use of resources to accomplish acquisition objectives. The program offices sought greater use of shared services, while OCPO wanted to use the COR professionalization initiative. A collaborative approach that yields agreement on the most effective strategies for the different HUD program offices and their particular acquisition needs is crucial. Some acquisitions may be most effectively accomplished through shared services opportunities that simplify acquisitions and reduce costs. Others may be most effectively achieved by working with OCPO and improving the training of OCPO and program office acquisitions and project management staff. OCPO and program offices need cost and performance metrics and data so informed decisions can be made that address and meet HUD's mission effectively.

OCPO's goals for the COR professionalization initiative are to merge collateral functional roles of government technical representatives and government technical monitors into the single full-time functional role of a COR; professionalize the COR job series; strengthen the relationship and collaboration between OCPO, CORs, and program personnel; and streamline pre-award and post-award acquisition processes. Program offices expressed concerns about the ability to obtain the resources and training required to support this initiative. They questioned whether having more full-time CORs and fewer subject-matter experts was reasonable, especially if their total staffing levels remained the same. They stated that this measure would impede their work and increase attrition. Program offices stated that OCPO had not adequately engaged them in the process, addressed their concerns, or communicated effectively. Program offices consistently said that OCPO did not understand their business needs and was not strong on customer service. The COR professionalization initiative was one of the Procurement

Transformation Steering Committee work streams and had several actions and milestones to be completed during fiscal year 2016, which would provide a sufficient timeline for adjustments.

In a budget-constrained environment, several program officials told us that they preferred to work with other Federal agencies to secure needed services. Shared services involve public-sector bodies working together in developing or delivering services (most commonly administrative or back office functions). Advantages that the program offices and shared services providers cited were improved efficiency through pooling resources or combining demand and concentrating expertise to deliver higher quality services to customers. OCPO said that a shared services disadvantage was the fees HUD would have to pay to shared services providers.

Some HUD program offices have contracted with other agencies for shared services. For example, the office of Community Planning and Development had partnered with Policy Development and Research and the U.S. Census Bureau to get custom census data for Community Development Block Grants because it had trouble getting the contract awarded through OCPO. HUD and GSA entered into an interagency agreement to complete five pilot procurements for Ginnie Mae in fiscal year 2015. The president of Ginnie Mae asked to continue with GSA in a long-term relationship and wanted to move all contracts to GSA, citing that GSA provided better quality and more timely results.

HUD's July 2015 Procurement Transformation Steering Committee briefing cited shared services as one of five key work streams and stated a goal to "Utilize shared services as a means to improve the overall effectiveness of the acquisition process by providing a capability to allow for the timely processing of acquisitions in the face of limited and declining budgets." The Committee directed a "pilot test" of shared services, with three program offices (Ginnie Mae, Policy Development and Research, and Housing) using other agencies (GSA and the Department of Health and Human Services). The pilot involved comparing progress toward specific milestones among the different service providers. This pilot test was ongoing, and the costs, benefits, and feasibility were not known. Work teams had begun to study where challenges occurred for specific milestones, what lessons could be learned to address common "pain points," and which types of acquisitions should be sent to shared services providers and which should be performed by OCPO. Criteria had not been determined that would reflect specialized program office needs.

Conclusions

OCPO's acquisition improvement initiatives highlighted priorities OCPO was pursuing to address the acquisition management challenge, but there was not sufficient collaboration or agreement with the program offices. HUD lacked a strategic approach that outlined, for both OCPO acquisition resources and shared services, detailed objectives, budget requirements, measurable goals and outcomes, timeframes, and staff alignment. This level of collaboration and strategic planning is critical for OCPO to appropriately address and improve the acquisition function.

Recommendations

We recommend the Deputy Secretary continue working with OCPO and the program offices to develop a strategic approach across HUD to:

- 3A. Systematically determine which types, sizes, or categories of contracts may be most efficiently and effectively accomplished by OCPO and which should use a shared services approach.
- 3B. Develop decision criteria, protocols, and assistance for program offices to implement either OCPO or shared services acquisitions that are the most efficient and economical.
- 3C. Evaluate the roles and responsibilities of CORs, government technical representatives, or government technical monitors and the acquisition staffing needs of the program offices.
- 3D. Work closely with each program office to reach agreement on the staffing model and resources needed to implement the COR professionalization initiative.
- 3E. Continue to develop HUD-specific training and career advancement opportunities for CORs and other acquisition professionals within the program offices and OCPO. OCPO should base these opportunities on identified needs for a range of knowledge and skills, including technical acquisition expertise as well as skills related to enhancing communication and collaboration.

Management Response and Contractor Analysis

HUD concurred with recommendation 3A. It stated that the Deputy Secretary has directed that the CPO recommend a shared services approach based on contract characteristics that may be the most efficiently and effectively conducted by OCPO versus a shared service provider.

HUD concurred with recommendation 3B. It stated that the Deputy Secretary has directed the CPO to provide an analysis of when program offices should use OCPO versus a shared service provider to conduct an acquisition. The agency cited that this direction will build on existing work already completed by OCPO and program offices related to determining when to use shared service providers versus OCPO for procurement services.

HUD concurred with recommendations 3C, 3D, and 3E, and provided additional information on the COR professionalization initiative and plans for continuing acquisition training and certification programs.

Management's complete response is provided in appendix C, pages 8 and 9.

Scope and Methodology

Our evaluation focused on OCPO’s acquisition improvement initiatives and successful acquisition practices of other Federal agencies. We used the GAO Framework for Assessing the Acquisition Function at Federal Agencies to classify and document gaps between desired and anticipated results of OCPO and program office acquisition improvement efforts.¹³

This framework comprises four interrelated cornerstones that promote an efficient, effective, and accountable acquisition function.¹⁴ In addition, there are key elements for each cornerstone and critical success factors for each key element (see appendix B).

GAO Framework Cornerstones:

- Organizational Alignment and Leadership
- Policies and Processes
- Human Capital
- Knowledge and Information Management

To accomplish our objectives, we

- Identified and reviewed past studies, reports, and testimonies to gain an understanding and historical perspective of HUD’s acquisition function.
- Interviewed OCPO officials to understand the acquisition issues and identify OCPO acquisition improvement initiatives.
- Obtained and reviewed OCPO plans, acquisition manuals, reference guides, and documentation of other improvement activities underway.
- Conducted interviews or focus groups with key program office stakeholders to obtain their perspectives on activities underway to improve acquisitions. We met with
 - The Office of Policy Development and Research
 - The Office Public and Indian Housing
 - The Office of Community Planning and Development
 - The Office of Housing
 - The Government National Mortgage Association (Ginnie Mae)
- Identified selected Federal agencies’ successful practices applicable to the HUD acquisition issues and initiatives. We contacted OFPP, GSA, the Bureau of Fiscal Services, GAO, the Defense Acquisition University, and the Federal Acquisition Institute.
- Used the GAO Framework to classify and document gaps between desired and anticipated outcomes of acquisition improvement initiatives.

We performed the evaluation from March through November 2015 at HUD headquarters in Washington, DC. We performed work in accordance with the Council of the Inspectors General on Integrity and Efficiency’s Quality Standards for Inspection and Evaluation, January 2012.

¹³ Our review focused on non-information technology acquisitions initiatives and successful practices and did not include initiatives directed at travel and purchase card expenditures or major capital projects.

¹⁴ GAO Framework for Assessing the Acquisition Function at Federal Agencies, GAO-05-218G, September 2005

Appendixes

Appendix A

OCPO Strengths, Weaknesses, Opportunities, and Threats¹⁵

<p>Strengths: What internal attributes of your office or program bring it closer to achieving its goals and objectives? Define the areas in which it performs extremely well.</p>	<p>Weaknesses: What internal attributes of your office or program negatively impact achievement of its goals and objectives? Evaluate your liabilities and processes targeted for improvement.</p>
<ul style="list-style-type: none"> • Establishing standard policies, processes, and procedures • Providing templates and samples • Integrated acquisition team concept • Risk management & compliance unit to review compliance • Federal acquisition certification program • HUD Integrated Management Acquisition System (HIAMS)* User Representative Roundtable increases collaboration and knowledge sharing • Field staff tend to have better retention and more experience 	<ul style="list-style-type: none"> • Delayed update to the HUD Procurement Handbook is preventing common-sense application of policies, procedures, and processes • Turnover reduces knowledge base and creative problem solving • Not all OCPO staff members embrace or implement changes regarding required collaborative activities • Insufficient budget to implement COR professionalization and training and strategic sourcing initiatives
<p>Opportunities: What external conditions exist that could help your office or program achieve its goals and objectives? Consider important changes and trends that are creating new possibilities.</p>	<p>Threats: What external conditions exist that challenge your office or program’s ability to achieve its goals and objectives? Consider competitors, policies and regulations, and obstacles you may face in the future.</p>
<ul style="list-style-type: none"> • Execute top priorities • Leverage new recognition programs to retain employees • Use FEVS results to genuinely improve employee and management working conditions and relationships • Develop better training courses more specific to HUD in lieu of standard commercial courses often developed to meet Department of Defense requirements 	<ul style="list-style-type: none"> • GSA markets unrealistic service expectations to customers • Lack of budget execution throughout year and heavy realigning of unobligated funds for contracts in fourth quarter • Attrition and turnover: OCPO staff recruited by other offices • Attrition and turnover: 1102 mobility throughout the Federal Government results in higher turnover and lower experience levels • Difficulties encountered in dealing with poor performers • Reduced training room availability requiring us to seek outside resources for facilities

¹⁵ Source: State of the OCPO December 2014 briefing

Appendix B

GAO Framework for Assessing the Acquisition Function at Federal Agencies

Organizational alignment and leadership	
Key elements	Critical success factors
Align acquisitions with HUD's missions and needs	<ul style="list-style-type: none"> Assuring appropriate placement of the acquisition function Organizing the acquisition function to operate strategically Clearly defining and integrating roles and responsibilities
Obtain commitment from HUD's leadership	<ul style="list-style-type: none"> Clear, strong, and ethical executive leadership Effective communications and continuous improvement
Policies and processes	
Key elements	Critical success factors
Planning strategically	<ul style="list-style-type: none"> Partnering with internal organizations Assessing internal requirements and the impact of external events
Effectively managing the acquisition process	<ul style="list-style-type: none"> Empowering cross-functional teams Managing and engaging suppliers Monitoring and providing oversight to achieve desired outcomes Enabling financial accountability
Promoting successful outcomes of major projects	<ul style="list-style-type: none"> Using sound capital investment strategies Employing knowledge-based acquisition approaches
Human capital	
Key elements	Critical success factors
Valuing and investing in the acquisition workforce	<ul style="list-style-type: none"> Commitment to human capital management Role of the human capital function
Strategic human capital planning	<ul style="list-style-type: none"> Integration and alignment Data-driven human capital decisions
Acquiring, developing, and retaining talent	<ul style="list-style-type: none"> Targeted investments in people Human capital approaches tailored to meet organizational needs
Creating results-oriented organizational cultures	<ul style="list-style-type: none"> Empowerment and inclusiveness Unit and individual performance linked to organizational goals
Knowledge and information management	
Key Elements	Critical success factors
Identifying data and technology that support acquisition management decisions	<ul style="list-style-type: none"> Tracking acquisition data Translating financial data into meaningful formats Analyzing goods and services spending
Safeguarding the integrity of operations and data	<ul style="list-style-type: none"> Ensuring effective general and application controls Data stewardship

Appendix C

Office of Chief Procurement Officer Comments

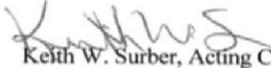


U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-0001

CHIEF PROCUREMENT OFFICER

January 6, 2016

MEMORANDUM FOR: Kathryn Saylor, Assistant Inspector General for Evaluation, GAH

FROM: 
Keith W. Surber, Acting Chief Procurement Officer, N

SUBJECT: Draft Report, Comprehensive Strategy Needed To Address HUD Acquisition Challenges, 2015-OE-0004

Thank you for the opportunity to respond to the OIG draft evaluation report 2015-OE-0004 entitled "Comprehensive Strategy Needed to Address HUD Acquisition Challenges." Generally, I am in agreement with the observations that there has been progress made on several acquisition improvement initiatives, but additional time and resources are still needed to implement additional reforms.

I appreciate the recommendations for moving forward; it is important that the evaluation and recommendations accurately reflect the current environment. To be successful, HUD's acquisition process must be a holistic effort; program offices, OCPO, and other stakeholders must collaboratively fulfill acquisition responsibilities. OCPO strongly believes the report should reflect that HUD's entire acquisition process needs improvement, requiring investment in improving systems, people, and processes across organizational lines. Although the OIG conducted interviews or focus groups with key program offices to obtain their perspectives on activities underway to improve acquisitions, it likely would have been very helpful to include OCPO (other than leadership) and OGC, as they could have provided additional insight into the entire acquisition process in HUD.

Acquisition improvement is a continual process, must be strategically planned, and takes years to fully implement. That being said, the evaluation report fails to acknowledge significant strategically developed and implemented acquisition transformation accomplishments of the past few years. Using the 2010 NAPA study as the justification and baseline, OCPO contracted for an independent consultant to assist in developing an acquisition transformation strategy. OCPO then moved progressively over the next four years to support a comprehensive acquisition transformation approach and accomplished the following:

- Launched a new enterprise-wide acquisition management system to replace antiquated systems;

- Created the Acquisition Liaison Unit (ALU) and Risk Management Unit by converting seven contract specialist FTE positions, striving to proactively improve the up-front collaboration with customers in developing compliant requirements documents and institutionalizing a risk assessment capability within OCPO;
- Developed a robust automated annual strategic acquisition planning process with performance metrics centered on timeliness of submission of actionable requirements documents and timeliness of awards;
- Implemented Integrated Acquisition Teams (IATs) focused on early collaboration and development of milestone plans within the new system to improve accountability by all stakeholders involved;
- Transitioned an archaic, inefficient, and reactive Contract Management Review Board process to a proactive Acquisition Review Council (ARC) with participation by the OCPO ALU, Policy, leadership; OGC; and OSDDBU to ensure acquisitions fully address departmental and regulatory priorities;
- Implemented Federal Acquisition Institute certification programs for all three portions of the acquisition workforce (CO, COR, and P/PM), establishing training requirements that exceed the FAI requirements, and executing a training program under which certification requirements can be met and identified skill gaps filled;
- Standardized policy and templates to support use by the entire acquisition workforce throughout the acquisition process; and
- Implemented a strong performance management culture within OCPO, serving as a leader in this area across the Department;
- Identified and implemented business process reengineering as part of the move to automated systems.

OCPO is thoughtfully and deliberately moving out on the following initiatives:

- Contracting Officer Representative (COR) Professionalization Initiative;
- Strengthening oversight on risky contracts;
- Developing a strategic plan that encompasses internal capabilities, shared service providers and enterprise-wide strategic sourcing vehicles;
- Realigning workload based upon a category management strategy in lieu of the current silo-based process of supporting individual program offices;
- Reducing costs and risk associated with on-site contractors.

I would like to mention an area that might be misconstrued when you reference the HUD OIG Audit Report 2015-NY-0001. The report's full title is HUD Did Not Always Follow Applicable Requirements or Use Best Practices in the Procurement and Administration of Its Multifamily Servicing Contract. This was a review of a single requirement, not a review that could be considered representative of HUD or OCPO. The initiatives that OCPO had already begun

implementing before the audit were sufficient to close the audit findings and recommendations right away. This audit is not considered to have identified problems that are representative of current problems in acquisitions and the actions already taken by OCPO represents some of the improvements that have been made over the past 5 years.

Observation 1: OCPO Had Made Progress on Acquisition Improvement Initiatives.

In addition to the priorities listed on page 6, OCPO also accomplished the following:

- Completed a significant update to the HUDAR which is pending final publication to the Federal Register;
- Issued numerous templates that standardize the way acquisitions are accomplished across the organization;
- Issued numerous acquisition instructions (AIs), including one that led to HUD attaining one of the highest contractor performance reporting metrics across the Federal space and another that removed ambiguities as to what constitutes an actionable program office requisition package, therefore facilitating better accountability for timely and quality requirements documents.

Regarding the discussion of each of the four initiatives in Table 1, the following is provided to clear up some misunderstandings that appear in the draft report:

COR Professionalization initiative: Every program office in HUD participated in a six-month working group process whereby the working groups validated and drafted the elements of this program. The Unions also participated in the working group process under pre-decisional involvement and were fully supportive of the effort, recognizing the value such an initiative would have in strengthening the overall contract oversight function at HUD. Full implementation of the COR professionalization initiative has been delayed to permit sufficient time to address the necessary staffing issues in the budget process, leading to a revised multi-year implementation strategy. In the interim, OCPO proceeded with enacting the 3-level FAC-COR certification program.

Develop Program and Project Managers (P/PM): Highly qualified P/PMs are essential to a competent and effective acquisition workforce. OCPO worked closely with OCIO to develop a robust certification program that met the requirements of FAI and would enhance the P/PM functions in HUD, especially related to IT acquisitions. Also, OCPO's unique and collaborative partnership with HUD Learn is expected to capitalize on HUD Learn's core competency in training. OCPO retains responsibility for the workforce training and is funded to do so. As such, and as memorialized in the agreement, OCPO will provide the necessary funding as the training courses are developed and approved.

OCPO Reorganization and Leadership Development: Since the December 2014 briefing to HUD's new senior leadership, acquisition improvement has become a dynamic environment.

This includes the Deep Dive concentration on strategic sourcing and enhanced use of shared services, as well as a vision to move to a category management focus on providing enterprise acquisition support. Therefore, it makes sense to postpone the OCPO reorganization plan until a defined strategic vision encompassing these new strategies is documented. OCPO is actively working on its strategic plan now. Once finalized, OCPO will account for the reorganization in its annual budget submission process.

Improve Acquisition Policies and Quality of Requirements Documents:

OCPO completed a beginning-to-end draft rewrite of the HUD Procurement Handbook formatted consistently with the Federal Acquisition Regulation and HUD Acquisition Regulation, and will reconcile internal OCPO review comments, submit the document into Departmental clearance in January, and plans to reconcile all comments so that the final may be issued by the end of February. The redesign of the OCPO website is expected to be complete in FY 2016 contingent upon available resources. Finally, prior to mandating use of the ARRT, OCPO developed a training and implementation plan to ensure OCPO and program office employees across the enterprise were sufficiently trained first. The ALU staff conducted hands-on-training throughout FY 2015 on the HUD-specific tool.

OCPO Strengths, Weaknesses, Opportunities and Threats:

We appreciate that you recognize the improvements OCPO made from the FY2014 FEVS in 63 of the 71 core questions, which included more than 10% increases in 8 questions and over 20% on 2 questions. It should also be noted that OCPO exceeded the HUD averages in 27 of the questions (including more than 10% above HUD on 2 questions regarding training and performance management) and in 5 of the Best Places To Work (BPTW) indices, including Effective Leadership: Empowerment; Strategic Management; Teamwork; Training/Development; and Work/Life Balance. Regarding the issue of potential attrition, attrition in the GS 1102 career field, especially in the Washington DC area, is high for all Federal agencies, attributable more to increased promotion opportunities rather than to working conditions. As part of strategic planning, OCPO will address recruitment and retention of high-performing employees.

Recommendations from Observation 1:

1A. Reach agreement with and obtain commitment from HUD leadership and program offices on the focus and priorities for improving acquisitions.

We concur with the recommendation.

1B. Communicate and collaborate more effectively with and actively engage the program offices and other key stakeholders.

We concur with the recommendation.

1C. Continue to emphasize its initiatives to address workforce morale and job satisfaction and to address FEVS areas that need improvement.

We concur with the recommendation.

Observation 2: OCPO Did Not Fully Implement Acquisition Improvement Initiatives.

The basic tenets of the observation are correct, that is following the GAO Framework, is a reasonable approach. HUD and OCPO have attempted to follow those tenets over the past several years, as noted above in the narrative addressing Observation 1. Close collaboration and communication with stakeholders was critical to the successful implementation of the new acquisition system and BPR efforts. OCPO creates annual training curriculums to address the needs of the acquisition workforce as a result of program office and OCPO responses to the annual training survey. In this way, OCPO prioritizes training needs to fulfill skill gaps. As part of the COR Professionalization working group process, members from each program office developed programmatic training curricula for the COR of the future and a thorough communication plan has already been developed in anticipation of the eventual roll out of the initiative.

Strategic Approach for Improving HUD's Acquisition Function:

The December 2014 briefing to senior staff followed the same format used by every office and was as requested by the Office of Strategic Planning and Management. The Deep Dive initiatives that the Deputy Secretary instituted for many offices in HUD, both program and support, is designed to develop some of the priorities identified in the original briefing and create work streams to accomplish those most important to the agency.

OCPO does not just measure Procurement Acquisition Lead Time (PALT), as stated in the report. In 2013, OCPO also began measuring the timeliness of receipt of requisition packages and ability to meet target award dates utilizing the Target Requisition Release Date and Target Award Date that were elements in each individual Acquisition Procurement Plan (APP) in 2013. In conjunction with the then-Deputy Secretary, goals were established for each metric and were being reported in the agency's Annual Performance Plan in the Achieving Operational Excellence objective, beginning in FY13. All senior executives now have the timeliness of actionable requisition packages submitted, using the TRRD as the metric, in their performance plans. This should help improve the visibility and timeliness over this part of the acquisition process. OCPO also requires development of milestone plans for new acquisitions and for options in support of measuring all activities in the acquisition lifecycle.

Communications Strategy and Customer Feedback:

The report references examples of lack of communication without providing specifics. The report implied that OCPO failed to meet its timelines for the Acquisition 360 survey. Please note

that OCPO's survey was delayed due to a delay in feedback from the Office of Management and Budget.

Additional means to elicit customer feedback were deployed by OCPO including:

- Launching a survey to the acquisition workforce regarding the HUD Integrated Acquisition Management System (HIAMS) shortly after conversion and stabilization which yielded many negative comments;
- Launching a follow-on survey about HIAMS a year later which yielded dramatically positive results;
- Implementing the HIAMS User Roundtable with participants from program offices and the OCPO systems team to identify issues and improvements;
- Implementing a roundtable of OCPO employees and the OCPO systems team for a similar purpose.

Acquisition Human Capital Plan:

OCPO averages about a 20% turnover rate per year and I agree with the program offices' assessments that this is of significant concern. HUD is not alone in the challenges we face in human capital needs for the acquisition workforce. All agencies are competing heavily for a small talent pool. As stated in our Acquisition Human Capital Plan, OCPO is developing plans to increase recruitment and retention of high-performing employees as well as mitigate the losses of the increasingly high number of staff that are becoming retirement eligible.

Training Strategy:

The observation that OCPO does not have a training strategy is inaccurate. In fact, OCPO has worked to transform the acquisition workforce for several years and strengthening the acquisition workforce is a long-term effort. OCPO's initial focus, in 2012, was in strengthening the Contracting Officer workforce by identifying skill gaps and responding with training to fill those gaps.

In 2015, to improve the contract oversight workforce, HUD revamped its single level FAC-COR training program into a 3-level program with training requirements that exceed the Federal Acquisition Institute's standards.

Additionally, OCPO fully implemented the FAC P/PM multilevel certification program. Since HUD has very few P/PMs that meet the certification requirements, getting staff certified will be a longer term effort than previously anticipated. In FY2015, both OCPO and HUD Learn held classes that were specifically designed to begin filling this gap. The guidance regarding these programs has been fully published and provided to all program offices. The Acquisition Career

Manager reached out to all program offices several times this year to identify their program managers so that training could be provided.

Successful Acquisition Practices:

Please note that:

- OCPO significantly revamped its Web presence, sunsetting more than 2,000 dated Web pages, broken links, and attachments;
- OCPO plans, in FY 2016, to create a robust task and role-based redesigned Web presence;
- OCPO has an existing lengthy Web page with numerous standardized templates for the entire acquisition workforce;
- OCPO participates in the Interagency Acquisition Career Managers Council; and
- HUD employees are able to utilize the training available through the Defense Acquisition University.

Recommendations from Observation 2

2A. We recommend that the Deputy Secretary direct OCPO, the Procurement Transformation Steering Committee members, working teams, and project leaders to incorporate successful acquisition practices to improve and strengthen current or planned acquisition improvement efforts. These practices include developing and implementing the following:

- An acquisition improvement strategy with measurable goals and objectives.
- A communications strategy to effectively inform and engage OCPO, program offices, and other key stakeholders.
- An acquisition human capital plan that includes steps to recruit, train, and retain talented acquisition professionals and a long-term strategy to address attrition challenges.
- A training strategy with specific milestones and timeframes for acquisition workforce development training, rolling out the HUD Procurement Handbook and redesigned OCPO Web site, and defining the OCPO reorganization and leadership development initiative.
- An Acquisition Work Group charter that defines the Group's mission, goals, objectives, tasks, and responsibilities.

We concur with the recommendation. The Deputy Secretary has directed the CPO to continue to refine and/or develop a strong acquisition improvement plan that includes successful acquisition practices, such as those listed. Some of this work is underway through the management and operational review known as the Deep Dive, particularly with respect to strategic sourcing, contract consolidation, and enhanced use of shared services.

2B. We recommend that the Deputy Secretary evaluate the resources and organizational support needed to develop and implement an ongoing, comprehensive, HUD-wide acquisition improvement strategy.

We concur with the recommendation. The Deputy Secretary has directed the CPO to provide options related to the resources and organizational support needed to develop and implement a comprehensive HUD-wide acquisition improvement strategy. Some of this work is underway through the management and operational review known as the Deep Dive, particularly with respect to strategic sourcing, contract consolidation, and enhanced use of shared services. Additionally, and as evidenced in part by GSA's government-wide benchmarking exercise, OCPO is relatively under-resourced; HUD advocated and was successful in increasing resources for OCPO in FY 2016.

Observation 3: HUD Lacked a Strategic Approach for Using Shared Services and Improving Internal Acquisitions Capacity

Internal Resources Versus Shared Services:

The use of shared services providers (SSP) for conducting acquisitions is, with some exceptions for specific projects, relatively new for HUD and, as noted, a pilot was conducted with GNMA using the General Services Administration (GSA) as the SSP to perform a specified group of acquisitions. While the projects were eventually successful, none of the acquisitions met the originally established schedules. OCPO used this opportunity to develop a model shared service agreement to ensure SSPs are held accountable for providing the same services that are expected of OCPO, including meeting HUD goals and following HUD policies, and to prevent program offices from circumventing HUD regulations and policies going forward.

OCPO collaborated closely with GNMA and GSA in the pilot program and is utilizing some of the lessons learned to improve acquisitions at HUD. For example, GNMA considered GSA as a value add in providing a strong Technical Evaluation Panel Chairperson. OCPO is now working to award a contract whereby program offices can request, as needed, contractor support to provide assistance in chairing their evaluation panels.

In today's budget-constrained environment, OCPO will continue to prioritize its limited resources to provide high quality procurement services. . Recommendations from Observation 3:

"We recommend the Deputy Secretary continue working with OCPO and the program offices to develop a strategic approach across HUD to:"

3A. Systematically determine which types, sizes, or categories of contracts may be most efficiently and effectively accomplished by OCPO and which should use a shared services approach.

We concur with the recommendation. The Deputy Secretary has directed the CPO to provide a recommendation based on contract characteristics that may be the most efficiently and effectively conducted by OCPO versus a shared service provider, in alignment with the criteria outlined in recommendation 3B. This direction will build on existing work (i.e. IAAs with other federal agencies) already completed by OCPO and program offices related to determining what types of contracts are best suited for shared service providers.

3B. Develop decision criteria, protocols, and assistance for program offices to implement either OCPO or shared services acquisitions that are the most efficient and economical.

We concur with the recommendation. The Deputy Secretary has directed the CPO to provide an analysis (criteria, protocols, program assistance) of when program offices should use OCPO versus a shared service provider to conduct an acquisition. This direction will build on existing work (i.e. IAAs with other federal agencies) already completed by OCPO and program offices related to determining when to use shared service providers versus OCPO for procurement services.

“In light of the above, we recommend the Acting Chief Procurement Officer:”

3C. Evaluate the roles and responsibilities of CORs, government technical representatives, or government technical monitors and the acquisition staffing needs of the program offices.

We concur with the recommendation.

3D. Work closely with each program office to reach agreement on the staffing model and resources needed to implement the COR Professionalization initiative.

We concur with the recommendation.

3E. Continue to develop HUD-specific training and career advancement opportunities for CORs and other acquisition professionals within the program offices and OCPO. OCPO should base these opportunities on identified needs for a range of knowledge and skills, including technical acquisition expertise as well as skills related to enhancing communication and collaboration.

We concur with the recommendation.