

**OFFICE OF BUSINESS OPERATIONS
CONTRACTING PERSONNEL
QUALIFICATIONS AND WARRANT
AUTHORITY**

*Report Number: 09-14
Date Issued: July 6, 2009*

**Prepared by the
Office of the Inspector General
U.S. Small Business Administration**



U.S. Small Business Administration
Office Inspector General

Memorandum

To: Darryl K. Hairston
Associate Administrator for Management and
Administration

Date: July 6, 2009

From: Debra S. Ritt
Assistant Inspector General for Auditing

Subject: Audit of the Office of Business Operations Contracting Personnel Qualifications and
Warrant Authority, Report No. 9-14

This report presents the results of our audit of contracting personnel qualifications and warrant authority in the Office of Business Operations (OBO). OBO is responsible for planning, executing, and supporting the Small Business Administration's (SBA) procurement activities. In April 2005, the Office of Management and Budget (OMB) issued Policy Letter 05-01, *Developing and Managing the Acquisition Workforce*, requiring that all new contracting officers issued contract warrant authority on or after January 1, 2007, be certified at an appropriate level to support their warrant obligations. This certification program, known as the Federal Acquisition Certification program, is intended to improve Federal acquisition workforce competencies. Having a qualified acquisition workforce is important to ensure that the \$20 million that SBA received for contracting under the American Recovery and Reinvestment Act of 2009 (Recovery Act), is used to obtain the best value for the Agency.

The purpose of the audit was to determine whether (1) contracting personnel had met the education, training and experience requirements for their certification levels, and (2) OBO properly managed the issuance and termination of contracting officer warrant authority. To accomplish the first objective, we reviewed: OMB Policy Letter 05-01; Agency files for the six contracting officers who were issued warrants on or after January 1, 2007; and information in the Acquisition Career Management Information System (ACMIS). We also interviewed appropriate SBA personnel.

To determine whether OBO was in compliance with requirements for issuing and terminating contracting officers' warrants, we reviewed warrant requirements established in pertinent Federal Acquisition Regulations (FAR) and SBA's

Standard Operating Procedure (SOP) 39 15 2 and interviewed OBO personnel to determine how warrants were being processed and controlled. We conducted our audit between November 20, 2008 and May 12, 2009 in accordance with *Government Auditing Standards* prescribed by the Comptroller General of the United States.

We found that while all six contracting officers had contracting certifications, OBO issued new warrants to them without documentation on the specific courses showing that they had the education, training, and experience to support their certification levels. Also, the Acquisition Analyst administering the certification program for SBA had not been granted administrative rights to ACMIS, which limited her ability to manage certification program compliance. As a result, the Agency is not in compliance with OMB requirements to assure that contracting officers are qualified to properly administer contract actions, including the \$20 million in contracts planned under the Recovery Act, and cannot readily identify future training needs. In addition, OBO did not have established processes or sufficient records for (1) linking warrant authority to certification levels, and (2) controlling the issuance and termination of contracting officer warrants. This occurred because managers and supervisors within OBO did not ensure that the certification program was fully implemented and that a proper control environment was established for the warrant process.

To address these issues, we recommend that SBA hold contracting personnel accountable for entering data in ACMIS needed to support their certification levels, and monitor OBO's compliance with OMB requirements governing the certification program. We also recommend that SBA update the official appointment of the Acquisition Career Manager (ACM) and seek administrative rights to ACMIS for that individual. Finally, we recommend that SBA revise SOP 39 15 2 to link Federal acquisition certification levels to contracting officer warrant authority, and establish procedures to better control the issuance and termination of warrants.

On June 15, 2009, the Associate Administrator, Office of Management and Administration, provided formal comments to the OIG's draft report, agreeing with the report's findings and most of the recommendations. Specifically, he partially agreed with recommendations 1 and 2 and agreed with recommendations 3, 4, and 5. The actions proposed by the Associate Administrator were generally responsive to the recommendations.

BACKGROUND

Policy Letter 05-01, issued by OMB on April 15, 2005, established a Federal Acquisition Certification program for contracting professionals in civilian

agencies to improve Federal acquisition workforce competencies. Under this directive, individuals issued new contracting officer warrants on or after January 1, 2007, must be certified at an appropriate level to support their warrant obligations. To be certified, individuals must complete established curriculum for each of the three certification levels – Level I (entry), Level II (intermediate), and Level III (advanced). An individual may meet the mandatory training through either fulfillment credit (by obtaining the experience, education, and/or taking the mandatory courses) or equivalency credit (by taking training that is equivalent in content to the mandatory core courses). Contracting Officers also must maintain their certification levels by completing 80 continuous learning points every 2 years. Failure to do so can result in the revocation or modification of a contracting officer's warrant. Appendix I describes the education, training and experience requirements for each certification level.

SOP 39 15 2 assigns the Chief Acquisition Officer responsibility for designating certification levels to support contracting officer warrant thresholds. For example, a Level I certification may have warrant authority up to \$500,000, a Level II certification may have warrant authority up to \$10 million, and a Level III certification may have unlimited warrant authority. Such warrant limits mean that contracting officers with warrant authority may not make obligations exceeding those thresholds. OMB encourages agencies to require a senior-level certification (Level III) for any employee issued an unlimited warrant on or after January 1, 2007. FAR 1.603-4 requires termination of a contracting officer's appointment by letter, unless specified on the Certificate of Appointment that grants the warrant authority.

Currently, an Acquisition Analyst in OBO is administering the Agency's certification program, and the Acting Director of OBO grants certifications and warrant authority. All documentation related to contracting personnel certification levels and warrant authority must be maintained in ACMIS, the official system of records for the certification program for all civilian agencies, which is managed by the Federal Acquisition Institute. Each contracting officer is responsible for updating their records in ACMIS.

As of December 3, 2008, OBO employed 10 contracting personnel, of which 7 had warrant authority. Of the seven, one individual received her warrant authority prior to January 1, 2007, and was exempt from the requirement to link her warrant authority to a certification level. Four of the six remaining contracting officers had unlimited warrant authority and could make obligations of unlimited value. The other two had warrant authority of \$500,000. In fiscal year 2008, OBO awarded approximately \$40 million in contract actions. This amount is expected to increase by \$20 million with Recovery Act funds.

RESULTS

OBO Issued Warrants to Contracting Officers Without Following OMB Guidance

We could not determine whether SBA's contracting personnel met the education, training, and experience requirements for their certification levels because SBA did not collect this information as required. OMB Policy Letter 05-01 requires that by October 1, 2006,¹ each Federal agency have complete, current records in ACMIS pertaining to their acquisition workforce education, training, experience, and certification levels. OBO requires its contracting officers to directly input information supporting their certification levels in ACMIS. However, the six contracting officers had not entered their information in ACMIS and had no record of how they fulfilled their certification requirements. The OBO Acquisition Analyst administering the certification program told us that the former Director and current Acting Director of OBO, who issued the warrants, also did not check with her to ensure that the contracting officers had fulfilled their certification requirements before issuing the warrants. Consequently, OBO's former Director and the current Acting Director, who had ultimate responsibility for implementing the certification program, did not exercise due care when issuing the new warrant authority.

In addition, the Acquisition Analyst has been unable to get the information needed from contracting professionals to determine whether they had fulfilled their certification requirements. These individuals were also not held accountable for ensuring that their ACMIS records were complete.

Further, OMB Policy Letter 05-01 requires that agencies designate an ACM, who will be responsible for ensuring that the agency's acquisition workforce meets OMB requirements. Among other duties, the ACM is to be responsible for maintaining and managing consistent agency-wide data on the agency's acquisition workforce in ACMIS. However, the Federal Acquisition Institute had not been informed that the Acquisition Analyst administering the certification program was the ACM for SBA. The former Director of OBO had also not requested that the Federal Acquisition Institute grant the Analyst administrative rights to ACMIS, which severely limited her ability to manage certification program compliance.

Deficiencies noted in the audit occurred because senior managers and supervisors within OBO did not ensure implementation of the certification program. As a result, the Agency lacked assurance that its contracting officers have the necessary

¹ This date was extended by the Federal Acquisition Institute to July 1, 2007.

skills and competencies needed to properly administer contract actions, including the \$20 million in contracts planned under the Recovery Act.

OBO Did Not Manage Contracting Officer Warrants

OBO did not have established processes for (1) linking warrant authority to certification levels, and (2) controlling the issuance and termination of contracting officer warrants, as required by OMB and FAR, respectively. OMB Policy Letter 05-01 requires that contracting officers issued warrants on or after January 1, 2007, be certified at an appropriate level to support their warrant authority. To accomplish this, OMB directs agencies to develop specific requirements for linking warrant authority to certification levels based on agency needs.

While SBA had established certification levels required for the different levels of warrant authority in SOP 39 15 1, the Agency issued revised procedures in SOP 39 15 2, which eliminated the provision linking certification levels to warrant authority. The revised SOP reserved Appendix 3 to address the contracting officer warrant process. However, Appendix 3 has not been finalized, leaving the Agency without a process for linking warrant authority to certification levels. Although SBA may not be at risk because those individuals delegated unlimited contract warrant authority had the highest certifications levels (Level III), the Agency is still required to establish policy that links certification levels to warrant authority to be in compliance with OMB Policy.

The FAR also requires that agencies establish a process for tracking the issuance and termination of contracting officer warrant authority. Specifically, FAR 1.603-3 requires agencies to track the number of warrants issued and to maintain file copies of all Certificates of Appointment conveying warrant authority. While OBO maintained files showing who had active warrants, it did not maintain a log to ensure that issued warrants were sequentially numbered and could be properly accounted for. As a result, gaps existed in the numbering of warrants that could not be resolved.

Similarly, OBO did not have adequate controls over the termination of warrant authority, as required by FAR. FAR 1.603-4 requires termination of a contracting officer's appointment by letter, unless specified on the Certificate of Appointment. Two contracting officers, who were reassigned to other positions within the Office of Management and Administration, still had valid warrants although they were not needed in their new positions. OBO had not issued termination letters, and the contracting officers' Certificates of Appointment did not contain expiration dates. Lacking expiration dates, their warrant certificates are valid indefinitely. Without a log for tracking warrants, OBO did not have a record of those that had been

terminated. If OBO had clear policies and procedures governing how warrants were to be controlled, it could minimize the risk of unauthorized contract actions.

RECOMMENDATIONS

We recommend that the Associate Administrator for Management and Administration:

1. Hold contracting personnel accountable for entering data in ACMIS needed to support their certification levels.
2. Monitor OBO's compliance with OMB requirements governing the certification program.
3. Update official designation of the Acquisition Career Manager and seek administrative rights to ACMIS for the position from the Federal Acquisition Institute.
4. Revise SOP 39 15 2 to link Federal acquisition certification levels to contracting officer warrant authority limits as required by OMB Policy Letter 05 01.
5. Establish procedures to better control the issuance and termination of warrant authority, as required by FAR 1.603, which includes: issuing authority through Certificates of Appointment; terminating warrant authority by letter or through expiration dates on certificates; maintaining records of such actions; and establishing a control log, which accounts for each warrant issued through sequential numbering.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

On May 13, 2009, we provided a draft of the report to SBA's Office of Management and Administration for comment. On June 15, 2009, the Associate Administrator, Office of Management and Administration, provided formal comments, which are contained in their entirety in Appendix II. Management partially agreed with recommendations 1 and 2 and agreed with recommendations 3, 4, and 5. Management's comments and our evaluation of them are summarized below.

Recommendation 1

Management Comments

The Associate Administrator, Office of Management and Administration, partially agreed with the recommendation, stating that the system functionality of ACMIS is not within the span of control of the ACM. The Associate Administrator also stated that OBO will have contracting personnel and their supervisor register in ACMIS and will hold them accountable for entering their personnel data. The ACM will verify that contracting personnel continue to enter their personnel data, and with administrative rights to ACMIS, should be able to resolve some of the issues experienced by contracting personnel in entering their data. If the issues cannot be resolved, the ACM will develop an error reporting file on the ACMIS system, work with contracting personnel to continue to enter data when the system is available, and provide training to contracting personnel on ACMIS. These actions will be completed by September 30, 2009.

OIG Response

We consider management's comments to be responsive to the recommendation and the proposed actions will address the issues identified in the audit.

Recommendation 2

Management Comments

The Associate Administrator, Office of Management and Administration, partially agreed with the recommendation, and stated that OBO currently has an established tracking and monitoring mechanism in place that exceeds OMB requirements under Policy Letter 05-01. The Associate Administrator also stated that the ACM will continue to update the acquisition workforce personnel files and provide additional formalized guidance and procedures to further raise the awareness of the roles and responsibilities of the acquisition workforce. These actions will be completed by September 30, 2009.

OIG Response

We agree with management that OBO is manually tracking and monitoring outside of ACMIS how contracting personnel meet the certification level requirements; however, the recommendation was addressing broader compliance issues, including that the contracting personnel data was not entered in ACMIS, and an ACM had not been officially appointed and had not been granted administrative rights in ACMIS to manage certification program compliance.

Management's comments are responsive to the recommendation, and the proposed actions should satisfy the intent of the recommendation.

Recommendation 3

Management Comments

The Associate Administrator, Office of Management and Administration, agreed with the recommendation, and stated that they informed the Federal Acquisition Institute that SBA had designated a new ACM and requested and obtained administrative rights. The Associate Administrator also stated that they will have the Chief Acquisition Officer officially appoint the ACM by July 15, 2009.

OIG Response

Management's comments are responsive to the recommendation, and the proposed actions, which will be fully implemented once the Chief Acquisition Officer officially appoints the ACM, should satisfy the recommendation.

Recommendation 4

Management Comments

The Associate Administrator, Office of Management and Administration, agreed with the recommendation, and stated that when SOP 39 15 2 was revised, the chapter on contracting officers was not completed. This chapter is currently under revision and will establish the policy and procedures. This action will be completed by September 30, 2009.

OIG Response

Management's comments are responsive to the recommendation, and the proposed actions, which will be fully implemented once the chapter on contracting officers is finalized, should satisfy the recommendation.

Recommendation 5

Management Comments

The Associate Administrator, Office of Management and Administration, agreed with the recommendation, and stated that the tool used to track and monitor warrants will be updated to include warrant termination and expiration dates. The Associate Administrator also stated that OBO is writing policy and procedures for

the issuance and termination of warrant authority. These actions will be completed by September 30, 2009.

OIG Response

Management's proposed actions are responsive to the recommendation.

We appreciate the courtesies and cooperation of the Office of Management and Administration during this audit. If you have any questions concerning this report, please call me at (202) 205-[FOIA ex. 2] or Riccardo Buglisi, Director, Business Development Programs Group, at (202) 205-[FOIA ex. 2].

APPENDIX I. FEDERAL ACQUISITION CAREER-CONTRACTING CERTIFICATION) REQUIREMENTS

The requirements for the Federal Acquisition Career Contracting Certification program are shown below.

Level I

1. *Education:* Baccalaureate degree OR at least 24 semester hours among these disciplines: accounting, law, business, finance, contracts, purchasing, economics, industrial management, marketing, quantitative methods, and organization and management.
2. *Experience:* 1 year of contracting work experience.
3. *Training:* Six Core Classes -
 - a. CON 100: Shaping Smart Business Arrangements (CON 100 should be taken by those just entering the acquisition workforce or those new to the government. Employees who are beginning a Level I certification program must take CON 100. Employees pursuing Level II or Level III certifications may consider taking CON 100 as an elective.)
 - b. CON 110: Mission Support Planning (online)
 - c. CON 111: Mission Strategy Execution (online)
 - d. CON 112: Mission Performance Assessment (online)
 - e. CON 120: Mission Focused Contracting (classroom)
 - f. One elective
4. *Previous Courses that Satisfy Training Requirements:* An individual must complete CON 101, CON 104, and one elective to meet the training requirements for Certification Level I.
 - a. CON 101
 - b. CON 104
5. *Legacy Courses that Satisfy Training Requirements:* An individual must complete all six Legacy courses and one elective to meet the training requirements for CERTIFICATION Level I.
 - a. Acquisition or Procurement Planning I
 - b. Contract Formation I
 - c. Contract Administration I

- d. Price Analysis
- e. Cost Analysis
- f. Negotiation Techniques

If an individual has completed a portion of either the Previous Courses or the Legacy Courses outlined above, they can use the fulfillment process to get credit for completed training.

- 6. Continuous Learning Points (CLPs): 80 Continuous Learning Points must be accumulated every 2 years in order to maintain certification.

Level II

- 1. *Certification:* Level I
- 2. *Experience:* 2 years of contracting work experience.
- 3. *Education:* Baccalaureate degree OR at least 24 semester hours among these disciplines: accounting, law, business, finance, contracts, purchasing, economics, industrial management, marketing, quantitative methods, and organization and management.
- 4. *Training:*
 - a. Current Training Course Requirements (effective FY 07-08):
 - i. CON 202: Intermediate Contracting (classroom)
 - ii. CON 204: Intermediate Contract Pricing (classroom)
 - iii. CON 210: Government Contract Law (classroom)
 - iv. Two electives
 - v. Plus all Level I training
 - b. New Training Requirements (effective FY 08 and beyond):
 - i. CON 214: Business Decisions for Contracting (online)
 - ii. CON 215: Intermediate Contracting for Mission Support
 - iii. CON 216: Legal Considerations in Contracting (online)
 - iv. CON 217: Cost Analysis and Negotiation Techniques (online)
 - v. CON 218: Advanced Contracting for Mission Support
 - vi. Two electives
 - vii. Plus all Level I training

5. *Legacy Courses that Satisfy Training Requirements:* An individual must complete all six Legacy courses and one elective to meet the training requirements for certification Level I.
 - a. Acquisition or Procurement Planning II
 - b. Contract Formation II
 - c. Contract Administration II
6. *Continuous Learning Points (CLPs):* 80 Continuous Learning Points must be accumulated every 2 years in order to maintain certification.

Level III

1. *Certification:* Level II
2. *Experience:* 4 years of contracting work experience.
3. *Education:* Baccalaureate degree OR at least 24 semester hours among these disciplines: accounting, law, business, finance, contracts, purchasing, economics, industrial management, marketing, quantitative methods, and organization and management.
4. *Training:*
 - a. CON 353: Advanced Business Solutions for Mission Support (classroom)
 - b. Two electives
 - c. Plus all Level I and Level II Training
5. *Previous Courses that Satisfy Training Requirements:*
 - a. CON333 is an equivalent course. In addition, the individual needs to complete two electives.

Note: CON301 may be used to meet one of the two required electives.

6. *Continuous Learning Points (CLPs):* 80 Continuous Learning Points must be accumulated every 2 years in order to maintain certification.

APPENDIX II. AGENCY COMMENTS



U. S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, DC 20416

DATE: June 15, 2009

TO: Debra S. Ritt
Assistant Inspector General for Auditing
Office of Inspector General

THRU: Denise P. Wright [FOIA ex. 6]
Director, Office of Business Operations

FROM: Darryl K. Hairston [FOIA ex. 6]
Associate Administrator
Office of Management and Management

SUBJECT: Office of Business Operations Contracting Personnel Qualifications and
Warrant Authority Project No. 9502

The Office of Business Operations (OBO) is in receipt of the subject draft report dated May 13, 2009, on the Office of Business Operations Contracting Personnel Qualifications and Warrant Authority, Project No. 9502. Accordingly, we would like to thank you for the opportunity to respond to the results of this draft report demonstrating our continued commitment to managing a well qualified and competent acquisition workforce.

We have taken time to review the OIG recommendation in concert with the continuous business improvement of the OBO. As requested we have attached recommendation action sheets "SBA Form 1824) clearly denoting our specific response for each recommendation along with a particular measured action OBO intends to establish. A summary of the responses is provided as follows:

- Recommendation 1: *OBO partially agrees with this recommendation.* The basis for this is that the system functionality of the Acquisition Career Management Information System (ACMIS) is not within the span of control of the Acquisition Career Manager (ACM). OBO will have contracting personnel and their supervisor register in ACMIS and hold them accountable for entering their personnel data. The ACM will verify that acquisition workforce personnel continue to enter data when ACMIS is available. With administrative rights, the ACM should be able to resolve some of the issues experienced by contracting personnel absent ACMIS government wide errors, technical problems, and issues. If not, the ACM will create an error reporting file on the ACMIS system, work with personnel to continue to enter data when the system is available, and provide training to acquisition workforce personnel

on ACMIS in accordance with Policy Letter 05-01. The target date for final action is September 30, 2009

- Recommendation 2: *OBO partially agrees with this recommendation.* OBO currently has an established tracking and monitoring mechanism in place which exceeds the OMB requirements under Policy Letter 05-01. The ACM will continue to update the 1102 acquisition workforce personnel files. Consistent with the IG recommendation, the ACM will provide additional formalized guidance and procedure to further compliment FAR Part 1, OMB Policy 05-01, and SBA SOP 39 15 2 to raise the awareness of the 1102 workforce on roles and responsibilities of the Acquisition Workforce. The target date for final action is September 30, 2009.
- Recommendation 3: *OBO agrees with this recommendation.* We informed the Federal Acquisition Institute (FAI) that SBA had a new ACM and requested and obtained administrative rights. We will have the Chief Acquisition Officer officially appoint the ACM. The target date for final action is July 15, 2009
- Recommendation 4: *OBO agrees with this recommendation.* When SOP 39 15 2 was revised, the chapter for contracting officers was not completed. This chapter is currently under revision and will establish the policy and procedures. The target date for final action is September 30, 2009
- Recommendation 5: *OBO agrees with this recommendation.* The warrant tracking and monitoring tool used as a control mechanism will continue to be updated reflecting warrant issuance and termination. In addition, OBO is writing policy and procedure for the issuance and termination of warrant authority. The target date for final action is September 30, 2009.