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***NATIONAL OCEANIC AND  
ATMOSPHERIC ADMINISTRATION***

*Administrative Support Centers Need Functional  
Realignment and Focus on Essential Services*

*Inspection Report No. IPE-8569 / August 1997*

*Office of Inspections and Program Evaluations*



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## EXECUTIVE SUMMARY

In 1983, the Department of Commerce's Administrative Support Centers (ASCs) were created to provide more cost-efficient administrative services for the Department's numerous field units, thereby relieving the bureaus of that burden, reducing duplication of administrative units, and providing more effective services. Citing geographical considerations, Commerce officials established ASCs in four cities: Seattle, Washington; Boulder, Colorado; Kansas City, Missouri; and Norfolk, Virginia. Because the National Oceanic and Atmospheric Administration (NOAA) is the largest Commerce bureau and has the most field offices, NOAA was selected to operate this "Commerce" service, with substantial departmental operations oversight and direction.

In our evaluation of the ASCs, we sought to examine their efficiency and effectiveness in supporting the Department's field units, with a special emphasis on assessing (1) the management oversight and leadership provided by NOAA and the Department and (2) the efficiency and effectiveness of the ASCs' current operations, as well as their future viability.

In this report, we highlight many of the issues and problems facing the four centers, NOAA, and the Department. Our overall message is that the ASCs, their clients' expectations, and the overall delivery of administrative services throughout the Department's field structure are changing rapidly and dramatically. The changes are due to technological advances, organizational realignments, budget cuts, and shifting policy and management initiatives, all of which are likely to continue, and even intensify. Because of these changes and the ASCs' uncertain status, senior Commerce and NOAA officials must take actions to ensure that the administrative services for the Department's field units are provided as efficiently, economically, and effectively as possible.

Highlights of our observations, concerns, and recommended actions include the following.

### **Departmental Leadership and NOAA Management Voids Have Complicated ASC Operations**

In the early years of ASCs, strong departmental leadership and support, coupled with NOAA officials' keen interest in the ASCs, helped provide a vision for the delivery of administrative services. Since then, the Department's and NOAA's histories with ASCs have been marked by alternating periods of moderate and weak interest, followed in recent years by what have been described as "crisis situations frequently plagued by leadership voids." Such voids have fostered inefficiencies, weakened the centers, and even resulted in one major bureau, Census, abandoning the ASCs, and the International Trade Administration being on the verge of doing the same. Furthermore, the leadership voids have allowed (1) Commerce bureaus to create or retain headquarters administrative support staff with overlapping or duplicative responsibilities, and (2) the ASCs to drift from their original objectives, operate with too little "Commerce" influence, and face a steady erosion of funding and staffing resources. (See pages 6 and 19.)

## **ASC Funding and Billing Issues Warrant Management Attention**

In recent years, there has been significant client dissatisfaction with the ASCs' billing methodology. In response to client complaints, a July 1994 OIG special study was conducted at the request of the Department to determine if ASC billings were fair and equitable. The study was later expanded to include the NOAA budget process and management oversight. Although the study confirmed that the non-NOAA clients were billed equitably, it also found that NOAA made unilateral decisions about the amount of ASC funding, thereby affecting the level of services offered. We remain concerned that (1) Department officials have sometimes failed to adequately exercise their oversight role of ASCs; (2) NOAA has not ensured sufficient resources to support ASC operational responsibilities; and (3) the outdated billing methodology fosters client dissatisfaction. (See page 22.)

## **ASCs Receive High Marks from Their Clients**

Despite declining resources, periods of weak departmental and NOAA management direction and support, and other problems, we were impressed by the commitment to client service displayed by ASC officials and employees. Even more important, the clients who receive ASC services overwhelmingly gave the ASC staff high marks for their service orientation, resourcefulness, and dedication. (See page 25.)

## **Human Resources Divisions: Some Functions Should Be Consolidated, Automated, or Improved**

To achieve greater efficiencies and economies of scale, certain Human Resources (HR) functions, such as personnel and payroll processing, should be performed centrally at one location, rather than at all four ASCs and at NOAA headquarters. These routine processing functions should be consolidated at one location because they do not require close coordination with the client. Consolidation would also improve the assignment of workload and potentially reduce the number of management layers. As additional and improved automation changes are phased into the HR community, other non-processing tasks should be consolidated, such as non-specialized staffing and recruiting, employee benefits, time and attendance, and training. To their credit, NOAA and Department officials have plans to consolidate some HR functions and automate other processes. (See page 26.)

## **Procurement Divisions: Changes and Consolidation Offer Opportunities to Improve Operations**

The ASC procurement divisions are responsible for acquiring personal property and nonpersonal services using small purchase procedures or, when the requisition exceeds \$25,000, through the formal contracting process. The divisions also approve Commerce purchase card applications, set

card limits, and inspect purchase card transactions for misuse. Most of the ASCs' procurement functions benefit from the procurement staff's ability to interact closely with their clients. These services are generally performed well and, under current circumstances, should remain at the ASCs. In our review of the ASC procurement operations, we have also concluded that (1) staff reductions have seriously undermined the ASCs' ability to fulfill some of their key oversight responsibilities and (2) the ASCs' oversight of purchase card responsibility should be consolidated at the Commerce Bankcard Center in Kansas City. (See page 31.)

### **Finance Divisions: Much of Their Workload Should Be Outsourced**

Administrative payments, the bulk of the workload for the ASC finance divisions, are not being handled efficiently and effectively. The ASC process in making administrative payments for NOAA and the Department is outdated, burdensome, and costly.

NOAA's administrative payments fall under one of two systems: the Departmental Payment System or the NOAA Payment System. The ASC finance divisions are responsible for making payments and communicating financial information to the Finance Services Division at NOAA headquarters, which oversees the two payment systems. Unfortunately, both systems are woefully outdated. Our recommended solution is to outsource as much of the process as possible, as soon as possible. (See page 36.)

The finance divisions are also responsible for the numerous field office imprest funds that are used to make small purchases of goods and services and to provide advances and reimbursement for employees' travel expenses. Most of these imprest funds should be eliminated because of (1) the availability of bankcards and the American Express travel card, (2) the extensive staff time it takes to adequately monitor funds, and (3) the inherent vulnerabilities in operating such funds. (See page 42.)

### **Systems Divisions: Major Improvements Possible**

The primary task of the systems divisions is to provide support for the ASCs' local area network, telecommunications, software programming, and personal computer repair needs. The divisions' personnel appeared committed to maintaining the array of information technology supporting the other four operating divisions. However, major changes should be made in the divisions to improve operations. For example, we believe that the ASCs should (1) consolidate, at one ASC location, a core group of its systems professionals, whose sole objective would be to develop software applications for the benefit of all ASCs, and (2) improve other division responsibilities through organizational realignments. (See page 44.)

### **Facilities and Logistics Divisions: Varied Functions Require Varied Approaches**

The ASCs' Facilities and Logistics Divisions (FLDs) handle an array of important administrative functions, including those relating to facilities management, such as real property, engineering, security, safety, and environmental compliance. Other FLD responsibilities include personal property, travel and transportation, printing and publications, and shipping and receiving. We concluded that some of these functions and responsibilities were handled well, others should be improved, and still others should be handled elsewhere. More specifically, we found that:

- The engineering function at the Central Administrative Support Center should be downsized. (See page 46.)
- The management of personal property should be improved by assigning greater accountability to individuals through the creation of an off-line inventory system. (See page 48.)
- The safety function should remain at the individual ASCs but with some important changes. (See page 49.)
- Greater cooperation and coordination is needed between the ASCs and the Department's Office of Security in handling security functions. (See page 50.)
- Certain MASC shipping and receiving responsibilities should be outsourced. (See page 53.)

### **Major Changes Needed in Handling MASC Site-Specific Functions**

The Mountain Administrative Support Center has two site-specific functions which need changing: (1) guard and custodial services, and (2) a clerical pool. In reviewing these functions, we concluded that:

- Guard and custodial services should be outsourced. (See page 54.)
- The clerical pool should be eliminated. (See page 55.)

### **ASC Deputy Director Positions Should Be Eliminated**

Each ASC directorate, at the time of our review, had positions for a director, deputy director, budget officer, and secretary. Based on the span of control and because each division chief has a clear understanding of what needs to be done, we see little need for a deputy director, except to serve in the director's absence. The Eastern Administrative Support Center, for example, has been operating without a deputy director since July 1990. ASC staff members with whom we discussed this proposal agreed with us, as did one of the deputy directors. NOAA senior management subsequently decided to eliminate this position. (See page 56.)

### **Franchising Initiatives Should Not Be Expanded**

As an outgrowth of the National Performance Review, the Congress passed the Government Management Reform Act of 1994, authorizing the establishment of six Franchise Fund Pilots within federal agencies to provide financial support to agencies that provide common administrative services in an entrepreneurial manner. The purpose of these funds is to promote government-wide competition among common administrative service providers, leading in theory to a more competitive environment, resulting in lower cost, higher quality, and more timely services. Selected to have one of the six franchise funds, Commerce has subsequently proposed to franchise both the ASCs and its computer center in Springfield, Virginia.

At the time of our review, two ASCs were offering their procurement services on a franchise basis to other agencies. Discussions were also underway to significantly expand franchising activities at these two centers and the other ASCs. However given the shortage of staff at the ASCs, the major changes needed to improve ASC operations, the possibility of overextending departmental resources to support other non-Commerce bureaus, and the uncertainty of staffing and systems support, we believe that further franchising activities and initiatives at the ASCs should be curtailed until NOAA and the Department: (1) adequately address the issues and concerns discussed in this report, and (2) clearly demonstrate, through appropriate cost-benefit analyses, the advantages (versus disadvantages) of allowing the ASCs to pursue franchising activities at this time. (See page 56.)

### **Recommendations**

Major changes are needed at the ASCs to ensure efficient, effective administrative support for Commerce field units. While we believe that all four ASC locations should remain open for now, Department and NOAA management should begin reviewing all administrative functions throughout the Department with a view toward maximizing consolidation and outsourcing and reducing staffing.



Beginning on page 62, we make a series of recommendations to the Deputy Under Secretary of NOAA and the Department's Acting Chief Financial Officer and Assistant Secretary for Administration aimed at improving the effective and efficient delivery of administrative support to Commerce field operations. By implementing our recommendations, we believe NOAA and the Department will benefit from significant staff and resource savings, greater efficiencies, and improved effectiveness in ASC and administrative support operations. A table following the executive summary highlights how we believe the ASCs' basic functions should be handled.

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In the Department's May 5 and June 26, and NOAA's May 28 written responses to our draft report, two Commerce initiatives are cited as the primary solution to many of the long-standing problems affecting the delivery of administrative support services: (1) the implementation of the Commerce Administrative Management System (CAMS), and (2) the expansion of the ASC franchise program. Although the Department and NOAA agreed with many of our recommendations, there were key recommendations with which they disagreed.

NOAA strongly disagreed with one of our most significant recommendations—to proceed promptly to outsource certain finance functions. NOAA claimed that "...CAMS should ultimately revolutionize the bureaus' and the Department's administrative payments processes." Furthermore, NOAA stated that the expense and time required to conduct a proper evaluation of outsourcing alternatives would seriously jeopardize the success of the CAMS project. We subsequently held discussions with NOAA and departmental officials and staff to determine what changes had occurred in the implementation schedule of CAMS and how the new timetable may affect the roll out of CAMS and the deployment/operation of the finance module.

Although we still remain skeptical of the likely implementation schedule and the perceived benefits/capabilities of CAMS to more efficiently process administrative payments, we have withdrawn our recommendation for NOAA to outsource the administrative payments at this time. We believe that to advocate any change to NOAA's handling of administrative payments now may merely provide another excuse for the CAMS project to fall further behind schedule. By giving them the benefit of the doubt concerning CAMS, we intend for NOAA and departmental officials to have the maximum latitude and opportunity to fulfill their stated commitments to implementing CAMS on what appears to us to be an overly "optimistic" schedule. Clearly, we believe the onus is now on these officials to produce the tangible results they have led many to expect, and we intend to closely monitor this situation. (See page 41.)

In response to one other major recommendation—to curtail further expansion of the franchise initiatives—NOAA and the Department both disagreed. In fact, NOAA wishes to expand its ASC franchise to include all administrative services. We continue to believe that the expansion of franchising is premature. NOAA and the Department should not expand the use of their outdated

computer systems and hire additional personnel to support non-Commerce bureaus until they can conclusively demonstrate in-house efficiency and overall cost effectiveness. (See page 56.) We have other concerns regarding the ASCs' ability to provide proper procurement oversight to the numerous customers they would seek to serve and the lack of a competitive market analysis of other service providers.

Based on additional information provided by NOAA, we have deleted our draft report observations and recommendations related to: (1) printing and publications functions, (2) travel and transportation responsibilities, and (3) MASC's information services division.

The Department's and NOAA's responses are included in their entirety as attachments to the final report. Where appropriate, we have provided additional information and comments in the body of the report to address their responses.

**Table 1. Summary of ASC Recommendations**

Current ASC Functions by Division	Recommended Assignment			Additional Comments
	ASC	Merge	Outsource	
<b>Director's Office</b>				
Director, Budget Analyst, Sec	✓			
Deputy Director				Eliminate positions
<b>Human Resources Division</b>				
Employee Relations	✓			
Labor Relations	✓			
Performance Management	✓			
Awards Counseling	✓			
Spec Staffing & Recruiting	✓			
Pay & Leave Administration	✓			
Position Classification	✓			
Employee Benefits		✓		Consolidate at future Customer Service Center
Staffing & Recruiting		✓		Consolidate at future Customer Service Center
Time & Attendance		✓		Consolidate at future Customer Service Center
Training		✓		Consolidate at future Customer Service Center
Personnel/Payroll Processing		✓		Consolidate at future Customer Service Center
<b>Finance Division</b>				
Administrative Payments	✓			Withdraw recommendation to outsource, pending promised benefits from CAMS
Imprest Fund Oversight		✓		Consolidate at NOAA HQ in Budget Office
<b>Procurement Division</b>				
Small Purchases	✓			Determine staff measures/CAMS automation
Contracts	✓			Determine staff measures/CAMS automation
Purchase Card Approval	✓			
Purchase Card Oversight		✓		Consolidate at Commerce Bankcard Center
<b>Facilities &amp; Logistics Division</b>				
Engineering	✓			Continue to seek flexibility in staffing decisions concerning engineering support
Security	✓			Report to ASC director with close DOC oversight
Safety	✓			Emphasize better coord., factor safety into bldgs.
Personal Property	✓			Establish off-line systems, stress accountability
Printing & Publications	✓			
Transportation Vehicle Mgmt	✓			Evaluate contracting out of MASC shipping and receiving function through A-76 study.
MASC Information Services Division	✓			
MASC Guards & Custodians			✓	Justify why decision to transfer function to NIST is superior to outsourcing.
MASC Clerical Pool				Eliminate positions
<b>Systems Division</b>				
LAN, PC help desk and software programmers	✓			Seek opportunities to streamline or reallocate resources

## **INTRODUCTION**

Pursuant to the authority of the Inspector General Act of 1978, as amended, the Office of Inspector General evaluated the efficiency and effectiveness of the Department of Commerce's regional Administrative Support Centers (ASCs).

Program evaluations are comprehensive reviews that the OIG undertakes to give agency managers current information about operations, including existing and foreseeable problems. Evaluations are also conducted to detect fraud, waste, and abuse and to encourage effective, efficient, and economical operations. By highlighting problems, the OIG strives to help managers address them now and avoid their recurrence in the future.

## **PURPOSE AND SCOPE**

The purpose of this inspection was to evaluate the efficiency and effectiveness of the ASCs in providing administrative services to the Department's field operations. We did not examine the effectiveness or efficiency of the Department's or NOAA's headquarters administrative units. We sought to determine whether the current ASC structure effectively meets the needs of its clients; whether the proposed administrative support options are efficient ways to use Department-wide resources; and how expanded electronic processing will affect the role of the ASCs. We examined these issues especially in relation to (1) departmental direction and leadership of the ASCs; (2) NOAA's management of the ASCs; and (3) current ASC service delivery mechanisms. We also explored possible lower-cost alternatives and options—including outsourcing and franchising—for providing administrative support to Commerce field operations in the future.

We reviewed prior and current studies of administrative operations (see Appendix B), evaluated other U.S. Government agencies' mechanisms for delivering administrative services, and examined pertinent documents and budget plans particularly as they pertain to the ASCs. We interviewed appropriate officials and representatives (both current and former) from the Department, NOAA, and the ASCs, as well as ASC customers. Additionally, we had numerous discussions with representatives from other federal agencies to assess their administrative service delivery.

We conducted our primary inspection work at the four ASCs in Norfolk, Virginia, Kansas City, Missouri, Boulder, Colorado, and Seattle, Washington. We interviewed numerous personnel responsible for managing ASC operations: the ASC directors, deputy directors, chiefs of the functional divisions, and ASC employees. We did not review the administrative support groups of NOAA headquarters, the Department, or other Commerce bureau headquarters. However, we did meet with NOAA's Chief Financial Officer (CFO) and NOAA's functional division chiefs, as well as with the Department's Acting CFO and Assistant Secretary for Administration, functional

division directors, and an official at the CAMS Implementation Center and numerous other Commerce representatives involved in administrative matters.

This inspection was conducted from February to December 1996 in accordance with the *Quality Standards for Inspections*, issued by the President's Council on Integrity and Efficiency. Given the high level of controversy regarding the ASCs that existed within NOAA and the evolving, if not volatile, nature of ASCs at the time of our review, we frequently discussed our observations, suggestions, and recommendations with key officials, including the Department's Acting CFO and Assistant Secretary for Administration and the CFO for NOAA.

## BACKGROUND

Before 1982, each Department of Commerce bureau provided administrative support to its field units through its own headquarters organization. Some of the larger bureaus, such as NOAA, delegated authority to individual line offices to provide administrative guidance and support to their field structures. The autonomous nature of these organizations often inhibited consistency and the exchange of ideas and “best practices.” Furthermore, service quality was uneven, costs were unnecessarily high, and the information the Department needed for executive direction and oversight was difficult to obtain and often inconsistent.

In the early 1980s, there was a government-wide initiative to reduce the number of administrative positions. In 1983, to meet this reduction and improve efficiency and consistency, regional Administrative Support Centers were established and strategically placed to provide administrative support to Commerce units in the field. Commerce chose NOAA as its host for the ASCs because it is the largest Commerce bureau and has the most field offices. The primary reasons for the establishment of ASCs were to (1) introduce more cost-effective administrative systems; (2) improve administrative services to Commerce employees in the field; (3) reduce administrative overlap and duplication; (4) ensure more consistent policy, information, and management controls; and (5) take advantage of opportunities for greater delegation and reduced paperwork.

NOAA serves as the “host” agency for the ASCs, with delegations of authority and oversight from the Department. In this role, NOAA provides integrated budget support and ensures that services are provided in an equitable manner. NOAA bills each ASC client for the administrative services provided, and the amount billed is determined by using established indices. In addition to ensuring compliance with departmental policy, NOAA’s budget office oversees the budget process and ensures that any changes are made in consultation with the Department. At the time of our review, the ASCs employed more than 400 people and serviced about 14,000 clients in more than 700 Commerce field offices. ASC customers are located in all 50 states, the Pacific Trust Territories, Guam, American Samoa, Puerto Rico, the U.S. Virgin Islands, and Antarctica.

The ASCs are organized with five core divisions: finance, human resources, procurement, facilities and logistics, and systems. A fifth ASC—the National Capital Administrative Support Center in Rockville, Maryland—was established in 1984 with the intention of providing consolidated administrative support to Commerce headquarters bureaus, but it was later dissolved for reasons that cognizant personnel describe as “political.” Before its demise, this ASC serviced approximately 4,500 NOAA employees in the Washington area with the goal of also servicing the remaining 15,000 Commerce employees in the area. However, this ASC was never fully implemented, and administrative consolidations at the individual agencies’ headquarters in Washington never materialized. Thus far, the full viability and complete applicability of the ASC concept have never been tested Department-wide.

The ASCs provide administrative support through interagency agreements encompassing administrative payments, personnel and payroll services, real property and space management, engineering, personal property, procurement, publications and printing services, health and safety, environmental compliance, security, and vehicle fleet management. Although each ASC provides common services to clients, site-specific services vary. Site-specific services (as shown in the table below) are developed and supported by the local ASCs to meet the unique needs of their customers.

**Table 2. Administrative Support Centers' Site-Specific Services**

EASC	CASC	MASC	WASC
No site-specific services	<ul style="list-style-type: none"> <li>- Special Engineering Program Office</li> <li>- National Logistics Supply Center</li> <li>- Commerce Bankcard Center</li> </ul>	<ul style="list-style-type: none"> <li>- Health Unit</li> <li>- Mail/Shuttle</li> <li>- Library/Publications</li> <li>- Guards/Custodians</li> <li>- Facility Services</li> <li>- Hazardous Materials</li> <li>- Personal Property Storage</li> <li>- Storeroom/Equipment Rental</li> <li>- Clerical Pool</li> <li>- CASU</li> </ul>	General management of the Western Regional Center, e.g., grounds keeping, warehousing, guard service, facility management

During the first few years of their existence, the ASCs were periodically evaluated by NOAA for conformance to goals, performance standards, opportunities for increased efficiencies, and overall effectiveness. A number of departmental and special reviews were also conducted to evaluate ASC management and operations. The reviews concentrated on the basic core operations and determined each ASC's effectiveness in providing administrative services to its client bureaus. However, the last official departmental review of any substance was apparently performed in 1986; only limited client surveys are now used to measure the quality of ASC services. The latest survey, completed in 1995, revealed positive results and portrayed ASC customer satisfaction at an all-time high.

The ASCs also had strong departmental support during the early years and were provided adequate resources to carry out their mission. Since then, however, both departmental leadership and the level of resources have waned. In fact, NOAA has undergone budget cuts that have affected the level of ASC services. To illustrate, ASC budgetary resources have decreased 12 percent from FY 1992 to FY 1996. Furthermore, contrary to its responsibilities under the interagency agreement with the Department as hosting organization, NOAA has unilaterally reduced the level of ASC services in part because of its own lack of funding for administrative operations. Due to FY 1996 budget cuts, in December 1995, NOAA's Deputy Under Secretary

commissioned a task force to examine ways the ASCs could provide the same level of services using fewer resources. The team made a number of preliminary recommendations, including closing two ASCs and centralizing certain administrative functions.



## OBSERVATIONS AND CONCLUSIONS

From their inception, the ASCs have been faced with numerous, complex issues—issues that required management attention. To their credit, the ASCs have generated many successes and improved administrative support for most of the Department’s field offices. Unfortunately, the full potential of the ASC concept has never been realized for the entire Department. Increasingly, the ASCs have suffered from management neglect from both the Department and NOAA. As Commerce and other federal agencies face more budget constraints, the pressure to “reinvent” themselves through downsizing, streamlining, outsourcing, and privatizing has increased, and will continue to do so. Other external trends, in information technology, business process reengineering, and increased outsourcing opportunities, offer potential productivity-enhancing solutions. We believe such solutions, and a realignment of ASC services and delivery mechanisms, offer promise for improved administrative support for the Department.

In Section I of this report, we discuss the Department’s role in the creation of ASCs, its subsequent diminished leadership and oversight roles, some new proposals to develop a technological “fix” for administrative support, and its role regarding agency participation in the ASCs. Section II covers NOAA’s management of the ASCs, with highlights of what has and has not worked well, the impact that NOAA’s resource problems have had on the ASCs, the desire of some ASC customers to keep their own administrative staff, and problems with NOAA headquarters management of the ASCs. Finally, Section III delves into the operations of ASCs, examines each functional division, and discusses a number of other overall issues, alternatives, and concerns regarding the future of the ASCs.

### **I. LAX DEPARTMENTAL LEADERSHIP HAS COMPLICATED ASC OPERATIONS**

In the early 1980s, there was a government-wide initiative to reduce the number of administrative positions. Moreover, Department officials, sought—on a Commerce-wide basis—to develop a more systematic method to provide administrative services to Commerce agencies which independently pursued their diverse programmatic responsibilities and operational/administrative tasks. The Department also wanted to (1) improve administrative services to Commerce employees in the field; (2) reduce administrative overlap and duplication; (3) ensure more consistent policy, information, and management controls; and (4) take advantage of opportunities for greater delegation and reduced paperwork.

When the ASCs were established in 1983, they were strongly supported by senior Commerce officials, and particularly by the Office of the Assistant Secretary for Administration. During our interviews with high-ranking officials (both current and former) of Commerce and other Cabinet agencies, such top-level support and direction was viewed as “key to the success of an ASC-type service delivery structure.” We agree. Ideally, such a “central” Department-wide function would have been placed under the Office of the Secretary to ensure adequate support and direction.

The ASCs, however, were placed under the direct management of NOAA, the Department's largest bureau and also the one with the most domestic field sites and employees. Cognizant former and current Commerce officials acknowledge that the ASCs ideally belonged under the Office of the Secretary. But, since such a move would have added more than 500 administrative employees to that organization, the idea was discarded principally to avoid the perception that the Office of the Secretary had disproportionate numbers of administrative positions. The concern had been that such an organizational placement would invite political attacks and become a prime target for budget cuts. When we spoke with senior officials of other Cabinet agencies about the administrative services at their agencies, they too acknowledged that aggregating a large number of administrative staff in a headquarters office would create the same negative perception. In recent years, this has become an even greater problem as the Congress and the Office of Management and Budget have both targeted across-the-board budget cuts for "administrative" staffs.

Because of the above concerns, there appears to be wide acceptance that the placement of the ASCs under NOAA still makes sense because NOAA represents more than 80 percent of the Department's/ASCs' customers in the field. Moreover, it was clear from our observations and comprehensive discussions with Commerce officials and staff that Department managers do not want this responsibility nor do most Commerce field clients want them to have it. For now, the ASCs should continue to report to NOAA.

#### **A. Oversight and Accountability Are Not Given Proper Attention**

Just as we found widespread agreement that NOAA became the ASC host by default, it was also the consensus of most officials that the Department had often failed to provide the direction, oversight, and support needed to make "its" regional ASC concept a continuing success. The ASC concept was a Commerce initiative, and the plans for it called for important and crucial functions to be performed by the Department. While there were reportedly frequent, vigorous debates as to what these functions should or could be, there was general recognition that the Department's primary responsibilities—through the Assistant Secretary for Administration – would revolve around policy direction and oversight.

This important distinction between operations (NOAA) and oversight/policy (Department) was made in a 1983 study that concluded, "The Office of the Assistant Secretary of Administration should break away from its current day-to-day direct involvement with the RASCs [Regional ASCs] toward a *policy and oversight* role with the RASCs."<sup>1</sup> This study further concluded that the Assistant Secretary of Administration should hold NOAA accountable for the success of the regional offices.

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<sup>1</sup> Price Waterhouse & Co., *Headquarters Impact of Administrative Regionalization*, 1983.

During our review, we found that ASC policy direction has too often been weak and oversight functions have increasingly become spotty. The intended departmental role is clearly outlined in a number of documents and agreements that established the ASCs. It was addressed, for example, in the original 1983 interagency agreement for ASCs and specified later in a redefined memorandum of understanding (MOU) signed by the Department and NOAA in 1987. The Department, among other things, was to (1) develop an integrated annual ASC evaluation plan for departmental policy offices; (2) participate in on-site reviews of ASCs; (3) assist in the development of client surveys; and (4) develop minimum performance standards. Specifically, the MOU stated that "... the Office of the Secretary is responsible for setting broad departmental policy on the use and activities of the centers and for providing support in terms of policy and automated systems to them. The Department also has a role in oversight and evaluation of the centers." Additionally, the MOU affirmed that the Department would share in the evaluation of the ASCs by conducting technical/regulatory reviews of ASC activities.

In spite of the original agreement and subsequent MOU, we believe the Department has often failed to provide the proper oversight and direction for the ASCs in several ways, such as:

- **Lax departmental monitoring of bureau administrative units:** The Department has not prevented the growth or continuation of administrative support units outside of the ASC structure. The creation of "shadow" administrative staffs and the emergence of administrative staffs with redundant or overlapping responsibilities (as in the case of the Census Bureau) have weakened the Department's ability to deliver administrative support to its headquarters and field units most efficiently and effectively. The creation of ASCs was not entirely welcomed by the field units of several agencies. Their loss of administrative resources—and associated sense of control and/or access to information—apparently spawned, over time, the emergence of "shadow" staffs within regional offices. Thus, the staffing efficiencies anticipated by creating ASCs may have been eventually offset to some degree by subtle re-hiring/re-classification of field personnel.
- **Inadequate Department-wide customer input:** The Department has not ensured Department-wide customer input. Although a customer service satisfaction survey was conducted in 1995, we were told that it is only the second significant survey conducted in the 15 years since the ASCs were created. Non-NOAA bureaus and even some of NOAA's line offices have little—if any—say in the level of services or funding.
- **Discontinued human resource oversight:** The Department stopped conducting personnel management evaluations in the early 1990s. Although these evaluations were used to assess the efficiency and effectiveness of the human resource offices, departmental officials justified this change so they could instead focus on implementing new initiatives, such as the National Performance Review and automation—and not program oversight. Reportedly, an individual

was recently hired by the Department's Office of Human Resources Management to help fill this oversight void.

- **Inadequate procurement oversight:** The Department has, by and large, abandoned much of its procurement review and oversight responsibilities. Before 1994, the Department conducted acquisition management reviews (AMR) of agency procurement offices, including those at the ASCs. Since then, a new "oversight" method has been put in place, the Performance Measurement Assessment Tool (PMAT). Unfortunately, PMAT does not, in our opinion, adequately fulfill the objectives of the old AMRs. More specifically, PMAT will *not* provide an *independent* assessment of the ASCs' procurement management; determine whether regulatory, statutory, and socioeconomic requirements are being met; evaluate the adequacy of management controls; and assess the soundness of business judgments made by the contracting officer.<sup>2</sup>
- **Poor administrative payment oversight:** Various studies, reports, and position papers, issued from 1981 to the present, have made recommendations to either outsource the administrative payment function or invest in an updated system for processing payments.<sup>3</sup> The recommendations have largely been ignored, leaving the Department with its outdated, burdensome, and costly payment process.
- **Lack of budgetary oversight:** The Department has not actively overseen or participated in the ASC budgetary and billing process (see page 22). The measures used to set the ASCs' overall budget and to bill the ASCs' clients (including NOAA and other Commerce agencies), were not routinely overseen or thoroughly reviewed by the Department. As a result, NOAA has, over the years, assumed almost unilateral control of ASC operations and funding (see page 23).

We view the lack of departmental oversight as troubling. Without adequate oversight, top-level Commerce management cannot be assured that overall administrative services within the Department are being managed effectively and efficiently and that taxpayer dollars are being spent wisely. And, because of the Department's decreasing involvement in the ASCs, NOAA has, over the years, increasingly assumed control of ASC operations and funding. Key bureau headquarters administrative officials, whose field staff are users of the ASCs, have expressed the view that in some areas the level of service has been inadequate and the costs too high.

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<sup>2</sup> Office of Inspector General, Office of Audits, Economic Development Division, *Office of Acquisition Policy and Programs Needs to Reevaluate Its Mission and Organization*, EDD-8279-6-0001, December 17, 1996.

<sup>3</sup> See Appendix D for a synopsis of these prior reports on DOC administrative support.

The Department has not played the key role that was initially envisioned. During the first few years of their existence, the ASCs had the support of top-level Commerce officials and were provided the resources necessary to carry out their operations. However, the ASCs began to experience increasing problems and declining interest from the Department due to (1) the normal changes in administrations, which triggered the exodus of top policy/decision makers who had been strong supporters of the ASCs, (2) the emergence of other departmental priorities, (3) the lack of cooperation by bureau managers, and (4) heightening funding problems. And, as cited in a 1993 draft report by a NOAA official, “a clear distinction between operational and oversight roles were never made and enforced from the beginning of the ASCs.”<sup>4</sup>

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In its response to our draft report, NOAA strongly disagreed that it has almost unilateral control over the ASCs’ budgets. NOAA cited external factors, such as overall government downsizing and the FY 1996 NOAA appropriations level, as the cause for the ASCs’ funding decline.

We acknowledge that NOAA, as well as all other executive branch agencies, face similar funding pressure. But, as we discuss in more detail on page 23, what we believe exacerbated the problem for the ASCs is that their budget is aggregated with NOAA’s headquarters administrative group, thus disguising some of the administrative support needs of Commerce’s field operations with those of NOAA headquarters. Therefore, even if the other Commerce bureaus had the ability, and desire, to pay more for administrative support, they were constrained from doing so by NOAA’s staff and budget ceilings.

## **B. CAMS Is Crucial to Commerce’s Administrative Services**

Senior Commerce managers need to work aggressively to implement the long-promised, sorely needed Commerce Administrative Management System (CAMS), a Department initiative to establish a structured system designed to integrate financial and administrative procedures and processes. Commerce managers have long recognized that a fully implemented CAMS will dramatically change how the Department transacts, accounts for, and oversees many of its administrative services, including those provided by the ASCs. The current estimate is that the first part of CAMS—the Core Financial System—will be operational in FY 1998, with full CAMS implementation expected in FY 2002.

CAMS is being developed in response to Commerce-wide financial system deficiencies. The CAMS concept includes:

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<sup>4</sup> *An Exploratory Assessment of the Regional Administrative Support Centers in the Department of Commerce (Phase I)*, Klaus Liedtke, April 19, 1993, p. 17.

- Paperless processing using electronic forms, supported by electronic approval.
- On-line reservation of funds, as a by-product of creating electronic forms which request goods and services.
- On-line validation, availability, and commitment of funds as an integral part of the electronic approval process.
- Simultaneous capture and use of direct and indirect labor hours for project management, financial accounting, and time-and-attendance purposes.
- On-line authorized query and retrieval of official financial and accounting data (*e.g.*, commitments, obligations).<sup>5</sup>

The heart of CAMS is the Core Financial System (CFS), which includes many features that support ASC-type functions and responsibilities, including the general ledger, accounts payable, accounts receivable, cost accounting, financial reporting, and budget execution activities. The other system modules (which include small purchases, contracting, travel, Bankcard, time reporting/labor cost estimating, grants, personal property, real property, and budget formulation) will integrate or interface with the CFS and come on-line after the initial CFS implementation. The CAMS software is designed to run on many different types of hardware systems.

The Department's Office of Financial Management is overseeing the implementation of CAMS; however, Census, NIST, NOAA, and PTO are responsible for their individual bureau implementation strategies. NIST will be responsible for servicing the remaining bureaus and the Office of the Secretary. NOAA's recent assignment of a full-time CAMS project director is a positive step toward coordinating these activities relating to the ASCs. However, if CAMS is to help solve Commerce's decrepit administrative systems and financial problems, continued top-level departmental support is necessary to ensure successful implementation.

The current strategy, to first implement the CFS and then the remaining modules over a period of several years, suggests that resources will continue to be devoted to the operational aspects of CAMS. We believe that in order to avoid costs associated with future reductions-in-force and to take advantage of downsizing through attrition, steps must be taken *now* to assess the operational impact on administrative staffing and resource needs in anticipation of individual CAMS modules becoming operational. Another staffing issue that must be considered as CAMS is phased in will be the need for NOAA to limit any new hiring for administrative positions to only term or limited

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<sup>5</sup> From the Department's Chief Financial Officer's *Financial Management Status Report and Five Year Plan 1994-1998*, p. 21.

appointments. As CAMS is implemented, fewer staff members will be necessary for administrative support. By hiring other than full-time permanent employees for critical vacancies, NOAA will be better prepared to shrink its overall administrative staff more easily than through a costly reduction-in-force.

Conceptually, the successful implementation of CAMS will have a significant impact on the ASCs and Commerce's field offices. If properly and fully implemented, CAMS should eliminate paper processing, redundant keying in of data, and informal record systems. The long-term effect will be a reduction of staff. Until CAMS is fully implemented, all ASC administrative positions should be filled on a temporary assignment basis to avoid future reduction-in-force costs.

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In its response to our draft report, the Department agreed with our recommendation that the development and implementation of CAMS be given a high priority. The Department cited its establishment of a CAMS Implementation Center, the organization of a CAMS Steering Committee, and the inclusion of new monies in the CAMS budget as evidence of its commitment to the project. In addition, NOAA, in its response, stated that the implementation of CAMS will result in adjustments to finance and administrative staffing.

While the Department states that CAMS is a high priority, many of the initiatives cited in its response are not new. For example, both the CAMS Steering Committee and the Implementation Center have been in place for several years. However, in recent meetings with both departmental and NOAA CAMS personnel, we have been told that significant progress has been made and a limited portion of CAMS is being pilot tested within NOAA's Office of Finance and Administration in Washington, D.C. The pilot will be extended to the ASCs during the months of May through August 1998.

During the pilot, requisitioners will continue to submit paper forms with supporting documentation, and data entry will be performed by Procurement and Finance offices. The initial deployment will also include limited Accounts Payable and Procurement functionality with supporting Budget Execution and General Ledger set-up. Ten accounts payable document types, such as SF-44 purchase order vouchers, local travel reimbursement vouchers, and gasoline credit cards, are going to be in the pilot. Procurement documents to be tested include CD-435 Procurement Requests and CD-404 Purchase Orders.

Other OIG offices are monitoring CAMS progress, therefore, we did not evaluate the progress as stated.

### **C. Conflicting Initiatives Complicate Administrative Operations**

The National Performance Review, a government-wide effort headed by the Vice President to reinvent the federal government, has recommended a number of sweeping reforms aimed at improving government management.<sup>6</sup> We believe, however, that strong departmental leadership is necessary to overcome the obstacles caused by the number and mix of NPR initiatives, some of which are in direct conflict with each other or add confusion to the various reform efforts (see figure below). For example, the Department's implementation of the NPR streamlining and downsizing efforts in the procurement area ignore increases in the oversight workload. The streamlined procurement process eliminates paperwork and rigid procedures, and delegates procurement authority to line managers. Presumably, the line managers are held accountable to, and their performance measured by, the procurement office. However, NPR has targeted procurement specialists in the downsizing initiative. Unfortunately in the bureaus' field offices and at the ASCs, there is not enough staff to properly oversee and monitor those with delegated authority. And, as mentioned earlier, the Department no longer conducts acquisition management reviews.

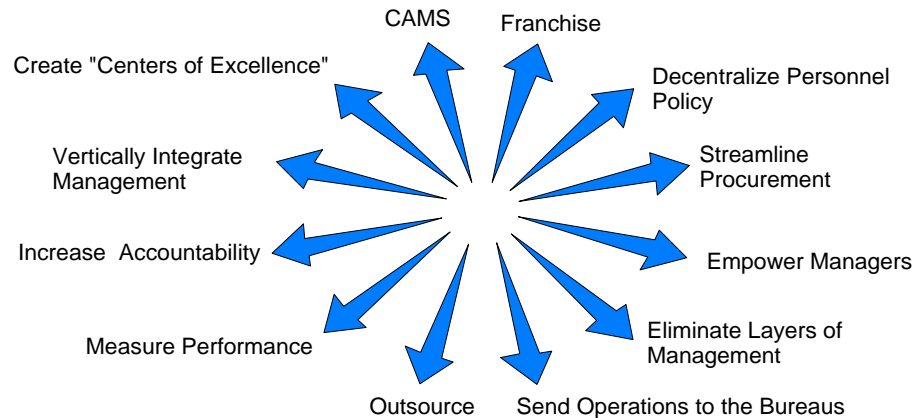
Another change took place during FY 1995, when the former CFO and Assistant Secretary for Administration directed the Office of Administration's office directors to assume a policy-oriented focus and transfer most of the day-to-day operational responsibilities to the larger Commerce bureaus. Although the final impact of this change has yet to be determined, one result has been a confused and inconsistent separation of services. For example, NIST has taken over ESA's procurement activities, while the Census Bureau is responsible for ESA's personnel functions, and ITA has primary responsibility for ESA training activities. While these changes may make sense when viewed independently, collectively some have caused a great deal of confusion in both the field and at headquarters.

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<sup>6</sup> National Performance Review, *Common Sense Government: Works Better and Costs Less*, September 1995.



### Government Reform Initiatives with Potentially Conflicting Results



Various other mechanisms for delivering and receiving administrative services are also being proposed and implemented. These include decentralizing and delegating functions to the field, centralizing functions by creating “Centers of Excellence,” selling services to others (franchising), or buying services from others (outsourcing). We have serious questions, however, about how some of these initiatives are being implemented. For example, we do not believe the ASCs should consider new franchising activities until the current problems in ASC administrative support operations have been corrected and cost-benefit analyses have been completed and show that it is clearly to the Department’s advantage to extend its services to non-Commerce agencies (see page 59). Ironically, as the ASCs prepare to franchise their -administrative services to outside agencies, the Census Bureau is pulling back its administrative services, claiming the ASCs are too expensive. ITA is threatening to do the same, citing lower cost and greater management control as the benefits.

#### **D. Client Exodus Highlights Department’s Diminished Role**

The absence of departmental leadership has allowed the original objective for creating regional ASCs—to support all Commerce field offices—to erode. Top administrative officials for ITA and Census claim that the costs charged by NOAA are too high and that better services could be provided in-house for less money.

When the ASCs were initially established, administrative FTEs were collected from all departmental field offices and consolidated into four locations. NOAA became the “host” bureau because, in 1982, as is the case today, most field personnel were NOAA employees. Table 3 shows the concentration of client FTEs at each ASC, identified by major client (agency), and the percentage that agency represents of the total client FTEs served by each ASC.

The Mountain Administrative Support Center, collocated with several NOAA laboratories, NIST laboratories, and NTIA’s Institute for Telecommunications Sciences, has the highest non-NOAA client base. The remaining ASCs report that the non-NOAA client workload is relatively small. The non-NOAA employees we spoke with who are served by the ASCs report they are pleased with the services received. Most report using the ASCs primarily for human resources and procurement, although there are instances where computer, telecommunications, and engineering assistance were required. The table below illustrates the relative number of clients, and their agency affiliation, served by each ASC in their region.

During our evaluation, we learned of the Census Bureau’s decision in February 1996 to sever its ties with the ASCs by the end of fiscal year 1996. In fact, we were told that, for all intents and purposes, Census had stopped using the ASCs for some services more than a year before it formally pulled out of the ASCs. Cognizant employees informed us that Census wanted to have total control over its field offices and therefore chose to perform certain administrative functions, such as real property and procurement, from its Suitland, Maryland, headquarters. As of October 1, 1996, Census officially stopped using the ASCs and is now providing administrative support to its field offices from its headquarters. This change was made, according to a senior Census official, because (1) Census was not using all of the ASC services, (2) Census had eliminated the ASC paper processes and moved to an electronic system, and (3) the costs for the ASC services that could be done in-house would be much lower.

The Department allowed Census to sever its ties with the ASCs; in fact, we discovered that Census’ headquarters office in Suitland had never fully relinquished some of the administrative functions, such as real property, that were “core” services included in their ASC bill. We also discovered that Census never included its Jeffersonville, Indiana, facility as a client of the ASCs and, instead, established its own administrative unit at that facility. We believe that both the Department’s lack of oversight and the Census Bureau’s wasteful use of resources and overstaffing have resulted in an inefficient use of resources. The fact that Census has the resources to perform services in-house, as well as pay NOAA for services not rendered, raises questions of whether Census has more administrative funding and headquarters staff than are necessary.

**Table 3. Regional Comparison of ASC by Client Concentration**

	EASC		CASC		MASC		WASC		Total ASC Client FTEs
	No. of ASC Client FTEs	% of Total ASC Client FTEs	No. of ASC Client FTEs	% of Total ASC Client FTEs	No. of ASC Client FTEs	% of Total ASC Client FTEs	No. of ASC Client FTEs	% of Total ASC Client FTEs	
<b>ITA</b>	79	28.42	126	45.32	0	0.00	73	26.26	278
<b>Census</b>	216	12.11	233	13.06	1,221	68.44	114	6.39	1,784
<b>NOAA</b>	2,154	24.31	2,128	24.01	1,817	20.50	2,763	31.18	8,862
<b>Other</b>	80	9.06	106	12.00	605	68.52	92	10.42	883
<b>Total</b>	2,529	21.42	2,593	21.96	3,643	30.85	3,042	25.76	11,807

ITA has also announced its intention to support the administrative needs of its domestic field operations from its Washington headquarters. Senior ITA administrative officials told us that the agency wants to withdraw from the ASCs because they are too expensive. We were told that, with the exception of adding one or two additional persons for payroll processing, ITA expects to be able to handle the administrative functions of its field network in-house using its existing headquarters resources. This also raises questions about whether ITA now has excess administrative resources which would allow it to absorb a major shift in workload from the ASCs. As detailed last year in an OIG audit report on ITA’s administrative activities, both ITA’s Office of Administration and its operating units could benefit from a closer examination of their administrative staffing.<sup>7</sup> ITA officials were candid in acknowledging that ITA wanted to take over administrative control of ITA’s domestic field offices—primarily US&FCS offices—to gain tighter control over decision-making in the field.

Is it in the best interests of Census and ITA to leave the ASCs? This is a question that Census and ITA have apparently “asked and answered.” Our concern is that none has asked the question: “What is in the best interest of the Department of Commerce and the taxpayers?” The Department should ask that question and should also have the answer.

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<sup>7</sup> Office of Inspector General, Office of Audits, Trade and Information Division, *ITA Administrative Activities Should Be Further Streamlined*, TID-7325-6-0001, July 31, 1996.

First, we believe the Census Bureau was guilty of gross mismanagement of its administrative resources by paying for administrative services which it duplicated with in-house resources. We believe Census should not have been allowed to unilaterally sever its ties (however tenuous) with the ASCs, without a thorough cost-benefit analysis by the Department. We believe a study should be initiated by the Department to examine the costs/benefits of Census providing its own administrative support versus receiving such support from the ASCs. This study should be comprehensive and include not only the administrative support needs and staffing resources of Census regional offices and its Jeffersonville site, but also its Suitland headquarters. Second, ITA should not be allowed to sever its ties with the ASCs before a thorough cost-benefit analysis of such a move is completed by the Department, and only after it is shown that such a move is advantageous to the Department as well as ITA.

We believe the Department must shoulder much of the blame for the actions taken by the Census Bureau and for ITA's stated intentions. The positions taken by these agencies bring into question the Department's commitment to carrying out the NPR objective to streamline and downsize administrative costs government-wide.

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In its response to our draft report, the Department stated that the Census Bureau did present a study to support its claim that withdrawing from the ASCs would be more cost-effective. Although the Department stated that some of Census's claims were verified by departmental experts, it did not specifically state which claims, or why all claims were not verified. We believe it is the Department's responsibility to conduct its own cost review, not just accept the examples offered by Census.

In response to our draft report, NOAA stated that the Census Bureau's decision to withdraw as a customer of the ASCs, "While not consistent with the DOC philosophy during the establishment of the ASCs, it would be consistent with the National Performance Review's (NPR) concept of introducing more competitive aspects into Government decision-making." Although NOAA stated that Census did not present a cost-benefit analysis to justify its decision, NOAA said "it is equally apparent that it is not within NOAA's purview to second-guess those bureau's management decisions." NOAA suggested further that a possible role for the Department would be to develop a template that bureaus could use to evaluate the option of ASC support versus other alternatives.

We understand NOAA's position, but disagree with its conclusion. We must emphasize that decisions such as this must be considered in terms of what is in the Department's and U.S. taxpayers' best interests. We reiterate our position questioning whether Census adequately justified its decision to withdraw from the ASCs and, more importantly, whether the Department properly analyzed the Census decision in the context of overall cost efficiency and effectiveness.

Finally, we have contacted ITA management and learned that they still intend to address the question of withdrawing from the ASCs, based on cost considerations, following the confirmation of a new Under Secretary.

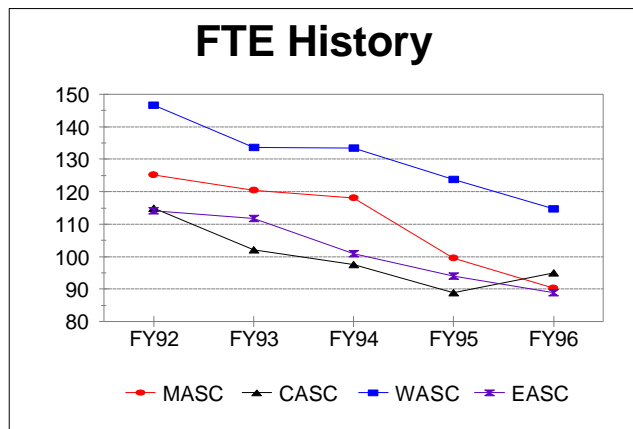
## II. NOAA'S MANAGEMENT OF ASCs HAS FREQUENTLY CONTRIBUTED TO THEIR PROBLEMS

At the ASCs' inception, NOAA's stewardship was rated highly. NOAA generally provided adequate resources, supported participation by all Commerce bureaus, fostered a strong linkage among the ASCs, and actively sought to improve management practices. In later—especially more recent—years, NOAA's management of the ASCs has changed due to tighter budgets, frequent turnovers in staff and managers, changing priorities, increasing complaints by NOAA managers regarding ASCs, and a host of other problems that were not always addressed promptly and thoroughly.

### A. NOAA's Investment in ASCs Has Been Declining

The ASCs were established to provide administrative services to all Department of Commerce field office sites. To fund the centers, administrative FTEs and budgets were taken away from the various Commerce regional field offices and either shifted into the four ASCs, or eliminated. It is our view that a centralized regional support structure was, and continues to be, an efficient use of departmental resources. However, NOAA, as the host of the ASCs, has not provided adequate "core" funding to them. The five divisions in each of the ASCs—Human Resources,

**Figure 1. FTE History of ASCs, FY 1992-96**



Procurement, Finance, Systems, and Facilities and Logistics—have all experienced FTE cutbacks. Consequently, the ASCs have had to neglect their oversight and review responsibilities, and reduce the level of services provided to clients.

As a result of inadequate core funding (see Figure 1 above), the basic staffing of the ASCs declined from 501 to 389 over the past five years. To provide a historical perspective, staffing for

all four ASCs in 1983 totaled more than 580 FTE. The impact of this decline has been that clients have experienced a slow erosion of services, coupled with a perception of high cost.

Overall, the ASCs have experienced a 12 percent budget reduction from FY 1992 through FY 1996.<sup>8</sup> The FY 1996 budget included significant budget cuts, causing a greater decrease in operating funds. The reductions varied by ASC, with EASC losing 17 percent; MASC, 12 percent; and CASC and WASC, around 8 percent. One of the consequences of these budget reductions has been a constraint on the ASC travel budgets. This limits the opportunity for ASC staffers to visit their clients' field operations and regional offices to conduct training or to follow through on projects or specific problems. It also frustrated efforts to continue the "lead ASC" concept, whereby ASC functional managers would meet periodically with their ASC counterparts to share new ideas.

## **B. NOAA Has Failed to Fully Meet Its Responsibility to Oversee and Evaluate ASC Operations**

Not only has NOAA had the responsibility to ensure adequate support for ASC operations, but it has also been responsible for primary liaison between the ASCs, ASC customers, and the Office of the Secretary on cross-functional issues. Additionally, NOAA's Office of Administration has been responsible for overseeing ASC operations, measuring and evaluating service delivery, serving as an advocate for the ASCs with the Department, coordinating with the ASCs to solve operating problems, and implementing "best practices" among all ASCs. However, these responsibilities were often problematic for the following reasons:

- **Lack of performance measures.** Although some efforts were made at having the ASCs collect workload measures, little came of these efforts. Some ASC division chiefs continued to collect workload measures, despite the perceived lack of interest by NOAA management in their usefulness.
- **Lack of NOAA headquarters coordination.** With regard to NOAA's support of and commitment to the ASCs, we were told by many ASC managers and staff that, except for the first OA Director when the ASCs were created in 1983 and on subsequent rare occasions, the ASCs have never felt that anyone in NOAA headquarters was "in their corner." They also felt that NOAA management was better and at least more interested in the ASCs when they employed the concept of a "lead" ASC. This concept allowed each ASC to have a manager in a functional area, e.g., procurement, who then served as the lead for all procurement-related issues affecting the ASCs and their customers. The "lead" manager would then work with their colleagues, meet on a quarterly basis, and develop

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<sup>8</sup> Holding constant for FY 1995 dollars. Refer to Appendix C for a complete budget breakdown.

improved approaches to managing that task in the ASCs. The benefit of this concept was that it fostered collegiality among the managers, and promoted active discussion and development of new operating methods and procedures to streamline operations and improve customer service. The concept also allowed NOAA management to easily tap into the network of functional managers to exchange ideas and update them on departmental policies and procedures. This lead ASC concept , however, was ultimately abandoned—the result of travel budget constraints.



### **III. ASC Budgets and Billing Methodology Warrant Management Attention**

The lack of departmental oversight, inadequate funding by NOAA, and outdated billing methodology has resulted in questionable ASC resource constraints and client dissatisfaction in recent years.

#### **A. Departmental Oversight of ASC Budgets Warrants Management Attention**

When the ASCs were created in 1983, the Department and NOAA executed operating agreements for policy direction and oversight of ASC operations. In 1987, the Department and NOAA redefined the 1983 agreements to affirm that the Department would review and concur with NOAA's annual operating plans, NOAA's budget formulation and execution process, and the specific ASC operating budgets.

In July 1994, the Office of Inspector General conducted a special study, at the request of the Department, in response to client complaints, to determine if ASC billings were fair and equitable.<sup>9</sup> The study was later expanded to include the NOAA budget process and management oversight. The study determined that the non-NOAA clients were billed fairly and equitably. Although no evidence was found that NOAA misdirected funds from non-NOAA clients, it did find that NOAA had made unilateral decisions about the amount of ASC funding, thereby affecting the level of services offered to ASC clients.

According to the OIG study, when the ASCs were created in 1983, they did not have an organizational advocate at NOAA headquarters. Only through the perseverance of individual managers were the ASCs successful in securing sufficient funding to sustain their operations. However, subsequent personnel turnover at headquarters, coupled with the Department's minimal oversight, enabled NOAA to usurp the Department's role. Furthermore, the OIG study determined that these agreements were not effective because they were deficient in addressing the specific departmental responsibilities and no funding floor was established for NOAA, thus allowing the ASCs to be underfunded. According to the study, neither the 1983 agreement nor the 1987 MOU were ever fully implemented by either NOAA or the Department. Based on our observations during this review, we still believe these concerns are valid. We believe, therefore, that the CFO and Assistant Secretary for Administration and departmental budget office have not been conducting the proper oversight of the ASC budget.

We recommend, therefore, that the Department re-assert its responsibility to become more involved in the ASC budget process, as called for in the earlier agreements and the MOU.

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<sup>9</sup> *Special Study of ASC Billings and Funding*, Office of Inspector General, July 28, 1994.

## **B. NOAA Did Not Fully Support ASCs' Funding Needs**

With little to no departmental oversight, and as the Department's "host" for the ASCs, NOAA has had complete control of the budget and funding processes. Client bureaus (including NOAA's line offices) have little—if any—input into the levels of funding or services provided. As previously reported in the 1994 OIG special study, NOAA's unilateral decisions to underfund the ASCs has undermined the level of services offered to ASC clients.

First, the ASCs, with NOAA as their host manager, are subject to all funding constraints affecting NOAA. The ASCs do not have a separate line item in the NOAA budget, for their budget request is combined and submitted with the entire NOAA Office of Administration (OA) budget. The NOAA Comptroller treats the budget as a program office request and issues a budget target for the entire OA budget, including the ASCs. Thus, the ASCs, in effect, must compete for funding approval within OA, and then against other NOAA line offices.

Second, the total budgets for the ASCs are not determined by the needs of the clients, but by NOAA's overall budget justification. The ASC billings are then calculated (see discussion of methodology below) and distributed to the clients (NOAA and other Commerce agencies). Thus the ASC billings received by the clients represent their and NOAA's proportionate share. It's just that the congressional appropriations mark set by NOAA has been too low to adequately fund the ASCs and restricts the level of services they can provide their clients. Therefore, the clients experience a deterioration in the level of services received and question why they are paying money for services they claim they can provide at less cost in-house. At MASC, the budget reductions so severely affected the janitorial and guard services that NIST and NTIA offered to pay for additional services outside of the usual ASC billing process. The funding process for the ASCs must be more transparent. The Department, as well as the client bureaus, should be represented with NOAA as members of a governing board, to ensure an adequate level of funding to support the services needed.

## **C. Outdated Billing Methodology Fosters Client Dissatisfaction**

For the most part, the same measures, in place since 1984, continue to be used for billing. Pre-defined measures for each core area are gathered and totaled. For example, ASC personnel costs are distributed based on client headcounts; procurement costs are allocated based on small purchases and contracts concluded; and real property services are billed based on sites and square footage managed. These individual measures would determine the relative percentage of that function's workload for which the customer was responsible. NOAA would then calculate the percentage against the ASC personnel and overhead costs in that function to arrive at a composite ASC bill for services. If, for example, an agency had 10 percent of the staff requiring personnel services from the ASCs, that agency would be charged 10 percent of the cost for maintaining the

ASCs' human resources divisions. The billing is based on 14-year-old measures that were intended only for temporary purposes, until better measures could be developed.

In addition to being outdated, the measures are not ideal. For example, the indices used to measure real property workload—the total square feet of office/laboratory/warehouse space and the number of sites managed—may not properly reflect the complexity and amount of work accomplished. Particularly for non-NOAA clients, the ASCs' facilities staff is used relatively less than for NOAA clients, and the charges levied do not correspond with work required.

Furthermore, the complexity of the indices requires NOAA to commit up to one full staff year just to track the data and perform the calculations. We believe that the Department, NOAA, and the ASCs should collectively determine a simpler, more transparent, and equitable cost index, such as number of employees served, to streamline the ASC billing process.

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In its response to our draft report, the Department stated that it takes the ASCs' mission very seriously. The Department supports the concept of a board to advise on ASC operations, and has established a Franchise Fund Board of Directors to fulfill that role.

We welcome the Department's acknowledgment that it should occupy a key role in the governance of the ASCs. We do, however, disagree with the approach, principally because it is linked with the intended expansion of the NOAA franchise program. As we explain on page 60, we believe it is premature to expand the franchise program until our concerns are addressed. Thus, the Department should seek to establish a governing board that does not rely solely on expanding the franchise program at this time.

#### **IV. ASC SERVICES: SOME ASPECTS ARE GOOD, OTHERS NEED IMPROVEMENTS OR DIFFERENT APPROACHES**

##### **A. ASCs Receive High Marks From Clients**

Despite declining resources, weak departmental and NOAA management direction and support, and an array of other problems discussed in this report, the ASCs have done a commendable job of supporting their clients' administrative needs. We were impressed by the commitment to client service displayed by ASC officials and employees. Even more important, clients who receive ASC services overwhelmingly gave the ASC staff high marks for their service orientation, resourcefulness, and dedication.

During our inspection, we found that the ASCs' field clients that were very pleased with the ASCs' display of initiative and creativity. We also were impressed to observe such positive things as the following:

- The servicing ratio (the number of staff members to number of clients served) for the ASCs' human resources divisions approaches 1:85. This is reportedly better than any other Commerce unit, including NOAA headquarters—and close to reaching the Department's goal of 1:100 by FY 1998.
- MASC's systems group has developed a method for electronic billing of bankcard transactions through the Rocky Mountain Bank Center, facilitating Commerce's nationwide bankcard program. WASC's systems group helped its ASC divisions with productivity-enhancing modifications to systems software to offset the erosion of staffing resources.
- Based on a departmental survey in 1995 and our extensive interviews, ASCs get high marks for client satisfaction with their services.

In the following sections, we examine each of the five areas of administrative functions offered by the ASCs. We have made recommendations where we think the ASCs can best provide those services in the field, and also where we think the services can be more efficiently and effectively provided by either outsourcing to another agency or consolidating at one location. It is only recently that NOAA senior management, specifically the CFO, has critically examined the services offered at each ASC with the objective of determining whether they can provide services in a better manner.

## **B. Human Resources Divisions: Some Functions Should Be Consolidated, Automated, or Improved**

Although the human resources divisions service their customers well, the ASCs' delivery of human resources services can be restructured to streamline operations and provide greater efficiencies. Specifically, NOAA and the ASCs can (1) consolidate certain human resources functions and (2) aggressively integrate automation technology into human resources processes. NOAA has already begun to move in this direction.

We concluded that the ASC human resources (HR) divisions generally are doing a good job. For example, the ASCs' collective human resources staffing ratio of 1:85 is better than ratios found within the Department: Office of the Secretary, 1:59; ITA, 1:38; NIST, 1:69; NOAA Headquarters, 1:65; and PTO, 1:56.<sup>10</sup> The ASCs' HR divisions received a 92 percent overall approval rating in a 1995 customer satisfaction survey, and this was confirmed during our extensive interviews with numerous ASC clients, who gave the HR offices high marks. Moreover, the HR division was one of the top two divisions that clients felt they wanted the ASCs to retain. Nevertheless, we believe that given this era of budget cuts, NOAA must streamline its operations by consolidating what are commonly referred to as "back room" services (services that do not require face-to-face contact with customers). It appears that these services could best be consolidated at the Central Administrative Support Center in Kansas City. Smaller HR units should operate at the remaining ASCs to provide "high-touch" services only.

### **1. Certain human resources functions should be consolidated**

During our review, we identified certain human resources functions (employee benefits, staffing and recruiting, time and attendance, training, and personnel and payroll processing) that clearly lend themselves to consolidation. These functions—which are duplicated at all ASC sites—should be performed centrally at one location, rather than five<sup>11</sup> to achieve greater efficiencies and economies of scale. These functions lend themselves to consolidation at one location for they do not require close proximity to, or coordination with, the client. Consolidation would also improve the assignment of workflow and potentially reduce the number of management layers.

We also identified human resources functions that should remain at the individual ASCs. Such services include specialized staffing and recruiting, awards, counseling, pay and leave administration, specialized position classification and/or management, and employee and labor management relations. We found that such "high-touch" services are of great value to managers

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<sup>10</sup> Department of Commerce, Human Resources Data System, pay period ending July 20, 1996.

<sup>11</sup> The four ASCs plus NOAA Headquarters' Office of Human Resources Management.

and need to be accessible to them as much as possible. We therefore recommend that HR customer support units remain at the ASCs to continue providing advisory services in these areas to managers and employees.

As automation is phased into the HR community, other non-processing tasks should be consolidated, such as non-specialized staffing and recruiting, employee benefits, time and attendance, and training. Official personnel folders should also be optically scanned, maintained in digitized format, and stored at a consolidated site to save on office space and staff resources while still permitting remote access by personnel specialists nationwide.

Automation will significantly aid in the transformation of the ASCs' HR offices. The electronic transmission of data will eliminate the importance of geographical location and streamline repetitive, labor-intensive processes. The Department has already deployed a number of initiatives while others are soon to be piloted. For example, Employee Express<sup>12</sup> has successfully been implemented throughout the Department,<sup>13</sup> significantly reducing paperwork and the HR workload. New modules will soon be added to this program to reduce paperwork even more.

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In its response to our draft report, NOAA concurred with our recommendation for consolidating certain human resources processing functions, but stated that it is critical that those functions first be automated, then consolidated, to achieve the greatest operational efficiency. We agree with NOAA's approach.

NOAA also concurred with our recommendation that specialized HR functions, characterized as "high-touch" advisory functions, remain at each of the ASCs.

## **2. NOAA has already begun to restructure HR delivery**

NOAA and the ASCs are already moving in the direction of consolidating functions and automating HR processes. Specifically, NOAA plans to consolidate all human resources processing functions, *e.g.*, personnel and payroll processing, as well as certain non-processing functions, at one location—to be called a Customer Service Center. Additionally, NOAA has developed a three-year timetable for implementing various initiatives that will improve HR

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<sup>12</sup> An automated government-wide system that enables employees to make changes to certain personal data: federal tax withholding, direct deposit of pay and allotments, and residence and check mailing addresses.

<sup>13</sup> Except for the Census Bureau.

processes.<sup>14</sup> NOAA estimates full completion of its restructuring efforts of the HR divisions both at headquarters and the ASCs by the end of FY 2000, at which time the Customer Service Center should be fully operational. We support NOAA's efforts to streamline its human resources services for better efficiencies.

Some of NOAA's proposed savings in HR staffing resources will be achieved through enhancements to automated initiatives that have been implemented over the past few years, such as Employee Express, the performance appraisal software system, and the position description library. However, several new automated initiatives to be implemented will further streamline human resources processes by providing the capacity to produce electronic vacancy announcements, perform electronic ranking, and streamline the merit assignment program. Full deployment of the Electronic System for Personnel and software to perform retirement calculations will permit further consolidation of services.

As mentioned above, NOAA will also consolidate various non-processing functions, including time and attendance, awards, and general issues concerning employee benefits. Additionally, NOAA anticipates developing a "corporate university" for training needs and digitizing employees' official personnel folders, which will facilitate a full provision of human resources services to clients in the area of benefits administration.

### **3. Targeted FTE savings in HR restructuring**

According to NOAA's estimates, by the end of FY 2000, its HR divisions will save about 65 FTEs and almost \$2.5 million due to consolidation and automation of human resources processes. In other words, NOAA will achieve an overall FTE savings of 33 percent from its post-RIF staffing level of 196 FTEs in FY 1996. Based on our own review and analysis of other federal agencies and their anticipated savings due to HR restructuring, we believe that NOAA's estimates are reasonable.

Early in our inspection, we asked each ASC HR division chief, as well as NOAA's HR director, to estimate the number of FTEs devoted to each human resources function. We then identified the number of FTEs dedicated to those functions that are candidates for consolidation and examined potential FTE savings. As shown in Table 4, we found that out of about 200 FTEs in the ASC and NOAA headquarters human resources community, approximately 95 are committed to functions that can be consolidated.

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<sup>14</sup> NOAA/HR identified changes to be made in five categories: automation, staffing program simplification, work process analysis, HR organization issues, and new HR initiatives.

**Table 4. Estimated FTE Savings Due to Restructuring Human Resources**

	<b>Current FTEs</b>	<b>Less savings from automation (23%)</b>	<b>Total FTEs</b>	<b>Less savings from consolidation (25%)</b>	<b>Future FTEs</b>
<b>Consolidated FTEs</b>	94.9	-21.8	73.1	-18.3	54.8
<b>“High-Touch” FTEs</b>	105.2	-24.2	81.0	-0-	81.0
<b>Total FTEs</b>	200.1	-46.0	154.1	-18.3	135.8

NOAA could potentially realize a savings of 23.7 FTEs merely by consolidating HR functions. For example, the Department of Defense was able to realize FTE savings of 25 percent by consolidating HR processing functions. Moreover, by integrating various new automation initiatives into human resources processes, NOAA should realize an additional 23 percent FTE savings at both the consolidated site and the remaining human resources advisory units. Again, these savings are based on the experience of Defense Department HR managers we interviewed. Hence, as a result of both consolidation and automation, we estimate that NOAA should realize a combined savings of 64.3 FTEs—or 32 percent.

We therefore believe that NOAA’s preliminary savings estimates of 64.3 FTEs—an overall FTE savings of 33 percent—are reasonable. Additionally, based on the average salary of \$40,000 for each ASC HR employee, NOAA should indeed realize a dollar savings of at least \$2.5 million. NOAA is correct to recognize that efficiencies, economies, and management improvements can be achieved by consolidating and automating HR processes, and we urge it to stay on schedule and move forward. At the time of our inspection, however, NOAA had not yet identified a location for its Customer Service Center, although its establishment is only three years away.

**4. HR’s Customer Service Center should be located at CASC or another ASC**

We believe that NOAA’s consolidated Customer Service Center for human resources should be located at an existing ASC. Based on the following factors (or reasons), we conclude that the Central Administrative Support Center in Kansas City is a prime candidate for HR consolidation. The CASC:

- currently has the highest staffing/service ratio of the ASCs (1:92);
- has the lowest average cost per HR employee;
- is centrally located to minimize time zone differences;
- is increasing its client base under NWS’s streamlining plan;
- continues maintenance of its NMFS client base under that agency’s restructuring plan;
- has the second lowest cost for space and second lowest pay differential;



- ranked second in a 1995 customer satisfaction survey; and
- has the necessary staff competency as human resource advisors.

While widespread deployment of all automated initiatives and the creation of the consolidated service center is three years away, it is important for NOAA and the ASCs to select a location now to begin planning its implementation. Furthermore, NOAA can begin to consolidate processing functions before the automation initiatives are fully integrated. Table 5 (below) demonstrates how the ASCs and NOAA human resources offices compare with each other.

**Table 5. Comparison of the ASCs' and NOAA's Human Resources Offices**

Rating factors	Staffing ratio (a)	Avg. cost per employee (b)	Cost per sq. ft. (c)	Pay differential (d)	Customer satisfaction (e)
EASC	1:76	\$498	\$16.24	4.13%	90%
CASC	1:92	\$443	\$12.47	4.38%	77%
MASC	1:83	\$513	\$15.00	6.34%	66%
WASC	1:88	\$502	\$10.75	6.44%	67%
NOAA	1:65	\$792	\$10.75	6.04%	n/a

Source:

- (a) Data from the Human Resources Data System - Personnel Staff Ratio, August 7, 1996.
- (b) Personnel Staff Ratio Report.
- (c) Obtained orally from Facilities and Logistics personnel.
- (d) Based on Federal Salary Tables, effective January 1996.
- (e) Based on the 1995 Customer Satisfaction Survey results.

NOAA and the ASCs should plan for their long-term needs now, for such restructuring will eventually affect everyone working in, and serviced by, human resources offices. In the future, we expect the need for full-service HR offices at each of the ASCs to disappear. As a result, NOAA must strive to keep disruptions to a minimum by managing workloads through attrition and hiring new employees on a temporary basis only. If NOAA starts planning now, targeted reductions potentially can be reached without, or with minimal, reductions-in-force. Preliminary results and anticipated savings of other agencies' efforts reveal that the deployment of automation technology, coupled with the consolidation of various human resources processes, produce economies of scale and is a prudent way to deliver services.

In summary, NOAA managers have recognized the need to move in the direction of restructuring the delivery of human resources services. We support this move and encourage NOAA to aggressively move ahead with its implementation plans to:

- Consolidate all personnel/payroll processing functions and non-processing services—non-specialized staffing and recruiting, time and attendance, and employee benefits—at a Customer Service Center;
- Maintain at the ASCs only advisory services for “high-touch” areas, such as specialized staffing and recruiting, awards counseling, pay and leave administration, position classification, employee relations, labor management relations, and performance management; and
- Aggressively implement automation initiatives to achieve greater efficiencies.

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In its response to our draft report, NOAA’s senior HR official stated that a physical consolidation of many HR functions is feasible and may ultimately be done. At this time, however, NOAA is continuing to further automate its processing functions while also evaluating the feasibility of creating a “virtual organization” for HR, which would effectively consolidate many processing functions through information technology linkages.

NOAA’s stated approach appears reasonable. We request that we be kept apprised of its progress.

### **C. Procurement Divisions: Changes and Consolidation Offer Opportunities to Improve Operations**

After visiting the four ASCs and interviewing representatives from the various Commerce field offices, we believe that the ASCs’ procurement divisions generally continue to perform a necessary function. Although we do not advocate immediate action to consolidate procurement offices, we believe consolidation of some ASC procurement offices will be possible following full CAMS implementation. For the immediate future, and as an initial step toward future consolidation, proper workload measures and staffing requirements must be identified and put in place.

The procurement divisions are responsible for acquiring personal property and nonpersonal services using small purchase procedures or, when the requisition exceeds \$25,000, through the formal contracting process. They also approve Commerce purchase card applications, set card limits, and inspect purchase card transactions for misuse. Within the procurement offices, we

found circumstances that raise concerns, namely (1) staff reductions that threaten oversight and management responsibilities and (2) inadequate purchase card oversight.

### **1. Staff reductions threaten procurement oversight and management responsibilities**

The inadequate staffing levels of the ASCs' procurement divisions and the lack of ASC and departmental oversight weaken the ability to detect fraud and abuse. As a result of budget constraints and an NOAA Office of Administration hiring freeze, three of the ASCs have experienced significant decreases in procurement staff. Together, the ASCs have lost 15 percent of the ASC procurement staff over the past four years. MASC and EASC have lost the greatest number of staff, 7.2 FTE (32 percent) and 3.5 FTE (20 percent) respectively, followed by CASC with a 2.4 FTE (16 percent) reduction. WASC has had a slight increase of 1.0 FTE (5 percent) since FY 1992.

Moreover, we found no rationale for the current allocated procurement staffing levels at the ASCs. The relationship between staff size and procurement workload, at the time the ASCs were established, was a ratio of one employee to 1,000 small purchase transactions and one employee to 40 contract actions. According to the ASCs, these measures are now outdated and no longer used. Since the early 1990s, procurement staffing levels and composition have been based on budget constraints, hiring freezes, and attrition. Simply put, procurement staffing decisions are reactionary, and not the result of a deliberate process that uses appropriate measures which take into consideration the workload and oversight responsibilities.

The ASCs report that as a result of insufficient staffing, the backlog of pending procurement actions has increased and oversight decreased. One procurement chief stated that the staffs have time to question only the most blatant irregularities, forcing them to be less thorough than they should be. Budget constraints also affect oversight responsibilities. MASC, the ASC that has undergone the largest reduction in core procurement staff, reports that it has not made an oversight visit to a field office with delegated procurement authority since August 1992, due to staffing and travel budget constraints.

The work in the small purchase area is also changing. Department-wide, from FY 1991 to FY 1995, purchase card transactions increased by 66 percent, while the number of small purchases declined by 22 percent. The ASCs report that staff reductions in the small purchase branches have been possible only because of the decrease in the overall workload, which they attribute to the increase in purchase card use. During the same period, the number of small purchase transactions at the ASCs fell 28 percent, while the average dollar value increased 94 percent, from \$2,734 to \$5,295 per transaction. These figures support the assertion made by the ASCs that the purchase card is generally used for small-dollar, relatively uncomplicated acquisitions, while the remaining procurement workload for the divisions consists of the more complex, time-consuming, large-dollar transactions.

Historically, the measure used to gauge productivity was the number of procurement actions processed per staff member. Using that measure, CASC has the best performance with the highest number of transactions per FTE. However, the measure does not take into account the complexity of the work involved. For example, in the small purchase branch, WASC has the same number of FTEs, but processes one-half the number of transactions as CASC.<sup>15</sup> Yet the average transaction dollar amount is twice as high for WASC. Therefore, it would appear that a new measure for productivity must be developed that takes into account not only sheer transaction volume, but other factors as well.

Currently, no data is collected that defines appropriate procurement staffing levels at the ASCs. As a result of underfunding and a hiring freeze, the procurement staffs are overworked, creating work backlogs, reducing oversight, and limiting the efficiency and effectiveness of the procurement process. NOAA should link staffing levels to the procurement workload demand, such as volume, complexity, and available staff expertise. Appropriate data should be collected, and measures should be developed and updated periodically, that take into account the complexity and the amount of time in the pre-award, post-award, and contract-closeout phases, to determine the correct staff composition and size.

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In its response to our draft report, NOAA agreed that procurement staffing levels should be linked to workload demand and stated that the Department is analyzing workload complexity issues that may be useful to NOAA.

We want to emphasize that planning for staffing levels should focus on future workload demands. NOAA's response in the next section on Finance Divisions asserts that CAMS is on the verge of implementing a pilot test in the finance and procurement areas, thus solving the problems associated with the current outdated, burdensome payment systems. In a briefing by the NOAA CAMS group, and confirmed in a draft document with targeted milestone dates, procurement is following the same roll-out approach as the Finance module, Accounts Payable. NOAA estimates that the Procurement module will be in the ASCs by the summer of 1998.

As we stated in the report, although we do not advocate immediate consolidation of procurement offices, we believe that consolidating some ASC procurement offices will be possible following full CAMS implementation. However, as an initial step toward future consolidation, proper workload measures and staffing requirements must be identified and put in place, particularly with respect to CAMS.

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<sup>15</sup> See table in Appendix C.

## 2. Purchase card oversight is inadequate

Purchase card oversight continues to be cursory and haphazard. The day-to-day operations in the ASC procurement offices take precedence over purchase card reviews. In April 1996, the Department had 5,482 active purchase cards, with the ASCs responsible for 3,522, or 64 percent. Each ASC Procurement Division chief as Head of the Contracting Office (HCO), is responsible for approving purchase card applications, setting dollar limits for card holders, and conducting reviews of the purchases made for all cards in the ASC's geographic region.

The Commerce Acquisition Manual, Part 13, "Commerce Purchase Card Procedures," outlines the policies and procedures for the purchase card program. The HCO oversight responsibilities are set forth in Section 6.b. (4): Reviewing the purchase card program at least once a year to ensure that the cardholder and the cardholder's approving official use internal control and operating procedures; and Section 6.b. (6): Ensuring that the purchase card is being used properly by periodically reviewing purchases and determining whether to withdraw delegations and appointments if misuse is found.

We found no evidence of a systematic approach to conducting the reviews at any of the sites. The limited number of staff responsible for the purchase card program within the ASCs ranges from 0.5 to 1.77 FTEs, most of whom have collateral duties. Quarterly, the HCOs and the Commerce Bankcard Center (CBC) receive, from the Rocky Mountain Bank, an "Account Summary Report" containing vendor name, dollar value, and the standard industrial classification (SIC) of the purchased item. All ASC HCOs report that reviews are conducted, by themselves or staff, by skimming through the report for abnormalities, such as odd vendor names, split purchases, or purchases with unusual SIC information.

CBC (as the Contracting Office Technical Representative) and the HCOs both have authority to suspend cards if abuse is suspected. During FY 1995, more than \$64 million, or 216,363 purchase card actions, were made in the Department. However, the ASCs have no documentation on how many cards have been revoked, whether the card suspension was permanent or temporary, and whether there are systemic patterns of abuse.

In September 1995, an OIG audit report, *Commerce's Purchase Card Program Needs Stronger Internal Controls and Oversight*,<sup>16</sup> found the reviews conducted by the HCOs—of Rocky Mountain Bank purchase card transactions—to be insufficient. The audit recommendations directed all agency HCOs to conduct periodic reviews to ensure the propriety of purchases, full compliance with regulations and procedures, and adequacy of controls. In response to the report,

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<sup>16</sup> Office of Inspector General, Office of Audits, Economic Affairs Division, EAD-7301-5-0001, September 29, 1995.

the Department's Office of Acquisition Management agreed with the recommendation and has taken action. The HCOs will now conduct quarterly reviews of bankcard purchases, which will be reviewed by the Office of Acquisition Management.

In light of the limited resources due to downsizing and the lack of departmental procurement oversight,<sup>17</sup> we believe that NOAA should consolidate the review responsibility at CBC in Kansas City, and establish a systematic approach for conducting purchase card reviews. CBC will then be responsible for establishing an oversight program that includes, but is not limited to, conducting audits on a random sampling of transactions and audits on vouchers that meet specified criteria. A consolidated location will be able to maintain records of Bankcard abuse and assess the data for trends. CBC is the ideal location for consolidating oversight for a number of reasons: it has been running the program since 1988, has been proactive in the past in highlighting problems and alerting the appropriate officials, operates the purchase card database, and is the single contact point with the Rocky Mountain Bank. Finally, training for detecting purchase card abuse would be concentrated in one location.

CBC would also be responsible for periodically informing purchase card holders and approving officials—using E-mail, direct mail to purchase card holders and approving officials, and notices in *Commerce People* (a monthly publication for Commerce employees)—about departmental policy changes to the purchase card program, proper uses of the purchase card, and the consequences of misuse. The CBC director estimated one additional full-time equivalent position would be adequate to oversee the present workload. The HCOs should retain the responsibility for reviewing and approving purchase card applications and purchase limits, as the ASCs know best the small purchase requirements of the field sites.

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In its response to our draft report, NOAA disagreed with the recommendation to eliminate purchase card oversight at the ASCs, stating that the ASC personnel are intimately familiar with the current systems and reports related to purchase cards and would have a broader view of trends in use and abuse of the card than the Commerce Bankcard Center.

We believe the most efficient way to review the hundreds of thousands of transactions is through automation. The Commerce Bankcard Center currently does automated oversight for non-Commerce customers. The software and systems are already in place to do quarterly automated reports that summarize purchases by Standard Industrial Classifications and highlight unusual purchases. In addition, they could be modified to highlight multiple purchases from the same vendor and multiple purchases made on the same day. The reports could be done daily, weekly,

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<sup>17</sup> Office of Inspector General, EDD-8279-6-0001.

monthly, or quarterly. Procurement reviews should continue to include random audits of bankcard purchases.

The bankcard module is targeted to be piloted by May 1998. Unfortunately, how system oversight will be built into the bankcard module is not known at this time. Therefore, we reaffirm our recommendation for consolidation of this function at the CBC.

#### **D. Finance Divisions: Much of Their Workload Should Be Outsourced**

Administrative payments, the bulk of the workload for the ASC finance divisions, refer to the activities for making payments for all services, supplies, and materials (everything except payroll). At the ASC finance divisions, we found that (1) the process to make administrative payments for NOAA and the Department is outdated, burdensome, and costly, and (2) imprest funds are no longer needed and should be eliminated. The finance division responsibility for third-party relocation (permanent change of station) is addressed later in this section.

##### **1. Administrative payments process is outdated, burdensome, and costly**

The ASC finance divisions are responsible for making payments and communicating financial information to their NOAA headquarters counterpart, the Finance Services Division (FSD). Most of the workload for the ASC finance divisions and FSD involves making payments in response to a procurement action. However, unlike the acquisition process, the payment process is basically invisible to the client, until there is a problem.

All of NOAA's administrative payments fall into either of two systems, the Departmental Payment System (DPS) or the NOAA Payment System (NPS). DPS is responsible for making payments for travel, imprest fund, FEDSTRIP,<sup>18</sup> transportation, and purchase orders. Although NOAA originally made the DPS payments for all of Commerce, the larger bureaus—such as PTO, NIST, and, recently, Census—now make their own payments. For the remaining bureaus using the DPS, a paper copy and a tape of the financial information are sent weekly to the bureaus, in a format that corresponds with their individual financial management systems. The NPS, developed in the late 1980s, is used to make the remaining payments, such as for grants, contracts, utilities, and interagency agreements.

Both payment systems are woefully outdated. The DPS software is the original system given to Commerce by the Department of Agriculture in 1981. Problems with the conversion from USDA

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<sup>18</sup> FEDSTRIP (Federal Standard Requisitioning and Issue Procedures) is a standard supplies procurement program run by the General Services Administration, which maintains a catalog of standard office supplies that may be bought from the FEDSTRIP listing. The purchasing agency obtains the supplies directly through the GSA contractors or through interagency transfers using small purchase forms and procedures.

to Commerce, advances in hardware, and changes in laws, regulations, and procedures have reportedly resulted in multiple, inconsistent, and often undocumented software changes and system problems. A significant impending change includes adapting the software to accommodate year 2000, or the double zero, date entry. For the NPS, the software is no longer capable of being modified, due to a lack of programmers to correct all of the problems. FSD produces a document, known as "Report 4," which lists the number of transactions and documents, and dollar amounts, for each document type processed by the individual finance divisions. Report 4 continues to be issued monthly by FSD staff, even though they acknowledge that the information is inaccurate. The inaccurate information is attributed to the outdated software that has not reflected changes—additions, deletions, or modifications—in document types. While some FSD staff have tried to eliminate the report, they cannot because it is the only source that provides some statistical (albeit partially inaccurate) data on the NPS workload.

Both systems are burdensome. The DPS is a slightly more sophisticated system in that Treasury and other Commerce internal reports are electronically generated. The ability to change the reports or create new ones while not impossible, is arduous. For example, tax information for permanent changes of station must be done manually because the tax rates cannot be automatically updated. And for several months, the four ASCs, FSD, and the ASC coordination staff manually collected and tabulated travel voucher information in response to a congressional request. For at least one ASC, that task required going to the National Archives and retrieving boxes of prior-year vouchers. The NPS is more labor-intensive than the DPS, relying on paper input and requiring more manual data entry and calculation. For NOAA, data from the DPS and the NPS are downloaded into its financial management system.

Both the DPS and the NPS are costly. Based on the best information available at the time of our review, approximately 157 FTEs are required to process payments for the two systems. The estimated personnel cost to process administrative payments at the five locations is more than \$7.8 million, not including rent, utilities, and overhead (see Table 6 below for a cost breakdown).

Due to the inefficiency of the current systems, maintaining the status quo is not a viable option. Commerce and NOAA officials have long recognized the problems associated with administrative payments, and have hoped that these problems will be corrected with the implementation of CAMS. We recognize that CAMS should ultimately revolutionize the bureaus' and the Department's administrative payment processes. Because of the likely delays for the upcoming modules (see page 10), we believe a change must occur before the full implementation of CAMS.



Over the past 15 years, a number of studies have recommended, as a more cost-effective alternative, outsourcing the administrative payment function to another agency. For illustrative purposes, we compared the costs of the current NOAA finance operation(s) to another government-operated administrative payment center. This example uses the USDA's National Finance Center (NFC) in New Orleans, Louisiana, although other centralized centers exist, such as the Department of Health and Human Services' Program Support Center in Rockville, Maryland, and the Department of Veterans Affairs' Finance Center in Austin, Texas.

**Table 6. FY 1996 Cost Estimate of NOAA Administrative Payments**

FY 1996 Locations	FTEs		Cost	
	Core	Non-Core	Core	Non-Core
<b>FSD:<sup>19</sup> (9P1B1010)</b>	36.5	0	\$1,677,900	\$0
<b>(9P1B1011)</b>	43.0	0	\$2,732,600	\$0
<b>EASC</b>	13.1	1.9	\$570,700	\$65,700
<b>CASC</b>	21.8	3.0	\$985,100	\$143,400
<b>MASC</b>	14.4	1	\$717,000	\$48,387
<b>WASC</b>	20.5	1.9	\$744,900	\$85,670
Total	149.3	7.8	\$7,428,200	\$343,157
Total, Core and Non-Core	157.1		\$7,771,357	

As previously mentioned, the FSD document referred to as Report 4 (which shows the administrative payment workload—number of transactions per document type) is, by FSD's own admission, inaccurate and incomplete. Lacking reliable workload data, we were only able to calculate a cost and savings estimate on a per capita—as opposed to the preferred transaction—basis. A considerable amount of work will need to be done to determine the precise cost of outsourcing and to select the most appropriate service provider. Our estimate was derived using an average cost for three agencies that are current NFC customers, ranging from 12,100 to 43,749 employees. The NFC cost per employee (based on the average number of NFC employees

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<sup>19</sup> FSD figures are estimates from NOAA's Information Systems and Finance Office; ASC figures were provided by each ASC.

paid per month) is \$181.<sup>20</sup> Our estimate of the annual NFC cost to handle NOAA's administrative payments processing systems—FEDSTRIP, imprest funds, transportation, purchase orders, travel, gasoline credit cards, Federal Procurement Data System, Federal Telephone System payments, miscellaneous payments, vendor payments, and utility vendors—is approximately \$4.6 million. This calculation was arrived at by multiplying the NFC's per capita cost of \$181 (based on the average cost of three current NFC customers) against the current number of Commerce employees (25,577) serviced by the ASCs and FSD. NOAA's staffing costs for administrative payments—excluding costs for space, systems and overhead—are close to \$7.8 million. Outsourcing of this function could, therefore, result in an annual estimated savings to NOAA of up to 157 FTEs and as much as \$3 million (plus additional savings from reducing associated facilities, systems, and overhead costs). While our calculations are approximate, we believe the potential savings make it incumbent upon NOAA to move expeditiously to outsource administrative payments. (See Appendix E for a breakdown of NFC costs)

In addition to the projected cost savings, outsourcing has other advantages. Although NOAA's FY 1996 year-end total of 13,347 FTEs was within its FY 1996 ceiling of 13,874 FTEs, NOAA will exceed its FY 1997 FTE ceiling of 13,244, unless further actions are taken.<sup>21</sup> Given NOAA's FTE constraints and the growing preference to preserve FTE resources for "programmatic" efforts rather than administrative support, outsourcing administrative payments is an excellent way to save FTEs, and still get the job done.

Each of the ASC customers we spoke to stated that the finance processing operations could be done anywhere. With a proper front-end systems interface, outsourcing could appear seamless—not requiring extra steps or intervention by the ASC customers. At the same time, we recognize that there are potential disadvantages to outsourcing the administrative payments function (see Table 7 below). There would be significant reduction-in-force costs—both personal and financial—associated with eliminating as many as 157 FTEs. However, a phased (e.g., document-by-document) approach would allow for a planned, gradual, less painful drawdown of personnel and duties.

Furthermore, actions to outsource administrative payments need not and should not be postponed until CAMS is implemented. First, it is difficult to believe in the reported timetable for CAMS implementation, given the frequent extensions for completing project milestones. Second, the CAMS project team cannot yet predict which administrative functions will disappear or estimate the staffing reductions (and ultimate savings) CAMS implementation will yield. Finally, we have been told by departmental officials that outsourcing administrative payments would not pose a

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<sup>20</sup> Appendix E includes a table showing the computations used for this estimate.

<sup>21</sup> Information provided by the Department of Commerce Office of Budget.

problem for linkage with CAMS. Although we have been told that outsourcing would involve a one- to two-week delay for transfer of payments information on tape, we believe this would be manageable, and payment tracking by Commerce customers would not be an issue given that payment centers have payment inquiry lines. Reconciliation is an issue. However, as the Department moves away from paper-based processes toward electronic processing, reconciliation becomes easier. Furthermore, at this stage, a number of the proposed CAMS modules will require additional software programs to communicate between systems.

**Table 7. Costs and Savings of Outsourcing Administrative Payments**

Outsourced to another Agency	FISCAL YEAR				
	1997	1998	1999	2000	2001
<b>COSTS:</b>					
➤ mechanisms (e.g., software) to relay administrative payment information to a vendor	X				
➤ costs to interface with current (or future) systems for reconciliation purposes	X	X			
➤ initial start-up “system” costs	X	X	X	X	X
➤ reduction-in-force costs for 157 FTEs	X	X	X	X	X
➤ contract costs					
➤ contract administration costs					
<b>SAVINGS:</b>					
➤ 157 systems and finance FTEs					
➤ 8 line office-funded FTEs					
➤ lease and space costs for five sites					
➤ computer system charges					
➤ systems maintenance and upgrade					
➤ overhead costs					

The largest hurdle for the Department and NOAA to overcome will be giving up the perceived advantages of “owning” the administrative payments function. We believe, however, that over the long run, the benefits of outsourcing outweigh the costs of keeping and maintaining the payment-processing function in-house.

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In their responses to our draft report, NOAA and the Department agreed with our basic observation that NOAA's administrative payments processes and systems are a special problem and, in response to our recommendation, have committed to giving these matters added attention. In its response, NOAA acknowledged that

“...Commerce's current methods for making administrative payments are outdated, burdensome, and costly. The software is old and weak. The overall approach is fragmented, both in terms of document types and organizational responsibilities. Second, CAMS should ultimately revolutionize the bureaus' and the Department's administrative payment processes.”

Obviously, NOAA's assessment parallels our concerns and observations. It was this unsatisfactory state of affairs and the continued uncertainties associated with the implementation of CAMS that led us to conclude that NOAA should explore the alternative of outsourcing the administrative payments functions.

NOAA, however, does not agree that outsourcing is potentially more cost effective, particularly given the impending implementation of the administrative payment component of CAMS. Specifically, in responding to our draft report, NOAA raised a series of questions challenging the validity of the draft report's National Finance Center (NFC) cost comparison.

The NFC example was intended as *only one of several possibilities that NOAA should explore*. Moreover, as we noted in the draft report, NOAA's lack of accurate workload and related financial information at the time of our review made it impossible to complete the kind of analysis that NOAA suggested in its written response. Hence, the questions NOAA raised should be addressed by NOAA officials as they conduct the necessary comparison assessment. We reiterate that the NFC cost estimate was provided merely to illustrate that outsourcing was a viable option that should be carefully considered—not categorically dismissed. We stated in our draft report, and noted during our discussions with NOAA personnel, that considerable work needs to be done to determine the precise cost of outsourcing. Finally, the NFC comparison was made because of the availability of historical billing information. Our intent was *not* to recommend NFC as the only option, but instead to encourage NOAA to explore a number of administrative payment service providers as an efficient, more immediate solution to replace the current outdated, burdensome, and costly systems.

NOAA's primary reason for not exploring the outsourcing of its administrative payments system at this time is its claim that administrative payments will be one of the first CAMS modules to be implemented. It states that the revised CAMS implementation schedule has the existing payment systems being replaced by the beginning of FY 1999. NOAA adds that the current departmental

initiative and renewed commitment will have CAMS operational in time for NOAA to meet that implementation date. Moreover, NOAA believes that outsourcing the administrative payments would pose a special problem with linkage to CAMS that will preclude an integrated system and delay data input. Finally, NOAA officials suggest that any efforts taken now to seriously explore outsourcing administrative payments will divert limited staff time and expertise away from the completion of CAMS.

After receiving NOAA's and the Department's responses, we had extensive discussions with both departmental and NOAA CAMS personnel to better assess the system's status. We received a mixed message on the status of CAMS. Some personnel told us that significant progress has been made, in part because of the Department's renewed urgency, and that a limited portion of CAMS is being pilot tested. However, other personnel seriously questioned whether CAMS and the key modules can be fully implemented in accordance with reported schedules and revised time-frames. We too remain skeptical and question whether the revised schedule is realistic.

But, giving NOAA and the Department the benefit of the doubt, we have deleted our recommendation to outsource the administrative payments at this time. We believe it best not to advocate any change at this point that might provide another excuse for CAMS being so far behind schedule. In doing so, we believe that NOAA and departmental officials should have the maximum latitude and opportunity to fulfill their commitments to the CAMS implementation schedule. More than ever, the onus is on these officials to produce tangible results. We will closely monitor this situation. NOAA and Department managers must, however, recognize the need to:

- ensure continuous, top-level support of CAMS, including the administrative payments module;
- hire temporary employees for vacancies in the administrative payments units, to ensure future maximum flexibility;
- develop a plan for reducing administrative staff; and
- resolve all year 2000 administrative issues.

## **2. Many Commerce field imprest funds should be eliminated**

Imprest funds are used to make small purchases of goods and services, provide employee travel advances, and reimburse local office travel expenses. The ASCs currently monitor a total of 182 imprest funds. Given the availability of bankcards for small purchases and the American Express travel card for travel advances, and the extensive amount of staff time it takes to adequately

monitor imprest funds, we believe that most of these funds should be eliminated. Requests for reimbursement of local travel expenses could be submitted by voucher and handled by mail.

For every imprest fund, a fund cashier is responsible for making disbursements, the cashier's supervisor is responsible for the fund's management, and the cognizant ASC finance division is responsible for tracking quarterly cash verifications and conducting a year-end audit. Quarterly cash verifications are done over the phone. Each ASC conducts the annual audits differently, using one, or a combination of, telephone questionnaires, mail-in questionnaires, and on-site visits, for each fund under its jurisdiction. CASC was able to conduct on-site audits for all local funds and five off-site audits for funds \$5,000 and above. MASC, due to limited travel money, did little on-site verification but had the most rigorous off-site procedure, utilizing an extensive mail-in questionnaire and telephone interview.

WASC has 76 imprest funds, followed by CASC with 57, MASC with 48, and EASC with 28. During FY 1995, CASC eliminated 27 imprest funds by working aggressively to shut down funds under \$500. CASC did not have workload figures, but estimates significant savings in staff time.

The Department and NOAA need to aggressively reduce the number of imprest funds and consolidate the oversight. In addition, a centralized methodology for conducting the quarterly imprest fund audit and the year-end audit should be put into place and conducted by the remaining financial management or budget office staff.

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In its response to our draft report, NOAA stated that it will continue to look at ways to reduce the number of funds in the future and noted that from 1992 to the present, the number of funds has been reduced from 370 to 217 (41 percent). NOAA also stated that the additional travel costs of conducting audits from a single location would be significantly more than the four locations.

While a 41 percent reduction in five years is acceptable, CASC, in one year alone, reduced the number of its funds by 36 percent. In addition, CASC has closed 118 funds over several years (accounting for 77 percent of the funds closed by NOAA). The reduction of imprest funds should be a NOAA-wide effort.

Travel costs for lodging and per diem do not change based on outbound location. The only difference will be the cost of the airline airfare. We estimate that the airline cost for four flights to major ASC clients would be \$353, whereas those same flights from Washington, D.C., area airports would be \$424, a difference of \$71. Therefore, we reaffirm our recommendation to reduce the number of imprest funds.

## **E. Systems Divisions: Major Improvements Possible**

We found the ASC systems divisions to be performing vital tasks to sustain the information technology needs of the four ASC operating divisions. This included providing support for the local area network, telecommunications, software programming, and personal computer repair needs of the ASCs.

In early 1996, however, NOAA's Office of Administration decided to eliminate the position of Designated Agency Representative (DAR) within each of the four ASCs and delegate this responsibility to NOAA's regional line offices. Although the DARs were serving a vital role, the ASC site directors were faced with having to cut positions. The role of the DARs was to implement the telecommunications responsibilities of FTS 2000<sup>22</sup> for the ASC and its customers. The impact of this decision on NOAA was that the line offices had to designate several positions (we heard estimates of 24 to 50 and more) to assume the collateral duty of managing their FTS 2000 responsibilities. Not only were clients of the ASCs unhappy at having to assume this task, but the decision was costly with dozens of people having to spend precious travel and training funds to become knowledgeable in this area.

Our first impression of the systems staffing at the ASCs was that they appeared to be large: the four ASCs had a total of 29 FTE assigned to their systems divisions. EASC and CASC had 6 FTE each, MASC had 8 FTE, and WASC had 9 FTE. We cannot definitively state whether this number is too large or too small without more closely examining the technical support needs of the ASCs. However, this larger staffing level appeared to be due in part to the fact that the ASC systems divisions were not always using the same software, and were sometimes doing redundant tasks. According to sources at the ASCs, the need for different software applications resulted from (1) the personal software preferences of the individual systems division managers at each site and (2) the hiring of new analysts who were familiar with a different software. In addition, each division has its own staff developing software applications for the same versions of software. According to ASC sources, approximately 80 percent of software applications programming could be standardized. Furthermore, we believe these standardized applications could be developed by a consolidated team of systems analysts/software programmers, who could concentrate on productivity-enhancing software modifications for the benefit of *all* ASCs, not just their site.

We recommend that a core group of systems professionals be established at one ASC location. This group's sole objective would be to develop software applications for the benefit of all ASCs. By consolidating this core group of systems staff, the ASCs could collectively reduce the number

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<sup>22</sup> The mandatory source for providing all domestic and long-distance voice, data, and video telecommunications services.

of FTEs they have committed to the systems function, yet still remain responsive to the information technology needs of the individual sites. For extraordinary periods, when additional specialized systems support is necessary, the ASCs could seek contract support.

Although there is no broad ratio to determine the appropriate numbers of end-users to PC help desk staff and to Local Area Network administrators unless specific ASC user requirements are known, there are two reports that suggest some ratios. Depending on the sophistication of end-users, the PC help desk ratio may be as low as 1:30 or as high as 1:110.<sup>23</sup> There is no set ratio for LAN administration, but it is reported that centralizing LAN support may improve the staffing ratios by a factor of three (e.g., from a ratio of 30:1 to 90:1).<sup>24</sup>

As the information and communications systems for supporting the administrative needs of the Department's field operations become more complex, the need for a systems support capability will remain. Hence, we recognize that each ASC must have on-site technical support for its local area networks and wide area networks, and for the configuration, repair, and upgrade of its PCS. We recommend, however, that NOAA assess the level of technical support needed by these four systems groups to determine potential opportunities for streamlining or reallocating resources.

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In its response to our draft report, NOAA said that it did not concur with our recommendation at this time. NOAA's systems group and the ASCs are preparing to support implementation of two CAMS modules, the Core Financial system and the DOC Express system (an HR-related, employee-driven, and self-directed benefits and personal information query line). These groups are also preparing to replace their entire Local Area Network Operating Systems and server, while also implementing World-Wide Web-based servers and an OFA/NOAA intranet.

NOAA stated that it will continue to need the services of all its systems staff as presently structured and allocated to ensure completion of these high-priority projects. NOAA stated, however, that it has recently initiated a study to evaluate the systems division workload and the number of specialists needed to support it.

Based on conversations with NOAA officials, we accept NOAA's decision to first complete the upgrade of its operating systems and intranet installation before undertaking any restructuring of the systems division. We are interested in NOAA's study of its systems divisions, and request

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<sup>23</sup> *In Search of the Elusive End-User Support Ratio*, The Gartner Group, December 27, 1995.

<sup>24</sup> *Supporting the LAN: Centralized vs. Decentralized*, The Gartner Group, February 22, 1996.



that we be kept apprised of its progress and conclusions. (Also see our CAMS-related comments on page 41.)

## **F. Facilities and Logistics Divisions: Varied Functions Require Varied Approaches**

The ASCs' Facilities and Logistics Divisions (FLDs) handle an array of varied and important administrative functions, including those that relate to facilities management, such as real property, engineering, security, safety, and environmental compliance. Other FLD responsibilities include personal property, travel and transportation, printing and publications, and shipping and receiving. Upon analyzing these functions and responsibilities, we concluded that some were handled well, others should be improved, and some should be handled elsewhere and differently.

### **1. Engineering functions should be streamlined**

The engineering function was not an original component when the ASCs were first created. It was only with the introduction of both the National Weather Service's Next Generation Weather Radar and its modernization program that a need was identified for an engineering group with the capability to undertake facility planning and management. In late 1985, a NOAA study recommended that engineering be a function of the ASCs and that resources be transferred to them from the line offices. NWS later agreed to transfer only a limited number from its regional engineering staffs, based on the following guidelines:

- Create a centralized group of engineers as part of CASC, oriented toward nationwide programs.
- Retain limited engineering resources within each NWS regional office to support its field activities.
- Establish NOAA-wide regional engineering support within each ASC, with NWS having the greatest need for service.

The engineering function within FLD is responsible for addressing the various engineering needs of Commerce's field facilities. These needs encompass a wide range of tasks, from very large projects, such as the construction of a new NOAA facility in Charleston, South Carolina, to everyday requests, such as upgrading an air-conditioning system or a plumbing project.

Presently, three of the ASCs have four or five engineers in their FLDs. CASC is the exception, with its Special Engineering Program Office (SEPO), consisting of nine engineers and three support personnel. SEPO was created in 1987 to handle the volume of work brought on by the NWS's modernization program, which involved constructing new facilities at dozens of new government-owned NWS sites. In early 1994, SEPO had a total of 20 staff member supporting

both core engineering needs and NWS modernization projects. With the modernization projects declining, SEPO now has 12 staff members. We believe that with the further phase-down of the modernization program, SEPO should be downsized to the minimum level necessary to respond to the future needs of its clients, more in conjunction with the other ASCs. Any major projects, such as constructing a laboratory for NOAA's National Marine Fisheries Service, can be handled on a contract basis with a private architectural/engineering firm.

Some NOAA line office clients have suggested that each ASC will need to retain the smaller-sized engineering staff because of the myriad of small tasks that require some engineering expertise. In addition, with the completion of the modernization program and the acquisition of NOAA-owned space for new weather office sites, NWS will continue to need engineering services. Previously, NWS generally leased its space, and most engineering requirements were fulfilled by the landlord. Now, with its own WFO facilities, NWS will need engineering services more to take care of the everyday demands, e.g., structural and electrical, rather than massive construction programs.

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In its response to our draft report, NOAA partially concurred with our recommendation. NOAA stated that SEPO was abolished in October 1996 and the engineers were merged into CASC's new Acquisitions and Facilities Engineering Division. NOAA stated that the six core engineering positions will continue to support CASC clients (similar to the engineering branches with the other ASCs), and the remaining three engineers are assigned to specific clients (such as the National Marine Fisheries Service, the Bureau of the Census, the National Weather Service, and the National Ocean Service) and will be project funded. NOAA agreed with the recommendation to retain approximately four engineers at the remaining ASCs, as dictated by workload.

We are pleased that SEPO was abolished, and its functions and staff were absorbed into a new organization. Although the number of core engineer positions supporting CASC clients is slightly greater than at the other ASCs, discussions with CASC officials indicate this level is justified by the workload. The additional three engineer FTEs are funded by various projects: NOAA's Charleston Center (National Marine Fisheries Service and National Ocean Service); Weather Forecast Office work associated with final phases of the NWS modernization; and project advisory services for Census Bureau decennial census construction. The engineer on the Charleston project is employed under a three-year term appointment; the other two are permanent positions. CASC officials have stated that they intend to increase the number of term positions for the project-funded work. We encourage CASC to continue seeking opportunities to build such flexibility into their staffing decisions.

## **2. Management of personal property has major weaknesses**

The ASCs are responsible for conducting physical inventories and maintaining the inventory records of their customers. Since March 31, 1990, NOAA's and the ASCs' personal property management system has been operated by the Department of Agriculture's National Finance Center. When CAMS becomes fully operational, it will include a module for tracking the personal property inventory and should allow the Department to more effectively track the acquisition and disposal of such property.

Generally speaking, personal property management is not being handled well at the Department; the ASCs, for the most part, are no exception. Our observations at the ASCs further confirm why personal property has been identified frequently as an area of material weakness in the Department's facilities management. We found that line managers frequently do not keep the ASCs updated on property acquisitions and disposal, newly acquired property is often miscoded, many items are transferred to other units without changes made to the property records, and items are routinely acquired through bankcard transactions that bypass the normal procurement/property control process.

In Boulder, the director of the National Telecommunications and Information Administration's Institute for Telecommunications Sciences takes very seriously his responsibility to account for the laboratory's equipment. As a result, the Institute has developed its own system that tracks equipment on a weekly basis; however, this system is not reconciled with the Department's system.

Reportedly, much time and effort go toward tracking relatively minor personal property items: NOAA property managers have said that items valued at less than \$5,000 represent only 15 percent of the total value of the personal property inventory, yet they comprise 85 percent of the number of items catalogued. Property managers complain that the process for tracking a \$125 camera is just as involved as that for a \$20,000 tractor. Further, these managers complain that neither a computerized inventory system at the NFC in New Orleans nor a property manager at an ASC can prevent a camera from being stolen from a field site. What these managers see as a solution is for every manager, supervisor, and employee to be held accountable. Officials at field sites can track such items off-line from the personal property inventory with off-the-shelf software (apparently CASC has created an inventory system with available software). One ASC property management specialist said that developing an off-line system would relieve him of unnecessary paperwork and allow him to better spend his time visiting NOAA laboratories and doing surveys of property utilization.

When it is finally implemented, CAMS should make it easier to improve property management at Commerce field locations as well as at headquarters. As discussed earlier, CAMS is scheduled to include a module for personal property that will enable offices to record personal property

acquisitions directly to their inventory. The CAMS implementation team, however, estimates the personal property module is not likely to be operational until at least October 1997, and probably not until October 1998. Until CAMS becomes operational, we recommend that NOAA work with the ASCs to establish uniform guidelines of personal property management for individual line offices and field units, develop or acquire standardized software for implementing an off-line system, and institute a requirement of personal accountability for recording the acquisition or transfer of personal property in order to achieve a more effective reconciliation of property records.

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NOAA concurred with our recommendation.

### **3. Safety function needs to be addressed**

Each ASC has a person assigned responsibility as the safety officer, often as a collateral duty. In a few instances, the person in this position may also be an occupational health (industrial hygienist) specialist. The safety officer is expected to conduct safety training courses for other ASC employees and client agencies, and follows up on requests for assistance in safety-related matters. Safety officers are also responsible for inspecting equipment. Additionally, this person is expected to work with the engineering staff in laying out new space with the proper safety devices (smoke detector/automatic sprinklers), as required.

During our review, we were told that the safety program needed more visibility and coordination within the ASCs. An example was when fire sprinklers were cut from the project budget for a building renovation, but new sidewalks were included. Although this action was legal (federal buildings are exempt from local fire codes), it does suggest that the cost for safety devices from an ASC standpoint may not always be affordable. Others said that staffing of the safety function at some locations by one person was difficult to manage if they were absent, and suggested that each ASC with only one safety officer should ensure that they have an alternate safety officer with the proper training to handle the workload in the primary officer's absence. The safety unit within MASC's FLD, for example, has an industrial hygienist, fire protection engineer, and safety technician, largely because of the significant amount of laboratory space at the Boulder facility. We recommend NOAA review the safety needs at each ASC to ensure that they have proper staff coverage. We believe the ASC directors and FLD chiefs should more fully incorporate safety considerations into ASC operations and responsibilities, and more completely evaluate what may seem to be competing interests and/or priorities when constructing or modifying facilities.

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NOAA concurred with our recommendation.

#### **4. Security function should be better managed**

The security function is carried out by a Regional Security Officer (RSO) assigned to each ASC. The RSOs are responsible for the personnel security, computer security, and physical security of the ASCs and their regional Commerce clients. The RSOs also are responsible for processing the applications for security clearances, collaborating with the engineering and real property branches on the physical security of Commerce field offices, conducting training programs for Commerce field units on security issues, and participating with Department security officials during security evaluations of Commerce field units. The RSOs generally report to the FLD chief, except for the MASC RSO, who reports to the MASC site director.

Security matters in Commerce are handled at many different levels. While the RSOs handle the security needs of all Commerce clients in their region, as described above, NOAA's security staff, at its Washington area headquarters, performs the same functions for NOAA headquarters employees and facilities as well as consulting with the ASCs on security issues and participating in the compliance reviews conducted by the Department's security unit. The Department's Office of Security has department-wide responsibility for: (1) establishing policies and procedures for personnel security, classified documents and information; (2) protecting the Secretary and other officials and property; (3) providing security guidance to departmental offices and operating units; and (4) conducting compliance reviews of the security programs used by departmental operating units. While the Office of Security is also responsible for the handling of classified documents and information, they share responsibility for information security with the Department's Office of Information Planning and Review. The Office of Security does hold quarterly meetings to discuss security issues with their counterparts. Although security officials from bureau headquarters units attend, RSOs have not attended for some time due to the lack of travel funds.

Security issues have become an increasingly important concern government wide. In fact, the Department has recently established the Office of Security and Administrative Services, thereby merging the security and facilities oversight responsibilities to better coordinate these related functions. Because of the need to elevate security issues and concerns to senior managers, both in the field and in Washington, we believe that the security function should be managed directly by the ASC site directors, and closely coordinated with the Department's Office of Security. In this arrangement, the RSO would report directly to the ASC director—and continue to work collaboratively with the other ASC managers and staff on personnel, physical, and computer security matters—while also coordinating his/her activities with the Department's security office. Under this reporting relationship, the region's security offices would be more fully incorporated into the ASC's operations, while also addressing overall departmental security goals and objectives.

According to ASC security officials, the lack of resources has frequently been a constraint in carrying out their responsibilities. First, the RSOs lack the resources necessary to properly carry

out their responsibilities, such as evaluating security measures at field sites, conducting security awareness training, and attending training courses to update their knowledge of security issues/threats. The RSOs are expected to conduct a site survey of each field location every two years. Generally, this has not been done because of a lack of travel funds, however, the experience of RSOs is uneven across the ASCs. One RSO stated that NOAA balks at paying for these site surveys. The RSO says the only way she can get out to do the surveys is because she now reports to FLD's Real Property Branch, and can join in site surveys with real property specialists. During the one or two trips she makes annually to conduct site surveys, she is able to review about 12 to 20 different offices (of approximately 50+ in the region). Another RSO reported that whereas he had recently been limited to conducting one or two training sessions annually (compared to the five or six he was able to conduct in prior years), he had resumed visiting field sites more often. The advantage of conducting security training away from the ASCs enables the RSOs to coincidentally conduct site surveys during those visits. A third example of resource constraints was that the RSOs no longer have adequate funds to attend quarterly meetings with the Department's Office of Security and the bureaus' headquarters security officials.

Although there have not been frequent examples, the different layers of security officials within Commerce may cause problems in coordinating certain security matters. One example is when an RSO had initiated the security clearance process for an ITA official, while ITA headquarters personnel simultaneously began processing the employee for a higher-level security clearance. Because of poor coordination, \$5,000 was wasted on a needless background investigation.

During our review, Department security officials highlighted other deficiencies in the ASC security program. They believed the ASCs (and the Department as a whole) were woefully inadequate in the area of information security. In some offices, electronic mail and access to the Internet have left the Department vulnerable to unauthorized access to sensitive information through personal computers and local area networks. One RSO found a BXA enforcement office with its computer system linked to the Internet through a modem. The office had not recognized that it handled sensitive information that should be protected through a removable hard disk storage device.

Department security officials also suggested that the effectiveness of RSOs varied by ASC, primarily because of management support. Although the Department's security officials complimented the security officer at MASC for attempting to do a good job, they believed that the RSO was fighting an uphill battle, due to the "open community" attitude toward physical and electronic security at the Boulder laboratories. This attitude was believed to have led to tens of thousands of dollars worth of thefts of computers and computer-related equipment at the Environmental Research Laboratory facilities on the University of Colorado's Boulder campus. NOAA has taken action to improve ERL's security by contracting for additional guards, installing

surveillance cameras, installing keypads for after-hours building access, and better monitoring the issuance of door keys.

Security is an important task that benefits from having individuals assigned to field locations where they can be in contact with the ASC managers and regional customers to better understand the local security environment and issues. Security responsibilities at the ASCs are also such that they require a person who is trained in security matters and procedures, and thus would be less effective if assigned as a collateral duty at the ASC or conducted exclusively from Washington, D.C., headquarters.

We also believe that more needs to be done in the way of security awareness by the individual bureaus and the Department. More frequent reminders need to be disseminated through electronic mail and *Commerce People* on proper security procedures. This includes disseminating information about security violations and the penalties assessed, and incidents where security lapses occurred, to serve as a reminder and deterrent to other Commerce employees.

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In its response to our draft report, NOAA did not concur with our recommendation to alter the reporting relationship for the RSOs. NOAA states that within the Facilities and Logistics Division, the RSO is able to closely coordinate with the other facilities functions to complete various service delivery and compliance tasks. The RSO routinely works with the other specialists in real estate, occupational safety and health, engineering, and environmental compliance.

Based on subsequent conversations with ASC security officials, we learned that the situation for RSOs has only slightly improved. While it is true that CASC's RSO benefitted from the availability of funding to visit field sites, other RSOs have not been as fortunate. Part of the problem is due to the fact that planning for some of the construction/engineering projects have not factored in resources needed for a security review. The concerns regarding the reporting relationship of RSOs involve their placement in the organization and how effectively they can carry out their job. If the RSO is placed within a branch of FLD, such as is the case in WASC, CASC, and EASC, the RSO has difficulty in addressing issues that affect organizations outside that branch. An RSO gave the example of trying to explain to a real property branch chief why an ASC client's request for priority processing of a request for an identification badge was important. Earlier this year, MASC's RSO, who previously reported to the real property branch chief, was reassigned to report to the FLD chief, which has helped facilitate the RSO's work. Generally, RSOs believe they should be able to interact freely across an ASC's divisional lines, which suggests that they should report directly to the ASC director. Presently none do. The next best scenario for RSOs would be to report to the FLD chief. Only one does (MASC). The worst case would be to have RSOs reporting to a branch chief in FLD. Three of them now do.

We are not convinced by NOAA's argument that RSOs belong in the Facilities and Logistics Division of the ASCs. Quite the contrary, their work spans across the functional areas of the ASC, thus underscoring the need for RSOs to report directly to the ASC director.

#### **5. MASC shipping and receiving responsibilities should be outsourced**

FLD's shipping and receiving function involves the shipping of government equipment, field survey instruments, exhibits, and furniture; and the shipping of employees' household goods. The shipping and receiving section of the MASC in Boulder differs from its counterparts at other ASCs in that it ships and receives a significant volume of scientific equipment for NOAA's Environmental Research Laboratories, NIST's Boulder laboratory, and NTIA's Institute for Telecommunications Sciences.

We believe there are opportunities for consolidating some shipping and receiving tasks. The job of facilitating the shipment of household goods associated with employees' permanent changes of station is closely linked with the ASC's finance division (for payment of shipping invoices). Although we are only aware of a draft proposal by NOAA to merge this function with the finance divisions, it may result in eliminating a separation of duties and thus pose a conflict. Nonetheless, we believe this work could be consolidated at one ASC, and continue to be coordinated with the NOAA headquarters finance office.

The shipping and receiving unit at MASC does the bulk of its work for the NIST, NOAA, and NTIA clients located in Boulder. We have been told, however, that the unit really works only when the delivery trucks arrive, which is twice daily, leaving it relatively idle the rest of the day. The MASC FLD chief said this idleness has led to arguments among the workers and a negative work environment. We believe NOAA should evaluate the alternative of contracting out for these services.

The job of managing the shipment of government equipment could be consolidated at one site and handled electronically among the four ASCs. We also believe this task could be done under contract. Furthermore, because MASC is responsible for nearly 55 percent of the shipments among the ASCs, they should be designated the responsible unit for managing this task for all ASCs.

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In its response to our draft report, NOAA did not concur with our recommendations. NOAA stated that MASC's shipping and receiving function is significantly different from the Transportation and Traffic Management function required elsewhere in NOAA. The ASCs provide specialized shipping and receiving support based on client demands. MASC manages 55



percent of the ASC shipments, although they manage less than one-third of the total NOAA shipments, the balance of which is handled by NOAA headquarters.

Based on subsequent conversations with NOAA and ASC officials, we believe that NOAA should retain the shipping and receiving function at the three other ASCs, but should undertake an OMB Circular A-76 study to determine the likelihood of a more cost-effective option to this commercially related activity at MASC.

### **G. Major Changes Needed in MASC Site-Specific Functions**

MASC has two site-specific functions in need of change: (1) guard and custodial services, and (2) a clerical pool.

#### **1. Guard and custodial services should be outsourced**

MASC is unusual in having Commerce employees provide both guard force and custodial services for the Boulder laboratories. We believe both groups should be examined for contracting opportunities, in the interest of preserving FTEs for programmatic priorities, and seeking more cost-effective support services.

The guard force employed by MASC performs services for all of Commerce's Boulder facilities: in the Commerce buildings at MASC, and security on the grounds, parking lots, and perimeter. The FLD chief stated that, although in the past it has been difficult getting FTE relief to hire additional guards, NOAA has now resolved its FTE ceiling problem. However, we believe that contract guard services provide more flexibility, and could cost less. The experience of the Department (at the Herbert C. Hoover Building), the Patent and Trademark Office (in Rosslyn, Virginia), and NOAA's headquarters buildings (in Silver Spring, Maryland) with contract guard service has been satisfactory and could work well in Boulder.

MASC is also responsible for the custodial service at the Boulder facility. Although we know of no complaints about the custodial service, it is an activity that could be done under contract. The FLD chief stated that it might be less costly to do the work under contract. We believe that NOAA should evaluate the cost effectiveness of contracting out the custodial services at MASC.

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In its response to our draft report, NOAA not only stated that these functions are being transferred back to NIST, but that NIST intends to continue to provide these services through a federal employee workforce.

According to a senior NOAA official, NIST several years earlier had responsibility for the guard and custodial services. When we spoke with administrative officials at NIST headquarters in Gaithersburg, Maryland, they were emphatic as to the need for Boulder security guards to be federal employees to allow them certain authority, such as arrest powers. Furthermore, NIST maintained that a federal guard service minimized employee turnover, enabling the guards to become more familiar with the employees working at a particular facility.

We dispute the need for a Commerce security force to have arrest powers. As for NIST's contention that a contract security force had higher employee turnover and thus was less familiar with the workers at an installation, our conversations with senior officials and managers at three other Commerce locations failed to support that view.

Absent any justification or explanation by NOAA (or NIST), we question the merits of transferring responsibility for these services to NIST. We request NOAA officials to clearly justify the basis on which this decision was made, and to furnish us with comparative cost estimates of contracting out for these services versus transferring responsibility back to NIST.

## **2. Clerical pool should be eliminated**

MASC is unique in having a clerical pool of 14 employees (GS-3/4 office automation clerks) who are hired under a mixed-tour appointment and assigned to Boulder units on a reimbursable basis. These clerks are actually part of MASC's human resources division as an administrative convenience. They are used to fill clerical gaps in offices and laboratories during peak periods or extended absences (vacations, maternity/family leave). During its heyday several years ago, the clerical pool had up to 48 employees.

MASC's human resources chief says that the clerical pool has become a costly burden. We agree. The use of the pool by MASC's Boulder clients has lessened, and it is no longer self-supporting. FTE ceilings are now an issue and, although the labs seeking clerical help do not have to bear this burden (they only pay salary, benefits, and an overhead charge), MASC is saddled with the FTE burden to keep the clerical pool operating. MASC must pay the benefits for these part-time workers and bear the FTE burden while not receiving the revenue to make the program self-supporting. The HR chief believes eliminating the pool is a possibility. He says the labs at Boulder might object to eliminating the pool, but they do not have an FTE problem. Without the clerical pool, the labs could still hire employees on a part-time, as-needed, basis.

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NOAA concurred with our recommendation.

## **H. ASC Deputy Director Positions Should Be Eliminated**

Each ASC directorate has positions for a director, deputy director, budget officer, and secretary. Based on the level of workload and lack of need for a deputy director, we see little need to retain this position. In fact, the Eastern Administrative Support Center has been operating without a deputy director since July 1990. In the director's absence, one of the EASC division directors serves in an acting capacity, with no known ill effects or adverse impact on their operations.

We believe, therefore, that the ASCs could manage their operations without a deputy director. One of the division directors could be called on to serve in an acting capacity in the ASC Director's absence. ASC staff members with whom we discussed this proposal agreed with us, as did one of the deputy directors. NOAA senior management eliminated these positions in December 1996.

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In its response to our draft report, NOAA, concurred with our recommendation. In fact, as we note above, NOAA eliminated the positions following the completion of our field work.

## **I. Franchising Initiatives Should Not Be Expanded**

As an outgrowth of the National Performance Review, the Congress passed the Government Management Reform Act of 1994, authorizing the establishment of six Franchise Fund Pilot Programs within selected federal agencies. Each of the six agencies was authorized to operate as a "business" and "sell" their common administrative and financial services to other federal agencies on a reimbursable basis. The purpose of franchise funds is to promote government-wide competition among common administrative service providers leading, at least in theory, to a more competitive environment, resulting in lower costs, higher quality, and more timely services. It is presumed that the most competitive, business-like agencies would successfully compete and win the business of their customer agencies, thereby providing needed administrative support to them at low cost and with superior service. The customer agency would reimburse the provider agency for its services.

A franchise fund is a revolving fund, similar to a working capital fund, that operates by accumulating all costs (including overhead) associated with the operation of one or more business-like enterprises, collecting payments by customers for services rendered, depreciating its capital assets, and providing for a limited amount of retained earnings. The franchisee may be any unit that offers common administrative support services, and conducts its businesses on a reimbursable basis in a manner that promotes competition, but it must be financially self-sustaining and allow the customer the choice of selecting the services that best meet its needs.

As one of the six agencies which sought and was approved to have a franchise fund, Commerce has proposed to franchise both the ASCs and its computer center in Springfield, Virginia. By interagency agreement, each ASC would be able to market and provide common and site-specific services to Commerce field units as well as to other federal agencies. At the time of our review, two ASCs were already offering limited procurement services on a franchise basis to other agencies. EASC was performing procurement services for the U.S. Navy, handling contracts valued at approximately \$10 million. WASC also was franchising its procurement services for the Navy, estimated at \$20 million over the next three years. Discussions were also underway to significantly expand franchise activities at these two centers and the other ASCs. Despite successful franchising efforts elsewhere in the federal government, the OIG has serious concerns about the Department's proposal to embark on an expanded franchising effort.

### **1. Franchise-like service providers have increased in number**

In recent years there has been considerable growth of cross-servicing within the federal government. Other federal organizations, such as the Departments of Agriculture and Veterans Affairs, have demonstrated that business-like principles used by the private sector can work within the federal government and enable it to work better and cost less. The Cooperative Administrative Support Unit (CASU) program has been a catalyst for such cross-cutting service support between agencies. The CASU is a government program which provides shared administrative services at a greatly reduced cost. The most visible CASU example is the payroll record-keeping and accounting operation run by the Agriculture Department's National Finance Center in New Orleans. The NFC services more than 100 federal agencies. Other active cross-servicing programs can be found at the Department of the Treasury Financial Management Service's Center for Applied Management, the Public Health Service's Federal Occupational Health Services organization, and the General Services Administration's Federal Computer Acquisition Center.

## **2. Franchising offers both potential benefits and pitfalls for NOAA and the ASCs**

Given the resource constraints felt by NOAA and the ASCs, franchising is seen as one way to generate additional revenue to support systems upgrades and other improvements, as well as an opportunity to streamline and explore more cost-effective ways of delivering administrative services. However, the franchising concept also poses many potential problems and obstacles that could hamper its success in the Commerce Department.

Proponents of franchising claim that it can provide a number of benefits to the ASCs, not only as service providers, but also as service recipients. For example, the ASCs would operate on a full-cost recovery basis through direct customer billings. By sharing processes through cross-servicing-type arrangements, the ASCs would have a broader customer base to spread overhead costs and share in research and development costs. Likewise, cost benefits could potentially accrue to all customers through reduced unit costs resulting from increased volume. At the same time, the ASCs could retain up to four percent of their earnings to fund capital improvements and other investments to enhance staff, upgrade systems and facilities, and cover unexpected workload reductions. The customer agency could theoretically benefit by obtaining higher quality services while reducing in-house staff and expenditures by purchasing services from another agency competitively.

However, there is much uncertainty associated with any plans to expand the ASCs' franchising initiative: (1) the Department needs to address our concerns about expanding administrative services through franchising while it has trouble delivering services to Commerce bureaus; and (2) the antiquated state of many departmental systems and the need to focus on implementing CAMS; and (3) the ASC franchise business plan, which we have not reviewed, is still in draft and awaiting approval by the Department's Franchise Board (consisting of Department, NOAA, and ASC senior officials). Both the Department and the ASCs already have difficulty delivering administrative services in a cost-effective manner and, as this report highlights, many changes are needed to streamline and improve ASC services. Similarly, antiquated accounting and financial systems would make effective franchise operations difficult. Although we have not been furnished a copy of the draft plan, conversations with cognizant officials indicate that it calls for the ASCs to offer their franchise business services to all agencies, both within and outside the Department.

Given the problems and uncertainties discussed in this report, we cannot endorse such a move to expand Commerce's franchising and caution the Department to carefully weigh the perceived benefits and costs of franchising before approving additional franchise efforts. A decision to expand franchising should be a calculated business decision that involves an in-depth analysis of the market, costs, and business competitors. ASCs should not be allowed to freely solicit new customers in order to keep their staff and provide revenue to keep operations going.

We believe it is essential that the Department and NOAA address many of the problems and issues outlined in this report before sanctioning expansion of franchising by the ASCs. Before proceeding further on the ASC franchise plan, departmental, NOAA, and ASC officials need to address a number of questions: (1) Should NOAA be encouraging expanded use of its outdated computer systems and adding personnel to support non-Commerce bureaus? (2) How will the ASCs fare under franchising if the Commerce bureaus can come and go from the ASCs at will? (3) Will the new franchise business divert the ASCs' attention and services away from improving their support of Commerce agencies? (4) How can Commerce and the ASCs compete with other potential providers of service?

Other issues that need to be addressed are the eventual number of service delivery points, the types of services to be centralized or outsourced, and the impact of the transition to full electronic support (CAMS and other electronic initiatives) on the agency and its customers. There is also the more fundamental concern of how aggressively the ASCs should be pursuing and working for external clients when they still need to do a better job on their primary responsibilities to efficiently and effectively serve Commerce agencies.

When increasing staff to accommodate current franchising work, the ASCs should only hire new employees under term appointments. Hiring employees under full-time permanent appointments may eventually create budget and resource problems for the ASCs, especially if franchisees are not allowed to retain earnings to cover temporary lulls in business volume. In addition to not beginning any new franchising, any current franchising efforts should be closely monitored by NOAA and the Department to ensure that they can maintain or improve the level of administrative services to both internal and external customers, and to ensure that the franchise agency is not tempted to circumvent government regulations and procedures to satisfy its customers.

For these reasons, we urge the Department to exercise caution in expanding its franchising initiatives. Given the shortage of staff at the ASCs, the major changes needed to improve ASC operations, the possibility of overextending departmental resources to support other non-Commerce bureaus, and the uncertainty of staffing and systems support, we believe that further franchising activities and initiatives at the ASCs should be curtailed until NOAA and the Department (1) adequately address the issues and concerns discussed in this report, and (2) demonstrate, through appropriate cost-benefit analyses, that the advantages clearly outweigh the disadvantages of allowing the ASCs to pursue franchising activities at this time.

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In its response to our draft report, the Department (speaking on its own behalf and NOAA's) stated that they were in full support of the ASCs' endeavors to operate as a franchise. Furthermore, the Department stated that the establishment of a franchise board would satisfy our recommendation that the Department create an ASC governing board to develop a budget process and set service levels for the ASC customer agencies.

As we stated in this report, and in testimony before Congress, both the Department and the ASCs have difficulty delivering administrative services to Commerce bureaus in a cost-effective manner. Our review of the ASCs identified many changes needed to streamline and improve overall ASC and departmental administrative services, such as improved procurement oversight, outsourcing administrative payments, and commercial-like activities that should be contracted or consolidated. Yet, based on its draft franchise business plan, NOAA plans for the ASCs, in their present structure, to offer all of their administrative support functions as franchise business services to all federal agencies, both within and outside Commerce. Furthermore, the Department's and NOAA's antiquated accounting and financial systems would make efficient and effective franchise operations difficult.

We question whether the Department and NOAA should undertake any expansion to ASC franchising until they address our concerns regarding the ASCs. Any decision to expand the franchise program should be based on the results of an in-depth analysis of the market, costs, and competition. We question whether the ASCs can—or should—compete with other well-established administrative service providers, such as HHS, VA, and USDA. An analysis of franchising should include such questions as:

- Should NOAA be encouraging expanded use of its outdated computer systems and adding personnel to support non-Commerce bureaus before it can first demonstrate in-house efficiency and effectiveness?
- Will the new franchise efforts divert the ASCs' and Department's attention and services away from improving their support of Commerce agencies?

- Are there sufficient oversight mechanisms to ensure that rules and/or regulations will not be compromised to satisfy the customer?
- Can Commerce and the ASCs compete with other available service providers?

We reiterate our recommendation that the Department curtail plans to expand franchising at the ASCs until it can demonstrate that such franchising represents a sound business decision for Commerce.



## RECOMMENDATIONS

### **We recommend that the Department's Acting Chief Financial Officer and Assistant Secretary for Administration:**

1. Ensure that the Department fulfills its assigned policy and oversight responsibilities in helping the ASCs to be as efficient and effective as possible. In this regard, the ASA/CFO should create an ASC governing board, consisting of representatives from the Department, NOAA, and the client agencies to:
  - a. Develop a funding or budget process that provides sufficient resources to sustain effective administrative support services to the Department's field units.
  - b. Work with NOAA and ASC officials to determine a more equitable and transparent process for setting service levels for client agencies, and to develop an updated billing methodology.
2. Ensure that the development and implementation of CAMS receive high priority in the necessary commitment of resources and departmental oversight.
3. Not expand Commerce's ASC franchising initiatives until NOAA and the Department (1) adequately address the issues and concerns discussed in this report, and (2) demonstrate, through appropriate cost-benefit analyses, that the advantages clearly outweigh the disadvantages of allowing the ASCs to pursue franchising activities at this time.
4. Initiate a study to examine—from a Commerce-wide perspective—the costs and benefits of allowing the Bureau of the Census and the International Trade Administration to withdraw from the ASC network. The study should include an assessment of Census' and ITA's administrative staffs. Prevent ITA from terminating its support ties with the ASCs until such a study is completed.

### **We recommend that NOAA's Deputy Under Secretary see that the following actions are taken:**

5. Determine NOAA's administrative staffing and resource needs based on an assessment of when individual CAMS modules will become operational. This assessment should identify the impact of CAMS on administrative staffing for all administrative processes and procedures. Such an evaluation must include the staffing needs for both administrative services and necessary oversight functions. NOAA's Office of Administration and the ASCs should:

- ensure continuous, top-level support;
  - implement an administrative hiring freeze, except for temporary positions;
  - develop a plan for reductions in administrative staff; and
  - resolve all year 2000 administrative issues.
6. Aggressively implement plans to consolidate all non-“high touch” personnel functions (such as personnel and payroll processing) at the Central Administrative Support Center, or another appropriate ASC.
  7. Maintain ASC human resources advisory services only for “high-touch” areas, such as specialized staffing and recruiting, awards, counseling, pay and leave administration, special position classification, employee relations, labor management relations, and performance management; and aggressively implement automation initiatives to achieve greater efficiencies in these areas.
  8. Link procurement staffing levels to the workload demand. Appropriate data should be collected, and measures developed and updated periodically to determine the correct staff composition and size.
  9. Eliminate purchase card oversight at the ASCs, and consolidate and strengthen this responsibility at the Commerce Bankcard Center in Kansas City with the addition of sufficient staff and systems capability, as necessary, to efficiently handle the workload. The Bankcard Center should periodically broadcast changes to purchase card procurement procedures and regulations.
  10. For the four ASC finance divisions and NOAA’s Finance Services Division, consolidate oversight responsibilities for the imprest funds at one location, and reduce the number of such funds.
  11. In the Facilities and Logistics Divisions:
    - a. Develop and disseminate software information and guidance to ASCs and Commerce field units for a standardized off-line property management system for sensitive items and items valued at less than \$2,500; and develop a standardized policy on inventory capture of personal property acquired through bankcard transactions.
    - b. Ensure that each ASC has a properly trained safety officer for backup purposes; and ensure that both the FLD chief and the director of each ASC give full consideration to current or prospective safety issues.

- c. Have each ASC Regional Security Officer report directly to the ASC site director, and closely coordinate with the Department's Office of Security to ensure better coordination and communication of security priorities.
  - d. Conduct an A-76 study to determine the most cost-effective option for the shipping and receiving unit at MASC.
12. At MASC:
- a. Justify the decision to transfer responsibility for guard and custodial services to NIST, and provide a comparative cost analysis of contracting out versus transferring responsibility to NIST.
  - b. Eliminate the clerical pool.
13. Proceed with current plan to eliminate the deputy director positions at all ASCs.
14. Curtail any further expansion of the ASC franchise program. For current franchising commitments, ensure that the ASCs (1) hire only temporary, term, or contract employees to perform franchising work, (2) implement a compliance mechanism for franchising activities to ensure that rules and/or regulations are not compromised to satisfy the customer.

**Appendix A: Some ASC Site-Specific Observations**

**Eastern Administrative Support Center (EASC), Norfolk, Virginia**

FY 1996	<u>Core</u>	<u>Site-Specific</u>	<u>Non-Core</u>	<u>Total</u>
Number of Staff (FTE)	88.9	0	16.6	105.5
Budget (in thousands)	\$5,323.9	0	\$1,900.0	\$7,223.9

	<u>NOAA</u>	<u>Percent of Total</u>	<u>Non-NOAA</u>	<u>Percent of Total</u>	<u>Total</u>
Number of Clients	2,154	85.17	375	14.83	2,529

Regional Area: Serves 191 locations in Connecticut, Delaware, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, New York, North Carolina, Ohio, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, Vermont, Virginia, West Virginia, and the U.S. Virgin Islands.

A. Description of core, non-core, and site-specific activities:

- The human resources division maintains a nationwide registry for staffing of meteorologists.
- Procurement staff assignments are organized by customer, thereby fostering staff familiarity with customers' needs and operations.
- After reductions-in-force, the finance division was reorganized into self-directed teams, according to payment system (e.g., NPS and DPS). This reorganization enabled the division to manage the workload more flexibly while also accommodating staff schedules.

B. Characteristics:

- EASC was a leader in establishing a franchise program with its handling of procurement work for the U.S. Navy. EASC is reluctant to pursue further contracting work for the Navy unless it can get NOAA commitments on FTE relief. The EASC director and staff have prepared a business plan to help them in expanding their franchise activity; the Director has also worked on developing the Department's overall franchising initiative.
- Draft recommendations of the NOAA Reinvention Study Group proposed closing EASC, due to its close proximity to Washington, D.C., and having NOAA headquarters units in Silver Spring and Germantown, Maryland, assume the EASC client workload. No action has been taken to date on the draft report recommendations.
- EASC is located in close proximity to the Atlantic Marine Center, a major facility supporting the NOAA Fleet, and other NOAA operations.

**Central Administrative Support Center (CASC), Kansas City, Missouri**

FY 1996	<u>Core</u>	<u>Site-Specific</u>	<u>Non-Core</u>	<u>Total</u>
Number of Staff (FTE)	83.2	11.8	32.2	127.3
Budget (in thousands)	\$5,173.9	\$618.9	\$4,334.7	\$10,127.5

	<u>NOAA</u>	<u>Percent of Total</u>	<u>Non-NOAA</u>	<u>Percent of Total</u>	<u>Total</u>
Number of Clients	2,128	82.07	465	17.93	2,593

Regional Area: Serves 183 locations in Alabama, Arkansas, Florida, Georgia, Illinois, Indiana, Iowa, Kentucky, Louisiana, Michigan, Minnesota, Mississippi, Missouri, Tennessee, and Wisconsin.

A. Description of core, non-core, and site-specific activities:

- The procurement division is organized by customer.
- The finance division is also organized by client, and its focus is on having staff redundancy—a backup person for each job.
- The center also has a unit within its travel and transportation branch that arranges for employees’ permanent change of station moves, which they want to designate as a “center of excellence.”

B. Characteristics:

- With the position of human resources director vacant, the CASC site director has chosen to rotate the HR branch chiefs through the HR director’s slot on a temporary basis to evaluate their managerial skills and style.
- CASC has the advantage of being collocated with the National Weather Service’s Central Regional Office.
- Although located off-site from CASC, both the Commerce Bankcard Center (employing three Commerce FTEs) and the National Logistics Supply Center are managed by this ASC.
- CASC has a unique billing system for some of its reimbursable work, which does not include overhead.
- CASC has a history of reimbursable activities, with both the NLSC and CBC having some non-Commerce clients.

**Mountain Administrative Support Center (MASC), Boulder, Colorado**

FY 1996	<u>Core</u>	<u>Site-Specific</u>	<u>Non-Core</u>	<u>Total</u>
Number of Staff (FTE)	90.3	43.7	38.5	172.5
Budget (in thousands)	\$5,557.3	\$3,000.6	\$4,336.0	\$12,893.9

	<u>NOAA</u>	<u>Percent of Total</u>	<u>Non-NOAA</u>	<u>Percent of Total</u>	<u>Total</u>
Number of Clients	1,817	71.45	726	28.55	2,543

Regional Area: Serves 141 locations in Colorado, Kansas, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming.

A. Description of core, non-core, and site-specific activities:

- The procurement division is organized by contracting and small purchases. It also manages grants and cooperative agreements.
- The finance division is organized by NPS, DPS, and travel.
- The facilities and logistics division shares site management responsibilities for the Boulder campus with NIST.

B. Characteristics:

- The nature of the work is oriented toward scientific research by the Boulder labs.
- MASC manages the Denver Combined Administrative Support Unit.
- Foreign guest researchers visiting the Boulder campus place a security clearance workload burden on the regional security officer.
- MASC has a large number of federal employee union members, making employee relations and management more adversarial.
- MASC has the highest percentage of non-NOAA clients among the ASCs. The NOAA Reinvention Study Group's draft report recommended closing MASC and sending the client workload to CASC.
- Both MASC and NIST share in the facilities management responsibilities for the Boulder campus, leading to confusion and possible overlap or duplication of efforts.
- The information resources division includes the library and the printing and duplication unit. Although the publications unit is a core ASC function, the library is a resource for the research work conducted at MASC and has no link with administrative support.
- The clerical pool, established to provide coverage for the laboratories during staff absences has become an FTE burden on MASC.
- NOAA is constructing a new building on the Boulder campus to house NOAA's ERL, the National Geophysical Data Center, and MASC offices.

**Western Administrative Support Center (WASC), Seattle, Washington**

FY 1996	<u>Core</u>	<u>Site-Specific</u>	<u>Non-Core</u>	<u>Total</u>
Number of Staff (FTE)	113.8	5	10	128.8
Budget (in thousands)	\$6,372.3	\$5,068.4	\$7,831.0	\$19,271.7

	<u>NOAA</u>	<u>Percent of Total</u>	<u>Non-NOAA</u>	<u>Percent of Total</u>	<u>Total</u>
Number of Clients	2,763	90.83	279	9.17	3,042

Regional Area: Serves 211 locations in Alaska, Arizona, California, Hawaii, Idaho, Montana, Nevada, Oregon, Utah, Washington, Guam, American Samoa, and the Trust Territories.

A. Description of core, non-core, and site-specific activities:

- Procurement staff is organized by customer
- Finance division is organized by teams, although some have distinct assignments (NPS only, and Alaska fisheries), while some assignments, such as travel, are commingled. The group handling PCS moves claims they are the experts for the Department and NOAA.

B. Characteristics:

- WASC has an operational focus with the fleet of NOAA ships based at the Pacific Marine Center (which also now supervises operations of the Atlantic- and Gulf-based NOAA ships).
- WASC fills an important niche in regard to the time-zone coverage for the Commerce field sites in Hawaii and Guam.
- The region served by WASC has significant environmental cleanup issues involving the NOAA ships, the NMFS fishery labs, and the Pribilof Islands.
- WASC has a strong record of hiring and accommodating employees with physical handicaps.
- Due to a personnel shortage, WASC's systems director also is acting as finance chief, with the effect of facilitating information technology solutions to enhance the productivity of finance division staff.
- In addition to its other responsibilities, WASC also manages the NOAA Western Regional Center, consisting of other NOAA line offices and approximately 950 NOAA employees.

## Appendix B

### Best Practices: Other Agencies' Approaches to Delivering Administrative Services

As part of our review, we visited and interviewed other federal agency officials to determine how they deliver administrative services. A number of departments and agencies have begun to restructure and streamline services in the administrative area. Like the Commerce Department, other federal entities are facing NPR goals and other streamlining initiatives, as well as leaner budgets. In general, we found that the Department delivers administrative services just as well as, if not more effectively than, the agencies we examined. This is not to say that there is no room for improvement in how the Department delivers administrative services. On the contrary, we believe that numerous opportunities exist for a more efficient administrative support structure.

While meeting with other agency officials about administrative support and how services can be streamlined and made more efficient, three common themes surfaced. First, almost all of the officials we met with emphasized the importance of having top management support—including budgetary resources—for any new changes or initiatives. Having someone (or several people) at the highest level within the agency support and promote any proposed reorganization is critical to success. Departmental officials must clearly articulate changes and provide necessary funding for any investment costs. When it is made clear that the highest levels of the agency are promoting the concept, employees will more readily accept the changes.

Second, officials pointed out that people are the biggest obstacle to restructuring, as most individuals resist change. Furthermore, employees' morale may plummet if they view the changes as job threatening. To overcome employee resistance, changes should be phased in gradually and employees should be involved in any organizational redesign effort. A third theme that surfaced was the importance of integrating automation into the way Commerce does business. Automation will have a major impact on the Department's current operations and will increasingly assist it in reducing costs and improving performance.

The Department, in its efforts to streamline and restructure, must explore options and identify any "best practices" that will help it to achieve its goals. Although no one agency had a perfect administrative support structure, many are in the process of rebuilding. By examining other agencies' structures, the Department may select certain successful practices or techniques to assist it in preparing for change. Below is a brief description of how the various agencies we visited deliver administrative services.



## **Department of the Interior**

Before December 1995, DOI operational and policy staff were located in the Office of the Secretary. Since then, DOI has moved the operational staff—leaving the policy office intact—to a newly established Service Center. The Center provides various administrative services to headquarters units and a small percentage of operational assistance to the field. The Center will be funded through FY 1997; thereafter, it will operate on a reimbursable basis.

Currently, each DOI bureau provides its own administrative support—with the exception of payroll services, which are centralized in Denver—however, certain services are centrally funded by DOI, based on established ratios. Bureaus, therefore, are encouraged to “shop around” and obtain support from the Service Center or elsewhere if their in-house support is too expensive. DOI believes automation will change business practices and is developing its own version of CAMS.

## **Department of Transportation**

Like the Department of the Interior, DOT headquarters separated its policy and operational staff and established the Transportation Administrative Service Center (TASC) in November 1995. Before this development, operational responsibilities for administrative services were assigned to the Office of the Assistant Secretary for Administration. TASC, however, consolidated all headquarters operations functions outside of this office. Located in the Office of the Secretary, TASC, which operates under a working capital fund, receives direction and oversight from a Board of Directors.

DOT has no department-wide central or regional support structure, with the exception of payroll services, which are provided by the Federal Aviation Administration (FAA). Instead, each bureau provides its own administrative support, and service delivery in these structures even differs. For example, FAA has a regional structure under which each region provides administrative support to its area offices. On the other hand, the Federal Transit Administration provides administrative services from headquarters. Although TASC currently provides support to headquarters units only, it anticipates supporting field units, too, as their budgets are reduced. Furthermore, TASC services, which are to operate in a competitive, business-like manner, will also be marketed outside DOT to provide greater economies of scale, thus reducing costs to individual customers.

## **Immigration & Naturalization Service (Department of Justice)**

The INS currently has four administrative centers that provide support to about 22,000 people located in both headquarters and field units. Before 1994, headquarters provided administrative support in addition to the service centers. However, now the centers also service INS headquarters.

INS's goal is to have headquarters focus strictly on policy and the service centers focus on operations. Currently all centers perform the same basic core functions, e.g., procurement, personnel, and finance. INS recognizes the opportunity to streamline services, and is working on a proposal to centralize the finance function at one location. Other processing-type functions will also be consolidated to achieve greater efficiencies.

### **U.S. Customs Service (Department of the Treasury)**

Administrative functions had been centralized at headquarters since 1985. Prior to that time, administrative functions were decentralized among 7 regional offices. In October 1995, Customs eliminated its regional offices and established 20 customs management centers (CMCs). Although the Customs Service's headquarters continued to manage its own administrative support (with the exception of logistics and finance, which are centralized in Indianapolis), the CMCs were created to provide administrative support to the field and serve as a liaison between the Customs Service's ports of entry and headquarters.

In addition to providing administrative support, the CMCs oversee and facilitate the core business processes and coordinate with their counterpart Special-Agent-in-Charge offices. Each CMC provides core administrative support, but some CMCs perform functions that are cross-serviced to others. Customs plans to reexamine and determine what additional administrative functions can be performed by the CMCs.

### **Department of Health and Human Services**

In October 1995, HHS established a Program Support Center (PSC)—located in headquarters—which provides administrative support services on a fee-for-service basis to HHS components and other federal agencies. HHS bureaus have the option of providing their own in-house support or acquiring services elsewhere, such as the PSC. Like DOT's administrative support center, the PSC receives oversight and direction from a Board of Directors.

Before the establishment of the PSC, HHS had 10 regional administrative support centers that provided support to field operations. This field support structure was eliminated, however, and now smaller operations—providing varying levels of service—exist to support HHS components.

### **U.S. Department of Agriculture**

Although USDA consolidated its field network of agencies into mission areas, each bureau basically continues to provide administrative services to its own field units. Several functions, however, are provided centrally. For example, facilities, claims, communications, and civil rights enforcement are provided at the departmental level.

USDA's well-known National Finance Center (NFC) provides payroll services (among numerous other services) to the Department as a whole as well as to more than 120 other agencies, including Commerce. Operating on a fee-for-service basis, the NFC provides consolidated payroll, personnel, and voucher and invoice payment systems as well as support services for several government-wide processes, including the Federal Retirement Thrift Savings Plan.

**Appendix C: Supporting Data**

**ASC Budget History, FY 1992-1996**

	<b>FY92</b>	<b>FY93</b>	<b>FY94</b>	<b>FY95</b>	<b>FY96</b>	<b>Change FY92-96</b>
MASC	\$6,135,886	\$5,995,359	\$6,085,524	\$6,098,700	\$5,395,243	-12.07%
CASC	\$6,136,422	\$5,629,713	\$5,704,929	\$5,895,300	\$5,608,536	-8.60%
WASC	\$6,750,412	\$6,583,650	\$7,013,957	\$6,935,540	\$6,185,215	-8.37%
EASC	\$6,244,482	\$5,547,060	\$5,193,960	\$5,647,000	\$5,168,649	-17.23%
Total	\$25,267,202	\$23,755,783	\$23,998,369	\$24,576,540	\$22,357,643	-11.52%
deflator	0.93284	0.955022	0.973737	1	1.030037	

**Procurement Workload Data (FY 1995)**

<b>Category</b>		<b>EASC</b>	<b>MASC</b>	<b>CASC</b>	<b>WASC</b>	<b>Procurement, Grants, and Admin. Services</b>
<b>Small Purchases</b>	FTE	2.37	9.4	4.0	5.5	8.35
	No. of Transactions	2,092	5,107	4,436	3,452	3,475
	Total Trans (\$M)	\$11.0	\$18.3	\$19.0	\$31.2	\$34.1
	Avg Trans Cost	\$5,262	\$3,585	\$4,285	\$9,142	\$9,827
	No. of Trans/FTE	883	543	1109	628	416
<b>Contracts</b>	FTE	12.85	9.2	15.3	19.0	41.9
	No. of Transactions	648	399	910	630	1,684
	Total Trans (\$M)	\$29.3	\$29.9	\$31.3	\$38.7	\$145.6
	Avg Trans Cost	\$45,200	\$74,900	\$34,400	\$61,400	\$86,500
	No. of Trans/ FTE	50	42	59	33	40

Notes:

1. MASC contract transactions are under represented; they do not include the 59 contract actions totaling \$37 million associated with 13 grant and cooperative agreements.
2. Small purchase data was provided by the Department's Office of Acquisition Management. Transaction count and dollars include purchase orders, delivery orders, blanket purchase agreements, and all modifications.
3. Contract data was provided by Commerce's Office of Acquisition Management.
4. FY 1995 PGAS staff figures were provided, therefore, the "Trans per FTE" may be high. At the time of this report, FY 1996 figures had not been provided.

## Appendix D

### Prior Reports on Commerce Administrative Support

During this inspection, we reviewed past reports prepared by the Office of the Secretary, NOAA, and the OIG (see Appendix D) dealing with many of the issues we address in this report. During our review, we found relatively little corrective action has been taken in addressing some key observations and findings. The following is a discussion of findings contained in various reports and follow-up actions taken:

#### *Office of Financial Management Report, July 1981*

In July 1981, the Office of Financial Management issued a report, *Management Plan for the Consolidation of the Department's Payroll, Personnel, and Administrative Payments Systems*, that recommended consolidating all of the payroll systems and all of the personnel systems and outsourcing administrative payments to the U.S. Department of Agriculture's National Finance Center.

Action taken: Over 20 separate administrative payment offices were consolidated (not outsourced as recommended by the study) into the Management Services Division (MSD), located in the Office of the Secretary, Office of Information Systems. MSD became responsible for making Department-wide payments for travel, imprest fund, FEDSTRIP, transportation, and purchase orders. The remaining payments—blanket purchase orders, gasoline credit cards, utilities, contracts, federal telephone system, and bankcard—continued to be processed through the individual bureaus' payment systems.

#### *NOAA Draft Report, December 1988*

In December 1988, a draft report entitled *ASC Finance Consolidation Study (Revision 3)*, recommended consolidating and outsourcing the Commerce-wide payments to the National Finance Center in New Orleans or the Department of Veterans Affairs Finance Center in Austin.

Action taken: None.

#### *Office of the Secretary, Office of Administration Memoranda, June 1989*

In June 1989, the Office of Information Systems issued two position papers entitled, *The Status Quo* and *Cross-Servicing of Administrative Payment Systems by USDA*, in a memorandum to the Office of Finance and Federal Assistance. The status quo paper discussed the need to add 12 additional people to the payment office for automated data-processing support. The second paper recommended entering into a cross-servicing agreement with the National Finance Center for administrative payments, forecasting "significant savings."

Action taken: None.

### ***NOAA Memorandum, August 1989***

In August 1989, the NOAA Office of Administration Director sent a memorandum to the Deputy Assistant Secretary for Administration and the Director of the Office of Finance and Federal Assistance arguing against the National Finance Center option. The memo recommended, as an alternative, the NOAA payment system, citing it as the most cost-efficient Department-wide payment system.

Action taken: The consolidated departmental payments were shifted to NOAA.

### ***OIG Report, September 1992***

In September 1992, an OIG inspection entitled *Finance Services Division, National Oceanic and Atmospheric Administration*, recommended returning FSD's administrative payment processing functions back to the bureaus because of system and operational weaknesses (including over 50 vulnerabilities), user difficulties with reconciliation, and user dissatisfaction with service and costs. The report recommended that NOAA conduct a cost-benefit analysis to determine the future direction of its administrative payment process.

Action taken: NIST pulled its payments out of NOAA and a cost-benefit analysis was never conducted.

### ***NOAA Report (Liedtke Study), July 1993***

In July 1993, a NOAA report entitled *An Exploratory Assessment of the Regional Administrative Support Centers in the Department of Commerce (Phase II)* explored, as a small part of a larger study, the potential savings of consolidating the ASC administrative payment functions. The savings (calculated by CASC) were deemed minimal and the centralizing option rejected. The study stated that it is time to "more seriously consider...cross-servicing by another agency or making the necessary investments in systems improvements."

Action taken: None.

### ***Office of Financial Management, September 1994***

In September 1994, the Office of Financial Management issued a report entitled *Administrative Payments in Commerce* which determined that the high-volume payment offices have the lowest cost per payment. The report concluded that consolidating payments in NOAA would have the

lowest cost but warned that it will also go against the Department's management culture of "bureau independence."

Action taken: None to date.

***NOAA Report (Hagemeyer Study), February 1996***

In February 1996, NOAA's Administrative Services Reinvention Study Group issued a report with 11 recommendations. One recommendation, targeting the ASC and FSD finance operations, proposed centralizing all Chief Financial Officer finance functions at FSD in Germantown, Maryland. Another recommendation proposed to close EASC and shift its responsibilities to NOAA Headquarters administrative units, and then close MASC and shift its responsibilities to CASC.

Action taken: None to date.

**Appendix E**

**Cost Estimate:  
Outsourcing Administrative Payments to the National Finance Center**

Estimated Cost for the National Finance Center:

	<b>Average Number of Employees</b>	<b>Average Cost per Employee for NFC Systems*</b>
<b>Forest Service (43,749 employees)</b>	23,055	\$180.79
<b>Natural Resources Conservation Service (13,316 employees)</b>		
<b>Rural Housing and Community Development Service (12,100 employees)</b>		

	<b>Employees (less PTO, TA, NIST)</b>	<b>Average Cost per Employee for NFC Systems*</b>	<b>Estimated Cost</b>
<b>Department of Commerce</b>	25,577	\$180.79	\$4,624,066

All employee counts are based on the NFC “average number of employees paid per month.”

NPS and DPS payments and the corresponding National Finance Center payment systems included in the cost analysis:

<u>Acronym</u>	<u>NFC System</u>	<u>Acronym</u>	<u>NFC System</u>
FEDS	FEDSTRIP	FPDS	Federal Procurement Data System
IMPF	Imprest Funds	FTSP	Federal Telephone System Payments
TRAN	Transportation	MISC	Miscellaneous Payments
PRCH	Purchase Orders	TELE	Vendor Payments
TRAVEL	Travel	UTNV	Utility Vendors
CRED	Gasoline Credit Cards		





Chief Financial Officer  
Assistant Secretary for Administration  
Washington, D.C. 20230

MAY - 5 1997

ATTACHMENT I

MEMORANDUM FOR Frank DeGeorge  
Inspector General

FROM: Raymond G. Kammer, Jr. *RK*  
Acting Chief Financial Officer and  
Assistant Secretary for Administration

SUBJECT: Response to Draft Report on Inspection of  
Administrative Support Centers (IPE-8569)

Thank you for the opportunity to address your concerns about the overall management and direction of the Administrative Support Centers. We are at an important juncture with regard to the future direction of the Centers. The Administrative Support Centers have played and will continue to play a vital role in helping the Department contain administrative overhead costs. As the Administration and Congress increasingly look to Federal agencies to pare back costs and staff, operations such as the Administrative Support Centers will play a critical role in ensuring the ability of the agency to fulfill its mission.

Your report raises many issues that deserve attention. Some points you make we support fully. For example, we recognize the vital importance of CAMS to the Department's administrative management and will give it the high priority it deserves. Implementing CAMS has been, is, and will remain one of Commerce's highest priorities. In a time of extremely scarce resources, especially for administrative efforts, Commerce management has included new monies for CAMS in several budget requests. In the face of competing demands, Commerce management has ensured that the funds appropriated by the Congress for CAMS were spent for that purpose.

Commerce has crafted organizational structures specifically to meet CAMS' needs. To acquire, test, and maintain the software, Commerce created an Implementation Center, with new space and equipment. Commerce organized a CAMS Steering Committee, composed largely of bureau representatives, to provide user input for the project. Commerce has redoubled its efforts to monitor the project. The Deputy Chief Financial Officer and his staff recently met with the Chief Financial Officers of the major bureaus. Bureaus are to submit planned target dates for implementing the Core Financial System and key functional modules and for putting Year 2000 compliant systems in place, descriptions of critical tasks and milestone dates, and cost estimates. Bureaus will also submit back-up strategies and plans for mitigating the risks of failing to

implement the Core Financial System on a timely basis. The Office of Financial Management will assess implementation strategies, plans, and cost estimates. Also, OFM is hiring a contractor to independently evaluate bureau strategies, schedules, costs, and progress towards implementing CAMS. We will soon launch a thorough review of CAMS to examine potential risks and other aspects of its planning and will be happy to share the results with you.

### **Franchise Fund Issues**

We also support the concept of a board to advise on ASC operations, but plan an approach in the context of the Department's franchise initiative. We believe it to be in the best interests of the Department to fully support the Administrative Support Centers in their endeavors as a franchise operation. The Department of Commerce (DOC) is one of the agencies approved to establish a pilot Franchise Fund as authorized by the Government Management and Reform Act of 1994 (P.L. 103-356). In March 1995, the late Secretary Brown submitted a proposal to the Director of OMB asking that Commerce's Administrative Support Centers be included under the Franchise Fund Pilot Program. Commerce's application was endorsed by the Chair and Ranking member of the Appropriations Committees and the Senate Governmental Affairs and the House Government Reform and Oversight Committees, and on May 20, 1996, Commerce was designated a Franchise Fund pilot agency.

We have made a commitment to the Chief Financial Officers Council, the Administration, and these Congressional committees to participate in the Franchise Fund. We will proceed cautiously, and feel that built-in control and guidance mechanisms of the franchise fund will provide the necessary structure. The tenets and policies of the federal franchise principle indeed go a long way toward responding to many of the concerns raised in your report, and will likewise serve as a solid base from which to revitalize the organization.

### **Board of Directors**

As a Franchise Pilot, the Department has established a Franchise Fund Board of Directors to monitor, review and advise the Chief Financial Officer on franchise fund activities. This advisory board meets on a quarterly basis to coordinate matters that relate to fund management and consists of the following members:

- Chairperson, who is also the Franchise Fund Manager;
- One senior executive from each of the Commerce franchise activities; and,
- Deputy Chief Financial Officer, NOAA.

Likewise, the NOAA Franchise Fund Activity is establishing their own Board of Directors, chaired by the Deputy CFO, and consisting of the Franchise Director, a representative from each ASC, and up to five national customers.

### **Fund Financial Policies**

A franchise fund is a revolving, self-sustaining fund that recovers its costs by charging customers for the services they receive (OMB Budget Procedures Memorandum No. 817). The fund must operate in accordance with FASAB (Federal Accounting Standards Advisory Board), OMB, JFMIP, and Treasury financial management standards. Likewise, the fund accounting system must meet Federal financial management standards. Our franchise fund management systems (which must comply with OMB Circular A-127) will use common data elements, common transaction processing and consistent management controls. The ASC Franchise recently submitted a detailed business plan to the Commerce Board of Directors. We will review it to ensure that it establishes appropriate accounting and billing procedures. We are confident that it will address many of the concerns pointed out in your report with regard to funding and budget considerations.

### **Expanding the Franchise**

The ASC Franchise activities are narrowly defined and we intend to keep them that way until their success is amply demonstrated. The ASC Franchise has recently submitted their business plan to the Board of Directors. Again, we are confident that it will address many of the concerns raised in your report with regard to funding and budget considerations.

As indicated on page 48 in the report, franchising offers a number of potential benefits to the ASCs, its customers, and NOAA. This includes (1) spreading overhead costs across a broader customer base, (2) allowing for the retention of four percent of earnings to fund capital improvements and other enhancing investments, and (3) promoting improved service delivery while reducing costs in order to effectively compete with other service providers.

While NOAA's highest administrative priorities will continue to be the establishment of CAMS and obtaining an unqualified audit opinion, we intend to proceed in our franchising endeavor. We will proceed prudently, offering only selected products/services to potential customers. These products will be selected by the ASC Directors based on staff competency and capacity as well as customer demand. Each Director will be held accountable for ensuring full cost recovery and compliance with all applicable laws and regulations.

### **Cost Benefit Analysis of Census and ITA Leaving the ASCs**

In 1996, Census presented a study supporting their assertion that they should be allowed to leave the ASCs. Census asserted that the ASCs were charging \$1,075,000 for services that Census could provide for itself for about \$215,000. The study was circulated among Departmental experts who verified some of Census' findings, while more evaluation was needed to substantiate other claims. ITA, meanwhile, has not yet conducted a review to compare costs. We also note, however, that without completing a cost benefit analysis, your office was recently granted procurement authority, essentially "decentralizing" a portion of the activity.



The Deputy Under Secretary for  
Oceans and Atmosphere  
Washington, D.C. 20230

MAY 28 1997

ATTACHMENT II

MEMORANDUM FOR: Frank DeGeorge  
Inspector General

FROM: *Diana H. Josephson*  
Diana H. Josephson

SUBJECT: Response to Draft Report on Inspection of  
Administrative Support Centers (IPE-8569)

The National Oceanic and Atmospheric Administration (NOAA) appreciates the Office of Inspector General's (OIG) efforts in preparation of this study on the Administrative Support Centers (ASCs). We are in agreement with the OIG on a number of recommendations. NOAA's comments on the individual recommendations are attached; however, there are three general areas in which NOAA wishes to comment.

#### DOC Leadership Void

The Department of Commerce (DOC) has reduced their "policy" oversight of the ASC-based administrative service operations. In effect, there has been more of a choice allowed to DOC customers than was allowed immediately after the creation of the ASCs. Recently, the Inspector General (IG) and the Bureau of the Census both exercised this choice and withdrew from use of the ASCs for administrative support. While not consistent with the DOC philosophy during the establishment of the ASCs, it would be consistent with the National Performance Review's (NPR) concept of introducing more competitive aspects into Government decision-making. In both of the withdrawals, the IG and Census did not present a cost benefit analysis to NOAA justifying their decisions; however, it is equally apparent that it is not within NOAA's purview to second-guess those bureau's management decisions. A possible DOC role could be to provide a template for presentation of the options of ASC support versus alternatives. NOAA would not agree that DOC should unilaterally dictate participation in the ASC structure but does agree that the Department has a role in encouraging best management practices.

#### NOAA Funding of the ASCs

The report states that NOAA has unilaterally reduced support of the ASCs. NOAA does not concur and strongly disagrees with this statement. Very significant external factors - the Federal Workforce Restructuring Act, the NPR, and the FY 1996 Appropriation for NOAA - resulted in a lessening of NOAA's capability to fully fund and support the ASCs. NOAA's overall FTE reduction of 14 percent was targeted on administrative functions, a clear policy goal of the Administration. The NPR



contained numerous recommendations on streamlining administrative functions and reducing administrative staff. NOAA has implemented many of these reforms, a foremost example being the human resources area. Finally, the FY 1996 appropriations for NOAA included a 20 percent reduction in the Central Administrative Support Line Item - the line item that supports the ASCs that was not requested by the President. In addition, the President's FY 1998 budget request includes an additional 5 percent reduction in Central Administrative Support. As a result, NOAA's FTEs that support finance and administrative functions have been reduced by nearly 26 percent to date.

Given these factors, the IG's statement that "[IG] also found that NOAA made unilateral decisions about the amount of ASC funding (page ii) is incorrect. The significance of this error is that it leads to incorrect conclusions about NOAA management's support for administrative support functions. NOAA has, for the last two years, made funding for administrative support (including CAMS) its highest priority. NOAA management has supported administrative support functions and understands that high quality administrative support is ever more crucial in a time of declining resources.

#### **Efficiencies to be Achieved**

The attached comments address NOAA's efforts in achieving further efficiencies at the ASCs. We want to point out that most of these efforts were being addressed prior to the commencement of the OIG's review. We plan to use this review as corroboration of our efforts and, in certain cases, to identify new areas in which to explore improvements.

We appreciate the opportunity to comment and look forward to the incorporation of these comments in the final report.

Attachment

Responses to Recommendations 1 - 4 and 16 were included in a memorandum from the Acting Chief Financial Officer and Assistant Secretary to the Inspector General dated May 5, 1997 (copy attached).

**5. OIG Recommendation:** Determine NOAA's administrative staffing and resource needs based on an assessment of when individual CAMS modules will become operational. This assessment should identify the impact of CAMS on administrative staffing for all administrative processes and procedures.

Such an evaluation must include the staffing needs for both administrative services and necessary oversight functions. NOAA's Office of Administration and the ASCs should hire only term, temporary, or contract employees for all administrative staffing needs, and prepare an action plan to downsize administrative staffing for the post-CAMS environment.

NOAA agrees that there will be adjustments in finance and administrative staffing that result from the implementation of CAMS. Where reductions in administrative staffing are anticipated, NOAA is hiring only term, temporary, or contract employees. For other areas, where there are new requirements or skills needed, e.g., CFO Act requirements, permanent staff is required.

CAMS implementation has been significantly revised in scope since this study was initiated. The Department's current plan for CAMS implementation calls for only CFS, bankcard, and the procurement modules to be operational by 1999, a delay of 3 years. Therefore, administrative FTE savings will be limited in the near future; in addition, our streamlining plans have already taken CAMS administrative reductions based on the original CAMS implementation schedule. Given the uncertainties of the ultimate deployment strategy, a final assessment of staffing needs should not be initiated until after CAMS deployment. This assessment will need to include offsets to FTE savings arising from changes to CAMS design, development, implementation and support requirements arising from recent changes in the Department's approach for CAMS implementation.

**6. OIG Recommendation:** Aggressively implement plans to consolidate all non-"high-touch" personnel functions (such as personnel and payroll processing) at the Central Administrative Support Center, or another appropriate ASC.

In concept, we concur with the recommendation. As pointed out in the report, "NOAA and the ASCs are already moving in the direction of consolidating functions and automating HR process." (page 24). However, reengineering efforts and automation must precede consolidation efforts. Such activities began last summer and include review of potential efficiencies and associated cost reductions which can be achieved without reduction in service quality. The functions being analyzed include those that the OIG recommends for merging and are reflected in Table 21 of the report found just prior to page 1.

It is important to note that the current FTEs in HR reflected in Table 4 of the IG report (page 25) have since been reduced from 200 to 171 as of March 15, 1997, a reduction of 15 percent in the last year alone.

**7. OIG Recommendation: Maintain ASC human resources advisory services only for "high-touch" areas, such as specialized staffing and recruiting, awards, counseling, pay and leave administration, special position classification, employee relations, labor management relations, and performance management; and aggressively implement automation initiatives to achieve greater efficiencies in these areas.**

NOAA concurs with this recommendation and in addition is considering options for collocation of HR staff where such an option makes sense (e.g., client mass, improved service delivery, reasonable cost). Proposals for testing these concepts are in the process of being developed.

**8. OIG Recommendation: Link procurement staffing levels to the workload demand. Appropriate data should be collected, and measures developed and updated periodically to determine the correct staff composition and size.**

NOAA concurs that procurement staffing levels should be linked to workload demand. The Department is analyzing workload complexity issues (i.e., assigning rating points to different procurement actions to assess complexity) as part of its PMAT program that may be useful to NOAA in assessing workloads and structuring appropriate acquisition staffs.

Under the National Performance Review Acquisition Reform, additional care must be taken by contracting officers and requisitioning officers in maintaining accountability for delegations of authority that has been simplified via procurement reform. The development of reasonable standards and efficient and effective data collection will require a significant amount of careful consideration. The methodology chosen must not only consider work performed in a prior year but also projections for future years in order to minimize wide fluctuations in staffing and ensure sufficient resource to provide the necessary level of service and oversight. To the extent practicable, existing national data bases should be used for calculations. Some of the PMAT models may offer a good starting point. It is also important to consider that Federal Acquisition Reform has implemented major changes in the overall acquisition process. Contracting Officers are now Acquisition Managers with broad responsibilities going far beyond simply awarding and administering contracts. These responsibilities include: Chief Financial Officer Act duties, acquisition planning, implementation of emerging Information Technology, and developing agency-wide procurement strategies. While the development of reasonable standards and efficient and effective data collection will assist managers in establishment of equitable staffing requirements, the complexities of modern acquisition management require much more than establishing numerical standards such as number of contracts awarded but must consider a wide range of work now required of contracting officers and emphasize quality, content, and professionalism of acquisition management.

We are beginning to experience the loss of seasoned, experienced senior staff coupled with the inability to adequately prepare others to succeed them. Budget and staffing cuts have eliminated the opportunity to backfill. Even when we convert a vacancy to an upward mobility developmental position, we are still faced with a 2-3 year time frame before an employee can function independently as a contracting officer at the journeyman level.

We have concerns with some of the specific details of the OIG's draft report as they related to Recommendation #8:

- NOAA agrees with the IG's emphasis on maintaining adequate staffing levels to ensure oversight and ability to detect fraud, waste and abuse. Innovative responses to downsizing have been taken to preserve effectiveness of necessary oversight in an environment of constant or increasing workloads. Specific examples vary by ASC but include increased use of automation, workload sharing, and increased delegation of authorities to trained personnel.
- Specific Heads of Contracting Offices have discretionary authority to use formal contracting procedures for actions exceeding \$25,000. In some instances, formal contracting procedures have yet to be escalated to the \$100,000 threshold level.
- Procurements divisions are responsible for oversight of the purchase card program. As such, in addition to merely inspecting the card transactions for misuse, they process and approve purchase card applications. As a result, NOAA sees no reduction in oversight of the purchase card program.

**9. OIG Recommendation: Eliminate purchase card oversight at the ASCs, and consolidate and strengthen this responsibility at the Commerce Bankcard Center in Kansas City with the additional of sufficient staff and systems capability, as necessary, to efficiently handle the workload. The Bankcard Center should periodically broadcast changes to purchase card procurement procedures and regulations.**

NOAA does not concur with this recommendation. We acknowledge merit in the OIG's recommendation that the Commerce Bankcard Center (CBC) take on review responsibility for all Commerce purchase card activity. Personnel there are intimately familiar with the current systems and reports related to purchase cards and would have a broader view of trends in use and abuse of the card. However, in an effort to streamline processes, the NOAA procurement offices have combined oversight of all delegations. Oversight is performed through site visits and review of reports. Unfortunately, due to downsizing, there is less than one FTE in NOAA that is devoted to oversight of delegations. Since the number is so small, consolidation is not an option.

However, we do want to point out that even though resources are limited, we do not "skim" through the report for abnormalities, but rather conduct periodic reviews of purchase card transactions. In addition, we document each instance of purchase card misuse, including letters of warning issued to cardholders and letters of suspension or cancellation.



NOAA does agree with the suggestion that the CBC inform purchase cardholders and approving officials about policy changes to the purchase card program. The CBC already issues reports to Head Contracting Officers and Finance Chiefs every few months. We propose this report be formalized and issued on a regular schedule. In addition, the CBC intends to use the "Commerce People Magazine" as a media to keep cardholders and approving officials informed of purchase card policy and contractual changes on a regular basis. The CBC Web Page will include similar updates and is scheduled for full implementation by June 1997.

**10. OIG Recommendation: Promptly move to outsource the administrative payments operations of its five finance centers to another agency that is capable of providing more efficient and economical services.**

The Department agrees that NOAA administrative payments are a special problem and as a result of the IG recommendation will give the issue added attention.

The report's two basic points about administrative payments are both accurate and pertinent. First, Commerce's current methods for making administrative payments are outdated, burdensome, and costly. The software is old and weak. The overall approach is fragmented, both in terms of document types and organizational responsibilities. Second, CAMS should ultimately revolutionize the bureaus' and the Department's administrative payment processes. The Core Financial System is a comprehensive, integrated financial management system. It will handle financial transactions from initial approval through payment and reconciliation. Within the Core Financial System, "administrative payments" will no longer exist as a separate function; it will be an integral part of the overall financial process.

As the report notes, transferring responsibility for NOAA's administrative payments to another agency would consume considerable time and effort. Simply determining the current cost of NOAA's administrative payments processes and comparing them to those of potential substitutes would be major undertaking. Most importantly, outsourcing would require diverting scarce analytical and system staff resources from implementing the Core Financial System just as NOAA begins to put the new software into operation.

A target date of October 1998 for shifting NOAA's administrative payments to another agency would be highly optimistic. Under the Department's new schedule, NOAA should have replaced its payments systems by then. Even if NOAA were a year behind schedule (and since it must deal with the Year 2000 issue, it has overwhelming motivation to be no more than a year behind schedule), the outsourcing arrangement would be in place no more than a year, apparently not long enough to recapture the inevitable one-time up-front costs. Moreover, a large part of the outsourcing effort would have been designing interfaces between the new vendor's payments system and both the Core Financial System and NOAA's existing financial systems, interfaces that would be used for a year or less.

In fact, contrary to the report, the payment modules are the first modules to be replaced when NOAA phases in CAMS. NOAA agrees that the current payment systems are outdated and need to be replaced as soon as possible. We do not agree that outsourcing payments is the most effective way of replacing the payment systems considering both cost and service to our clients. This has always been our first priority because of the inefficiencies with our current payment systems. Our current CAMS implementation schedule has the existing payment systems replaced by the beginning of FY 1999. The current Departmental initiative will have CAMS operational in sufficient time to allow NOAA to meet that implementation date. The Department would need to develop requirements, code, test, and train NOAA/NFC on any proposed interface and data requirements. Any further delays would seriously jeopardize our plans to replace our current accounting system in sufficient time to avoid programming necessary to address the impending Year 2000 issue.

There are also several other inaccuracies relating to Recommendation #10 in the OIG's draft report that need to be corrected.

- On page 32 in the second paragraph, the statements "For the NPS, the software is no longer capable of being modified" and "While some FSD staff have tried to eliminate the report, they cannot because it is the only source that provides some statistical (albeit inaccurate) data on the NPS workload" are incorrect. The NPS can be modified and has been modified in the past. Report 4 has some inaccurate data but is not inaccurate for all document types. Correcting the report has not been given a high priority considering other system changes.
- On page 32 in the third paragraph, the statements "However, the ability to change the reports or create new ones is limited" and "The NPS does not provide data in an electronic format for transmission to Treasury" are not correct. DPS has the ability to create additional reports as evidenced by the data supplied on travel last summer and NPS has been providing electronic payments to Treasury for several years.
- Without supporting detail, we cannot support the cost estimate provided in the report on Page 34 of the OIG Draft Report. You cannot just look at National Finance Center costs per client. We have the following questions concerning the cost estimate:
  - What costs were included/excluded?
  - Were appropriate costs of requirements analysis, integration, conversion considered in determining projected savings?
  - Can the National Finance Center handle all NOAA payment transaction types?
  - Were residual functions such as Permanent Change of Station, logistical move handling, grants processing, training, OPAC research, client services, CASU services, etc., properly excluded?
  - Were the costs of CFO Act audit and compliance considered?

Without a detailed cost analysis and supporting work papers, NOAA cannot concur that the NFC costs or any other source costs are lower than current costs. In fact, some of the previous studies mentioned in the report indicate otherwise.

We also question the statement about ASC customers stating that the finance processing operations could be done anywhere. While technology may make that possible, our clients have indicated during a review conducted in May 1996 (Financial Services Study Group) that they wish the current service support in finance to continue.

NOAA does not concur that outsourcing would not pose a problem with linkage to CAMS and a week or two delay would be manageable. This defeats some of the main requirements of the Department's administrative management improvements with CAMS. Real time data input and integrated systems are at the heart of improving our administrative processes. Most of NOAA's current cuff systems were built because we could not provide timely data. FIMA currently processes payment data weekly and this has not satisfied our financial community. Thus, NOAA does not consider even a week's delay as manageable.

We have also experienced difficulty in obtaining supporting accounting information from the NFC on both payroll and property. Often, it takes months to get an answer on questions. We also are aware of several agencies who have stopped using some of the NFC services due to lack of support and costs.

The largest hurdles to overcome are not "owning" the administrative payment processes. We believe that the largest hurdle is providing our clients efficient and effective services. These services include timely answers to questions, real time data, compliance with CFO Act, timeliness of changes, elimination of interface reconciliation, etc. Outsourcing will not provide a solution to these issues.

In addition, over the last two years, the Finance Divisions of the ASCs have undergone reorganization, streamlining divisions and reducing FTE by as much as 30 percent while the workload has increased by as much as 15 percent. This has been accomplished through evaluation and significant redesign of the work process, implementing new technologies which have enabled these divisions to overcome many of the problems related to perceived inefficiencies in the past.

Once the CFS and DOC Express are implemented in CAMS, we recommend reviewing work processes to see what work has been eliminated and moving to adjust staff accordingly taking into account new demands placed on the ASCs in conjunction with the Financial Statement audits and achieving an unqualified audit opinion.

**11. OIG Recommendation: For the four ASC Finance Divisions and NOAA's Finance Services Division, consolidate oversight responsibilities for the imprest funds at one location, and reduce the number of such funds.**

The recommendation on page 51 does not agree with the conclusion reached on page 36. We concur that NOAA should continue to aggressively reduce the number of Imprest Funds. This, in fact, has been a NOAA goal. Since 1992, NOAA has reduced the number of funds from 370 to 217 and will continue to look at ways to reduce the number of funds in the future. NOAA also has policies and procedures in the Finance Handbook for conducting quarterly Imprest Fund audits.

We do not agree that the benefits of consolidating oversight in one ASC is cost efficient. The additional travel costs of conducting audits from one location would be significant. Currently during a trip, each ASC performs several client services in addition to the audit. These services include client outreach, problem solving, training, etc.

**12. OIG Recommendation: Streamline the staffing of the systems divisions to more effectively support the ASCs' systems needs:**

Establish a team of systems specialists at one ASC to support the bulk of computer software applications work for all ASCs.

Assess the level of technical support needed by these four systems groups to administer the Local Area Network (LAN) and determine potential opportunities for streamlining or reallocating resources.

Determine the appropriate number of systems specialists needed at each ASC to handle PC installations, repairs/upgrade, and other "help desk" tasks.

Evaluate the feasibility of using contract services for major ASC information technology upgrades/replacements.

NOAA does not concur with this recommendation at this time. The Information Systems Office and the ASCs are currently preparing to provide the necessary support to implement the CFS and the DOC Express systems in CAMS. In addition, they are moving aggressively toward replacement of their entire LAN Network Operating Systems and servers within the next year while implementing WEB-based servers and an intranet to support electronic business transactions over the WEB and the OFA/NOAA intranet.

Expertise will be required in these areas if we are to take advantage of the latest advances in technology and properly implement CAMS/CFS and DOC Express. We believe that a continued high degree of technological support is critical to our ability to successfully deploy these technologies to gain the efficiencies they promise.

A recently initiated study will evaluate workload and the appropriate number of systems specialists required to provide support. Once we have implemented the CFS modules, completed migration to a new LAN Network Operating system and established our Intranet, we agree that an evaluation of systems support requirements for the new environment along with technical staffing requirements would be appropriate.

**13. OIG Recommendation: In the Facilities and Logistics Division:**

**a. Downsize the Special Engineering program Office at Kansas City to four engineers - in keeping with the other three ASCs — and focus their role on supporting the engineering needs of CASC clients. Retain up to four engineers (mechanical, electrical, civil, structural) at remaining ASC, as appropriate.**

NOAA partially concurs with this recommendation. It should be noted that SEPO was abolished in October 1996 and the engineers were included in the new Acquisitions and Facilities Engineering Division. The core positions are supporting CASC clients, similar to the client support provided by other ASCs. The remainder of the engineers are assigned to specific clients (the National Marine Fisheries Service, Bureau of the Census, the National Weather Service, and the National Ocean Service) and are project funded. All engineers, whether core or project funded, are fully utilized.

NOAA concurs with the recommendation to retain up to four engineers at remaining ASCs, as workload dictates.

**b. Develop and disseminate software information and guidance to ASCs and Commerce field units for a standardized off-line property management system for sensitive items and items valued at less than \$2,500; and develop a standardized policy on inventory capture of personal property acquired through bankcard transactions.**

NOAA concurs with the recommendations. We will investigate use of off-line systems and will examine the system used by the National Telecommunications and Information Administration in Boulder as a possible source. Policy and procedures for inventory capture of Bankcard transactions are addressed in one of the Corrective Action Plans from the 1996 CFO Audit.

**c. Consolidate responsibility for printing, publications, and photocopier acquisitions at one ASC or at NOAA headquarters.**

NOAA does not concur with the recommendation. Technical consultation and ability to provide immediate advice while reviewing documents for the Government Printing Office or printing can only be conducted on-site at the ASCs and the Acquisitions, Grants, and Facility Services Office. Efficiencies and cost savings that might be realized by this change are more than offset by the diminished service to clients in the field.

**d. Ensure that each ASC has a properly trained safety officer for backup purposes; and ensure that both the Facilities and Logistics Division (FLD) Chief and Director of each ASC give full consideration to current or prospective safety issues.**

NOAA concurs with this recommendation.

**e. Have each ASC Regional Security Officer report directly to the ASC site director, and closely coordinate with the Department's Office of Security to ensure better coordination and communication of security priorities.**

NOAA does not concur with this recommendation to have the Regional Security Officers (RSOs) report directly to the ASC Director. The RSOs currently work within the FLD at each ASC (including MASC). The reporting chain is through the FLD Chief and to the ASC Director. Close coordination between the RSO and the NOAA and DOC security offices currently exists. Being located in FLD, the RSO is able to closely coordinate with other facilities functions to complete various service delivery and compliance tasks. The RSO routinely works with specialists in real estate, occupational safety and health, engineering, and environmental compliance. The RSO participates in facility condition surveys, major facility development projects, and environmental audits as well as the more typical security oversight and management assistance activities. Given the current available security resources, the current structure is most optimum for implementation of the security function.

**f. Consolidate all ASC vehicle management services at the Eastern Administrative Support Center.**

NOAA recommends that each ASC continue to provide vehicle management services to its clients. While it is true that the Eastern Administrative Support Center has a large number of vehicles, the equipment that they manage overall is different from the motor vehicle equipment managed by the other ASCs. Each ASC provides a number of compliance-related activities and site-specific issues such as issuance of local tags, and operations associated with law enforcement and unmarked vehicle control.

Currently the ASCs maintain inventories of leased and owned motor equipment within their service area. The overall motor vehicle fleet management function is performed at NOAA Headquarters. This includes all procurements, utilization studies, GSA and other energy consumption reports, and any Departmental requirements. Additional examples of reporting requirements include: Home-to-Work Recertifications, National Fuel Credit Card Program, Alternative Fuel Programs, and Vehicle Replacement Funds.

**g. Consolidate management responsibility for all ASC shipping and receiving activities at the Mountain Administrative Support Center (MASC), with other ASCs coordinating shipments through them. Seek to contract out for the services to be handled by the MASC shipping unit.**

NOAA does not concur with this recommendation. MASC has a shipping and receiving function, but it is significantly different from the Transportation and Traffic Management function required elsewhere in NOAA. The ASCs provide specialized shipping and receiving activities based on client demands. While MASC may manage 55% of the ASC shipments, they manage less than 1/3 of the total NOAA shipments. The balance is handled by the NOAA Headquarters Traffic Management Team.

**14. OIG Recommendation: At MASC:**

**a. Budget and management responsibility for the Information Resources Division should be changed to one of three options: (1) under a Memorandum of Understanding, transfer to a management consortium made up of NOAA, the National Institute of Standards and Technology (NIST) and NTIA representatives, (2) transfer responsibility to one of the three Boulder labs, or (3) contract out the entire division.**

We agree that the Information Resources Division (IRD) should be associated with the research and managed locally. Resource allocation and program direction should be determined by the Boulder Labs Board of Directors.

Transferring the IRD to one of the local agencies runs the risk of taking the control and direction of the library away from the Boulder Labs; therefore, MASC does not agree with this recommendation. Both NOAA and NIST operate a Central Library. It is likely that the Boulder library would eventually become a branch of one of the Central Libraries. Service levels, funding, and program direction would then ultimately be determined by central library management staff and not the local research organizations. This arrangement would not support the IG's recommendation that "the responsibility for the budgetary resources and management of the information resources division be transferred from MASC to the Boulder research labs. It would then be the responsibility of the labs to determine how to manage and oversee this division."

The library underwent an exhaustive A-76 review in the mid-1980s and completed in 1987. The cost comparison found that the government could perform the function more cost effectively than the private sector. As a result, the library remained an in-house function operating under the Most Efficient Organization. The MASC Library's costs (i.e., for labor) used in the comparison have not increased significantly and it is doubtful that the outcome of another study would be any different. The value of the library reference staff's knowledge of the research programs at the Boulder Labs, familiarity with individual research projects and close association with the

scientific staff should not be understated. It is unlikely that off-site reference librarians not affiliated with the Boulder Labs could provide the same level of service in terms of both expertise and timeliness as the current library staff. Libraries typically do not outsource the reference function.

The OIG's report failed to include the National Geophysical Data Center (NOAA/NGDC) as a separate Boulder Lab entity; this organization should be included.

- b. Evaluate the feasibility of contracting for the guard services.**
- c. Evaluate the feasibility of contracting for the custodial services.**

These functions are being transferred back to NIST. NIST intends to continue to provide service through a federal employee workforce.

- d. Eliminate the clerical pool.**

NOAA concurs with this recommendation.

**15. OIG Recommendation: Proceed with current plan to eliminate the deputy director positions at all ASCs.**

OFA decided to eliminate its 3 deputy director positions located at WASC, CASC, and MASC in August 1996. The positions were abolished in December 1996.





UNITED STATES DEPARTMENT OF COMMERCE  
Chief Financial Officer  
Assistant Secretary for Administration  
Washington, D.C. 20230

JUN 26 1997

ATTACHMENT III

MEMORANDUM FOR      Johnnie Frazier  
                                 Assistant Inspector General for Inspections  
                                 and Resource Management  
                                 Office of the Inspector General

FROM:                      Raymond G. Kammer, Jr. *RK*  
                                 Acting Chief Financial Officer and  
                                 Assistant Secretary for Administration

SUBJECT:                 Follow-up to Our Response to the Draft ASC Report

I understand from your recent conversation with Alan Balutis that you are concerned about the Department's oversight of the ASCs, and the information we included in our response to your draft inspection of the ASCs. I hope the following information will alleviate your concerns.

The Department takes very seriously the mission of the ASCs, particularly in light of continued budget cuts to administrative functions such as personnel and procurement. The Office of Administration and NOAA conducted a review in 1992 and 1993 of the ASCs that reaffirmed the ASC concept, and concluded no major structural or organizational changes should be instituted. As a result of that review, NOAA and the Department reestablished a working partnership in order to oversee the ASCs. The Department continues to consult with NOAA on the ASCs, providing guidance as necessary. Further, with my office managing Commerce's franchise operation, I am confident that the ASCs and the Department will continue to strengthen this relationship. I will remind the Administration Directors of the importance of ASC oversight and support. For your review, I have attached a copy of the memo between Administration and NOAA that discussed the findings of the review.

With regard to funding and customer service issues, we strongly believe that transitioning the ASCs into a full-fledged franchise operation will resolve these issues. Alan Balutis is the franchise fund manager and is responsible for ensuring that the franchises hold regular meetings with their customers to elicit feedback. I have attached a charter of the Commerce Franchise Fund for your information. The NOAA ASC Franchise Program charter requires regular meetings with clients, and I am certain that they will do so. I believe these controls will be sufficient to meet our mutual interest in ensuring that the ASCs operate as planned.

Attachments



UNITED STATES DEPARTMENT OF COMMERCE  
Office of the Secretary  
Washington, D.C. 20230

OCT 19 1993

MEMORANDUM FOR See List of Addressees  
FROM: Gloria Gutiérrez *Gloria Gutiérrez*  
Acting Chief Financial Officer and  
Assistant Secretary for Administration  
Diana Josephson *Diana Josephson*  
Deputy Under Secretary  
for Oceans and Atmosphere  
SUBJECT: Outcome of the Administrative Support Centers  
Review

The purpose of this memorandum is to let you know what decisions have been reached on the Administrative Support Centers (ASCs). As you know, the review started in November 1992, with ideas from five focus groups and resulted in two Exploratory Assessment Reports. The first, issued in April 1993, analyzed past ASC operations and evaluated four possible future management options. The second, issued in July, recommended minor changes to the existing ASC structure and urged revitalizing the current partnership management option. Both reports were widely distributed for comment. After reviewing the findings and comments we met on September 20, 1993, to make our decisions.

We believe the review reaffirms the ASC concept as a vital and valuable mode for delivering current administrative services and an ideal framework for testing and implementing administrative processes as envisioned by the National Performance Review (NPR). With a "do it, try it, fix it" approach, each of the Centers can serve as an innovative test bed for NPR ideas. Within this context, Boulder has already been designated as a "Reinvention Laboratory" and the other ASCs can expect to be utilized in a similar manner in the near future. Thus, the ASCs near-term role will extend beyond their traditional mission and any changes in the ASC structure or mission should be reflective of the expected new and less burdensome procedures and processes. We also believe that the new environment created by the NPR will help us with funding shortfalls in the ASCs. Therefore, we feel no major structural or organizational changes are called for at this time.

We also believe that management of the ASCs, especially in the NPR environment, requires closer coordination of our actions (oversight and operational). The ASCs are Departmental Centers, hosted by NOAA, charged with delivering cost-effective, customer focused, administrative services to all DOC bureaus in the field. We agree that the best way to meet our joint responsibilities is through the reestablishment of a close partnership. We intend to make immediate use of this relationship to address current budget issues, the new NPR practices and long-range planning issues.

Finally, we would like to thank you for your active participation during the ASC review and hope that you will continue to work with us in maximizing the opportunities generated by the NPR for improved administrative services in the Department of Commerce.

List of Addressees:

Secretarial Officers  
Heads of Operating Units  
Administrative Officers  
NOAA Assistant Administrators  
NOAA Staff Office Directors  
ASC Directors

## *U. S. Department of Commerce Franchise Fund Board of Directors*

**Background:** The Department of Commerce is one of the agencies approved to establish a pilot Franchise Fund as authorized by the Government Management Reform Act of 1994 (P.L. 103-356). The Franchise Fund program is also an initiative of the National Performance Review and the Chief Financial Officers Council and is designed to promote increased efficiency, competitiveness and effectiveness in providing common administrative service.

**Function:** This advisory board is established to monitor, review and advise the Chief Financial Officer on franchise fund activities carried out by the franchise fund.

**Membership and Chairperson:** The board will consist of the following members.

- chairperson (who is also the Franchise Fund Manager)
- one senior manager from each of the Commerce franchise activities to be selected by the activity
- Chief Financial Officer, National Oceanic and Atmospheric Administration

**Chairperson:** The duties of the Chairperson include the following:

- calls and presides over meetings of the Board (both regularly scheduled and special),
- provides guidance in the development of agenda items, in the conduct of Board meetings and in guiding board discussions,
- serves as the official spokesperson for the advisory board, and
- provides staff necessary to successfully conduct Board meetings.

**Vice Chairperson:** The Chief Financial Officer, NOAA will serve as the Vice Chairperson and may chair the meetings in the absence of the Chairperson.

**Alternates:** Each board member may also designate an alternate to the board. Alternate designations should be done in writing and submitted to the Chairperson.

**Responsibilities and Authorities:** The Board will have the following responsibilities and authorities.

- serve as a point of coordination for financial matters that relate to the franchise fund management,
- review and make recommendations on applications for the establishment of additional business activities to the Franchise fund,

