

Institutional Dimensions of the Government's "Smart Buyer" Problem:
Pillars, Carriers, and Organizational Structure in Federal Acquisition Management

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ABSTRACT

This study applies a theoretical framework from institutional organization theory (Scott, 2001) to examine the problem of managing government contracting, conceptualized as the "smart buyer problem" by Kettl (1993). Kettl argued that, while embracing the market-based promises of contracting, governments have failed to develop the capacity to address even the most fundamental contracting questions, such as *what to buy*, *who to buy from* and *what was bought?* He suggests that the problem is partly attributable to bureaucratic barriers to information sharing in government agencies that prevent them from becoming learning organizations. This study explores the proposition that institutional characteristics within acquisition organizations may contribute to this problem. Governments do not behave as a single buyer with clearly defined buying objectives. Multiple organizations, each shaped by institutional factors, lay claim to processes relating to Kettl's smart buyer questions. As key organizational participants become aligned with their own regulative, normative, and socio-cognitive institutional "pillars," smart buying behavior may become confounded by institutional factors and constraining organizational structures. For this study, an organizational field consisting of the *program office*, *contracting office*, and *budget office* was selected as the level of analysis. A qualitative multi-approach methodology was developed to analyze data from public sources, including government policy documents, audit reports, and other published information related to five individual cases. Data from autoethnographic accounts, interviews, content analyses, and the case studies helped frame the institutional characteristics of these offices. The study confirmed that the three offices are key participants in acquisition programs, although their roles are not always formally recognized. Strong evidence was found that they each possess unique institutional characteristics. These differences could be creating conditions of divergence and misalignment with the acquisition objectives, raising the possibility of conflicting institutional demands, competing challenges for legitimacy, and institutional change. Policy initiatives to formally recognize the roles and responsibilities of these offices and the use of working-level oversight boards, project teams, and interagency contracting may help mitigate these institutional differences. The study points to the importance of recognizing participants' institutional characteristics when planning and managing an acquisition program.

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For all its noble intent, pursuing the doctoral studies can be a very selfish endeavor as you set aside less and less time for family and friends. My wife Carla stood by me constantly, always giving me encouragement and never wavering in her support for what I was doing. For her love and support I will always be deeply indebted. For our young son Andrew, I can only hope that he will one day understand his Dad's many distracted evenings and weekends as he grows up to pursue his own far greater ambitions.

This dissertation is dedicated to my mother, Maria Patti Vann. A consummate educator to this day, she was my 5th and 6th grade teacher and source of my enlightenment in everything from black holes to Boyle's law. A teacher, musician, choir director, Army veteran, former nightclub singer, novice nun, political candidate, and dedicated mother to us four kids, she is an inspiration to our family and thousands of students and friends in our home town of Pensacola, Florida and around the world.

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CHAPTER 1 - INTRODUCTION

... you must learn to use your life experience in your intellectual work: continually to examine and interpret it. In this sense craftsmanship is the center of yourself and you are personally involved in every intellectual product upon which you may work. To say you can "have experience," means, for one thing that your past plays into and affects your present, and that it defines your capacity for future experience. As a social scientist, you have to control this rather elaborate interplay, to capture what you experience and sort it out; only in this way can you hope to use it to guide and test your reflection, and in the process shape yourself as an intellectual craftsman.

C. Wright Mills, "On Intellectual Craftsmanship," 1959

Managing contracts in the public sector has emerged as one of the most daunting challenges facing public managers today. While public administration scholars have examined contracting from a variety of perspectives, including *ethical* (Frederickson 1999, 2006), *normative* (Box, 1999; Milward and Provan, 1993), *economic* (Domberger and Jensen, 1997; Brown and Potowski, 2001; Boyne 1998), and *policy reform* (Kelman 1997; Schooner 2001), the immediate operational and organizational environment of government contracting¹ has not received the attention it deserves (Kelman, 2007; Cooper 2003). Given the importance of public sector contracting, a greater application of theoretical perspectives and empirical research of organizations at the operational level is greatly needed (Brown, Potowski, and Van Slyke, 2006). This study takes a step in that direction by examining the organizational environment of public procurement through the lens of institutional theory (Meyer and Rowan, 1977; DiMaggio and

¹ Within the public administration literature, a mix of overlapping terminologies can be found relating to public sector contracting – the formal process by which government agencies purchase supplies and services from the private sector. This study uses the terms *contracting* and *procurement* to reflect the operational contracting management process, as opposed to *contracting-out*, *outsourcing*, *competitive tendering*(in the U.K.) and *privatization* which are more commonly associated with policy and political decision making issues, and *contract management* and *contract administration* which reflect the post-award environment of managing contracts after they have been awarded. Within the U.S. federal government, *acquisition* has become a preferred term. Although it is often used interchangeably with *procurement*, the term *acquisition* often covers a much broader scope of activities, including requirements planning, budgeting, and program management.

Powell, 1983; Scott, 1995). Specifically, it applies the institutional frameworks of Scott (1995; 2007) to explore institutional causes of inter-organizational conflict and barriers to collaboration that may contribute to the government's "smart buyer" problem (Kettl 1993).

Drawing upon principal-agent theory, transaction-cost economics, and organizational learning, Kettl (1993) framed the "smart buyer" problem as a condition that frustrates the promise of using contracting to bring market efficiencies into government. In order to overcome weaknesses in the market-based competition prescription, Kettl makes a case for information-based managerial prescriptions to help governments develop the capacity to "buy smart." That is, to better determine *what to buy*, *who to buy from*, and to *evaluate what has been bought*. Kettl argued that agencies must become learning organizations and find ways to overcome barriers to the effective flow and use of contracting information. However, even after decades of regulatory, policy, and management reform initiatives, public procurement remains plagued by perceptions of ineffectiveness, waste, and scandal. (U.S. General Accounting Office, 2007a).² Agency procurement organizations have embraced modern information technologies and innovative management approaches as eagerly as any. Yet, contracting problems seem to persist more than ever. Numerous studies and published accounts suggest that governments are continuing to struggle in answering the same basic smart buyer questions raised by Kettl in 1993. As such problems continue it is important to ask if they might be driven by deeply rooted organizational conditions.

² The problematic condition of public contracting in the U.S. Federal Government is well summarized in the U.S. Comptroller General's congressional testimony of July 17, 2007: "*For decades, GAO has reported on a number of systemic challenges in agencies' acquisition of goods and services. These challenges are so significant and wide-ranging that GAO has designated (areas) of contract management across the government to be high-risk. ... Given (the fiscal reality of structural deficits and debt levels) it is imperative that the federal government gets the best return it can on its investment in goods and services; the American people have the right to expect no less.*" U.S. Government Accountability Office 2007(a)

In examining the organizational environment of government contracting, institutional theory may help shed light on the nature of government's smart buyer problem. Institutional theory embraces a broad range of perspectives on how organizations respond to rules and power structures (North, 1990), internal economic transactions (Williamson, 1999) and are shaped by, their social environments (Meyer and Rowan, 1977). The latter streams of "new," or "neo-" institutional theory emphasize the sociological and cultural forces that shape organizations. Meyer and Rowan (1977) challenged the prevailing view that formal organizational structure holds the dominant role in shaping work activities for organizations that have become decoupled from strict goals of technical production. Instead, they point to institutional rules, functioning as myth and ceremony, which are incorporated to gain legitimacy, resources, stability, and enhance survival prospects of the organization. These rules dominate, even to the point of decreasing internal coordination activities that are necessary to achieve organizational goals:

Organizations whose structures become isomorphic with the myths of the institutional environment ... *decrease internal coordination and control in order to maintain legitimacy*. Structures are decoupled with each other and from ongoing activities. In place of coordination, inspection, and evaluation, a logic of confidence and good faith is employed. (p.340) (emphasis added)

While institutional effects are often credited with lending stability, legitimacy and routine to organizations, change and destabilizing effects may also occur. For example, Jepperson (1991) observes that:

... in certain conditions, high institutionalization can make a structure more vulnerable to environmental shock (from internal or external environments). Tocqueville's analysis of the "Old Regime and the French Revolution" provides a classic example: the French state was highly institutionalized, but in a way that made it highly vulnerable to environmental change (it was a "house of cards," in Tocqueville's phrasing)(Tocqueville [1856] 1955). (pp. 145)

In the context of this study, I pose the question: Could the organizational participants within government agencies become so oriented around institutional characteristics to maintain

their own legitimacy that they become counter-productive toward the desired outcomes of an acquisition program? Or, in other words, the overall research question for this study: *Are there differences in institutional characteristics within an organizational field of government acquisition that might help explain the systemic nature of problems in managing acquisition programs?* The study does not seek to define or conceptualize an “institution” pertaining to government contracting, but rather to examine the institutional characteristics and processes that drive the organizational participants and shape their environment.

Scott’s (1995) framework of “pillars” and “carriers” categorizes specific institutional elements that have profound effects on stabilizing and giving meaning to social structures. The framework embraces the regulative and normative dimensions of “old” institutionalism as well as the cultural-cognitive dimensions of the “new institutionalism.”³ The *regulative* pillar is characterized by laws, rules, regulations, and operating procedures. The *normative* pillar is characterized by professional standards, responsibility, and a sense of moral duty and obligation. The *cultural-cognitive* pillar is characterized by the construction of individual and group identities and sense-making of participants working within a given environment. These institutional pillars, along with their “carriers” of *symbolic systems, relational systems, routines, and artifacts* are the principal elements of Scott’s framework. Misalignments of the pillars and carriers (which I refer to collectively as “structures”) may give rise to unintended consequences within the organizational field, including goal confusion, conflict, and institutional change (Scott, 2008). The framework is depicted in Table 1.1 below:

³ This distinction and its relevance to the study are discussed further in Chapter 4.

Table 1.1 – Scott’s Typology of Institutional Pillars and Carriers (2001)

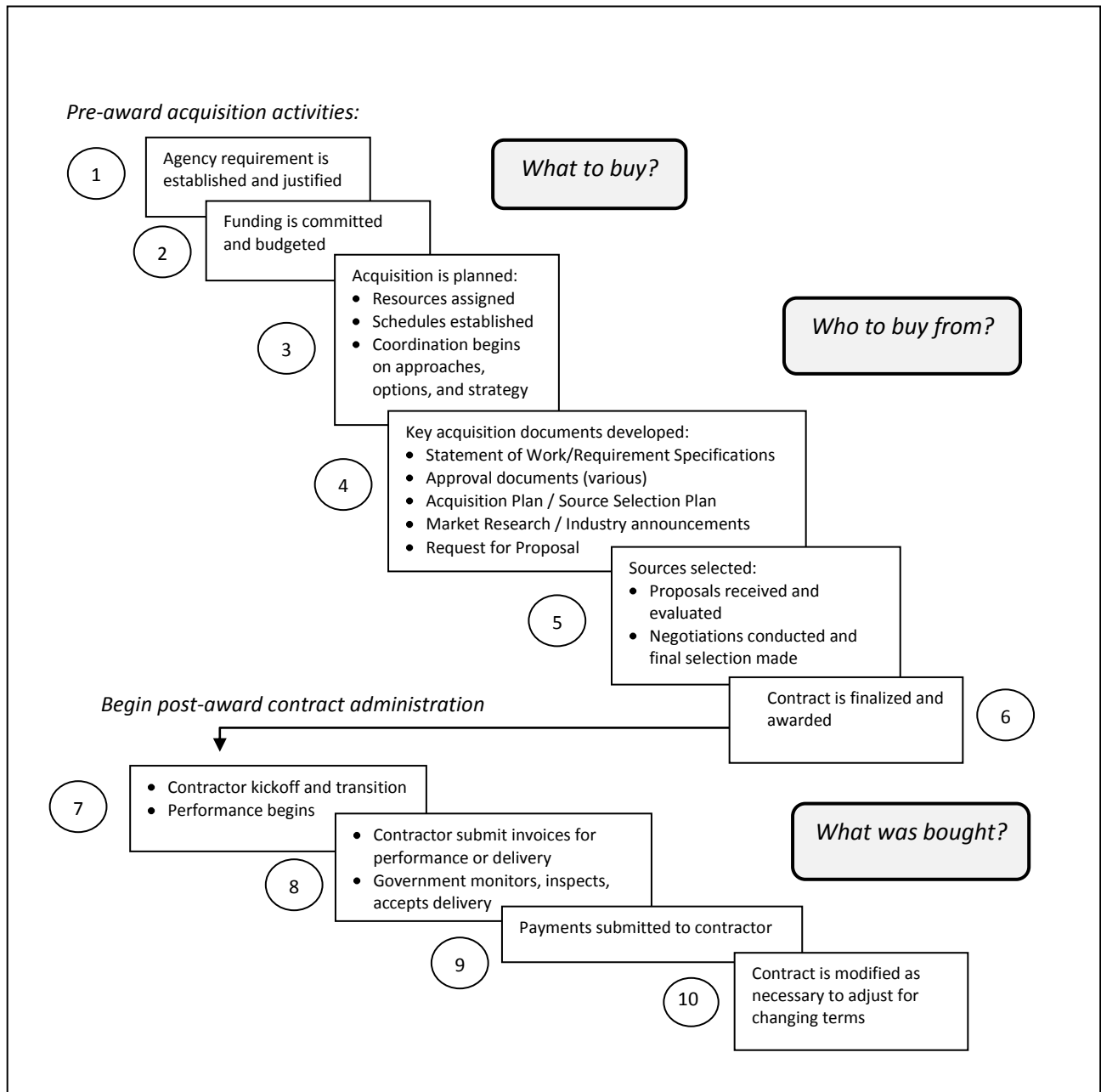
<u>Carriers</u>	<u>Pillars</u>		
	<i>Regulative</i>	<i>Normative</i>	<i>Cultural-Cognitive</i>
Symbolic Systems	Rules, Laws	Values, expectations	Categories, typifications, schema
Relational Systems	Governance & power systems	Regimes, authority systems	Structural isomorphism Identities
Routines	Protocols, Standard Operating Procedures	Jobs, roles, obedience to duty	Scripts
Artifacts	Objects complying with mandated specifications	Objects meeting conventions, standards	Objects possessing symbolic value

Scott’s framework has been applied in a variety of contexts – in examining institutional change in the U.S. healthcare field (Scott et. al., 2000; Caronna, 2004); the foundational legitimacy of the European Union (Laffan, 2001); institutionalized mindsets of invulnerability relating to the 1992 Westray coal mine explosion in Nova Scotia (Wicks, 2001); the role of institutions in global supply chain innovations (Bello, Lohtia, and Sangtani, 2004); the “thinning” of public administrative institutions (Terry, 2005); the impact of special interests on institutional change surrounding Florida’s ban on commercial fishing nets (Smith, 2006); impediments to knowledge sharing within the U.K National Health Service (Currie and Suhomlinova, 2006); organizational decision-making relating to foreign direct investment in Latin America (Trevino, Thomas, and Cullen, 2007); the cost consequences of failing to comprehend institutional factors in large-scale global projects (Orr and Scott, 2008); human resource practices and supply relationships (Koulikoff-Souviron and Harrison, 2008); and spatial variations in public service failure in England (Andrews, 2008). To date, however, I could not find that this institutional framework had been applied in the study of government contracting.

Government contracting involves complex regulation-laden processes with participation by multiple stakeholders at different stages. The process involves establishing requirements,

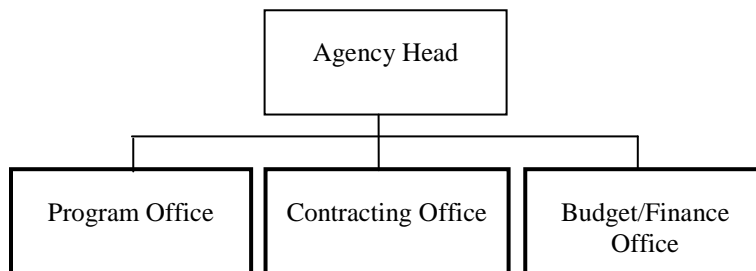
soliciting bids and proposals, negotiating agreements, and monitoring performance after contract award. Figure 1.1 is a high-level depiction of this process:

Figure 1.1 - The Government Contracting Process



The field of organizational participants associated with this process can be complex and expansive, to include communities of customers, stakeholders, and managers within the government as well as in contractor organizations. However, public agencies at all levels of government tend to conduct and structure their contracting operations in a surprisingly isomorphic fashion according to long established practices, procedures, and ways of organizing. Organizational structures for managing the contracting process tend to be similar across many different agencies. Policy offices, legal departments, auditors, and various technical specialists are all involved but, invariably, three offices emerge to become the key participants in acquisitions: A *program office* (or its equivalent) will serve as the agency’s lead sponsor and advocate for programs and operations that are contracted. The *contracting or procurement office* provides the administrative staffing, processes, and routines to support contracting activities. The *finance and budget office* ensures that the all-important funding is made available, properly applied and that payments are rendered. This condensed structure is depicted below:

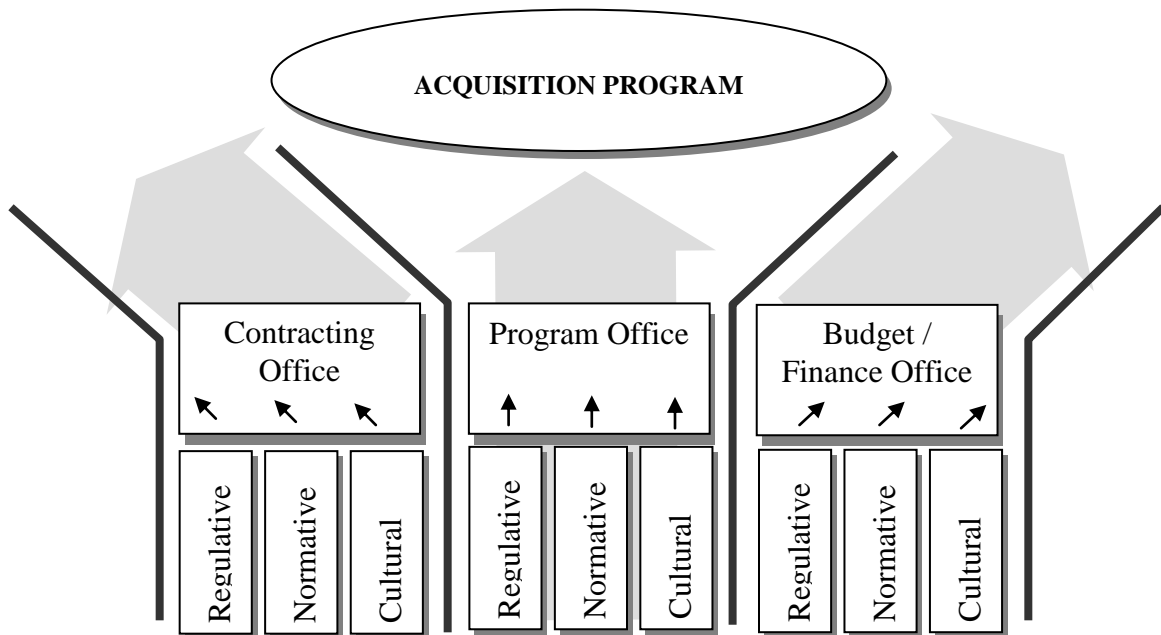
Figure 1.2 – Key Participants in Acquisition Programs



Although many other organizations and stakeholders are important participants in the process, these three organizations are central to an agency’s management of contracting programs. They act collectively as an organizational “field” for a given procurement program, but individually possess institutional characteristics reflecting Scott’s *regulative, normative, and*

cultural-cognitive pillars. These pillars may diverge and become misaligned with respect to the agency’s acquisition program, as depicted in Figure 1.3 below:

Figure 1.3 – Proposition of Misaligned Institutional Pillars in Acquisition



Within a bounded organizational field of government acquisition management – defined in this study as the program office, contracting office, and budget/finance office – institutional forces shape how these organizations work together in a program environment. Regulative, normative, and cultural-cognitive pillars that define and provide legitimacy to these organizations may also create competing demands, divergence, and misalignments that can adversely affect the outcome of an acquisition program.

By virtue of their roles and acquired legitimacy, the *program office*, *contracting office*, and *budget/finance office* are leading organizational participants in specific agency acquisitions.⁴ They are the key brokers in transactions of information regarding *what to buy*, *who to buy from*, and *what was bought*. Although they are often defined organizational subsystems within an

⁴ Personified references to these offices may occasionally be used, as if it is the *office* – as opposed to individuals within the office – performing a specific action or function being described. This is done both intentionally as well as for narrative expediency. In the operational environment of federal agencies, it is common to hear such personified references to offices, reflecting their deeply ingrained characteristics and attributes.

agency, they need not be. Various interagency arrangements may permit the services of each office to be provided from outside organizations. Thus, this study examines the three offices in the context of a “field” level of analysis (Scott, 2008:89). Applying Scott’s analytic framework to this organizational field offers an insightful perspective into the institutional dimensions of the government’s pervasive smart buyer problem.

Problem Statement

As governments worldwide resort to contracting with the private sector for public goods and services, the extent of problems in managing the contracting process presents a major challenge for the field of public administration. These problems occur against a backdrop of significant growth in government contracting, a lack of public confidence in contracting outcomes, a paucity of empirical research on contractual effectiveness, and methodological challenges in conducting such research. Further, strategic decisions to contract out have essentially become a default position across government. Kettl (1993) did not address the question of “*why* buy?” among his smart buyer questions. Possibly this is because governments’ are so frequently predisposed toward the contracting decision. Analytical tools such as OMB’s A-76 process designed to carefully weigh the costs and benefits of contracting-out versus performing services in-house retained little legitimacy and have fallen out of favor in recent years (Dudley, 1990) and “pre-program” decision processes such as agency business cases and OMB’s capital asset planning process have not yet gained their full traction.⁵ Pending this

⁵ Recent attention to the national debt and deficit spending is likely to resurrect this focus on the “why buy?” question. The GAO reported that one of the biggest challenges facing the federal government is for agencies is to “separate wants from needs: ... Agency budgets may not be fully linked to strategic goals and may not adequately consider likely agency-wide resource limitations; Agencies too often pursue their individual needs rather than collective needs; Individual program and funding decisions may undercut sound policies; Congressional direction sometimes requires agencies to buy items and provide services that have not been planned for and may not be needed.” (GAO-07-1098T, July 17, 2007)

traction of pre-program “why buy,” decision making, contract *management* remains at the crux of the smart buyer problem.

Over the past several decades, contracting has not only grown significantly, but has evolved from a function perceived as administrative support to a fundamentally new approach to public governance – one which is inextricably interwoven with agencies’ core functions and strategic missions. Allison Stranger, of Middlebury College, observes:

Contracting continues to be perceived as something peripheral to policy itself rather than wholly comprising it. ... When contracting and grants comprise 83 percent of the State Department’s requested budget ... 82 percent of the Pentagon’s budget and a whopping 99 percent of USAID’s net cost of operations, this clearly no longer the case.⁶

Contracting is generally used synonymously with “procurement.” In the U.S. federal government the term “procurement” has been largely replaced by the term “acquisition,” which encompasses a broader range of activities from early budget planning to contract delivery and performance management. Nevertheless, common questions associated with traditional purchasing and procurement functions still linger within this new governance paradigm: Is government buying what it really needs? Is it getting a fair deal? Is it buying from the right sources? Is it accountable for what has been bought? Answers to these questions are too often sought at the policy level, without giving sufficient consideration to the operational and organizational contexts that make them so problematic.

In order for policy reforms to be effective, more research at the operational and organizational level of analysis is greatly needed. Public administration has begun to recognize the impact procurement may have on the overall future of public governance (Kettl 2002; Cooper, 2003; Brown, Potowski and Van Slyke, 2006). In examining “*Four Trends*

⁶ Quoted by in “Contract Work a ‘Good Thing’ but Requires Adult Supervision,” Joe Davidson, *Federal Diary*, *Washington Post*, July 15, 2010, page B3.

Transforming Government,”⁷ Abramson, Breul, and Kaminsky (2003, p.5) cited the transformation of procurement rules and practices as a major part of the landscape of changing “rules of the game” having government-wide implications. Among the factors driving this trend, they note the shift from buying goods to buying services, moving toward “partnership” models in contractor relationships, and a shift from paper-based to electronic procurement systems. In “*The Next Government of the United States: Why Our Institutions Fail Us and How to Fix Them,*” Kettl (2009) addresses the problems of using traditional government hierarchies and routine solutions to address non-routine challenges, such as the emergency response to Hurricane Katrina in 2005 and the outbreak of the Severe Acute Respiratory Syndrome (SARS) virus in 2003. He continues his assertions from *Sharing Power* that the government’s capacity to act as a smart buyer has eroded over time and that the critical front line job of contract management is often not viewed by government employees as a prestigious area for career advancement. The implication is that the traditionally routine function of contract management may be emerging as a non-routine government challenge that will require new approaches to organizational governance:

(S)olutions based in routine for problems that are non-routine are prescriptions for failure... The central strategy for leveraging these (public-private) partnerships is managing the boundaries between organizations, public and private. When we face problems that do not fit the boundaries of our governance organizations, we can force the problems to change to fit the organizations (which rarely works) or adapt the organizations to fit the problems. The issue comes down to managing boundaries.” (p.116)

Kettl (2007) pointed out that non-routine problems require solutions based on communication and information of individuals and entities that are not always empowered by their hierarchical position:

⁷ The four trends identified by the authors (in their report sponsored by the IBM Center for the Business of Government) were: 1) Changing rules; 2) Emphasizing Performance; 3) Improving service delivery; and 4) Increasing collaboration

(H)ierarchical organizations give power according to position. Those who hold the information might well not be those who have the authority in the hierarchy, so there is great potential for internal organizational conflict if information-based power wins out – or ineffective response if position-based power triumphs (p. 24)

Contracting is one of the government organizational functions that may have become trapped within traditional hierarchies. Owing perhaps to its purchasing and procurement heritage, contracting has traditionally been thought of as a routine administrative function and contracting organizations may have adopted that identity as a deeply ingrained institutional quality. However, as contracting is increasingly applied toward major non-routine government problems, this institutional identity may become a major constraining factor in its effectiveness.

The Growth and Impact of Government Contracting

In the United States, at the federal level alone, contract spending is nearly half of the entire discretionary budget authority of the federal Government – increasing from \$204 billion in 2000 to \$419 billion in 2006 (GAO, 2001, 2007).⁸ However, the mainstream public administration literature has been slow to recognize public contracting as a fundamental “here-to-stay” dimension of public governance. Cooper (2003), is among the public administration scholars who have:

(T)he sheer scope and scale of government contracts mean that public contracts shape everything from employment practices throughout the marketplace to the operation of the economy as a whole. It makes no sense to speak of effective public policy or of professional public management, or even informed citizenship, without an awareness of the nature and operation of public contract management. (p. 12)

Similarly, Kelman (2007) states:

Contracting has become such an important part of how government does business (Light 1999) that improving the value the government gains from contracting must be considered an important priority in any agenda for government performance improvement. A number of agencies, such as the Department of Defense, the Department of Energy, and the National Aeronautics and Space Administration spend a majority, and in some cases an overwhelming majority, of their budgets on contracted products and services – 46 percent, 94 percent, and 78 percent, respectively. Most agencies contract out development of information technology applications that are crucial to running their organizations, as well as other central

⁸ Discretionary budget total for 2007 was \$872.8 billion, according to the U.S. Office of Management and Budget, Budget of the United States Government, Fiscal Year 2008

activities such as scientific research. For such agencies and functions, managing contracting must be considered a core competence. (p. 43)

Evidence of failed contract programs, wasteful contract spending, procurement scandals, and their political and fiscal consequences and associated publicity all point to the pervasiveness of problems in managing the contracting process. Many accounts of contracting mismanagement find their way into the popular media and press.⁹ While Kelman has been generally reluctant to view public procurement as systemically problematic, his observation on the state of contract management underscores how little has changed since Kettl's first articulation of the smart buyer problem:

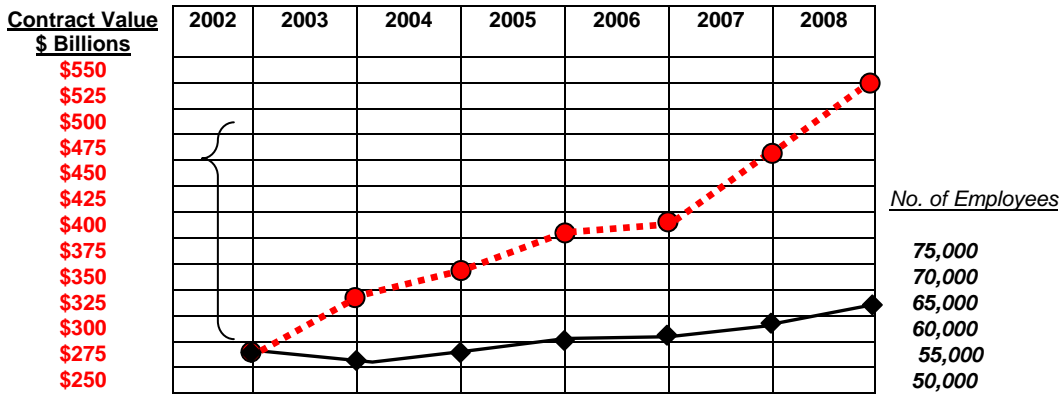
The most fundamental problem with the current system is that it insufficiently recognizes contract management as in the first instance a management function – and that, correspondingly, too many contract managers selected from the ranks of program or technical officials are wannabe doers dealt the short straw by being given contract administration duties (see Kettl, 1993 for older examples, which still occur today) ... A government that took contract management seriously would ... reconceptualize – in terms of training and self-image – contract management as a high-level *management* job. (Kelman, 2007; p. 45)

One often cited dimension of the government contracting problem is the lack of a skilled contract management workforce. The growth in federal government contract spending has not been accompanied by a corresponding increase in the number of government personnel assigned to manage it. From 2002 through 2008, the dollar value of federal procurements (reported in the Federal Procurement Data System (FPDS)) doubled, whereas the total number of acquisition personnel in the 1100 job series increased only 10 percent:

⁹ For example, see Scherer (2004). To the extent that recently published reports and news media articles can serve as a valid indicator of the problematic condition of public procurement, a selection of such recent publications is provided in Appendix A.

Table 1.2 – Federal Contracting Dollars vs. Acquisition Employees 2002 - 2008

Fiscal Year	Number of Contract Actions	Dollar Value	% Change from previous year	1100 Series Federal Acquisition Personnel	% Change from previous year
2008	8,354,648	\$537,155,101,194	15.36%	64,614	5.18%
2007	9,161,743	\$465,622,671,417	12.07%	61,434	4.45%
2006	8,342,764	\$415,466,073,469	6.63%	58,818	0.91%
2005	11,187,734	\$389,621,189,770	8.91%	58,285	1.35%
2004	10,627,343	\$357,737,511,060	9.62%	57,509	0.55%
2003	11,588,490	\$326,353,562,910	18.58%	57,197	-1.32%
2002	8,248,496	\$275,208,431,625		57,964	
% Change from 2002 – 2008:			(\$) 95.18%	(Empl) 11.47 %	



Source: FPDS Trending Report /FAI 2008 Annual Acquisition Workforce Report

Some have argued that contract management capacity, as a reflection of government acquisition workforce levels, has diminished relative to the growth in contracting. However, in addition to staffing levels, assessments of contract management capacity, must also consider the impact of new communication systems and information technology, training approaches, and new approaches to contracting and contract management processes.

Public Perception of Government Contracting

Another important dimension of government contracting is the public perception of the government's ability to effectively manage its contract programs. Intense media coverage given to cases of fraud or ineffective contracting programs has cast a shadow over government motivations and capacity to manage the contracting process. Public opinion has not broadly embraced the economic argument that contracting delivers better public services than government-delivered services. Further, empirical evidence of the benefits of contracting has been far from conclusive.

For much of government, contracting-out became the convenient tool of choice to facilitate service delivery under the new performance management paradigms of the 1990's. The benefits were greatly touted in Osborne and Gaebler's *Reinventing Government* (1992), William Egger's *Government 2.0* (2005) and initiatives such as the Government Performance and Results Act of 1994, President Clinton's *National Performance Review*, and President George W. Bush's *President's Management Agenda*. However, proving the effectiveness of government contracting against a historically entrenched backdrop of public suspicion remains a surprisingly difficult proposition. Clear evidence of effectiveness remains thin and only a limited number of empirical studies have been undertaken to evaluate the success and comparative costs of contracted programs after they have been initiated. Greve and Ejersbo (2005) address the debate on whether or not contracting-out increases performance in their review of several often-referenced empirical studies in the 1990s. They noted that a "20 percent" savings rule-of-thumb emerged in almost folkloric fashion based on the early studies of U.K. garbage collection privatization by Domberger and colleagues (1998). A meta-analysis conducted by Hodge

(2000) challenged this figure, suggesting instead a savings range of 7 to 12 percent depending on a more complicated set of variables (Greve and Ejersbo, 2005:5).

Against the lack of clear evidence of the effectiveness of contracting out, news media accounts, government audits and other studies continue to point out problems and help sway public opinion against the practice. Notorious examples of media attention to contracting abuses include press accounts in the 1970's on cost overruns of defense weapon systems such as the C-5 cargo aircraft and the B-1 bomber, overpricing of spare parts in the 1980's (the notorious \$436 hammer and the \$640 toilet seat), failed computer modernization programs of the Internal Revenue Service. More recently, wasteful contracting practices and abuses during the War in Iraq and the Hurricane Katrina recovery efforts have received a high level of media attention. Thus, the government decision to federalize the airport screener workforce following the 9-11 terrorist attacks was broadly welcomed by the general public in spite of the generally low public opinions commonly expressed for "government bureaucrats" The IRS's decision to use private collection contractors to collect delinquent taxes met with such a public outcry that the IRS decided to cancel the program. The emergence of the internet and public blog sites, such as the *Project on Government Oversight*,¹⁰ has greatly fueled media coverage and public suspicions regarding government contracting.

The list of authoritative published reports and articles at Appendix D, by their titles alone, indicate the extent of negative coverage of public procurement issues. Of the five cases examined in this study alone, three – IRS modernization, FEMA Emergency Housing, and TSA Screener Recruiting – received widespread media attention for being problematic, each drawing

¹⁰ According to the Project on Government Oversight (POGO) website, the organization "investigates and exposes corruption and other misconduct in order to achieve a more effective, accountable, open, and ethical federal government. Founded in 1981, POGO (which was then known as Project on Military Procurement) originally worked to expose outrageously overpriced military spending on items such as a \$7,600 coffee maker and a \$436 hammer." www.pogo.org

charges of waste, mismanagement, or fraud at some level. At the core of the public's distrust of government contracting is suspicion over the political motives of politicians, profit motives of contractors, and the competency of government managers to effectively manage the contracting process. While such dubious political and profit motives have always be present in our current form of democracy, ways to improve managerial effectiveness of contracting processes need to be addressed. Yet, the theoretically grounded research in contracting management and operations remains surprisingly thin. Increasing research in this area may help to shed light in a way that increases the public's confidence and understanding of government contracting.

Policy Backlashes against Contracting

In something of a contracting backlash beginning in 2007, Congress and the Whitehouse began requiring agencies to examine the extent to which they are contracting out governmental functions and other services that could be performed by government employees. Legislation was passed which required both civilian and Department of Defense agencies to have guidelines for in-sourcing of contracted positions.¹¹ In 2009, the White House issued a series of OMB memorandums on improving government acquisition which included direction for agencies to develop plans to reduce their contract spending by 3.5 percent in 2010 and 2011 and assess their potential over-reliance on contractors.¹² In 2009, the Secretary of Defense announced initiatives that would increase the Department's acquisition workforce by 20,000, to include conversions of many positions from contractor-filled to government employee-filled.¹³ Groups lobbying on

¹¹ Section 736 of Division D of the Omnibus Appropriations Act, 2009, P.L. 111-8; Section 324 of the National Defense Authorization Act for FY2008

¹² Office of Management and Budget Memorandum for the Heads of Departments and Agencies, "Improving Government Acquisition," M-09-25, and "Managing the Multi-Sector Workforce," M-09-26, July 29, 2009

¹³ Announcement by Secretary of Defense Robert M. Gates relating to FY2010 DoD budget request April 6, 2009, as reported by Katherine McIntire Peters, Government Executive (GovExec.com), April 6, 2009.

behalf of contractors began to stake out positions opposing such in-sourcing initiatives.¹⁴ As government staffing began to increase in 2009, charges by contractors of government poaching of their employees even began to emerge.¹⁵ It is worth noting that the recent backlash against government contracting may not simply be a result of political factors or public perceptions. In a 2005 study, consulting firm Deloitte Consulting pointed to a growing sense of dissatisfaction and concern over the rising costs and risk of outsourcing in the commercial sector.

The world's largest companies have engaged in outsourcing for a variety of reasons: to reduce costs, expand capabilities, and increase flexibility. However, contrary to the optimistic portrayal of outsourcing by vendors and the marketplace, outsourcing is an extraordinarily complex process and the anticipated benefits often fail to materialize. ...In the near future, with structural risks that cannot be fully mitigated, uncertain cost savings, and a multitude of components to manage, outsourcing will likely lose luster for large organizations. (Deloitte Consulting, 2005, p.2,3)

Despite this backlash, the economic rationale favoring contracting continues to present cogent arguments when fiscal frustrations begin to mount. For example, new outsourcing initiatives have been recently suggested in areas that are strongly associated with government performance, such as NASA space exploration (Hennigan, 2010) and airline security (Kling and Schulz, 2010). As the federal government faces increasing fiscal and economic pressures, it is clear that the promise of the market-based competition prescriptions will continue to point to contracting as a favorable option for public service delivery.

¹⁴ For example, a Professional Services Council letter of April 7, 2009 to Secretary of Defense Robert M. Gates set forth a number of recommended "key principles" upon which the conversion of contractor to DoD employee positions should be based. For non-inherently governmental positions, these principals centered around a call to document plans and justifications and a "clear, analytically sound assessment of the fully burdened costs associated with the conversion, the availability of personnel to perform the work, and the performance improvements that will be attained." Since the letter's underscored terms are difficult to clearly determine and are seldom without controversy, the recommended principles would appear to seek obfuscation in order to curtail deliberative action by the government.

¹⁵ Federal Computer Week, "Feds Accused of 'Poaching' Contractor Employees," FCW Daily August 27, 2009 <http://www.1105newsletters.com/t.do?id=3215504:9008006>

The Need for Organizational Research in Public Contracting

Despite the wide recognition of problems in public contracting, there is a surprising paucity of empirical research on how it is managed in public organizations (Kelman, 2007; 2008; Lloyd, et. al. 1998). As noted by Kettl (in Cooper, 2003, p.xi), many public policy experts tend to regard contracting as dull and boring, preferring instead to focus on the big picture issues of policy consequences. However, Kettl, Cooper, Kelman, Brown, Potowski, and other scholars are increasingly recognizing that policy reform needs to begin with the operational environment of contracting. Schooner (2005 p9-2) notes, “what has become clearer, ... is that procurement reform must and will focus on the procurement function itself - on how goods and services are bought, and on who buys them.” These criticisms have not been levied in a complete vacuum. There are legitimate needs for research within the practitioner community and some signs of positive response. As one of the leading contracting policy scholars and a proponent for more contracting research, Kelman (2008) described a recent conference on privatization in Sweden which indicated a positive movement in this direction:

... Given the importance of contracting as a way governments deliver services, the quantity and quality of academic research on the subject are disappointingly weak. ...

This conference shows the way scholars should be going to investigate this subject, on behalf of those who need to make decisions on the proper scope for and management of government contracts ... The research was of high academic quality, the empirical papers — those analyzing actual data — were very impressive. The theoretical ones — filled with math formulas — were interesting, though sometimes abstract and somewhat unrealistic in their assumptions. What impressed me most was the non-ideological tone of the research. The papers proceeded neither from the assumption that contracting out is either always good nor that it is always bad. Instead, the empirical papers tried to look dispassionately at the data, and the theoretical papers presented both upsides and downsides of outsourcing. (FCW 7/07/2008.

Similarly, in recent Office of Federal Procurement Policy (OFPP) guidance to civilian agencies on developing their annual acquisition workforce plans (October 27, 2009), the scholarly work of Brown, Potowski, and VanSlyke (2006) was among the references cited.

Some public administration scholars, noting the lack of empirical organizational research in government contracting, have taken steps to fill the void. Kelman (2006a; 2006b) based his empirical study of organizational change in government on the federal procurement process and argues that public administration and public management need to connect to the broader world of organization theory.¹⁶ Stonerock (2003) grounded his Department of Defense sponsored dissertation research in organization theory, surveying 600 contracting personnel at over 70 Department of Defense contracting offices, to assess attitudes and practices on interorganizational knowledge sharing. Brown, Potowski and Van Slyke (2006), who have contributed a number of recent empirical studies in government contracting, noted the need to consider perspectives from institutional theory and organizational studies:

... to inform better the practice and study of contract management, scholars need a better understanding of economic theories about market and quasi-market failures, institutional theories about organizational design and behavior, and strategic management theories about how organizations adapt to changes in their environments.” (p329).

This observation highlights a key problem with the current research agenda in government contracting – i.e., the lack of attention paid to the fundamental organizational environment and operational conditions in which procurement takes place. Such organizational and operational perspectives on procurement are largely missing from scholarly research, and even government audits and investigations, which frequently cover specific procurement programs, seldom explore these concerns.¹⁷ Among other areas, the paucity of research can be characterized by a lack of empirical analysis in the following areas:

¹⁶ Kelman also argued in his 2005 Chapter in Academy of Management Annals that a separation has occurred between the study of public organizations and the mainstream of organization studies. This separation he argues, has resulted in loss of empirical rigor in research of public organizations (Kelman, 2005)

¹⁷ Exceptions, which are explored further in the Chapter IV Literature Review, include the work by Steven Kelman (1990, 2005, and 2006) and Kurt Stonerock (2003) which explicitly focus on organizational and operational dimensions of the procurement workforce. The U.S. GAO’s Forum “Federal Acquisition Challenges and

- The day-to-day routines and demands of procurement program personnel, including duties, responsibilities and workload and workflow management
- Organizational structures and reporting and oversight arrangements that characterize procurement programs and the extent to which they constitute barriers to effective communications.
- Staffing and capacity-building initiatives (such as hiring, training, certifications and reorganizing) at the appropriate sub-organization level of analysis
- Information flows, systems, and resources that facilitate knowledge sharing and the building of organizational learning capacity
- The social and cultural environments and cognitive factors that characterize and shape procurement organizations and processes.

Methodological challenges, along with the sheer complexity and multidisciplinary nature of government contracting, may partly explain the paucity of empirical research in these areas. Government contracting is an extremely complicated function of government – a “nested structure of systems within systems” (Thai, 2001) – requiring that researchers understand a multitude of relevant policy, legal, managerial, and operational issues. Analysis of problems from an organizational perspective is complicated by the fluctuating network settings in which procurement operations often occur, lending them the characteristics of “wicked” problems (Weber and Khademian, 2008).

A key challenge in contracting research is selecting an appropriate level of analysis, deciding how to bound the study, and deciding where to begin. An additional research problem is caused by the disparate analytical perspectives that are possible. Expectations and outcomes sought by participants and stakeholders in the process may vary considerably. A good definition of a “successful” or “effective” procurement is often impossible to establish, as it is obscured by differing stakeholder expectations and objectives. Conducting objective surveys and interviews can be difficult given the notorious workload of procurement staffs, the fear of negative findings

Opportunities in the 21st Century,” (GAO-07-45SP) included workforce management capacity, best practices, and knowledge sharing among its agenda of challenges and opportunities.

and publicity, and the agenda-laden implications that surveys and interviews can present. Further, access to data can be problematic due to the legal and regulatory constraints naturally inherent in the contracting process. Proprietary and sensitive procurement information is often off-limits to outside researchers. The procedural protections put in place to prevent the release of such sensitive information also tend to prevent and delay the availability of information that is otherwise releasable to the public.

Whether driven by scholars' lack of interest in the mundane details of contracting or methodological challenges surrounding procurement operations, the gap in public contracting research warrants greater attention. An obvious starting point is to examine the organization, procedural protocols, and operating practices of acquisition management within agencies themselves. New tools and frameworks of analysis are needed for reexamining this "dull and boring" aspect of procurement operations. Clearly, such operations take place within the organizational environments of "offices" and various intra- and inter-organizational networks within and among agencies.

Given the importance of government contracting, very little research has been conducted at these organizational and operational levels of analysis. The OMB has issued a series of policy letters on procurement, encouraging such often-cited best-practices as increasing competition and reducing reliance on high-risk contract types. These policy letters include a surprising level of detail in their implementation guidance, including directions that will require agencies to pay more attention to their organizational structure, staffing and workflows. For example, OMB policy memorandum "Managing the Multi-Sector Workforce" (July 29, 2009) encourages agencies to facilitate cross-organizational collaboration to achieve workforce objectives:

Multi-sector workforce management is a shared responsibility that requires continuous and timely collaboration across organizational lines. Input must be obtained from the requiring activity ... In

many cases the requiring activity may be the program office. Input must also be obtained from other organizations, including the human capital, acquisition, and finance offices.

In another memorandum, OMB emphasized that organizational alignment is an important consideration in the government's efforts to improve the acquisition process:

Agencies are encouraged to review the alignment between their acquisition, project, and program activities. The effective integration of these activities lies at the heart of an agency's ability to achieve desired cost, schedule, and performance outcomes from programs that rely significantly on contractors to provide supplies and services.¹⁸

The focus of this study is on procurement operations at the agency sub-organizational level, but in a way that supports a "field" perspective as the level of analysis (Scott, 2008:89)(See Chapter 4 discussion of the Organizational Field). It incorporates my own notes and observations relating to a large federal acquisition programs in which I was personally involved from 2005 to 2006. While such an ethnographic approach may introduce its own methodological concerns (See Chapter VI "Methodology"), I attempt to control threats to validity by including a mix of other methodological approaches. By incorporating my own personal ethnography along with multiple other methodologies, the study incorporates a "triangulation" approach to help reveal the complex and often obscure world of government procurement operations. Further, it is at this level of analysis where research is most needed to shed light on the systemic nature of the *smart buyer* problem.

Significance of the Study

Rather than addressing macro policy issues, business processes, or aspects of the government-contractor relationship, I focus instead on the government's internal organizations and the micro operational environment using frameworks from institutional organization theory.

¹⁸ Office of Management and Budget Memorandum for the Heads of Departments and Agencies, "Improving Government Acquisition," M-09-25, July 29, 2009

This is a unique approach among studies of government contracting. While I found no evidence that the approach had been used previously, I believe it presents a significant potential as a lens for examining public contracting management. The analytical framework, drawing upon the regulative, normative and cultural-cognitive pillars of institutions was developed and applied to a defined organizational field of selected office functions. As described further in Chapter 5, the overall research question explored in this study is as follows:

Are there differences in institutional characteristics within an organizational field that might help explain the systemic nature of problems in managing government acquisition programs?

Addressing this question requires an inquiry into the operational world of government contracting where the problems are deeply rooted and multifaceted, making research inherently difficult. This is another significant aspect of the study. Government contracting is challenged by such diverse problem areas as evaluating contractor performance, containing costs, efficient award and post award administration processes, ensuring competition and selecting the right sources, complying with socio-economic regulations, achieving professionalism and workforce capacity, appropriate transparency, and the ever looming fraud, waste, and ethics issues. Much research tends to focus on the policy perspectives and frameworks in each of these areas (Snider and Rendon, 2008; Cooper, 2003). Thai (2001) and Ostrom (1999, 2005) have noted the difficulty in digging below the immense diversity of such multidisciplinary systems to uncover an underlying set of “universal building blocks.”

This study attempts to explore the existence of such foundational elements. It asserts that the vastly diverse problems in public procurement may share a common foundation in the alignment of institutional pillars and carriers within the organizational field of a procurement

program. Such alignments may ultimately affect the effectiveness and efficiency of information flows and organizational knowledge which are critical for successful procurement programs.

Institutional theory itself is far-reaching and eludes definitive boundaries. It has evolved from “early institutionalism” from the early 20th century (Selznick 1949; 1957) to “neoinstitutional” perspectives emerging later in the 20th century and continuing today. The theory broadly encompasses fields ranging from economics (Williamson, 1996) to political science (March and Olsen, 1984), to social game theory (Ostrom, 2005), to organizational sociology (Meyer and Rowan, 1977). Scott’s organizational sociology perspective provides a useful synthesis of these perspectives by examining how regulative, normative and cultural-cognitive factors stabilize and give meaning to organizational fields. This analytical framework has been used by researchers in a variety of fields and contexts, but not directly in public procurement research. Greve and Ejersbo (2005) refer to Scott’s regulative, normative, and cognitive structures as a part of their definition of “the contract culture” that guides contractual governance, but they do not apply them as a framework for analysis (preferring instead to use the Advocacy Coalition Framework of Sabatier and Jenkins-Smith (1993,1999)). This study therefore seeks to bridge that gap by using Scott’s framework to help shed light on the systemic problems of government contracting at the organizational and operational level.

In this study, I argue that institutional frameworks, applied at the operational and organizational levels of analysis, may help answer questions that form the basis of Kettl’s smart buyer problem. Evidence of misalignments among the institutional pillars and carriers within the organizational fields of government procurement programs may shed light on why public procurement problems are so pervasive. Could it be, for example, that the program office, the

contracting office, and the finance office, all critical participants in the outcome of an acquisition program, each possess such fundamentally different institutional characteristics that goal congruence along the lines of Kettl's "smart buyer" questions is impossible? Each of these offices, and their staffs, are certainly affected by the laws, policies, and regulations (the regulative pillar), their professional training, expectations and sense of duty (normative pillar), and behaviors relating their environment and sense-making in the context of expectations (the cultural-cognitive pillar). The extent to which these institutional effects are different or misaligned in a way that creates dysfunctions in the acquisition process is the focus of this study.

Examining the program office, contracting office and budget office collectively, as an "organizational field" is a unique aspect of this study. As a level of analysis, organizational fields are traditionally understood to be a broader collection of organizations – usually independent of a common formal structure – that share a common system of meaning and interactions (Scott, 2008:86). Thus, the program office, contracting office, and budget offices are seen as field level participants rather than organizational subunits. Although a multitude of other organizations contribute substantially in the procurement process, the study posits that these three organizations collectively form an acquisition program's core, acting as the best representation of the government as a buyer. Little research has been conducted at this level of analysis and there is little regulatory or policy guidance addressing how these organizational entities should be structured. Often their existence and respective roles and responsibilities are presumed as a given and are taken for granted.

The significance of this study is reinforced by federal government's recent policy guidance (OMB July 29, 2009) acknowledging that effective integration of acquisition, project, and program activities "lies at the heart" of successful contract outcomes. However, without a

better understanding of the institutional factors supporting the organizational field of acquisition management, integration efforts may not have the desired effects. This study may contribute in a small way to policy initiatives such as those offered by OMB. Additionally, studies of this type constitute a step in the direction of more focused operational level research in public contracting management, as called for by Kettl (1993), Cooper (2003), Kelman (2005), Brown, Potowski, and Van Slyke (2006), and others. As such, it is hoped that the study provides a worthwhile contribution to the public administration and public management literature.

CHAPTER 2 – LITERATURE REVIEW

The chapter reviews the literature on government contracting from the public policy, institutional and organizational perspectives. It draws upon three somewhat distinct literature streams:

- 1) Contracting within the *public administration literature*,
- 2) Contracting within the *organization studies literature* (specifically neoinstitutional theory), and
- 3) The *professional practitioner literature*, including trade journals, government reports, news articles, consulting studies, and other sources relating to the practice of public contract management.

While other literature streams such as contract law, business management, and economics may also address contracting, they rarely include research on the organizational and operational dimensions of contracting which was the focus of this study. Additionally, the chapter addresses the gap in the public contracting management literature where all too few theoretical frameworks are applied at the managerial level.

A number of shortcomings in the public administration and public management literature on contracting have emerged over the past two decades. First, the new public management discourse initially created a predominant orientation toward the normative and ideological aspects of contracting-out as a new form of public governance, overlooking the organizations, managerial routines and administrative processes necessary to make contracting successful. Second, studies have often treated the government as a single coherent buying entity without considering the complexity of the organizational and institutional environments involved or the stakeholder dynamics and information transactions that occur within the organizational field.

Third, studies often focus on the overarching policy and regulatory reforms and their impacts without regard to the managerial environment in which they must be implemented. Thai's (2001) systems perspective embraces such a macro level perspective. However, Cooper's (2003) integration-operations-separation model recognizes the neglected role of contract management operations within the legal and accountability policy frameworks often examined. Similarly, in proposing an allocative-structural framework of public procurement policy (in which *allocative* refers to an outcomes focus and *structural* refers to a process and organization focus), Snider and Rendon (2008) note recent trends supporting the structural dimension of procurement policy. These trends, such as the rise in centralized contracting offices and use of omnibus contracting vehicles, emphasize structures for decision-making authorities, and resources such as procurement staffs and support organizations.

Kelman (2007) argues that the field of organization studies has abandoned research of public organizations in favor of business organizations, while the field of public administration has ignored the methodological contributions of organizational studies. Perhaps as a result, the substream of government contracting research emerging from the organizational studies literature is very limited. Fortunately, Kelman himself is a procurement professional and public administration scholar. Along with Donald Kettl, he has established a solid bridge connecting public administration, organization studies, and public procurement (for example, the two collaborated on joint work in support of the 2008 Presidential Transition (Kettl and Kelman, 2007). This study aims to add to that stream by examining the institutional dimensions of government contracting organizations.

Within the professional practitioner literature, a different set of shortcomings are evident. We frequently see a predominance of the managerial best practices approach to inquiry, too often

relying upon professional opinions or anecdotal evidence. Further, a good deal of practitioner research is conducted by individuals or advocacy groups (such as consulting groups and industry representatives) that may hold an interest in specific outcomes or policy consequences of the research. Nevertheless, some recent doctoral studies and practitioner-initiated research in contracting organizations indicate promise for this literature stream.

Contracting within the Public Administration Literature

Contracting and the New Public Management

Although government contracting has long been an administrative field of practice within the public sector, it was largely ignored by the public administration literature until the rise of the new public management (NPM) movement in the early 1990's (Osborne and Gaebler, 1993; National Performance Review, 1993; Dilulio, Garvey, and Kettl, 1997; Bozeman, 1993; Behn 1996). A critical backlash against the NPM movement arose in the public administration literature, warning of the consequences of "running government like a business" (Box 1999) and the "hollow state" (Milward and Provan, 1993) in which governments, driven by models of business-like efficiency, become devoid of public service values and accountability to their citizens (Frederickson, 1999; Stivers, 2000, Terry, 1998). Despite this backlash in the literature, the managerial agenda for public governance progressed steadily. For example, many of the tenets of President Clinton's "National Performance Review" supportive of contracting were advanced in President Bush's "President's Management Agenda." (Guttman, 2003:290) President Obama has emphasized a need to curtail the contracting-out phenomenon and OMB has issued directives to reduce contracting and actually in-source some services back into the public sector (OMB, M-09-26, July 29, 2009). However, as noted in Chapter 1, public contract spending has continued to rise. Greve and Ejersbo (2005), Brown and Potowski (2004) and

Cooper (2003) have declared public contracting as an entrenched form of governance which is here to stay and warrants more attention from public administration scholars. The public administration and public management literature has, however, been somewhat slow to react to the problems of public contracting from a managerial perspective.

Kettl's organizational boundary perspectives

Kettl's *Sharing Power* (1993) was a hallmark work, widely regarded as a classic in the public management literature (Greve and Ejersbo, 2005; Kelman, 2004; Cooper, 2003), and one of the first to address practical problems of contracting management using theoretical economic and organizational frameworks. It draws upon elements of transaction cost economics (Coase, 1937; Williamson, 1975), principal agent theory (Moe, 1984; Arrow, 1985, Jensen and Meckling, 1976), and organizational behavior (Simon, 1976; Cyert and March, 1963) and case studies to support its argument for building an effective government contract management capacity. However, Kettl did not establish a specific definition of the "smart buyer problem" and his suggested prescriptions for improvement appear more as a generic conclusion than derived from his carefully drawn analysis. Although widely cited and recognized, *Sharing Power* did not spawn an overwhelming amount of empirical research to further explore Kettl's arguments such as his conception of the smart buyer problem. Much of the research that did emerge within the public management literature shortly after *Sharing Power* tended to focus on the decision to contract-out for public services, generally at the local government level, and their economic or political consequences (Prager, 1994; Miranda, 1994; Wallin, 1997; Hodge, 1999) and this body of literature has been largely inconclusive regarding the economic benefits of contracting (Greve and Ejersbo, 2005). Thus, a public management conundrum has emerged – while the economic efficacy of contracting has not been clearly proven, the practice has continued to gain

momentum and grow to essentially become a new form of public governance. In his 2009 book, *The Next Government of the United States: Why Our Institutions Fails Us and How to Fix Them*, Kettl again draws upon the “smart buyer” problem and the importance of contract management in a future networked age of blended governance. He emphasizes the central problem of boundaries in government programs and how they can confound effectiveness in cases such as the government’s response to Hurricane Katrina. However, despite its rich use of examples and cogent thesis, *The Next Government of the United States* still falls short in its promise of “how to fix” institutions that fail to deliver upon public expectations. Kettl acknowledges that research on tools is relatively scant (p.232), but it is precisely this gap in the public administration literature that is most deserving of attention.

Kelman, Cooper, Brown and Potowski and the emerging pragmatic research stream

Kelman (1999, 2002), Cooper (2003), Brown and Potowski (2001), Thai (2001), and Greve and Ejersbo (2005) are among the researchers who have declared contracting as an established new form of governance that is “not going to go away,” arguing that more attention is needed at the managerial and operational level. Nevertheless, the research examining the managerial aspects of this new model of contractual governance remains thin. Cooper (2003) takes a comprehensive look at the legal and historical foundations of contracting in the U.S. government, but also delves into problems at the operational level, to include the integration of project teams and developing the capacity to administer contracts. Domberger (1998) adopted an outsourcing view of the public contracting process, focusing on the contracting organization and comparing public and private sector models. Behn (1999) examined the emergence of performance-based contracting for public services and suggested various practical management strategies for avoiding pitfalls.

Among public administration scholars, Harvard University's Steven Kelman, a former Administrator of the Office of Federal Procurement Policy (OFPP), is perhaps the leading empirical researcher in the organizational and operational environment of federal contracting management. His 2005 book *Unleashing Change: A Study of Organizational Renewal in Government* and article in *Journal of Policy Analysis and Management* was based on an extensive survey of procurement professionals throughout the Federal government and an application of rigorous quantitative analysis (Kelman, 2005). An advocate of the procurement workforce and policy reforms, Kelman is active in Washington policy circles and is a featured columnist for *Federal Computer Week* on government procurement issues.

Steven Schooner of the George Washington University's Law School is also active in Washington's procurement policy circles but is somewhat less sanguine than Kelman on the outlook for recent reform initiatives. His 2001 article, "Fear of Oversight: The Fundamental Failure of Businesslike Government" (Schooner, 2001) was a critical response to Kelman's 1990 book "*Procurement and Public Management: The Fear of Discretion and the Quality of Government Performance*" (Kelman, 1990). While Kelman tends to take a managerial perspective in his writings, Schooner explores more of the legal and policy aspects (Schooner and Yukins, 2006; Schooner and Greenspahn, 2008; Schooner, Gordon and Clark, 2008). Both however, are strong advocates of building the government's acquisition workforce.

Brown and Potowski are also among the scholars addressing the gap in empirical research with a number of recent contributions. They examined investments in contract management capacity that municipal and county governments make in an effort to demonstrate the value of this capacity (2001); applied transaction cost concepts of Coase and Williamson in examining service-specific characteristics (asset specificity and service measurability),

information asymmetries and goal incongruence, non-competitive markets, and monitoring (2003); and the role of networks in addressing information asymmetries and established the importance of understanding network relationships for improving contract performance (2004). They also point to the importance of considering institutional theory as a complement to transaction cost theory, and the importance of their empirical findings in addressing concerns of the “hollow state” (2003). In 2006, Brown and Potowski joined with David Van Slyke to publish a capstone summary of their research in *Public Administration Review* (Brown, Potowski, and Van Slyke, 2006a), formulating a framework based on public-value preferences, institutional arrangements, and service and market characteristics. In assessing the state of public contracting research, the researchers argue that:

(T)o inform better the practice and study of contract management, scholars need a better understanding of economic theories about market and quasi-market failures, institutional theories about organizational design and behavior, and strategic management theories about how organizations adapt to changes in their environments.” (p329)

Importantly, Brown, Potowski, and Van Slyke’s article was the focus of a subsequent dialogue in *PAR* with commentary by other public administration scholars Piotrowski (2006), DeHoog (2006), Whitford (2006) and Reilly (2006). Brown, Potowski and Van Slyke’s response (2006b) to these commentators captures well the current state of public contracting research and serves to define the gap in literature that this study seeks to address:

In some ways, public administration has contributed to the development of the government contracting research by building on the scholarship that is at the intersection of (the fields of economics, law, organizational sociology, business management, and public administration) ... Yet contracting research has not fully realized the potential synergies of its position ... Contracting research often appears to focus myopically on a single and often narrow dimension of contracting ... but this should not come at the expense of placing conclusions within broader multidisciplinary discussions. (p86)

Greve and Ejersbo's institutional perspective

Greve and Ejerbo's *Contracts as Reinvented Institutions in the Public Sector* (2005) examined the notion of contracting as a new form of public governance from a comparative and cross-cultural perspective. Emphasizing institutionalists' long-held mantra that "institutions matter, Greve and Ejersbo's work is particularly relevant to this study in that it was the only research found that examined the institutional dimensions of government contracting while explicitly drawing upon Scott's framework of regulative, normative, and cognitive pillars:

"By going into a nation's historical experience with contracting out, we can examine how the regulative, normative, and cognitive structures influence how contracting out is implemented ..." (p.10)

Citing both Scott's pillars and Kettl's "smart buyer" questions as points of departure, Greve and Ejersbo proceed along the lines of policy analysis, employing Sabatier and Jenkin-Smith's Advocacy Coalition Framework (ACF) in two local government case studies. The objective of their research was to determine why contracting remains on the public policy agenda, which factors determine success, and how a country's "contract culture" influences its contractual governance process. While they did not apply institutional frameworks as a methodology, the findings of Greve and Ejersbo relevant to this study are that: 1) contracting will continue forward on the public agenda; 2) Kettl's "what to buy" decision is a process shared by many actors; 3) matching the design of the contract itself with assumed behavior of actors is an important with respect to the logics of appropriateness and consequentiality; and 4) the maturity of the contracting culture, for example, the level of "taken-for-grantedness," is an important factor in different situations.

Contracting Within the Organization Studies Literature

Public contracting research within the organizational studies literature has been limited and very little if any research within the institutional theory literature.¹⁹ Nevertheless, the promise of institutional organization theory in public procurement research is evident in several streams of the literature.

Kelmans's critique of public organization studies

Kelman (2007) has criticized the divergent paths of research in public administration and organization studies. As a procurement practitioner, his observations are particularly relevant to this study. He argues that mainstream organizational studies became increasingly drawn toward business schools and largely forgot the public sector; while public administration began ignoring the methodological advancements of organizational studies in public organization research, particularly as it relates to performance and causality. Kelman proposes a research agenda for organization studies to include a renewed focus on bureaucratic organizational forms and interorganizational production and governance, both of which are relevant to the institutional analysis of government contracting undertaken by this study:

Bureaucratic organizations' impact on performance and on alternatives to bureaucracy remain important to government. Research questions might, for example, include (a) interaction effects between *bureaucratic structure and dispositions*, or between internal rules and the nature of external (e.g., media) oversight in *explaining behavioral reactions to a bureaucratic environment*; (b) field experiments examining performance impacts of differentially *rule-bound or hierarchical environments in different decision situations and for different employees*; and (c) techniques that managers might use to counteract the signal a rule-bound environment sends that *one's job consists of nothing but following the rules*. (p249) (emphasis added)

¹⁹ Theoretical contracting models (as distinct from contracting management) are, however, core themes in the *new institutional economics* literature and its related streams of transaction costs and organizational economics. This abundant scholarly research in new institutional economics may well have contributed significantly to the New Public Management movement by rationalizing the theoretical underpinnings of privatization, outsourcing, and contracting out. In *Sharing Power*, Kettl himself draws upon the work of institutional economists Oliver Williamson and Ronald Coase in framing the smart buyer problem. Taylor's (2001) new institutional analysis of international offset arrangements in government procurement and West's (1998) analysis of asymmetric information in government contracts are representative of empirical studies within this stream. However, new institutional studies on government contracting management from the organizational and operational perspectives remain rare.

Contracting is a crucial way that public services are delivered ... compared to its importance in government, this domain is under researched. ... *For cross agency collaboration, questions involve incentives for collaboration and evolution of collaborative institutions ... as well as collaborations' impact on performance*, about which researchers know virtually nothing. Important questions about "governance" fall outside of the areas that mainstream organization theory has hitherto studied. (p.251) (emphasis added)

While Kelman advocates a renewal of empirical organizational research in public procurement, he has not explicitly endorsed applications of institutional theory, which is the central theme of this study. Nevertheless, the research agenda described above touches on several areas of institutional theory (as noted in the emphasized text).

Kelman's own empirical organizational research is demonstrated in his study of organizational change in the federal government (Kelman, 2005; 2006). He examined the impact of procurement reform during the 1990s, workforce downsizing, and the introduction of new competitive business models for buying offices. In contrast to some assertions from the business management literature, Kelman found that crisis may not result in successful change in government. In government, he notes that anger, blame, and resentment at perceived violations of a social contract are likely to be significant. The study is particularly significant methodologically because Kelman reached out to survey approximately 1,600 frontline government contracting officials (he has criticized what he views as a proliferation of discursive, empirically weak conceptual frameworks and "essayism" in public administration research (Kelman, 2007:227)). His role as former Administrator of the Office of Federal Procurement Policy, status as Weatherhead Professor of Public Management at Harvard University, and his active involvement in federal procurement policy debates likely added credibility and validity his inquiry.²⁰ However, it might be noted that the methodology used by Kelman in his 2005 study

²⁰ In my professional involvement in federal procurement programs (which are included as cases in this study), I recall occasions where procurement officials announced in open forum that they had been contacted by Professor

has been criticized for potential threats to validity involving the effects of intervention by the study (Bartunek, 2006).

Institutional perspectives on public sector contracting

In their study of government service production decisions (i.e. whether to deliver public services internally or via contracting), Brown and Potowski (2003) explored potential “institutional” explanations. In this study, they continued their orientation around transaction cost economics, using 1997 International City/County Management Association survey data. In concluding, they point to the importance of considering institutional theory as a complement to transaction cost theory:

It appears that institutional forces are at work promoting uniform production practices, yet not entirely the practices we expected. The professional association may serve as a network for warning members of the potential dangers of vendor opportunism when contracting with private firms. In this way, institutional forces reinforce governments’ individual responses to transaction costs risks. (p. 462). ... Institutional theory serves as a compelling and useful complement to transaction costs theory. A framework based entirely on purposive rationality, even bounded rationality, is incomplete without complements drawn from institutional theory. (p. 465)

In *Sharing Power*, Kettl draws heavily from the organizational studies literature, particularly Herbert Simon’s concept of bounded rationality and organizational learning (Simon 1991), principal-agent theory (Moe, 1984; Waterman and Meier, 1998) and transaction cost economics (Coase, 1937; Williamson, 1996; North, 1991). Simon’s seminal work on bounded rationality in administrative behavior (1945), for example, is invaluable for examining the pervasive problem of incomplete contracts. Taken together, these theoretical frameworks can provide a strong foundation for analyzing the transactional dimensions of government contracting. However, the complexity of the internal governance mechanisms for managing the contracting process invariably requires frameworks that go beyond the immediate buyer-seller

Kelman to participate in his research. My impression was that, unlike reactions to other employee surveys, they felt very privileged to be involved in the study.

transaction or make-buy decisions. Consequently, the neoinstitutional frameworks framed by Scott (1995), March and Olsen, (1989), DiMaggio and Powell (1983), Meyer and Rowan, (1977) and others constitute an important contribution stream from the organizational studies literature.

Noting the historical tendency of institutional theorists to focus on the passive constraints of institutional conditions, Lawrence and Suddaby (2006) introduce the concept of *institutional work* – the “purposive action aimed at creating, maintaining and disrupting institutions.” They argue that institutional work represents “an important part of the future of institutional studies in management and organization theory.” (p216). The potential of institutional theory is seen for its practical applications, such as in addressing the gaps between various rational actors in a given organizational field.

We want to break the dramatic spell of institutions and draw attention behind the scenes, to the actors, writers, and stage-hands that produce them. In this sense our call to attend to institutional work draws a distinctly political approach to institutions in which our core puzzle is to understand the ways in which disparate sets of actors, each pursuing their own vision, can become coordinated in a common project. (p.249)

In examining radical organizational change, a notion rarely addressed in the organization studies literature prior to 1980, Greenwood and Hinings (2006) examine organizational change in the context of several theories, including structural contingency (Burns and Stalker, 1961), resource dependency (Pfeffer and Salancik, 1978; Aldrich, 1979), population ecology (Hannan and Freeman, 1977). While acknowledging the paradox that neoinstitutional theory evolved from research into why organizations are so similar, they elaborate upon the strengths of their neoinstitutional model of change:

For us, neoinstitutional theory provides four key insights. First, it stresses the social processes whereby the choice-set of archetypal forms is constructed and sustained. That is, the theory approaches radical change, first, as change in the range of socially legitimated forms. Secondly, the theory notes the differential embeddedness of organizations within fields, which provides clues to the likely locus of institutional entrepreneurship. Thirdly, the theory articulates the role of theorization in the legitimization of new forms, giving explicit attention to how language is used to ‘persuade constituencies of the desirability and appropriateness of institutional deviance’

(Suddaby and Greenwood, 2005:37). Fourthly, it addresses why some organizations change whereas others do not, pointing to intraorganizational dynamics that link organizations to their context and direct their responses to it.(p. 831)

Scott (2008) embraces the prospect of institutional theory serving as a potential framework for change in his cautionary comment on the evolution of the field:

... institutional interpretations seem tailor-made to support conservative critics ... poised to employ a “futility thesis” that asserts that any attempt at reform is doomed to failure because of the “intractable” nature of society’s social fabric. ... By stressing the role of institutions as curbing and constraining choice and action, we ignore ways in which institutions also empower actors and enable actions. Those interested in redressing inequalities or pursuing other types of reforms can find inspiration and support from surveying and making judicious use of the variety of schemas, resources, and mechanisms that are to be found in any complex institutional field. Institutional forces can liberate as well as constrain. They can both enable and disarm the efforts of those seeking change. We must call attention to these possibilities in our scholarship. (p.220)

Fernandez-Alles and Llamas-Sanchez (2008:4) note that public service organizations possess characteristics that particularly lend themselves to study from an institutional perspective because of their distinctive social, legal, and economic environments and the importance of stakeholders and legitimacy as opposed to objectives of efficiency seen in the for-profit sector. Similarly, in their study of institutional isomorphism in public sector organizations, Frumkin and Galaskiewicz (2004) found that governmental organizations may be even more vulnerable to institutional forces than other organizations. These perspectives on institutional theory, although not directly addressing the challenges of government procurement, bear insightful relevance to this study. If institutional factors can be shown to influence or exacerbate the problems in public procurement, then addressing these factors might hold promise for effective procurement reforms that have remained elusive for so many years.

As discussed further in Chapter 4, Scott (2008) suggests that misaligned institutional pillars can lead to conditions of confusion and conflict – which motivate different choices and behaviors and can lead to institutional change. Pache and Santos (2010) take the notion of “conflicting institutional demands” as a point of departure in their examination of organizational

responses to such conflicting demands. They use the term institutional demands to refer to the various pressures for conformity exerted by institutional “referents” on organizations within a given field and assert that institutional conflicts are particularly likely to occur in fragmented and moderately decentralized fields. Drawing upon the work of Kratz and Block (2008) they note:

Conflicting institutional demands ... refer to antagonisms in the organizational arrangements required by institutional referents. Organizations facing conflicting institutional demands operate within multiple institutional spheres and are subject to multiple and contradictory regulatory regimes, normative orders, and/or cultural logics. (p.457)

Although Pache and Santos focus on how organizations respond to conflicting demands, their work is highly relevant to this study’s proposition of misaligned institutional pillars within federal acquisition management.

Suchman (2003) explored the neo-institutional nature of the contract itself as a symbolic social artifact (recall that artifacts are among the “carriers” of Scott’s institutional framework). Suchman argues that contract documents themselves, as distinct from contracting processes, doctrine, and governance, should be studied as independently interesting social artifacts:

Seen in this light, the microdynamics of contract implicate “technical” theories of transaction cost engineering and private lawmaking, and “symbolic” theories of ceremony and gesture. In a parallel fashion, the macrodynamics of contract implicate “technical” theories of innovation diffusion, path dependence, and technology cycles, and “symbolic” theories of ideology, legitimacy, and communication. (p.91)

Suchman’s study bears direct relevance to this study in that “the contract” serves as a symbolic artifact across the organizational field of a public procurement, the owner and controller of the contract (e.g., the contracting office) may be perceived as possessing significant institutional legitimacy. Loss of control of this solitary symbolic artifact may result in significant consequences for the organizational participants (generally the contracting office) considered to be held accountable for it, as noted by Krappe and Kallayil (2003) in their study of companies that were unable to locate contractual documents; and by the Department of Homeland Security’s Inspector General (DHS OIG-09-32 2009) which found that the Federal Emergency

Management Agency (FEMA) was unable to locate 27 percent of the contract files requested for review. The importance and organizational implications of the contract-as-artifact, as well as other institutionalized artifacts of the government acquisition process, will be explored further in the Chapter 4 analysis of the organizational field).

Organizational structure in procurement organizations

Several empirical studies which directly address government procurement organizations are noteworthy due to their sub-organizational level-of analysis, i.e., the purchasing office and contracting organization. In line with Brown and Potowski's focus on state and local contracting, McCue and Pitzer (2000) examined trends in centralization versus decentralization among local government purchasing departments. McCue and Pitzer's study is among the few studies found that examine alternative organizational structures for purchasing decision making. This centralization trend has also been observed within the U.S. federal government level by Schooner and Yukins (2006:9-7) who noted the centralization of purchasing as a distinct stage in the "devolution" of the government contracting function.

Njie's (2003) dissertation research on organizational relationships examined the perceived value added by the procurement department by other departments within a large information technology company. Her inquiry reveals an interesting "us vs. them" view of procurement department by line divisions within the company, which may be directly relevant to government contracting. A procurement specialist with Hewett Packard Corporation at the time of her study, Njie sought to confirm her proposition that the procurement department is perceived as a strong financial asset for the company (p12). Noting that the literature on the procurement function in terms of organizational development is extremely limited (p.13) she collected data via semi-structured interviews of company personnel to measure perceptions

based on the 7-S McKinsey framework of structure, strategy, systems, shared values, skills, style, and staff. Njie found that the role of the procurement department was viewed as helpful in accomplishing standard tactical purchasing needs of the company. However, she found the office lacked credibility within the company by taking too much time to process purchases and not being collaborative – a primary shared value of the company. Some direct observations from her interviews included the following:

- Procurement is not always invited to participate in purchasing negotiations or decisions (p45)
- Procurement is brought into discussions only after a supplier is selected (p47)
- Procurement does not always understand the business unit needs and will occasionally be bypassed (p47)
- The issue of time appeared repeatedly ... “until this issue is resolved, credibility cannot be restored.” (p67)
- Procurement is centralized and regarded as a transactional organization only (p48). “Quite frankly, the Marketing group would prefer to see a decentralized organizational structure that provides a dedicated procurement representation on-site at the Marketing Department to provide exclusive support ... Many people in Marketing view ‘view the procurement department as bottlenecks’ to their creative projects ...” (p64)

Two noteworthy studies of Department of Defense (DoD) contracting operations were Stonerock’s (2003) dissertation research and Kovack’s (2008) graduate school research paper at the Naval Post Graduate School. Stonerock conducted his study of impediments to knowledge sharing among DoD contracting organizations within the context of an exhausted literature review of organization studies and social psychology, noting “a strong plea for scholars to execute more multi-disciplinary, theory-based, actionable research, focused on the real problems of front-line leaders and managers.” (p.279). He utilized responses from a written survey questionnaire of 600 personnel at 79 contracting organizations across the three military services. The questionnaires solicited knowledge sharing practices in such areas as; perceived time available to communicate with other organizations; convenience of access to other organizations; perceived need to communicate with other organizations, perceived willingness of others to share information, and current levels communication. Among his findings, Stonerock concluded that procurement personnel in his survey were willing to seek and share information

with colleagues but that the lack of access to sources of information was a primary impediment. Kovack (2008) applied a Contract Management Maturity Model and an Organizational Culture Assessment Instrument to the contracts organization of the Naval Air Systems Command. He observed that, of the six stages of contract management processes, only contract closeout constituted a low “basic” level of maturity. The other stages (procurement planning, solicitation planning, source selection, and contract administration) were assessed at a higher “structured” level, with some divisions exhibiting the highest “integrated” level. The culture of the five divisions was shown to fall into the instrument’s various categories of “adhocracy,” “market,” “hierarchy,” and “clan.”

Networks, boundaries, and inter-organizational collaboration

Network theories represent an important emerging stream from the organizational studies literature – challenging views of hierarchies and markets as effective governance mechanisms for addressing complex social problems (Salancik, 1995; Milward and Provan, 1998; Weber and Khademian, 2008). In examining the relational aspects of networks (in contrast to their opportunistic aspects), Greenwood and Hinings (2006) suggest that networks are grounded in the logic of neoinstitutional theory:

(The relational approach to networks) sees the benefits of networks arising from social norms that enable the coordination and cooperation by removing the fear of opportunism and malfeasance. An actor’s social capital is a function of the normative strength of the network ... The relational approach ... emphasizes how networks arise from concerns to identify trustworthy partners. Here, the underlying imagery is sociological, reflecting institutional theory. (p. 823)

Although Kettl (1993) scarcely mentions networks in *Sharing Power*, his subsequent revelations of the dysfunctional effects of boundaries and hierarchies in complex non-routine government problems and success stories involving extra-organizational networking (Kettl, 2007; 2009) suggest collaborative networks as a prescription for the smart buyer problem.

Weber and Khademian (2008) point to the softer dimensions of networks and the mindset of managers in facilitating the transfer, receipt, and integration of knowledge across participants.

They identify several characteristics of knowledge sharing in network settings that are relevant to this study's examination of the smart buyer problem:

... in order to process information among participants in a network or organization, boundaries are viewed as surmountable through a common language or a compatible means of transfer. A common language, common code, common computer capability, common set of training guidelines and procedures and so on, will facilitate the transfer of knowledge. (p.338); ...

Different experiences, different cultures, different approaches to language, and different relationships among the players would all inhibit the transfer of information. (p.339)

They emphasize further that the problem of knowledge transfer must be understood in the context of the hard-won "practice" among the participants. Their quote from Carlile's (2002) study of knowledge sharing among two different divisions in developing a new product is particularly relevant to this study:

They are reluctant to change their hard-won outcomes because it is costly to change their knowledge and skills. The cross-boundary challenge is not just that communication is hard, but that to resolve the negative consequences by the individuals from each function they have to be willing to alter their own knowledge, but also be capable of influencing or transforming the knowledge used by the other function. (p.339)

One of the enduring criticisms of network theory is that network structures, by their nature, are so complex that they defy practical applications or meaningful analysis. However, the mapping of a network's ultimate structure is not necessarily the objective of network analysis. For the purposes of framing this study, it is recognized that network processes may be complementary to institutional processes. For example, to the extent that institutional characteristics within a given hierarchy prevent effective collaboration toward an agency's acquisition objective it may be institutionalized networks, and the communication processes that they facilitate, that offer a possible solution.

The Government Contracting Practitioner Literature

The practitioner literature is an important foundation for this study because it represents the narratives, opinions, and empirical studies of the professional practitioners of the field. The practitioner literature identified for this study includes publications by professional associations that focus on the government contracting environment: the National Contract Management Association (NCMA); government policy organizations (e.g., Office of Federal Procurement Policy (OFPP) and Federal Acquisition Institute (FAI), government oversight organizations (e.g., U.S. Government Accountability Office (GAO), Congressional Research Service, and agency Inspectors General (IGs)), advocacy groups (e.g., the Professional Services Council (PSC), consulting groups (including for-profit and non-profit consultancies), and the growing presence of opinionated industry periodicals such as *Government Executive*, *Federal Computer Week*, and *Washington Technology*. Reports from the GAO and agency IGs perhaps constitute the most important stream of practitioner literature, in terms of their dissemination and impacts on practitioners. Further, GAO and IG reports are generally based upon empirical data and methodologies of generally accepted audit principles. Because of the extensive number of GAO and IG reports released annually on federal contracting practices and acquisition programs, they are not covered individually under this literature review.

Refereed practitioner journals

Three scholarly or refereed journals that are representative of the practitioner literature are; the *Public Contract Law Journal*, published by the American Bar Association's Section on Public Contract Law; the *Journal of Contract Management*, published by the NCMA; and the *Journal of Public Procurement*, sponsored by the National Institute for Governmental Purchasing and the Florida Atlantic University's Public Procurement Research Center. Within

the defense acquisition community a number of research forums and resources are available, principally through the Defense Acquisition University (DAU), including DAU's Acquisition Knowledge Support System (AKSS) website and publications such as *Acquisition Review Quarterly* and *Defense AT&L Magazine*. Commercial organizations such as Commerce Clearing House, Thomson West, Educational Services International (ESI), Management Concepts International (MCI) – often in coordination with universities and non-profit associations – also produce publications which constitute credible contributions to the practitioner literature. An increasingly important evolution of the contracting practitioner “literature” is the move towards website blogs and discussion forums such as DAU's “Ask the Professor” and “Where In Federal Contracting” (www.wifcon.com).

Even within this professional and practitioner literature, empirical studies addressing the organizational environment of government contracting operations are relatively rare. Many of the articles on the organizational environment of contracting in *Contract Management* magazine, a publication of NCMA, are grounded in the “world-class / best practices” rhetoric of business management or change management fields with little empirical basis.²¹ A majority of the articles in *Contract Management* magazine are submitted by consultants, attorneys, and industry representatives, as opposed to current government managers.²² The quality of articles in NCMA's refereed *Journal of Contract Management* has also been the subject of criticism by some observers.²³ For the purposes of this study, one of the notable exceptions was an article by Goldstein (2009) in which the public consciousness of the field of government acquisition was

²¹ By way of illustration, one article in *Contract Management* magazine exemplifying this category was “Critical Issues in Organizational Development,” (April 2005, p.4). Its title alone might suggest it to be an excellent resource for this study. However, at one-page in length, it contained no research references or evidence of reliance upon empirical data.

²² This observation is based on this study's survey of author's biographies from articles published in *Contract Management* magazine from 2003 through 2009. See Chapter VIII Findings and Analysis.

²³ In the the ----- issue, editor Described a conversation with Prof. Steven Schooner in which the quality of previous journal articles was a concern.

examined through the narratives in the practitioner literature and the lens of social constructivism:

A thorough review of some of the major publications relevant to the acquisition community has typically revealed, until very recently, a dearth of articles and research attempting to apply social theory to government acquisition. However, there are two very notable exceptions to that finding. A recent piece in *Defense AT&L Magazine* contends that certain constructivist-related frameworks could be very instructive for the acquisition community. The article's authors build on one variant of social constructivism that focuses on the role metaphors play in creating a new meaning in one concept via indirect connection to another, seemingly unrelated concept. They specifically warn that collectively held metaphors in the workplace can, in fact, become self-defeating, self-fulfilling prophecies. (p.35)

Practitioner recognition of conflicting organizational roles

The phenomenon of inter-organizational conflict in acquisition programs is a central concern of this study and one which has been addressed in the practitioner literature. Garrett (2003), Goldstein (2009) and Lewis (2009) are among authors in the practitioner field who have addressed the roles and responsibilities of program managers and contract managers and the conflicts that often arise. Garrett and Rendon's book "U.S. Military Program Management: Lessons Learned and Best Practices" (2007), used case studies and extensively addressed the roles and responsibilities of participants within the organizational field known as the "integrated project team." Deneault and Stambaugh (2007) contributed a chapter in the book in which the nature of the conflict between the contracting officer and the program manager was specifically examined:

Successful program execution requires the efforts of many people, but especially the Program Manager (PM) and Contracting Officer (CO). Yet despite the necessity for PMs and COs to work together effectively, there can be a great deal of conflict between them. (p.123) ...

Although the PM is officially in charge, the CO is the only member of the project team who can challenge the PM's authority and participate in decision-making, because of the nature of the position and/or the (Contracting Officer's) warrant. (p.124) ...

It is worth noting that the CO position has burgeoned over recent years to include an expanded knowledge base and increased discretion as many mandatory rules have been eliminated through the Federal

Acquisition Streamlining Act and related initiatives. The CO has therefore become more visible in developing strategy and tactics and shaping the deal.(p.125)

This description of the conflicting roles of the program manager and the contracting officer is reinforced in Goldstein's (2009b) *Contract Management Magazine* article which provides an insightful, albeit sanitized, case study of a "dysfunctional" government program office.

The drama of this conflicted relationship had been quite intense at times. On multiple occasions, the contracting officer had actually locked the office door to prevent the program manager from coming in. He had also hung up the phone in the middle of a conversation out of anger. ... To say the relationship between the contracting officer and the program manager was a pathological one would be no stretch of the imagination. (p.56)

Goldstein's case study included a detailed description of the participants and the problem, an organizational diagram, and a proposed solution. He suggested that this conflicting relationship could partially be understood through the lens of bureaucratic politics described by Allison (1971) and the rational bargaining processes that take place among players positioned within a hierarchy. "In other words, government outcomes result from political bargaining from bureaucrats who incessantly represent the interests of their subcomponent of the organization" (p. 57). However, it was reducing the level of the personal intensity of the conflict – a dimension that Goldstein could not easily explain via theories of bureaucratic politics – that was recognized as the "Wildly Important Goal" (Covey, 2006). Implementation of an integrated product team (IPT) involving the key participants was one solution that helped resolve the dysfunction. Kelman, a frequent contributor to the professional practitioner literature, has also weighed in on the discussion of conflicts between program managers and contracting officers. Conflicts in the exchange of procurement packages between the two offices were addressed in Kelman's 2010 commentary in *Federal Computer Week*:

In many cases, the program office throws a procurement document over the fence to the contracting team, which then makes comments and sends it back to the program office for rework. This is a lose-lose proposition, both wasting time and lowering quality. ... a group effort can take advantage of the ideas and expertise of the contracting folks, which makes for a better document.” (FCW, April 12, 2010, p.17)

Lewis’ *CM Magazine* article “Creating Synergy between Program Managers and Contract Managers” was based on a survey of participants in NCMA’s Contract Management Leadership Development Program class of 2008-2009 and other individuals. She observed that the biggest issues between contract managers and program managers were having a clearly defined description of duties, roles, and responsibilities; determining who has contractual authority; communications; cooperation; and lack of appropriate education (Lewis, 2009 p. 64). Her article is of direct relevance to this study by noting the respective normative characteristics of contract managers and program managers:

In examining the commonalities that program managers and contract managers have in the vocations, it is evident that both professions have certain similarities, including Professional associations (i.e., the Project Management Institute (PMI) and the National Contract Management Association (NCMA); A defined body of knowledge (the Project Management Body of Knowledge (PMBOK) and the Contract Management Body of Knowledge (CMBOK); A code of ethics; A research arm (i.e., the PMI and the Contract Management Institute (CMI); and Credentialing or certification programs. (p. 60)

In taking a sales and marketing perspective in “Exactly Who is the Government Customer?” Reid (2006) explores the differences in motivations among representatives of the program office, finance office, and contracting office. The article strongly supports the initial propositions of this study that the three offices have fundamentally differing characteristics:

The three pieces of the puzzle that must be put into place are the technical or requirements interest, the financial interest, and the contracting officer (CO) interest. While all three are motivated by value to the taxpayer, they also hold very strong divergent interests, and each is embodied in separate people with separate responsibilities. ... (T)he technical representative wants the requirement to be filled as quickly as possible. ... To them, the “mission” (whatever that may be in a particular circumstance) has to proceed. The person sitting in the finance chair is charged with protecting the public funds and ensuring that they are used specifically for the purpose designated by Congress. ... (T)hey have very strong feelings about not violating the Ant-Deficiency Act. ... The CO needs the requisition from the technical monitor, and needs the approval of funds from finance. The CO also needs to make sure that socioeconomic goals are being met, that the *Federal Acquisition Regulations (FAR)* are being followed, and that the contract file and decision process

reflected therein have been properly documented. The CO is concerned about protests, competition, and measures imposed on him or her, such as procurement acquisition lead times ... (p. 10-11)

Elsewhere in the contracting practitioner literature some observers have observed a trend of diminishing authority and influence of contracting officers relative to other participants in the acquisition process. Falcone (2010) observed that the position of Chief Acquisition Officer (CAO), created by the Service Acquisition Reform Act of 2003, is often filled by an individual having dual reporting responsibilities. He argues that CAOs have yet to achieve authoritative organizational parity with CFOs or CIOs. From a regulatory and statutory perspective, Pachter (2010) provided evidence of how the contracting officer's authority has been eroded in recent years by Congress, court decisions, inspectors general, and auditors of the Defense Contract Audit Agency (DCAA).

Concepts of efficiency and customer service in the practitioner literature

Much of the practitioner literature adopts an advocacy tone on reform and managerial efficiencies which in itself constitutes an interesting data dimension for this study. For example, within the practitioner literature, much attention has been focused on "interagency contracting" and the laws, organizations, and contract vehicles that facilitate its use. This topic, scarcely addressed within the public administration or organizational studies literature on government contracting, is highly relevant to this study because of its organizational and institutional implications. Towles' (2003) article in *Contract Management Magazine* argues pointedly in support of the trend towards centralized contracting functions in the federal government – the devolution trend observed by Schooner and Yukins (2007) and others. Towles argument that federal acquisition offices should compete with each other for opportunities to best support other agency procurement requirements invokes the reinventing government principles of the NPM movement. The rise in popularity of centralized customer-centric contracting functions in the

1990s (e.g., the General Services Administration's (GSA) Federal Supply Schedule and Federal Acquisition Service and the Department of Interior's National Business Center) was somewhat tarnished by incidents of abuse (GAO 06-996, 2006). However, the practitioner literature indicates that this form of contracting will have significant staying power. When representatives from GSA's Office of Assisted Acquisition Services (AAS) and the Department of Interior's Acquisition Services Directorate (AQD) spoke at an industry event to promote their services for economic stimulus contracting, *Federal Computer Week* featured their photos on the cover under a banner "Smackdown!" (Weigelt 2009a)

(Both AAS and AQD are speeding to the stimulus rescue, each hoping to be the first on the scene in a highly competitive – and image-repairing — procurement services process. It's already shaping up as the acquisition showdown of the century. Officials at both organizations say their experts are ready to step in and put stimulus-related spending on the fast track. They both can manage customer agencies' entire procurement process from planning, soliciting and evaluating bids to awarding and administering contracts.

Weigelt's (2009b) coverage of an industry conference for *Federal Computer Week* sparked a similar response regarding GSA's popular governmentwide acquisition contracts (GWACs). When a GSA executive alluded to the possibility that some of the GWAC contracts might be retired or consolidated, GSA was forced to reframe the executive's comments in order to calm the backlash (Weigelt, FCW 7/06/2009). The institutional implications of inter-agency contracting are addressed in Chapter 4 - Analytical Frameworks, Chapter 5 - Cases, and Chapter 6 – Findings and Analysis.

Other analyses, opinions, and commentaries within the industry publications are valuable for this study's examination of the normative and cultural-cognitive dimensions of the organizational participants, especially in sense-making of their day-to-day work routines. Vernon Edwards, a well published and veteran contributor to the practitioner literature, is also a prolific blogger on the www.wifcon.com website where his interactive discussions and

interpretations of contracting regulations and trends in the contracting profession are highly regarded. His blog posts and commentary give an insider's insight into many the day-to-day work challenges facing acquisition professionals. Edwards' comment on the proliferation of automated contract writing systems in contracting offices provides such an example:

I hate (automated contract writing) systems like PD2, even while I recognize that they are useful. It seems to me that what's happening is that people who should be thinking about contracting are spending too much time thinking about how to use the contracting "tool" and make it work. Each new "fix" forces them to think about it some more. Instead of writing change orders, the poor CO is trying to figure out how to get PD2 to kick out a change order in reasonably short order. The change order isn't the focus anymore. The focus is the change order writing tool. (blog post to www.wifcon.com Jul 16 2009, 03:17 PM)

Steve Charles (Washington Technology, 4/10/2006:17) commented on the problem of the government acquisition community trying to settle upon a definition for its own field in the context of trendy terms (acquisition ("big A") versus contracting ("little a") and "procurement"):

We need to take a closer look at the taxonomy and terminology we use to codify and explain this multilayered, multifaceted, multiyear discipline we call acquisition, so that communicating about it among ourselves need not bring to mind Dr. Seuss or the Scarlet Letter, (p.17)

Similarly, in *Acquisition Review Quarterly*, Lloyd (2000) states:

A profession that cannot agree on its own name runs the risk of not being taken seriously. Beyond the obvious problem with terminology, for contracting professionals to feel a compulsion to perform an even broader range of activities than just contracting alone is to beg the question of whether we have "gotten contracting right" in every sense. The answer to that question is "no." (p.256)

In arguing for a greater "public profile" for contracting officers, Petrillo (GCN 8/28/06:22) cites a court case in which the contracting officer's silent presence in a meeting with the contractor amounted to acquiescence to the program manager's commitment to fund the project. He suggests that agency websites include a list of all contracting officers along with a description of their warrant levels and any restrictions. The constant attention paid in the practitioner literature toward increased training, certification, and professionalization of the acquisition workforce (Newell; WT 10/24/07) along with calls for greater responsibilities and

higher placement of acquisition officials within the agency hierarchy may result in significant, if not unintended, consequences. After all, practitioners often read the practitioner literature and its impacts on the sense-making, values, beliefs, sense-of-duty, scripts, routines, and identities of participants from a normative and cultural-cognitive perspective is an important dimension to explore.

Literature Review Summary

This chapter examined streams of the public contracting management literature rooted in three separate categories of literature – public administration, organization studies, and the professional practice. Although government contracting is also addressed within the law and business management studies these bodies of literature, with certain exceptions, were not considered as relevant to the study. Clearly, managing government contracts is an important function of the field public administration. However, the review noted that contracting management has only recently received attention within the mainstream public administration literature. The works of Kettl (1993, 2002, 2008, 2009), Kelman (2005, 2006, 2007(a)(b), (2008), Cooper (2003), and Brown and Potowski (2003(a)(b)(c), 2004, 2006) have been noteworthy in moving the literature from normative policy retrospectives toward empirical inquiries into management practices. The organization studies literature was reviewed for potential contributions of institutional theory and other organizational theories to government contracting – not so much to search for a substream of contracting management studies. The works of Kelman (2005, 2006, 2007(b) have contributed not only to mainstream organization studies literature, but also to government contracting and public management. Scott (2008), Lawrence and Suddaby (2006), and Greenwood and Hinings (2006) began to depart from other institutional scholars in showing that institutional theory may help explain forces of

organizational change – not just organizational stability and resistance. The graduate research of Njie (2003) and Stonerock (2003) and Kovak (2008) draws upon organizational theories in studies of contracting management organizations. In the review, the professional practitioner literature was found to be represented by *Contract Management* magazine, *Journal of Contract Management*, *Journal of Public Procurement*, *Acquisition Review Quarterly*, and *Defense AT&L* magazine. The works of Schooner and Yukins (2005,2006), Garrett (2003), Goldstein (2009), Lewis (2009), and Snider and Rendon (2008) were particularly relevant to this study. Reports from the GAO and agency inspectors general – often highly influential in contracting practitioner circles – were also considered part of the practitioner literature and were relevant to this study.

Gap in the Literature

As noted above, a number of scholars have called attention to the need for more scholarly and empirically-based research in government contracting, especially given its importance to public governance. Within each of the overlapping categories of literature examined, the review found evidence of growth in contracting research, especially in the public administration and the contracting practitioner streams. Kelman, Kettl, Cooper, and Brown and Potowski, have made noteworthy scholarly contributions to the public administration and public policy literature. Kelman joins Schooner, Yukins, Goldstein, Garrett, Edwards, Snider, Rendon, and Lloyd (and collectively, reporters, columnists, and bloggers for *Federal Computer Week*, *Washington Technology*, *Government Computer News*, and *Government Executive*) in making significant contributions to the practitioner literature. Across both of these streams, however, there remains a significant need for more empirically-based work.

Unfortunately, it is the mainstream organizational studies literature where research on government contracting is most notably absent. While the contributions of Kelman and Kettl

come close to addressing this gap, the contributions of graduate researchers Stonerock, Njie, and Kovac serve to illustrate how important empirical studies can be at the sub-organizational level of analysis (even by graduate students!). Nevertheless, major gaps remain in addressing government procurement from the perspective of organizational studies. Many policy prescriptions, reform efforts, and operational practices in government contracting take on emphatic organizational dimensions. Examples include legislation creating the position of the Chief Acquisition Officer and other agency-specific acquisition functions, the trend in elevating the acquisition function within agency hierarchies, and the centralization of acquisition functions into specialized organizations such as GSA's Federal Acquisition Services and Department of Interior's National Business Center. Pursuing such initiatives without the solid grounding of empirical organizational research is likely to perpetuate conditions that characterize the smart buyer problem. It is hoped that this study will help address this gap by exploring the institutional theory stream of organizational studies literature, and how it might be applied toward understanding and improving government contracting outcomes.

CHAPTER 3 – METHODOLOGY

The methodology begins with the institutional analytic frameworks developed by Scott (1994, 2001, 2008) and proceeds to define an organizational field characteristic of federal acquisition management. Multiple qualitative approaches are used to derive institutional characteristics of this organizational field and offer possible institutional explanations for problems in managing government acquisition programs.

As noted in Chapter 2, contracting research at the operational level is confounded by a number of practical methodological challenges. Consequently, I developed a multi-approach qualitative research methodology relying heavily upon publicly accessible data, supplemented by data from autoethographic accounts, policy document content analysis, and individual case studies. This approach aligns with Patton's (2004) three categories of qualitative data (written documents, direct observation, and interviews) and employs a "triangulation" of findings to reach plausible explanations. Because of the essential holistic nature of the study, the methodology relies more on breadth than depth of inquiry, which is a recognized limitation of the study (see Limitations of Study, Chapter 7).

The study begins with a series of research questions and iteratively explores plausible answers using Scott's analytic framework and analyses of data from multiple sources. It uses the qualitative research perspectives of *heuristic inquiry*, *social construction* and *analytic induction*. Through a systematic review of artifacts, cases, and personal reflection, the study explores how operational realities of acquisition management might be constructed by organizational participants within institutional contexts. This "social construction of reality" component of the study is significant. It helps address a gap in the literature by examining the organizational

behavior aspects of public contracting. The study embraces the concept of modified analytic induction described by sociologist Jane Gilgun:

In analytic induction, researchers develop hypotheses, sometimes rough and general approximations, prior to entry into the field ... or prior to data analysis. These hypotheses can be based on hunches, assumptions, careful examination of research and theory, or combinations. Hypotheses are revised to fit emerging interpretations of the data over the course of data collection and analysis. ... Originally developed to produce universal and causal hypotheses, contemporary researchers have deemphasized universality and causality and have emphasized instead the development of descriptive hypotheses that identify patterns of behaviors, interactions, and perceptions ... (Gilgun, 1995, 268-269, in Patton 2002 493-495)

Similarly, the eminent late sociologist Donald T. Campbell:

More and more I have come to the conclusion that the core of the scientific method is not experimentation per se but rather the strategy connoted by the phrase 'plausible rival hypothesis.' This strategy may start its puzzle solving with evidence, or it may start with hypothesis. Rather than presenting this hypothesis or evidence in the context-independent manner of positivist confirmation (or even post-positivist corroboration, it is presented instead in extended networks of implications that (although never complete) are nonetheless crucial to its scientific evaluation (Donald T. Campbell, Forward, Yin, 2009, p.vii)

Research Questions

A set of research questions were formulated that could be addressed in a systematic fashion.

The overarching research question is as follows:

Are there differing institutional characteristics within the organizational field of government acquisition that might help explain the systemic nature of problems in managing acquisition programs?

This overarching research question is followed by the following subset of questions:

1. Is it valid to assume that the program office, the contracting office, and the budget/finance office (or their functional equivalents) are the key participants in the organizational field for managing an agency's acquisition program?
2. What are the *regulative*, *normative*, and *cultural-cognitive* institutional characteristics of the program office, the contracting office, and the budget/finance office?
 - (a) Are there differences in the *regulative* institutional characteristics of the program office, contracting office, and budget office?
 - (b) Are there differences in the *normative* institutional characteristics of the program office, contracting office, and budget office?

- (c) Are there differences in the *cultural-cognitive* institutional characteristics of the program office, contracting office, and budget office?
3. To the extent that differing institutional characteristics are found between the program office, contracting office, and budget/finance office, what evidence exists to suggest that these differences constitute misalignments that may adversely affect the management of acquisition programs?

The steps of the methodology, and their general alignment with the research questions and data collection techniques, are depicted in the following table:

Table 3.1 Methodology

<u>Data Collection Techniques:</u>	Methodology Steps (✓ = primary focus)				
	<u>Step 1</u>	<u>Step 2</u>			<u>Step 3</u>
	Validation of the Organizational Field	Analysis of Institutional Characteristics using Scott's Framework			Synthesis of Findings
	Question (1)	(2a)	(2b)	(2c)	Question (3)
Autoethnography / Interviews	✓		✓	✓	✓
Content Analysis	✓	✓			✓
Case Studies	✓				

Description of the Multiple Approach Strategy

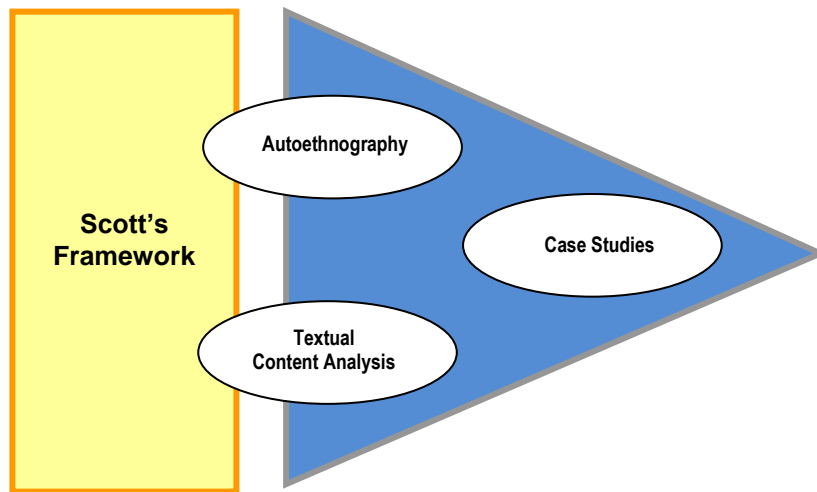
By using a variety of data sources and analytical approaches, a qualitative research study can build upon the strengths while mitigating the weaknesses of any single source or approach (Patton, 2002 p307). Thus, this study relied upon the “triangulation” of multiple forms of data collection and analytical techniques. Triangulation (Denzin, 1978) is an approach, commonly

recognized in the social sciences, in which multiple forms of data and approaches are used to increase the validity and reliability of a study.

Triangulation within a qualitative inquiry strategy can be attained by combining both interviewing and observations, mixing different types of purposeful samples or examining how competing theoretical perspectives inform a particular analysis ... The ideal-typical qualitative methods strategy is made up of three parts: (1) qualitative data, (2) a holistic-inductive design of naturalistic inquiry, and (3) content or case analysis. (Patton, 2002 p.248)

The general triangulation approach employed in this study is depicted in the following figure:

Figure 3.1 – The Study’s Triangulation Schema



Designing and conducting acquisition management research at the operational level of analysis is a challenging proposition. In Chapter 2, I discussed the problem of empirical research in public procurement – a “nested structure of systems within systems” – systems in which data is often protected and access to subjects is difficult. While this research problem is particularly acute in public procurement studies, it is also reflective of the larger problem of organization research in general. Because of the complex social contexts associated with organizations, empirical approaches that apply narrowly defined dependent and independent variables and

quantitative data sometimes may be replete with problems of construct validity. On the other hand, ethnographic approaches and participant observation may be too broad and general to offer even a remote possibility of causality. In reviewing the history and shortcomings of research in organization studies, Czarniawska (2008) observed that modern management occurs in a “net of fragmented, multiple contexts, through multitudes of kaleidoscopic movements” and argues that traditional ethnographies may not offer the best approach in studying contemporary organizations. She suggests new approaches that may hold promise such as shadowing of subjects, diary studies, following objects (i.e., tracking of artifacts or system records), and multi-perspective monographs. Similarly, in commenting on methodological shortcomings in the “old” traditions in institutional economic research, Parto (2005) noted that the field’s traditional propensity toward mathematical models and statistical techniques could be improved by adopting a more pluralist methodology to include surveys, interviews, and participatory observation.

Role of the Researcher

This study was conceived and conducted entirely by the author, with advice and guidance from the dissertation committee. All data collection, analyses, and case interviews were conducted by the author alone. Because of my 29 years of experience in federal acquisition programs, I brought knowledge to the study that allowed me to identify data sources, conceptualize patterns and trends, and otherwise add value to the study. In the words of the imminent American sociologist C. Wright Mills (1959):

(Y)ou must learn to use your life experience in your intellectual work: continually to examine and interpret it. In this sense craftsmanship is the center of yourself and you are personally involved in every intellectual product upon which you may work. To say you can “have experience,” means, for one thing that your past plays into and affects your present, and that it defines your capacity for future experience. As a social scientist, you have to control this rather elaborate interplay, to capture what you experience and sort it out; only in this way can you hope to use it to guide and test your reflection, and in the process shape yourself as an intellectual craftsman. (p.7-1)

However, this experience also shaped personal views that that needed to be recognized as a potential source of bias. In an attempt to apply this experience while controlling for bias, I segmented a portion of the research into an “autoethnographic” inquiry. This approach, discussed in more detail below, openly recognizes my own personal views and self-lived accounts, but applies them in a manner that is separate from the other data sources in the study.

Data Sources and Collection Techniques

Since existing data of the type and amounts needed was not available for this study, it was necessary that data be extracted and compiled using a variety of means.²⁴ Effective studies of public procurement management and organizations may necessarily call for such multiple and blended research approaches, along with some level of technical knowledge by the researcher in order to understand the many aspects of data retrieved at the operational level. Ideally, effective contracting research would stem from the analysis of volumes of data collected from the operational environment of many different types of acquisition programs. Researchers would be able to reach deeply into the operations of these programs to observe, become knowledgeable of the programs, and synthesize findings into generalizable conclusions. However, collecting managerial data in the environment of public sector contracting is exceedingly difficult. Various accessible data sources can, however, be adapted. For example, audits, investigations and other study documents are available in the public domain in the form of GAO reports, agency inspector general audits, and sponsored studies. In these efforts, programs and program participants are surveyed by investigators who carry with them some degree of technical

²⁴ There are examples of contracting research using existing databases. In their early empirical studies of contracting-out decisions by local governments, Brown and Potowski (2003a; 2003b) used data from International City/County Management Association (ICMA) 1992 and 1997 surveys of municipal and county governments on alternative service delivery and from the 1997 U.S. Census of Governments.

expertise as well as the legitimacies conferred by their professional status or executive direction. Additionally, agency websites are increasingly becoming rich sources of information on performance metrics and management operations. Mining data from such sources in a meta-analysis fashion (O’Sullivan and Rassel, 1999 p. 43) using internet searches and content analysis of texts, was one of the techniques adapted for this study.

After a brief attempt at drafting questionnaires, I decided not to use written survey techniques for data collection. While some scholarly studies have effectively incorporated written survey methodologies for data collection (e.g., Kelman 2005; Stonerock, 2003), I contend that conducting written surveys of staff involved in procurement programs can be inherently problematic. First, responding to surveys can be time consuming and individuals working in acquisition positions are extremely busy. Second, it can be difficult to construct meaningful written questionnaires that will elicit accurate responses in a unique program environment while keeping them brief.²⁵ Finally, surveys may create perceptions of managerial agendas, whether real or not. Not only is procurement program information often proprietary and protected by legal statutes, but procurement programs are frequently targets of audits, investigations, and negative press coverage. Thus, acquisition management staff may be reluctant to participate in surveys and the questionnaires and their responses may not accurately reflect upon the dynamics of institutional effects sought by this study. As noted by O’Sullivan and Rassel (1999):

²⁵ Stonerock’s 22 question survey of Department of Defense procurement personnel was well-designed and had an impressive 87 percent response rate (524 responses). It is a rare example of rigorous empirical research of contracting operations. However, as is common in written surveys, the wording of some questions may have been subtly leading or too general in nature. For example, question no. 12 reads: “*If a contracting person from another organization contacted me for my ideas or help, I would gladly help them as much as I could: {Strongly Disagree/ Somewhat Disagree / Neither Disagree nor Agree / Somewhat Agree / Strongly Agree}.*” Arguably, questions such as this are better explored via a face-to-face interview, since few individuals would be inclined to respond negatively. In a face-to-face setting, the research would be able to delve into subtler aspects of the question and responses. Njie (2003), on the other hand, used a far simpler list of questions in an interview fashion. The responses to her interview questions yielded more subtle insights into the perceptions of the organizational participants.

People have models of how they should act, and their answers may be more in line with how they think they should act than how they actually act (p. 221) ... (e)ach of us has feelings about what we have accomplished and how we have failed. ... Questions that seem likely to create respondent discomfort should be carefully considered. First, such questions may raise ethical questions; that is, the research may harm the subjects. ... Second, the questions may cause respondents not to participate in the study and may even result in a negative attitude to research in general. Third, the questions may lead respondents to give inaccurate information. (p.226)

Autoethnography and Interviews

Autoethnography (Hayano, 1979) has emerged as a recognized, albeit controversial, form of qualitative analysis (Patton, 2002 p. 84) in which the researcher reflects upon his or her personal experience in a given culture and extrapolates it to a larger culture.²⁶ Patton (2002) cites Ellis and Bochner (2000) as saying “increasingly, autoethnography has become the term of choice in describing studies that connect the personal to the cultural.” Further, Patton draws upon the Heisenberg uncertainty principle²⁷ and the problem of researcher intrusion in qualitative fieldwork.

“...observers must make some effort to observe themselves observing ,, and reflect on changes experienced from having been in that setting. This means being able to balance observation with reflection and manage the tension between engagement and detachment.” (p.328)

In this vein, I apply a structured autoethnographic approach in which I draw upon my experience in government contracting in government and industry and in various management, auditing, and consulting roles. Data sources include written notes and recollections from these experiences which were systematically collected and are reproduced at Appendix B. The autoethnography was applied primarily to Questions 1, 2(b), and 2(c) because of the relative paucity of data and

²⁶ Wall notes that autoethnography is among a number of similar terms of heuristic inquiry listed by Ellis and Bochner (2000, p739-740), including personal narratives, lived experience, critical autobiography, evocative narratives, reflexive ethnography, ethnographic autobiography, autobiographical ethnography personal sociology, and autoanthropology. She notes that works of several researchers, including Garfinkle (1967), have shown that quantitative data can be socially constructed and include the researcher’s rhetoric, prejudice and experience in interpreting the data. Such work “has been important in breaking down the façade of objectivity and freedom of bias in the dominant positivist paradigm.” (Wall, 2006 p.2)

²⁷ The principle formulated by physicist Werner Heisenberg related to the problem of accurately measuring the velocity and momentum of subatomic particles because the measurement instrument itself invariably affected the accuracy of the measurement. The principle is commonly adapted in social science research to describe the “observer problem” of unintended effects of fieldworker intrusion into the behavior of the subjects.

literature related to these questions. Autoethnography was also applied in this study in a manner that helped control for personal bias by containing it and using specific references to autoethnographic entries detailed at Appendix B.

I supplemented the autoethnography with a more traditional form of ethnography: interviews of selected professionals in the field. Five subjects were selected for one-on-one interviews along the general script provided at Appendix D. Some were conducted in person, some via telephone. The interviews were considered “elite” in that the subjects were targeted for their known expertise and position with respect to the case. In recognition of the sensitive nature of their work, I took care to ensure the anonymity of the subjects. While the interview questions were written in advance to establish a sense of preparedness and consistency, the main objective was to establish a candid exchange of thoughts and opinions related to the study. The interview subjects were told of the nature of the study, why they were chosen, and were advised that their answers would be confidential. Written notes were taken and transcribed, but no audio or video recording devices were used. The written notes and the subjects’ personal information were protected in accordance with Virginia Tech’s Office of Research Compliance Exemption Approval IRB 09-101 (Appendix F). To communicate the essence of the study, subjects were shown a copy of the study’s abstract, Figure 1-2 (“Proposition of Misaligned Institutional Pillars in Acquisition”) and, as an ice-breaker, the cartoon (“*Major, you tell that idiot in Procurement this means war! Figuratively speaking*”) in the front matter pages. The subjects were asked to respond to the questions in the context of their roles associated with program, contracting, or budget/finance offices. All five subjects had at least twenty years experience. Two were current government employees holding senior positions with their agency. Two were personally involved in two of the cases (FEMA Trailers and TSA screener recruiting). The number of

subjects was too few to make the interviews a major data source for the study. Thus I considered the interviews to be an extension of the autoethnography rather than a separate analysis. The breadth and depth of the subjects' experience and the insights provided constituted a valuable source of data which were incorporated into the framework analysis.

Content Analysis of Document Texts

Content analysis of published documents retrieved over the internet was the second phase of the study. Content analysis (CA) is a systematic, objective, quantitative analysis of message characteristics that attempts to apply the positivist rigors of the scientific method in social research (Nuendorf, 2002). CA techniques can be applied to any material, including speeches, films, video, music, or commercial advertisements and has greatly contributed to the field of mass communication studies. However, the analysis of written text tends to be the predominant focus and the rise of computer software applications and internet access has solidified CA as a qualitative research technique:

Perhaps, the greatest explosion in (content) analysis capability has been the rapid advancement in computer text content analysis software, with a corresponding proliferation of online archives and databases (Evans, 1996). There has never been such ready access to archived textual messages, and it has never been easier to perform at least basic analyses with computer-provided speed and precision. (Nuendorf, 2002, pp.1-2)

The rise of the internet, public web sites, and web site search tools has revolutionized the dissemination and analysis of information and media content.²⁸ Perhaps because of the difficulties of collecting ethnographic and other types of field data in public contracting operations, content analysis has emerged as a popular tool in contracting research (e.g., Blasi, 2002; Peat and Costley, 2003; and Van Slyke, 2007). Prompted by the requirements of the E-

²⁸ Nuendorf (2002) describes web content research as "the new kid on the block" (p.207), citing the promise of computerized analysis of websites' HTML coded content. This study, however, focuses more simply on the analysis of selected documents that have been posted online via official internet websites.

Government Act of 2002,²⁹ the proliferation of official U.S. Federal government websites and online archives has made internet searching an especially appealing research tool in studying public policy. The Federal government now makes public laws and regulations available online and most agencies post their annual goals, performance information, policies and procedures, contracting guidelines, and audit reports on their agency websites. In addition to official government documents (including contracts and solicitations), other studies and reports published online create an abundant source of officially archived text for general examination, as well as for a more rigorous application of *content analysis*. Table 3.2 below lists the documents used in the text analysis:

Table 3.2 – Textual Source Material Used in the Study’s Content Analysis

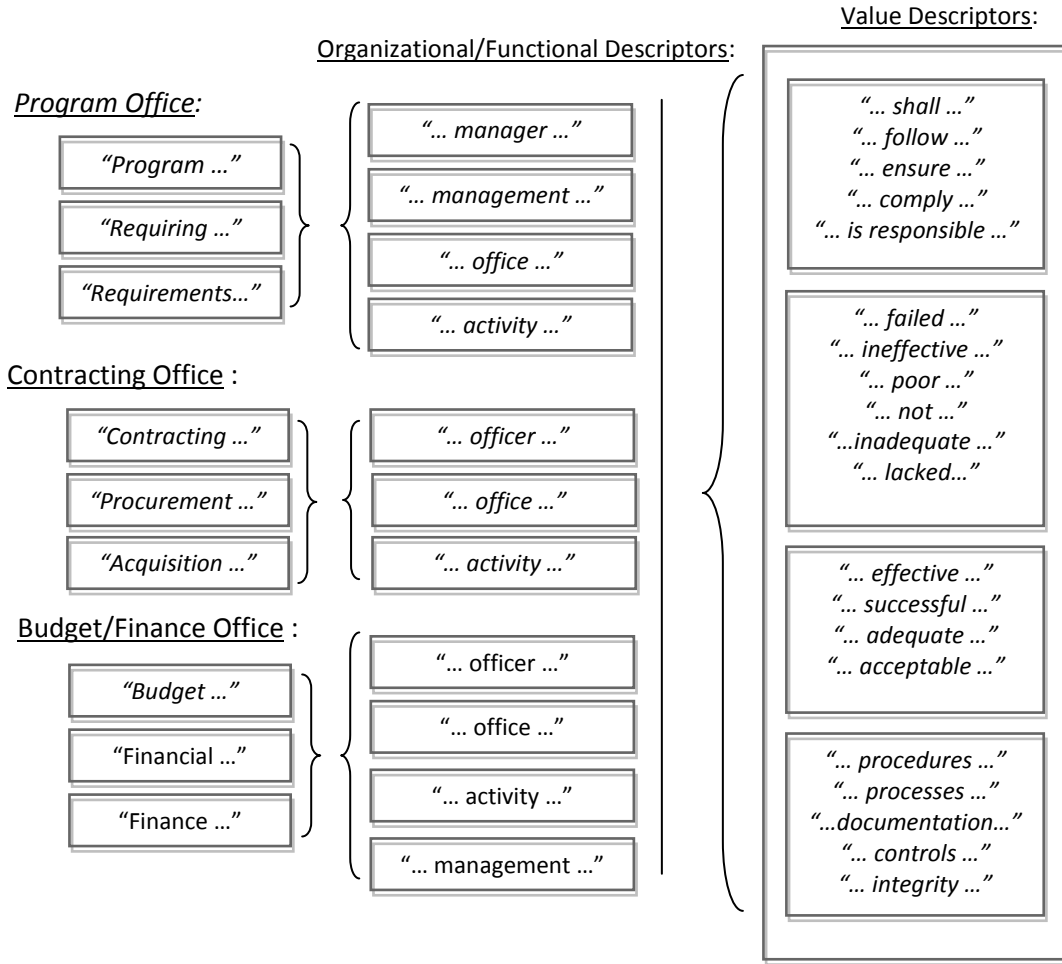
	Document	Type	Pages	Type / Source
1.	Federal Acquisition Regulation	Federal regulation	1969	PDF document downloaded from www.acquisition.gov
2.	OMB Circular A-11 Part 7, Planning, Budgeting, Acquisition, and Management of Capital Assets	Federal policy guidance	32	PDF document downloaded from www.whitehouse.gov/OMB/
3.	OMB Circular A-11 Part 7, Supplement	Federal policy guidance	122	PDF document downloaded from www.whitehouse.gov/OMB/
4.	OMB Circular A-130 Management of Federal Information Resources	Federal policy guidance	23	PDF document downloaded from www.whitehouse.gov/OMB/
5.	Conducting Acquisition Assessments Under OMB Circular A-123, Office of Federal Procurement Policy, Mat 21, 2008	Federal policy guidance	56	PDF document downloaded from www.whitehouse.gov/OMB/
6.	Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs GAO-09-3SP	GAO special report	440	PDF document downloaded from www.gao.gov
7.	Report of the Acquisition Advisory Panel to the Office of Federal Procurement Policy and the US Congress, Jan 2007	Government commissioned report	474	PDF document downloaded from www.acquisition.gov
8.	Contracting Officer Representatives: Managing the Government’s Technical Experts to Achieve Positive Contract Outcomes, US Merit Systems Protection Board, Report to the President and Congress, Dec 2005	Government commissioned report	71	PDF document downloaded from www.fai.gov

²⁹ The E-Government Act of 2002 requires agencies to (among other things): (1) develop performance measures that demonstrate how E-Government enables progress toward agency objectives, strategic goals, and statutory mandates; (2) rely on existing data collections in measuring performance; (3) link performance goals to key groups, including citizens, businesses, and other governments, and to internal Government operations; and (4) work collectively in linking performance goals to such groups and to use IT in delivering Government information and services to those groups.

9.	2008 Acquisition Workforce Competencies Survey Results Report for the Civilian Agency Federal Acquisition Workforce	Government commissioned report	69	PDF document downloaded from www.fai.gov
10.	Seven Steps to Performance Based Contracting	Government / Private commissioned guidance	41	PDF document downloaded from www.acquisition.gov
11.	Creating Momentum in Contract Management: The Acquisition Innovation Pilot Handbook, 1 st Edition, Partnership for Public Service, Nov 2006	Privately commissioned study report	76	PDF document downloaded from www.ourpublicservice.org
12.	Acquisition in Transition: Workforce, Oversight, and Mission - 2008 Procurement Policy Survey, Professional Services Council Oct 2008	Privately commissioned study report	32	PDF document downloaded from www.pscouncil.org/
13.	GAO "Redbook": Principles of Federal Appropriations Law – Vol I	Government policy guidance	640	PDF document accessed at www.gao.gov
14.	GAO "Redbook": Principles of Federal Appropriations Law – Vol II	Government policy guidance	727	PDF document accessed at www.gao.gov
15.	GAO "Redbook": Principles of Federal Appropriations Law – Vol III	Government policy guidance	898	PDF document accessed at www.gao.gov

Sophisticated content analysis software is available that can systematically search large volumes of data and extract and match content to program coding. However, this study used only basic CA word search techniques, primarily in addressing Research Question No. 1 on validating the organizational field and selected aspects of Scott’s framework. The purpose of the CA was not to analyze embedded rhetorical meanings or phrase semantics, but rather to indicate whether or not a reasonable level of organizational role identity is expressed in the text of policy guidance and studies. The following diagram is an example of the coding schema used to construct simple word phrases having meaning within the context of the study:

Figure 3.2 – Phrase Construction Schema for Content Analysis



Word searches and phrases in Federal regulations and directives using the “search” or “find” functions available in Microsoft Word™ and Adobe™ pdf applications were conducted to establish the extent to which the terms such as *program office*, *program manager*, *contracting office*, or *contracting officer* might appear in a given document and the organizational context of their usage. While the words and phrase selections were intended to identify the organizational context (i.e., roles, responsibility and authority of the three offices), it was recognized that different words and phrases could have been used that rendered entirely different outcomes (e.g., legal or human resource perspectives) relative to the three offices.

Case Studies

Five acquisition programs from different federal agencies (cabinet level agency or subordinate administrations) were selected for the case study portion of the study.

Representation by different agencies and organizational participants was the main consideration for the case selection, along with the availability of public data (e.g., through audit reports and published studies). All of the cases were large, complex, and high value acquisitions. Three involved large-scale information technology modernization efforts and two involved large-scale deployments under conditions of urgency or emergency. A primary purpose of the case study was to validate the organizational structures associated with complex federal acquisition programs and to examine the operational environment and outcomes of these programs.

While the analysis of the cases was supplemented by interviews, a deep field-ethnography of the cases was not performed. While some may argue that this approach does not meet the rigor Yin (1994, 2003, 2008) seeks for case *studies*, Yin himself has increasingly acknowledged the breadth of modern case study applications:

The case study as a research strategy comprises an all-encompassing method covering the logic of design, data collection techniques, or merely a design feature alone, but a comprehensive strategy You can ... use multiple strategies in any given study (e.g., a survey within a case study or a case study within a survey.” (3rd Ed. p.14)

In describing various characteristics of the case study approach as a research method, Yin (2009) notes that one of the applications is to “*illustrate* certain topics within an evaluation ... in a descriptive mode.”³⁰ Thus, this portion of the study involved an assessment of each of the selected cases to understand; (1) the overall mission and acquisition environment of the organization, (2) the formal organizational structure pertaining to the placement of the program

³⁰ Yin (2009), p.20.

office, budget office, and contracting offices, (3) acquisition policies and procedures relevant to the case, and (4) unique problems or issues that have been documented relevant to the case.

The multiple case study design used in this study means that not all cases could be investigated with the same depth of inquiry possible for single cases. Further, field observations were limited to selective interviews of participants and reflective autoethnographic observations for two of the cases.

Case selection criteria

The selection of cases focused on acquisition programs using the following considerations:

- a) A number of cases that would provide for a cross-section of different agencies and program types with a reasonable depth of analysis, within the time and resource constraints of the study.
- b) Acquisition cases that were well documented in publicly available sources, e.g., studies or reports that would provide credible information and insights into the operational details of the acquisition.
- c) Acquisition cases that included a mix of complex technologies (e.g., large scale IT programs) as well as basic commodities or services.
- d) Acquisition programs that have been substantially completed or under way for some time, but still remain relevant to the current agency organization.

The case studies primarily involved analyses of documented public reports available via internet sources (including GAO reports, Inspector General Reports, sponsored studies, and printed media accounts). The five cases reviewed and the data sources used in support of the analysis are summarized in Table 3.3 below:

Table 3.3 - Five Federal Acquisition Cases

	<u>Agency/Program Name</u>	<u>Data Sources (in rough order of reliance)</u>
Case No. 1	Department of Education Federal Student Aid – Common Services for Borrowers (CSB)	<ul style="list-style-type: none"> • FSA Website / Program Briefings posted online • Industry articles • DoEd Inspector General Report • FedBizOpps Postings (www.fedbizopps.gov) • Autoethnographic accounts
Case No. 2	Internal Revenue Service (IRS) – Business Systems Modernization (BSM)	<ul style="list-style-type: none"> • GAO Reports • Treasury Inspector General for Tax Administration (TIGTA) Reports • Contract No. TRN0-98-D-0001 • Industry articles • Autoethnographic accounts
Case No. 3	Federal Emergency Management Agency (FEMA) – Katrina Emergency Housing Assistance (Trailers)	<ul style="list-style-type: none"> • GAO Reports • DHS Inspector General Reports • News articles • Interview
Case No. 4	Transportation Security Administration (TSA) – Airport Screener Recruiting	<ul style="list-style-type: none"> • GAO Reports • DHS Inspector General Reports • News articles • Commissioned Study • FedBizOpps postings (www.fedbizopps.gov) • Interview
Case No. 5	Federal Deposit Insurance Corporation / General Services Administration – FDIC Infrastructure Systems Contract	<ul style="list-style-type: none"> • FDIC Inspector General Reports • Reports available on FDIC website (www.fdic.gov) • GSA FedSim Website • GAO Reports

The above agencies and program cases were selected based on three key factors: 1) their association with different agencies and organizational participants; 2) high availability of public open-source information, and 3) the direct public-facing nature of their delivery outcomes.

Department of Defense (DoD) programs were intentionally not selected for this study. While DoD exerts a major influence on the development of Federal procurement policy, the organizational and institutional environment of DoD procurement is complicated by dual

military/civilian staffing and reporting considerations and a plethora of unique review and oversight processes. For the purposes of this study, it was therefore decided to limit the case selection to civilian agency acquisition programs.

Steps in the Methodology

Step one: Validating the Organizational Field

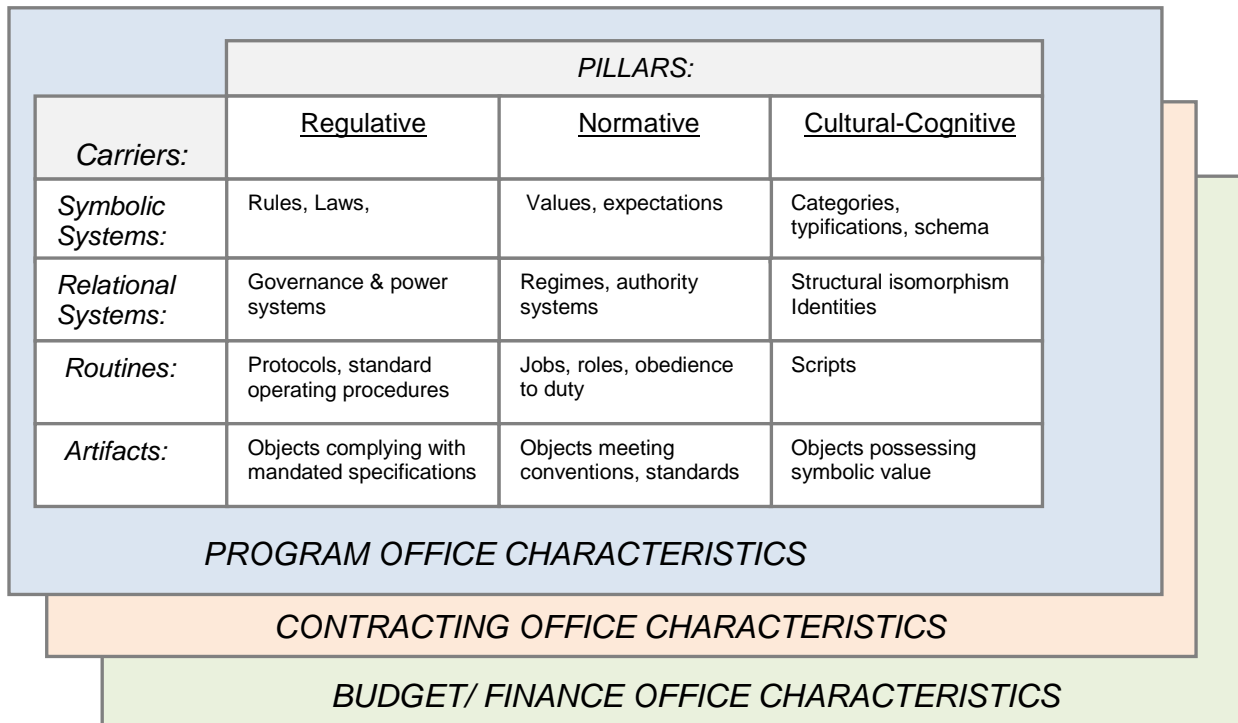
The *program office, contracting office, and budget/finance office* (or their functional equivalents) were selected as the organizational field and level of analysis for this study. They are organizational constructs that appear in isomorphic fashion across federal agencies, although no single Federal directive or charter defines their existence or placement within any specific organizational structure. My personal observation of acquisition programs across the federal government suggests that these organizational entities exist in discrete fashion and have their own characteristic roles and responsibilities. The first step of the research is to establish the case for this assumption via autoethnographic accounts and to follow with a more rigorous examination of federal regulations, directives and operating practices by content analysis. This step of the research addresses Research Question No.1: *“Is it valid to assume that the predominant organizational field for managing federal acquisition programs consists of the program office, contracting office, and budget office (or their functional equivalents)?”*

Step two: Applying Scott’s Framework to the Organizational Field

A framework based on Scott’s institutional pillars and carriers was constructed to systematically address research questions (2a) Are there differences in the *regulative* institutional characteristics of the program office, contracting office, and budget office? (2b) Are there differences in the *normative* institutional characteristics of the program office, contracting office,

and budget office? and (2c) Are there differences in the *cultural-cognitive* institutional characteristics of the program office, contracting office, and budget office? Individual worksheets were developed, each tailored to the program office, the contracting office, and the budget/finance office, as depicted in the following figure:

Figure 3.3 – Framework Worksheets



In this iterative process, data from all sources (autoethnographic accounts, interviews, content analyses, and cases) were analyzed for their relevance within each cell. Evidence of patterns or clustering of cell characteristics across the three offices was then examined in the synthesis stage of the methodology

Step three – Synthesis of Findings

The third step in the methodology is synthesizing findings within the context of research question no. 3, “To the extent that differing institutional characteristics are found between the *program office, contracting office, and budget/finance office*, what evidence exists to suggest that these differences constitute misalignments which may adversely affect the management of acquisition programs?”

CHAPTER 4 – DEVELOPING THE ANALYTICAL FRAMEWORK

This chapter further develops the concept of institutional organizational sociology and Scott's analytical frameworks to explore the organizational environment of government acquisition programs. As noted in Chapter 1, such frameworks employing regulative, normative, and cultural-cognitive perspectives have been applied in a number of research settings. These frameworks hold a potential for shedding light on the systemic problems of public contracting management by drawing attention to institutional factors which shape organizational fields and structure.

Scott's framework of institutional pillars and carriers and their characteristic indicators embraces the broad schools of thought on institutional theory, without forcing a distinction on what has become known as "old" and "new" institutionalism. Old institutionalism has been associated with regulative and normative power perspectives, while new or neo-institutionalism has been associated with social and cultural-cognitive perspectives. Philip Selznick, who is often associated with "old" institutionalism, rightly rejects this categorization (Selznick, 1996). As institutional theory is applied across various disciplines, to include economics, organization studies, politics, and sociology, it is apparent that the distinctions between old and new are difficult to explain and defend. The sociological stream of institutionalism in organization studies evolved from the early work of sociologists Emile Durkheim (1893/1949), Alfred Schutz (1932/1967), Berger and Luckmann (1967) and was advanced by David Silverman (1971) (Scott, 2006:42-45). Meyer and Rowan (1977), DiMaggio and Powell (1983), and Meyer and Scott (1983) ushered in the more recent turn in the literature by examining the social forces that make organizations so remarkably similar and resistant to change. Paradoxically, institutional theory

continues to evolve as a means of offering explanations for network formations and radical organizational change (Greenwood and Hinings (2006)).

Meyer and Rowan (1977), among the leading new institutional scholars of organizations, observed that organizational structures sometimes arise around rationalized institutional rules that function as myth and ceremony.

Many elements of formal structure are highly institutionalized and function as myths. Examples include professions, programs and technologies ... The impact of such rationalized institutional elements on organizations and organizing situations is enormous. These rules define new organizing situations, redefine existing ones, and specify the means for coping rationally with each. They enable, and often require, participants to organize along prescribed lines. (p344)

They further suggest that organizational structures that reflect the myth of the institutionalized environment will tend to decrease internal coordination and control in order to gain legitimacy.

DiMaggio and Powell (1983) reinforce this view in their study of why organizational forms exhibit such startling homogeneity:

Once disparate organizations in the same line of business are structured into an actual field, powerful forces emerge that lead them to become more similar to one another. Organizations may change their goals or develop new practices ... (b)ut, in the long run, organizational actors making rational decisions construct around themselves an environment that constrains their ability to change further ... As an innovation spreads, a threshold is reached beyond which adoption provides legitimacy rather than improves performance. (p148)

Within government agencies, the evolution of organizational structures for acquisition management may well have emerged – and continue to be influenced by – such institutional mechanisms or structures. These structures, which lend legitimacy to individual organizational actors (such as the program office, the contracting office, or the budget office) may be aligned differently than structures supporting the acquisition program itself.

Although this study primarily focuses on the application of institutional frameworks as a means of explaining problems in managing government acquisition programs, it is important to

also consider the analysis within the context of other related concepts such as formal organizational structure, networks, and organizational collaboration and learning.

Formal Organizational Structure: Hierarchies and Boundaries

Of all the models and conceptual frameworks that have emerged over recent years to describe organizational forms and processes (e.g., general systems theory, resource dependency, structural contingency, population ecology, organizational economics, and institutional theory, to name a few) none have supplanted or remained more widely applied and recognized than the concept of formal organizational structure as reflected in the common organization chart. The establishment of formal organization charts and their associated charters serve to empower the leadership and members of organizations and establish a sense of identity throughout the agency. Recent debates over the placement of agencies such as FEMA within DHS and the Central Intelligence Agency under the Director of National Intelligence, serve to emphasize the importance of formal structure in public policy. It is likely that even today, the largest, most modern, and most complex private and public organizations are conceived, at least initially, through an ad hoc process of executives and managers drawing up “org charts” depicting reporting relationships and spans of control. This classic notion of structure as a vertical hierarchy and span of control has become somewhat overshadowed with the rise of open-systems theory of organizations in the 20th century and its emphasis on informal organizational relationships, informal networks, and new forms of organization such as quality circles and flat teams. Yet, formal bureaucratic structure – including the ever present organization chart – remains very much an embedded part of the culture and operations of modern government agencies. Galbraith (1971, 2002), Mintzberg (1979), Ouchi (1997) and Perrow (1985) are

among the scholars who have advanced organization studies through more structure-based perspectives on organizational analysis and design.

Weber's *The Theory of Social and Economic Organization* (1947) is considered the early seminal work on organizational structure. Structure is reflected in Weber's bureaucratic ideal, which consists of a hierarchy of authority, limited authority, division of labor, technically competent components, procedures for work, rules for incumbents, and differential rewards (Hall and Tolbert, 2005). Yet the impact of social and cultural forces on formal structure became increasingly recognized. Drawing heavily upon Weber's system of ideal types, Parsons introduced institutional constructs in his *Structure and Process in Modern Societies* (1960):

Like any social system, an organization is conceived of having a describable structure. This can be described and analyzed from two points of view, both of which are essential to completeness. The first is the "cultural-institutional" point of view which uses the values of the system and their institutionalization in different functional contexts as its point of departure; the second is the "group" or "role" point of view which takes suborganizations and the roles of individuals participating in the functioning of the organization ... (p.19)

Blau and Scott (1962/2003) and Scott (1975) furthered the discourse on the features and determinants of organizational structure. In their seminal article "*Institutionalized Organizations: Formal structure as Myth and Ceremony*," Meyer and Rowan (1977) tackled head-on the relationship between formal structure and institutional forces.

Formal organizations are generally understood to be systems of coordinated and controlled activities that arise when work is embedded in complex networks of technical relations and boundary-spanning exchanges. But in modern societies formal organizational structures arise in highly institutionalized contexts. (p.340)

This study embraces a straightforward notion of organizational structure, – i.e., the formal reporting structure of organizational units within an agency as depicted in their charters or organization charts. Such organization charts are relied upon extensively in the analysis of cases

and in the synthesis of findings regarding institutional effects. A high-level organizational chart or narrative equivalent can be found on the website of nearly every federal agency. In some cases, more detailed office-level organization charts can be obtained or derived via website information or GAO or IG audit reports. One of the key attributes sought during the study was the relative placement of the acquisition function within an agency's formal hierarchy and the rank of its leadership. In one of the cases reviewed (TSA Airport Screener Recruiting), the GAO made a specific recommendation that the TSA elevate the Office of Acquisitions within the agency. By the 2009 reporting period, the Office of Acquisitions had been raised several levels in multiple iterations to report directly to the TSA Administrator. The head of the office now carries the title of Assistant Administrator for Acquisitions and is a member of the Senior Executive Service. While such elevations within the formal structure may carry symbolic meaning, they may not always be accompanied by a corresponding conveyance of status and legitimacy. Such elevated components could be underfunded, devoid of regulative authority, or banished to remote facilities or office locations. This is where institutional dimensions of organizational dysfunctions and pathologies – such as the “smart buyer” problem – come into play.

Institutional Pillars, Carriers and Organizational Legitimacy

Central to this study is its adaptation of the institutional analytic frameworks developed by Scott (1995, 2001, 2008) to examine Kettl's (1993) conception of the government's smart buyer problem. The degree of alignment of Scott's institutional “pillars” and “carriers” within organizations is seen as a potential indicator of the government's inability to answer the “smart buyer” procurement questions articulated by Kettl, such as what to buy, who to buy from, and what was bought?

Scott describes institutions as exhibiting distinctive properties. They are multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources and are relatively resistant to change. He provides the following omnibus conception of institutions:

- Institutions are social structures that have attained a high degree of resilience
- Institutions are composed of cultural-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life.
- Institutions are transmitted by various types of carriers, including symbolic systems, relational systems, routines, and artifacts.
- Institutions operate at multiple levels of jurisdiction, from the world system to localized interpersonal relationships
- Institutions by definition connote stability but are subject to change processes, both incremental and discontinuous.

(Scott, 2001 p.48)

The notion of persistence and resilience has become an enduring aspect of institutional studies. In developing his concept of institutional change, Scott has begun to deemphasize the notions of resilience and persistence in favor of more dynamic conceptions; “Institutional forces can liberate as well as constrain. They can both enable and disarm the efforts of those seeking change.” (Scott, 2009:220) In this vein, Suddaby and Greenwood (2006) have advanced the notion of institutional work as a potential agenda for prescriptively applying institutional analysis to organizations. But it is Scott’s analytic framework, with its distinctive regulative, normative, and cultural-cognitive “pillars,” and “carriers” consisting of symbolic systems, relational systems, routines, and artifacts that has commanded such a persistent following.

Initially, Scott developed the regulative, normative, and cultural-cognitive elements as independent perspectives from which to view various scholarly interpretations of institutions. However, he acknowledges emerging arguments advocating a more integrated and interlocking perspective have begun to take hold. By the 3rd edition of *Institutions and Organizations*, Scott (2008) observed:

... it is important to restate the truth that, in most empirically observed institutional forms, we observe not one single element at work but varying combinations. In stable social systems we observe practices that persist and are mutually reinforced because they are taken for granted, normatively endorsed, and backed by authorized powers. When the pillars are aligned, the strength of their combined forces can be formidable. ... Equally important, the pillars may be misaligned: They may support and motivate differing choices and behaviors. As Strang and Sine (2002:409) point out: “where cognitive, normative, and regulative supports are not well aligned, they provide resources that different actors can employ for different ends.” Such situations exhibit both confusion and conflict and provide conditions that are highly likely to give rise to institutional changes (Caronna 2004; Hoffman 1997)

Scott’s framework of pillar and carriers summarized in the table below:

Table 4.1 – Scott’s Typology of Institutional Pillars and Carriers (2001)

<u>Carriers</u>	<u>Pillars</u>		
	<i>Regulative</i>	<i>Normative</i>	<i>Cultural-Cognitive</i>
Symbolic Systems	Rules, Laws	Values, expectations	Categories, typifications, schema
Relational Systems	Governance & power systems	Regimes, authority systems	Structural isomorphism Identities
Routines	Protocols, Standard Operating Procedures	Jobs, roles, obedience to duty	Scripts
Artifacts	Objects complying with mandated specifications	Objects meeting conventions, standards	Objects possessing symbolic value

Each of the pillars and carriers identified above can be applied to participants of the organizational field addressed in this study. An agency’s program office, for example, is an organization defined and shaped by specific regulative, normative, and cultural-cognitive institutional elements. A program office, contracting office, budget office, or other participating organization may possess a significantly different set of regulative, normative, and cultural-cognitive elements. However, these organizations must all come together as an organizational field to collectively plan and implement a procurement program with shared goals and values. How and to what extent these elements become misaligned may give insight into the systemic problems of public contracting.

The Regulative Pillar

The *regulative* pillar reflects rules, laws, and conveyances of power (including power embedded in economic transactions). It is the dimension that explains how institutions constrain and regularize behavior. Scott draws upon Douglas North's (1990) "rules of the game" and Williamson's "governance structures" of economic transactions in distinguishing this perspective. Transaction cost economics, a component field of new institutional economics, suggests that institutions form in ways that respond to the inherent costs involved in transactions at various levels. It largely describes the perspective of economic scholars and historians, but is also represented in the political science and public administration literature.

The regulative pillar is a dominating presence in the federal acquisition management arena. Organizational participants are influenced significantly by the plethora of complex public laws, regulations, and agency directives and instructions. In fact, within the context of Wolf's (2005) multiple institutional frames of public administration, the legal perspective in government contracting (i.e., public contract law) might be considered the predominant perspective. An organization's regulative pillar is also conveyed by carriers such as relational governance and power systems (e.g., its placement within the agency's formal organizational structure), standard operating procedures, and objectivized mandates that can serve as coercive mechanisms. Coercion – including force, fear, and expedience – is a mechanism of the regulative pillar which helps provides legitimacy. In other words failure to comply will result in a form of legal sanction which is both accepted and recognized. An agency's contracting office, for example is strongly supported by the regulative pillar. The Federal Acquisition Regulation and the Contracting Officer's warrant are examples of explicit rules of authority that empower the organization. Operational routines and protocols such as assigning contracting staff and

prioritizing workloads are also elements of the office's regulative pillar that can be used as means of coercion and help establish legitimacy.

The Normative Pillar

The *normative* pillar is characterized by systems of values and norms leading to social obligations, expectations, roles, duty, professionalism, and moral responsibility. Early institutionalists Durkheim, Parsons and Selznick, as well as some of the new institutional scholars such as March and Olsen (1984) have focused on this dimension. Within this study, the normative pillar was examined from the perspective of the expectations placed upon certain professions within the organizational field of acquisition management. For example, there are certain binding expectations placed upon a government contracting officer or a budget official in the procurement process. They are considered professionals by virtue of their training, certifications and moral obligations to their duties. They exhibit logics of appropriateness, and are expected to "do what is right." Mosher (1982) presciently noted that

For better or worse – or better and worse – much of our government is now in the hands of professionals ... The choice of these professionals, the determination of their skills, and the content of their work are now principally determined, not by general governmental agencies, but by their own professional elites, professional organizations, and the institutions and faculties of higher education.(p198)

Training programs and organizational expectations of training within the government acquisition community can be considered manifestations of the normative pillar. In exploring the normative pillar, this study included an examination of training and certifications programs requirements within the professional communities associated with the program office, contracting office, and budget office. Scott and Meyer (1994) offered various arguments, including institutional arguments, for the rise of training programs in their study of firms and agencies:

Forces ranging from specific task performance demands to requirements for organizational and political control to general societal pressures to develop participants' capacities have cumulated to

make for a generalized and multilayered set of pressures and justifications for training. They have not only cumulated, but also become institutionalized, so that the multiple virtues of training come together to support a general package of forms and processes... (w)e thus argue that increasingly over time and with institutionalization, training programs can be expected to develop and flourish across the wide and diverse array of organizations ... (p253)

DiMaggio and Powell (1983) note that professionalization is one of the important sources of normative isomorphism in organizations. Mechanisms such as professional and trade associations

(C)reate a pool of almost interchangeable individuals who occupy similar positions across a range of organizations and possess a similarity of orientation and disposition that may override variations in tradition and control that might otherwise shape organizational behavior. (p152)

In examining institutionalized frameworks that are prevalent throughout the practice of public administration, Wolf (2005) identified professions as one of the traditional mechanisms through which individuals acquire status and legitimacy within an organization. Professions also help establish the normative values and expectations within an organization, reflecting its function:

Employees join professional associations, read similar journals, and attend meetings with colleagues from other organizations. These professionals try to establish autonomy within or in spite of the authority structure of organizations. Professions establish special training requirements for entry and for continuing certification; adopt codes of ethics; and frequently construct outside bodies to certify practices that are used in the organizations.” (p. 193)

For the purposes of this study, the normative pillar also presents a very useful lens because of the continuing interest in the acquisition workforce as a policy issue. Observers across a broad spectrum of interests in government, industry, and academia have lamented the shortage of skilled acquisition personnel in the federal government (e.g., Schooner and Yukins, 2005). As a result, a number of policy and agency management initiatives have been implemented in recent years to address this problem. For example, the 2009 National Defense Authorization Act authorized a five year acquisition workforce development strategic plan for Federal agencies other than the DoD. The plan must include information on increasing the size

of the workforce, development of a sustainable funding model, government-wide acquisition intern programs, training and certification standards, and human capital planning to hire, retain, and train the acquisition workforce required.³¹ However, a definition of the “acquisition workforce,” even within the federal government, remains elusive. While personnel data and training requirements have been relatively well-maintained for the federal “procurement” workforce of contracting and purchasing specialists (especially those with DoD), they have not adequately covered other personnel such as program managers or contracting officer technical representatives (COTRs).³² Renewed emphasis on the certification and training needs of program managers and COTRs is certain to influence the normative characteristics of the individuals and organizations associated with these professions.

The Cultural-Cognitive Pillar

The *cultural-cognitive* pillar, emphasizing creation of shared conceptions of social reality, is often considered a dominant characteristic of the “new” institutional organization theories. It is strongly influenced by anthropological and psychological perspectives (Clifford Geertz, Peter Berger, Thomas Luckman and John Meyer) – to include myths, rituals, how symbols are perceived and understood, and the “social construction of reality.” As opposed to rules and normative expectations, the cultural-cognitive pillar is characterized by taken-for-granted beliefs and shared conceptions which form a foundation for social order (Scott, 2003:881). It is also characterized by “sense-making” of day-to-day routines and scripts by

³¹ FAI 2009 Annual Report on the Acquisition Workforce, p.3

³² Since 1977, the Federal Acquisition Institute has published its “Annual Report on the Acquisition Workforce” containing data on the federal procurement workforce. Traditionally, the report has focused only on selected Civil Service Job Series – GS-1101 (Business Industry Generalists) GS-1102 (Contract Specialist) GS-1105 (Purchasing) and GS1106 (Administrative). More recently however, job “roles” of Program/Project Managers and Contracting Officer’s Technical Representatives (COTRs) have been added to the report.

individual participants in a way which helps them to establish identities and create value and legitimacy.

Within this study, the cultural-cognitive pillar will be examined from the perspective of the common culturally supported beliefs or myths that are shared among participants of a public procurement program. It is argued that these beliefs are shaped primarily by the participant's immediate office environment where powerful day-to-day routines and scripts are followed. For example, in an agency acquisition program, the program manager is often viewed as the "customer" possessing authority by virtue of identities, scripts, or objects possessing symbolic value, such as a larger office or staff. The contracting office and budget/finance office are often viewed as supporting functions. While not established in rule or regulation, such common beliefs are surprisingly mimetic across government agencies (Goldstein, 2009b; Deneault and Stambaugh, 2007).

Institutional Carriers

Scott describes the "carriers" as vehicles which transport institutional ideas and offer a somewhat different perspective on characteristic elements of the regulative, normative and cultural cognitive pillars (Scott, 2003:882). These carriers are: *symbolic systems, relational systems, routines, and artifacts*. Systems conveying authority can be categorized as symbolic systems or relational systems. A government contracting officer, for example, may utilize the symbolic system of formal notices to a contractor to stop-work, whereas a program manager may utilize the relational system, perhaps to greater effect, in informal daily conversations with the contractor. Similarly, routines and artifacts are conveyances of institutional elements. A government budget officer has a working routine, or script, of diligently monitoring expenditures and being available at all times of the year to close books, balance accounts, and certifying

reports. A program manager, on the other hand, may be expected to travel, hold status meetings, present briefings, and coerce and persuade as necessary to ensure that the program makes progress. Artifacts are those objects which comply with specifications, convention, or possess symbolic value. For example, a government program manager may use a visible program outcome for its symbolic value, such as photographs of troops receiving delivery of protective vests, or disaster victims being rescued. Scott (2003:890) notes that much work needs to be done to determine which carriers are associated with the different institutional pillars and the likely combination of carriers. He asserts that relational systems involving direct interaction of individuals are important in carrying ‘tacit’ knowledge

Organizational Legitimacy

This study also relies heavily on the concept of organizational legitimacy. Institutional characteristics may be manifested in different fashions across pillars and carriers, but those elements that support an organization’s legitimacy are not only a central focus of the study, but perhaps the easiest to recognize. From an institutional perspective, organizational legitimacy has been described variously by scholars as; the “exercise of power supported by prevailing social norms, whether traditional, charismatic, or bureaucratic” (Weber, 1924) the “degree of cultural support for an organization,” (Meyer and Scott 1983:201) and, a “symbolic value to be displayed in a manner such that it is visible to outsiders” (Scott 2003: 213-214). Scott (2008) notes that the bases of organizational legitimacy vary within the different institutional pillars and may even, at times, conflict. Within the regulative pillar, organizational legitimacy is supported by coercive mechanisms and rules-based legal sanctions. Within the normative pillar, legitimacy is supported by morally governed characteristics, including the binding expectations surrounding professions and their certifications and accreditations. Within the cultural-cognitive pillar,

legitimacy is supported by shared understandings and common, taken-for-granted beliefs surrounding the organization. Such institutional concepts of legitimacy are evoked as each participant of the study's organizational field – the program office, the contracting office, and the budget/finance office – is examined.

Although Scott probably did not intend that his frameworks be applied as practical tools for organizational analysis, they have been adopted as such by researchers in many disciplines. Terry (2005) applied the three pillars in developing the concept of institutional integrity in public organizations. Others who have applied the frameworks include Kouilkoff-Souviron (2008), Andrews (2008), Currie and Suhomlinova (2006), Bello, et. al. (2003), and Wicks (2001). The potential for the frameworks in applied organizational analysis is significant. This study asserts that the three pillars serve collectively as mutually reinforcing forces to sustain the institutional characteristics of an organization – or of an acquisition program. In other words, it assumes that the three pillars are all important in defining the institutional characteristics of an organization supporting a public procurement program.

One of the practical problems in applying Scott's frameworks, however, is in the somewhat obscure nomenclature of some of the elements within the pillars and carriers. While "laws," "regulations," and "standard operating procedures" are fairly clear, others such as "categories" and "typifications" are less so. Scott does not specifically define all of their meanings. Thus, the differences between "objects complying with mandated specifications" and "objects meeting conventions and standards" may be difficult to discern for practical purposes. In some cases, artifact elements might be viewed as a routine (such as a standard operating procedure), or a law (such as a line item budget appropriation), and so on. Thus, not all of the characteristic elements listed in Scott's framework were used in the analysis. In Chapter 5

“Analysis,” the frameworks are duplicated for each organizational participant (*program office, contracting office, budget/finance office*) and elements and characteristic items are identified for each. Those elements from Scott’s framework that are not used are so noted.

The Organizational Field

Scott consistently emphasizes the importance of the “organizational field” as a level of analysis in institutional research. Instead of a single organization (defined by legal charter or formal structures) an organizational field consists of a population of organizations that is “bounded by the presence of shared cultural-cognitive or normative frameworks or a common regulatory system so as to ‘constitute a recognized area of institutional life’” (Scott, 2008: 86).

Drawing upon DiMaggio and Powell, Scott notes that organizational fields are:

Those organizations that, in the aggregate, constitute a recognized area of institutional life: key suppliers, resource and product consumers, regulatory agencies, and other organizations that produce similar services or products. (DiMaggio and Powell (1983:148)

The concept of organizational field has strong connections to network theory, in that connectedness outside of formal hierarchies holds a dominant influence. However, such connectedness may not always exist. In some organizational fields, the only connectedness may be the formal structures that have been established by edict or authority.

In this study, I adapt the concept of the organizational field to help define the government as a “buyer.” This adaptation is somewhat of a departure from traditional conceptions of the field as a level of analysis. Scott (2008), for example, situates the organizational field between “organizational population” and “societal” as a level of analysis, with “organizational subsystems” being the lowest level. Although offices would normally be considered organizational subsystems, I examined three office functions collectively as a field, since they

may exist outside of a common organizational structure and may be influenced by regulative, normative, and cultural-cognitive factors. In government procurements, there are obviously many participants and stakeholders that influence or benefit from the outcome. I chose a field consisting of the *program office*, the *contracting office*, and the *budget office* (or their functional equivalents), although there is very little policy guidance or regulation at the federal level that explicitly defines the roles and responsibilities of these offices. Thus, part of the study requires an effort to validate the selection of this field is a valid representation of the predominant participants in the acquisition management process. Such a validation is important because it is essential to identify who the critical actors are in an acquisition program.

The Federal Acquisition Regulation (FAR) primarily provides guidance to, and defines the responsibility of, the contracting officer. However, the FAR does introduce the concept of the “Acquisition Team” in its Statement of Guiding Principles for the Federal Acquisition System:

The Acquisition Team consists of all participants in Government acquisition including not only representatives of the technical, supply, and procurement communities but also the customers they serve, and the contractors who provide the products and services. ... The role of each member of the Acquisition Team is to exercise personal initiative and sound business judgment in providing the best value product or service to meet the customer’s needs.³³

This definition of the Acquisition Team closely aligns with Scott’s and DiMaggio and Powell’s conception of an organizational field. However, the FAR definition is very broad and only occurs in the first chapter describing the acquisition system. There are no further references to the Team in other sections of the FAR. Further, the FAR definition proceeds to add further element of ambiguity by stating a guiding principle regarding the roles and responsibilities of the Acquisition Team:

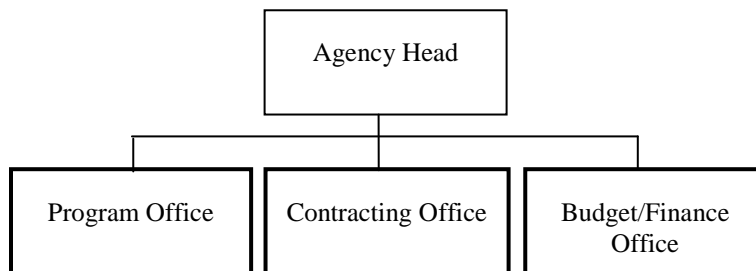
³³ Federal Acquisition Regulation, Part 1.102 (c) and (d)

...Government members of the Acquisition Team may assume if a specific strategy, practice, policy or procedure is in the best interests of the Government and is not addressed in the FAR, nor prohibited by law (statute or case law), Executive order or other regulation, that the strategy, practice, policy or procedure is a permissible exercise of authority.³⁴ (FAR 1.102 (d))

Although the Federal Acquisition Regulation appears to give only a cursory acknowledgement to the acquisition team, the managerial concept of teams, including “integrated product teams (IPTs),” has been widely addressed in the management literature and applied as a managerial practice. Goldstein (2009), for example, identified the formation of an IPT as the chosen approach for addressing a dysfunctional program office.

Notwithstanding the involvement of multiple actors and stakeholders at any given time, agency acquisition processes and programs are consistently characterized by three key participants; 1) the *program office*, 2) the *contracting office*, and 3) the *budget office* (or their functional equivalents). These three participants usually possess well-defined organizational boundaries and might typically be arranged in the agency’s formal organizational structure in a manner which recognizes functional specialization and offers some degree of checks and balances, as depicted below in Figure 4.1:

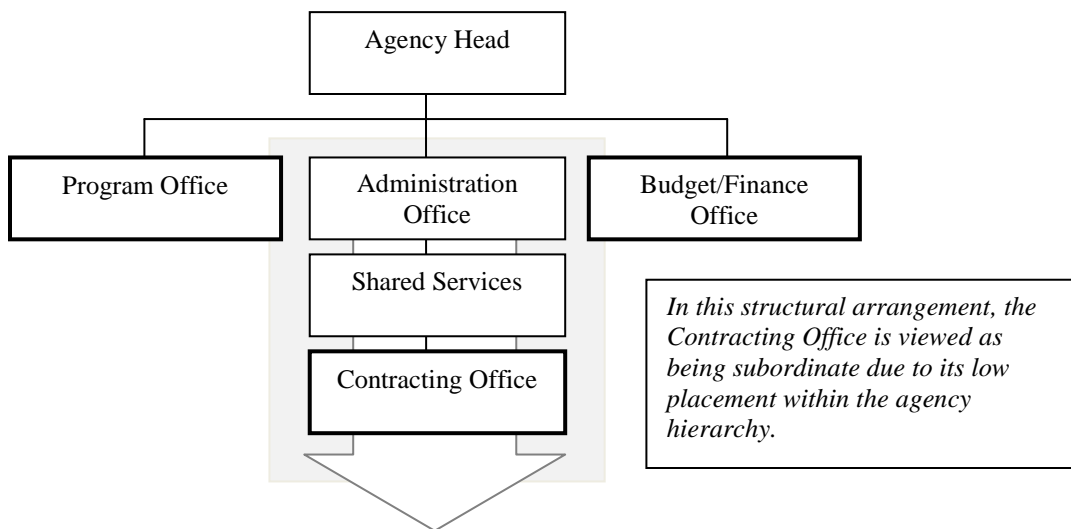
Figure 4.1 – Key Organizational Participants in Acquisition Programs



³⁴ Federal Acquisition Regulation, Part 1.102 (d)

However, while the organizational boundaries of these three sub-organizational entities are usually well defined, their roles and responsibilities and sometimes authorities are obscured for various reasons. In exploring the “structure of roles,” Simon (1991) noted that organizations are best viewed as a system of interrelated roles: “Each of the roles in an organization presumes the appropriate enactment of the other roles that surround it and interact with it. Thus the organization is a role *system*.”(p.126) Perceptions of authority, power, and influence within the organizational field are interwoven with concepts of roles and organizational legitimacy – by the organizations themselves as well as other others. One reason may be the relative rank within the formal organizational structure which establishes a “pecking order” within the hierarchy. A common structural manifestation of this condition, for example, is when the contracting office, often viewed as a supporting function, is placed subordinate to several other offices (Figure 4.2):

Figure 4.2 – Subordinating the Contracting Office



Roles and responsibilities may also be obscured due various cultural-cognitive reasons in which allows one or the other of the offices to perceive itself themselves as possessing authority over the others:

Figure 4.3 – Program Office Asserts Authority

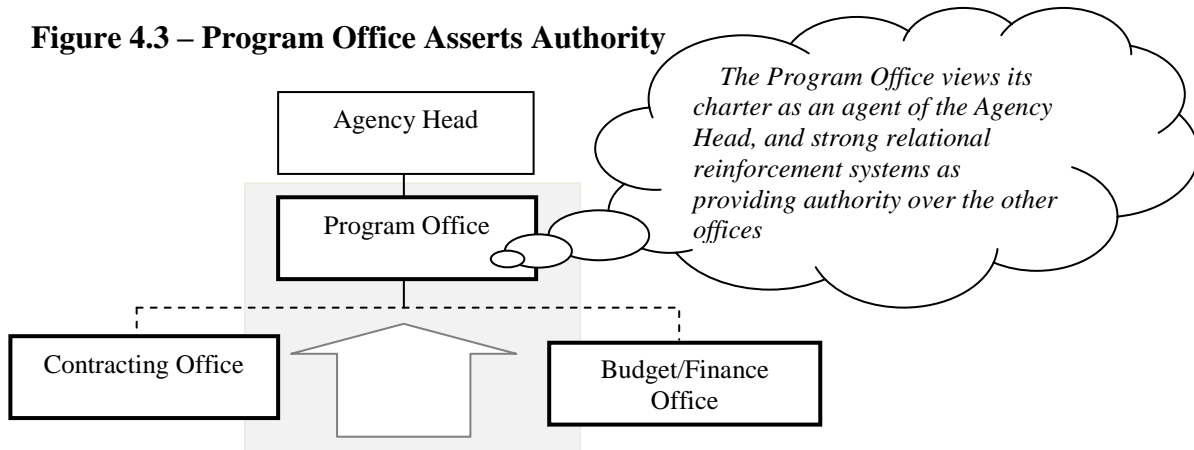
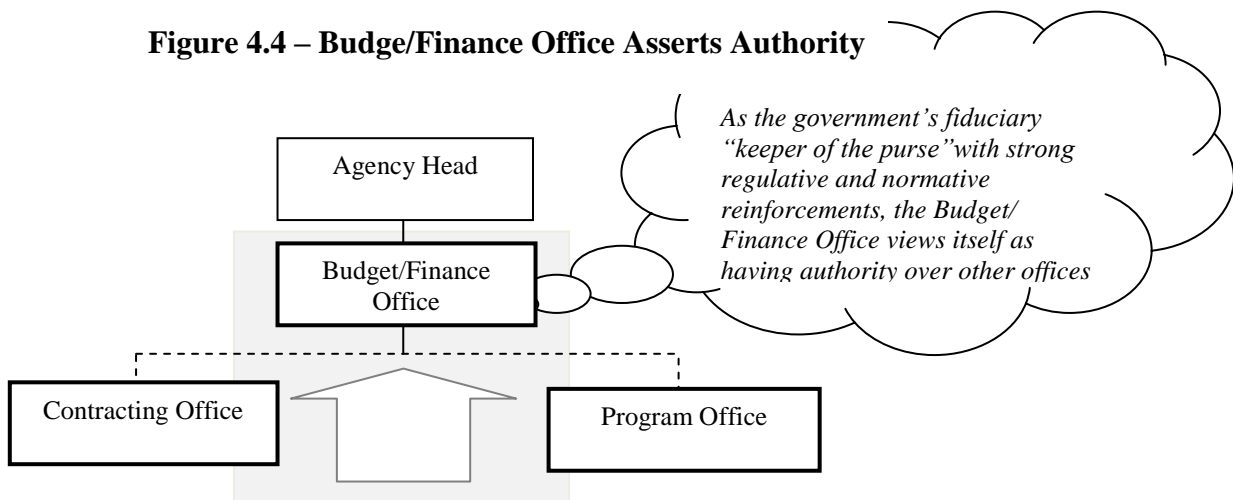


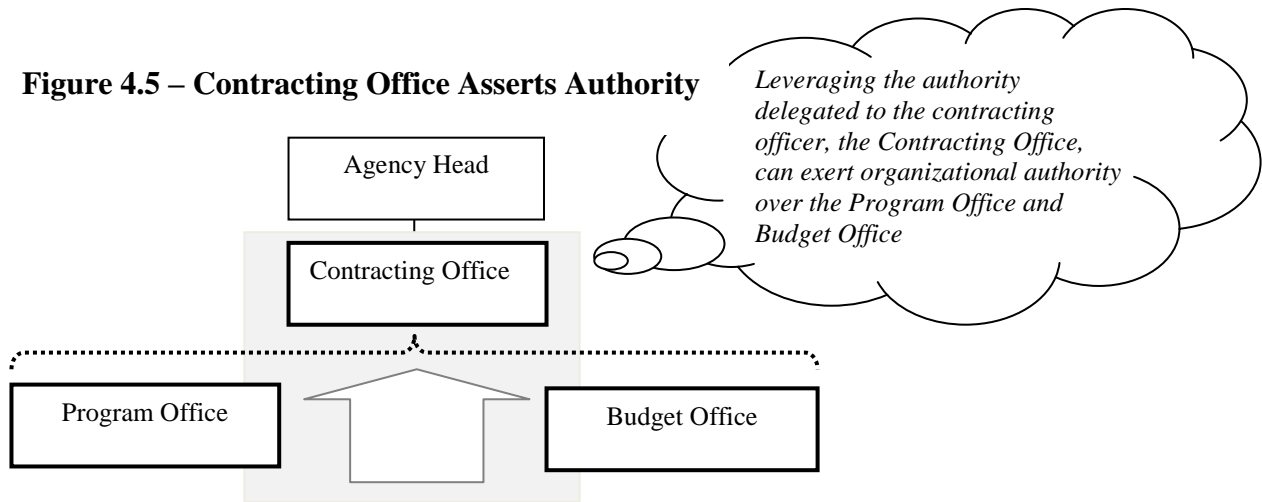
Figure 4.4 – Budge/Finance Office Asserts Authority



Roles and responsibilities may be obscured at different times in the acquisition process and due to different reasons and circumstances. Thus the perceived authority of the different entities within the field may be exerted at different times and for different reasons. Just as the budget/finance office may exert authority over the field owing to matters regarding

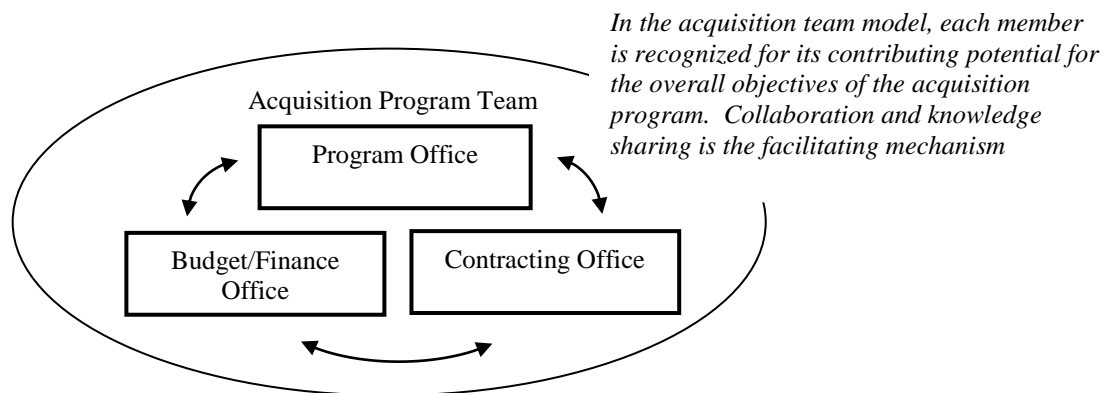
appropriations law and fiscal policy, the contracting office may exert authority due to statutory authority such as the authority of that office’s contracting officer:

Figure 4.5 – Contracting Office Asserts Authority



Clearly, collaborative capacity building and productive knowledge sharing in such environments of varying perceptions of status and authority will be a challenging proposition. Thus, team approaches, such as the “acquisition team” described in the Federal Acquisition Regulation, are commonly applied in such settings. In such an acquisition team, each member is associated with a role and function on the team and recognized for its ability to contribute to the objective of the acquisition program (Figure 4.6):

Figure 4.6 – Offices Collaborate / Share Authorities



The formation of a team in itself may not necessarily overcome the problems associated with formal organizational structure (and perceptions of such structure). Regulative, normative, and cultural-cognitive institutional factors of each participant may be carried forward into the team environment and, as previously depicted in Figure 1.1 (Introduction chapter), these factors may result in misaligned pillars and divergent forces with respect to the acquisition objectives of the team. However, team formation may be a good first step. Fernandes-Alles and Llamas Sanches (2008), drawing upon Fligstein (1997), assert that the possibilities for “strategic action” are greater in unstructured organizational fields. Thus, by establishing an acquisition program team as an unstructured organizational field, a setting may be created that begin to “realign” institutional pillars in a manner which facilitates collaboration.

The Organizational Field and Kettl’s “Smart Buyer” Questions

The preceding discussion focused on the structural relationships, and the perception of such relationships, within the organizational field of acquisition management, not the roles and responsibilities of the participants. Explicit roles and responsibilities within the context of a given acquisition program are not always formalized in advance and sometimes involve conflicting perceptions and become resolved over time through negotiation. At this point, it is helpful to return to Kettl’s conception of the “smart buyer” problem, which centered on the government’s capacity to answer three fundamental questions: *What to buy? who to buy from? and what was bought?* These questions, for all their simplicity, form the essence of the government contracting decision making and process. They form an important part of the aspects of institutional legitimacy within the organizational field. However, who is responsible for answering these questions and how are conflicting claims resolved?

The study's initial assertion is that the government does not act as a single rational buyer. Therefore, it is important to consider Kettl's smart buyer questions within the context of the organizational field selected for this study. Which participants identify and align with the responsibility for framing and answering the questions? Is there a conflict in this alignment, and to what extent might such a conflict be rooted in institutional characteristics? The questions are further complicated by the fact that Kettl's three smart buyer questions are somewhat incomplete. Greve and Ejersbo (2005) expanded the list by adding a fourth fundamental question, *why buy?* In leading a major study on the Department of Defense's acquisition problems, Lieutenant General Ronald Kadish (USAF Retired) described a "little a" component of the acquisition process, which he characterized as "*how to buy.*" This study adds two additional questions that are also important: *When is it needed?* and *how much to pay?* In their expanded form, these smart buyer questions constitute a more complete framework that can be used in examining the government procurement process. They introduce a process-oriented longitudinal dimension and also invite questions of organizational ownership. Table 4.2 depicts the extent of ownership claims the three offices typically exert with respect to the smart buyer questions:

Table 4.2 – Ownership of the Smart Buyer Questions

Smart Buyer Questions	Program Office	Contracting Office	Budget / Finance Office
1. Why buy? <i>(Greve & Ejersbo, 2005)</i>	✓ ✓		✓ ✓
2. What to buy? <i>(Kettl, 1993)</i>	✓ ✓ ✓	✓	✓
3. When is it needed? <i>(This study)</i>	✓ ✓ ✓	✓	✓
4. How much to pay? <i>(This study)</i>	✓ ✓	✓	✓ ✓ ✓
5. How to buy? <i>(This study)</i>	✓ ✓	✓ ✓ ✓	
6. Who to buy from? <i>(Kettl, 1993)</i>	✓ ✓	✓ ✓	
7. What was bought? <i>(Kettl, 1993)</i>	✓ ✓ ✓		

Such claims over roles and responsibility – commonly referred to as “turf” – may not always clearly designated and may also be shared by multiple participants. For example, while ownership of the question of *what to buy* may be initially claimed by the program office, at different stages of the acquisition the contracting office and the budget/finance office may also engage in the question. Sometimes conflict will result.

Networks and Collaboration within the Organizational Field

Formal structure, perceptions of the structure, and perceived responsibilities relative to structure and the smart buyer questions are ways of looking at the organizational field. Another

is the networking processes that emerge in order for the participants to effectively collaborate on an acquisition program. Milward and Provan's (1995) preliminary theory of effectiveness focused on a unit of analysis that was not the organization itself but rather the ties between the participants of organizations that collaborated jointly to produce a community service.³⁵

Network theories of organizations have since emerged into a variety of streams, including networks as structures of opportunities, as structures of constraints, and as embedded relationships (Greenwood and Hinings, 2006). In examining collaboration within network settings, Weber and Khademian (2008) note the considerable empirical evidence demonstrating the desirable aspects of such networks. Networks can be flexible and efficient, create value, accumulate vital resources, and be self-supporting. Importantly, they can also support knowledge sharing activities and facilitate the activities of collaborative capacity builders:

In an ongoing collaborative effort, the multiple organizations, people, and groups working together are really working out a new knowledge for the purposes of the network. There will be inevitable conflicts between the objectives and values developed within the network and those of organizations and other participants. Given this reality, managers need the energy to overcome resistance within their own organizations, as well as within other participating organizations, and to get network members to share knowledge that is hard-won, receive the knowledge from others, and create a new knowledge that will facilitate the management of wicked problems. (p344)

Inter-organizational collaboration within networked fields of acquisition management is clearly a critical requirement for effective government contracting. While the prospect that institutional misalignments may adversely affect such collaboration is not explicitly addressed in this study as a research question, it is a pervasive background theme. Early institutional theorists might suggest that findings of such barriers simply confirm the existence of institutional persistence and resistance to change and reinforce the view that little can be done. Nevertheless, the extent to which institutional misalignments might create barriers to collaboration is an

³⁵ Milward, H. Brinton and Keith Provan (1997) "Governing Networks, Managing Networks: Principles for Controlling Agents," Paper presented at the Fourth National Public Management Research Conference, University of Georgia, October 30 – November 1, 1997.

important consideration to explore further and opens a host of questions regarding possible prescriptive solutions. If institutional barriers are found to exist, what managerial or policy interventions (if any) might be developed to help mitigate these conditions?

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While this study of the government's smart buyer problem remains centered on the application of frameworks from institutional theory, the significant potential of other frameworks of organizational analysis such as network and communication theories that might take the inquiry to the next level is nevertheless recognized.

³⁶ Milward, H. Brinton and Keith Provan (1997) "Governing Networks, Managing Networks: Principles for Controlling Agents," Paper presented at the Fourth National Public Management Research Conference, University of Georgia, October 30 – November 1, 1997.

CHAPTER 5 – CASES

As described in Chapter III, Methodology, this chapter analyzes five federal acquisition cases in a mini-case study fashion. While other components of the triangulation methodology helped shed light on policy aspects of the acquisition process, an examination of actual acquisition cases is important to help validate these findings at the operational level. It was not the intent of the case studies to apply a deep ethnographic analysis using data from original field observations. This component of the methodology sought to validate, through published case data, the organizational arrangement of program, contracting, and budget/finance offices and to note their respective institutional characteristics within the overall context of the acquisition. A key selection criterion was the availability of open source case data. Additionally, acquisition cases were sought that involved “public-facing” programs, that is, the delivery of systems or services that had a more direct impact on the public.

I was involved personally in two of the cases (DoEd CSB and IRS Modernization), and thus drew upon the autoethnographic data for a portion of the analysis (especially for perspectives pertaining to the cultural-cognitive pillar), and elite interviews were conducted with individuals associated with the five cases. However, the most important criterion for selection of the cases was the availability of credible open-source and public data on the acquisition details. These included GAO reports, inspector general audits, and information from press accounts and agency websites. This greatly facilitated the ability to examine multiple cases within the resource constraints of the study. However, as discussed in Chapter III “Limitations of the Study,” this criterion likely introduced some degree of selection validity. Relying upon open-source information for case data, such as from audits and news articles, most likely skewed

the selection towards problematic programs. Also, there was no attempt to select or contrast “successful” and “unsuccessful” programs because such categorizations definitions would be difficult to operationalize within the study’s methodology (see Chapter 3, Limitations of Study). Nevertheless, in the case summaries below, a subjective “Study Acquisition Assessment” is provided to indicate how well the cases were judged in terms of meeting their initial performance expectations, initial delivery timeframes, cost expectations, and how they fared in audits and other published accounts. The documentation on the cases generally indicated mixed results; One program fared well (FDIC Infrastructure Services); one badly (FEMA Trailer Maintenance).

The five cases selected were all technically complex and of high-value – ranging from hundreds of millions to billions of dollars each. The cases are summarized below:

Case 1: Federal Student Aid - Common Services for Borrowers (CSB) Program:

FSA CSB -- Case Acquisition Assessment

Met initial performance expectations?	<input type="radio"/> <i>Mixed</i>
Met initial delivery timelines?	<input checked="" type="checkbox"/> <i>Not met</i>
Met initial cost expectations?	<input checked="" type="checkbox"/> <i>Met</i>
Publicity / audit coverage?	<input type="radio"/> <i>Mixed</i>

Case No. 1, “Federal Student Aid’s “Common Services for Borrowers (CSB) Program” was a \$2 billion acquisition by the U.S. Department of Education (DoED). CSB was planned to consolidate several highly public-facing systems used by thousands of student-aid recipients to manage their loans. While, the acquisition itself had only limited coverage by the GAO and the DoEd Inspector General, autoethnographic entries and official open-source information on the web, provided significant insights into the institutional environment of the program.

Case 2: Internal Revenue Service’s Business Systems Modernization (BSM) Program:

IRS BSM - Case Acquisition Assessment

Met agency performance expectations?	<input type="radio"/>	<i>Mixed</i>
Met delivery timeliness?	<input checked="" type="checkbox"/>	<i>Not met</i>
Met cost expectations?	<input type="radio"/>	<i>Mixed</i>
Publicity / audit coverage?	<input checked="" type="checkbox"/>	<i>Negative</i>

Case No. 2, the Internal Revenue Service’s “Business Systems Modernization (BSM) Program,” was considered at the time to be the largest and most complex non-defense IT acquisition in the federal government. It received extensive news media coverage and has been the subject of many GAO reports, audits by the Treasure Inspector General for Tax Administration, consulting studies, industry reports, and scholarly analyses. Autoethnographic entries and interview data were also used in this case analysis.

Case3: Federal Emergency Management Agency (FEMA) Trailer Maintenance Services:

FEMA Katrina Trailer Maintenance - Case Acquisition Assessment

Met initial performance expectations?	<input checked="" type="checkbox"/>	<i>Not Met</i>
Met initial delivery timeliness?	<input checked="" type="checkbox"/>	<i>Not met</i>
Met initial cost expectations?	<input checked="" type="checkbox"/>	<i>Not met</i>
Publicity / audit coverage?	<input checked="" type="checkbox"/>	<i>Not met</i>

Case No. 3, the Federal Emergency Management Agency’s (FEMA) “Emergency Housing Program,” involves the infamous acquisition of trailers, mobile housing units, and related logistics and maintenance services in the wake of Hurricanes Katrina and Rita. Much has

been written on the organization of FEMA and its contracting processes and the volume of detailed public information via GAO reports and inspector general audits is extensive.

Case 4: Transportation Security Administration (TSA) Airport Screener Recruiting:

TSA Screener Recruiting - Case Acquisition Assessment

Met initial performance expectations?	✓	<i>Met</i>
Met initial delivery timeliness?	✓	<i>Met</i>
Met initial cost expectations?	☒	<i>Not met</i>
Publicity / audit coverage?	☒	<i>Negative</i>

Case No. 4 involves the acquisition of Federal Airport Screener Recruiting services by the Transportation Security Administration (TSA) after the 9/11 terrorist attacks. As with IRS Modernization and FEMA Trailers, this acquisition received a significant amount of press and media attention. Not only did the federalization of airport screeners result in a highly visible new element of the government workforce to the general public, but problems with the contracting process itself became highly visible to the public.

Case 5: Federal Deposit Insurance Corporation’s (FDIC) Infrastructure Services Contract:

FDIC ISC - Case Acquisition Assessment

Met initial performance expectations?	✓	<i>Met</i>
Met initial delivery timeliness?	✓	<i>Met</i>
Met initial cost expectations?	✓	<i>Met</i>
Publicity / audit coverage?	✓	<i>Met</i>

Case No. 5, the Federal Deposit Insurance Corporation’s (FDIC) “Infrastructure Services Contract” (ISC) was a successful and relatively obscure acquisition by the FDIC to outsource and modernize its IT infrastructure. The program history and contractual details were well documented in a series of FDIC Inspector General reports and extensive financial and program documentation available on the FDIC website. The case documentation available generally indicated favorable overall outcomes of this acquisition program:

Note on Chapter 5 Case Study references: Because of the extensive references to website information, GAO and agency audit reports, and news media articles in the case analyses, footnotes are used for references for this section of the study.

Case No. 1: Federal Student Aid’s Common Services for Borrowers (CSB) Program

FSA, an organization of 1,100 employees of the U.S. Department of Education (DoED), was established by Congress as a performance-based organization (PBO) in October 1998. As a PBO, FSA is required to commit to specific measurable goals for administering student financial assistance programs under title IV of the Higher Education Act of 1965. Such programs provide more than \$100 billion in aid to nearly 14 million postsecondary students and their families and involve over 5000 schools, lenders, and third party guaranty agencies.³⁷ The information systems that have evolved to manage federal aid programs had become complex, costly, and cumbersome. This case examines the acquisition of one of those systems – Common Services for Borrowers (CSB). CSB was a ten-year \$2 billion program designed to service student loans while consolidating legacy IT systems into a single modernized system.

Background

As part of the PBO enabling legislation, Congress provided FSA with numerous managerial flexibilities, including the payment of performance bonuses and direct procurement authority. The enabling legislation also directed FSA to integrate information systems, implement an open, common, integrated delivery system; and develop and maintain a system containing complete, accurate and timely data.³⁸ These systems included systems for the application of loans, determination of eligibility, origination and disbursement, and servicing and collections. Most of these systems were designed and implemented by multiple contractors.

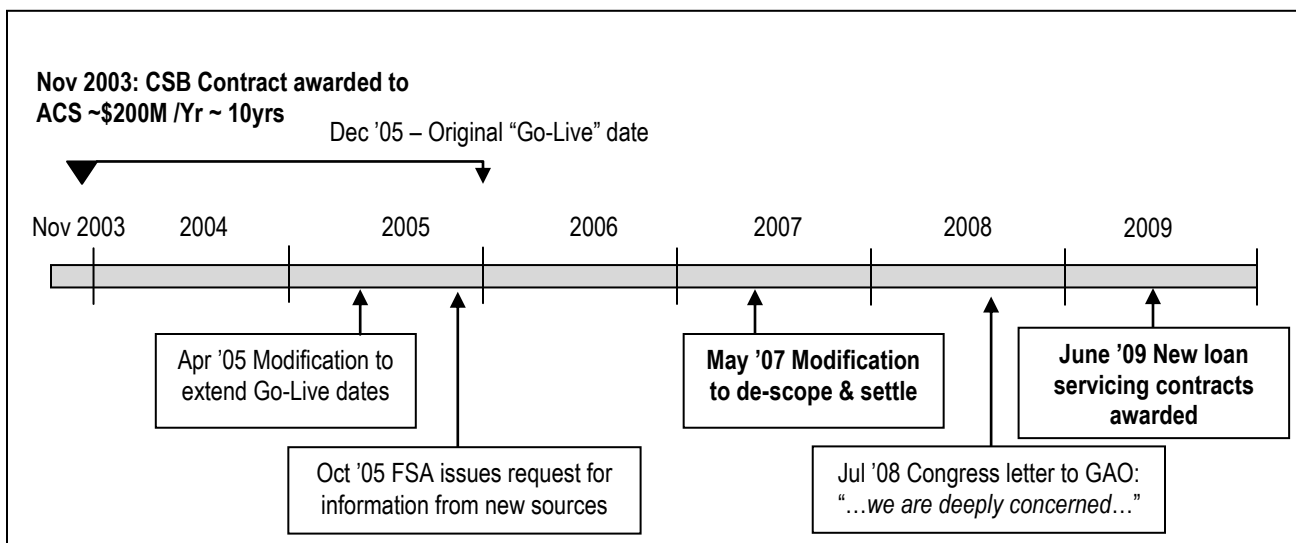
On November 20, 2003, FSA competitively awarded a contract worth up to \$2.3 billion for the consolidation of direct student loan servicing, loan consolidation processes and debt

³⁷ www.studentaid.ed.gov

³⁸ U.S. General Accounting Office, “Federal Student Aid: Additional Management Improvements Would Clarify Strategic Direction and Enhance Accountability,” GAO-02-255

collection activities for approximately \$96 billion in student loan obligations. The Common Services for Borrowers (CSB) contract (Contract No. ED04-CO-0004) sought to continue existing loan servicing operations while consolidating multiple legacy systems in a three-phased approach, according to the proposal submitted by ACS Education Solutions LLC, of Dallas, Texas (ACS).³⁹ The CSB program was expected to save the department \$1 billion over the ten year period. The contract was coded as a “fixed-price” performance-based contract with OMB and in the government-wide procurement database known as the Federal Procurement Data System. However, as with many large-scale IT programs, the CSB program began to encounter difficulties and many of the promised areas of functionality were not fully delivered. Figure 5.1 summarizes the timeline and some key events of the program:

Figure 5.1.1 Key Case Events
FSA Common Services for Borrowers (CSB)



The contract with ACS provided for a base five-year performance period valued at \$1 billion and five option years of \$200 million each. The contract consisted of two different

³⁹ Department of Education News Release dated November 20, 2003, “Taxpayers Stand to Save \$1 Billion Under New Contract”

efforts; a loan servicing component and a systems development effort. ACS already held a \$100 million contract for the direct loan servicing component of the new CSB requirement.⁴⁰ The CSB contract was the largest single contract award by the Department of Education. FSA initiated the competitive procurement for CSB to take advantage of expiring contracts for several other systems, including the Direct Loan Servicing System (DLSS), the Direct Loan Consolidation System (DLCS), the Debt Management Collection System (DMCS) and the Conditional Disability Discharge Tracking System (CDDTS).⁴¹ Some of the benefits of the CSB approach included the ability to integrate and optimize FSA's investment portfolio of systems, provide incentives to reduce loan delinquencies and defaults, and improve customer service and borrower self-servicing opportunities. ACS was the existing contractor for Direct Loan Servicing and Conditional Disability Discharge Tracking systems. ACS' major teaming partners for CSB included; Electronic Data Systems (EDS), the previous contractor for Loan Consolidation; Raytheon, the previous contractor for Debt Management and Collections Systems; and Pearson Government Solutions, the contractor for Debt Management and Collections Systems.

With less than two years into the CSB contract, the contractor began experiencing problems in meeting the new system delivery dates. A modification was negotiated in which new dates were established in exchange for various payment disincentives and an agreement for ACS to implement a project control technique known as Earned Value Management (EVM). FSA described the changed scope in its 2008 OMB report as follows:

“(T)he initial Common Services for Borrowers (CSB) solution, which was designed to re-engineer Borrower Services' core legacy systems and business processes under a single system, is no longer

⁴⁰ CNET News, “ACS Contract Extension to Shrink,” by Ed Fraunheim, May 12, 2003.

⁴¹ US Department of Education, “Common Services for Borrowers (CSB) An Update,” Briefing to the Coalition of Higher Education Assistance Organizations, January 27, 2004.

scheduled to be implemented as planned. Although it will still essentially be comprised of the core legacy systems as individual components, it has been modified to improve upon the previous operating efficiencies of totally separate systems. As a result, the current solution will now be known as Common Services for Borrowers-Legacy (CSB-Legacy).

The renamed program “CSB-Legacy” resulted from the problematic performance of the ACS under the original CSB program in 2005 through 2006. Weekly meetings were held at the contractor’s nearby office with FSA Acquisitions staff, contractor project and contracting personnel, and FSA’s Borrower Services program staff. On October 17, 2005, FSA posted a “source sought” synopsis on the government’s Federal Business Opportunities website. The announcement, titled “CSB2” was to “determine if there are sources that can develop and/or operate and maintain software applications for an integrated loan servicing solution ... capable of processing FSA’s loan portfolio (consisting of) 9.2 million borrowers and approximately 40 million loans.”⁴² In May 2007, a modification was issued to de-scope the contract with ACS and settle a \$92 million penalty the government considered appropriate due to the contractor’s failure to perform. In 2008, the national economic crisis began to force many student loan vendors out of the market, requiring increased reliance on the FSA-managed direct loans (DL). FSA estimated that the number of DL borrowers serviced under the CSB contract would double, from \$6.5 million to 14 million.⁴³ On July 7, 2008, Congressmen Pete Hoekstra (R-Michigan) and Mark Souder (R-Indiana) wrote a letter to the Comptroller General:

“...we are deeply concerned about the capacity and preparedness of the DL (Direct Loan) program, the Department (DoEd), and its contractor, ACS. ... By awarding a \$2.3 billion CSB contract to ACS, the Department’s stated goal was to improve service, reduce costs, increase accountability, and strengthen program integrity by consolidating five separate legacy systems and operations into one unified system. ... Modification #40 to that contract, dated May 29, 2007, shows that the contractor failed to deliver these contractual upgrades to the DL systems. A failure of this magnitude suggests that the DL program may not be ready to meet the needs of the potential millions of new college students who will need loans. ... Given

⁴² www.fbo.gov “Reference-Number-RFI-CSB2” Posted October 17, 2005, Federal Student Aid

⁴³ Comptroller General Decision, ACS Education Solutions, LLC, B-401531/2/3, October 5, 2009

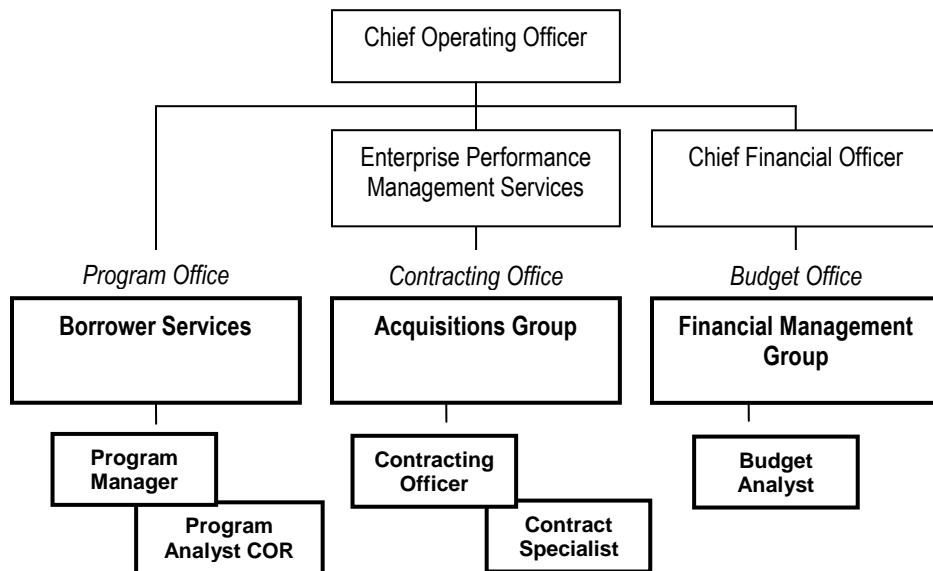
the current contractor’s failure to deliver major systems improvements that were promised, what is the level of risk the Department faces in relying solely on one contractor to handle large increases in volume?”⁴⁴

In June 2009, FSA extended the ACS contract for 12 months through the 2010 calendar year, with a value that ACS estimated at \$200M.⁴⁵ In order to accommodate the significant increase in the expected number of student borrowers under the Direct Loan program, FSA also awarded four new “Indefinite Delivery / Indefinite Quantity (ID/IQ) type contracts to four new contractors.

The Organizational Field

For the purposes of this case, the organizational field of the CSB program consisted of the Borrower Services organization (the program office), the Acquisitions Group (the contracting office), and the Financial Management Group (the budget/finance office).

Figure 5.1.2 – FSA CSB Program Organization



⁴⁴ Letter to the Honorable Gene L. Dodaro, Acting Comptroller General of the United States, from Pete Hoekstra and Mark Souder, Members, Congress of the United States, dated July 7, 2008

⁴⁵ ACS Press Release, www.acs-inc.com, October 22, 2009

The Program Office

CSB was one of several programs managed by Borrower Services. The program manager (Director of Borrower Services) had a close relationship with the COO and was a very influential program manager throughout FSA. Like the COO, the program manager came to FSA from the student loan industry and had little experience in government contracting. While the size and technical challenges of the CSB contract afforded it the most immediate attention, other programs such as the Private Collection Agency (PCA) contracts frequently became problematic and warranted significant attention from FSA leadership. The CSB program office included a number of experienced staff whose responsibilities involved contract monitoring and whose activities occasionally conflicted with those of Acquisitions. For example, the Borrower Services organization included a designated component entitled “Contract Performance Analysis.” Also, within the Enterprise Performance Management Services group (the parent organization of the Acquisitions group), certain individuals were charged with implementing performance management tools and techniques directly pertaining to the CSB contract. The CSB program office had much more frequent and informal communications with the CSB contractor than did the Acquisitions group. These communications, even directly with the Program Manager (Director of Borrower Services) provided useful back-channel information for the government, but were not always consistent with the official messages being delivered by the contracting office. At times there was some confusion and tension as to who should be communicating with whom and who assuming the “good-guy/bad-guy” role. On at least one occasion, the Director of Borrower Services approached the Director of Acquisitions to gain a better understanding of the process and respective roles of the program office and the contracting

office. Perhaps not coincidentally, the COO called a senior-level working forum on June 5, 2006 to address acquisition process issues (see below).

The Contracting Office

The Acquisitions group within FSA consisted of a 40-person staff (30 government employees and 10 contractor staff) including 9 Contracting Officers and 11 Contract Specialists⁴⁶). The Director of the Acquisitions group and his staff were well experienced in government contracting with diverse backgrounds. The group reported to the Enterprise Performance Management Services (EPMS) group, whose director came from the student loan industry and was less familiar with government contracting. The contracting office staff was located in close working proximity to the Director (both Acquisitions and EPMS) on the 9th floor of the FSA building. In 2004 the Acquisitions group had begun staffing with a newer cadre of senior Contracting Officers with the title “Executive Business Advisor.” Unlike the contract specialists staff who were from the 1102 job series (Contracting), the new Executive Business Advisors were excepted service appointments from the 301 Job Series (“Miscellaneous Administration and Program Series”) and subject to the performance-based PBO bonuses. The Acquisitions group sought to integrate this new structure within FSA while meeting the expectations of program office staff who were under performance incentives and had close ties to their programs and the student loan industry. On June 5, 2006 the Chief Operating Officer held a forum attended by senior members of the Acquisitions group and program offices to discuss concerns relating to the FSA acquisition process. Much of the discussion focused on perceived communication problems between contracting staff and program staff and setting expectations regarding acquisition roles and responsibilities. The Director of the Acquisitions Group was

⁴⁶ From FSA Response to Vendor Questions, Solicitation No. ED-06-R-0034, August 15, 2006

proactive in initiating several staffing, teambuilding, and reorganization efforts, including a 2006 “Acquisition Organization Assessment and Evaluation” consulting study.⁴⁷

The FSA Acquisitions group was charged with providing contracting support to the CSB program. Staff assigned to the CSB program included the Contracting Officer and Contract Specialist, whose collateral duties also included other contract assignments. Because of the size and importance of the CSB, the program garnered considerable attention from the Acquisitions group Director and other managers. The Contracting Officer was new to FSA and was assigned after the contract had been awarded. The office managers had only a year or two more experience with FSA. Two previous CSB Contracting Officers remained within FSA and were consulted from time to time for their knowledge of the program. The Contract Specialist had also been with the program a year or two and was relied upon for maintaining contract files and drafting modifications and other documents. Standing weekly meetings with the contractor and ad hoc meetings with the CSB program manager were part of the work routine. Because of performance difficulties of the contractor, much of the day-to-day routines of the contracting office staff assigned to CSB involved coordinating with the CSB Program Office and DoEd attorneys on contractual sanctions, legal actions, and other alternatives that could be taken. The day-to-day routines of the Contracting Officer and Contract Specialists also included processing contract actions using the FSA Oracle financial system and the Contracts and Purchasing Support System (CPSS) known as “Comprizon.” Integrated contract management systems such as Comprizon are designed to standardize contracting processes such as drafting, reviewing and approving contract modifications and funding actions. However, in 2005, problems with the system became so prevalent that the system was seen as a burden and was creating delays in

⁴⁷ www.fbo.gov “Solicitation No. ED-06-R-0034” Posted August 08, 2006, Federal Student Aid

processing contract actions. A special “tiger team” of vendor and DoEd specialists were sent to train staff and troubleshoot problems as they arose. Turnover was relatively high in the group, and between 2006 and 2007 four of the senior Contracting Officers had left for other jobs.

Case Summary

Federal Student Aid’s CSB case exemplified a large information technology acquisition that fell behind schedule and failed to meet agency performance expectations. Eventually, it had to be devolved into multiple smaller acquisitions using other contracts and contractors. Organizationally, the program was administered via a typical matrix structure. The Program office maintained dominant day-to-day leadership and technical awareness of the program, changing requirements, and performance of the contractors. The contracting office had considerably less experience in FSA programs than did the CSB staff. The contracting office assigned a contracting officer and a contracting specialist on a part-time basis, although CSB was the workload priority. Because of the importance of the program, contracting office leadership (as well as General Counsel staff from DoEd) frequently became involved in CSB contracting decisions. The Finance Office provided limited involvement on a day-to-day basis. Funding for CSB was not being threatened, although ACS’ development problems became increasingly difficult to obscure in performance reports submitted to OMB. FSA’s integrated financial system created a tedious daily work routine for program office and contracting office alike. Contracting office staff had to attend special training sessions and vendor “tiger teams” were assigned to troubleshoot problems on-site. Despite the “back-end” problems experienced by the contractor in developing a new consolidated CSB system, the contractor continued to service student loans at an acceptable level. Thus, service delivery to the public did not become an immediate concern. Back-end development problems became a public issue only when the

collapse of the student loan market forced attention on FSA's ability to increase its loan servicing capacity internally through CSB. Actions taken by the FSA Acquisitions Group (in close coordination with the CSB Program Office) were successful in protecting the government's interest in the face of the contractor's performance problems. Penalties were negotiated into the CSB contract to offset contractor failures and new multiple contracts were awarded to competing vendors for student loan servicing. A protest of these awards by the CSB contractor was overturned.

The CSB Case reveals a program office that was dominant in the agency's "*what to buy*" and "*who to buy from*" decisions. Because of inexperienced staff and a formative organization, the contracting office struggled with "*how to buy*" decisions. Organizationally, the CSB case revealed the typical matrix structure of contracting offices and finance offices supporting programs via staff workload assignments. The placement of the FSA Acquisitions Group under the Enterprise Performance Management Services organization was somewhat unique and bolstered the contracting office's role in assessing decisions relating to the "*what was bought?*" question. Since the timeframe of this case, the FSA Acquisitions Group has taken steps to reorganize and strengthen its identity within FSA.

Case No. 2: IRS' Business Systems Modernization (BSM) Program

In performing its mission to administer U.S. tax laws and collect taxes, few organizations in the federal Government have a more direct impact on citizens than the Internal Revenue Service (IRS). This case examines the \$10 billion Business Systems Modernization Program developed to modernize the IRS' dated computer systems and outdated technology. The program has been problematic from the start, receiving extensive congressional oversight, audit attention, and negative press. However, the BSM case exemplifies a massive, complex IT acquisition program which found modest success after the government reclaimed integration responsibilities from the contractor. The case describes the events following contract award in 1999 and the organizational, contract management, and budget actions taken in response to problems with the program. Although the Modernization program is continuing today, the case focuses primarily on the period 1999 through 2005.

Background

After the failure of two high-profile efforts to modernize the IRS' tax administration systems in 1978 and 1995, Congress passed the IRS Restructuring and Reform Act (RRA) of 1998 which set forth a comprehensive set of organizational and business reforms aimed at serving the public and meeting taxpayer needs.⁴⁸ At the time, the IRS' outdated computer network consisted of 40 mainframe computers, 871 midrange computers, over 100,000 individual computers, and 2,779 vendor supplied software products, and more than 50 million

⁴⁸ Congress and the GAO were relentless in their oversight of IRS modernization efforts. Nearly fifty GAO reports have been released on the IRS modernization program since 1999. The prior Tax System Modernization (TSM) program fared even worse. In 1995, the GAO reported that the IRS had spent over \$2.5B without a comprehensive business strategy and that pervasive management and technical weaknesses could endanger the program (AIMD-95-156, July 26, 1995, "Tax Systems Modernization: Management and Technical Weaknesses Must Be Corrected If Modernization Is to Succeed")

lines of IRS maintained computer code.⁴⁹ Among the reforms laid out in the RRA, the IRS was charged with implementing a sweeping update of its computer systems under a program known as the Business Systems Modernization (BSM) program. Having failed at the two prior modernization efforts, the IRS was portrayed in the media as being poised for “strike three.”⁵⁰

Under considerable public visibility and specific mandates of the Restructuring and Reform Act, the IRS awarded its Business Systems Modernization contract TIRN-99-D-0001 to Computer Sciences Corporation in September 1998. The Los Angeles Business Times described the award as:

“... the biggest contract in the history of the computer services industry, ... may be the biggest non-defense contract ever awarded by the federal government. The troubled tax agency, buffeted by congressional hearings earlier this year, has finally turned to the private sector to overhaul its antiquated computer system.”⁵¹

The indefinite-delivery/indefinite quantity (IDIQ) contract with CSC had a performance period of 15 years and unspecified ceiling value, described only as the amount authorized for the program. The IRS estimated the total program value at \$8 billion, although some press accounts reported a value of up to \$10 billion. CSC proposed a team of subcontractors, the “PRIME Alliance,” which included IBM, SAIC, KPMG, Northrop Grumman, Unisys, and Lucent. Past IRS modernization failures, the lack of IRS’ technical management capacity, “stovepiped systems,” and the need for commercial best practices and a “public/private sector partnership” were themes specifically invoked in the introduction page of the contract’s work statement.⁵² As stated in the statement of work, the purpose of the contract was to bring an “integrated business

⁴⁹ “Business Systems Modernization Overview & Background” IRS Press Release IR-2001-05 “FOR RELEASE: 1/11/01”

⁵⁰ Veron, Elana, “E-Government: IRS Modernization – Will Third Time be the Charm?” *CIO Magazine*, April 1, 2001

⁵¹ “IRS Contract Win Renews Confidence in CSC,” *Los Angeles Business Times*, December 28, 1998

⁵² IRS Contract TIRN0-99-D-0001, Sect. C.1.0, p.C-1 (<http://www.irs.gov/pub/irs-procure/prime-contract.pdf>)

solution” for the overall IRS modernization program. While the Modernization contract contained little to specifically delineate IRS responsibilities, the scope of the contractor’s responsibilities was expansive:

- “The PRIME will assume lead responsibility for validating business requirements ... developing alternative engineering solutions ...integrating, testing and deploying the modernized systems ...”(C.2.0)
- “... assume full responsibility for Program Management, under the direction of the IRS, to provide comprehensive systems lifecycle and program management functions.” (C.3.1)
- “... assume full responsibility and be singularly accountable for performance of the contract (including) Modernization infrastructure, Horizontal integration, Compliance with Modernization Blueprint Architecture and Standards, and Contractor operations and maintenance.” (C.3.3)
- “... assume full responsibility for horizontal integration of business solutions to include the integration of business solutions into the legacy environment as well as the evolving modernized environment.” (C.3.3.2)
- “... Create a unified business/technology vision for the IRS.” (C.3.4.5.1) ...
- “... incrementally deliver functionality to reduce technical complexity, speed time to market, and produce demonstrable and measurable results.” (C.3.4.5.3.3)
- “... Never lose sight of overall enterprise goals and objectives. (C.3.4.5.3.2)

CSC publicly acknowledged its overarching role stated in the contract, but also relied heavily upon its proprietary lifecycle management methodology, known as Catalyst™.

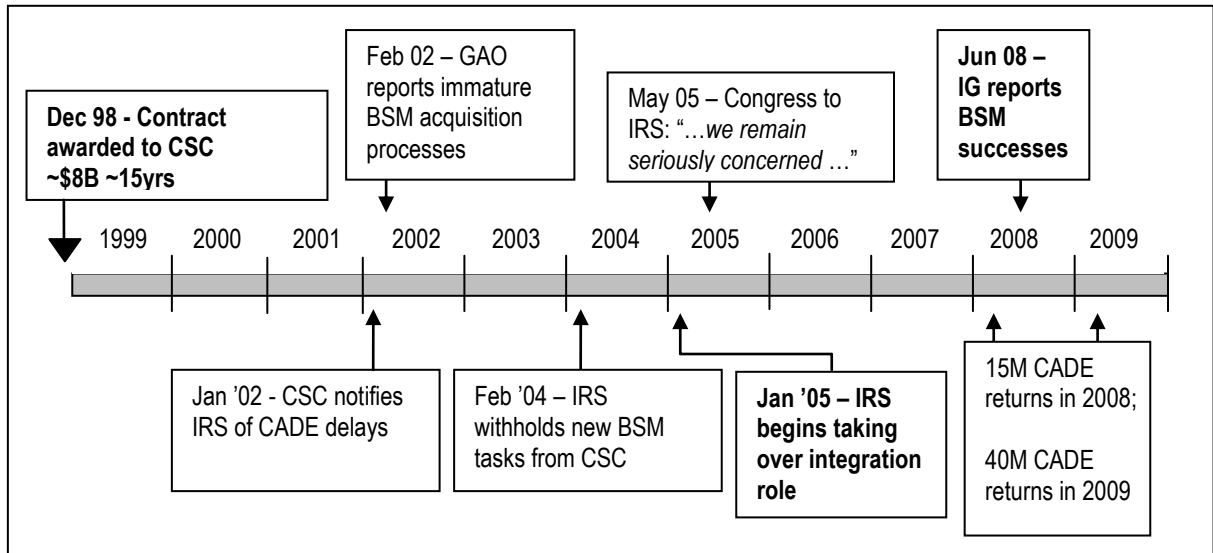
“the first priority of the PRIME Alliance will be to install and implement a joint program management and system life-cycle environment patterned after CSC's proven Catalyst methodology. It will incorporate all aspects of a business vision for the IRS, from strategy development through system deployment and operations.”⁵³

The flexible indefinite delivery type contract allowed for task orders to be placed for the various projects necessary for modernization. The initial projects included Customer Account Data Engine (CADE), Customer Communications (CC), e-Services, Customer Relations Management (CRM) and Integrated Financial System (IFS). The CADE project, designed to replace the IRS’ all-important Master File, would become central to the entire modernization

⁵³ Milton Cooper, President, CSC Federal Sector, in CSC Press Release, “CSC Prime Alliance to Modernize Tax System Under Contract Awarded by IRS,” Dec 9, 1998

program. Figure 5.2.1 depicts some key events related to the IRS Modernization effort, focusing on CADE:

Figure 5.2.1-IRS Business Systems Modernization: Key Case Events



Problems with the management of BSM projects began to emerge soon after the contract award. A cartoon in an industry IT publication depicted contractors “Rossotti’s Remodeling” arriving at a dilapidated worksite “IRS Modernization Project” exclaiming “Whoa! This is a bigger job than we thought.”⁵⁴ In May 2000, the GAO testified that

“IRS is as challenged an agency today as it was almost 2 years ago when the restructuring act was passed ... substantial challenges remain in the areas of performance management and information systems modernization ... some initial systems modernization work fell well short of expectations, and the IRS is trying to get back on track.”⁵⁵

Reports from the GAO and Treasury Department IG for Tax Administration (TIGTA) began finding recurring problems associated with the IRS’ capability to manage the program,

⁵⁴ “IRS knows it has to do it right this time GCN, Frank Tiboni Aug 26, 1999

⁵⁵ U.S. General Accounting Office, “IRS MODERNIZATION: Long-term Effort Under Way, but Significant Challenges Remain GAO/T-GGD-00-154 p.1)

and the PRIME’s ability to deliver. The following observations from a 2002 GAO report typical of those that would be repeated throughout the program.

“(The IRS) lacks a human capital management strategy for the program and a reliable project cost-estimating process. It has also yet to implement mature systems and software acquisition process controls. Its plans for correcting this allow core modernization projects to continue for at least 2 more years without such controls. Interdependencies among ongoing systems acquisition projects and the complexity of associated activities to be performed during the period covered by the plan are an order of magnitude greater than those of the previous plan. This workload increase raises concern, because IRS was not able to meet many of the project cost and schedule commitments made in the less demanding prior plan. IRS’s plan provides for increasing its workload by starting additional projects that will further tax existing capability.”⁵⁶

Three years into the contract (February 2002), nearly \$968 had been appropriated, with \$577 billion approved for “release” under an annual expenditure plan process governed by OMB and monitored by GAO. TIGTA’s 2003 Annual Assessment of the BSM Program showed the delays and cost growth associated with the five major BSM projects underway at the time (Infrastructure Shared Services (ISS), CADE, IFS, Custodial Accounting Project (CAP), and e-Services), as shown in Table 5.2.1:

Table 5.2.1 – BSM Project Delivery Schedules & Cost Variances⁵⁷

BSM Projects	Planned Del. Date as of Oct 2001	Rev. Del. Date as of Aug 2003	Delay	Est. Cost (Oct. 2001)	Rev. Cost Mar. 2003	Change	% Change
ISS	12/2002	9/2003	9 mos.	\$ 39.7	\$ 48.8	\$ 9.1	23 %
CADE	1/2003	3/2004	14 mos.	\$ 51.1	\$ 50.2	\$ (0.9)	(2) %
IFS	10/2003	11/2003	1 mos.	\$ 17.3	\$ 23.0	\$ 5.7	33 %
CAP	1/2003	11/2003	10 mos.	\$ 51.4	\$ 87.1	\$ 35.7	69 %
e-Services	12/2002	8/2003	8 mos.	\$ 40.2	\$ 69.0	\$ 28.8	72 %

⁵⁶ U.S. General Accounting Office, “BUSINESS SYSTEMS MODERNIZATION: IRS Needs to Better Balance Management Capacity with Systems Acquisition Workload,” GAO 02-356 February 28, 2002

⁵⁷ Sources: FY 2001 BSM Spending Plan; GAO Report on BSM (GAO-02-356, dated February 2002); and minutes from the July 25, 2003, Customer Relations Management Sub-Executive Steering Committee Meeting and the August 4, 2003, PRIME/IRS Delivery Integrated Conference Call. GAO Briefing on Revised FY 2003 BSM Funding Request, April 2003

BSM Restructuring Initiatives

In 2004, under a new Commissioner and Chief Information Officer the IRS began taking steps to curtail CSC's responsibilities in the program and look toward other contractual avenues to deliver the requirements for modernization. Government Computer News provided the following account of Commissioner Mark Everson's testimony before Congress:

"The IRS won't consider Computer Sciences Corp. for work on future contracts to modernize tax enforcement and compliance systems, IRS commissioner Mark Everson told lawmakers today. The action stems from CSC's inability to meet the latest delivery date in April for the first release of the Integrated Financial System, the tax agency's new core accounting system.

"Accordingly, I have decided to direct our upcoming enforcement modernization projects for collection contract support and filing and payment compliance to other contractors"⁵⁸

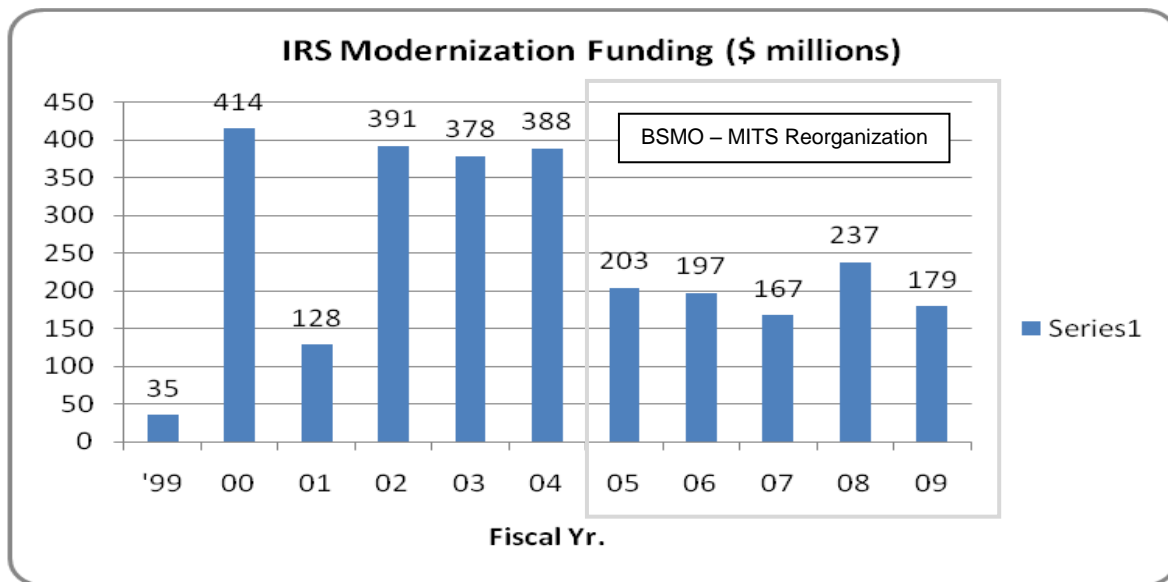
The action was designed to limit the number of modernization projects CSC performs, he said. IRS said it would delay work on some projects to increase the probability of completing other modernization work. Everson said the decision to omit CSC from the contracts was the first consequence stemming from the company's failure to deliver major modernization systems. Additionally, the commissioner said he would "carefully assess CSC's performance on current projects and the results of CSC's overall program management and integration efforts before awarding any follow-on work for existing projects." But Everson said CSC was not alone in its responsibility for failure to deliver modernization projects. "We were not correctly configured, so it got away from us," he said."⁵⁹

⁵⁸ Letter to CSC President which IRS Commissioner showed to members of the House Ways and Means Subcommittee on Oversight, quoted in Government Computer News, "IRS Refuses CSC New Modernization Contracts," Mary Mosquera, February 12, 2004

⁵⁹ Op cit. GCN Feb 12, 2004

In January 2005, due to budget reductions and continued concerns about the adequacy of the PRIME contractor’s performance, the IRS began transitioning additional activities from the PRIME contractor and taking over the primary role as the systems integrator for all projects. A new “Modernization and Information Technology Services” (MITS) organization was stood up to oversee the Modernization Program, and by September 2005, the BSMO organization itself was eliminated as part of a wholesale reordering of MITS.⁶⁰ Annual funding for BSM projects was reduced considerably, as shown in Figure 5.2.3:

Figure 5.2.2



Other IT systems modernization efforts were accomplished via other contract vehicles, such as the Total Information Processing Solution Services (TIPPS) contract managed by the IRS separately from the PRIME Modernization contract. With the restructuring of BSMO into the MITS organization, and the move away from relying upon a single prime contractor, the

⁶⁰ Federal Computer Week, “IRS Moves to Clean Slate: Agency Kills Modernization Office and Creates A New Organization to Take Over,” September 5, 2005

modernization program began receiving more favorable reports from TIGTA and GAO. In 2008, *Government Executive* provided a sanguine retrospective on this turn in the program:

“Delays in the program and cost overruns led the agency in 2005 to take over as the project's primary systems integrator, replacing Computer Sciences Corp. The IRS created a strategy to use legacy systems where it can deploy modernized systems on an incremental basis. The modernization program has improved since the IRS took over ...⁶¹

The modernization program appeared to have improved significantly after the IRS took over integration responsibilities. The IRS deployed new releases for the Customer Account Data Engine, its tax processing system. Between March and August 2007, the IRS processed about 11 million individual tax returns through CADE and sent out \$11.6 billion in refunds. The agency also modernized e-File and deployed the first release of the Account Management Services system, which supports an instant address change application in CADE and enables the agency to notify taxpayers more quickly if their returns have mathematical errors.” The success of the CADE 2.2 release in 2008 was a significant milestone for the program. The IG further noted in its 2008 review that the IRS achieved successes when the Modernization program followed its systems development and management guidance. The program progressed more effectively with the implementation of the Enterprise Services organization’s management components, and with the development of the Information Technology Modernization Vision and Strategy as a map for future development.⁶²

⁶¹ “IG Praises IRS Modernization Program, with Some Exceptions,” *Government Executive*, Jill R. Aitoro jaitoro@govexec.com June 26, 2008

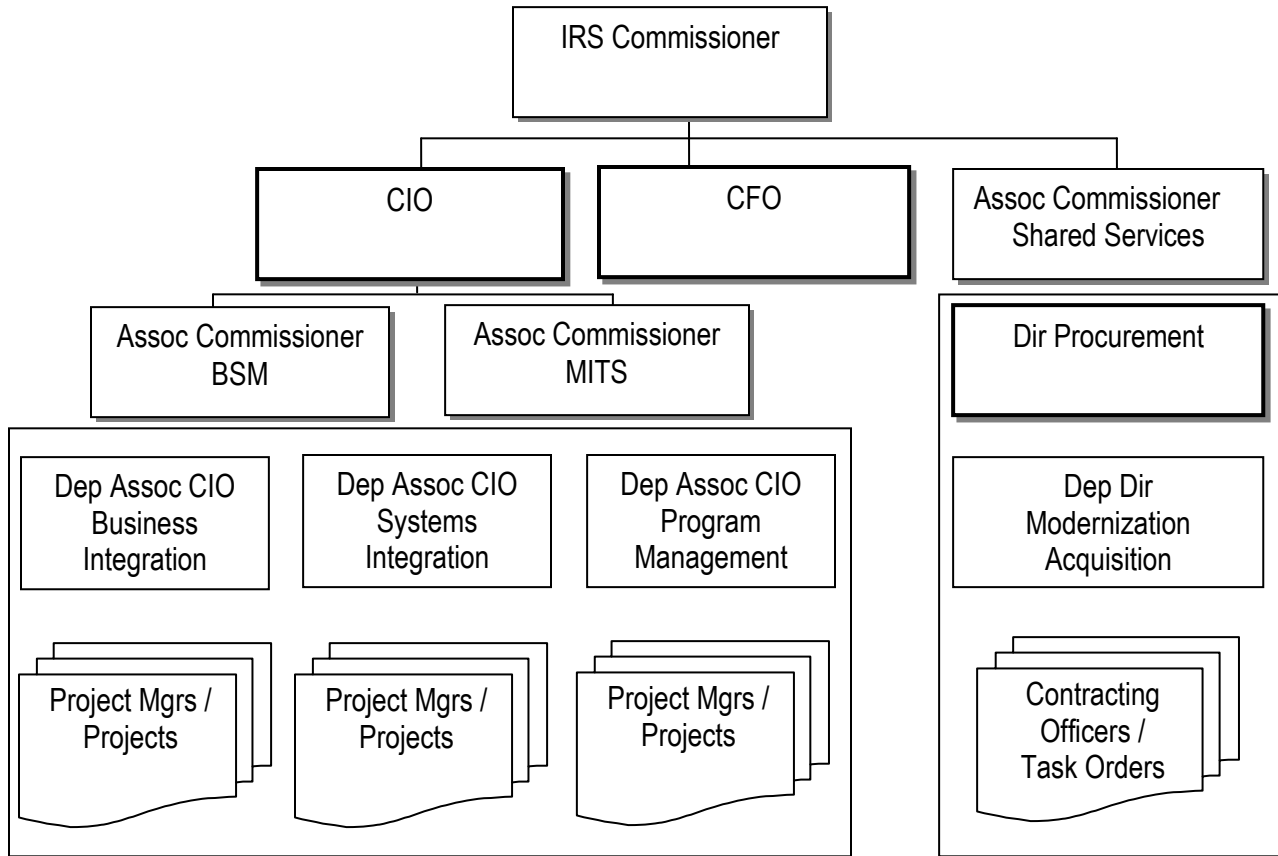
⁶² Treasury Inspector General for Tax Administration, “Annual Assessment of the Business Systems Modernization Program,” Ref. No. 2008-20-129, June 24, 2008

The Organizational Field

The IRS's organizational structure and culture were always seen as key concerns in the planning and implementation of the modernization program. With its culture deeply rooted in annual tax season processing routines and legacy IT systems, the introduction of major new information technology management disciplines was a major challenge for the IRS. "Flawed organizational culture" and "failures of internal management and leadership" were two of the six explanations posed by Barry Bozeman (2002) in his case study of past IRS modernization failures. In its 2000 publication "Modernizing America's Tax Agency," the IRS described its initial organizational restructuring for the agency overall (Chap. V) as well as for information technology modernization (Chap. VI).⁶³ Whereas in 1998 the agency was geographically organized around a multitude of regional service centers and district offices, the "future organization" focused on taxpayer operating divisions – Wage and Investment Income, Small Business and Self-Employed, Large and Mid-size Business, and Tax Exempt and Government Entities. Management of information technology resources was consolidated under the Office of the Chief Information Officer (CIO). The organization of the Modernization program changed in several iterations, with the structure in 2005 is depicted in Figure 5.2.3:

⁶³ Internal Revenue Service, "Modernizing America's Tax Agency," 2000, Publication 3349 (Rev. 1-2000)

Figure 5.2.3 - IRS Business Systems Modernization and Acquisition Organization (2005)



The role of the prime contractor, CSC, was integral to the relationships throughout the organizational field. CSC relied heavily on its proprietary Catalyst™ lifecycle methodology but struggled to understand the IRS legacy systems and processes. CSC had difficulty in effectively managing its subcontractors, who occasionally found better business options with the IRS outside of the prime arrangement. The “robust prime” concept in which the IRS envisioned on-going competition among CSC’s subcontractors failed to effectively materialize. Under the prime ID/IQ contract, the task orders awarded essentially became multi-million dollar contracts themselves with no incentive at the prime contract level for integration or overall program.

The Program Office

At the outset, the IRS centralized all IT modernization efforts under the Office of the Chief Information Officer (CIO). Thus, the “program office” became as the dominant player in the organizational field. An Enterprise Program Management Office (EPMO), which was later changed to the BSMO, focused on the target architecture, system life cycle, and other management processes under the modernization program. Procurement (“contracting office”) functions and the finance (“budget/finance office”) functions received much less attention from an organizational perspective. A Core Business Systems Executive Steering Committee, Chaired by the Commissioner, was established to oversee modernization projects. A Contract Strategy Group was created, chaired by the CIO and included IRS executives as well as PRIME contractor executives. Acquisition and contracting responsibilities changed little under the Agency-Wide Shared Services (AWSS) organization, although a separate division was created for handling modernization contracts. Initial modernization projects such as CADE, e-Services, Integrated Financial System, Customer Communications, and Customer Relationship Management were assigned “business owners” and project directors. These projects quickly became driven by their own milestones, schedules, and funding requirements.

In 2004, the BSMO had a staff of approximately 200 employees. In 2005, when it became clear from GAO and TIGTA reports that the program was struggling, the IRS moved to a “clean slate.”⁶⁴ Under new CIO W. Todd Grams, the new MITS structure was introduced, new Associate Commissioners were brought in from industry and the assignment of BSM project managers was reassessed.

⁶⁴ Federal Computer Week (David Perera), “IRS Moves to ‘Clean Slate,’ September 5, 2005

Disciplines of large-scale IT program management – such as portfolio management, earned value management, and enterprise lifecycle management – were largely unfamiliar to the IRS when the modernization program began. The prime contractor, brought in groups of project management specialists in an effort to inculcate CSC’s Catalyst™ system life cycle methodology into project planning, but it was a difficult transition. The IRS tended to manage IT projects in an ad hoc fashion that was long-rooted in the maintenance of its legacy computer systems. GAO consistently pushed the IRS to adopt Capability Maturity Model (CMM) processes developed by the Software Engineering Institute (SEI), a Federally Funded Research and Development Center. BSMO chartered a Solutions Acquisition Process Group (SAPG) in September 2001 to begin process implementations. Yet in August 2005, TIGTA reported that weaknesses in critical system development and program management processes continued to exist; “current project work shows increased costs, delayed schedules, and deferred systems capabilities.”⁶⁵ When CIO Todd Grams took over modernization in June 2003 he began a process of reducing the number of modernization projects in the portfolio, stating that the scope of the program “exceeded our collective capacity to manage it.”⁶⁶ By 2005 he had reduced the portfolio by one-third but began increasing the number of project managers – replacing those who lacked the skills and bringing in new managers from industry. Some of the initial modernization project managers were longtime IRS employees with careers in tax administration but who lacked skills in project management. Grams settled on a “perfect complement” mix of project managers consisting of five from industry and three from within the IRS.⁶⁷

⁶⁵ Treasury Inspector General for Tax Administration, “Annual Assessment of the Business Systems Modernization Program,” Report No. 2005-20-102 August, 2005

⁶⁶ Government Executive Magazine, “IRS Hits its Stride,” *News+Analysis* April, 2005 p.28

⁶⁷ *ibid.* p.28

As the IRS focal point of GAO and TIGTA concerns on BSM acquisitions, the BSM organization took the initiative to begin issuing policies and guidance on contracting practices that would ordinarily have been the responsibility of Procurement.⁶⁸ By 2007, TIGTA began making recommendations on contracting matters jointly to both the CIO and the Chief of AWSS (Procurement). In 2008, recommendations on contract types were issued directly to Director of Procurement and AWSS.

The Contracting Office

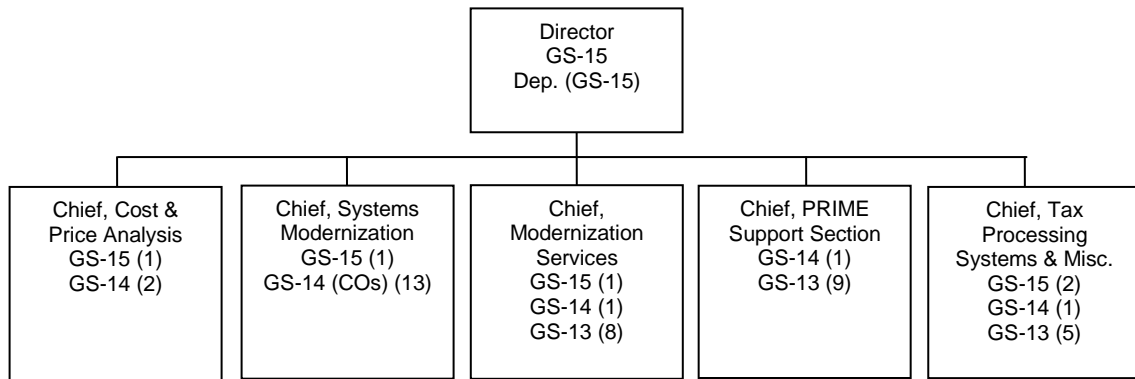
The IRS's Procurement organization ("Procurement") occupied most of the ten-floor Constellation Building in Oxxon Hill, MD (approximately 10 miles from the IRS New Carrollton MD facility, where most of the BSM projects were managed). Organizationally, Procurement, fell within the 5,000 employee Agency-Wide Shared Services (AWSS) organization led by William E. Boswell, and Deputy Chief Gregory D. Rothwell.⁶⁹ At the time of the award of the modernization contract, Procurement was led by Deputy Associate Commissioner for Procurement, James A. Williams. Williams moved to BSMO in 2000 and was replaced by David A. Grant.⁷⁰ The IRS Procurement organization consisted of approximately 500 employees, most who worked at the Oxxon Hill location. The distance between the Oxxon Hill and New Carrollton facilities created a barrier to daily involvement by the Contracting Officers in BSM meetings. When the Modernization program began, the Office of Tax Systems Acquisition was responsible for most contracting actions related to BSM. In 2000, this office had a staff of approximately 75 including 13 Contracting Officers:

⁶⁸ For example, in 2003, the Associate Commissioner of Business Systems Modernization issued directives entitled "Performance-Based Contracting for BSM Task Orders" and "Enabling the Selection of Appropriate Contract Types for BSM Task Orders." On April 30, 2004, guidance was issued "Enabling Fixed-Price Contracting for BSM Task Orders."

⁶⁹ IRS News Release #IR-2000-52, "New Agency-Wide Shared Services Begins at IRS," July 31, 2000 <http://www.unclefed.com/Tax-News/2000/nr00-52.html>

⁷⁰ Greg Rothwell left IRS Procurement in 2004 to become the Department of Homeland Security's first Procurement Executive; Jim Williams left IRS Procurement to join BSMO in 2001, and later joined DHS and GSA.

Figure 5.2.4 – IRS Procurement – Office of Tax Systems Acquisition (2000)



IRS Procurement was somewhat unique in the large number of IT specialists employed within its Technical Contract Management organization. These specialists performed a variety of duties as Contracting Officer Technical Representatives (COTRs) and other technical oversight and contract administration functions. IRS Procurement was also co-located with the Treasury Acquisition Institute which was maintained a training program for Treasury employees.

Problems with contract management for the Modernization program first surfaced with the urgency to begin contract performance on multiple projects and the large number of “undefinitized” task orders that were being issued. These were task orders that directed the contractor to proceed with work, but only against a not-to-exceed ceiling price and with high-level requirements. Often the contractor’s own proposal served as the only technical specification. Schedules for definitizing these task orders were routinely missed, as the workload priority was given to awarding other new task orders (which themselves were often undefinitized). As a consequence, the contractor had little incentive to control costs or restrain performance and the Procurement staff faced a growing contract management burden. In 2004,

Procurement completed a root cause analysis showing that weaknesses in BSM acquisition planning, requirements management, contractor proposal management, and task order development contributed to: 1) unrealistic schedules, 2) undefined requirements, 3) late and incomplete proposals. These factors all combined to create an environment that was conducive to the excessive reliance upon undefinitized task orders.

The program was also under pressure from TIGTA to increase the use of fixed-price and performance-based task orders that would hold the contractor more accountable as well as the use of independent government cost estimates and pre-award planning timelines.⁷¹ The IRS concurred with the TIGTA recommendations and implemented various procedural actions to comply. Many of the corrective actions relating to contracting were initiated by the BSM organization with cooperation from Procurement. In 2008, TIGTA noted that MITS and Procurement had worked together to improve stakeholder involvement in pre-negotiation activities, obtain independent cost estimates, and award task orders in a timely manner.⁷² However, in 2009 TIGTA asserted that cost type contracts were being used excessively for BSM task orders and recommendations for corrective actions were directed specifically at Procurement. TIGTA found that the BSM program office would select the contract type prior to sending the requisition to the Office of Procurement and did not coordinate the contract type in advance.⁷³

(T)he IRS was unable to provide documentation of any discussions of the contract type between the program office and the Contracting Officer assigned to oversee the procurement prior to the submission of the statement of work to the Contracting Officer. While choosing the contract type should be a cooperative

⁷¹ “Additional Improvements are Needed in the Application of Performance-Based Contracting to Business Systems Modernization Projects,” TIGTA Report No. 2002-20-170, dated September 2002; “While Improvements Continue in Contract Negotiation Methods and Management Practices, Inconsistencies Need to be Addressed,” TIGTA Report No. 2007-20-123, dated July 27, 2007

⁷² TIGTA, “Annual Assessment of the Business Systems Modernization Program,” Report No. 2008-20-129, June 24, 2008

⁷³ “Current Practices Might be Preventing the Use of the Most Advantageous Contractual Methods to Acquire Goods and Services,” TIGTA Report No. 2009-10-037, dated Feb. 10, 2009.

effort between the program manager and the Contracting Officer, ultimately it is the Contracting Officer who has the sole authority ... (p3)

The IRS agreed to address the TIGTA recommendations by developing templates for documenting contract types, by utilizing its newly established Contracts Review Board, and by increasing training on contract types. The 2009 TIGTA audit did not specifically focus on BSM projects and the recommendations were addressed to the Procurement organization rather than the OCIO. Consequently, the TIGTA report likely bolstered the legitimacy of the contracting office within the program by giving it the authority to strengthen its processes and professional responsibilities.

The Budget/Finance Office

At the beginning of the IRS Modernization program, the IRS's Office of the Chief Financial Officer (CFO) was hardly prepared to take on the added burden of managing the finances for the program. In a scathing 1999 report, the GAO observed that:

Significant financial management system limitations and internal control weaknesses prevented IRS from reliably reporting on the results of its administrative activities for fiscal year 1998 and from having reliable financial information for managing its operations. These deficiencies are long-standing, many being reported in our first financial audit of IRS for fiscal year 1992. ... Left uncorrected, the internal control weaknesses identified will continue to hinder IRS' ability to manage its financial operations and routinely prepare reliable and timely financial information.⁷⁴

IRS Modernization was funded under an annual Expenditure Plan which required OMB and Congressional approval. The Office of the Chief Financial Officer (CFO) was faced with operating within the restrictions of this oversight which made funds unavailable until the expenditure plans were approved by congressional appropriations committees. Approval of the spend plans were subject to congressional assessments that the request (1) met OMB capital planning and investment control requirements; (2) complied with IRS's enterprise architecture;

⁷⁴ U.S. GAO, "Internal Revenue Service: Serious Weaknesses Impact Ability to Report on and Manage Operations," AIMD-99-196 August 9, 1999

(3) conformed with IRS's enterprise life cycle methodology; (4) was approved by the IRS and the Department of the Treasury, and OMB; (5) was reviewed by GAO; and (6) complied with federal acquisition rules.⁷⁵ Consequently, GAO has issued an assessment of the IRS' expenditure plan for Modernization every year since 1999. The structure of these restrictions had the effect of shifting financial management accountability responsibility to the BSM organization because most of the approval criteria fell within the purview of the CIO's office. The OCFO had relatively little operational involvement in controlling funds after they had been disbursed to the BSM accounts. An early TIGTA audit even reported that the Contracting Officer was inappropriately involved in managing budgets for BSM projects.⁷⁶ Funds were disbursed to the BSM organization and shifted among projects and management reserve accounts to meet shortfalls and the prevailing needs of specific tasks. This flexibility was deemed essential by BSM managers, but such controls during the early years of Modernization lacked many elements of financial accounting rigor.

In 1999 the GAO reported that IRS did not have a cost accounting system in place to track how it funded internal costs for business systems modernization.⁷⁷ In subsequent reviews, GAO implied concern that the IRS was using its flexibility to stray from approved expenditure plans and reiterated recommendations that any changes to the expenditure plan commitments be reported directly to the congressional appropriation committees, along with the justification for doing so.⁷⁸ By 2006, IRS' financial control weaknesses were on the way to being corrected, even though the Integrated Financial System (one of the Modernization projects that was

⁷⁵ These conditions for expenditure plan approval were contained in various appropriations legislation since the 1997 Omnibus Appropriations Act. The criteria referenced here are from the Consolidated Appropriation Act of 2003, P.L. 108-7 (Feb. 20, 2003).

⁷⁶ TIGTA, "Administration of the PRIME Contract Can be Improved," Report No. 2000-10-138, Sept. 6, 2000

⁷⁷ GAO-01-920 Results of Review of IRS Spending for Business Systems Modernization, August 17, 2001

⁷⁸ GAO 02-356, p.4, 77

eventually removed from the responsibility of CSC) was delayed and its implementation strategy being reassessed.⁷⁹ However, as late as May 2010, and despite more favorable reports on the progress of the Modernization program, GAO reiterated recommendations that more information be provided to Congress on changes to specific project funding allocations.⁸⁰

Case Summary

The IRS Modernization Program began under a clear mandate from Congress and was characterized by intense media attention and congressional oversight of program performance and budget expenditures. Contract and financial management activities, as well as BSM program management performance was subject to further scrutiny by TIGTA. The program stumbled for the first few years due to the IRS' lack of in-house management capacity, processes, and governance structures and excessive reliance upon the PRIME contract. The program took a turn for the better in 2005 when new IRS leadership took actions to:

- Reassert government responsibility for managing and integrating the Modernization program while adding staff with appropriate expertise
- Reduce the number and scope of Modernization projects under the PRIME contract while shifting some projects to other contracts and contractors
- Establish more realistic schedules and delivery expectations for key projects such as CADE

By 2010, most TIGTA and GAO reports were crediting the IRS with qualified successes in a number of areas of the Modernization program. For example:

During fiscal year 2009, IRS continued to deliver BSM projects, although work on planned releases of CADE and AMS was either modified or suspended pending completion of efforts to define the agency's new strategy to manage individual taxpayer accounts. IRS generally made progress in addressing outstanding recommendations from our prior expenditure plan reviews.⁸¹

⁷⁹ GAO-07-136, "Financial Audit: IRS's Fiscal Years 2006 and 2005 Financial Statements" November 9, 2006

⁸⁰ Internal Revenue Service: Assessment of Budget Justification for Fiscal Year 2011 Identified Opportunities to Enhance Transparency GAO-10-687R May 26, 2010

⁸¹ GAO-10-539, "Business Systems Modernization: Internal Revenue Service's Fiscal Year 2010 Expenditure Plan,"

Despite the reductions in BSM funding after 2005, overall IRS appropriations have increased from approximately \$10.25 billion in 2005 to over \$12 billion in 2010.⁸² Thus, progress toward modernization has likely proceeded in a number of less-visible channels outside the formal scope of the BSM program. Work was diffused to other existing programs under the direction of the Modernization and Information Technology Services (MITS) organization. All three organizations within the organizational field – BSM, Procurement, and the OCFO – demonstrated improvements in their own operating practices and systems, although each continued to exhibit independence and autonomy. Overarching boards and action teams such as the Contract Strategy Group, Management Process Improvement Group, and the Solutions Acquisition Process Group, were formed and dissolved without lasting impacts. In the case of IRS Modernization, management of the acquisition appeared to have improved after the individual participants established and relied upon their own institutionalized routines and cultures.

The BSM Modernization program has continued into its eleventh year without the fanfare that accompanied the award of the PRIME contract in 1998 and the struggles over following five years. As late as 2009, the program still appeared to be a favorite target of criticism in the press.⁸³ Nevertheless, the IRS has been recognized for a number of steady, albeit spectacular, successes and for turning around a program that at times appeared headed for certain failure.

May 10, 2010

⁸² IRS Oversight Board Special Report – FY2011 IRS Budget Recommendation, March 2010. P.11

⁸³ McCaney Kevin, (2009) “IT turkeys: 7 Government Projects Worthy of a Roast,” Washington Technology, Nov 20, 2009

Case No. 3 – FEMA Hurricane Katrina Emergency Housing Program

Inadequacies in the federal government’s response following hurricanes Katrina and Rita in 2005 have been the subject of many press reports, audits, and scholarly analyses. In *The Next Government of the United States*, Kettl (2009) used Hurricane Katrina as a case in arguing how boundaries based on administrative routines in government fail to address critical non-routine public problems. Katrina and Rita resulted in widespread devastation – approximately 1,800 deaths, the 300,000 homes destroyed, and 1,000,000 people displaced.⁸⁴ The Federal Emergency Management Agency (FEMA), with over 2 million applications for individual assistance, had to increase its reliance upon contractors for critical emergency services ranging from ice delivery and debris removal to temporary housing. FEMA’s management and oversight of its contracts has been widely criticized in the press and in government audits. Over forty GAO reports, thirty Department of Homeland Security Office of Inspector General (DHS OIG) audits, and a number of Congressional reports have been issued specifically addressing the federal government’s post-Katrina response problems. FEMA accounted for one-third of the thirty-two “problem contracts” listed in a July 2006 congressional report on waste, abuse and mismanagement in DHS contracting.⁸⁵ Congress passed the Post-Katrina Emergency Management Reform Act of 2006 which contained specific provisions, including organizational, personnel, and acquisition management mandates, to improve FEMA’s responsiveness to the public in a natural disaster.⁸⁶ This case examines FEMA’s acquisition of emergency housing (trailers, mobile housing units, and related maintenance services) in the wake of Hurricane

⁸⁴ DHS OIG 08-34 p4

⁸⁵ U.S. House of Representatives, Committee on Government Reform (2006) “Waste, Abuse, and Mismanagement in Department of Homeland Security Contracts,” July 2006

⁸⁶ P.L. 109–295 – “Post-Katrina Emergency Management Reform Act of 2006,” enacted as Title VI of the Department of Homeland Security Appropriations Act, October 4, 2006; Organizational changes related to FEMA were set forth in Subtitle A Federal Emergency Management Agency, Title V Section 503(C), 2007, which took effect on March 31, 2007.

Katrina. Contracting problems with the “FEMA Trailers” became the subject of extensive media coverage, including overbilling by contractors and toxic levels of formaldehyde in delivered units^{87, 88} The case timeframe is August 2005, when Hurricane Katrina hit the Gulf Coast, to May 2009 when the DHS OIG issued its audit report “Challenges Facing FEMA’s Disaster Contract Management.” The focus of the case is on the nature of the emergency housing contract awards, FEMA’s capacity at the time to award and manage these contracts, and the organizational structures in place for acquisition and program management.

Background

In the wake of Hurricane Katrina, the Federal procurement system was caught off guard by the urgency and scope of requirements. On September 7, 2005 a hastily assembled solicitation “Emergency Sources Sought” by the General Services Administration illustrates this sense of urgency:

The General Service Administration is working with FEMA to procure items for the disaster relief efforts for Hurricane Katrina. Below is a list of items that we are currently seeking sources for. If your company can supply any of the items below, please send an e-mail to Lorene Clerihew at lorene.clerihew@gsa.gov . Include the following items in your e-mail response:

- 1). What you can provide – including brief item description
- 2). Quantities available
- 3). Delivery Availability - when they items can be delivered
- 4). Contact name and number (both day and night – after hours contact info)

Items Needed: 1). Portable Shower Trailers/Units; 2). Portable Field Kitchens; 3). Cots, Bedding, Pillows, etc... 4). Baby Formula, Diapers (various sizes adult and infant); 5). Flip-Flops; 6). Comfort Kits, Sundries, Personal Hygiene Kits, etc. ... 7). Socks, Underwear, etc....

Place of Performance: TBD New Orleans and surrounding areas

⁸⁷ Babcock, Charles R. (2005) “Payments on Katrina Contract Halted After Billing Questions,” *Washington Post*, November 17, 2005.

⁸⁸ Hsu, Spencer S. (2007) “FEMA Knew Of Toxic Gas In Trailers - Hurricane Victims Reported Illnesses,” *Washington Post*, July 20, 2007.

The provisioning of emergency housing was an immediate concern in the aftermath of Katrina. The Robert T. Stafford Disaster Relief and Emergency Assistance Act (Stafford Act), which allows states to request presidential disaster declarations, serves as the driving legislative mandate for much of FEMA's operational responsibility during emergencies.^{90, 91} Under the 2004 National Response Plan (formerly the Federal Response Plan), FEMA's responsibility for disaster housing, to include mobile homes, was included within the Emergency Support Function (ESF) Annex No. 6 "Mass Care, Emergency Assistance, Housing, and Human Services." Section 408 of the Stafford Act authorizes FEMA to provide temporary housing acquired by government purchase or lease. FEMA had a standing practice of pre-negotiating contracts and pre-positioning other resources in the event of emergencies. When Katrina hit, FEMA immediately embarked on an acquisition program to procure, or deploy from inventory, trailers and other manufactured housing units to qualifying individuals in the affected areas. Housing units could be located on individuals' property or in collective parks while their homes were being repaired or permanent accommodations were obtained. These housing units fell into three main categories: 1) mobile homes, 2) towable travel trailers, and 3) "park models" (small versions of mobile homes). FEMA acquired units from its existing inventory, by purchasing existing trailers from dealers throughout the country, and by contracting for new units to be built to FEMA specifications. The first FEMA trailers arrived into the area affected by Hurricane Katrina on September 3, 2005, and were occupied a week later. However, FEMA purchased manufactured homes well in excess

⁸⁹ It is further interesting to note that in this solicitation, GSA's sole point of contact provided was a Contract Specialist – likely a GS-12 or 13 level employee. Contract specialists typically do not hold a contracting officer's warrant.

⁹⁰ P.L. 100-707, the "Robert T. Stafford Disaster Relief and Emergency Assistance Act," 1988, as amended

⁹¹ The Homeland Security Act of 2002, Homeland Security Presidential Directive (HSPD) No. 5, (Management of Domestic Incidents), the National Response Plan (NRP), National Incident Management System (NIMS) and Emergency Support Function (ESF) No. 6 ("Mass Care, Emergency Assistance, Housing, and Human Services") are other major policy directives and guidance that factored into FEMA's response to Katrina.

of its needs and purchased homes that could not be used (e.g., FEMA regulation prohibit placing manufactured homes in flood plains – precisely where they were needed). In May 2005 FEMA had just 4,832 mobile homes and trailers in its existing inventory.⁹² Within a year after Katrina, FEMA had procured approximately 144,000 travel trailers, park models, and mobile homes at a purchase cost of approximately \$2 billion.⁹³ Based on DHS’ cost data, the total cost to purchase, maintain, and deactivate these units was approximately \$8.64 billion. Combined with prior purchases, FEMA had about 203,000 units in its inventory, 130,000 of which were used in the Gulf Coast states.

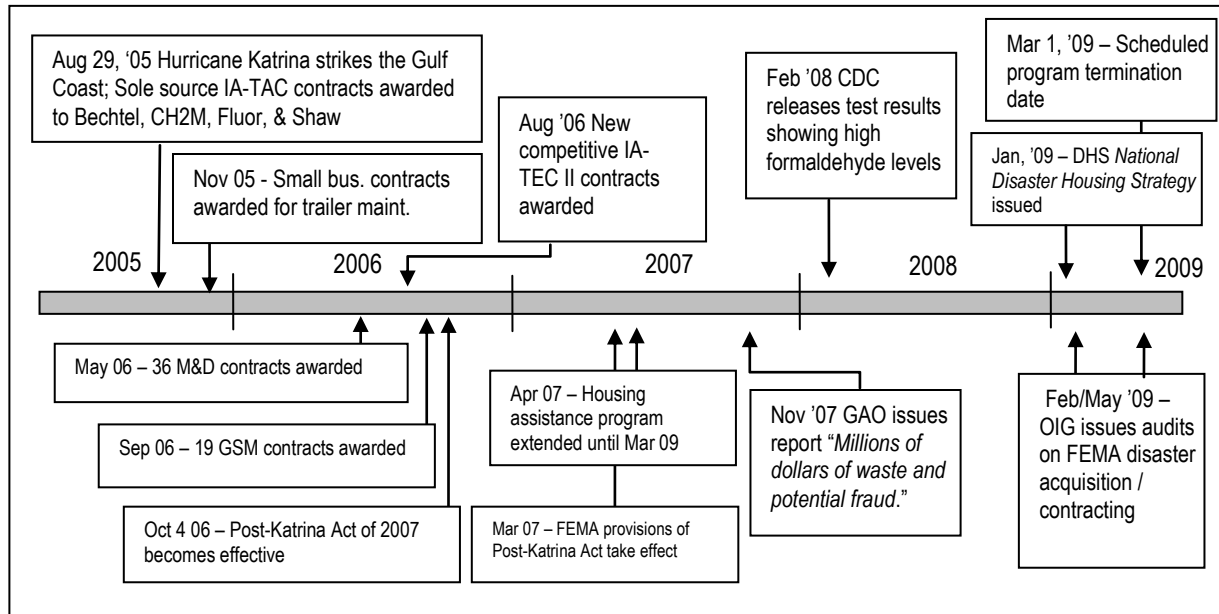
For the management of trailer deployments, four large “Individual Assistance -Technical Assistance Contracts” (IA-TACs) were immediately awarded to large project engineering concerns CH2M Hill, Fluor Corporation, Shaw Group and Bechtel. These contracts were initially being prepared for competitive awards. However when Katrina struck, they were awarded on a “no-bid” basis until competitive awards could be made a year later. Additionally, over 40 contracts to small and disadvantaged local businesses were awarded for Maintenance and Deactivation (MD) and Ground Site Maintenance (GSM). FEMA’s management of the trailer program was criticized on a variety of grounds, including the awarding of contracts to large businesses instead of small businesses within the affected areas, excessive costs and wasteful spending, the discovery of high levels of formaldehyde in new trailers, and other general problems associated with administering the contracts and monitoring performance.

Figure 5.3.1 depicts some of the key events within the timeframe of this case:

⁹² OIG 06-32 p. 150

⁹³ Based on DHS per-unit lifecycle cost estimates in Statement of Richard L. Skinner, Inspector General, U.S. Department of Homeland Security before the Committee on Homeland Security and Governmental Affairs, U.S. Senate. Hope, Arkansas, April 21, 2006. P.10

Figure 5.3.1 – FEMA Katrina Emergency Housing Program: Key Case



The initial award of the four “no-bid” IA-TAC contracts to large corporations, rather than competing the contracts among local companies, received much criticism in the media. Within a year the *Washington Post* report was reporting DHS OIG findings that costs had soared from a \$100 million ceiling to \$3.4 billion.⁹⁴ In its review of 10 MD and 5 GSM contracts in Mississippi, the GAO reported “millions of dollars of waste and potential fraud.”⁹⁵ As for the trailers themselves, the OIG reported that “at no point in time did FEMA know how many trailers they had available ... and of their location.”⁹⁶ The OIG found that FEMA did not clearly identify government specifications or minimum needs for “off the lot” trailer purchases.⁹⁷ In February 2008 the Centers for Disease Control released preliminary results of testing showing

⁹⁴ Hsu, Spencer S. “\$400 Million FEMA Contracts Now Total \$3.4 Billion,” *Washington Post*, August 9, 2006

⁹⁵ US GAO, “HURRICANE KATRINA: Ineffective Oversight of Housing Maintenance Contracts in Mississippi Resulted in Millions of Dollars of Waste and Potential Fraud,” GAO-08-106 November 16, 2007

⁹⁶ DHS OIG “Hurricane Katrina Temporary Housing Technical Assistance Contracts,” OIG-08-88, August 2008

⁹⁷ DHS-OIG “FEMA’s Sheltering and Transitional Housing Activities After Hurricane Katrina,” OIG-08-93, September 2008

high levels of toxic formaldehyde in delivered trailer units and a significant effort ensued to investigate health concerns and relocate occupants.⁹⁸

The Organizational Field

After Katrina, the organizational structure of FEMA was once again at the center of much debate in the criticism of the federal response. FEMA was created in 1979 and became a Cabinet level agency in 1993. In the aftermath of Hurricane Andrew in 1992, FEMA was reorganized under Secretary James Witt and turned into what President Clinton once recognized as “the most popular agency in government” (Roberts, 2006). From 2001 through 2005 FEMA was in a state of constant organizational change. Following the 9/11 terrorist attacks in 2001 planning began for its incorporation into the Department of Homeland Security. On March 1, 2003, it became part of DHS’ Emergency Preparedness and Response (EP&R) Directorate. The DHS Undersecretary for EP&R also served as Director of FEMA. FEMA’s preparedness functions were eventually transferred to DHS’s Preparedness Directorate where it was argued that resources and grants management could be consolidated and more efficiently managed.⁹⁹ FEMA’s Director Michael Brown objected strongly to this new organizational arrangement which further merged the planning and preparedness functions of the agency.¹⁰⁰ In January 2003, the GAO warned of the risk to FEMA’s management operations due to the impending DHS reorganization.¹⁰¹ While the GAO did not directly blame FEMA’s failures during Katrina on its placement under DHS, the reorganization did have the effect of reducing FEMA’s funding for administrative operations. In its integration into DHS, FEMA had to provide startup costs

⁹⁸ DHS-OIG, “FEMA’s Exit Strategy for Temporary Housing in the Gulf Coast Region,” OIG-09-02, October 2008

⁹⁹ GAO-08-301, “FEMA Disaster Cost Estimates,” February 22, 2008

¹⁰⁰ Grunwald, Michael and Susan B. Glasser, “Brown’s Turf Wars Sapped FEMA’s Strength: Director Who Came to Symbolize Incompetence in Katrina Predicted Agency Would Fail,” *Washington Post*, December 23, 2005

¹⁰¹ GAO 03-113, Major Management Challenges and Program Risks: Federal Emergency Management Agency January 2003

which may have been disproportionate relative to the other agencies assimilated. For example, of the \$125 million transferred from component agencies to DHS, FEMA was assessed \$32 million.¹⁰² Additionally, the reorganization introduced uncertainty over the coordination and roles and responsibilities of different authorities, including the DHS “Principal Federal Official” (PCO) and FEMA’s “Federal Coordinating Officer” (FCO).¹⁰³ This contributed to an organization which was ranked as one of the worst places to work in the Federal government in 2003.¹⁰⁴ The OIG stated that:

FEMA’s transient structure disrupts working relationships as staff counterparts alter roles. It also creates the opportunity for increased turnover as staff adjusts to changing duties and accountability structures. In addition, the reorganizations caused FEMA offices to delay hiring while position needs were determined. ... Negative effects of understaffing include decreased morale and inadequate succession planning. The remaining FEMA staff is overworked, often performing multiple duties and working with few days off during disaster responses. ... The negative media portrayals of FEMA’s efforts in response to Hurricane Katrina and the staff’s perceived lack of confidence by DHS’s Secretary have also contributed to low morale.” [OIG 06-32 p119-120]

Problems in effectively coordinating operational responsibilities between DHS and FEMA offices, other federal agencies, and state and local authorities have been identified in nearly all comprehensive studies of the federal response. Further, the organizational structure of FEMA was still being developed at the time of Katrina. In its March 2006 assessment of FEMA’s response to Katrina, the DHS OIG noted that FEMA still had not created an organization chart for its current organization.¹⁰⁵ The Congressional Research Service had to piece together the following organization chart from information provided by the FEMA Office of Legislative Affairs (the gray boxes depict FEMA entities more directly involved in the Katrina response):

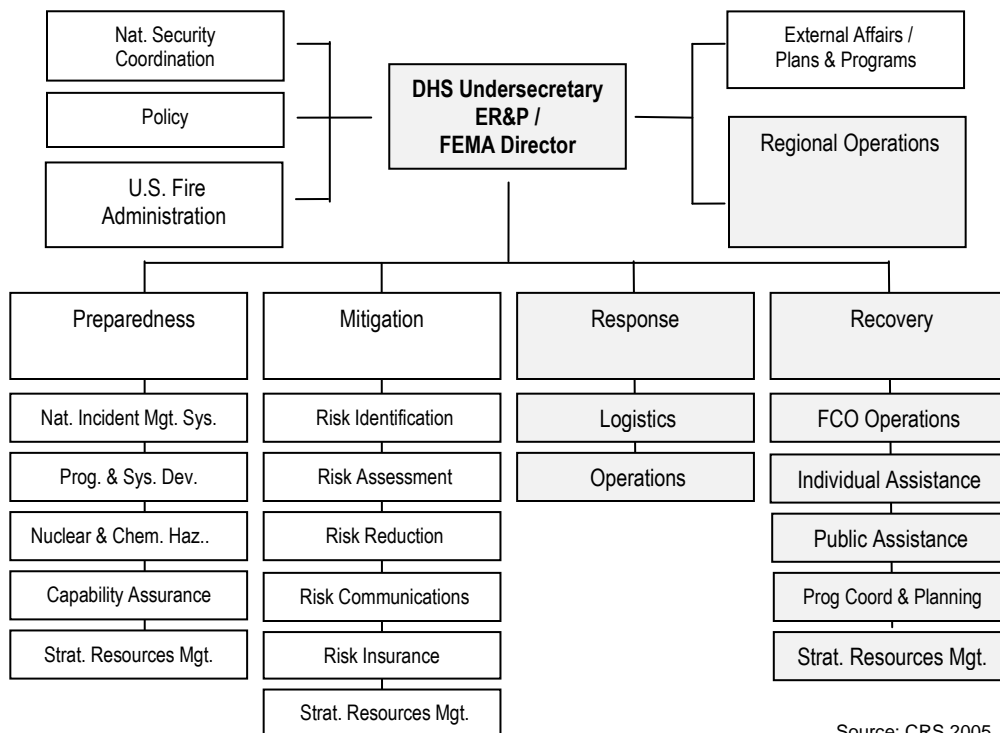
¹⁰² GAO 07-139

¹⁰³ GAO-06-746T May 9, 2006

¹⁰⁴ 2003 “Best Places to Work, 2005” Partnership for Public Service www.bestplacestowork.org

¹⁰⁵ OIG 06-32 p118

Figure 5.3.2 - FEMA / DHS ER&P Organizational Structure



Source: CRS 2005

Consistent with its mission, FEMA’s workforce surges with temporary employees hired in response to emergency deployments. In 2005 FEMA was authorized 4,905 employees, including approximately 2,600 permanent full-time (PFT) employees.¹⁰⁶ However, the number of part-time emergency employees eventually hired was 5,458.¹⁰⁷ FEMA uses other on-call temporary staff and contractor personnel to supplement the workforce. Full-time managers of day-to-day “non-disaster” programs can be deployed suddenly to a disaster region. During such deployments, their programs are administered on an ad hoc basis.

This mixed workforce, the unpredictable nature of emergency deployments, and the organizational flux made it nearly impossible for FEMA to produce accurate headcounts on the

¹⁰⁶ OIG 06-32 p111

¹⁰⁷ GAO 07-139

number of positions it had and where they were located in the organization. In examining FEMA's human capital management planning, the GAO noted that FEMA lost over 25 percent of its permanent SES employees from 2002 to 2005 and there was insufficient cadre of experienced mid-level employees to mitigate these losses. Sixteen percent of career GS-15 staff employees were new to their positions in fiscal year 2004.¹⁰⁸

The Response and Recovery divisions were the Headquarters entities most directly involved with the operational aspects of the Katrina response. The Response Division was responsible for deploying Operations Centers and coordinating the provision of immediate relief supplies such as generators, meals, and computers for relief workers. The Recovery Division was responsible for operations such as emergency housing, which was managed by the Individual Assistance Division. The Individual Assistance Division, under the Recovery Directorate, managed the Technical Assistance Contract requirements for temporary housing and maintenance support. During the Katrina mobilization, the Directorates had to coordinate with the field offices, including the Joint Field Office (JFO) and the Housing Area Command (HAC). Funding for the day to day support of these division functions had been reduced over several years before Katrina. In 2003, the Recovery Division had requested that DHS provide an additional \$3.9 million in FY2005 "over-target" funding for resources that would allow scalable recovery capability for larger scale disasters. Although the request warned that failure to provide the FY2005 funding to ensure scalable capability would "result in a crisis of unimaginable proportions," the additional funding was not granted.¹⁰⁹

¹⁰⁸ GAO 07-139

¹⁰⁹ OIG 06-32 p87

The Program Office

Across federal agencies, the “program office” tends to be the single organization chartered with leading a mandate for a specific program outcome. Unlike other federal agencies profiled in the cases of this study, the program office within FEMA’s organizational field is represented by a complex assemblage of programs and authorities that are not easily discernible from a headquarters’ organizational chart. The nature of FEMA’s emergency preparedness mission requires that program offices responsible for emergency response be structured around incident teams that are deployed to field locations in response to emergencies of a regional nature. The structure is complicated by the constant reorganizations that took place after FEMA’s incorporation into DHS. For many of FEMA programs, the program office would normally take shape only after a disaster strikes and the Federal Coordinating Officer opens a Joint Field Office (JFO) within the disaster region.

The JFO is the temporary federal coordination center that serves as the incident program office to direct and facilitate all field-level management and coordination activities.¹¹⁰ The FEMA program and financial management staff worked with the JFO to develop and forward estimates required for disaster relief to the Comptroller for Individual Assistance.¹¹¹ When a specific request for assistance is received at the JFO, it is reviewed to determine under which programmatic authorities it falls. For requests requiring federal inter-agency assistance (e.g., hazardous material removal requiring EPA oversight or dredging requiring Army Corps of Engineers’ resources) a Mission Assignment (MA) will be established. Requests that can be met via FEMA grants to state and local governments might be placed under the Public Assistance (PA) Program. FEMA’s PA Program covers requirements such as debris removal, emergency

¹¹⁰ National Disaster Housing Strategy

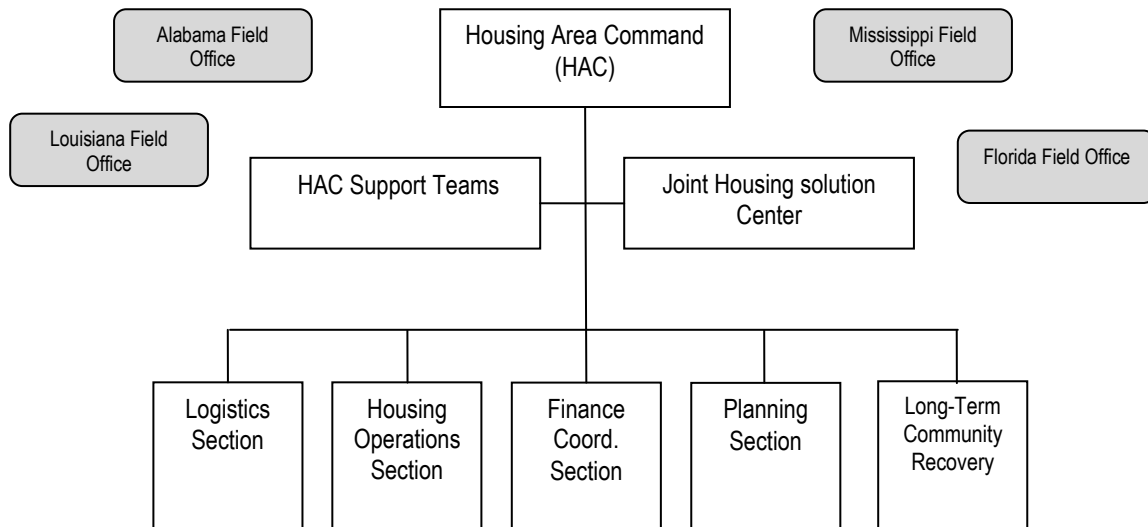
¹¹¹ GAO 08-301

protection measures, and restoration of infrastructure. PA Program staff included the Public Assistance Officer, PA Coordinator, Project Officer, and other specialists. The PA Program's Public Assistance Guide includes a chapter, "Project Management Responsibilities," with a focus on traditional project management disciplines as completion timeframes, scope changes, cost estimates, and progress reports. If the request can be met by one of FEMA's internally-resourced programs, it would likely be referred to the Logistics Directorate (or other divisions now under FEMA's Response and Recovery Directorate).

When Katrina struck in 2005, FEMA drew upon its recently developed concept of a Housing Area Command (HAC) and established a HAC in Louisiana to respond to the immediate housing needs of the region. However, the HAC was not effective because of a lack of planning and coordination with FEMA headquarters, and the Joint Field Offices (JFOs). While the intent of FEMA was for the HAC to use contractors to coordinate and oversee housing solutions it did not have clearly defined roles, responsibilities, and expectations of deliverables or established performance measures for contractors. The OIG stated that "some FEMA officials viewed the HAC as an operational element working parallel to JFO operations, while others viewed it as working in disregard to JFO operations."¹¹² The figure below depicts the organizational structure of the HAC in 2005:

¹¹² DHS-OIG 08-93

Figure 5.3.3 – FEMA’s Housing Area Command Structure (2005)



Immediately after Katrina struck, FEMA’s Housing Area Commander began making purchase requests for temporary housing units. In August 30, 2005, the HAC Commander issued an e-mail stating, “Purchase until I say stop...”.¹¹³ However, no guidance was provided on what should be purchased, the quantities required, or who was authorized to direct the purchases. The FEMA Recovery Deputy Director had to request guidance from the HAC and the Recovery Director on the purchasing authority that the FEMA Senior Procurement Executive should have. The HAC was deactivated in October 2005 and a Housing Management Group was established thereafter to serve as the coordinating entity for all disaster-related housing.¹¹⁴

FEMA’s Individual Assistance Division (IAD) was responsible for ensuring that individuals and families affected by disasters had access to FEMA programs in a timely manner.

¹¹³ Statement of Richard L. Skinner, Inspector General, U.S. Department of Homeland Security Before the Committee on Homeland Security and Governmental Affairs, U.S. Senate. Hope, Arkansas, April 21, 2006.

¹¹⁴ OIG 08-93 p8

The Individual Assistance – Technical Assistance Contracts (IA-TAC) Management Branch was formed in 2005 as a program management office overseeing contractor support for IAD. In supporting acquisitions, the Branch was responsible for developing scopes of work, quality assurance surveillance plans, and performance measures in preparation for task orders supporting FEMA’s Housing Operations and the Mass Care mission of ESF No. 6. For example, in the acquisition of IA-TAC site services the Branch required the contractor to deliver a comprehensive set of construction, architectural, engineering, project management and program management services in support of multiple disaster missions of any size anywhere in the United States and its territories.¹¹⁵ Upon notification by the ESF No. 6 representative, IA-TAC would deploy a Mission Planning (“Tiger”) Team to the field to work with the Joint Field Office. The IA-TAC Branch would nominate and oversee the project manager and the Contracting Officer’s Technical Representative, develop cost estimates, and track invoices and payments.

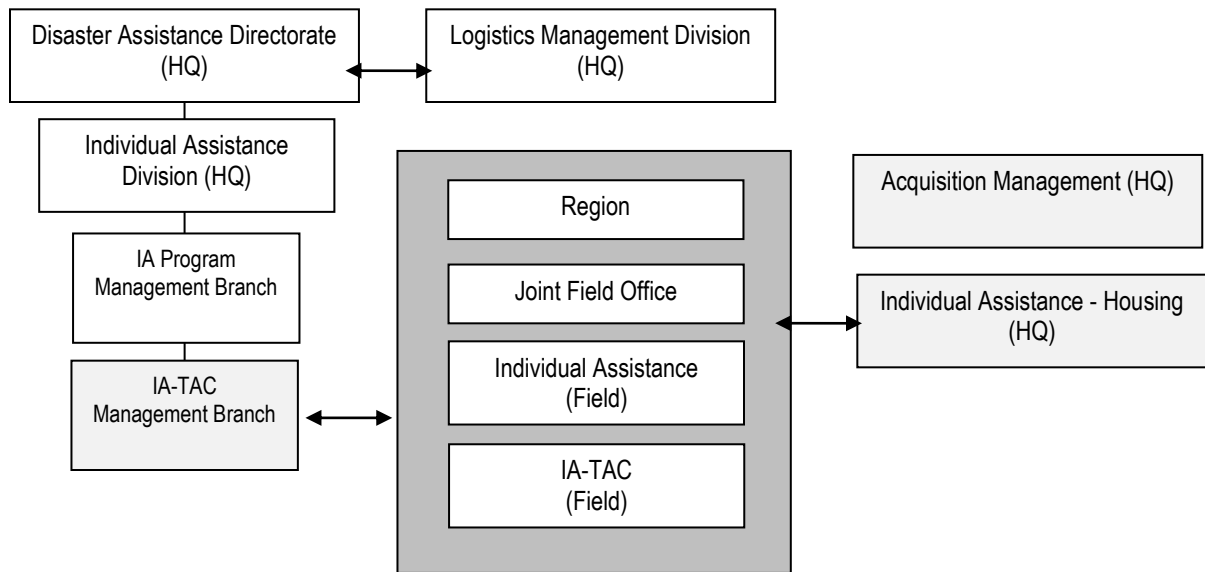
The problem of adequate on-site contract performance monitors, or Contracting Officer Technical Representatives (COTRs) was a recurring theme throughout FEMA’s response to Katrina. For example, in one instance, the GAO found that FEMA contracts for temporary housing had only 17 of the required 27 required monitors.¹¹⁶ The problems of insufficient contract monitoring included too few monitors, COTR rotations that did not overlap, so the arriving COTRs were not sufficiently briefed by the departing COTRs, and COTRs borrowed from other agencies that were unfamiliar with the FEMA temporary housing contracts.¹¹⁷

¹¹⁵ HSFEHQ-08-R-0026, (FBO) PWS

¹¹⁶ U.S. GAO, HURRICANE Katrina: Improving Federal Contracting Practices in Disaster Recovery Operations,” GAO-06-714T, May 4, 2006

¹¹⁷ OIG 08-93

Figure 5.3.4 – FEMA IA-TAC Branch Headquarters & Field Coordination



FEMA attempted to supplement its COTRs with “Cadre of On-Call Response/ Recovery” employees but the number was still insufficient to provide adequate contractor oversight. Because of this, some FEMA staff believed that the contractors were “running the show.” Although the HAC had responsibility for coordinating housing operations throughout the region, it failed to communicate with other FEMA field organizations and requested contractors to perform work without COTR knowledge or contracting officer approval.

Other problems which manifested themselves during contract monitoring were the acceptance of trailers and mobile homes without inspection. FEMA did not know the number of housing units that would be delivered on a given day and vehicle identification numbers were not reconciled with shipping records.¹¹⁸ Also, there was a high number of rejected, temporary housing sites and related costs for group sites developed for travel trailers and mobile homes. By

¹¹⁸ OIG 08-93p17

April 2006, FEMA had spent over \$14.2 million for 338 sites that were rejected for various reasons.¹¹⁹

The Contracting Office

When Katrina hit, FEMA had approximately 36 contracting staff filling 55 authorized positions at its Washington DC Headquarters, National Emergency Training Center, Mount Weather Emergency Assistance Center, and ten FEMA regional offices. DHS procurement officials later indicated that the proper number of contracting staff should have been 172.¹²⁰ The inadequate number of contracting staff and Contracting Officer's Technical Representatives (COTRs) hampered FEMA's ability to monitor Hurricane Katrina response contracts. As of March 13, 2006, FEMA awarded \$5.3 billion in procurements to support the Gulf Coast recovery efforts with approximately 55 contracting personnel. The IG estimated that each of the contracting staff was responsible for an average of \$163 million on an annualized basis, or more than 7 times the industry average of \$23 million. The workload overwhelmed the capacity of the contracting staff and made compliance with the requirements of various federal procurement regulations challenging to the staff.

Audits in 2003 by the DHS OIG found that FEMA's contracting staff had not met training and education requirements, personnel records were incomplete, and that policy and competition advocacy functions were assigned as collateral duties to operational staff.¹²¹ In March 2009, press accounts reported on OIG findings that contracting documents at FEMA's headquarters office

¹¹⁹ OIG 08-86

¹²⁰ "A Failure of Initiative: Final Report of the Select Bipartisan Committee to Investigate the Preparation for and Response to Hurricane Katrina," February 15, 2006, U.S. GPO

¹²¹ OIG 04-12

were in “such a mess that the agency was unable to find two-thirds of the files requested.”¹²² The DHS Inspector General’s findings on the disorganized condition of FEMA contract files made national news, with reports describing FEMA’s “... lost files, misplaced boxes and general shambles in the offices that oversaw billions of dollars of contracts.”¹²³ Similarly, when orders for manufactured housing were first issued in the weeks following Katrina, there was confusion between contracting and program officials over who was responsible for authorizing the purchase. Contracting staff were ordered to process the requisitions and approve the documentation to purchase the homes although the documentation identifying the FEMA official(s) responsible for authorizing the purchase was not identified.¹²⁴ Contracting offices rely heavily on automated contract writing and management systems to facilitate their workloads.

In comments related to the Katrina Trailer contracts, an OIG report issued in September 2008 captured the findings of most observers and investigators on the FEMA contracting capacity:

FEMA needs to improve how it plans, manages, and monitors disaster housing acquisitions. Specifically, FEMA needs to (1) develop a formal acquisition planning process, including standby contracts, to meet transitional housing needs after catastrophic disasters; (2) base contract awards, to the extent possible, on full and open competition to assure reasonable prices; and (3) provide the resources necessary to monitor contractor performance.¹²⁵

Professor Stephen Schooner of George Washington University commented "In both gulfs, Iraq and Louisiana, Congress seems to be able to find money to send auditors and

¹²² Lipowitz, Alice “Auditors Declare FEMA Acquisition Files a Disaster,” *Washington Technology*, March 16, 2009

¹²³ The DHS IG’s finding of FEMA contract files in disarray turned into a sensational item for the national news media. In response to ABC News’ coverage of the IG findings, reader comments included “The gov. is so capable. I can’t wait for them to take over health care. ... Oh, god! And these bozo’s think they can handle the car industry, banking industry and health care... They are delusional and dangerous.” Ryan, Jason “FEMA Disaster Contracts Lost and Misplaced -- DHS IG Finds Piles of Boxes and Papers,” ABC News, <http://blogs.abcnews.com/thenote/2009/06/fema-disaster-contracts-lost-and-misplaced-dhs-ig-finds-piles-of-boxes-and-papers.html#comments>, June 16, 2009

¹²⁴ Statement of R.L. Skinner, p.5

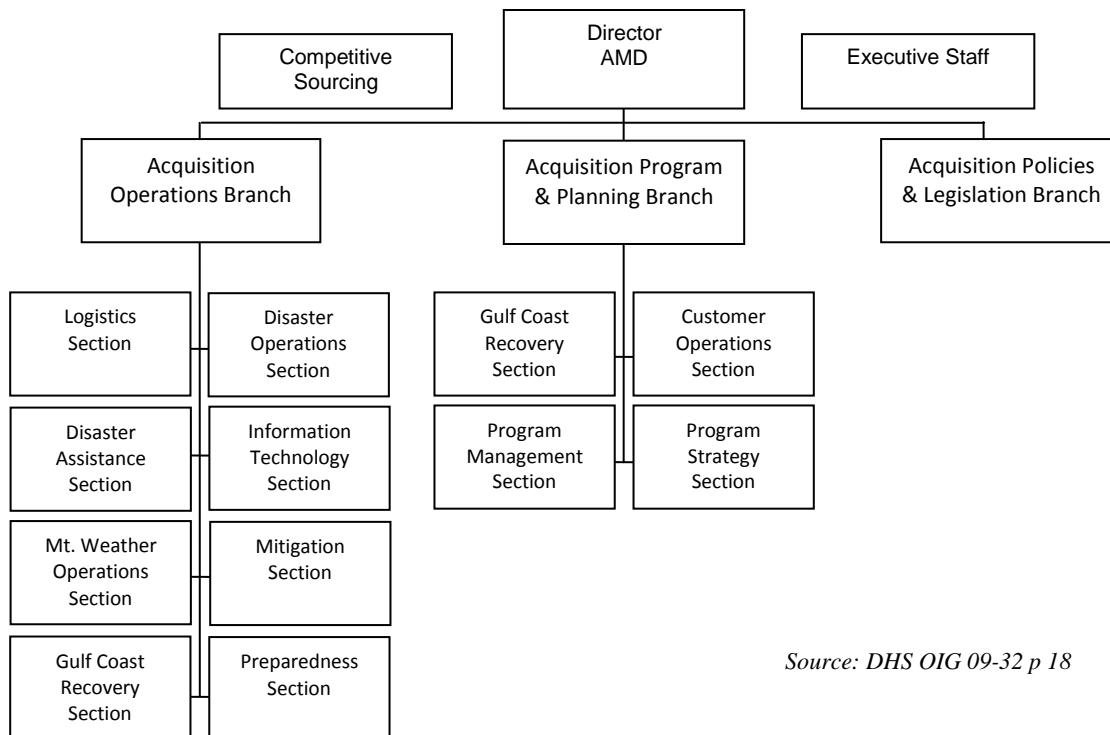
¹²⁵ OIG 08-93

inspector generals onto the battlefield after the fact to bayonet the wounded," Schooner said.

"But nobody seems to find money to put contracting officers on the ground to do it right the first time."¹²⁶

Since Katrina, FEMA reorganized the headquarters acquisition function and increased its acquisition staffing, from 98 positions in 2006 to 237 positions allocated in 2008.¹²⁷ Figure 5.3.5 depicts the 2008 organizational structure of the FEMA Acquisition Management Division (AMD):

Figure 5.3.5 – FEMA Management Directorate – Acquisition Management Division



To address contract monitoring and management problems raised in post-Katrina assessments, FEMA began to aggressively recruit contracting officers and COTRs and

¹²⁶ Quoted by Hsu, Spencer S. in "\$400 Million FEMA Contracts Now Total \$3.4 Billion," *Washington Post*, August 9, 2006

¹²⁷ DHS OIG, "FEMA's Implementation of Best Practices in the Acquisition Process" OIG 09-31

implement training programs. AMD increased the number of DHS-certified COTRs to over 1,000, developed a COTR training and certification program and a COTR community website where Contracting Officers could validate a COTR certification levels prior to assignment. A separate contracting office for the Gulf region procurements was established and subsequently rolled into AMD. A new Acquisition Advisor position within the JFO was created to provide field-level visibility for the acquisition function to the FCO emergencies. This position was activated for the first time during the response to hurricanes Gustav and Ike in 2008 and was reported by FEMA to be successful in avoiding unauthorized commitments and expediting procurements.¹²⁸

When Katrina hit, the four IA-TAC contracts for emergency housing maintenance were in the process of being negotiated as “pre-positioned contracts.” However, because of the urgency of the requirement, the contracts were immediately awarded on a sole-source basis and subsequently re-competed. However, they became the focus of audit and media attention when costs grew significantly and potentially improper payments were made. In 2008, FEMA began establishing an annual baseline inventory of trailers and mobile homes under its pre-negotiated indefinite-delivery / indefinite quantity (ID/IQ) contracts for surge production. FEMA eventually put into place approximately 65 pre-positioned contracts for a variety of categories of supplies and services, some of which were subsequently consolidated and re-competed.¹²⁹ The contracts included new specifications and standards to address the needs of residents with disabilities and minimum acceptable levels of formaldehyde.¹³⁰ The *National Disaster Housing Strategy*, issued in January 2009, framed a comprehensive framework to disaster housing assistance

¹²⁸ FEMA Transition Binder for the 2009 Presidential Transition, p10

¹²⁹ Ibid

¹³⁰ OIG 08-34 p.36

The Budget/Finance Office

As with other FEMA offices in 2005, the Office of the Chief Financial Officer (OCFO) was facing organizational challenges relating to the integration into DHS as well as the unique responsibilities for meeting the surge support demands of regional disasters. In addition, FEMA's financial statements and management operations were facing the scrutiny of auditors who found material weaknesses and issued a qualified audit opinion on the 2001 financial statement. In the aftermath of Katrina, adverse publicity given to improper and fraudulent payments to contractors brought visibility directly to FEMA's financial management operations. The GAO reported that FEMA made approximately \$16 million in trailer maintenance payments from June 2006 to January 2007 even though the invoices should have been rejected.¹³¹ Another \$15 million in payments were made for preventative maintenance invoices which contained no supporting documentation. An OIG report which found \$37.2 million in payments for improperly documented invoices from the 4 original "no-bid" IA-TAC contractors Shaw, Bechtel, Fluor, and CH2M Hill was reported by the Associated Press in September 2008.[OIG 08-88]. While many of these improper payments stemmed from inadequate inspections and documentation by the contractors, onsite COTRs, and FEMA housing inspectors, the OCFO also bore responsibility for making payments without supporting documentation.

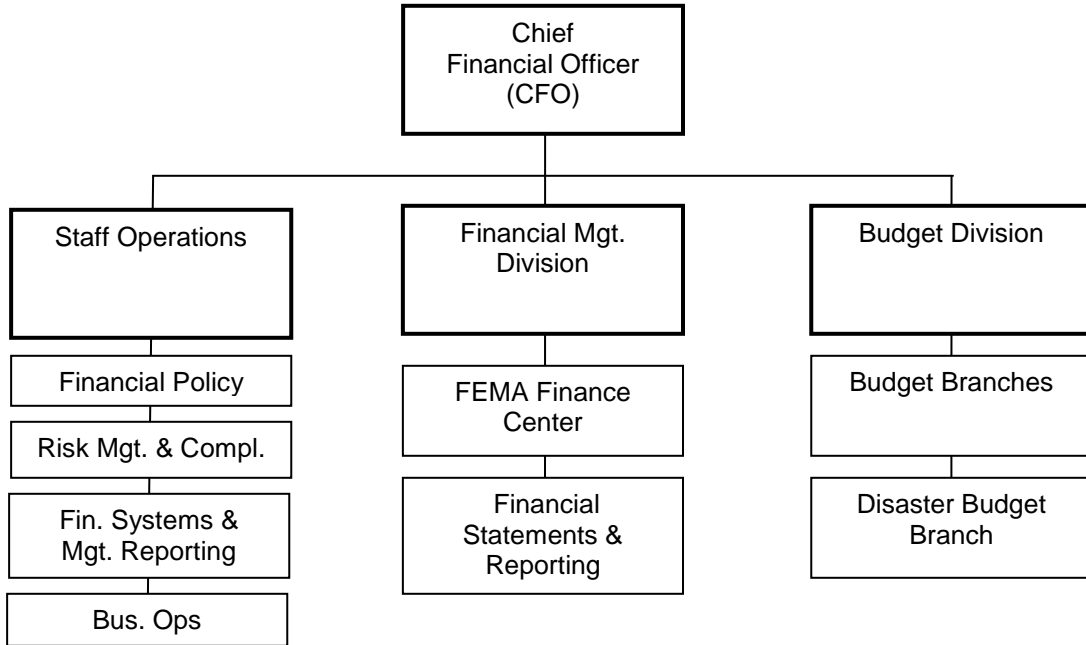
FEMA's comptroller responsibilities for supporting the Disaster Field Office at the time of Katrina were outline in the 2003 Federal Response Plan's Financial Management Support annex. Upon issuance of a disaster declaration, comptrollers were deployed to the region to begin overseeing financial management and internal controls. The comptroller was accountable to the CFO for financial management and reporting of Disaster Relief Fund activities. Other comptroller field functions included:

¹³¹ GAO 08-106 p15

- Finance Branch Chief/Deputy Comptroller, who oversees the Finance Office and supervises the Comptroller's staff
- Funds Control Group, which processes funding requests, monitors commitments, obligations, and expenditures, track funds, and monitors program funding levels, notifies program managers when funding increases are necessary and coordinates increases with the Office of Financial Management
- Mission Assignment (MA) Group, which coordinates MAs and processes Requests for Federal Assistance (RFAs).
- Travel Group, responsible for preparing travel vouchers, performing voucher reviews, and transmit travel information to the OFM/DFC.
- Acquisition Group, responsible for disaster contracting and grants management. Contracting responsibilities included pre-award and award functions in support of Regional Contracting Officers.

In addition to typical budget formulation and execution, management of appropriations and accounts, financial reporting, and internal controls, the OCFO headquarters staff had to oversee FEMA's emergency teams and management of the national Comptroller Disaster Reservist Cadre, which needed to be properly trained and credentialed for deployment to the field offices. The Comptroller Disaster Reservist Cadre are managed under the Budget Division's Disaster Budget Branch but operationally supported the JFO or other deployed field office. The FEMA OCFO organization is depicted in Figure 5.3.6 below:

Figure 5.3.6 – FEMA Office of the Chief Financial Officer

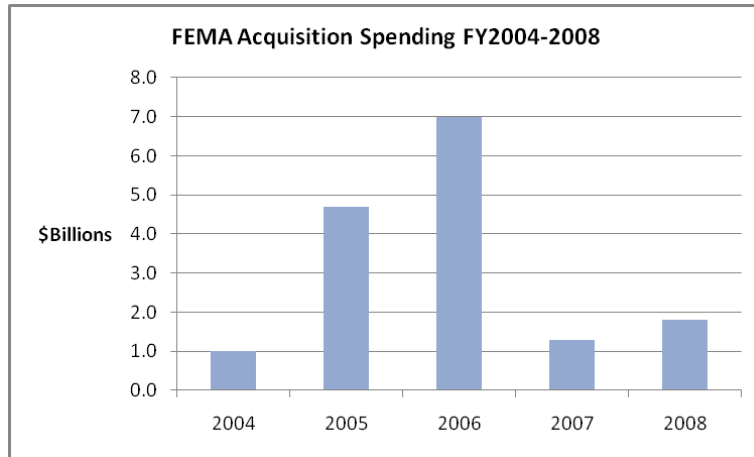


The FEMA Finance Center, located at the Mount Weather facility in Berryville, Virginia has an 80-person staff responsible for general accounting functions, including reconciliations and DRF financial management reports, invoice approvals, travel reimbursements and disaster housing payments.

The FEMA OCFO was also challenged by the fluctuating nature of the funding appropriations for which it had to plan and manage. FEMA funding is provided in both regular annual and supplemental appropriations. Most salaries and expenses are funded through annual appropriations. The baseline for the Disaster Relief Fund (DRF) is an annual appropriation calculated from an average of disaster funding over the previous five years. Supplemental DRF

funding may be granted as necessary to support presidentially declared disasters.¹³² The volatility of this funding from year to year is reflected in the Katrina-related increases in FEMA budgetary authority and acquisition spending from 2004 through 2005 (Figure 5.3.7 below).

Figure 5.3.7



Source: DHS OIG-09-70 p.3

Throughout FEMA organizational changes through 2005, budget office staff had to manage and provide oversight to appropriated budgetary resources. After Katrina, Congress passed two emergency supplemental appropriations totaling \$62.3 billion. By November 30, 2005, FEMA had obligated or expended \$19 billion.¹³³ During the response to Katrina, budget analysts would receive requests for between 500 and 1,000 reprogramming actions (shifts in resources within an appropriation between offices, divisions, or activities) every year. The GAO found that budget staff often did not have time to assess the appropriateness of such reprogramming request, but would simply check to ensure funding was available and was otherwise compliant with rules and laws.¹³⁴ It is highly likely that the overall decrease in

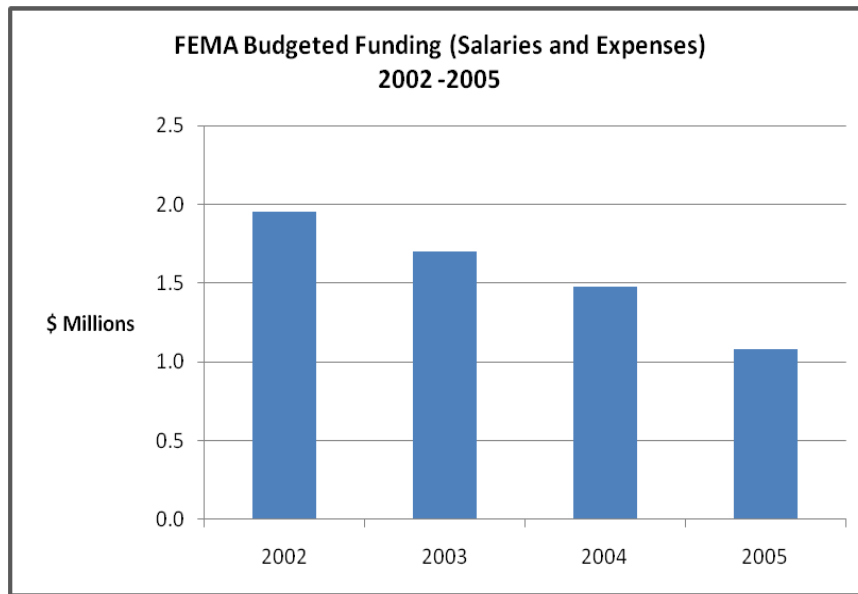
¹³² GAO-07-139

¹³³ OIG 06-32p112

¹³⁴ GAO 07-139

FEMA’s budgeted funding for salaries and day-to-day operating expenses from 2002 to 2005 affected operations such as budget office staffing (See Figure 5.3.8, below).

Figure 5.3.8



The budget office was also challenged by audit findings of material weaknesses in FEMA’s financial reports and accounting systems. In fiscal year 2001, FEMA received a qualified audit opinion on its financial statement from its independent auditors. The auditors reported six material internal control weaknesses in FEMA’s property accounting system as well as noncompliance with certain laws and financial regulations such as the Federal Financial Management Improvement Act and OMB Circular A-127, *Financial Management Systems*. In January 2003 the GAO followed up FEMA’s ongoing management control weaknesses, stating that “(u)ntil corrective actions are completed to address reliability of information and instances of noncompliance with requirements of certain laws and regulations, FEMA will not be able to achieve effective financial accountability.”¹³⁵ These findings likely presented a significant

¹³⁵ GAO 03-113,

distraction to FEMA's financial management offices as it was being incorporated into DHS and as Katrina hit.

Case Summary

When the magnitude of Katrina's devastation began to overwhelm FEMA's standing housing response capabilities, contracting for emergency housing became the default response. Yet FEMA had a very weak contracting management capacity and lacked an institutionalized acquisition management structure. Contracting officers were told to purchase as many housing units as possible without being provided proper specifications and deliveries were made without adequate plans for their placement. Once contracts were urgently awarded and contractor resources deployed, payments were made for supplies and services that had not been adequately inspected – or for supplies and services that were not even delivered. Any previous institutional structures and routines within FEMA that may have formed became diluted by the DHS reorganization. The unprecedented destruction and loss of life and media attention exposing the weak federal response has made Katrina an important case on American governance.

The organizational field of FEMA was strongly institutionalized around the regulative, normative, and cultural-cognitive characteristics of disaster preparedness and response. The Stafford Disaster Relief and Emergency Assistance Act and the National Response Plan served as FEMA's central regulative pillar supporting its preparedness and responses to domestic disasters. The customary media attention given to disasters over the years helped bolster the normative characteristics of the agency. The operational environment and urgent tempo of field operations framed much of the cultural cognitive dimensions. The "program office," while at best comprised of loosely defined and overlapping groups of headquarters and field functions, was nevertheless the leading entity within the organizational field. Whether defined as the Joint

Field Office, the Housing Area Command, the Federal Coordinating Office, other logistics and mission operations, or a combination of these entities, the “program office” dominated nearly every aspect of the Katrina response. The “contracting office,” with only 35 staff members at the time of Katrina, and the “budget/finance office” with inadequate financial management systems, decreasing resources, and unpredictable Disaster Relief Fund appropriations, clearly took a backseat to other program entities in FEMA – especially those mobilized in response to Katrina. The uncertainty and strain on operational resources resulting from the reorganization and assimilation into DHS even eroded the institutional foundations of FEMA offices – especially those relating to routines and relationships. In its January 2007 assessment of FEMA’s capacity to manage day-to-day operations, the GAO captured this sentiment by stating the following:

This is an organization that not only has to deal with the repercussions of the prior year’s hurricane season and the cumulative workload of other earlier disasters while preparing for future disasters, but also during the period of our review had been reorganized four times in 3 years, assumed significant responsibilities for preparedness activities that were subsequently transferred out, and inherited an assortment of programs from other agencies, some of which were gone within a year. In this environment, anything seen as “nondisaster” was likely to get less attention. ... Without a vision of what day-to-day operations should be and how they contribute to achieving the disaster-related mission, FEMA is more likely to continue to react rather than manage its way through future changes. Even FEMA staff’s strong sense of mission, which was apparent in our interviews, is no substitute for a plan and strategies for action. [GAO 07-139 p23]

Following Hurricane Katrina, FEMA conducted a series of Agency-wide assessments of its capabilities, including acquisition and contracts, logistics, budgeting and finance systems, and disaster workforce and human capital. The themes emerging from these assessments were reported in the 2009 Presidential Transition Binder as follows:

- FEMA was found to be comprised of hard working & dedicated employees who were ready for ready for transformation
- FEMA offices experienced functional overlap, limited cross-unit communication, and ownership that was not clearly defined between FEMA offices
- Problems such as “direction chaos” existed when there was too much turnover and an associated high vacancy rate in leadership positions;
- Heavy workloads forced staff to be tactical rather than strategic.
- A lack of documented, standardized, and repeatable processes and limited, outdated or non-existent policies, procedures, and internal controls.

- The FEMA culture was transaction-focused and reactive rather than proactive.
- Antiquated or manual processes for basic support services were well behind industry standards.¹³⁶

¹³⁶ FEMA Transition Binder for the 2009 Presidential Transition, p.8

Case No. 4 – TSA Airport Screener Recruiting Contract

This case involved a major acquisition for the recruiting of federal airport screeners by the newly formed Transportation Security Administration (TSA) in the aftermath of the terrorist attacks of September 11, 2001. As with the case of FEMA trailers, the TSA screener recruiting contract took place within an environment of extreme urgency and high public visibility. While TSA was ultimately successful in hiring and deploying federal airport screeners within the aggressive deadlines mandated by Congress, it came at the cost of significant negative media attention on cost overruns, wasteful spending, audits and investigations, and congressional oversight. A lengthy June 30, 2005 Washington Post article entitled “*The High Cost of a Rush to Security: TSA Lost Control of Over \$300 Million Spent by Contractor to Hire Airport Screeners After 9/11*” exposed findings of excessive costs from a government audit report (Higham and Harrow, 2005).¹³⁷ The case is illustrative of an acquisition in which high visibility and an aggressive schedule mandated by congress created a “deploy-at-all-cost” agency mindset. The lack of organizational resources and established processes within TSA resulted in poor management and oversight of the program. By December 31, 2002, approximately 129,000 candidates had been qualified and TSA had hired 56,267 screeners for work at approximately 433 airports. However, the contract ceiling grew from \$104 million to \$741 million and the resulting audit reports and media accounts tarnished the reputation of the government at a critical time and for a highly visible segment of public service delivery.

¹³⁷ Among the examples of contractor billing that were cited were; accommodations at exclusive hotels such as the Wyndham Peaks Resort and Golden Door Spa in Telluride, Colorado and the Waldorf Astoria in Manhattan, \$1,180 in Starbucks Coffee charged at \$3.69 a cup, \$129,621 in unsupported long distance calls from hotels, including \$3,403 in international calls, \$527 for one phone call from Chicago to Iowa City, \$1,540 to rent 14 extension cords, and \$8,100 for elevator operators at the Marriott Marquis in Manhattan.

Background

On November 19, 2001, the President signed the Aviation and Transportation Security Act (ATSA) which created TSA and required it to assume full control of security screening at the nation's 429 airports not later than 3 months after the date of enactment. The Act also required TSA to begin performing airport passenger screening with federal employees – as opposed to contract employees – within 12 months of the act. TSA would have to stage a massive effort to recruit, screen, and hire nearly 60,000 federal employees at 429 airports. In order to meet this aggressive deadline with few personnel and no prior experience in managing such programs, TSA decided to contract-out the effort by soliciting proposals and awarding a single contract to the most capable offeror. Request for Proposal (RFP) No DTTS59-02-R-0439 was issued on January 18, 2002, containing the following requirements in the statement of work:

The TSA requires contractor support to develop, implement and execute an overarching qualification, assessment, staffing, and placement system and to provide on-going HR services for airport Security Screeners, Law Enforcement Officers (LEOs) and other TSA personnel in compliance with federal law, regulation and policy allowing TSA to meet or exceed dated mandates and other legislative requirements of the ATSA.

... The objective of this broad scope of work is to procure contractor technical, operational, and management support for the TSA in meeting role-out timelines and legislative requirements of ATSA. Specific work segments are delineated into 8 modules, which allow prospective contractors to propose solutions for one or more modules.

Module 1: Posting and Capturing the Security Screener and Law Enforcement Office Job Applications and Additional Postings As Required

Module 2: Applicant Intake

Module 3: Assessment Center Facility Requirements and Management

Module 4: Assessment Center Medical Requirements

Module 5: Assessment Center Candidate Requirements

Module 6: Candidate Selection:

Module 7: Day-to-Day Servicing

Module 8: Exit Interviews

Offerors could propose on any or all modules but had to be capable of performing the entire module requirements for which they were proposing. Proposals were limited to 21 pages each. The timeframe for submission of proposals provided evidence of the aggressive schedule facing TSA. Regulations require that offerors be given a reasonable period of time to submit proposals

and, normally, this ranges from 15 to 45 days. The TSA proposals were initially due January 28, 2002 – just ten days after release of the RFP. An amendment later extended the due date by a few more days to February 2, 2002 (February 12th for Module 2). The contractor was required to begin performance by February 25, 2002. In addition, the RFP contained the admonition:

...little tolerance will be shown for missed milestones previously agreed upon, specifically those within the contractor's control.

It was clear from the 48-page RFP that TSA had not sufficiently detailed the technical requirements against which offerors could bid. After the RFP was released on January 29th, TSA responded to 142 clarification questions sent in by interested bidders.¹³⁸ A number of questions asking for more detail on exactly what TSA wanted or how it should be provided, were answered with a stock response: “*TSA is looking for vendors to provide efficient, effective and best practice approaches and solutions.*” The RFP did not specify the number of screeners that needed to be recruited. In response to questions on the estimated number of screeners, TSA responded

At this time, we do not know the actual number of employees that will be hired; ... Current estimates for total screeners varies between 28,000 – 50,000+.” Additionally, there will be other positions, e.g., support positions, management positions, law enforcement officers, etc..

The contract was awarded just a month after the RFP release, on February 25, 2002 to NCS Pearson Government Solutions at a ceiling cost of \$104 million.¹³⁹ The award was based on TSA evaluation of Pearson's technical proposals which were considered superior. However, the vague requirements in the government's RFP began to cause immediate problems for the contractor. Pearson had proposed hiring 30,000 screeners over a 32-week period via its existing single facility and assumed that 35,000 would need to be screened. Applicants would be

¹³⁸ Request for Clarifications document posted January 29, 2002 Amendment 4 to DTTS59-02-R-0440. (www.fbo.gov/index?s=opportunity&mode=form&id=175c7cfabc2512aad6e12655ac964e11&tab=core&_cview=1)

¹³⁹ Awarded as Contract No. DTSA59-02-C-00400 (Source: TSA Award Letter dated March 4, 2002)

processed at one location in a single day after passing on-line pre-assessments, computer tests, an initial interview, and physical and medical tests. However, TSA became concerned with Pearson's single assessment center approach and decided to change the contract requirement, directing the contractor to establish approximately 150 temporary assessment centers which would be within a 2 hour drive for incumbent and prospective screeners' local airports. Also, the number of hires provided by TSA grew to 58,000 – well beyond Pearson's assumption of 30,000 – and the number of applicants screened grew to 128,000. In testimony before Congress in June 2002, the Department of Transportation Inspector General stated that TSA had hired only 1,248 screeners and was experiencing unexpected difficulties at its test bed Baltimore-Washington International (BWI) airport. Difficulties at BWI were largely due to the number of applicant “no shows” (two-thirds) and applicants who did not pass the pre-hiring assessment (an additional two-thirds) (Mead Statement, 2002). The Airport Federalization schedule, delayed by internal government discussions over the staffing model estimates, was not provided to Pearson until June 2002. As a result, costs began to increase significantly beyond the \$104 million ceiling. In July 2002, Pearson had submitted a revised cost estimate of \$531 million and, since funding beyond the original ceiling had not been provided, began working at its own risk.

The Organizational Field

While many details of the screener contract actions are available and documented, the organizational roles, responsibilities, and reporting structures within the newly formed TSA were more difficult to ascertain. Officials were borrowed from other agencies and private sector consultants were brought in to perform functions that would normally be considered to be inherently governmental. The DHS Inspector General found that TSA did not have the infrastructure, people, policies, and procedures – and no acquisition or implementation plan – to

manage the screener hiring program.¹⁴⁰ Writing for the Century Foundation, E. Marla Felcher (2004) noted that one of the initial hires to oversee the screener program recalled her first day on the job as “indescribable chaos:”

Transportation Secretary Mineta had convinced a group of his private sector CEO friends to “donate” their top employees for a stint in the public sector. . . . The result was TSA “gotteams,” task forces of public and private sector employees headed up by executives from Intel, Marriott, FedEx, Cisco Systems, Solectron, Disney, and other corporations. Each go-team was charged with building a discrete piece of the nation’s new aviation security program. The high-tech firms helped TSA grapple with its daunting information technology and database needs. Disney helped reconfigure airport checkpoint lines into “serpentine queues” (familiar to anyone who has waited in line to see a popular DisneyWorld attraction), and Marriott designed a program to teach checkpoint screeners how to deal with disgruntled passengers. . . .

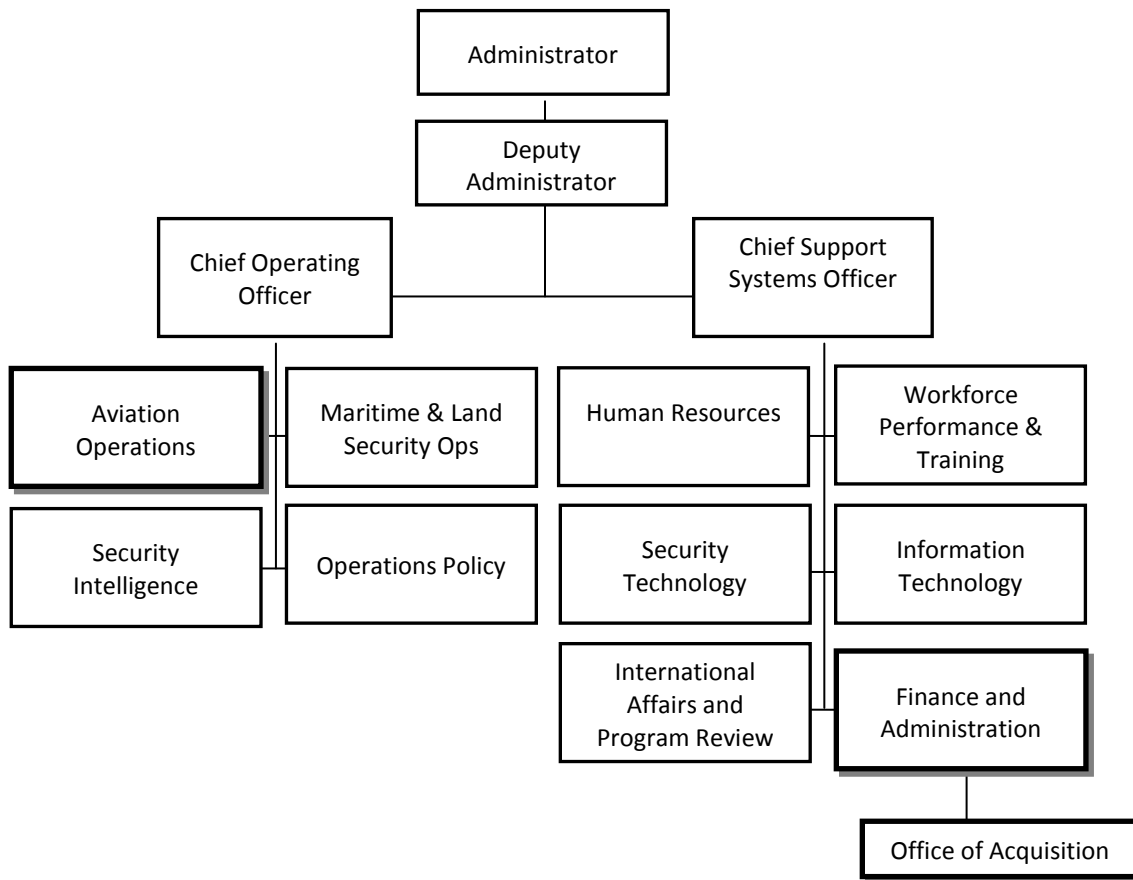
(T)he onloan executives injected a high-energy work ethic into the new agency, creating the sort of culture common to private sector start-ups yet an anomaly in Washington’s federal agencies.

No one had taken the time to assign offices, desks, or chairs; meetings occurred wherever there was space, in hallways and vacant rooms. Goteam members scurried around with their laptops, covering walls with timelines and to-do lists. “It was not a normal bureaucracy,” said one Senate staffer, describing the frenzied pace of TSA’s hardworking staff. “The level of intensity was unreal,” said another, describing employees who *ran* from their desks to retrieve documents from shared printers.(p.60)

TSA did have a notional organizational structure by 2004 as depicted in Figure 5.4.1 below:

¹⁴⁰ DHS OIG, “Review of the Transportation Security Administration’s Management Controls Over the Screener Recruiting Program,” OIG-06-18, December 2005

Figure 5.4.1 - Transportation Security Administration Organization (2004)



Source: GAO 04-544

While, the formal organizational field of the program office, contracting office, and budget/finance office was far less defined than in the other cases, the respective roles and responsibilities could still be examined for purposes of this case study.

The Program Office

TSA had only 12 employees after its inception in November 2001 and had to rely on loaned personnel from DOT and other government and industry sources to build up the program management organization. Instead, “Go-Teams,” meeting regularly under the direction of TSA employees, were established to manage various programs established to address the requirements

of the ATSA. According to the DHS Inspector General, the magnitude of the mission required more coordination than the Go-Team structure could provide.¹⁴¹ By the time TSA had established a high-level program management transition team and hired a management consulting firm, only about six months remained until the legislative federalization deadline and many decisions and contract changes had already taken place.

The Aviation and Transportation Security Act of 2001 (Public Law (PL) 107-71) required the TSA Administrator to designate “Federal Security Managers” at each airport that would oversee passenger and baggage screening operations. By June of 2002, 18 employees were hired into the Program Management Series with salaries between \$108,640 and \$145,229. The Inspector General noted that many of the executives brought into the program office came from private industry and had little experience in the federal acquisition process (DHS OIG-06-18, p.5-6). The OIG also noted that since many of the management decisions were communicated orally or by email, little file documentation existed to show when and who made decisions regarding the establishment of temporary assessment center sites.

PL 107-71 established an imposing regulatory backdrop for TSA. The Act not only created TSA as a new organization, but it set aggressive deadlines and specific requirements. The Act required that TSA assume control of security screening at the Nation's 429 airports no later than 3 months after the date of its enactment, and to federalize the airport screener workforce within a year. Since its creation, TSA officials would often reflect publicly upon its accomplishments in meeting the legislated deadlines for federalizing the screener workforce and other airport security requirements. For example, in testimony before Congress, the DOT Inspector General (2002) stated that TSA’s mandate was “one that has never been undertaken before on a scale of this magnitude and TSA has very little empirical experience to draw on.”

¹⁴¹ DHS OIG Report OIG-06-18, December 2005, p.5-6

The current “Our History” section of the TSA website states, “In the largest civilian undertaking in the history of the U.S. government, we met these Congressional deadlines. In March 2003, we were moved from the Department of Transportation to the Department of Homeland Security that was created on November 25, 2002 by the Homeland Security Act of 2002, unifying the nation's response to threats to the homeland.” (www.tsa.dhs.gov/research/tribute/history.shtm 10/1/2009).

The agency’s first leader, John W. Magaw had a strong law enforcement background, having been a former head of the Secret Service, a Director of the Bureau of Alcohol, Tobacco and Firearms, and an executive with FEMA. Meeting the deadlines of PL 107-71 was Magaw’s main goal. When asked about these deadlines, he told a Senate Commerce subcommittee: "You will not hear me say 'can't.' It's not in my vocabulary in this case." ¹⁴² It would be Magaw’s law enforcement values and the sense of duty in meeting the demands of Congress that prevailed across the early TSA leadership and were passed down to those program managers asked to carry out the TSA mandates. Meeting the legislative schedule quickly became the dominant objective of TSA, as noted by the GAO:

TSA’s deadline-driven culture fails to reinforce the importance of compliance with policies. TSA officials acknowledged, and Inspector General reports and testimony confirmed, that TSA initially sacrificed cost concerns and disciplined acquisition practices in order to meet schedules. As a result, TSA created a culture that prioritized meeting deadlines at the expense of other acquisition goals. (GAO 04-544, p.13)

One of the program managers selected to oversee the TSA screener recruiting contract was among the many public servants who reentered government at the request of TSA leadership following 9/11. While there was very little blame seeking in the immediate aftermath of 9/11, the Federal Aviation Administration (FAA) had clearly failed to ensure airport security (GAO-

¹⁴² WALD, MATTHEW L. (2001) A NATION CHALLENGED: TRANSPORTATION SECURITY; A Promise on Baggage Screening Deadline, New York Times, December 21, 2001

03-616T) and its security responsibilities were transferred to the TSA. The private sector airport screeners who were previously hired by the airlines, and who had known and longstanding problems (GAO/RCED-00-75), were targeted for replacement with federal employees.

The Contracting Office

Given the high level of public attention on the creation of TSA and the airport screener federalization program, the short-sightedness regarding the need to adequately staff the contracting function stands out as a glaring failure. In fiscal year 2002, TSA (along with DOT and FAA) awarded \$3.7 billion in contracts – 48 percent of the TSA budget for FY2003.¹⁴³ When the screener recruiting contract was awarded in February 2002, there was *only one* contracting officer who was also responsible for a number of other major contracts within TSA.¹⁴⁴ Although the office grew to 13 employees in a few months – the majority of which were contract specialists – the staffing was still not adequate to handle the contracting workload suddenly facing TSA. A study conducted by TSA using three different benchmarks to estimate staffing needs based on total awarded value of contracts, concluded that the Office of Acquisition could require a staff of as many as 628 employees.¹⁴⁵ When GAO assessed TSA acquisition in the 2003-2004 timeframe, the Office of Acquisition had grown to 61, but was still challenged in trying to maintain its existing workforce. Attrition among its contracting workforce had been a problem with approximately 22 percent attrition in its contracting workforce from March 2002 to December 2003.

When TSA transferred into DHS from DOT, it inherited FAA's exemption on using the FAR for regulatory guidance. Instead it used its own TSA Acquisition Management System,

¹⁴³ US GAO "Transportation Security Administration: High-Level Attention Needed to Strengthen Acquisition Function, GAO-04-544, May 28, 2004.

¹⁴⁴ OIG 06-018, p.13

¹⁴⁵ GAO-04-544, p.17

which the DHS Inspector General considered to be less stringent than the FAR.¹⁴⁶ The contracting officer and contract specialists who were assigned from DOT most likely carried with them the culture, working protocols and standard operating procedures of their home DOT offices. They were certainly overwhelmed by the demands of their new TSA environment.¹⁴⁷ Excessive reliance upon program office justifications for sole-source contracts was one such indicator of contracting offices being overwhelmed by procurement requests and poor planning on the part of the program office. The Inspector General found that TSA contracting officers were willing to accept the *prima facie* justifications submitted by the program office regarding the sole-source nature of the acquisition.¹⁴⁸

the contracting officers' willingness to accept incomplete single source justifications indicates that their priority for servicing program offices exceeded their motivation to comply with TSA policies and procedures to promote the use of competition to award these contracts." (p.8)

Even several years after the TSA screener recruiting contract, the TSA Inspector General found problems in TSA data collection of its acquisition workforce, namely contracting officers, program managers, and contracting officer's technical representatives (COTRs). Along with DHS Headquarters, Coast Guard, and Customs and Border Patrol, the IG found that TSA did "not have reliable information and related supporting documentation about their contracting officers, program managers and COTRs and their assignments."¹⁴⁹

On June 20, 2002, the DOT Inspector General, Kenneth Mead, appeared before Congress to address TSA challenges in meeting the requirements of the ATSA, including the transition of

¹⁴⁶ DHS OIG "Transportation Security Administration Single Source (Noncompetitive) Procurements" OIG-08-67, June 12, 2008.

¹⁴⁷ OIG 06-018, p.13

¹⁴⁸ OIG 08-67 p8

¹⁴⁹ OIG-08-056, p.4

management responsibilities for existing airport screening contracts from the private sector to the FAA:

Due to the rapid pace that TSA is moving forward to meet the Act's deadlines, it has not yet established an infrastructure that provides an effective span of control to monitor contractor costs and performance. Costs and performance oversight are key tenets in any internal control system. For example, in April, we expressed concerns to this Committee about controls over the current screening contracts. Despite the large dollar implications, we found that controls over those contracts were not adequate. To its credit, the Department has taken several steps to improve those controls. For example, FAA (who is managing the contracts) has *added five people to assist the two contracting officers in managing the contracts*. TSA is also planning to award an oversight contract for the specific purpose of reviewing security contractor invoices. (emphasis added) (Mead, 2002 p.12)

It seems odd that, at the level of congressional testimony by the DOT Inspector General, the staffing of only *five people to assist the two contracting officers* on a program of this magnitude would be considered an accomplishment to highlight. Two years after the screener recruiting contract was awarded, the Contracting Officer, Mark T. Welch, remained onboard at DOT, supporting programs such as a small-business service contract for the new DOT Headquarters Building.¹⁵⁰ According to information gleaned in exit interviews, TSA found that much of the attrition of its contracting staff resulted from the heavy workload and lack of incentives, such as tuition reimbursement and performance awards.

The organizational placement of the acquisition office is viewed by GAO as important to achieve parity with the program office and other executive offices.¹⁵¹ However, the GAO found that the TSA Office of Acquisition was placed at an organizational level that was too low to effectively oversee and manage.¹⁵² Initially reporting under the Assistant Administrator for

¹⁵⁰ Department of Transportation Solicitation Number: Reference-Number-SAN1, November 17, 2004 https://www.fbo.gov/index?print_preview=1&s=opportunity&mode=form&id=d8c8c31de344d5baeb371f6fbb402c16&tab=core&tabmode=list&cck=1&au=&cck=

¹⁵¹ US GAO, "Framework for Assessing the Acquisition Function at Federal Agencies," GAO-05-218G, September 2005.

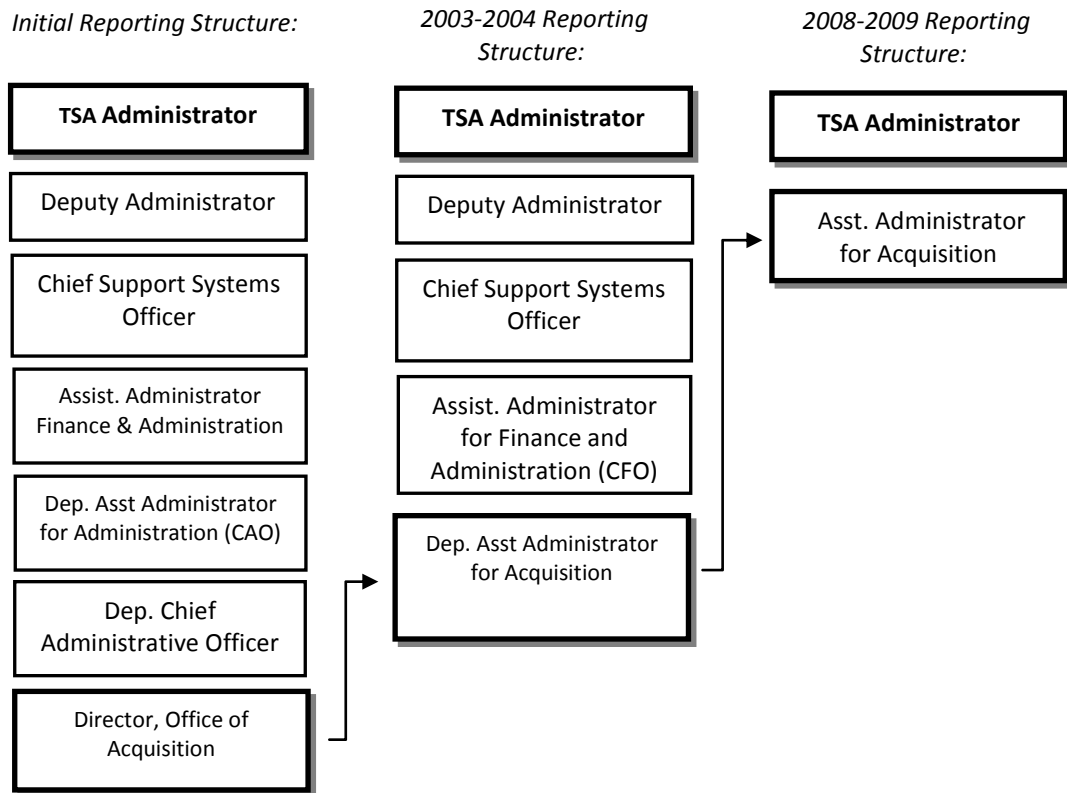
¹⁵² US GAO "Transportation Security Administration: High-Level Attention Needed to Strengthen Acquisition Function," GAO-04-544, May 28, 2004. (p.8)

Finance and Administration, Deputy Administrator for Administration, the acquisition office was at a level which essentially relegated it to the status of many other administrative functions:

The placement of the Office of Acquisition hinders the ability of the office to oversee the acquisition process and to coordinate with other offices involved in that process—responsibilities that are particularly critical given that almost half of TSA’s budget is spent on acquisitions. (GAO-04-544, p.8)

In responding to GAO’s recommendation that the Office be elevated, TSA commented that it had previously been elevated from an even lower position. Figure 5.4.2 below depicts the original organizational placement of the Office of Acquisition, its placement during the time of the screener contract, and its most recent placement.

Figure 5.4.2 – Evolution of Organizational Reporting Structure of TSA Acquisition



The Budget/Finance Office

Weaknesses within the TSA accounting and finance systems contributed to the highly visible problem of cost growth on the screener contracts – costs which rose from the original estimate of \$104 million to a final settlement amount of \$741 million. The transfer of TSA to DHS required a new funding structure and conversion to a new central accounting system. TSA could not provide sufficient evidence to support fiscal year 2005 and 2006 transactions and account balances – particularly for budgetary accounting, undelivered orders, and property, plant, and equipment. The TSA’s converted trial balance carried unsupported and unreconciled balances. Coupled with TSA’s weak internal controls, auditors declared TSA accounting and financial reporting as a material weakness from 2004-2006.¹⁵³ As cost growth continued on the screener contracts, TSA encountered delays in recording actual obligations in the accounting system.¹⁵⁴ TSA initially had to rely on the FAA’s accounting facility in Oklahoma to manually enter contract financial data, mailed from TSA headquarters in Washington D.C., into the TSA accounting system. Contract obligations exceeded the obligations recorded in the financial system by as much as \$303 million, and contract obligations continued to exceed the recorded obligations through at least September 30, 2003. Auditors from the Defense Contract Audit Agency (DCAA) could not specifically determine the reasonableness of the contract costs, but provided comments concerning deficient expenses on invoices totaling \$298 million. In December 2004, TSA settled with NCS Pearson at the contract ceiling of \$741 million.¹⁵⁵

Delays in timely reviewing of contract cost growth projections and in finding appropriate funds to apply to the contract put TSA in a weak negotiating position with respect to the costs

¹⁵³ Vendor case study; http://www.aocsolutions.com/finance_case_studies.htm

¹⁵⁴ TSA Response to DHS Inspector General (OIG 06-18), Kip Hawley Memorandum dated August 25, 2005

¹⁵⁵ DHS OIG “Review of the Transportation Security Administration’s Management Controls Over the Screener Recruitment Program,” OIG-06-18 December 2005

already incurred on the contract. In its December 2005 report, the OIG recommended that TSA's Assistant Administrator for Finance and Administration and Chief Financial Officer, Office of Finance and Administration, strengthen and formalize policies and procedures for funds certification, status of funds reporting, and recordation practices.¹⁵⁶ TSA agreed, stating that it had established a centralized funds certification process within the Office of Budget, which reports directly to the CFO. Senior budget analysts assigned to different program areas were being required to review procurement requests and certify funds before the contracting office could act on a procurement action. Procedures were said to be in process that would allow the delegation of funding authority on certain program areas to program offices – an acknowledgement that the CFO's office could not monitor all program funding actions. TSA also initiated a new Finance and Procurement Desktop (FPD) front-end portal to the accounting system. This system was intended to allow TSA offices with budget authority to monitor real-time status of funding activity, identify discrepancies, and make necessary adjustments. TSA was also pursuing implementation of the DHS enterprise-wide Oracle Financials and Prism system which would also help integrate the oversight and administration of acquisition, programmatic and financial management activities.¹⁵⁷

Case Summary

TSA's screener recruitment acquisition became one of the most significant examples of negative publicity given to a federal agency acquisition. As press accounts brought public attention to the program's cost growth and specific instances of wasteful practices, the DOT and DHS Inspectors General and the GAO found more systemic problems with the way acquisition programs were organized and managed:

¹⁵⁶ TSA Response to OIG (OIG 06-18)

¹⁵⁷ DHS comments to GAO (re: GAO 04-544) Anna F. Dixon letter dated May 30, 2004.

TSA also failed to implement policies and processes intended to ensure coordination of acquisition activities. TSA guidelines call for integrated product teams—which may include representatives from program, technical, finance, contracting, and legal offices—to coordinate key acquisition activities and to work together to make decisions throughout the acquisition process. According to TSA acquisition officials, however, such teams are often not formed, and there is currently no formal process for doing so. Without such teams, TSA risks having acquisition activities that are not well coordinated and key decisions that fail to take into account all essential considerations. (GAO 04-544, p.11)

Although TSA has changed considerably since the time of this case, the case reflects an organization becoming overwhelmed by the sudden requirements of a large acquisition program. It is illustrative of Kettl's (2009) observation of agencies forcing a problem solution under the constraints of preexisting organizational boundaries. However, despite the amount of negative press on the screener recruiting contract, a few years later TSA received the 2006 Excellence in Acquisition Management Award by the Office of Federal Procurement Policy and the Chief Acquisition Officers Council.¹⁵⁸ In 2007 the Department of Homeland Security recognized TSA for its financial management accomplishments, including the improvement of financial controls that led to discovering and resolving of TSA's over-obligation of contract funds in 2003.

The Aviation and Transportation Security Act was a dominant source of TSA's legally sanctioned legitimacy, but the direct involvement of Congress also added a relational dimension to its power. According to press accounts, House Aviation Subcommittee chairman, John Mica, expressed confidence in the new TSA Administrator McGaw by saying, "As far as I'm concerned, you don't need to check with Mr. Mineta or anyone except maybe the president of the United States" (Felcher, 2004 p.59).

As with many federal agencies following the September 11, 2001 terrorist attacks, a strong sense of duty and obligation permeated the newly formed TSA, especially for those individuals selected to lead and build the new agency and to fix the problems in aviation security. While strong values and a sense of duty dominated the environment of the early TSA,

¹⁵⁸ PRNewswire, December 7, 2006, "TSA Receives 2006 Acquisition Management Award," Washington, D.C.

the *norms* – how things should be done – were far less evident. Normative characteristics involving administrative routines and artifacts were weak. Systems of certification and accreditation – such as in the CFO’s initiative to certify funding availability – had to be borrowed, adapted, or created from scratch. As evident in the costly expenses which drew media attention and government investigations, the logic of appropriateness and fiscal constraints that would have been the norm for a federal agency had not yet been instilled. In light of the importance given to federalizing the airport screener workforce, it was somewhat ironic that TSA’s leadership had to resort so heavily upon the private sector for management and operational expertise. The cadre of consultants and executives brought in from the private sector scarcely aligned with the norms and expectations of federal agencies and civil servants. This early cadre of TSA executives had little experience in the federal acquisition process, and most probably had little experience in federal personnel and workforce policies. Ironically, it was precisely these issues – personnel and workforce development – that were at the center of mission of the airport screener federalization program.

Case No. 5 – FDIC’s Infrastructure Services Contract (ISC)

This case involves a contract for a large-scale (over \$300 million) information technology (IT) program at the Federal Deposit Insurance Corporation (FDIC), known as the Infrastructure Services Contract (ISC). It was the one case selected involving the use of an “inter-agency” acquisition in which the requiring agency employed the services of another agency for contracting support via an interagency agreement. In this case, the FDIC chose to use the Assisted Acquisition services of the General Services Administration’s FEDSIM Office. Based on the FDIC’s Office of Inspector General (OIG) assessments, this was a successful FDIC acquisition:

The ISC has substantially achieved the Corporation’s desired results, as presented in the Board Case. Most notably, the ISC establishes a single point of accountability and responsibility for IT infrastructure support, enabling DIT to better manage that aspect of its operations. Also, the FDIC has established mechanisms to promote improved infrastructure performance and service, and the Corporation has rated the contractor’s mid-term performance as excellent in that regard.¹⁵⁹

FDIC’s ISC is noteworthy in this regard because such success is rare in large federal IT programs.

Background

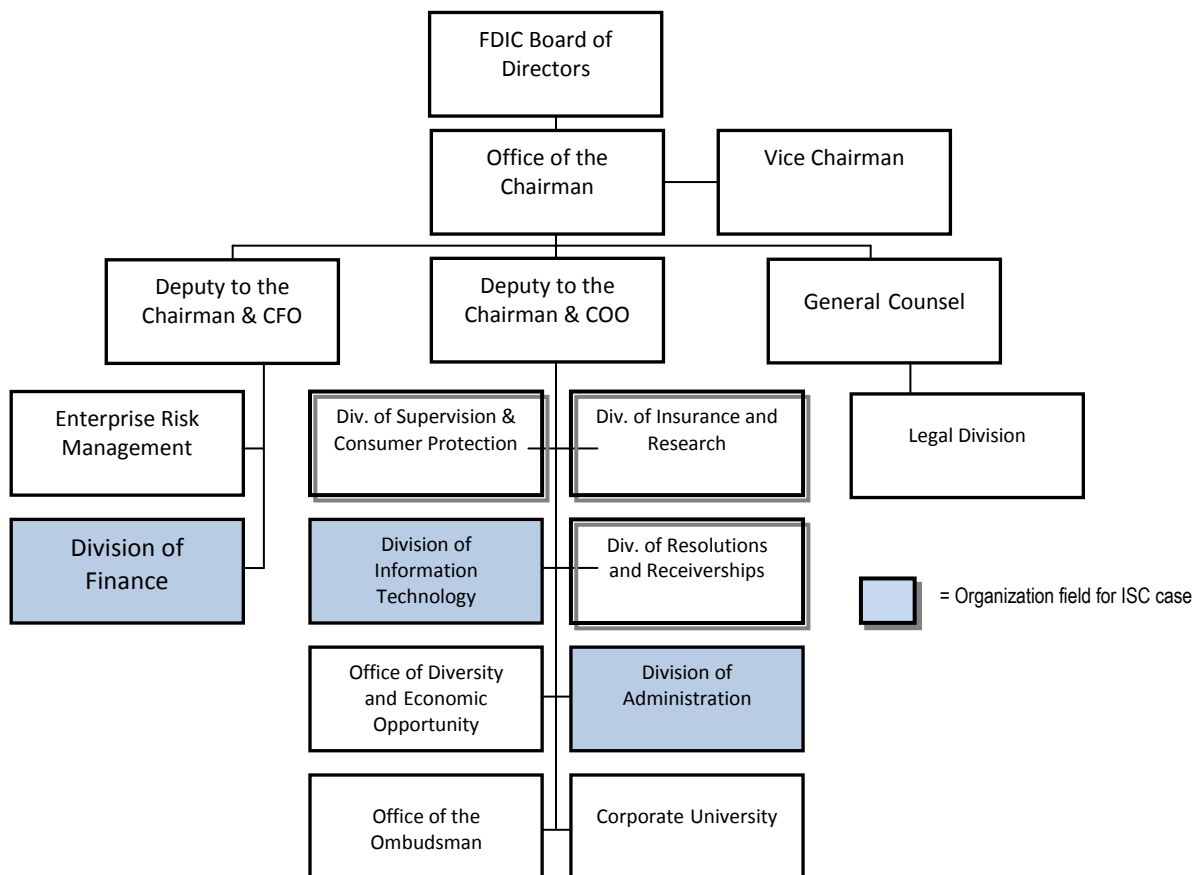
The FDIC is an independent federal agency created by Congress in 1933 in response to the widespread bank failures at the time.¹⁶⁰ Central to the FDIC’s mission is the administration of the Deposit Insurance Fund (approximately \$17.3 billion in 2009) which is used to insure more than \$4 trillion in individual deposits for over 8,000 member institutions – primarily federal and state banks and thrift savings institutions. The mission culture of the FDIC is deeply rooted in its history of rescuing of failing financial institutions, from the depression era banks to the

¹⁵⁹ *FDIC’s Contract Oversight Management of the Infrastructure Services Contract* (Report No. AUD-08-008) March 2008

¹⁶⁰ Federal Deposit Insurance Corporation Act, June 16, 1933, Ch. 89, § 8.

savings and loan crisis of the late 1980's and early 1990's. The financial crisis of 2008 again brought the FDIC into prominence as it had to oversee over 25 bank failures by late 2009. The FDIC is headed by a five-person Board of Directors ¹⁶¹ with offices in Washington DC and its new Virginia Square facility location in Arlington, VA. However, the FDIC conducts much of its mission-related business via regional offices and field offices across the country. It receives no appropriations from Congress – its operating budget is funded by deposit insurance premiums paid by members, and from earnings on U.S. Treasury securities. The organization of the FDIC is depicted below in Figure 5.5.1:

Figure 5.5.1 – FDIC Organization



¹⁶¹ The FDIC's Board of Directors are appointed by the President and confirmed by the Senate; No more than three are allowed to be associated with the same political party.

The FDIC workforce was reduced considerably in the early 1990's when, combined with the merged Resolution Trust Corporation, the employee headcount numbered over 20,000. In 2008 it had approximately 5,000 employees, and an annual operating budget of about \$1 billion.¹⁶² With the national economic and financial crisis emerging in 2008, the FDIC faced a number of significant management challenges. Twenty-five insured institutions failed in 2008, the most since the end of the last banking crisis in 1993. The individual covered deposit limit was raised temporarily from \$100,000 to \$250,000. For 2009, the Board approved an increase of 1,459 staffing positions staffing positions level (to 6,269) mostly in temporary positions for bank examination and supervisory activities failures, and the operating budget was increased to over \$2 billion.¹⁶³

In its comments to the 2008 Annual Report, the Office of the Inspector General (OIG) noted that the rapid hiring and training of so many new staff along with expanded contracting activity will place heavy demands on the Corporation's human resources staff and operations. The OIG also noted that the FDIC, in awarding approximately \$500 million in contracts during 2008, needed to ensure that effective processes and controls for identifying and acquiring requirements and monitoring contractors are in place.¹⁶⁴

The FDIC relies extensively on computerized systems and information technology. It undertook a significant capital investment program during the 2003-2008 period, to include the expansion of its Virginia Square office facility near Washington D.C and the development and consolidation of major IT systems. Investment spending totaled approximately \$260 million

¹⁶² \$1.033 Billion Operating Budget in 2008, however, the Board approved a \$2.24 billion Corporate Operating Budget for 2009 (Source: 2008 FDIC Annual Report) .

¹⁶³ FDIC Annual Report (p.154)

¹⁶⁴ FDIC Annual Report (p.154)

during this period, but the FDIC committed to reducing total IT spending by developing a simplified infrastructure, reducing the number of applications, and streamlining processes.¹⁶⁵

The Infrastructure Services Contract (ISC) was initiated to meet the strategic goal of simplifying the FDIC infrastructure, consolidating contracts, and reducing long term costs. It was the largest single program in the FDIC's IT project portfolio. The ISC was awarded to Systems Research Applications International, Inc. (SRA) in September 2004 with a ceiling price of \$341,766,035. "Infrastructure," in the information technology context, usually refers to the foundation of computer hardware, software, and services that supports a variety of more specialized computer applications and IT systems across the organization.

FDIC's objective for the ISC was to have a single point of accountability for an efficient and cost-effective IT infrastructure, to align its infrastructure management and support with industry best practices, and to adopt a performance-based contracting approach. In awarding the contract, the FDIC sought to consolidate over 300 existing contracts. The ISC contract provided for the following supplies and services:

- Mainframe Data Center Operations
- Local Area Network (LAN) Management
- Hardware and Software Procurements
- Help Desk Operations
- Telecommunications Support
- Equipment and Software Maintenance
- Disaster Recovery Operations
- Security Operations
- Wireless Communications
- Desktop and Server Engineering
- IT Asset Management

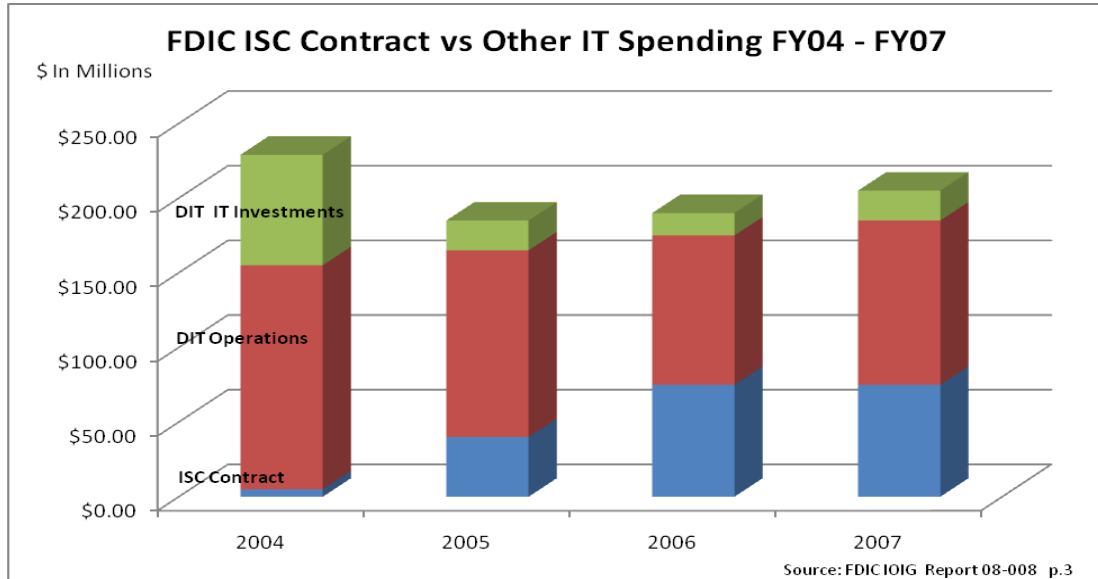
Source (OIG Report 08-800)

Total FDIC spending on information technology decreased slightly from 2004 through 2008, even as spending on the ISC contract increased to approximately \$75 million in 2007. The FDIC reported annual savings from the ISC contract as \$1.3 million for operational labor cost

¹⁶⁵ FDIC Information Technology Strategic Plan 2008-2013, January 23, 2008, p.7.

savings, \$365,000 in procurement and oversight costs, and \$964,866 in contract cost reductions.¹⁶⁶ FDIC IT spending from 2004 through 2007 as depicted in Figure 5.5.2 below:

Figure 5.5.2

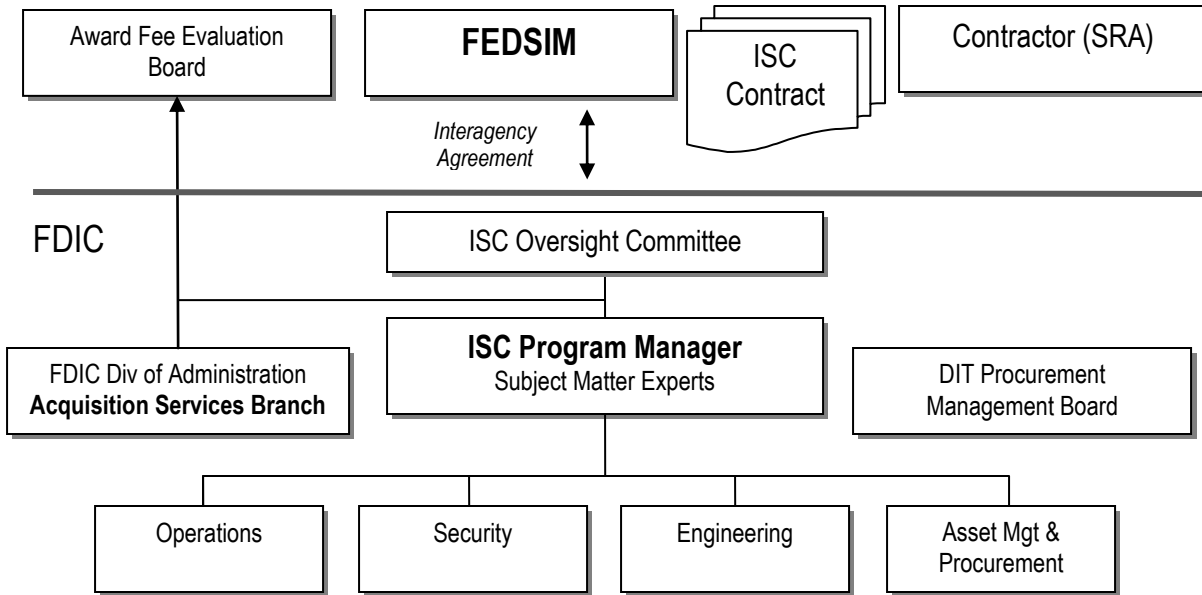


The Organizational Field

The “program office” (within FDIC’s Division of Information Technology), the “contracting office” (within the Division of Administration and within GSA’s FEDSIM Office), and the “budget/finance office” (within the Controller’s Office of the Division of Finance), all had roles in managing the ISC contract. For the ISC acquisition, the FDIC had established a governance structure which is depicted in the following diagram:

¹⁶⁶ FDIC OIG, “Interagency Agreement With the General Services Administration for the Infrastructure Services Contract,” Report No. AUD-07-004 p.8-9.

Figure 5.5.3 – FDIC ISC Governance Structure



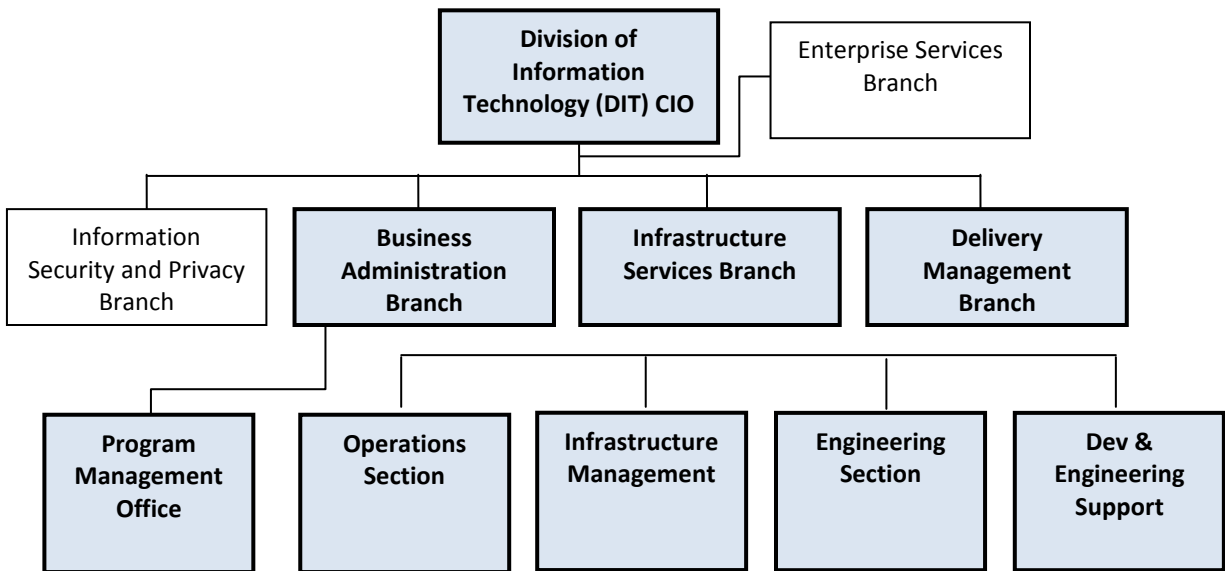
For the ISC program GSA’s FEDSIM acted as the contracting office with overall responsibility for contract management, while the Program Manager, within the Division of Information Technology (DIT), provided oversight, monitoring, and technical direction and advice regarding the contractor’s performance.

The Program Office

The “program office” function for ISC – the Program Management Officer (PMO) – was located within the FDIC’s Division of Information Technology (DIT). The PMO served as the Technical Monitor for one of the ISC contract task areas, “Program Management” but was also responsible for the overall coordination of the ISC Oversight Team and liaison to FEDSIM regarding task order planning and administration. Significant responsibilities were vested in the ISC Program Manager position, managing and overseeing the ISC program, strategic planning, coordination of the ISC oversight team members, financial and budget administration and liaison

with FEDSIM, the contractor, and DIT management.¹⁶⁷ DIT provided technical monitors and subject matter experts to monitor work and assess performance. The PMO also served as the Lead Point of Contact to the contractor, facilitating problem resolution and the review and approval of contract deliverables.¹⁶⁸ The DIT had a staff of approximately 270 in 2005.¹⁶⁹

Figure 5.5.4 – FDIC Division of Information Technology (DIT)



DIT was significantly involved in many program management activities related to ISC. A DIT Procurement Management Board was established for purposes of reviewing budgets and procurement actions under ISC. The FDIC OIG found that the ISC contract originally required SRA to use Earned Value Management (EVM) techniques but that the requirement was subsequently deleted. The OIG believed that EVM or a similar cost evaluation system would

¹⁶⁷ FDIC OIG, “FDIC’s Contract Oversight Management of the Infrastructure Services Contract,” Report AUD-08-008, March 27, 2008

¹⁶⁸ FDIC OIG, “Interagency Agreement With the General Services Administration for the Infrastructure Services Contract,” Report No. AUD-07-004

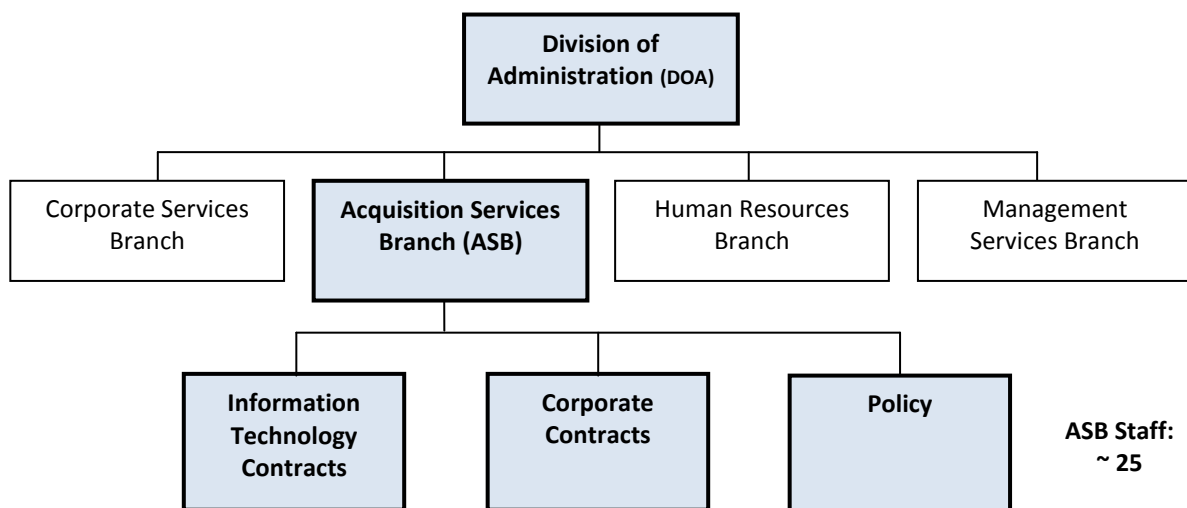
¹⁶⁹ FDIC 2005 Annual Report; <http://www.fdic.gov/about/strategic/report/2005annualreport/appendix.pdf>

enable DIT to better assess the ISC’s effectiveness and recommended that such a system be established. The PMO felt that EVM was not appropriate for the ISC contract and would have added additional cost but agreed to implement a more effective contract performance and cost monitoring system.

The Contracting Office

The FDIC’s authority to enter into contracts using its non-appropriated funds was established by the Federal Deposit Insurance Corporation Act (U.S.C. § 1819 et seq), and has been re-delegated by the Board of Directors to the Director, Division of Administration (DOA), who acts as the FDIC Chief Contracting Officer (FDIC Acquisition Policy Manual 1.206). Contracting authority has been further delegated to the DOA’s Associate Director, Acquisition Services Branch (ASB), who is also responsible for issuing contracting guidance through the *Acquisition Policy Manual (APM)*. Unlike most federal agencies, the FDIC is not subject to the Federal Acquisition Regulation (FAR).¹⁷⁰ FDIC’s internal acquisition organization is depicted in the following Figure:

Figure 5.5.5 - FDIC Acquisition Organization



¹⁷⁰ FDIC Acquisition Policy Manual, Section 1.208(b) August 2008
http://www.fdic.gov/buying/goods/acquisition/apm/3700-16.html#_Toc205336219

As with many smaller Federal civilian agencies, FDIC's internal contracting organization was not adequately staffed to support the award and administration of large-scale IT contracts.

In a 2006 assessment of the FDIC contract administration function,¹⁷¹ the Inspector General reported that:

Over the past few years, the FDIC has increased its reliance on outsourcing for areas such as information technology (IT) infrastructure services support, IT application system development, and facilities maintenance. At the same time, the FDIC has reduced its corporate staff, including ASB contracting staff. ... reducing contracting personnel by approximately 50 percent and centralizing at FDIC headquarters those contracting efforts formerly administered in regional offices; and moving toward larger consolidated contracts, including through participation in interagency contracting efforts ... Nevertheless, effective contract administration at the FDIC is being hampered by weaknesses in acquisition workforce planning, acquisition procedures, administration of contracts, and contract management systems.

Under its protracted reorganization initiative, ASB staffing was reduced from 50 to approximately 25 in positions by 2006, likely with adverse staff morale consequences.

The FDIC recognized the need to implement an integrated contracting and financial data system. ASB Contract Specialists, procurement analysts, and Oversight Managers (OMs) were using FDIC's desktop Contract Monitoring Information Application (CMIA) to print contract reports and monitoring information received from the Financial Information Management System (FIMS). FDIC Contracting Officers used various modules under the FDIC Automated Procurement System (APS) for reviewing and approving procurement actions. The Legal Division's Contracting Law Unit used APS for review and approval of solicitations when legal review is required.¹⁷² The Contractor Electronic File (CEFile) was the FDIC's official system of records for other contract activities, including invoice approval decisions as part of contract oversight management. The FDIC implementation of its New Financial Environment (NFE) system in May 2005 was intended to integrate contracting and financial business processes.

¹⁷¹ OIG Report "FDIC's Contract Administration," Report No. 06-026, September 2006 pp. 2-5

¹⁷² FDIC Acquisition Policy Manual, APM 6.1, August 2008

http://www.fdic.gov/buying/goods/acquisition/apm/3700-16.html#_Toc205336219

While not directly related to the ISC contract, the problems associated with FDIC's development of NFE as an integrated contract financing management system are worth noting, as agencies continue to implement such systems. The FDIC OIG found that NFE did not provide all of the information that the Acquisition Services Branch staff needed to effectively administer contracts.¹⁷³ NFE integrated financial and procurement information to some extent and provided information such as contract amount and the assigned contract specialist and oversight manager. However, NFE contained a number of shortcomings that prevented it from being an effective contracting management system. For example, the OIG reported that NFE did not effectively associate contracts with task orders placed against them, distinguish between purchases and major contracts, associate contracts with the requiring FDIC division or office, distinguish between expired versus active contracts, identify contract types or competitive or non-competitive or small business status, and effectively handle non-monetary contract modifications such as option exercises, changes in key personnel, or new work or task additions.

FDIC's Acquisition Services Branch (ASB) found that modifying, deleting, canceling, closing, and approving purchase orders, contracts, and modifications had been more labor-intensive using NFE and that NFE reporting capabilities had made it difficult to manage the status of pending and awarded contractual actions. In recognition of the weaknesses of NFE for its procurement operations, the FDIC had to enter into a consulting contract with Oracle to provide consulting services to assist the ASB with technical solutions for maximizing the use of NFE.¹⁷⁴

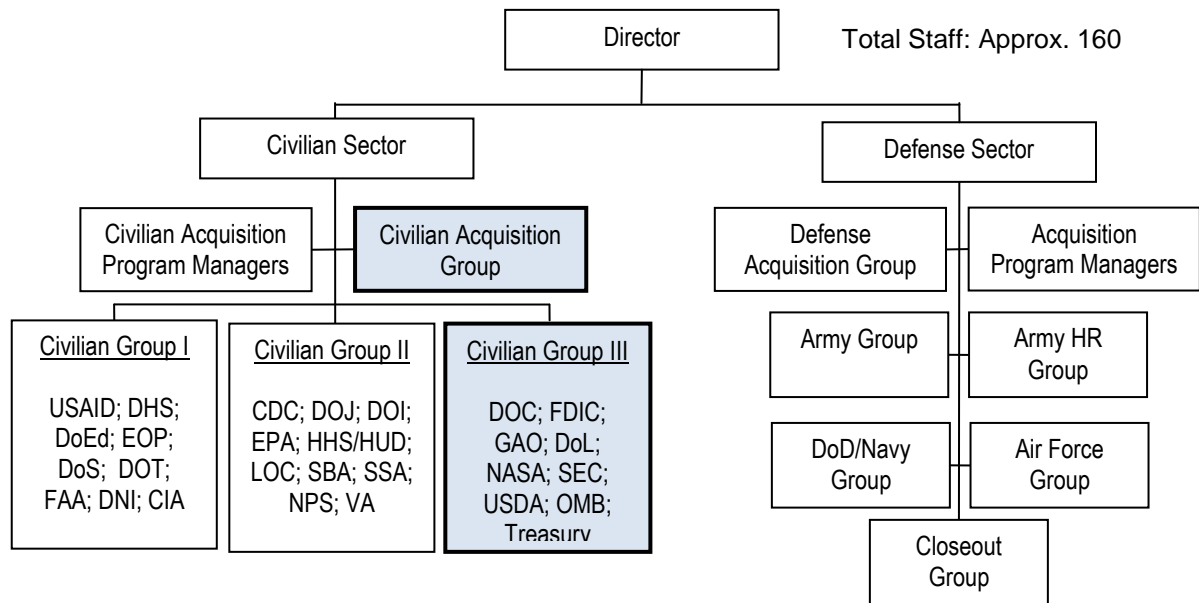
¹⁷³ FDIC OIG, "FDIC's Contract Administration" Report No. 06-026, September 2006

¹⁷⁴ FDIC OIG, "FDIC's Contract Administration" Report No. 06-026, September 2006

The Contracting Office: Enter FEDSIM

Given FDIC’s limited contracting staff with experience in major IT systems acquisition, DIT managers concluded that procurement support for ISC would be more effective via inter-agency channels and the assisted acquisition services of the General Services Administration (GSA). In March 2004, the FDIC entered into an interagency agreement with GSA Federal Systems Integration and Management (FEDSIM) Program Office to provide assistance in obtaining IT support services. FEDSIM operates as one of GSA’s assisted acquisition service offerings under the Federal Acquisition Service. FEDSIM employed around 160 full-time employees at the time of the FDIC ISC contract award.¹⁷⁵

Figure 5.5.6 - FEDSIM Organization



In 2008 FEDSIM moved into the new Federal Acquisition Service facilities in the Crystal City complex of Arlington, Virginia. Open house briefings were held to showcase the

¹⁷⁵ GSA Office of the Inspector General Report Review of Federal Systems Integration and Management Center (FEDSIM), Report No. A050078/T/5/Z06015, Sept. 29, 2006

organization's conference rooms, parking, and source selection and oral presentation facilities.¹⁷⁶

GSA adopts a proactive customer service approach in marketing such services to requiring agencies. The GSA FEDSIM website, for example, includes promotional statements such as the following:

GSA FEDSIM takes pride in their cadre of over 100 veteran Project Management professionals. They bring to a project years of expert knowledge and understanding and the experience of hundreds of successful complex projects. They support, guide, and help avoid the pitfalls along the way by becoming an integral part of an agency's project team. A key GSA FEDSIM value-added differentiator is their certified IT Project Management professionals to support and manage a client's project. Combined with GSA FEDSIM's experienced and trained acquisition professionals, an agency can rest easy knowing a corps of experts will be at their side.¹⁷⁷

FEDSIM, held a delegation of procurement authority from GSA to enter into contracts up to ten years for information technology for Federal agencies. It was organized into two main divisions, Department of Defense and Civilian, with the FDIC assigned to Civilian Group III. FEDSIM was a cost reimbursable entity within GSA's Federal Acquisition Service. FEDSIM Revenue was derived from a 0.75 percent fee for each task order obligation (capped at \$100,000 per obligation) as well as direct hourly billing for support to award contracts, review and process funding, process modifications, assess award fee determinations, and review and approve contractor invoices. For FDIC's ISC contract, FEDSIM provided acquisition and project management support, planning and implementation of the solicitation process, proposal evaluation and award, and contract administration, quality assurance, process improvement, and IT tools procurement. For 2005, the FDIC paid FEDSIM \$281,492 for its services in support of the ISC.¹⁷⁸ (07-004) Later into the program, the FDIC's DIT chose to assume FEDSIM's

¹⁷⁶ GSA Federal Acquisition Service Industry Open House Briefing dated June 26, 2008.

¹⁷⁷ GSA website

www.gsa.gov/Portal/gsa/ep/channelView.do?pageTypeId=17112&channelPage=%2Fep%2Fchannel%2FgsaOverview.jsp&channelId=-24730 , accessed July 12, 2009

¹⁷⁸ FDIC OIG, "Interagency Agreement With the General Services Administration for the Infrastructure Services Contract," Report No. AUD-07-004

responsibility for technical monitoring and subject matter expertise, thereby reducing the FEDSIM's hourly oversight charges.

Notwithstanding FEDSIMs leading role and authority in ESC, one of the understandings of ASB was to serve in a backup capacity. ASB would observe the contracting process with the expectation that, in the event the interagency agreement with the FEDSIM was not renewed, it would assume direct responsibility for any solicitation and administration of the successor contract. To prepare for future events and to ensure the FDIC's contracting interests are protected, ASB assigned a Principal Contract Specialist to provide oversight and advice on matters pertaining to the interagency agreement, ISC, task order, and modifications.

In its 2005 Strategic Plan, the FDIC included a performance objective relating to its IT infrastructure to: Complete contract consolidation, identify and realize cost reductions, and implement help desk improvements. These objectives were aligned to the following "intended results" established for the ISC contract:

1. Single point of accountability and responsibility for contractor performance.
2. Results-based contract administration, including performance metrics.
3. Improved infrastructure performance and service.
4. A long-term relationship that shares risk and motivates the contractor and identifies and implements industry best practices.
5. Continuing technology refresh and innovation in response to contract incentives.
6. Reduced contractor turnover and longer-term retention of knowledgeable contractor staff.
7. Cost reduction resulting from increased purchasing power and elimination of inefficiencies overlapping contract scopes.¹⁷⁹

With the exception of effectively measuring cost reductions (Intended Result No. 7, above), the IG found that the FDIC had achieved all of these intended results via the ISC contract.

¹⁷⁹ OIG Report 07-004 p.24

Overall, FEDSIM appeared to be serving as an effective contracting office. In 2006, the GSA Inspector General conducted an audit to assess FEDSIM contracting practices the internal controls and included the FDIC ISC contract in its sample of contracts selected for compliance review (Millennia Task Order GST0004AJM061 with a value stated at \$341,741,035).¹⁸⁰ The IG found that FEDSIM had implemented controls to improve the procurement process. Solicitation and task order checklists were used and contracting files contained acquisition plans and market surveys, evidence of legal review, government cost estimates, price negotiation memoranda, and other required documentation. Certain administration activities needed to be improved, including areas relating to personnel security, invoicing, and long distance travel requirements. Some instances of unexplained and excessive costs on invoices were found and the IG believed that FEDSIM could have obtained better price competition by expanding the range of government cost estimates provided to contractors.

In reviewing invoices for the FDIC ISC Task Order, the GSA IG review showed that invoices from the prime contractor included subcontractor labor as a lump sum without sufficient detail. After obtaining additional supporting details from the project manager, the subcontractor billings appeared to contain excessive rates. Between 13 and 22 percent of subcontractor employees exceeded the ceiling rates established in the Millennia contract for their corresponding labor categories.¹⁸¹

The “Budget/Finance Office”

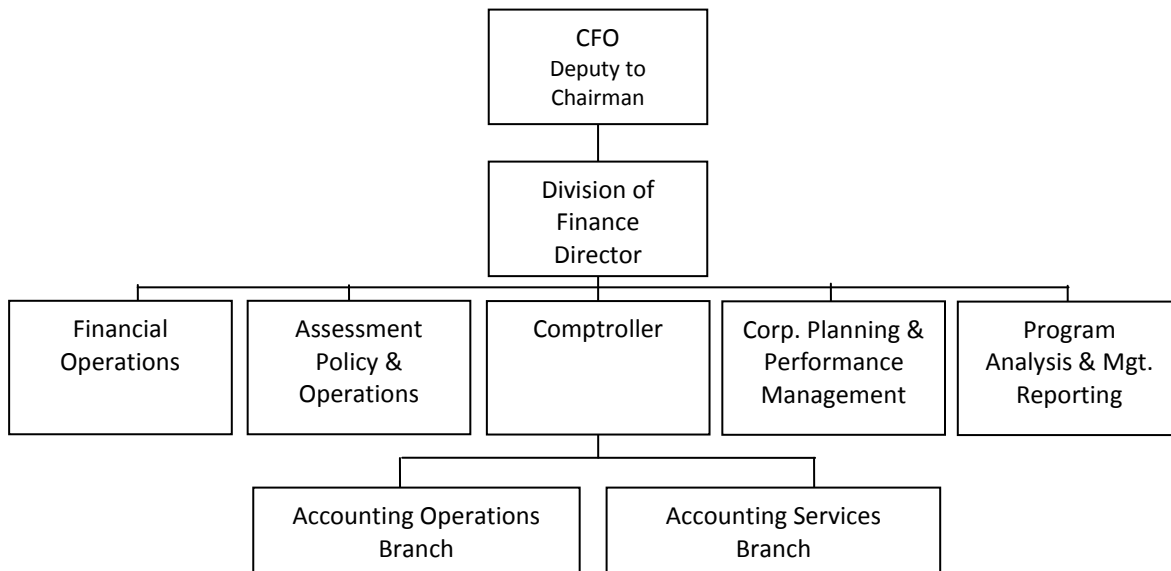
The FDIC Division of Finance (DOF), reporting to the Office of the Chief Financial Officer, supports financial, accounting, and internal controls operations of the FDIC. The DOF

¹⁸⁰ U.S. General Services Administration Office of Inspector General, “Review of Federal Systems Integration and Management Center (FEDSIM)” Report No. A050078/T/5/Z06015

¹⁸¹ Ibid GSA OIG p.29-30

had a staff of 175 employees in 2005.¹⁸² Because the FDIC does not use appropriated funds, the organizational structure more closely reflects that of private corporations. The division consists of Financial Operations (treasury, funding, and disbursement operations, disbursements); Assessment Policy and Operations; Corporate Planning and Performance Management; Program Analysis and Management Reporting; and the Comptroller. The Comptroller organization includes Accounting Operations (general ledger operations, resolution valuation and analysis, and receivership support) and Accounting Services (subsidiary accounting, resolution support, receipts & disbursements, travel operations, accounting and tax policy, and New Financial Environment (NFE) system servicing). The DOF organization is depicted in Figure 5.5.7:

Figure 5.5.7 - FDIC Division of Finance Organization



As with many federal agencies, the FDIC was embarking on an enterprise-wide financial management information system program. The FDIC implemented its \$45.4 million New Financial Environment (NFE) system in May 2005 to integrate financial business processes and

¹⁸² FDIC 2005 Annual Report; <http://www.fdic.gov/about/strategic/report/2005annualreport/appendix.pdf>

replace 37 legacy systems, including the Financial Information Management System (FIMS) and CMIA. NFE modules, include general ledger, payables, and receivables. Division of Finance officials estimated that about 25 percent of NFE's functionality was related to procurement operations. However, as noted previously, NFE's functionality for contract administration fell short of expectations of the Acquisition Services Branch.

Case Summary

The FDIC ISC case involved a \$357 million acquisition of IT infrastructure services for mainframe operations, network management, desktop, and hardware and software. It is illustrative of a successful acquisition program conducted via an "interagency contracting" strategy with the General Services Administration (GSA). The success is summarized in the FDIC OIG's report on GSA's administration of the ISC contract:

The ISC has substantially achieved the Corporation's desired results, as presented in the Board Case. Most notably, the ISC establishes a single point of accountability and responsibility for IT infrastructure support, enabling DIT to better manage that aspect of its operations. Also, the FDIC has established mechanisms to promote improved infrastructure performance and service, and the Corporation has rated the contractor's mid-term performance as excellent in that regard. Although DIT's analyses showed there had been savings on labor and procurement, DIT needed to improve its methodology for measuring ISC labor costs and the savings resulting from implementing this contracting method. Such improvements would provide DIT with enhanced performance evaluation and decision-making ability.¹⁸³

The FDIC determined that its contracting office lacked the capacity to manage a large information technology acquisition the size and complexity of ISC and decided to "outsource" contracting support through GSA's Federal Systems Integration and Management (FEDSIM) Center. However, FDIC established an ISC Oversight Committee which included the Acquisition Services Branch (ASB) and subject matter experts from the Division of Information Technology (DIT). FEDSIM operates as one of GSA's fee-based assisted acquisition service

¹⁸³ FDIC OIG, "Interagency Agreement With the General Services Administration for the Infrastructure Services Contract," Report No. AUD-07-004 (Summary page "Results of Audit")

offerings under its Federal Acquisition Service. The ISC contract with SRA International was actually a task order awarded under “Millennium,” one of GSA’s preexisting contracts with various contractors.

The role of the “program office” was performed primarily by the DIT organization, with support from FEDSIM and the position of Program Manager performed a key role in managing activities related to the ISC contract, including strategic planning, coordination of oversight team members, and financial administration. A DIT Procurement Management Board was established for reviewing budgets and procurement actions under ISC. The “contracting office” role was primarily performed by FEDSIM with support from ASB. With the exception of some unsupported invoices, contract management was found to be effectively performed by the FDIC OIG. The “budget/finance office” role appeared limited to invoice processing and payment by the accounting services branch and the Division of Finance was not represented on the ISC Oversight Committee. However it is important to note for the purpose of this case that FDIC is not dependent upon appropriations for funding. Thus, the typical role of the budget/finance office in preparing and defending agency budgets and apportionments was not present. The CFO did, however, summarize the status of FDIC’s technology investment programs in the “Message from the CFO” section of the FDIC annual reports to the President and Congress.¹⁸⁴ Quarterly CFO reports to the Board also provided consistent expenditure data by major expense category and organizational components.¹⁸⁵

¹⁸⁴ For example, FDIC 2004 Annual Report
<http://www.fdic.gov/about/strategic/report/2004annualreport/ar04full.pdf>

¹⁸⁵ For example, CFO Quarterly Report to the Board
http://www.fdic.gov/about/strategic/corporate/cfo_report_2ndqtr_10/be_bcddiv.html

The DIT and ISC Program Management Office dominated the organizational field as “program office,” assuming many responsibilities of functions typically owned by the contracting office and budget/finance office. The ISC Oversight Committee also served a major role and likely helped mitigate conflicting roles within the organizational field by providing a forum through which the various participants could contribute. The delegation of the contracting function to FEDSIM was also a likely factor in the success of the ISC contract. While the Office of Acquisition Management participated in oversight of the ISC contract via the Oversight Committee, FEDSIM performed substantially all hands-on activities for contract award and administration. The ISC Program Office’s assignment of technical monitors and subject matter experts in the functional areas of Operations, Security, Engineering and Procurement was also a likely factor in the success of the program.

CHAPTER 6 –FINDINGS AND ANALYSIS

This chapter consists of a summary of key observations of the cases reviewed in Chapter 5, a review of the findings of the Content Analysis, and an analysis of the individual offices within the organizational field (the program office, the contracting office, and the budget/finance office). The framework analysis draws from evidence obtained from the cases, content analysis, autoethnographic accounts and the interviews.

Case Study Findings

The five case studies were well representative of the many complex large-scale acquisitions often conducted by the federal government. Despite the limitations of the case studies discussed in Chapters 3 and 7, they provided significant insights into the organizational actors within federal acquisition programs. Four of the cases involved information technology modernization programs and two involved urgent field deployments under emergency conditions or mandated deadlines. With the exception of the FDIC case, all received extensive and generally negative public media attention and scrutiny from Congress. Data from the cases was collected and assembled in Chapter 5 without regard to the specific elements of Scott’s frameworks. Thus, a considerable amount of extraneous information may have been included in case write-ups. The observations of organizational roles and responsibilities of the program office, contracting office, and budget/finance office were surprisingly consistent given the differences among the five cases. These observations can be distilled into the following key points:

- The functional equivalents of the three offices were always identified as distinct entities and always held important roles in planning and managing the acquisition. While the three offices were commonly referred to as the “program office,” “contracting office,” and “budget/finance,” they always had other official titles.

- Program offices leveraged their power relationships and authority systems (and sometimes legislative mandates or charters) to assume a dominant role in leading the acquisitions. This willingness to seize leadership was especially noticeable when the program was driven by urgent schedules.
- The contracting office leveraged its regulative symbolic system of the Federal Acquisition Regulation (FAR), Contracting Officer authority, office protocols (such as staff assignments), and SOPs for legitimacy and authority. However, the discretion embedded in these rules ultimately allowed it defer to the mission needs of the program office when necessary. This deference became more pronounced when staffs were stretched and workload was high.
- The budget/finance office generally operated in the background and senior CFO leaders were often preoccupied with addressing audit findings of internal control weaknesses and implanting integrated financial management systems. Nevertheless, budget office personnel were critical to the acquisition in certifying funds for use on the projects and in processing invoices presented by contractors.
- The contracting and budget/finance office personnel tended to be compliance oriented and driven by adherence to processes and office protocols. Professional expertise was based on highly specialized training and was often in short supply – especially for contracting offices.
- Staffing shortages and turnover was a consistent problem in contracting offices; less so in the program and budget/finance offices.
- Program offices, with better access to funding and management resources, would sometimes acquire their own staff to supplement the expertise required of the contracting and budget offices. This allowed them to plan, prepare, and stage artifacts requiring approval by the contracting or budget/finance offices.

In summary, the cases revealed that program offices consistently stepped forward to lead the program while contracting and budget/finance offices played a supporting (sometimes even deferential) role. This was surprising given that contracting and budget/offices relied on law and regulation as a main source of regulative authority and legitimacy and had greater normative requirements for professional development and training. Other findings and interpretations from the case studies are addressed in the framework analysis and in Chapter 6 Conclusion. Table 6.1 provides a summary of some of the key findings from the cases:

Table 6.1 - Key Office Characteristics Observed from Cases

CASE	Organizational Environment	Program Office	Contracting Office	Budget/ Finance Office
<p>DoEd FSA CSB Program</p> <p>\$2B IT system consolidation initiative</p>	<p><i>Performance-based org, led by COO. Somewhat autonomous from DoEd. Offices collocated in same building.</i></p>	<p>PM strongly driven by legislation and performance metrics. Strong relational systems with agency COO and contractor. Well staffed, to incl. contracting experts. Strong professional regimes based in student loan industry: Laws, expectations, power and authority systems.</p>	<p>New Acquisitions office. Friction with some PMs and misunderstanding of roles. Efforts to reshape org and develop staff. Office staff supplemented by contractors. Routines heavily shaped by FSA financial system: SOPs, jobs, expectations identities, scripts.</p>	<p>CFO office exerted operational influence through the integrated 'Oracles' financial system. Influence by OMB oversight of CSB, congressional interest: Laws, SOPs, jobs, scripts, governance systems.</p>
<p>IRS Modernization</p> <p>\$10B IT system consolidation initiative</p>	<p><i>Legislative mandate required standing-up new offices, processes and bringing in new leadership with IT and project mgt. skills. Offices separately located. Intense oversight. IRS assumed responsibility back from contractor, achieving some successes.</i></p>	<p>BSMO heavily influenced by oversight pressure, schedules, and urgency to meet project milestones. Conflicts between 'old-guard' and new leadership from industry. Strong relational systems with oversight and prime contractor. Office restructured in 2005. Law, mandated specifications, power and authority systems.</p>	<p>Procurement was separately located and kept to own protocols. Engaged BSMO with caution and reluctance. Well staffed, but overwhelmed by task award schedules. Significant number of undefinitized cost type contracts. Allowed BSMO to take initiative in contract management and oversight relations. Protocols, identities, jobs, SOPs, conventions.</p>	<p>Program spending was managed under an annual spend plan scrutinized by GAO and OMB. Funding cut significantly in 2005. BSMO and individual projects held some discretion to reallocate reserve funds. CFO preoccupied with fixing broader internal control weaknesses. Law, objects meeting conventions & symbolic value.</p>
<p>FEMA Katrina Housing</p> <p>Urgent operational deployment</p>	<p><i>FEMA caught off-guard by Katrina during reorganization into DHS. Urgent field mobilizations. Uncertain organizational roles; budget reductions. Intense negative publicity.</i></p>	<p>Decentralized field operations under Housing Area Command and Joint Field Office. Opportunities to seize authority and make autonomous decisions. E.g., HAC direction "purchase until I say stop." Expectations, values, power and authority systems.</p>	<p>Contracting offices understaffed, disorganized files. Many COs sent to field locations, reporting to site offices. Had to improvise processes and deferred to demands of project officers. Obedience to duty, objects meeting conventions & symbolic value.</p>	<p>Reorganization, workload, and internal control weaknesses hindered effectiveness. Budget analysts received 500 - 1,000 requests for reprogramming actions during Katrina response. Improper invoice payments received considerable publicity. SOPs, jobs, scripts, objects meeting conventions & symbolic value.</p>
<p>TSA Screener Recruiting</p> <p>\$741M urgent operational deployment</p>	<p><i>Urgent legislative mandate to hire federal screeners within 12 mos. Little organizational structure. Had to borrow staff from DOT, FAA & industry.</i></p>	<p>Hastily assembled "go-teams" of consultants from industry and executives loaned by other agencies. Powerful relationship with Congress; normative values in law enforcement. Mandated deadline was the singularly important goal. Laws, expectations, duty, values, power and authority systems.</p>	<p>A single DOT contracting officer supported the initial acquisition in 2002. Ultimately grew to 61 by 2004. Attrition and turnover was a problem. Deference to project officers. Office eventually (2009) elevated to Asst. Administrator level. Obedience to duty, objects meeting conventions, scripts.</p>	<p>Transfer of TSA to DHS exacerbated internal control weaknesses & accounting system problems and led to contract cost growth and claims. Tracking funds, reconciling accounts, and were also problematic. Governance systems, SOPs, objects meeting conventions & symbolic value.</p>
<p>FDIC ISC Contract</p> <p>IT system consolidation initiative</p>	<p><i>Independent agency using non-appropriated funds. Recent downsizing. Decision to contract via interagency procedures & monitor project via a governance board.</i></p>	<p>PM located under Division of Technology; Tech monitor for one task & overall coordination of Oversight Team and liaison with FEDSIM. Drew upon SMEs in DIT. DIT led a Procurement Management Board. Expectations, mandated specifications, power and authority systems</p>	<p>GSA FEDSIM served as CO though interagency agreement. FEDSIM used existing contracts and established office procedures to manage ISC. Governance systems, expectations, SOPs, objects meeting conventions & symbolic value.</p>	<p>Integrated New Financial Environment (NFE) was a main focus of the CFO. ISC accounting processes were effective but NFE did not adequately support contract administration. Governance systems, SOPs, objects meeting conventions & symbolic value.</p>

Content Analysis Findings

As described in Chapter 3, the content analysis consisted of a word/phrase search of over 5,600 pages in fifteen published documents on federal acquisition. The selected documents fell into three general categories: 1) “Federal Executive Policy Guidance” (such as the Federal Acquisition Regulation and OMB policy guidance); 2) “GAO Reports and Guidance,” (the three Volumes on Principles of Appropriations Law and guidance on cost estimating); and, 3) “Other Studies” (either government or private-sector commissioned reports). The purpose of the content analysis was to gain insight into how frequently common terminology relating to the contracting, program management, and budget/finance functions occurred in practitioner documents relating to federal acquisition management. The extent to which specific words or phrases occurred in these selected documents helped shed light on the institutional characteristics of the organizational field. All documents were downloaded from public websites and all were in Portable Document Format (pdf). The pdf word search tool was easily applied to the selected phrases. The selection of phrases centered on the core words of “contracting,” “program,” and “finance” or “budget.” Phrases such as “contracting office,” “program office,” and “finance office” were consistently searched, but some flexibility was used in the construction of phrases and some “side-searches” were performed. For example, it was found that some documents contained the phrase “activity” as synonymous with “office.” When the document reflected that usage was detected, the word or phrases containing the word were searched. The detailed results of the content analysis are shown at Appendix B. A summary of the results is shown in Table 6.2 below:

Table 6.2 – Summary of Document Text Content Analysis

		<u>Phrase Core Words</u>			
		Pages	"Program"	"Contract"	"Budget"/ "Finance"
Federal Executive Policy Guidance & Regulations	FAR	1969	752	12,904	414
	OMB A-11 300B	32	31	14	37
	OMB A-11 v2.0	122	196	73	58
	OMB A-130	23	10	9	46
	OFPP Impl of A-123	56	51	23	94
	2008 Competency Survey	69	32	280	59
		2271	1,072	13,303	708
GAO Reports / Guidance	GAO Cost Estimating Guide	440	548	438	449
	GAO Redbook Vol1	640	242	590	368
	GAO Redbook Vol2	727	597	771	441
	GAO Redbook Vol3	898	185	636	491
		2705	1,572	2,435	1,749
Other Studies	Rpt. of Acq. Advisory Panel	474	288	819	67
	MSPB COR Study	71	32	48	9
	7 Steps Perf Based Acq.	41	597	771	441
	Creating Momentum	76	195	272	9
	2008 PSC Surv	32	5	121	6
		694	1,117	2,031	532
Total:		5670	3,761	17,769	2,989

While the analysis did not use the more sophisticated CA tools that could provide syntax analysis or context specific filtering, it did reveal surprising patterns. First, phraseology relating to “contracting” dominated all categories of documents: 17,769 phrases pertained to contracting, 3,761 to program, and 2,989 to budgeting and finance. In only two OMB documents, Circulars A-11(“Capital Planning, Management, and Acquisition of Capital Assets”) and A-130 (“Management of Federal Acquisition Resources), did phraseology relating to “program” and “budgeting /finance” exceed “contracting.” Even in the GAO Redbook Volumes on Federal Appropriations Law, contracting phraseology exceeded phrases on budgeting, finance, and program.

At nearly 2,000 pages, the Federal Acquisition Regulation (FAR) was the largest single document in the analysis. The FAR is the central source of statutory policy guidance for federal acquisition, but also provided a rich source of data relating to organizational entities and roles and responsibilities. No other document in the analysis was as strongly backed by public laws and statutes. The phrase “contracting office” occurred 156 times; “program office or “requiring activity” 23 times; and “finance office” 8 times. Most importantly, the phrase “contracting officer” occurred 4,672 times, compared to only 5 times for “program manager.” The phrase “contracting officer shall” occurred 1,420 times in the document, whereas the phrase “program manager shall” occurred only once.

As an oversight arm of congress, the GAO cannot regulate or direct the activities of executive branch agencies. However, GAO reports and Comptroller General legal decisions serve as powerful indirect forces on the operations of agencies. The selected GAO reports consisted of the 3 Comptroller General Redbook Volumes and a 440 page report on best practices for cost estimating and managing program costs, together totaling 2,705 pages. These documents serve as guidance for agency budget/finance and program office staffs, but were still dominated by phrases relating to contracting. The 2,265 pages of the three GAO Redbook volumes, serve as authoritative guidance for budget and finance offices on the principles of federal appropriation laws to agency spending, to include acquisition programs. However, with very few references to budget or finance “offices,” these volumes provided little insight into respective roles and responsibilities within the organizational field. The Cost Estimating Guide is a major GAO Special Publication which provides detailed guidance and best practices on managing program costs and included examples from 48 case studies. The phrases “program office” and “program manager” together occurred 106 times in the Cost Estimating and

Assessment Guide – more than any other document in the analysis. “Contracting officer” only occurred twice. In a side-search, the phrase “EVM” (Earned Value Management) occurred 699 times in the document (more than “contract” which occurred 296 times, and “budget” at 362 times. Since EVM has emerged as a project management tool normally under the control of the program office (a potentially powerful regulative and normative artifact), the GAO document indirectly serves to bolster the legitimacy of the program office within the organizational field.

In the category of “Other Studies,” the 2007 Report of the Acquisition Advisory Panel was a 474 page study conducted pursuant to Section 1423 of the Services Acquisition Reform Act of 2003, which directed the Panel to “review all Federal acquisition laws and regulations, and, to the extent practicable, government-wide acquisition policies, with a view toward ensuring effective and appropriate use of commercial practices and performance-based contracting.”¹⁸⁶ Within this category, a 76 page study by the Partnership for Public Service “Creating Momentum in Contract Management” addressed institutional and structural aspects of the process and contained 195 program references. The influential guide “7-Steps to Performance Based Contracting” contained a surprisingly balanced mix of 597 program references, 771 contracting references, and 441 budget/finance references.

The content analysis strongly confirmed the regulative presence of the “contracting office” within the organizational field, suggesting aspects of institutional legitimacy. Phrases relating to program management occurred less than 20 percent as often as contracting phrases. This was somewhat expected, as the concept of the “program office” is vague and less supported in regulatory documents. Further, terms such as “requiring activity” were used synonymously with program activities. Surprisingly, the content analysis provided little support for the

¹⁸⁶ Pub. L. No. 108-136, 117 Stat. 1663 (2003). sec. 1432(c)(1).

organizational presence of the budget and finance function within the organizational field. Even the GAO Redbook volumes contained few references to offices or management responsibilities pertaining to the budget and financial functions.

Applying Scott's Framework Analysis

The next step of the analysis uses Scott's framework of institutional pillars and carriers, as adapted in the methodology (Chapter 3, Figure 3.3). For each office within the field, Scott's elements characterizing the pillars and carriers are examined, drawing upon evidence of the content analysis, case studies, and autoethnographic accounts.

The Program Office

The program office (variously referred to as the "program management office," "project office" or, "requiring activity") is generally recognized as the lead organizational entity which directs and oversees the delivery of a specific program outcome to users. This may involve a weapon system for soldiers, a web-based service for citizens and government users, a modernized agency computer system, deployment of emergency services, a training program, or any number of government supplies and services. While not always explicitly identified as a program office, they invariably consist of a chartered organization led by a designated program manager. As supported by the content analysis findings, there is little specific guidance on how program offices should be organized, but regulations and guidance on the roles and responsibilities of the program manager are beginning to emerge that shape the characteristics of the program office organization. The program office and program management disciplines have been institutionalized within the Department of Defense in a more formal fashion than the civilian agencies due to the large and complex nature of managing military weapons programs (Garrett and Rendon, 2006). While civilian agencies have tended to lag DoD in adopting formal

program management concepts, the growth of large-scale civilian information technology programs, along with public laws, regulatory requirements, and oversight from the Office of Management and Budget (OMB) are beginning to change this.

Table 6.3 depicts the analytic framework for the program office. Within each pillar and institutional carrier, the characteristics of the office (drawn from the studies data sources) are listed and described in the narrative.

Table 6.3 - Institutional Analytic Framework Applied to the Program Office

<u>THE PROGRAM OFFICE</u>			
<u>PROGRAM OFFICE PILLARS</u>			
<u>CARRIERS</u>	<i>Regulative</i> <i>(Research Question 2a)</i>	<i>Normative</i> <i>(Research Question 2b)</i>	<i>Cultural-Cognitive</i> <i>(Research Question 2c)</i>
	<u>Rules, Laws</u>	<u>Values, expectations</u>	
<i>Symbolic Systems</i>	<ul style="list-style-type: none"> ➤ MISSION & PROGRAM CHARTERS ➤ LEGISLATED PROGRAM MANDATES & AUTHORIZATIONS 	<ul style="list-style-type: none"> ➤ LEADERSHIP ➤ MISSION FOCUS ➤ ACHIEVING RESULTS ➤ DEMONSTRATING PROGRAM TECHNICAL KNOWLEDGE 	
	<u>Governance & Power Systems</u>	<u>Regimes, authority systems</u>	<u>Structural Isomorphism Identities</u>
<i>Relational Systems</i>	<ul style="list-style-type: none"> ➤ AGENCY HEAD RELATIONSHIPS ➤ RELATIONSHIPS w/ RESOURCE AUTHORITIES ➤ OMB, GAO, RELATIONSHIPS 	<ul style="list-style-type: none"> ➤ CONTRACTOR RELATIONSHIPS ➤ COMMUNITIES OF EXPERTISE ➤ INDUSTRY & ASSOCIATION RELATIONSHIPS ➤ PROJECT REPORTING SYSTEMS 	<ul style="list-style-type: none"> ➤ RELATIONSHIPS w/LEADERSHIP ➤ BENCHMARKS & BEST PRACTICES ➤ LESSONS-LEARNED
	<u>Protocols, SOPs</u>	<u>Jobs, roles, obedience to duty</u>	<u>Scripts</u>
<i>Routines</i>	<ul style="list-style-type: none"> ➤ SEEKING & DEFENDING FUNDING ➤ JUSTIFYING TECHNICAL REQUIREMENTS ➤ NEGOTIATING SCHEDULES ➤ MONITORING & REPORTING PROGRAM STATUS 	<ul style="list-style-type: none"> ➤ HOLDING PROGRAM REVIEWS ➤ DIRECTING ACTIONS ➤ STAFF COMMUNICATIONS ➤ BRIEFING SENIOR OFFICIALS ➤ COERCING DELIVERY ➤ INFORMATION GATHERING TO MAINTAIN EXPERTISE 	<ul style="list-style-type: none"> ➤ PROGRAM ADVOCACY ➤ ‘PUSHING PERFORMANCE’ ➤ ‘FIGHTING FIRES’ ➤ ‘GETTING IT DONE’ ➤ ‘MAKING TRADEOFFS’
			<u>Objects possessing symbolic value</u>
<i>Artifacts</i>			<ul style="list-style-type: none"> ➤ SCHEDULES ➤ STATUS REPORTS / DASHBOARDS ➤ PROGRAM BRANDING & PUBLICITY ➤ AWARDS, RECOGNITION

Regulative Symbolic Systems Characterizing the Program Office

Regulative symbolic systems characterizing the program office include mission, program and project charters, and legislative program mandates and authorizations

Legislative program authorizations can be powerful contributors to the regulative pillar of the program office – especially by providing a legally sanctioned basis for legitimacy relative to the other participants. For highly visible legislated programs, such as those in the Aviation Transportation Security Act (PL 107-117) (TSA Case) the authorization can be so powerful in

creating legitimacy for the program office, that all other participants in the field are overwhelmed. As noted in the TSA Case Study, the legislation along with the direct (and highly public) involvement of Congress was a dominant source of the program's legally sanctioned legitimacy. The contracting and budget/finance offices were clearly forced to assume a supporting role in the initial phases of the Screener Recruiting Acquisition. Such evidence, albeit to a lesser degree, was found in Case Study 1 (FSA) in which specific legislated program mandates for Federal Student Aid provided the program office with authority and legally sanctioned legitimacy. Among the five cases reviewed, significant legislated mandates were evident as "symbolic systems" in three - FSA, IRS, and TSA. However, program offices also draw support from the regulative pillar through less overt symbolic systems -- namely authorization and appropriations legislation by Congress, as well as discretionary program allocations within the agency. Program offices may capitalize on such less visible authorities by establishing program charters and integrating their missions within the rules and regulations pertaining to agency operations (this was evident in the FDIC case in which the Information Technology Division was well integrated into the acquisition management rules of the agency).

The program office, as an abstract government organizational concept, derives less support through regulations and policy mandates, although there is evidence that this is changing in recent OMB policy directives. In the Federal Acquisition Regulation (FAR), specific references to the "program office" is made four times; "program manager" is referenced five times; "requiring activity" is referenced eighteen times. In describing the guiding principles of the federal acquisition system, the FAR indirectly acknowledges the role of the program office by stating:

The principal customers for the product or service provided by the (Acquisition) System are the users and line managers, acting on behalf of the American taxpayer. ... The System must be responsive and adaptive to customer needs, concerns, and feedback. Implementation of acquisition

policies and procedures, as well as consideration of timeliness, quality, and cost throughout the process, must take into account the perspective of the user of the product or service. (FAR1.102-2)

From the Content Analysis (Appendix B), the “program manager” or “program office” there was less support in regulations and policy than, for example the “contracting office” or “contracting officer.” However, such evidence may be obscured by the fact that the program office may be viewed by agency leadership as acting as an agent of the agency head (See discussion below on regulative relational systems).

Accountability and responsibilities of program managers have become increasingly recognized in federal policies driven by public laws such as the Federal Managers Financial Integrity Act of 1982 (FMFIA), the Chief Financial Officers Act of 1990 (CFO Act), the Federal Acquisition Streamlining Act of 1994, the Federal Financial Management Improvement Act of 1996, and the Information Technology Management Reform Act (Clinger-Cohen Act) of 1996. Agency Performance and Accountability Reports (PARs) submitted pursuant to the Government Performance and Results Act (GPRA) (31 U.S.C. § 1115) have also served to formalize accountability and responsibility of program managers.¹⁸⁷ The Office of Management and Budget (OMB) has leveraged its broad executive responsibility for budget and financial management into performance monitoring and, increasingly, toward program management.¹⁸⁸ OMB Circular A-11 “Preparation, Submission, and Execution of the President’s Budget” is the principal policy guidance on program manager responsibilities. For example, in addressing the

¹⁸⁷ OMB Circular A-11 Page 3 of Section 53

¹⁸⁸ “OMB’s predominant mission is to assist the President in overseeing the preparation of the federal budget and to supervise its administration in Executive Branch agencies. In helping to formulate the President’s spending plans, OMB evaluates the effectiveness of agency programs, policies, and procedures, assesses competing funding demands among agencies, and sets funding priorities. OMB ensures that agency reports, rules, testimony, and proposed legislation are consistent with the President’s Budget and with Administration policies. In addition, OMB oversees and coordinates the Administration’s procurement, financial management, information, and regulatory policies. In each of these areas, OMB’s role is to help improve administrative management, to develop better performance measures and coordinating mechanisms, and to reduce any unnecessary burdens on the public.” (OMB Mission, http://www.whitehouse.gov/omb/organization_role)

concept of the “Integrated Project Team” (IPT) for major programs, Circular A-11’s Capital Programming Guide states that the members of the IPT are *under the leadership provided by the program manager*.¹⁸⁹ The guide further states:

*The program manager should be given a charter, whether the work is to be performed by contract or by in-house resources, defining the scope of authority, responsibility and accountability for providing quality analysis to support senior management decision-making during all phases of capital programming. Such leadership by program offices is intended to ensure that capital assets will be designed and operated to improve the performance of the program staff who use them—a seemingly self-evident goal, but one many businesses and government agencies have failed to reach.*¹⁹⁰ (Emphasis added)

Regulative Relational Systems Characterizing the Program Office

The head of the agency (the “Secretary,” the “Director,” the “Administrator,” or other titles as variously described) is often afforded the authority, resources, and responsibility for specific program outcomes through legislation and policy implementation mandates. In turn, these responsibilities must be delegated to an entity with the technical expertise and knowledge to ensure that they are carried out. That responsibility often falls on the program office. Therefore, a powerful “regulative relational system” emerges between the agency head and the program manager. In addition to the agency head, the program office often serves as a front-line in reporting any bad news regarding contractor performance and in fielding questions and inquiries from oversight entities such as the OMB, GAO and IGs. Thus, regulative relational systems characteristic to the program office can be exhibited by the following:

- Agency Head Relationships
- Relationships with Oversight Authorities such as OMB and GAO

¹⁸⁹ Capital Programming Guide, V 2.0 Supplement to OMB Circular A-11, Part 7 – Planning, Budgeting, and Acquisition of Capital Assets June 2006, page 9.

¹⁹⁰ Capital Programming Guide, V 2.0 Supplement to OMB Circular A-11, Part 7 – Planning, Budgeting, and Acquisition of Capital Assets June 2006, page 10.

Such relationships were observed in several autoethnography entries and cases. In Federal Student Aid, for example, the Program Manager in charge of the large Common Services for Borrowers (CSB) program had a close professional relationship with the agency head (the Chief Operating Officer), was known to be very loyal to her, and had access privileges that were exercised frequently. The program manager was very proactive in maintaining their relationship as the CSB program experienced contractor performance problems and came under some scrutiny by the OMB.

Regulative Routines Characterizing the Program Office

Program offices are characteristically led by a Program Manager, and supported by various deputies and functional managers responsible for such routine functions such as justifying and establishing program requirements, and applying oversight to project controls, schedules, business and financial management, quality assurance, requirements development, and configuration control. Seeking and defending funding is the central ongoing regulative routine within the program office, as programs are often in competition with each other for finite funds. Any perception of seriously falling behind delivery schedules or performance or quality issues may jeopardize existing funding or prospects for additional funds.

The functioning of the program office arises out of necessity and expedience, sometimes reflecting a sense of urgency to have promised outcomes delivered as expected, on schedule and on budget. The regulative routines that arise within the program office environment strongly reflect these functions. Establishing and negotiating technical requirements (both initial requirements and changes and upgrades) is a leading responsibility of the program office which supports multiple routines. Routines include ad hoc meetings with customers and end-users, contractor representatives and technical advisors and consultants and other communications to

balance user wants and needs with what can realistically be delivered. “Project control,” a sub-discipline of project management involving the planning, scheduling, and monitoring of program, also reflects an ongoing regulative routine of the program office. Standard Operating Procedures (SOPs) include regular monthly, weekly, or even daily status meetings are held in various forums using displays of schedules, color-coded “dashboards” and risk management charts and other tools (See discussion of artifacts, below). Such SOPs and protocols are part of the routines conducted in a manner that sustain coercive achievement toward meeting program goals.

Normative Symbolic Systems Characterizing the Program Office

Normative symbolic systems reflect the professional values and expectations of *leadership* surrounding the program office. Exhibiting leadership, meeting schedule expectations, and demonstrating results are main normative characteristics that reflect the values and expectations of program managers. Leadership is one of the powerful normative characteristics adopted by program offices. In the content analysis of James T. Brown’s “Handbook of Program Management,” the author states that a program manager is “first and foremost a leader,” and invokes the word leader or leadership at least 146 times in the 239 page text. In accepting the role of the leader, program managers will often seek out advice and assistance, by whatever convenient channel available (e.g., friends, colleagues, or professional consultants) to make sense out of their immediate environment and place their challenges in the context of other similar challenges. Deep technical and domain knowledge of the program is also expected of program managers. In the autoethnographic entry relating to NAVAIR, it was important that the program managers leading the PMAs at the Naval Air Systems Command be naval aviators. Even if they were not specifically trained or experienced in program

management, the gold aviator wings on the uniform was a highly symbolic statement – indicating that the program manager had likely flown aircraft similar to those being procured by the office. In the TSA case, the appointment of a law-enforcement professional to lead the TSA after September 11th set the normative values and expectations of “no-nonsense leadership” for critical TSA programs. While specialized technical knowledge is also an important value and expectation characteristic, it is often acceptable for program managers to acquire it shortly after being assigned to a new program.

Because of the visibility given to large program failures in the federal government (usually related to information technology projects) the Office of Management and Budget has begun various initiatives to professionalize the function by establishing specialized training and professional development requirements. The passage of the Clinger Cohen Act of 1996 is among these initiatives which began a general trend of formalizing the responsibilities of the agency program manager. The Office of Federal Procurement Policy (OFPP),

Well-trained and experienced *program and project managers* are critical to the acquisition process and the successful accomplishment of mission goals. A strong partnership between program and project managers and contracting professionals requires a common understanding of how to meet the government’s needs through acquisitions that deliver quality goods and services in an effective and efficient manner.¹⁹¹

Normative Relational Systems Characterizing the Program Office

Program offices, particularly program managers and their senior staff, maintain a number relational systems based on normative expectations of their job. In contrast to regulative relational systems which involve explicit governance and power systems, normative relational systems reflect a sense of duty and responsibility associated with authority. For example, a

¹⁹¹ Office of Federal Procurement Policy Memorandum for Chief Acquisition Officer, “The Federal Acquisition Certification for Program and Project Managers” April 25, 2008
Programming Guide, V 2.0 Supplement to OMB Circular A-11, Part 7 – Planning, Budgeting, and Acquisition of Capital Assets June 2006

program manager may have “off the record” relationship with the contractor out of a sense of duty and a common outcome. In other words, a relationship is maintained out of a duty to a shared interest. Similarly, a program manager may seek to ensure that he or she establishes relationships with subject matter experts, participates in industry associations and events and is accessible by other contractors.

In a somewhat different way, program offices may establish normative relationships via various reporting systems which are common within the profession. In the federal agencies, for example, program managers develop a close relationship with the actors and processes associated via mandatory system acquisition reports such as OMB-300 submissions, Clinger Cohen reports, and Nunn-McCurdy breach reports.¹⁹² Briefings to executive officials and exchanges with auditors, such as entrance and exit conferences, are also forums which afford relationship-building opportunities. Such reporting systems are designed to carry information to decisionmakers. It is always in the program manager’s interest to ensure that any information reported – especially information that might reflect negatively on the program – is interpreted in the best possible light.

Normative Routines Characterizing the Program Office

Normative routines characteristic to the program office are those day-to-day jobs and activities that are expected of the role and inherent to the profession. Examples include:

- Holding program reviews and staff meetings
- Making decisions and directing actions based on these decisions
- Briefing senior officials
- Engaging in staff communications, problem resolution
- Coercing / persuading delivery commitments from contractors
- Information gathering activities to maintain technical expertise and program awareness

¹⁹² OMB-300s, Clinger-Cohen, Nunn-McCurdy reports are common names applied to reports mandated by legislation and regulation.

Holding program reviews and staff meetings are highly characteristic routines of the program office. Such activities, commonly expected of the leaders of the program office, tend to be passed down and practiced at all levels by program office staffs. Preparing for executive briefings, for example, is a common program office routine in which many members of the staff participate to gather information, assemble briefing materials, and assist the program manager in dry-runs and practice briefings.

Cultural-Cognitive Relational Systems Characterizing the Program Office

Cultural-cognitive relational systems can be described as those forces creating isomorphic structures and identities that tend to make program offices similar from one to another. Program managers are expected to maintain close relationships with agency leadership to ensure perceptions of control and support are maintained throughout the program. The normative expectation of leadership is also an important characteristic to the culture and perceptions of the program office. Because there is so little formal guidance on how federal program offices should be structured, it is remarkable that so many have adopted similar structures and cultural identities to include leadership and leadership relationships. Benchmarks, best practices, and lessons-learned also become revealing cultural-cognitive characteristics of the program office. In other words, leadership of program offices will seek-out examples from other programs with which to establish a comforting sense of conformance and help reduce the risk of failure.

Cultural-Cognitive Routines Characterizing the Program Office

Cultural-cognitive routines characterizing the program office take the form of “scripts,” that an actor might follow in acting out a given role. Within the program office, such scripts reflect a sense of advocacy, i.e., language and behavior which constantly reinforces the need to

push for performance to meet the objectives of the program. Program managers and program office staffs are sometimes said to “lean forward in the saddle” in constantly pushing performance and ensuring that deliveries are made that meet promises and expectations of the program. “Fighting fires” (i.e., resolving problems) and negotiating everyday trade-offs and compromises to “get it done” and “make things happen” are all part of these scripts associated with the cultural-cognitive routines of the program office.

Cultural-Cognitive Artifacts Characterizing the Program Office

Cultural-cognitive artifacts are those tangible objects characteristic to the program office which possess symbolic value. The “schedule” is perhaps the most important symbolic artifact characterizing the program office. While the schedule may also be seen as a regulative artifact complying with mandated requirements, it is also a highly symbolic driver the culture of the office. Programs that are behind schedule take on an entirely different set of scripts and behaviors. Clearly, the supplies or services for which a program office is responsible are examples of such objects (such as automobiles rolling off an assembly line or a plant where the tangible outputs are visible to all personnel). However, in many government program office settings, such supplies or services are delivered to remote settings and users and are not immediately visible to participants of the organizational field. Artifacts that reinforce the delivery culture of the program office may include photographs published in newsletters, websites, or displayed in offices, office announcements of significant deliveries or other milestones. Program offices will typically adopt some form of branding, such as a logo or seal, that provides symbolism and reinforces their identity. Awards and commemorations are also common. In the IRS case study, an award ceremony was held to commemorate achievement of a CADE program milestone – even as outcomes of the larger aspects of the program were in

question. In the autoethnographic entry on NAVAIR it was common to see framed photographs of the program weapon system hung throughout the offices. In some cases, the program schedules or dashboards that are used to support program reviews (discussed under regulative and normative routines) become artifacts that reinforce the program office culture – especially when they reflect positively upon the delivery objectives of the program.

The Contracting Office

The contracting office (variously referred to as “Contracts,” “Procurement,” or “Acquisitions”) is normally the organization to which the contracting officer reports directly. The legitimacy and power of the contracting office, relative to the program office and budget/finance office stems directly from the authority delegated to the contracting officer in law and the Federal Acquisition Regulation.

The contracting officer’s role tends to be in institutional conflict with the program and technical people who have less concern for the regulations ... (a)s contracting officers point out, with a flair for drama and perhaps hyperbole, it is they ‘who will go to jail’ if the rules have been violated.” (Kelman, 1990:24)

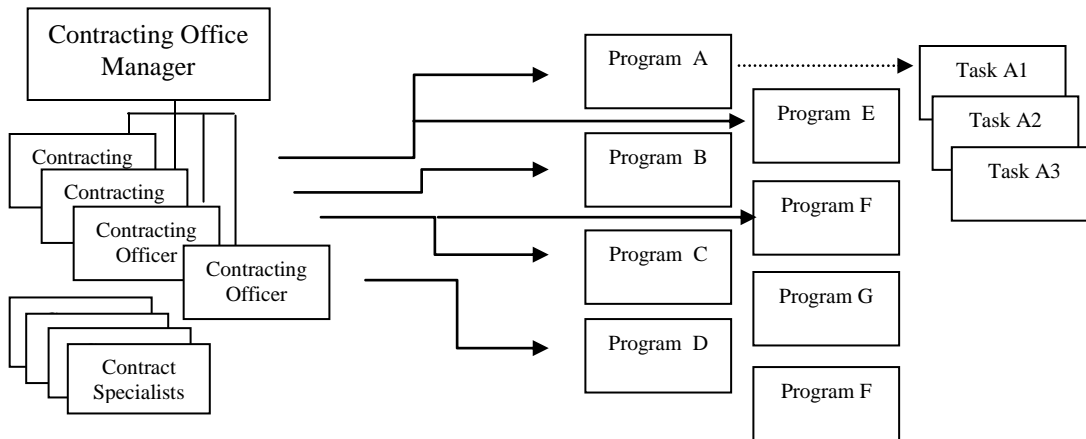
Collectively housed within the contracting office, the role and responsibility of contracting officers contribute significantly toward the forming institutional characteristics of their office. A convention has arisen within the government acquisition practice (and even commercial firms) wherein the contracting office reports through a separate hierarchy to ensure some degree of checks and balances. While, this practice is not established in statute or regulation, it is common to find government procurement offices organized under separate reporting chains from program offices and budget/finance offices. Often, the contracting office is placed under various management and administrative divisions responsible for functions such as facilities and human resources.¹⁹³ Regardless of the organizational placement of the contracting office, formal delegations of procurement authority must be transmitted from the agency head through the Chief Acquisition Officer, and ultimately implemented as warrants to individuals qualified to serve as contracting officers. Contracting officers and contracting specialists

¹⁹³ Drabkin and Thai (2000) comment that agencies that do not heavily rely upon acquisition (e.g. Department of Labor) tend to place their contracting offices lower in the hierarchy under other administrative offices. However, it is questionable whether this practice is based upon a rule-of-thumb or the perceived value of acquisition by agency leadership.

are assigned to the program offices by the contracting office managers based on their availability, workload, and experience requirements.

Figure 6.1 – Contracting Office Assignments

Contracting officers and contract specialists are usually assigned based on workload, availability and required experience levels. Limited staff and too many assignments can stretch their capacity to manage these assignments and forces competing priorities among programs and tasks.



Since experienced contracting personnel are often in short supply, the bargaining aspects of the assignment process can impart considerable power onto the contracting office. Problems can sometimes arise when assigned contracting personnel are viewed by the program office as inexperienced, difficult to work with or overburdened with other work assignments. In response to feedback from program office, the contracting office managers may reassign contracting staff, reshuffle their workload, or assign additional personnel. Contracting officers and specialists are generally located within their contracting office locations, although personnel may occasionally be co-located at the program office. The roles and responsibilities of the contracting officer are clearly specified in the FAR:

Contracting officers are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. In order to perform these responsibilities, contracting officers should be allowed wide latitude to exercise business judgment. Contracting officers shall (a) Ensure that (all legal requirements) have been

met, and that sufficient funds are available for obligation; (b) Ensure that contractors receive impartial, fair, and equitable treatment; and (c) Request and consider the advice of specialists in audit, law, engineering, information security, transportation, and other fields, as appropriate. (FAR 1.602-2)

The FAR provides that the agencies maintain a system of appointing contracting officers, consistent with professional training and qualifications guidelines of the OFPP. The warrant allows an individual contracting officer to sign contracts on behalf of the government. Warrants may be assigned at different levels (e.g., up to \$1 million, \$1-5 million, or unlimited) and it is common for warrant levels to be aligned with managerial levels. Contracting officers form the core of the contracting office, but are assisted by staffs of contracting specialists, procurement analysts, and administrative assistants. Within the federal government, contracting professionals are usually based on the GS-1102 job series “Contracting and Procurement”) requiring 24 credit hours of college-level study in business and management related fields and a structured program of specialized courses.

In a strident commentary on contracting “pathologies,” Lloyd (2000) takes aim at the ambiguous boundaries between contracting and program management, as well as ambiguous definitions around contracting, procurement, and acquisition:

Contracting is not synonymous with program management, and contracting offices should not take on program management responsibilities. To do so is to prevent program management offices from living up to their responsibilities. If the day comes when contracting professionals can honestly say they do a perfect job contracting, then they can take on program management or “acquisition.” That day is not likely to arrive any time soon. (p.256) ...

A profession that cannot agree on its own name runs the risk of not being taken seriously. Beyond the obvious problem with terminology, for contracting professionals to feel a compulsion to perform an even broader range of activities than just contracting alone is to beg the question of whether we have “gotten contracting right” in every sense. The answer to that question is “no.” (p.256)

Within the federal government, a growing trend in interagency contracting has arisen in recent years, where the support from contracting offices outside of the agency

are obtained (sometimes for a fee) from the most convenient or responsive provider of contracting services. Rooted in the Economy Act of 1932 and other laws and statutes,¹⁹⁴ interagency contracting is most commonly seen in orders placed under Federal Supply Service Schedule contracts maintained by the General Services Administration (GSA) and other government-wide contract vehicles. Interagency contracting provides an interesting dimension to this study because it extends the organizational field beyond that of the agency.

Table 6.4 – Institutional Framework Applied to the Contracting Office

<u>THE CONTRACTING OFFICE</u>			
<u>PILLARS</u>			
<u>CARRIERS</u>	<i>Regulative</i>	<i>Normative</i>	<i>Cultural-Cognitive</i>
	<u>Rules, Laws</u>	<u>Values, expectations</u>	<u>Categories, typifications, schema</u>
<i>Symbolic Systems</i>	<ul style="list-style-type: none"> ➤ PROCUREMENT LAWS & REGULATIONS ➤ COURT DECISIONS ➤ CONTRACTING PROTOCOLS 	<ul style="list-style-type: none"> ➤ KNOWLEDGE OF RULES AND REGULATIONS ➤ NEGOTIATING BEHAVIORS, TOUGH BARGAINING 	
	<u>Governance & Power Systems</u>	<u>Regimes, authority systems</u>	<u>Structural Isomorphism Identities</u>
<i>Relational Systems</i>	<ul style="list-style-type: none"> ➤ DELEGATIONS OF AUTHORITY ➤ LEGAL OFFICE RELATIONSHIPS 	<ul style="list-style-type: none"> ➤ TRAINING & CERTIFICATION MANDATES ➤ DATA SYSTEM RESPONSIBILITIES 	<ul style="list-style-type: none"> ➤ OFFICIAL FACE TO INDUSTRY ➤ PROTECTING THE GOVERNMENT'S INTEREST ➤ THE COMPLIANCE BROKER
	<u>Protocols, SOPs</u>	<u>Jobs, roles, obedience to duty</u>	<u>Scripts</u>
<i>Routines</i>	<ul style="list-style-type: none"> ➤ MANAGEMENT REVIEWS AND APPROVALS ➤ STAFF ASSIGNMENTS ➤ ACQUISITION SCHEDULE ➤ MAINTAINING CONTRACT DATA SYSTEMS 	<ul style="list-style-type: none"> ➤ SIGNING CONTRACT ACTIONS ➤ PROVIDING CONTRACTING ADVICE ➤ FORMAL CONTRACTOR COMMUNICATIONS 	<ul style="list-style-type: none"> ➤ "PUSHING THE PAPER" ➤ MINDING CONTRACT DETAILS ➤ JUGGLING ASSIGNMENT PRIORITIES ➤ DATA SYSTEM ROUTINES
	<u>Objects complying with mandated specifications</u>	<u>Objects meeting conventions, standards</u>	<u>Objects possessing symbolic value</u>
<i>Artifacts</i>	<ul style="list-style-type: none"> ➤ CONTRACT CLAUSES & PROVISIONS 		<ul style="list-style-type: none"> ➤ "THE CONTRACT" ➤ THE CONTRACT SIGNATURE ➤ CONTRACT FILES ➤ PRESENCE AT MEETINGS

¹⁹⁴ Economy Act of 1932 was passed to allow federal agencies to buy goods and services from each other rather than contracting for them.

Regulative Symbolic Systems Characterizing the Contracting Office

The contracting office is characterized by highly symbolic regulative systems – the system of rules and laws that provide it with mechanisms of expediency and coercive legitimacy. Expansive volumes of Government procurement regulations are codified in Title 41 “Public Contracts and Property Management” of the U.S. Code of Federal Regulations. However, the most recognizable regulative system associated with the contracting office is the Federal Acquisition Regulation (FAR) and the host of public laws and supplemental policies it implements. The phrase “*contracting officer shall ...*” appears 1,423 times in the 1,977 pages of the FAR document (Appendix B Content Analysis). By contrast, the terms “*program manager*” “*program office*” and “*finance office*” occur less than six times each. The FAR document itself (see “Artifacts” discussion below) is highly symbolic in that it is oriented towards the contracting office responsibilities, draws upon a diverse range of public laws, and includes detailed prescriptions for inserting many specific clauses into contracts. It is a somewhat tedious document to read for those unaccustomed to its structure, and is not often used by program office and budget/finance office staffs. The application and interpretation of the FAR is generally left to contracting office staff. Legal cases and court decisions (such as bid protests) can also provide highly symbolic regulative reinforcement to the contracting office from a “lessons-learned” perspective that immediately impacts practice and reinforces legitimacy. The contracting office also possesses an extremely powerful regulative element in the form of a “determination.” The term appears in the FAR over nine hundred times in the context of a decision by the contracting officer regarding a contractual matter. Although in practice, such determinations are coordinated with various management representatives, including those from the Program and budget/finance office, they serve as a symbolic feature of the contracting office.

Regulative Relational Systems Characterizing the Contracting Office

Regulative relational systems are those governance and power systems that convey authority to institutional actors by virtue of their relationship with other power systems. The contracting office is characterized by several relational systems. First, the delegation of procurement authority (vested in the Executive Branch) is formally transmitted through the agency head (through the Chief Acquisition Officer and Procurement Executive) to contracting officers through system of formal delegation letters, ultimately ending in the contracting officer's Certificate of Appointment ("warrant") (See "Artifacts" discussion below). Also, the Office of Federal Procurement Policy (an office of the Office of Management and Budget), while having little direct authority over agency contracting offices, promulgates a variety of procurement policy guidance relevant to the acquisition workforce and acquisition functions delegated to the agency. It is important to note that this delegation of authority is to the contracting *officer*, not the contracting office. However, as a result of various policies and isomorphic processes, most warranted contracting officers are organizationally placed within the contracting office.

Another powerful relational system is the contracting office's relationship with the agency legal office, or Office of General Counsel. Legal offices are usually situated high in the agency's organizational structure and have close access and relational proximity to the agency head. Because of the legal nature of contracting, Offices of General Counsel will usually have a small number of attorneys specializing in government contract law and assign these attorneys to assist and advise the contracting office. Sometimes, they will also provide routine reviews of contract documents for legal sufficiency. From both regulative and normative perspectives, the legal office can bolster the legitimacy of contracting offices that developing and leverage close

relationships with them. Of course, program offices and budget/finance office are also free to consult with agency attorneys – and occasionally do - but in the routine matters of procurement, the contracting office is better positioned to leverage this relationship.

Regulative Routines Characterizing the Contracting Office

Regulative routines are those protocols and standard operating procedures (SOPs) that have become so entrenched in the day-to-day operational environment that they can impart coercive legitimacy to the institutional actor. Several such routines characterize the contracting office. Among the most powerful are the routines of “management reviews and approvals” that are implemented by the contracting office in the form of internal office reviews of contract documents by supervisors, department heads, review boards, or legal offices. Another influential routine is the process of assigning contracting office staff (contracting officers and contract specialists) to programs. Program offices may have little control over this process and the shortage of experienced personnel usually means that the program office will have to accept the staff assigned. The routines of assigning staff, allocating workloads, and deciding work priorities, leave and training requests, also imparts significant power to the contracting office regarding acquisition schedule planning – one of the greatest concerns of the program office. By manipulating these various routines that relate to everyday work processes, the contracting office can indirectly exert significant authority within acquisition programs. Other regulative routines that are characteristic to the contracting office include inputs into routine reporting systems, such as acquisition planning and scheduling systems, integrated financial management systems, contractor past performance information systems, and government-wide procurement data repositories.

Regulative Artifacts Characterizing the Contracting Office

Regulative artifacts of the contracting office are those tangible physical objects – occasionally displayed openly in the work environment – that comply with specifications through regulatory mandates. The contract document itself is a powerful regulative artifact which, in many respects, is the central focus of the acquisition program. It is also manifested as a highly symbolic social artifact under the cultural-cognitive pillar.¹⁹⁵ Over time, contract documents can become voluminous and complex artifacts. Since federal regulations (FAR Part 4) designates the contracting office as having official responsibility for maintaining the contract files (arguably, few others would have an interest in doing so), contracting office staff are often in a position of power in terms of accessing and interpreting the most recent versions of the contract. While the program office contributes important portions of the contract document such as statements of work, specifications, or other technical requirements, and the Budget/Finance office will contribute critical financial accounting information, it is the contracting office that controls the process of the document’s development – including the mandatory “boilerplate” clauses and the unique legal provisions that are required for the final document. The application and interpretation of these standards clauses and provisions is typically the sole purview of the contracting office. Other related documents such as industry announcements, solicitations, and contract modifications are also important artifacts of the contracting office. Since the regulative power structure of the contracting office stems from the legal authority delegated to its contracting officers, the contracting officer’s Certificate of Appointment (warrant) also represents an important regulatory artifact. As stated in the Federal Acquisition Regulation:

¹⁹⁵ See the discussion in Chapter 2 regarding “the contract as a social artifact” (Suchman, 2003).

Contracting officers shall be appointed in writing on ... (a standard form) Certificate of Appointment, which shall state any limitations on the scope of authority to be exercised, other than limitations contained in applicable law or regulation. (FAR 1.603-3)

It is customary for contracting officers to display their warrants in their workspace, although other tangible manifestations of the contracting officer's authority, including their signatures on contracts and correspondence with contractors can serve that purpose.

Normative Symbolic Systems Characterizing the Contracting Office

Normative symbolic systems include those values and expectations that other organizational participants have of the contracting office, as well as perceptions of values and moral obligation the contracting office staff have of their own office. One of the most important of these is the specialized knowledge of contracting rules and regulations that contracting personnel are expected to have in awarding and administering contracts in support of an acquisition program. There is an expectation that this knowledge has been gained, not only through formal training and certification programs (see normative relational systems below) but, through some years of hands-on experience. Most participants within the organizational field hold an appreciation for the complexity of contracting rules and value the expertise of contracting office personnel in ensuring compliance with these rules. *"You are the experts – just keep us out of trouble"* is a common refrain often heard directed toward contracting personnel.¹⁹⁶ Such statements evoke the normative expectations and trust placed in the expertise of contracting office personnel. There is also a normative expectation of contracting office personnel being skilled at bargaining and negotiating to get the best deal from the contractor.¹⁹⁷ Sometimes

¹⁹⁶ Kelman (2005) found similar expressions in his study of contracting organizations. One subject stated *"The most important job of the contracting professional is to make sure the program people follow the rules."* (p.218)

¹⁹⁷ From Kelman's (2005) study, one interviewee stated: *"...like 90 percent of people in procurement, my objective was to be a contract negotiator. And the image of a negotiator was somebody who was tough. Part of the image was to be tough on everybody, both the contractor and the end user."* p52

program office personnel may leverage these expectations to rationalize their own behaviors and actions relative to managing the program and dealing informally with contractors.

Normative Relational Systems Characterizing the Contracting Office

Normative relational systems are those regimes and authority systems grounded in valued professional expertise as validated by experience, education, training, and professional certifications. Liberal arts and general business education and management training is the common foundation for this professional system, but a subsequent regimen of highly specialized training in procurement and contracting characterizes the profession. The Federal Job Series position classification standards 1101 “General Business and Industry,” 1102 “Contracting,” 1105 “Purchasing,” and 1150 “Industrial Specialist” set forth the knowledge and skill requirements of these job series.¹⁹⁸ The professionalism of the government contracting workforce has been a much discussed topic with considerable consensus around the need to bolster the workforce and address training needs (Schooner and Yukins, 2005; 2006; OFPP, 2007b). The fact that this debate has occurred around such consensus suggests that professionalism may be a weak normative characteristic of the contracting office, even though the training and certification requirements are becoming increasingly stringent (OFPP 2005). In 2008 76 percent of personnel in the 1102 “contracting” job series held a college degree, compared to just 58 percent in 1992 (FAI, 2009; 2005). OFPP does not mandate a college degree for the contracting job series, but requires 24 semester hours in various business and management related fields and a prescribed series of training courses leading to progressive certification levels.¹⁹⁹ The appointment of contracting officers is not necessarily restricted to the

¹⁹⁸ U.S. Office of Personnel Management, “Contracting Series,” GS-1102 TS-71 December 1983

¹⁹⁹ OFPP sets forth contracting (GS-1102) job series experience, college, and training course requirements in the Federal Acquisition Certification in Contracting (FAC-C) (OMB Memorandum for Chief Acquisition

contracting job series, or to personnel within the contracting office.²⁰⁰ However, in order to appoint contracting officers, agencies are required to have a system in place which recognizes OFPP professional qualification requirements before appointing contracting officer warrants (FAR 1.603-1). Thus, training mandates relating to contracting officer appointments and the contracting job series have begun to coalesce around the contracting office as the home organization for contracting officers.²⁰¹ Normative relational systems of the contracting office extend beyond the area of professional training and certification. As the use of information systems grow, the relationships contracting offices develop with automated data systems is an important normative attribute. Specialized systems include data entry and contract reporting under the Federal Procurement Data System (FPDS), the Federal Business Opportunities (FBO) solicitation portal, the Contractor Performance Assessment Reporting System (CPARS), as well as a variety of unique agency-developed contract writing and tracking systems and integrated contract and financial management systems. Access to, and authorities granted by, these systems are essentially emerging as professional regimes of authority within the contracting office.

Normative Routines Characterizing the Contracting Office

Within the contracting office, there are a numerous day-to-day routines that reflect upon the normative characteristics of the organization. These consist of internal activities, such as management reviews and approvals that ultimately lead to the signing of contracts or contract modifications. Informal routines also include providing advice to program office personnel and

Officers/Senior Procurement Executives, “Federal Acquisition Certification in Contracting Program” January 20, 2006). The highest certification level (Level III) requires 4 years experience, a college degree or 24 semester hours in business/management fields, and 12 specific training courses.

²⁰⁰ Contracting officer appointments are increasingly favoring personnel in the GS-1102 contracting series and thus, typically, personnel within the Contracting Office. Contracting officer warrants issued to non-Contracting Office staff include soldiers and civilians deployed in contingency operations or other staff sanctioned by authorized agency officials. However, in such situations agency policies will usually restrict warrants by dollar value and make them subject various conditions, including duration, interim training, and waiver approvals.

colleagues, attending team meetings, office meetings, and review boards, preparing draft documents, responding to “data-call” requests relating to acquisition, and updating various management and data reporting systems. Collectively, these office routines are powerful legitimacy builders because they imbue a sense of mystery when observed from the outside and establish reinforcing professional norms among the staff. When the program office seeks to understand why a contract action is taking so much time, the contracting office can point to a host of little-known approval requirements, such as special reviews and approvals, congressional notifications, new policies and procedures, or other administrative activities. Yet, the contracting office has the ability to set aside or expedite such routines when necessary to accomplish an urgent contract action. Contracting office managers enjoy considerable discretion in holding and heroically applying such measures.

Another dominant normative routine of the contracting office is conducting formal communications with contractors. As they may include official demands, determinations, or positions on contractual disputes, formal communications with the contractor are normally the sole purview of the contracting office. This is an expected normative routine of the contracting office, rooted in the delegations of authority and experience and professional training of contracting staff (although, as discussed below in cultural-cognitive relational systems, such communications also serve as important cultural-cognitive symbols as the government’s official position to contractor).

Cultural-Cognitive Relational Systems Characterizing the Contracting Office

Cultural-cognitive relational systems help establish the organizational identity of the contracting office. In other words, through cultural-cognitive relational systems, contracting personnel seek to define their identity, how they perceive their roles and authority, and how they

behave in the context of their responsibilities. A predominant role assumed by members of the contracting office is that of the protector of the *government's* interest – not necessarily the protector of the agency's or the program's interest. A key relational system is the formal relationship that contracting office staffs have with contractors. Unlike in program offices where, out of operational expediency there is a more cooperative form of communication with contractors, contracting office staff have more formal and constrained “by-the-book” relationship. Contracting staff are often expected to be demanding negotiators in many of their dealings with contractors. A view taken by many seasoned contracting office managers is that the contracting office is only entity within the agency that can be expected to aggressively stand up to contractors. A tough negotiating style is sometimes seen as a badge of honor within the culture of the contracting office and a way of gaining respect among peers and superiors. Sometimes program managers will leverage this role of the contracting office in their own relationships with contractors (for example stepping aside and letting contracting offices play the “heavy” until a dispute is elevated or otherwise resolved). However, since the government contracting regulations and operating procedures are very flexible, contracting office personnel possess a great deal of room in staking out and selectively applying their negotiating positions. Because of the Contracting Officer's warrant, contracting office personnel embrace their role as the “official face to industry” when contractual matters are involved. This is especially prevalent (and useful) during competitive source selections when there is a need to control communications on the part of the government. Similarly, when a dispute arises between the government and contractor on some aspect of the contractor's performance, the program office may willingly withdraw from its routine informal communications with the contractor and allow the contracting office to become the front-line of communications. Negotiations, part of the end

game towards contract award, are also considered the unique purview of contracting office personnel. Although program office personnel may be invited to participate in the technical aspects of negotiations, contracting office personnel typically control the proceedings and ground rules and preserve the negotiation of costs and administrative details with the contractor to themselves. There is a certain myth and ritual in the negotiation process which both parties seem to accept and recognize.

In addition to their formal relationship with contractors, the contracting office has other systems of relationships that may shape the cultural-cognitive pillar. There is an increasing expectation that contracting offices lead in ensuring compliance with the host of procurement rules and regulations. Thus, contracting offices most build resources to ensure compliance is achieved. The somewhat distant relationships contracting offices have had with policy oversight organizations such as the OMB have been brought closer as agencies staff their own contract policy oversight and guidance functions within the contracting office. Closer to home and bearing more coercive influence, these “policy offices” are increasingly shaping the day-to-day behavior and activity of contracting office staffs. They may issue edicts or policy directives based, not only on new contracting legislation or regulations, but also on negative press accounts, audits or investigations. From a cultural-cognitive perspective, this is certain to influence the day-to-day working behavior of contracting office staff who become sensitive to, and anticipate the backlash resulting from, any adverse publicity on contracting matters.

Cultural-Cognitive Routines Characterizing the Contracting Office

Contracting office routines occur as “scripts” within the cultural-cognitive pillar. They are habitualized behaviors that result from the office environment and the competing demands and expectations from colleagues and customers. Unlike program offices, where the mission of a

common program helps link the daily routines of staff members, contracting staffs are highly fragmented among diverse program support assignments. The routines of contracting officers and supporting staff may be fragmented from a regulative perspective, but cultural-cognitive routines are embedded in subtle behavioral forms that serve as a cultural and cognitive linking medium. Clearly, contracting offices enjoy the recognition of their authority and power in dealing with other participants in the acquisition process. By law and regulation, little can happen without the approval of the contracting officer. However, there are also many constraints to this authority which can shape cultural cognitive routines of the office. “Negotiating” is a behavioral routine that is embedded in the culture of the contracting office. While it is expected that contracting staff will be good negotiators in dealing with contractors, this behavior can become routinized in other internal aspects of the office environment. Program offices are constantly requesting expedited contracting actions or requesting changes or determinations on disputes or interpretations. Budget offices present many constraints on how funds can be obligated. Contract office managers and representatives of policy and legal offices impose other constraints that impede the ability of contracting staff to process actions. Thus, program managers often lament a “just say no” mentality that is said to characterize the contracting office. This mentality is a characteristic script that is sanctioned within the office culture and easily legitimized by the office responsibilities for legal compliance. The assignment processes that characterize work within the contracting office also serve as media supporting this script. Work within contracting offices can be tedious due to high workload, constant deadlines, and limited staff. Work and staff turnover is often high and priorities are constantly being reshuffled by office managers. While this environment can provide some degree of empowerment to contracting offices, it can also result in a myopic “pushing the paper” mentality in which

contracting staff may begin to lose sight of the bigger picture. Finally, “system routines” are increasingly emerging which establish scripts for contracting office. Computerized contract writing, work scheduling, tracking and reporting systems are being used which heavily shape the daily routines of contracting office personnel. Some systems are integrated into agency financial systems in such a way as to reduce the decision making flexibility and discretion of contracting office staff. The contracting officer, for all his or her authority, can become little more than one of many approval points in a complex system of higher-level reviews and approvals.

Cultural-Cognitive Artifacts Characterizing the Contracting Office

Within the contracting office, there are a number of artifacts – tangible objects possessing meaning – that support and reinforce the cultural-cognitive pillar. For example, the contract document itself is such an artifact as are the sturdy file cabinets which tend to line common areas of contracting offices. Even in the era of paperless processes, the contract document and the contracting officer’s signature are artifacts possessing almost mythical significance. Suchman (2003) argued that contract documents on their own exist as social artifacts, providing both technical and symbolic meaning. In the FEMA Case Study, the Inspector General findings of disarray in FEMA contracting office files for Katrina contracts was a cause for national media coverage. Contracts and their supporting documents and modifications can be hundreds of pages in length. Thus, the entity simply perceived as safeguarding the contract files and having experts who can readily interpret its provisions is a source of legitimacy. Given the authority of the contracting officer, his or her mere presence at a meeting may constitute a tangible artifact. Federal court cases have centered on whether the presence of the contracting officer at a meeting constituted consent when others in the room agreed on a course of action. As noted in the autoethnographic accounts, the physical space surrounding contracting offices are often cramped

and lack the executive appearance of legal offices or even program offices. Contracting officers, despite their authority and professional training, may often be found working in a “bullpen” environment without the luxury of a private office.

The Budget/Finance Office

The budget/finance office (variously known as “budget,” “finance” or “accounting”) is often perceived as operating behind the scenes in agency acquisition programs, performing routine accounting functions and ensuring that allotted funds are available when needed by the program and contracting offices. However, this office is perhaps the most important functional organizations within an agency and is becoming increasingly important in strategic acquisition decisions. Part of the reason the budget/finance offices tends to appear removed from the day-to-day aspects of acquisition programs is the extent of its outwardly facing reporting responsibilities in the federal budgeting process. Budget/Finance offices are integrally involved in the exchange of information relating to budget preparation and budget execution – two distinct phases of the budget process – on behalf of their agency. They are involved in preparing and submitting annual financial reports, quarterly reports on budget execution and budgetary resources, and apportionment and reappportionment requests in accordance with OMB guidance. Thus budget offices are busy an annual cycle justifying and sustaining the agency’s budgetary resources. and to financial standards such as s well as must constantly maintain ledgers and financial statements that comply with

With the passage of the Federal Managers Financial Integrity Act (FMFIA) of 1982, the Chief Financial Officers Act of 1990, and the creation of Office of Federal Financial Management within OMB, the role of the agency budget office relative to acquisition programs has assumed greater significance. However, the budget/finance office does not seem to be

confronted with the same degree of workforce and professional development initiatives that face the program office and contracting office. OMB Circular A-127 “Financial Management Systems”²⁰² maintains a focus on systems and FMFIA compliance rather than organizational and professional responsibilities. For example, A-127 states, rather curiously, that “... *financial management systems ... must adhere* to the policies and procedures contained in OMB Circular No. A-123 “Management’s Responsibility for Internal Control” (emphasis added). These financial systems are defined as those core systems that cover general ledger management, funds management, payment management, receivable management, and cost management. Agencies must use core financial systems that are “commercial-off-the-shelf” and certified by the Financial Systems Integration Office (FSIO). Agencies are required to develop and maintain agency-wide financial management system plans which incorporate their strategic plans, financial management plan, enterprise architecture, and budget request.

Budget and finance offices are usually part of the agency’s Office of the Chief Financial Officer (CFO). In acquisition programs, the program office may have a small internal finance function outside of the formal budget/finance office that keeps track of funds within the allocation authority of the program. Budget offices rarely have the resources to effectively manage or maintain oversight of allocations at the program. Accounts such as dispensing of management reserve or funding reallocation between tasks are often done without explicit budget office approval. In the case studies such as IRS Modernization and FEMA Trailers, the agency budget offices were preoccupied with getting their own systems in order and complying with audit findings and other compliance requirements.

Even more so than the program office or contracting office, the budget/finance office can trace authority and legal mandates directly to the U.S. Constitution and laws passed by Congress.

²⁰² OMB Circular A-127 “Financial Management Systems,” July 23, 1993 (Revised January 9, 2009)

The U.S. Constitution provides that “No Money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law” (Article I, Section 9, clause 7). This fundamental authority has been further resolved in appropriation laws to mean that Congress can determine the terms and conditions under which an appropriation can be used, the specific purposes for which the funds may be used, the length of time they may remain available, maximum amount that may be spent on a specific program, and preconditions for use of the appropriated funds.

Following a congressional appropriation, OMB apportions budgets to the executive branch agencies, making funds available for obligation. Obligations are officially created when they are “recorded” as one of nine categories authorized by law.²⁰³ Funds allocated to an agency for acquisition programs are obligated when the contract is signed by the government contracting officer. An agency’s budget office can take various internal actions to initiate and commit funding before it is actually obligated on a contract. However, since an obligation is a legal liability on the part of the government, funds must be properly allocated and therefore legally available when a contract is signed. Ensuring the availability of proper funds prior to signing a contract action is perhaps the most critical professional responsibility of a Contracting Officer. If a contract has been signed (or performance otherwise implicitly or explicitly authorized) without proper funding, a possible violation of the “Anti-Deficiency Act” may occur.²⁰⁴ The Anti-Deficiency Act has evolved considerably since its early form was enacted in 1870, but it is considered the “cornerstone of Congressional efforts to bind the Executive branch of government to the limits on expenditure of appropriated funds.”²⁰⁵ The law in its current form prohibits a

²⁰³ Under 31 USC Sec 1501, the nine criteria for recording obligations set forth in are: 1) Contracts; 2) Loans; 3) Interagency Orders Required by Law; 4) Orders without Advertising; 5) Grants and Subsidies; 6) Pending Litigation; 7) Employment and Travel; 8) Public Utilities; and 9) Other Legal Liabilities (Source: Principles of Federal Appropriations Law Vol. II, Chapt. 7 “Obligation of Appropriations.”)

²⁰⁴ 31 U.S.C. § 1341(a)(1)

²⁰⁵ Hopkins & Nutt, *The Anti-Deficiency Act (Revised Statutes 3679) and Funding Federal Contracts: An Analysis*, 80 Mil. L. Rev. 51, 56 (1978), in Principles of Federal Appropriations Law Vol. II, Chap. 6 p634

government official or employee from making or authorizing an expenditure in an amount exceeding that appropriated by law or before lawful proper appropriation is made. If the Anti-Deficiency Act is violated, the consequences for individuals responsible can be severe: an officer or employee found responsible is subject to administrative discipline including suspension from duty without pay or removal from office. If the officer or employee “knowingly and willfully” violated the act, they are subject to a fine of up to \$5,000, imprisonment up to two years, or both. Violating individuals can be the contracting officer, finance officer, or other person in charge of an operating unit within the agency. Thus, except perhaps in cases of willful violation, it is the integrity of the budget/finance office that serves as the foundation for ensuring against violations of the Anti-Deficiency Act.

Congressional appropriations and the interpretation of appropriation law can be extremely complex. However, legal advice and disputes rarely occur. Budget/Finance offices become adept at the language and rhythm of the annual budget cycle on behalf of their agencies. OMB can be expected to provide timely advice and detailed guidance to the agencies on procedures, funding amounts, when funds are available, and any restrictions on their use. Such guidance is eagerly awaited during times of a “continuing resolution” when, in the absence of a Congressional appropriation, agencies must operate at a directed spending level. For some highly visible programs (such as the IRS modernization program), agencies must adhere to specific “expenditure plan,” detailing which projects or segments of projects can receive funding. Appropriations are categorized according to the type of use for which they are intended. The most common categories (commonly referred to as “color of money”) are; Operations and Maintenance, Procurement, and Research and Development. Funds appropriated under one

category cannot be used for other purposes unless approval is obtained and the funding is reprogrammed.

The timeframes for funding availability is of critical importance in acquisition programs and greatly impacts the tactical operations of the program, contracting, and budget/finance offices. An appropriation account expires at midnight on the last day of the appropriation availability.²⁰⁶ On September 30th, the last day of the government fiscal year, offices are known to work past midnight in a rush to reconcile and obligate expiring funds to contracts. Program offices in particular tend acquire a use it or lose it mentality in the months leading up to the expiration date, leading to requirement generation behaviors that are at odds with Contracting and budget/finance offices. Government contractors are also keenly aware of expiring funds, pursuing niche markets for supplies and equipment that can be quickly purchased and assisting program offices in developing contract requirements. In an attempt to avert excessive workloads and loss of funds, contracting offices typically issue agency-wide guidance advising programs of the need to submit purchase requests early to meet standard timeframes for different types of procurements. Similarly, budget/finance offices will initiate an end-of-year sweep to collect expiring funds for priority agency obligations. The operational effects of this temporal dimension of contract funding are often overlooked by researchers of public contracting. “Colors of money” and fund expiration periods are major regulative factors in federal acquisition. Along with professional attributes of staff, budget office routines and artifacts, they probably serve to greatly shape the regulative, normative and cultural-cognitive characteristics of the organizational field.

²⁰⁶ Funds that have expired for obligation purposes may remain available for up to five years for the purpose of paying obligations, such as contract payments. Following the 5-year period, the account is closed and cancelled for any purpose. Such funds returned to the general fund of the Treasury.

Table 6.5 – Institutional Framework Applied to the Budget/Finance Office

<u>THE BUDGET/FINANCE OFFICE</u>			
<u>PILLARS</u>			
<u>CARRIERS</u>	<i>Regulative</i>	<i>Normative</i>	<i>Cultural-Cognitive</i>
	<u>Rules, Laws</u>	<u>Values, expectations</u>	<u>Categories, typifications, schema</u>
<i>Symbolic Systems</i>	<ul style="list-style-type: none"> ➤ APPROPRIATIONS; SPENDING AUTHORIZATIONS ➤ APPROPRIATION LAW ➤ OTHER LAWS (e.g., FEDERAL MANAGERS FINANCIAL INTEGRITY ACT; CFO ACT) 	<ul style="list-style-type: none"> ➤ ACCURACY AND ACCOUNTABILITY ➤ CHECKS AND BALANCES ➤ KNOWLEDGE OF BUDGET & ACCOUNTING RULES ➤ COMPLIANCE WITH FINANCIAL REGULATIONS 	
	<u>Governance & Power Systems</u>	<u>Regimes, authority systems</u>	<u>Structural Isomorphism Identities</u>
<i>Relational Systems</i>	<ul style="list-style-type: none"> ➤ CONGRESS, ➤ THE PRESIDENT ➤ OMB REPRESENTATIVES ➤ CFO 	<ul style="list-style-type: none"> ➤ GS-500 JOB SERIES TRAINING ➤ FINANCIAL MANAGEMENT SYSTEMS ➤ FINANCE & ACCOUNTING PROFESSION 	<ul style="list-style-type: none"> ➤ INTERNAL CONTROLS ➤ ACCOUNTING & FINANCE OFFICE STRUCTURES ➤ PLANNING/BUDGET SYSTEMS
	<u>Protocols, SOPs</u>	<u>Jobs, roles, obedience to duty</u>	<u>Scripts</u>
<i>Routines</i>	<ul style="list-style-type: none"> ➤ BUDGET CYCLE PROCESSES ➤ APPORTIONMENTS, DISBURSEMENTS, RECONCILIATIONS ➤ CERTIFYING FUNDING 	<ul style="list-style-type: none"> ➤ BUDGET CYCLE DUTIES ➤ RECORDING & BALANCING ACCOUNTS ➤ DATA SYSTEM INPUT ROUTINES ➤ OVERSIGHT REPORTING 	<ul style="list-style-type: none"> ➤ TRACKING, RECONCILING, CLOSING ➤ “BEING THERE”
	<u>Objects complying with mandated specifications</u>	<u>Objects meeting conventions, standards</u>	<u>Objects possessing symbolic value</u>
<i>Artifacts</i>	<ul style="list-style-type: none"> ➤ FINANCIAL STATEMENTS ➤ FINANCIAL PLANS ➤ GENERAL LEDGERS; TRIAL BALANCES ➤ FUNDING CERTIFICATION DOCUMENTS ➤ EXPENDITURE PLANS 		<ul style="list-style-type: none"> ➤ “THE BUDGET” ➤ BUDGET GUIDANCE DOCUMENTS ➤ PROGRAM FUNDING DOCUMENTS ➤ MONTHLY REPORTS

Regulative Symbolic Systems Characterizing the Budget/Finance Office

Regulative symbolic systems of the budget/finance office are the laws and rules that provide the office with its regulative mechanisms of coerciveness, expediency, and legally sanctioned legitimacy. The federal budget process, including the formulation of the President’s Budget, Congressional authorizations and appropriations, and agency guidance provided by

OMB, is the highly symbolic system that drives the budget/finance office and provides it with unquestioned legitimacy. Appropriations by Congress and specific spending authorizations, either by Congress or passed down by OMB, form the core of this regulative system. Federal appropriation law can be traced directly to the U.S. Constitution. In addition, the Anti-Deficiency Act, the Budget and Accounting Act of 1921, Impoundment Control Act of 1974, the Chief Financial Managers Act of 1990, and the Government Performance and Results Act of 1993 are among the highly symbolic laws that serve to establish an accountable system of budgeting and financial management within the Federal Government.

Regulative Relational Systems Characterizing the Budget/Finance Office

Regulative relational systems are those governance and power systems that help to sanction the legitimacy of the budget/finance office. Far more so than with the program office or contracting office, these systems serve to tightly couple the office with the power of Congress and the Executive Office of the President. For example, OMB Circular A-11, which provides detailed guidance on the preparation, submission, and execution of the federal budget, references to “the President” occur 164 times. By comparison, the phrase occurs only 28 times in the much larger Federal Acquisition Regulation. An example is in the following detailed description in OMB A-11 on how funds appropriated to the President are distributed to agencies:

Appropriations or other budget authority made to the President may be distributed to agencies that have responsibilities for the purposes to be served by such appropriations or authority. Such agencies will present requests for funds, supported by a justification, to the designated coordinating agency. The coordinating agency will notify the requesting agency of amounts to be transferred. When action by the President is necessary to make a distribution, the coordinating agency will prepare the necessary documents for the President's signature. The coordinating agency will provide OMB a copy of the distribution request, as approved by the President. For appropriations, the coordinating agency will prepare Standard Form 1151 and process it through the Treasury Department to effect the distribution. (A-11 (2010) p. 15 of Sec. 120)

Few offices enjoy such a regulative operational relationship with Congress and the President. Detailed guidance on budget preparation and execution is provided in routine communications between the OMB and agency budget/finance offices. The offices have also benefitted by the creation and placement of the agency CFO which typically has a direct reporting relationship to the head of the agency. When acquisition programs are dependent upon the outcome of all-important appropriations and apportionments, it is the budget/finance office, with its powerful regulative relational systems that serve as the predominant power broker within the organizational field.

Regulative Routines Characterizing the Budget/Finance Office

Regulative routines are those protocols and standard operating procedures (SOPs) embedded within the budget/finance office. Such routines include budget cycle exercises, data gathering for financial reports, accounting for program disbursements, certifying funding, tracking funds, and reconciling accounts, quarterly and year-end closings, and other day-to-day activities that allow the office to exert rules, sanctions, and coerce compliance. Regulative routines of the office are highly characterized by the cyclical nature of budgeting and accounting processes. Routines occur around cyclical activities with firm deadlines, although many deadlines are expected and can be planned for in advance.

Regulative Artifacts Characterizing the Budget/Finance Office

Regulative artifacts of the budget/finance office are those tangible objects that appear as central to the operation of the office and which must comply with specifications mandated by law or regulation. Such artifacts include financial statements, funding certifications, general ledgers, trial balances, budget guidance documents, standard forms, schedules and exhibits (e.g. Supplemental Requests, Apportionment Request, SF-132, Budget Execution Reports SF-133),

funding certification documents, expenditure plans and agency financial plans and reports. Prior to the execution of a contract action, the availability of proper funding must be determined and “certified” by the budget office. Within financial management operations of the budget/finance office, invoices and payments also constitute powerful regulative artifacts around which many aspects of contracting operations revolve. As noted in the FEMA and TSA cases, improper payments against contractor invoices can draw audit findings and media attention. Since agencies are required by law to render prompt payment against proper invoices, and some form of official acceptance of supplies or services is required prior to payment, budget/finance offices, program offices, and contracting offices have shared ownership of the payment process. Although invoices and payments now occur mostly as electronic transactions, they are still perceived as tangible artifacts that must comply with mandated specifications.

Normative Symbolic Systems Characterizing the Budget/Finance Office

The normative symbolic systems of the budget/finance office reflect the professional values and expectations that one would associate with financial organizations; Accuracy and accountability, checks and balances, compliance with accounting rules and financial standards, knowledge of laws and regulations, and experience in budgeting, financial systems and accounting rules. Core competencies in financial management established by the U.S. Government’s CFO Council include; Understanding of appropriations law, budget and accounting principles, government cost accounting , financial management systems, the statutory and regulatory requirements associated with budget execution, internal controls practices and policies, preparation of budget narratives and exhibits for inclusion in OMB and Congressional budget proposals, proposed agency budgets, performance measurements integration into the budget process, accepted accounting principles and practices.

Normative Relational Systems Characterizing the Budget/Finance Office

Normative relational systems characterizing the budget/finance office are those regimes and authority systems of training, certification, and accreditation that lend legitimacy to the profession of government financial management and budgeting. The Budget Officer is typically recognized as the top technical authority on matters of budgetary policy, law, and regulation for the agency and exerts a strong influence on the discretionary use of funds by line managers.²⁰⁷ The disciplines of accounting and finance are fundamental to this normative system. The educational and training requirements of the Federal Job Series 500/1100 (GS 510-Accounting; GS 560-Budget Analyst; GS 504-Budget and Accounting; GS 505-Financial Management; and GS1160-Financial Analyst) serve to frame the system. Normative relations are increasingly being shaped by expertise in financial management systems. Becoming professionally adept at an agency's financial system adds to institutional legitimacy of the office as these systems become increasingly integrated and central to the agency operations and mission and across different organizational fields.

Normative Routines Characterizing the Budget/Finance Office

Normative routines within the budget/finance office are those day-to-day activities that directly result from the professional roles, duties, and responsibilities held among the office leadership and staff. A sense of obedience to duty characterizes these normative routines, which include the full range of budget cycle activities that constitute the lifeline of the agency – budget formulation, presentation, and execution. The routines include specialized activities requiring accounting expertise, such as recording expenditures and reconciling and balancing accounts. Working with automated financial and accounting systems and performing data input and

²⁰⁷ U.S. Office of Personnel Management, 2000, Job Family Position Classification Standard for Professional and Administrative Work in the Accounting and Budget Group, GS-0500

maintenance activities associated with the systems are also core normative routines. Such routines are often so specialized, they are considered the exclusive domain of the budget/finance office (although the program office will frequently be involved in defending budget submissions and managing discretionary program funds; and the contracting office will frequently be involved in invoice reviews and payment routines). Unlike the program office or contracting office, the budget/finance office routines are not characterized as much by unique projects and task activities that arise in unpredictable fashion, but rather by somewhat more predictable system-driven and cyclically occurring activities that for which the staff are always present and prepared.

Cultural-Cognitive Relational Systems Characterizing the Budget/Finance Office

Cultural-cognitive relational systems help reinforce the identity and sense of belonging by providing reference points for aligning with other similar groups. The culture of the budget/finance office is one shaped by the taken-for-granted adherence to internal financial controls. More so than the program office or the contracting office, the budget/finance office exhibits highly isomorphic structures. That is, they are organized in very similar fashion from one organization to the next due to the many standard functions of budgeting and financial management. Thus, it is likely that a budget analyst in one agency or activity could transfer to another and quickly assume a similar sense of identity and meaning within the organization. Over time, the relationships with OMB, agency CFO's, office staffs, and standard financial and accounting systems also serve to reinforce a similar culture and cognitive perceptions within the budget/finance office.

Cultural-Cognitive Routines Characterizing the Budget/Finance Office

Cultural-cognitive routines are those day-to-day activities within the budget/ finance office that emerge as scripts shaping the shared beliefs and perceptions of the office. The office might be characterized has steeped in the routines of “accounting;” the ever meticulous repetitive processes of entering and reconciling financial data, matching accounting codes, and ensuring checks and balances. The routines of working with the increasingly important finance and accounting systems also shape the culture and cognitive perceptions within the office. Closely associated with normative routines, the culture of “being there” also strongly characterizes this office. A staff member of an accounting and finance office would never consider being absent without having a back-up designated to cover routine duties. The nature of budgeting and accounting routines themselves serve to reinforce their effect on the culture and cognitive perceptions of the budget/finance office. Over time, the office’s performance of the diverse exercises related to annual budget cycles, financial management, and administrative accounting becomes well-orchestrated and taken for granted by other participants of the organizational field.

Cultural-Cognitive Artifacts Characterizing the Budget/Finance Office

Many of the documents, financial statements, exhibits and reports generated within, or used by, the budget/finance office serve to shape the culture and the cognitive perceptions of the office. These include the regulative artifacts discussed previously (financial statements, exhibits, general ledgers, financial plans, and expenditure plans) as well as other artifacts that are more conceptual in nature yet possess distinctly symbolic value to the budget/finance office. The notion of “the budget” as an artifact, for example, is a very abstract yet powerful source of legitimacy for the office. It could refer to the President’s budget, which holds little regulative

significance for the agency, an appropriations bill, or a programmatic budget action that relates directly to an agency acquisition program. Yet, to borrow from Suchman's (2003:92) treatment of the contract as social artifact, *budgets* also have cultural meanings and their provisions sometimes act not as technologies but as symbols. As with contracts, to make sense of a *budget* one must understand both the economic and cultural environments that gave it birth. One must also recognize that budgets, like any artifacts, are themselves capable of affecting these environments, both culturally and economically. The "budget," in whatever form it takes, serves as an artifact that, while perhaps not "owned" by the budget/finance office, is significantly conveyed and interpreted by that office in a manner that reinforces common beliefs and foundations for legitimacy.

7. CONCLUSIONS

One of the enduring mantras of institutional theorists is that institutions *matter*. They are considered to be no less than the mechanisms of organizational governance that structure political, economic, and social interactions (Williamson, 1996; North, 1991). In examining the problems of managing government contracting through the lens of institutional theory, this study sought to confirm the importance of institutional concepts on the organizational participants involved. The findings supported several key concepts that have emerged from the new institutional theory literature. These include the notions that misaligned regulative, normative, and cultural-cognitive pillars can support and motivate differing behaviors (Scott, 2008); that myth and ceremony serving to reinforce organizational legitimacy can prevail over formal structures designed for technical production (Meyer and Rowan, 1977), and that conflicting institutional demands within an organizational field can jeopardize an organization's legitimacy (Pache and Santos, 2010). The implications for public administration researchers, practitioners, and policy-makers concerned with government contracting may be significant.

The study posed the question: Could the organizational participants within government agencies become so oriented around their own regulative, normative, and cultural cognitive institutional environments to maintain legitimacy that they become distractions to the desired outcomes of an acquisition program? In pursuing this question, the study revealed certain observations about institutional behaviors and effects within government contracting organizations that have not yet emerged from the current streams of research on government contracting. Recognizing that the government is not a single buyer, but rather a complex field of participants with interests in the buying process, I applied the analytical frameworks of Scott

(2001) to help explain Kettl's (1993) conception of the government's "smart buyer" problem, i.e., the government's persistent struggle to answer the most basic of contracting questions such as "what to buy," "who to buy from, and what was bought?" Thus, the study was structured around the following research questions:

1. Is it valid to assume that the program office, the contracting office, and the budget/finance office (or their functional equivalents) are the key participants in the organizational field for managing an agency's acquisition program?
2. What are the *regulative*, *normative*, and *cultural-cognitive* institutional characteristics of the program office, the contracting office, and the budget/finance office?
 - Are the *regulative*, *normative*, and *cultural-cognitive* institutional characteristics of the program office, contracting office, and budget office manifestly different?
3. To the extent that differing institutional characteristics are found between the program office, contracting office, and budget/finance office, what evidence exists to suggest that these differences constitute misalignments that may adversely affect the management of acquisition programs?

Summary of the Findings

Drawing upon data from autoethnographic accounts, interviews, content analyses of policy documents and studies, and the five acquisition case studies, the study confirmed that the *program office*, *contracting office*, and *budget/finance office* (or their functional equivalents) are key participants in the organizational field of acquisition management and each has acquired its own set of unique institutional characteristics. Collectively, these three offices constituted an organizational "field" which served as an appropriate level of analysis for the study. As the study progressed, the initial research proposition regarding the importance of these three offices became even more important than originally expected. Federal acquisition policy guidance lacked consistent nomenclature or formal recognition of the organizational construct of "offices." Yet, in all aspects of the study, the functional equivalents of the program office, contracting

office, and budget/finance office were found to be critical participants in the management of acquisition programs. Thus, the subsequent findings of institutional differences among these offices are potentially significant.

In exploring the operational environments of these offices, the study found considerable evidence to suggest that the regulative, normative, and cultural-cognitive characteristics inherent to the three offices were inherent and fundamentally different. Many of the institutional characteristics they adopted and embraced appeared more to maintain organizational legitimacy than to support the objectives of the acquisition program. This suggests “misaligned” pillars (Kettl, 2008; Caronna, 2004) and “conflicting institutional demands,” (Pache and Santos, 2010) which could lead to conditions of confusion, goal conflict, and potential institutional change. The study could not conclude definitively that these institutional differences create dysfunctional effects, such as barriers to collaboration, but the extent of the differences does point to a promising area for future research.

The analyses of individual carriers within the three pillars provided further insights into the nature of the differences. For each office, Scott’s framework was adapted into a 3-by-4 matrix. The characteristic features of the offices were examined based on data from the content analysis, case studies, autoethnographic accounts and other research sources and then assigned to the appropriate cell. The dominant features that emerged from these analyses are summarized in Table 7.1 below:

Table 7.1 – Summary of Analytic Framework Findings

Program Office		
<i>Regulative</i>	<i>Normative</i>	<i>Cultural-Cognitive</i>
<p><u>Dominant regulative symbolic systems</u>: Laws: Legislated mission mandates; charters</p> <p><u>Dominant regulative relational systems</u>: Power systems: Relationships with agency leadership and resource authorities</p> <p><u>Dominant regulative routines</u>: Protocols: Defending funding, justifying requirements, and monitoring delivery as</p>	<p><u>Dominant normative symbolic systems</u>: Values and expectations: Assuming leadership roles; mission focus; Program technical knowledge</p> <p><u>Dominant normative relational systems</u>: Authority systems & regimes: Relationships with contractors, technical experts, and project reporting systems</p> <p><u>Dominant normative routines</u>: Roles: Program reviews with contractors, staff and senior officials; Making decisions and directing actions</p>	<p><u>Dominant cultural-cognitive relational systems</u>: Structural isomorphisms: Relationships with agency leadership, benchmarks, best practices</p> <p><u>Dominant cultural-cognitive routines</u>: Scripts: Program advocacy, pushing performance,</p> <p><u>Dominant cultural-cognitive artifacts</u>: Objects possessing symbolic value: Schedules, milestones, status reports and dashboards, program branding</p>

Contracting Office		
<i>Regulative</i>	<i>Normative</i>	<i>Cultural-Cognitive</i>
<p><u>Dominant regulative symbolic systems</u>: Rules: Federal Acquisition Regulation (FAR); policy mandates</p> <p><u>Dominant regulative relational systems</u>: Governance system: Formal delegations of authority; Power system: Relationships with Legal office</p> <p><u>Dominant regulative routines</u>: SOPs and protocols: Management reviews and approvals; Staff assignments; Data system routines</p> <p><u>Dominant regulative artifacts</u>: Objects complying with mandated specifications: Contract clauses and provisions</p>	<p><u>Dominant normative symbolic systems</u>: Expectations: Knowledge of rules, regulations and procedures; Negotiating behaviors</p> <p><u>Dominant normative relational systems</u>: Regimes: Training & certification mandates; Contract data systems</p> <p><u>Dominant normative routines</u>: Jobs: Processing contract requests; Advising on contractual issues; Formal communications with contractors. Obedience to duty: Meeting deadlines.</p>	<p><u>Dominant cultural-cognitive relational systems</u>: Identities: Official face to industry; Government’s interest; Enforcer of compliance</p> <p><u>Dominant cultural-cognitive routines</u>: Scripts: “Pushing the paper;” Minding the details; Juggling priorities; Data system routines</p> <p><u>Dominant cultural-cognitive artifacts</u>: Objects possessing symbolic value: The contract, the CO signature; contract files; CO presence at meetings</p>

Budget/Finance Office		
<i>Regulative</i>	<i>Normative</i>	<i>Cultural-Cognitive</i>
<p><u>Dominant regulative symbolic systems</u>: Law: Appropriation laws and spending authorizations; Appropriation law;</p> <p><u>Dominant regulative relational systems</u>: Power and governance systems: Congress; the President; OMB; CFO</p> <p><u>Dominant regulative routines</u>: SOPs: Budget cycle processes; Apportionments; Reconciliations</p> <p><u>Dominant regulative artifacts</u>: Objects complying with mandated specifications: Financial statements; fund certifications; expenditure plans</p>	<p><u>Dominant normative symbolic systems</u>: Expectations: Accuracy and accountability; checks and balances; knowledge of budget rules</p> <p><u>Dominant normative relational systems</u>: Regimes: Job series training and experience; Relationships with financial management systems</p> <p><u>Dominant normative routines</u>: Jobs and obedience to duty: Budget cycle duties (preparing, submitting, executing); Recording & balancing accounts; data system routines</p>	<p><u>Dominant cultural-cognitive relational systems</u>: Structural isomorphisms: Accounting & finance office structures; Planning and budgeting data systems</p> <p><u>Dominant cultural-cognitive routines</u>: Scripts: Tracking, reconciling, and closing; “Minding the accounts,” “Being there”</p> <p><u>Dominant cultural-cognitive artifacts</u>: Objects possessing symbolic value: “The Budget;” Budget guidance documents; Program funding documents; Monthly financial reports; payments</p>

The completed frameworks were distinctive and different for each office. Only certain higher-level attributes commonly shared. For example, the expectation of expert knowledge was found in the normative pillar’s symbolic systems carrier for all three offices, although the type of expertise may have been unique to each office. This is understandable, as it can be expected that a dominant norm and value of each office would be the professional knowledge of their respective fields. Program offices would be expected to possess knowledge in the technical disciplines related to their programs; contracting offices would be expected to possess knowledge and expertise in contracting rules and regulations; and budget/finance offices would be expected to possess knowledge of accounting, budgeting, and finance. Similarly, processes and relationships pertaining to office data systems emerged as a common normative routine or relational system in each office. Yet, at a level below these generic shared values or routines, the specific expert knowledge, processes, or data systems of the respective offices are manifestly

different. Notwithstanding these few shared elements, the results of Scott's framework analysis showed strong evidence of institutional differences between the three offices. There was not a single example where a *specific* cell characteristic was shared by all offices.

The *program office* was found to be predominantly characterized by its institutional embrace of:

- *Mission mandates and program charters*
- *Preoccupation with schedules and milestones*
- *Relationships with agency leadership and funding resources*
- *Assumption of leadership*
- *Technical program knowledge*

Mission mandates and program charters, handed down by agency leadership or legislation composed the dominant regulative symbolic system for the program office. By contrast, such charters or mandates rarely appear to influence the regulative characteristics of the contracting office or budget/finance office. A preoccupation with *schedules and milestones* was found to be a pervasive characteristic of the program office across all pillars, but most apparent as a cultural-cognitive artifact. Day-to-day life in the program office is strongly shaped by the schedule, which is often perceived as the ultimate indicator of success or failure. The focus on schedules was so pronounced that "*when is it needed*" emerged as one of the new smart buyer questions embraced by the program office. Through its highly symbolic mandates, the program office leverages its strong relational power systems characterized by its proximity to *agency leadership, funding resources*, formal organizational structure, and the visibility of the program's mission. *Self-assumed leadership* consistently emerged as a dominant normative symbolic value of the program office. In every case, the program office was found to assume leadership within the organizational field of the acquisition and, in several cases, became directly involved in matters relating to contracting and budget/financial management decisions. The term

“leadership,” (used as a concept) appeared 146 times in the 239 pages of the *Handbook of Program Management*; but only once in the 1,969 pages of the FAR and 4 times in the 1,800 pages of the GAO Redbook Principles of Appropriations Law. In the FEMA case, the program manager’s direction “purchase until I say stop,” was dutifully followed by contracting personnel, even though his direction lacked official authority and contracting rules were likely violated. Program managers tend to exhibit leadership and mission focus as a normative value, program advocacy as a cultural-cognitive script, and cultivated relationships with resource authorities as a power system. The program office embraces *technical knowledge* of its program domain as part of a normative symbolic system. Program managers and office staff quickly acquire such technical knowledge by close association and experience with the program, rather than by formal education and training. This characteristic technical knowledge allows the program office to lay a near exclusive claim to the smart buyer question “what to buy,” while the preoccupation with schedules reinforced the question of “when is it needed?” Routines and artifacts unique to the program office include program reviews, technical reviews, executive agency briefings, and master schedules. Surprisingly, given the dominance of the program office within the organizational field, the normative system of training and certifications was not found to be a dominant characteristic of that office.

The *contracting office* was found to be predominantly characterized by its institutional embrace of:

- *The Federal Acquisition Regulation (FAR)*
- *Formal delegations of authority*
- *Relationships with the legal office*
- *Management reviews and approvals*
- *Staff certifications and assignments*
- *Protecting the government’s interest*
- *Minding details and pushing the paper*

The *Federal Acquisition Regulation* (FAR) and its agency policy supplements serve as the dominant regulative symbolic characteristic of the contracting office. The 1,900 page FAR also serves as a powerful cultural-cognitive symbol and artifact of that office. Even though the FAR addresses many issues relating to program management and budgeting and finance, it generally holds little institutional significance within those offices. The contracting office relies explicitly on the statutory *delegation of authority* granted to contracting officers as a regulative governance and power system (even though the *office*, per se, does not enjoy such a delegation). Powerful regulative symbolism also occurs in the contracting office's relationship with the agency's *legal office*. Such a relationship imparts symbolic meaning and legitimacy to the contracting office as it "borrows" from the normative professional legitimacy of the legal office. The office uses a variety of other mechanisms to establish power and legitimacy within the organizational field. In addition to the authorities and mandates passed down in the procurement regulations, the contracting office has many flexible discretionary practices it uses in day-to-day operations to maintain its legitimacy. Contracting offices use the normative system of mandatory *staff certification* programs (directed by OMB) to indirectly link themselves to the legal authority delegations to contracting officers. A contracting officer can only receive his or her warrant after completing the regime of training and experience that is prescribed via OMB and controlled by the contracting office. *Management review and approvals* and *staff assignments* are also powerful office routines within the contracting office. Even though contracting officers hold delegated authority for contract actions, their authority is partially surrendered to the office hierarchy by way of management reviews and approval protocols established within the contracting office. *Staff assignments* are powerful regulative routines that contracting offices can apply coercively when dealing with program offices. Since contracting

staff are often in short supply and rarely available to support a single program, contracting offices can leverage their discretion in making workload assignments in a manner which elevates their value and legitimacy. Contracting offices also use their access to, and control of, contracting information systems and portals as a normative relational system which can be leveraged for authority and legitimacy. While program offices may have more frequent day-to-day interactions with contractors on technical program issues, contracting offices generally have the final say in serving as the “official” channel of communication with contractors – an important normative routine. Within the cultural-cognitive pillar, contracting offices are usually seen as *minding the details and “pushing paper”* through the system. However, they are also valued as the final *guardian of the government’s interest* and for their ability to bring regulations to bear. When programs become problematic and relations between the program office and contractors become strained, it is the contracting office that is called upon for tough remedies. Ultimately, it is the contract itself, signed and maintained by the contracting office, which is the final symbolic artifact of the acquisition program. In establishing and maintaining the contract files, the contracting office uses the contract document itself as an artifact to support regulative, normative, and cultural-cognitive legitimacy.

The *budget/finance office* was found to be predominantly characterized by its institutional embrace of:

- *Appropriations, appropriation law, and spending authorizations*
- *Internal controls, accountability, checks & balances*
- *Knowledge of budgeting, accounting, and financial rules*
- *Funding certifications*
- *Budget cycle processes*
- *Financial management systems*
- *Reconciling and closing activities*
- *“Minding the books” & “being there”*

The budget/finance office was found to draw its symbolic regulative legitimacy from powerful authorities, ranging from the U.S. Constitution to appropriations and authorizations, and principles of appropriations law. *Appropriations, appropriation law, and spending authorizations* are the driving source of regulative legitimacy. Budget/Finance offices serve as the agency's budgetary frontline, diligently monitoring appropriations and spending authorizations and advising on what funds can be spent and what restrictions must be observed. The office draws heavily upon its regulative relationships with congressional committees and the Executive Office of the President via OMB staff, as well as its direct relationship with the agency head through its Chief Financial Officer (CFO). These relationships are highly symbolic and may also support cultural-cognitive routines and symbolic systems wherein the meaning of day-to-day behaviors and scripts of office staff is enriched by the knowledge that the work directly relates to the mandates of Congress and the President. By contrast, the contracting office and the program office normally do not enjoy such symbolic relationships with the President and Congress.

The budget/finance office is highly characterized by the normative expectations of *internal controls*, accuracy, accountability, and checks and balances. There is taken-for-granted expectation that the office will possess a *professional knowledge of budgeting, accounting and financial rules*. The budget/finance office is characterized by the regime of job series training and education in finance and accounting. The skills, routines and artifacts of the office are highly specialized and include activities such as reconciliations of funding and spending accounts, preparing financial statements, certifying funding, preparing monthly reports and closings and the requisite familiarity with general ledgers and trial balances. Acquisition programs are significantly constrained by the type of funding appropriation and the timeframes

for which they are valid. Program offices and contracting staffs therefore rely exclusively on the expertise and authority of the budget/finance office for *fund certifications* and to verify the availability of funds for the program. The funding certification itself also serves as an important regulatory and cultural-cognitive artifact, providing legitimacy to the office. Without a funding certification by an authorized budget officer, a contracting officer would not dare sign a contract. To do so would create a violation of the Anti-deficiency Act for which explicit disciplinary actions are prescribed in statute. *Budget cycle processes* related to justifying budget requests and executing appropriations significantly drive the routines and protocols of the office. Within the cultural-cognitive pillar, budget/finance offices are characterized by the routines of tracking, reconciling, balancing and serving as the agency's "keeper of the purse." The budget/finance office also exhibited a dominant normative relationship with its *financial managements systems*, which significantly shape the office's regulative, normative, and cultural-cognitive routines. Data systems were found to be significant in the Program and contracting office also, but not nearly to the extent as found in the budget/finance office. Financial management systems, under the control of the budget/finance office, were found to influence many aspects of agency operations, including processes normally controlled by the program office and contracting office. Finally, the Budget/Finance office is characterized within the cultural cognitive pillar as following scripts of "*minding the books*" and "*being there*." The office normally acts in the background on acquisition programs, certifying funding when required and making payments when invoices are presented. However, the extent of the office's regulative and normative power systems lends it formidable legitimacy when it chooses to insert itself into the acquisition process.

Interpretation of the Findings

The study yielded two potentially significant observations relating to; 1) the field of organizational participants in federal acquisition management, and 2) the inherent differences in their institutional characteristics. First, regarding the make-up of the field itself, the study validated that the program office, contracting office, and budget/finance office are key organizational participants in the management of federal acquisitions (Research Question No. 1). In each of the case studies, organizational functions representative of these three offices was revealed. While the presumption of their existence is often taken for granted in federal acquisition circles, there are no specific regulations or policy directives stating that an acquisition program shall be supported by such offices. The findings of the content analysis even suggested a deliberate avoidance of organizational constructs in key policy documents. The closest form of regulatory guidance might be found in the FAR's loose description of the "acquisition team" in its statement of guiding principles:

The Acquisition Team consists of all participants in Government acquisition including not only representatives of the technical, supply, and procurement communities but also the customers they serve, and the contractors who provide the products and services. (FAR 1.102(c))

OMB's July 29, 2009 memorandum for agency heads encouraged agencies to review the alignment between their acquisition and program activities, emphasizing that "effective integration of these activities lies at the heart of an agency's ability to achieve desired cost, schedule and performance outcomes." Given this emphasis, the relatively lackluster acknowledgement of key organizational entities in federal acquisition programs is surprising and warrants attention in future policy prescriptions. How can the management of acquisition programs be expected to proceed in a successful manner if the make-up of organizational participants is not formally acknowledged in policy, programmatic, and procedural guidance? Further, how can acquisition programs be successful when so little is known about the

institutional characteristics of the organizational participants that are critical to the success of the programs? Since the organizational field is not structurally defined or established in regulation or policy it may subject to institutional vulnerabilities. While there is a regulatory basis for the authority of the contracting officer, there is no such basis for the contracting *office*. The validation of the organizational field was also important because it provided a baseline boundary for this study's methodology and defined a useful level of analysis for potential future research. One of the problems in public administration's treatment of public contracting research is in the expansive boundaries and policy-oriented levels of analysis. Whether focusing on the normative concerns of contracting-out or the effectiveness of specific contract programs, much public policy research has tended to focus on the dyadic government-contractor relationship as the level of analysis. Too often overlooked are the intra-organizational dynamics that occur within this relationship. This study focused only on the government side of this dynamic and only on a selected organizational field of three government offices. Yet, the study demonstrated the significance of the selected three-office field. Other government organizational entities are certainly important. The agency's executive offices, legal offices, audit organizations, and newly established entities such as that of the Office of Chief Information Officer (CIO) or performance management offices are all significant participants. While the study indicated that this organizational field of the program office, contracting office, and budget/finance office is taken for granted in the daily practice of acquisition operations, it is only loosely recognized in formal policy and in the descriptions of organizational roles and responsibilities in acquisition programs. The study also found that this organizational field can remain intact even when it extends beyond the agency boundaries, as in the case of inter-agency contracting, and in the use of Federal Supply Schedule contracts and government-wide acquisition contracts.

Second, the study found evidence of stark institutional differences between the three offices. Each appeared to be influenced by inherent regulative, normative, and cultural characteristics, conveyed as symbolic laws and legal mandates, relational power and authority systems, and routines and artifacts. From the perspective of early theories of bureaucracy, such stark differences might be expected. After all, the organizational concepts of task specialization and span of control put forward by Fayol and Weber assumed that individuals would be trained and knowledgeable in their individual areas of expertise. It is normal to expect that inherently specialized expertise among organizational units would lead to differentiated institutional characteristics as the rules, professional norms and routines become embedded within each organization. However, government agencies, and more specifically acquisition programs, are not like factories where a common unit of production is expected. Acquisition programs themselves rarely have institutional characteristics and occur outside of the institutional boundaries of the organizational participants. When an acquisition program is effectively subsumed into one of the organizations (as might have occurred in the FDIC case) it may successfully adopt the institutional characteristic of the organization. However, in most cases the participating organizations – the program, contracting, and budget/finance office – stand to the side of the program and selectively participate in its management. If this selective participation only involves the participants' core expertise, then the program may be successful. For example, program offices being expected to direct and monitor the program's delivery and schedules; contracting offices being expected to mind the contractual details associated with the program's contracts, and budget/finance offices being expected to mind the funding and accounting details necessary to support the program. But increasingly these offices are being asked to expand their focus beyond areas of specialized expertise and operate outside their institutional "comfort

zones,” i.e., the regulative, normative, and cultural-cognitive characteristics that they adopted over time. Program managers are being asked to gain increased knowledge of contracting, legal, and financial concepts and work within the constraints of procurement rules and spending plans. Contracting officers are being asked to review program requirements to ensure they are appropriate for the contract type and can be acquired competitively and from small business sources. Budget offices are increasingly being asked to ensure that the appropriate contract types are being used and that performance metrics are being applied to justify budget requests. To the extent that new policy edicts are forcing key organizational participants to work in a manner that is outside of their inherent regulative, normative, and cultural-cognitive characteristics, acquisition management will continue to be problematic.

Interpretation of Misaligned Pillars

Much of the recent thought on new institutionalism in organization studies has stemmed from the work of Meyer and Rowan (1977) and DiMaggio and Powell (1983). Meyer and Rowan argued that the formal structures of organizations reflect the myths of their institutional environments that are created to sustain legitimacy. Such myths may have even more bearing on the organization than the demands for work efficiency. DiMaggio and Powell examined how institutional processes (“structuration”) and coercive, mimetic, and normative forces, can result in isomorphism among organizations, explaining why there is such “startling homogeneity of organizational forms and practices” (p.148). The process of structuration emerges through (1) an increase in the extent of interactions among organizational participants; (2) the emergence of sharply defined interorganizational structures of domination and patterns of coalition; (3) an increase in information loads with which the organization must contend; and (4) the development of mutual awareness among participants that they are involved in a common enterprise

(DiMaggio and Powell, 1983:148). The findings of this study reflect many of the concepts raised in these works. DiMaggio and Powell's (1983) concept of institutional isomorphism appeared to be reinforced by the study's observations of the contracting office, program office, and budget/finance office, and how they were structured and recognized. Across the five cases, and in other data reviewed by the study, each of these offices were similarly structured and recognized. The budget/finance office at IRS was similar to the contracting office at FEMA – even though the missions and program environments were entirely different. Why this condition seemed to have occurred is not clear and was not an objective of the study. However, while coercive mechanisms were not at all apparent, normative and mimetic pressures may have been influential.

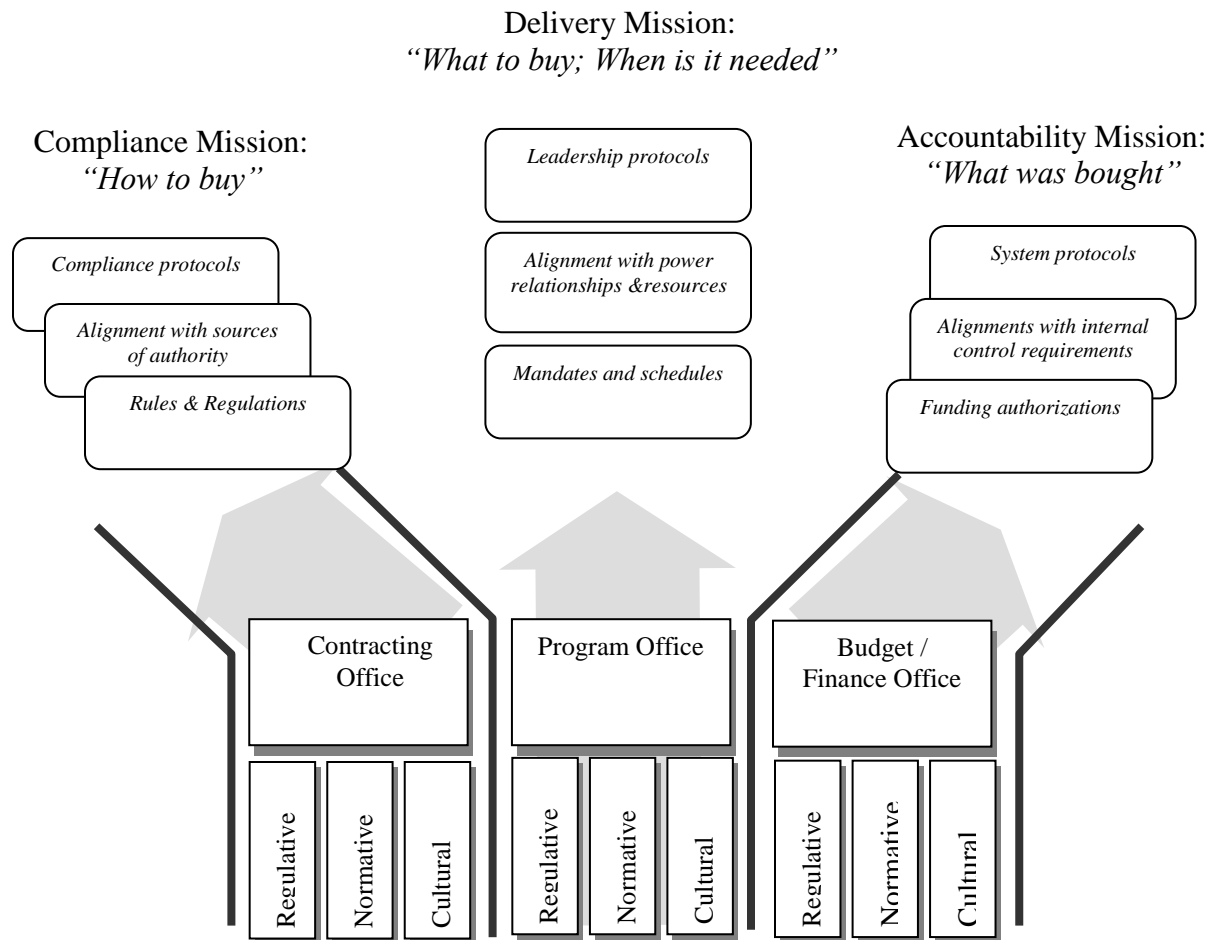
As noted previously, there are few if any official edicts in federal regulations or policy directing the establishment of the “program office,” “contracting office,” or “budget/finance office” for purposes of managing an acquisition program. Yet, throughout the study these organizational constructs were found that have similar roles, objectives, and institutional characteristics across programs and agencies. Attributes were found that could be characterized as “myth” and “ceremony” that appeared more to sustain the legitimacy of the individual organizations than to contribute to the desired outcomes of the acquisition program. The program office, for example, touted the program schedule – sometimes obsessively – as a regulative, normative, and cultural-cognitive artifact with mythical characteristics. Program office activities to monitor and report schedule status became embedded ceremonial routines that were manifested in all three pillars. Program managers adeptly developed relationships and acquired leadership positions within the field using artifacts of myth and ceremony to maintain the legitimacy of their leadership. This behavior was consistently observed even though the

contracting office and budget/finance office arguably retained more explicit regulatory authority over the program office's acquisition. Because of the complex and highly specialized nature of procurement regulations and appropriation laws, contracting offices and budget/finance offices similarly used myth and ceremonial artifacts to maintain legitimacy. The power and authority of the warranted contracting officer was often perceived in mythical terms, i.e., "*The only individual authorized to sign a contract on behalf the United States Government.*" In practice, however, contracting offices would develop extensive internal review and approval procedures that effectively shifted this regulative authority from the individual contracting officer to the organization.

Potential Drivers and Effects of Misaligned Pillars

While the study found evidence of institutional differences within the organizational field, it did not directly attempt to measure any trending in this condition. Figure 1.2 (Chapter 1) depicted the misaligned pillar phenomenon as offices diverging in their support of the acquisition program. The condition is one of diverging goals and processes as each office is driven separately by underlying institutional pillars. The figure is modified below in Figure 7.1 to show how the institutional characteristics of the offices may support this divergence and ultimate misalignment:

Figure 7.1 – Potential Drivers and Effects of Diverging Pillars



The study included a rather oblique examination of Kettl’s smart buyer questions, expanding Kettl’s original three questions (*What to buy; Who to buy from; and What was bought?*) with four others: *Why buy? When is it needed? How to buy? and How much to pay?* This examination was conducted in an *ex post facto* manner to determine if the observed institutional characteristics of the three offices might reflect any organizational claims to these questions. In other words, did the offices appear to assert ownership claims to these questions and, if so, what may have been the institutional explanations for the behavior? The study suggested a subtle, almost reluctant, alignment of ownership. The program office was

consistently preoccupied with questions of “what to buy” and “when is it needed,” and leveraged mandates, power relationships and resources (such as agency heads), and leadership protocols to meet the delivery mission (principally the schedule). The contracting office was consistently preoccupied with questions of “how to buy,” leveraging rules and regulations (principally the FAR), aligning itself with sources of authority (such as the authority delegated to the Contracting Officer), and adopting various compliance protocols and standard office operating procedures to meet its compliance mission. The budget/finance office operated in a variety of roles but was essentially charged with an accountability mission of “what was bought.” This mission was reflected when the budget/finance office was required to pay contractor invoices, when it was required to apportion funds, certify funding documents, and reconcile accounts. The budget/finance office is constantly aware that it may be called to retroactively explain or document a transaction and thus relies heavily on internal control systems and related system protocols. These characteristics are fundamentally different. But, are the differences part of a diverging trend that will become more pronounced, or do they constitute a stable condition of resiliency, possibly mitigated by other factors? After all, participant diversity, difference, and checks and balances have long been celebrated as lending strength and resiliency to organizations and societies. This study points to the former condition, i.e., one of increasing divergence, misalignment, and instability. If the condition persists beyond a tipping point of institutional stability (i.e., the “house of cards” referred to by Jepperson (1991)), then these institutional dynamics could possibly lead to the “radical organizational change” envisioned by Greenwood and Hinings (2006). Thus, I would suggest that the condition of divergence between these three offices is increasing and that a new organizational order within federal acquisition management could possibly emerge. This new order is one in which the program office lays a more exclusive

claim on the smart buyer questions of “what to buy,” as well as “how much to pay” and “when is it needed.” The contracting office acquiesces to this order, focusing more narrowly on “how to buy;” while the budget/finance office focuses more on the “what was bought.” In aligning itself with internal controls and the enterprise financial systems designed to enforce them, the budget/finance office will increasingly become involved in the more strategic question of “why buy.” This organizational order is reflected by the following observations made during the study:

(1) Contracting offices have become overwhelmed by expanding regulatory demands while struggling to build capacity in terms of staffing and other resources. Within the regulatory pillar, in which the contracting office has established much of its legitimacy, a broader range of responsibilities are emerging for other organizational participants (as reflected in observations of the “Big A vs. little a” debate (Charles, 2006), “the incredible shrinking contracting officer” (Pachter, 2010), and the devolution of the contracting function (Schooner and Yukins, 2005)). The dominant normative values of specialized procurement knowledge and training and certification requirements have not emerged as characteristics that support recruiting and long term retention of staff. Similarly, the office’s cultural-cognitive perceptions of pushing paper and minding-the-details impede institutional legitimacy. The emergence of interagency contracting operations (e.g., GSA’s Federal Acquisition Service and Department of Interior’s National Business Center) and multi-agency and government-wide contract vehicles has created a demand for customer-focused streamlined contracting support that specializes in “how-to” expertise. As revealed in the study’s FDIC case, program offices have options to use such interagency channels when they believe that agency contracting office lacks capacity. Out of necessity and for the sake of preserving legitimacy, contracting offices may begin to recognize

that their core regulative, normative, and cultural-cognitive characteristics best align with the “how to buy” smart-buyer question.

(2) Program offices were found to consistently seize opportunities for leadership within the organizational field, despite having a relatively weak regimen of professional training and certifications. Their strong regulative legitimacy was based on program or mission charters, power relationships with agency leadership and resource authorities. Program offices were quick to seize authority in leading a programs whether or not such authority was explicitly delegated. A sense of urgency was derived from their mission charter and conveyed via program schedules. In *The Next Government of the United States*, Kettl (2009) acknowledges the value of old-fashion command and control as one of the essential characteristics of emerging new governance frameworks.²⁰⁸ Program offices, with legitimacy strongly rooted in their regulative symbolic and relational systems, are in a position to increase their institutional legitimacy in acquisition programs as other aspects of their legitimacy are strengthened. Normative legitimacy was acquired via self-directed leadership and technical program knowledge, not necessarily via professional credentials. However, indications are that the office may gain additional normative legitimacy via professional credentialing initiatives and expertise in project reporting systems. OMB and agencies are beginning to push for mandatory formal program management training regimens and certifications for their program managers. One recent study recommended that a formal career track in program management and a program management “leadership academy” be established.²⁰⁹ Increasing attention is being paid to the role of the Contracting Officer

²⁰⁸ To illustrate this point, Kettl used the example of U.S. Coast Guard Admiral Thad Allen’s effective operational role during Hurricane Katrina. Admiral Allen’s operational effectiveness in a subsequent role on the BP Gulf Coast oil spill in 2010 (Jervis, Rick (2010) “Thad Allen’s Legacy Still being Shaped by BP Oil Spill,” *USA Today*, Sept. 27, 2010.

²⁰⁹ TechAmerica Foundation, Commission on Government Technology Opportunity in the 21st Century, “Improving the Acquisition of Major IT Systems for the Federal Government,” October 25, 2010 Press Release.

Representatives (CORs) which is normally staffed by the program office. Mandates by GAO and OMB for program offices to use the highly specialized Earned Value Management (EVM) techniques for cost control may further bolster the normative legitimacy of the program office. EVM is a highly specialized technique which spans traditional contracting and finance disciplines, involves integrated data management systems, and requires an investment in formal staff training. To the extent that program offices embrace EVM mandates, their normative legitimacy will likely increase relative to the Contracting and Budget/Finance offices.

(3) Budget/Finance offices were usually found to be operating in the background in acquisition programs, providing funds tracking, certifications, and processing contract invoices as required. In many cases they were preoccupied with resolving larger systemic problems such as addressing qualified audit opinions on financial reports or resolving internal control weaknesses within the financial management systems. However, the passage of the Chief Financial Officers Act of 1990, the Clinger-Cohen Act of 1996, the Government Performance and Results Act of 1993, the Federal Managers Financial Integrity Act of 1982 and other legislation, created significant new sources of far-reaching regulative legitimacy for the budget/finance office. According to the GAO, the CFO Act marked “the beginning of what promises to be a new era, not only in federal management and accountability, but also in efforts to gain financial control of government operations.”²¹⁰ Additionally, in 2004 OMB established a far-reaching Financial Management Line of Business (FMLOB) initiative directing agencies to improve and standardize their financial management systems. Such mandates significantly strengthen the regulative legitimacy of the budget/finance office with respect to acquisition programs. In the case studies, the budget/finance offices were found to be distracted with

²¹⁰ U.S. General Accounting Office, “The Chief Financial Officers Act: A Mandate for Federal Financial Management Reform,” GAO/AFMD 12.19.4 September 1991

implementing these new financial management systems, which were often problematic acquisitions themselves. However, given the new regulative legitimacies of the CFO and operational initiatives of OMB, and the eventual implementation of these far-reaching financial management systems, the budget/finance office will become a much more formidable institutional presence in acquisition programs. It is possible that the budget/finance office, under the CFO, could lead a new organizational order in the prioritization, selection, and oversight of acquisition programs. While program offices gain legitimacy in the day-to-day operational aspects of an acquisition program, budget/finance offices will gain more ownership of the “why buy” smart buyer question, essentially giving it more power to justify starting, continuing, or canceling a program.

Alignments with missions, authorities and protocols such as the ones shown in Figure 7.1 reflect the offices’ quest for institutional legitimacy, identity, and sense of organizational “turf” rather than any directed mandate for responsibility or accountability. Such institutional alignment is a good thing. It reinforces regulative legitimacies, professional identities, and cultural-cognitive routines. The challenge is in finding the proper mechanisms that will facilitate them. In the FDIC case, the ISC Oversight Committee served as an overarching governance mechanism that may have reinforced productive institutional alignments, thus contributing to the success of the program. Similar oversight bodies existed in the IRS modernization case. However, they appeared less effective, probably being overwhelmed by preexisting institutional alignments within the IRS and the size and complexity of the program. Working-level acquisition and integrated project teams are likely to be more effective than oversight committees bolstering productive institutional alignments. Acquisition programs tend to be temporary projects, progressing through different phases. There is usually not enough time for

structuration processes to take hold, which would give them institutional characteristics. However, working-level teams help impart an element of institutionalization to the program itself. Surprisingly, the chartering of such teams, while suggested as a good practice, are not commonly prescribed or directed in federal acquisition policy.

Limitations of the Study

In seeking an institutional explanation for the government's acquisition management challenges, the study had several methodological limitations common to organizational research. While it is common for qualitative inquiries into sociological phenomenon to employ inductive holistic approaches, their use in organization studies is sometimes subject to criticism by researchers more accustomed to positivist inquiries of a deductive nature (Stablein, 2006; Kelman 2002). This study employed such a holistic approach. As modern management "occurs in a net of fragmented multiple contexts through multitudes of kaleidoscopic movements" (Czarniawska, 2008), such methodologies clearly have their place in organization research.

Nevertheless, it is important to recognize the limitations of this study, methodological and otherwise. First, the scope of the study was limited to contracting within the United States federal government sector. Challenges to public procurement clearly extend to the state and local levels in the U.S., as well as to other countries and the multi-national environment (Brown, 2001; Brown and Potowski, 2003; Greves and Ejersbo, 2004). Within this federal sector boundary limitation, the study only looked at civilian agencies. The Department of Defense (DoD) and military services perform the overwhelming majority of contracting actions within U.S. Government's. Arguably, much of the federal government's procurement policy and reform initiatives are driven by the DoD and such considerations might have been valuable to this study. However, because of the complications introduced by the dual civilian/military

staffing and reporting structures within DoD organizations, unique aspects of the weapons systems acquisition process, and differences among defense organizations, a decision was made to exclude the defense sector.

Second, the study's qualitative methodology, which employed a triangulation of multiple data sources and techniques, sacrificed some depth in order to explore broader foundational concepts and to better support the generalization of findings. For example, the data relating to the five cases selected was primarily limited to secondary evidence contained in GAO and Inspector General reports and other published accounts, which was a key factor for their selection. The cases were selected from different agencies to ensure that organizational participants were independent (this was true even for TSA and FEMA, despite their ultimate alignment under of DHS). They were all large, high-value and complex acquisitions with a significant amount of information available from public sources. Some, but not all of the interview participants were directly associated with the cases. Some of the cases involved direct observation, but only via retrospective autoethnographic accounts. As such, the review of the five cases might not have met the standards of true case studies described by Yin (2008) and others. The purpose of the multiple case reviews was to establish the organizational context of actual acquisition programs – not to conduct an in-depth field ethnography of each case. The content analysis was performed using rather simple word searches (using features of Microsoft Word™ or Adobe™ and coding of archived text materials retrieved from internet sources. While this type of content analysis was considered sufficient for the purposes of the study, it did not employ the more sophisticated software tools common in modern content analyses. Phrases and word searches were narrowly confined to organizational constructs and limited to the fifteen published policy documents and studies. The use of additional phrases and document sources

(such as online blogs and commentary) might have revealed different perspectives on the findings.

Finally, in applying a conceptual framework, the study does not attempt to establish causality or test explicit correlations between dependent and independent variables – a point of concern by some organizational scholars (Kelman, 2000; Perrow 1982), but one which might be forgiven by others (Czarniawska, 2008; Mills, 1959). Attempting to establish causality, or even correlations, between institutional differences and the success or failure of acquisition programs would have been a daunting proposition. However, laying a foundation for future research by validating the usefulness of institutional frameworks of analysis in government contracting research and identifying applications for future work is an entirely reasonable objective of this study.

Suggestions for Future Research

Over the course of this study, the amount of research I saw emerging that employed institutional theory to study organizational phenomenon was extremely encouraging. It helped validate the relevance and applicability of Scott's institutional analytic frameworks to the complex problems of public administration such as government contracting. While Scott himself might question the use of his frameworks as applied tools, the growing body of literature clearly supports their utility in organizational research. During the study I continued to work professionally in government contracting. I observed, on a nearly a daily basis, how regulative, normative, and cultural-cognitive institutional factors appeared to influence organizational behaviors. Similarly, I saw evidence at every turn that reinforced Kettl's original conception of the *smart buyer problem*, as well as his more recent observations on bureaucratic boundaries and solving non-routine problems of public service delivery. Program offices, contracting offices,

budget/finance offices and the staff that comprise them appear to behave differently in fundamental ways and sometimes for cross-purposes. Organizational conflicts and frictions that I observed in 1982 remained solidly in place in 2010, despite decades of procurement policy reforms, new technology, and new management trends. Trying to figure out what was going on from an institutional theory perspective kept me motivated as I completed the study and it is clear that much more can be done to explore this line of research. Having argued a case for the utility of Scott's frameworks, future research might proceed in promising new directions by applying the frameworks in a more focused fashion toward different problems. Studies might focus more on a particular pillar or carrier, using field ethnographies on a single case study to more fully uncover deeply ingrained institutional characteristics. Some specific areas for future research might include the following agenda:

Institutional barriers to collaborative knowledge sharing within acquisition programs

The ability of institutional characteristics to prevent or promote collaborative capacity building is a promising direction for future work. Weber and Khademian (2008), Willem and Buelens (2007) and others have pointed to the need for research in collaborative capacity building and knowledge sharing in public organizations – especially in the context of complex and non-routine “wicked” problems and network settings. Roberts (2009) has examined the applied use of network administrative organizations (NAOs) and the various characteristics of their legitimacy as alternatives to formal hierarchies. Large-scale and urgently required acquisition programs (such as found in the study's TSA and FEMA cases) could similarly benefit greatly from such research. Much of the work on collaboration and knowledge sharing is rooted in systems theory perspectives of cognitive communications and focuses on information flows, network transactions, and trust relationships. Institutional factors, especially in the normative

and cultural-cognitive pillars, are bound to shape these collaboration and knowledge sharing processes. Yet, there is currently very little synergy between the literature streams on institutional organizational sociology and collaboration and knowledge sharing.

Institutional explanations for information asymmetry within acquisition programs

The concept of information asymmetry was central to Kettl's explanation of the *smart buyer* problem. It is a powerful concept in the work by Nobel laureates George Akerloff (1970) and Joseph Stiglitz (2000), and other scholars of transaction cost and information economics such as Oliver Williamson (1996; 2000; 2003). Kettl (1993) noted that bureaucratic cultures may distort the flow of information within organizations and thus create an inherent disadvantage for the government as a buyer, *vis a vis* the contractor. Further, individual participants within organizations see information through the lenses of their own professional culture or bureaucratic environment and process it accordingly. While this study considered the possibility of barriers to information flow resulting from misaligned pillars, no attempt was made to measure conditions of asymmetry. Given the increased use of information and communication technologies in public organizations, it would be interesting to further explore whether institutional factors might work to reduce or exacerbate conditions of information asymmetry in acquisition programs. Clearly this area warrants further examination within the framework of institutional theory.

Professions, the normative pillar, and the acquisition workforce

As agencies seek to expand professional education, training, and certification initiatives in acquisition management, research may focus on the normative institutional pillar to better understand why some disciplines appear to acquire more legitimacy than others. This would extend the study of professions by Mosher (1982), Wolf (2001, 2005), and relate directly to the

observations of normative isomorphism by DiMaggio and Powell (1983). During the course of the study, much anecdotal evidence was found on the challenge of recruiting and retaining a professional acquisition workforce. Kelman (2007) sees the lack of recognition of contract management as “the most fundamental problem” with the current system. Edwards (2007) was more blunt, saying that agency leadership has “turned contracting officers into data entry clerks ... deprived them of needed clerical support ... and provided inadequate and poor quality training and development programs.” There is a strong scholarly literature stream on professions and workforce development and an abundance of public data on the on the federal acquisition workforce. By further exploring perceptions of legitimacy within the normative and cultural-cognitive pillars, such research may seek to explain why it is so difficult to recruit and retain acquisition professionals.

Control of enterprise data systems and institutional legitimacy

The study revealed a pervasive and growing presence of new integrated enterprise data systems within agencies that might significantly alter inter-organizational relationships and processes. Some systems are owned by program offices and contracting offices, but the most significant far-reaching systems are being implemented by the budget/finance offices. Owning and controlling such systems can be a source of institutional legitimacy. But as system consolidations occur out of economic pressure, shifts in ownership and legitimacies may also occur. The largest of the systems are integrated in an enterprise-wide fashion and attempt to serve multiple communities. They are complex and ambitious but, once established, may have significant impacts on the operating routines, relationships, and authorities of different organizational participants. Research into the institutional effects of such data systems is important because they will increasingly occupy cognitive space within government

organizations and introduce new symbolic and relational systems, routines, and artifacts within the regulative, normative and cultural-cognitive pillars.

Institutional explanations for the growth of interagency contracting

The study did not explicitly investigate the practice of interagency contracting. However, the success of the study's FDIC ISC case warrants further inquiry. Why would an agency's acquisition team seek the services of a contracting office outside the boundaries of the agency? Although the FDIC decided to outsource its contracting support to another agency (GSA's FEDSIM center), the contracting, program management and financial processes were effectively coordinated. There appeared to be little conflict in roles and responsibilities and the outcomes of the ISC program were achieved. The program office assumed leadership responsibilities for some functions normally performed by the contracting office or finance office. Oversight of contractor performance and award fee determinations was performed via an Oversight Committee and subject matter experts contributed to task order monitoring. Did this arrangement contribute to the success of ISC? Is it possible that there are institutional explanations of the success and popularity of interagency contracting? Interagency contracting and the use of pre-negotiated multiagency and government-wide contract vehicles are immensely popular with government program officials and industry. Despite some challenges to their legitimacy due to audit findings of abuse, they remain a resilient and enduring contracting approach. Perhaps productivity can be gained by allowing organizational participants to exercise autonomy over select areas of expertise that align with their institutional regulative systems, professional norms, and culture.

A Closing Reflection

In closing, I can assert more strongly now than ever that institutional theory, as a lens through which we might examine public organizations and management processes, holds tremendous research potential in the field of public administration. While this study looked at the important problem of managing government contracting, many other similarly “wicked” problems are emerging that will challenge public managers. Organization studies remain heavily influenced by “brick and mortar” mindsets that linger from classical models of organizational theory. However, the advent of the internet era has opened the way to virtual work teams, telework, and social networks in which organizations and notions of organizational legitimacy are formed cognitively in the minds of the participants rather than by a building, campus, or an organization chart. Institutional theory, perhaps now much more so than other classic theories of organization, can address the unique social phenomena underlying and shaping new forms of organization. Scott (2005) emphasizes that the structuration component of institutional theory, i.e., the processes of institutionalization and de-institutionalization, is an important part of the direction of the theory. This is particularly relevant as new forms of organization and social interactions evolve:

Current research efforts have begun to fill in the third, missing phase of the arc of institutionalization, examining the onset of deinstitutionalization and the collapse of structures and routines. ... Like all systems, institutional arrangements are subject to entropic forces, and require the continuing input of energy and resources to prevent decay and decline. Organizational forms and fields erode as well as emerge. It is instructive to observe both the beginning and the end since in both the construction and deconstruction phases, conflict and agency are likely to be more visible. Along with others, I have devoted considerable effort in recent years to examining the processes involved when once-stable institutional arrangements are challenged, undermined, and, gradually, replaced with different beliefs, rules, and models. (p.472)

As Kettl (2009) has observed, governments must overcome the problems of organizational boundaries-as-barriers to collaboration and information sharing to establish more

responsive forms of public governance. The government's *smart buyer* problem is but one example of this challenge. The emerging fiscal crisis facing the federal government is another major challenge that will require (or dictate) new approaches and solutions to public governance. While more responsive forms of public governance are required, they must also be efficient and affordable. Agency *needs* must be separated from *wants*. Organizational processes that support myth, ceremony, and isomorphisms solely for the purpose of sustaining legitimacy will come under increasing scrutiny from a transaction cost perspective. Given this challenge, institutional theory – perhaps “old” as well as “new” – provides a promising framework for future work for both students and practitioners of public administration.

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Appendix B – Autoethnographic Accounts

Autoethnographic Account A1 “The Workload Assignment Culture of the Contracting Office”

In July 2005, I was hired by FSA’s Acquisitions Group, as an Executive Business Advisor and Contracting Officer, under an excepted service appointment. My hiring was surprisingly quick for a federal organization. The entire process, from my single interview to the offer, took less than three months. FSA’s Acquisitions Group leadership was seeking to bolster the business decision role performed by the contracting staff with respect to the programs. Hence the unique title, “Executive Business Advisor” was established for newly-hired senior contracting officers. The Director of Acquisitions reported to the Director of Enterprise Performance Management Services, who in turn reported directly to the COO. I was immediately assigned a contract workload that included the CSB contract, as well as various other existing contracts and upcoming award requirements. FSA’s Washington D.C. staff of 675 was housed within a single commercial building near Union Station. The Department of Education (referred to as “Big Ed” by FSA staff) was in two headquarters buildings several blocks away. Within FSA, the entire Acquisitions Group consisted of a staff of about twenty employees supplemented by a group of support contractors who served as contract specialists.

Account A2 “Tensions and Distrust between the Program Office and Contracting Office” **Source: Personal hand-written notes**

On April 28, 2009, I attended a workshop on Bid Protests strategies sponsored by the National Contract Management Association (NCMA). The half-day workshop was to cover how companies may use the government’s bid protest rules as a strategy in winning contracts and I was curious as to how overt the presenter (two attorneys) would be in advising attendees to protest competitive award decisions by the government simply to gain marketing information. There were approximately 20 attendees in the nicely appointed conference facilities of a small government contractor. After introducing themselves, the presenters asked “Who is from industry? Who is from government?” From a brief hand-raise, only a few attendees appeared to be from government – which probably allowed the presenters to balance (and moderate) their presentation. One of the individuals, who indicated he was with the government, was fairly vocal in asking questions and commenting and later identified himself as a contracting officer with many years of experience. This seemed to pique the interest of one of the senior industry representative in attendance who later posed a somewhat formal question to the contracting officer, “In my experience, we constantly have trouble getting information from the Government – it takes too long, the communication process is not good and I can understand why companies need to resort to protests simply to get information. What is your view of why this happens?” Surprisingly to me, the contracting officer appeared sympathetic to the question and expressed frustration with his own agency: “(Agency) was pulled together in rapid fashion and it has not been a happy story. Programs have their own agendas associated with political appointees’ desires and there is much distrust and tension between Contracting and Programs.”

Account A3 “Tensions and Distrust between the Program Office and Contracting Office”
Source: Personal recollections

The recollection of a conversation:

Me (contract specialists): “Why is it that the program office is always traveling and going on trips to the contractor? We seem to be third class citizens back here while they seem to be having all the fun. But you guys are contracting officers ... why don't you go on trips and things with them?”

PCO#1 “I don't feel I have to. I don't want to mingle with them and get caught up in all their BS. Why would I want to waste my time with those people? I have real work to do back here.

PCO#2 “The way I look at it, my signature is all that matters. I'm signing for the United States of America. I don't need to hang out with them and don't really care to.

In 1981, as a new intern with the Naval Aviation Systems Command (NAVAIR), I was provided the opportunity to rotate for two years among the program offices and various engineering and administrative supporting offices across the largely matrixed organization. NAVAIR was responsible for the lifecycle management of the U.S. Navy's aviation systems – aircraft, aircraft engines, weapons, communication systems, sonobouys, and related supplies and services. At the time, NAVAIR Headquarters was housed in two ten-story buildings in Crystal City, Arlington VA, near the Pentagon. NAVAIR anchored one end of the sprawling Crystal City development. Naval Sea Systems Command the other, and the Naval Electronics Systems Command and Naval Material Command somewhere between. Crystal City was a beehive of Navy civilian and military personnel at a time when the Reagan Administration was planning a major “600-ship” buildup. It was an exciting time. Rapid promotion to GS-14 or even GS-15 for young new hires and interns with graduate degrees were commonplace, especially for those choosing the contracting career path.

NAVAIR was a very program centric organization, with perhaps a dozen different programs, each managed by a program office or “PMA,” under the leadership of a military program manager and civilian deputies. An informal prestige emerged around the size of the budget and the type of program. Clearly the fighter aircraft were king. The F/A-18 Hornet Program Office (PMA-265) was preeminent, with the first of its sleek new aircraft from McDonnell Douglas being deployed to the fleet. PMA-265 was headed by an admiral-rank officer (or Commodore); the F-14 Tomcat Program Office (PMA-241) was next in status, led by four Captains. Its famous “Topgun” aircraft, although of aging design, was still in production at Grumman Aircraft. Other leading program offices included the new SH-60B Seahawk/LAMPS helicopter system, the A-6 “Intruder” and EA-6B “Prowler,” the AV-8B “Harrier,” the P-3 “Orion,” the CH-53 Helicopter, the HARM Missile, the HARPOON Missile, the SPARROW Missile, the SIDEWINDER Missile, and others. Each program office had its own unique character, reinforced by photos on

the walls of their respective aircraft or missile and shaped by the culture of its users and by the contractors serving the program. After work at happy hour next door at the Holiday Inn bar known as “Fred’s,” it was common to see each program office gather at their respective tables with their military officers, civilian employees, and supporting contractors.

Each PMA had its assigned procuring contracting officer or PCO, who was based in the Contracts Directorate, “AIR-02.” The entire Contracts Directorate, including its three major Airframe, Weapons, and Components divisions, was headed by a Navy Captain (or at times a Commodore/Admiral rank) with fairly strong civilian Senior Executive/GS-15 deputies. The PCO’s themselves were either GS-14s or, for the new major programs, GS-15s. At the time, young business majors were recruited heavily as contract specialists at the GS5/7 level and usually progressed every year or two, up to GS-13. Work usually consisted of being assigned a “deal” – a contract modification or an assigned part of a negotiation (literally – a wing, tail, subcontract, etc.) on an aircraft for its annual buy. Those with graduate degrees, a good track record and good performance appraisals became GS-14 or GS-15 contracting officers. There were a few legendary superstars who garnered promotions yearly. Some getting to GS-15 before turning thirty. There was a little arrogance among the contracting specialists and contracting officers at NAVAIR. You had to be business savvy and known as a tough negotiator among your colleagues and your managers. But the ones who really succeeded were the one ones who were trusted by and curried favor with the program office. From the PMA’s perspective, you had to be reasonable and cooperative when it mattered.

**Account A3 “Tensions and Distrust between the Program Office and Contracting Office”
Source: Personal recollections**

Three times within a three-year period I found myself assisting program offices (as an advisory contractor) plan and prepare for major (\$200 million) technology services acquisition. One was for a Department of Homeland Security program and two were for Department of the Army programs. In all three cases, the program office personnel with whom I worked closely expressed great frustration – sometimes to the point of disdain – for the contracting offices they had to work with. In each of these cases, the program office had previously experienced more favorable support from other contracting offices and felt that they were being forced to use

**Account A4 “Program, Contracting, and Finance staff: Who has the nicer offices?”
Source: Personal recollections 1981 through 2009**

In federal acquisition circles there seems to be a seldom-mentioned rule that may well influence the pecking-order among the program office, the contracting office, and the budget office: *The program manager and program office staffs nearly always get the nice offices*; the contracting officer and finance nearly always work out of cubicles and crowded office environments. From normative and cultural-cognitive perspectives, *how can this not have a major impact upon how one views his or her importance within an acquisition setting?* Even if only the Contracting Officer has the official authority to sign a contract -- and only the Finance Official can authorize funds – what does it mean when the program office staff live in much better digs? How do contracting and budget personnel make-sense out of this condition? Here are some of my personal observations of various agencies over the years:

Naval Air Systems Command – (1981-1986)

The Program Manager (usually a Navy Captain) and Deputy Program Manager (usually a Civilian GS-15) were always given a private office; Contracting Officers (usually Civilian GS-15 or 15 or Navy Lt. Cdr) were given a cubicle unless they also had supervisory responsibilities; Budget Analysts assigned to the programs worked from cubicles.

Internal Revenue Service – (1999 – 2005)

Program Managers for IRS modernization projects such as CADE were given private offices; Contracting Officers and Contract Specialists were generally given cubicles (COs received bigger cubicles)

Department of Education – (2005-2006)

All COs and CSs were assigned to cubicles; Program Managers and some Deputies (e.g., CSB, COD) were assigned private offices.

Department of Homeland Security – (2006 – 2009)

Program Managers, the COTRs, and other program office staff had private offices in a modern commercial building; The CO and CS worked from cubicles in a separate building in SW Washington.

Department of the Army (2008 – 2010)

Program Managers, (and some Deputy PMs) had their own private offices – some in modern commercial buildings. The COs and CS worked from cubicles in

Account A5 “When Push Comes to Shove, the Contract will be Signed”

Source: Personal recollections 2007 and 2010

One of the great frustrations of program offices that I’ve observed over my 30 years in the acquisition field has been the amount of time it takes to award a contract. The time is often under-estimated by program office personnel who plan an acquisition according to apparently logical timeframes, only to find out that the contracting office will push out the award date for a variety of complex reasons having to do with rules and regulations. Sometimes the program office is not knowledgeable of all the steps required, the time required for these steps, or is unaware of the internal review and approval process the contracting office imposes upon the process. Often, the program office will not involve the contracting office until late in the process, at which point problems relating to acquisition approach or the integrity of the requirement are uncovered. Often too, the contracting office itself will not engage early in an acquisition due to other pressing workloads, will reassign staff, or will not assign dedicated staff until an acquisition becomes time-critical. Rarely are delays attributable to actions of the contractor who is usually eager for award in any minimally acceptable form. In 2006, as a contracting officer for the Department of Education, I was amused at the earnest efforts of a program office representative who consistently sought to meet with me on his acquisition

requirement, even though the required contract award date was nearly two years away. He expressed concern that he wanted to avoid any problems because “everyone tells me that things will get bogged down in Contracts if I don’t plan early.” His acquisition requirement was rather small and straightforward and I had a number of far more urgent contract actions to manage. I tried my best to be courteous and listen, but I barely bothered to even review his documentation, knowing that there was plenty of time. I also knew that my managers would not be concerned at this point, and that this project would likely be reassigned to someone else before long. My behavior reflected a common characteristic of the contracting office – *it is the squeaky wheels that get the grease*. Actions are prioritized by urgency of the schedule and by who calls higher levels of management to get attention to the issue. At the last minute, if the funding is available and there is enough urgency or pressure from the program office – the contract will get signed on time (or a contract modification allowing interim performance). Even in the worst situations where a requirement has not been defined, the regulations allow a contracting officer to sign a “letter contract” that permit the contractor to begin performance immediately. This was a common practice when I supported the IRS modernization program in 2000. The contracting office has other options, including expediting the review and approval of documents or bypassing such reviews altogether. Modifying an existing contract to extend the term is a common option, since the regulations restricting such modifications are somewhat vague.

Account A6 “An Executive Forum on Contracting Process Issues”

Source: Participant observation / Personal Diary Notes 5 June 2006

From July 2005 to July 2006 I was an employee of Federal Student Aid, serving as a Contracting Officer/Executive Business Advisor within the Acquisitions group. On June 5, 2006, the Chief Operating Officer (COO) held a forum in the FSA auditorium which turned out to be a forum on the perceived problems on the acquisition and contracting process. The forum of 50~75 attendees included the COO herself, other FSA executives, program managers, Contracting Officers, Contracting Officer Representatives, and other senior staff. The agenda was not announced in advance, but once the COO stated that “issues” regarding the contracting process had been brought to her attention and needed to be resolved, the discussion became increasingly engaging and sometimes passionate. The COO eventually turned the forum over to the Acquisitions Director to gather comments and develop a list of actions. Some of the comments (from Contracting Office (CO), Program Office (PO) and Finance Office (FO) staff) included the following:

- (CO) “Should Contracting Officers be held accountable to the Program Managers for their assigned actions?”
- (PO) “It’s a resource and training issue. CORs need to know what is a QASP (Quality Assurance Surveillance Plan), SOW (Statement of Work), SOO (Statement of Objectives)”
- (CO) “Training is needed for SOW/SOO writing; Too often acquisitions get shot down because of poor quality of the SOW. It is getting better, but needs improving.”
- (CO) “Key is COR training, developing COR skills, and staffing of CORs.”

- (PO) “The acquisition process requires communication – a sit-down with Contracting Officers and Contract Specialists. It worked well with us last week.”
- (PO) “Source selection criteria are not always understood.”
- (CO) “IGCEs (Independent Government Cost Estimates) are not consistent.”
- (PO) “Problems are with unrealistic schedules and CO-COR communications.”

Appendix C – Content Analysis of Selected Documents

	Document	Page Count	Word / Phrase Count																																																				
1	<p>TITLE: Federal Acquisition Regulation (FAR) TYPE: Federal regulation DATE: March 31, 2009 FAC 2005-32 PAGES: 1969 SOURCE: PDF document downloaded from www.acquisition.gov</p> <p>Description: Established for the codification and publication of uniform policies and procedures for acquisition by all executive agencies. The primary document, and agency acquisition regulations that implement or supplement the FAR. Does not include internal agency guidance</p>	1969	<p>"contracting" = 6,223 "contracting office" = 156 "contracting office shall" = 12 "contracting officer" = 4,672 "contracting officer shall" = 1,420 ----- "program" = 723 "program office" = 5 "program manager" = 5 "program manager shall" = 1 "requiring activity" = 18 ----- "finance" = 30 "finance office" = 8 "financial" = 365 "budget" = 46 (13 non-OMB)</p>																																																				
2	<p>TITLE: OMB Circular A-11 Part 7, Sect 300 - Planning, Budgeting, Acquisition, and Management of Capital Assets</p> <p>TYPE: Federal policy guidance DATE: June 2008 PAGES:</p> <p>SOURCE: PDF document downloaded from www.whitehouse.gov/OMB/</p>	32	<table style="width: 100%; border-collapse: collapse;"> <tr><td>"contracting" =</td><td style="text-align: right;">8</td></tr> <tr><td>"contracting office" =</td><td style="text-align: right;">0</td></tr> <tr><td>"contracting office shall"</td><td style="text-align: right;">0</td></tr> <tr><td>"contracting officer"</td><td style="text-align: right;">3</td></tr> <tr><td>"contracting officer shall"</td><td style="text-align: right;">0</td></tr> <tr><td>"procurement"</td><td style="text-align: right;">3</td></tr> <tr><td>-----</td><td></td></tr> <tr><td>"program"</td><td style="text-align: right;">29</td></tr> <tr><td>"program office(s)"</td><td style="text-align: right;">1</td></tr> <tr><td>"program office shall"</td><td style="text-align: right;">0</td></tr> <tr><td>"program manager"</td><td style="text-align: right;">0</td></tr> <tr><td>"program manager shall"</td><td style="text-align: right;">0</td></tr> <tr><td>"program management"</td><td style="text-align: right;">1</td></tr> <tr><td>"program management office"</td><td style="text-align: right;">0</td></tr> <tr><td>"requiring activity"</td><td style="text-align: right;">0</td></tr> <tr><td>"requiring offices"</td><td style="text-align: right;">0</td></tr> <tr><td>-----</td><td></td></tr> <tr><td>"finance office"</td><td style="text-align: right;">0</td></tr> <tr><td>"finance office shall"</td><td style="text-align: right;">0</td></tr> <tr><td>"financial"</td><td style="text-align: right;">8</td></tr> <tr><td>"financial office"</td><td style="text-align: right;">0</td></tr> <tr><td>"budget"</td><td style="text-align: right;">28</td></tr> <tr><td>"budget office"</td><td style="text-align: right;">0</td></tr> <tr><td>"budgeting"</td><td style="text-align: right;">1 (In title only)</td></tr> <tr><td>-----</td><td></td></tr> <tr><td>"organizational"</td><td></td></tr> </table> <p>("Performance-based acquisition management means a documented, systematic process for program management" p4)</p> <p>("Contracting officer certification means the highest level of certification in contracting obtained by the CO assigned to the acquisition." P2)</p>	"contracting" =	8	"contracting office" =	0	"contracting office shall"	0	"contracting officer"	3	"contracting officer shall"	0	"procurement"	3	-----		"program"	29	"program office(s)"	1	"program office shall"	0	"program manager"	0	"program manager shall"	0	"program management"	1	"program management office"	0	"requiring activity"	0	"requiring offices"	0	-----		"finance office"	0	"finance office shall"	0	"financial"	8	"financial office"	0	"budget"	28	"budget office"	0	"budgeting"	1 (In title only)	-----		"organizational"	
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"program"	29																																																						
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"finance office"	0																																																						
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"budgeting"	1 (In title only)																																																						

"organizational"																																																							
3	<p>TITLE: OMB Circular A-11 Part 7, Supplement – Capital Programming Guide V 2.0</p> <p>TYPE: Federal policy guidance DATE: June 2006 PAGES:</p> <p>SOURCE: PDF document downloaded from www.whitehouse.gov/OMB/</p>	122	<table style="width: 100%; border-collapse: collapse;"> <tr><td>"contracting"</td><td style="text-align: right;">29</td></tr> <tr><td>"contracting office"</td><td style="text-align: right;">0</td></tr> <tr><td>"contracting office shall"</td><td style="text-align: right;">0</td></tr> <tr><td>"contracting officer"</td><td style="text-align: right;">4</td></tr> <tr><td>"contracting officer shall"</td><td style="text-align: right;">0</td></tr> <tr><td>"procurement"</td><td style="text-align: right;">40</td></tr> <tr><td>-----</td><td></td></tr> <tr><td>"program"</td><td style="text-align: right;">169</td></tr> <tr><td>"program office(s)"</td><td style="text-align: right;">1</td></tr> </table>	"contracting"	29	"contracting office"	0	"contracting office shall"	0	"contracting officer"	4	"contracting officer shall"	0	"procurement"	40	-----		"program"	169	"program office(s)"	1																																		
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	Document	Page Count	Word / Phrase Count
			<p>"program office shall" 0 "program manager" 13 "program manager shall" 0 "program management" 11 "program management office" 2 "requiring activity" 0 "requiring offices" 0</p> <p>-----</p> <p>"finance office" 0 "finance office shall" 0 "financial" 42 "financial office" 0 "budget" 126 "budget office" 0 "budgeting" 16 searched in lower case only</p> <p>-----</p> <p>"organizational" 3 "offices" 5</p> <p>"team" = 32</p> <p>Document uses "procurement" frequently in lists of functions</p>
4	<p>TITLE: CIRCULAR NO. A-130 Revised Transmittal Memorandum No. 4 "Management of Federal Information Resources"</p> <p>TYPE: Federal policy guidance PAGES: SOURCE: PDF document downloaded from www.whitehouse.gov/OMB/</p>	23	<p>"contracting" = 0 "contracting office(s)" = 0 "contracting office shall" = 0 "contracting officer" = 0 "contracting officer shall" = 0 "procurement" = 9</p> <p>-----</p> <p>"program" = 10 "program office(s)" = 0 "program office shall" = 0 "program manager" = 0 "program manager shall" = 0 "program management" = 0 "program management office" = 0 "requiring activity" = 0 "requiring offices" = 0</p> <p>-----</p> <p>"finance office(s)" = 0 "finance office shall" = 0 "financial" = 13 "financial management" = 9 "financial office" = 0 "budget" = 19 "budget office" = 0 "budgeting" = 5</p> <p>-----</p> <p>"organizational" = 3 "offices" = 0</p>
5	<p>TITLE: Conducting Acquisition Assessment Under OMB Circular A-123, Office of Federal Procurement Policy,</p> <p>TYPE: Federal policy guidance DATE: May 21, 2008 PAGES: SOURCE: PDF document downloaded from www.whitehouse.gov/OMB/</p> <p>Description: Provides OMB guidelines for internal control reviews of the acquisition function as required by Office of Management and Budget (OMB) Circular A-123. OMB Circular A-123, ... Includes a template to provide a</p>	56	<p>"contracting" = 63 "contracting office(s)" = 0 "contracting office shall" = 0 "contracting officer(s)" = 22 "contracting officer shall" = 0 "procurement" = 19</p> <p>-----</p> <p>"program" = 41 "program office(s)" = 3 "program office shall" = 0 "program manager" = 1 "program manager shall" = 0 "program management" = 6 "program management office" = 0 "requiring activity" = 0</p>

	Document	Page Count	Word / Phrase Count
	<p>standard approach for conducting the entity level acquisition reviews ...</p> <p>GAO's <i>Framework for Assessing the Acquisition Function at Federal Agencies</i> (framework), GAO-05-218G, September 2005 http://www.gao.gov/new.items/d05218g.pdf.)</p> <p>Framework consists of four interrelated "cornerstones": (1) organizational alignment and leadership, (2) policies and processes, (3) human capital and (4) information management and stewardship.</p>		<p>"requiring offices" = 0</p> <p>-----</p> <p>"finance" = 9 "finance office(s)" = 1 "finance office shall" = 0 "financial" = 59 "financial management" = 18 "financial office" = 0 "budget" = 7 Includes, "Teams generally include representatives from acquisition, internal users of goods and services and the budget or finance office." "budget office" = 0 "budgeting" = 0</p> <p>-----</p> <p>"organizational" 41 (!) "offices" 5 Includes, "program offices," "functional offices," and "field offices." "shall" 3</p> <p>"Contracting Officer Technical Representative (COTR) and Program Manager (PM) work closely with the contracting officer."</p> <p>(1) = "CAOs shall collaborate with other responsible senior officials within their agency, as necessary and appropriate and in accordance with agency policy, to consider whether the results of an acquisition assessment need to be addressed in an annual assurance statement required by the Circular."</p>
6	<p>TITLE: Cost Estimating and Assessment Guide: Best Practices for Developing and Managing Capital Program Costs (GAO-09-3SP)</p> <p>TYPE: GAO special report DATE: March 2009 PAGES:</p> <p>SOURCE: PDF document downloaded from www.gao.gov</p>	440	<p>"contracting office" 0 "contracting office shall" 0 "contracting officer" 2 "contracting officer shall" 0 "contracting" 15 "contract" 296 "procurement" 35 "staff" 89 "contracting staff" 1 "procurement staff" 0</p> <p>-----</p> <p>"program office" 69 "program office shall" 0 "program office should" 3 (p286; p292; p293) "program manager" 37 "program manager shall" 0 "program manager should" 1 "program management" 136 "requiring activity" 0 "project" 246 (many instances as a verb) "project management" 53 "program staff" 4</p> <p>-----</p> <p>"finance office" 0 "finance office shall" 0 "financial" 41 "financial office" 0</p> <p>"budget" (non-cap) 362 "budget office" 3 (All CBO) "budgeting" 22 "budget staff" 0 "financial staff" 0 "financial management" 21 (incl 1 "financial management personnel")</p> <p>-----</p> <p>"personnel" 67</p>

	Document	Page Count	Word / Phrase Count
			<p>"offices" 11 (incl 9 "program offices")</p> <p>(p77) Program officials had also hired additional contracting staff with cost-estimating experience.</p> <p>EVM approved by cognizant CO (p.316); "contracting officers" p.18</p>
7	<p>TITLE: Report of the Acquisition Advisory Panel to the Office of Federal Procurement Policy and the US Congress</p> <p>TYPE: Government commissioned report</p> <p>DATE: Jan 3007</p> <p>PAGES:</p> <p>SOURCE: PDF document downloaded from www.acquisition.gov</p>	474	<p>"contracting office(s)" = 1</p> <p>"contracting office shall" = 0</p> <p>"contracting staff" = 4</p> <p>"contracting officer" = 181</p> <p>"contracting officer shall" = 11 (all FAR refs/excerpts)</p> <p>-----</p> <p>"program" = 264</p> <p>"program office" = 2</p> <p>"program office shall" = 0</p> <p>"program manager(s)" = 14</p> <p>"program manager shall" = 0</p> <p>"program management" = 6</p> <p>"program management office" = 1</p> <p>"requiring activity" = 0</p> <p>"requiring offices" 1</p> <p>-----</p> <p>"finance" 3</p> <p>"finance office" 2</p> <p>"finance office shall" 0</p> <p>"financial" 59</p> <p>"financial office" 0</p> <p>"budget" 31 lowercase</p> <p>"budget office" 0 lowercase</p> <p>"budgeting" 3</p> <p>-----</p> <p>"organizational" 27 most are OCI-related</p> <p>(p180) "Chief Dearing testified regarding the importance of the Coast Guard's strong top-down management direction to its success with performance-based initiatives. "Until that was actually directed by our top management, it wasn't going to happen. There was resistance by the contracting officer and there was resistance by the program people because they didn't want to relinquish control of the work statement, even thought someone was going to write it for them and the [contracting officer] was somewhat threatened by it. Not to mention the contracting staff had to give up billets to support the technical writers, and there was still some resistance there for that."29</p> <p>(p101) Program managers and other requiring offices must assist in determining which contractors are capable of performing the desired work. p359 (DFARS)</p>
8	<p>TITLE: Contracting Officer Representatives: Managing the Government's Technical Experts to Achieve Positive Contract Outcomes, US Merit Systems Protection Board, Report to the President and Congress, Dec 2005</p> <p>TYPE: Government commissioned report</p> <p>PAGES:</p> <p>SOURCE: PDF document downloaded from www.fai.gov</p>	71	<p>"procurement office(s)" =2</p> <p>"contracting office(s)" = 0</p> <p>"contracting office shall"</p> <p>"contracting officer(s)" 19 (40 as "Contracting Officer's Representative)</p> <p>"contracting officer shall" 0</p> <p>"procurement" 37</p> <p>-----</p> <p>"program" =15 (Not as "Program Office or Program manager)</p> <p>"program office(s)" = 4</p> <p>"program office shall" = 0</p> <p>"program manager(s)" = 12</p> <p>"program manager(s) shall" = 0</p> <p>"program management" = 1</p>

	Document	Page Count	Word / Phrase Count
			<pre> "program management office" "requiring activity" = 0 "requiring offices" = 0 ----- "finance" 2 "finance office(s)" 0 "finance office shall" "financial" 4 "financial management" 1 "financial office" 0 "budget" 2 (not in OMB) "budget office" 0 "budgeting" 0 ----- "organizational" 3 "offices" 1 "shall" 0 "should" = 65 instances </pre>
9	<p>TITLE: 2008 Acquisition Workforce Competencies Survey Results Report for the Civilian Agency Federal Acquisition Workforce</p> <p>TYPE: Government report PAGES:</p> <p>SOURCE: PDF document downloaded from www.fai.gov</p> <p>The purpose of this survey was to assess the current supply of acquisition expertise in the Federal workforce. The online, voluntary, and anonymous survey sponsored by the Office of Management and Budget (OMB) Office of Federal Procurement Policy (OFPP), and the Chief Acquisition Officers Council (CAOC) The 2008 survey targeted members of the acquisition workforce which includes Contracting professionals and those performing contracting related work, acquisition Program and Project managers (P/PMs), and individuals designated as Contracting Officer Technical Representatives (COTRs).</p>	69	<pre> "contract" 107 "contracting" 135 "contracting officer(s)" 10 "contracting officer shall" 0 "contracting office" 0 "procurement" 28 "procurement office" 0 ----- "program" 28 "program office(s)" 0 "program office shall" 0 "program manager" 0 "program manager shall" 0 "program management" 4 "program management office" 0 "requiring activity" 0 "requiring offices" 0 ----- "finance" 0 "finance office" 0 "finance office shall" 0 "financial" 44 "financial office" 0 "budget" 10 "budget office(s)" 0 "budgeting" 5 (all OMB A-11 title) ----- "organizational" 9 "activity" 13 (job activity, not organizational entity) </pre>
10	<p>TITLE: Seven Steps to Performance Based Contracting</p> <p>TYPE: Government / Private commissioned guidance DATE: PAGES:</p> <p>SOURCE: PDF document downloaded from www.acquisition.gov</p>	41	<pre> "contract" 616 "contracting" 47 "contracting officer(s)" 20 "contracting officer shall" 0 "contracting office" 0 "procurement" 88 "procurement office" 0 ----- "program" 597 "program office(s)" 0 "program office shall" 0 "program manager" 0 "program manager shall" 0 "program management" 0 "program management office" 0 "requiring activity" 0 "requiring offices" 0 </pre>

	Document	Page Count	Word / Phrase Count
			<p>-----</p> <p>"finance" 33 "finance office" 1 "finance office shall" 0 "financial" 146 (98 lowercase) "financial office" "budget" 260 (138 lowercase) "budget office" 0 "budgeting" 1</p> <p>-----</p> <p>"organizational" 0 "activity" 89</p>
11	<p>TITLE: Creating Momentum in Contract Management: The Acquisition Innovation Pilot Handbook, 1st Edition, Partnership for Public Service, Nov 2006</p> <p>TYPE: Privately commissioned study report DATE: Nov 2006 PAGES: SOURCE: PDF document downloaded from www.ourpublicservice.org</p>	76	<p>contract 223 lower case to filter for titles "procurement office(s)" 0 "contracting office(s)" 0 "contracting office shall" "contracting officer(s)" 15 "contracting officer shall" 0 2 = "Contracting officer(s) must ..." "procurement" 8 Lowercase only to filter for titles "contracting" 24 incl contracting "activities," "personnel," "officials," "teams"</p> <p>-----</p> <p>"program" 184 lower case to filter for titles "program office(s)" 0 "program office shall" "program manager(s)" 2 lower case to filter for titles "program manager(s) shall" "program management" 9 "program management office" 0 "requiring activity" 0 "requiring offices"</p> <p>-----</p> <p>"finance" 2 "finance office(s)" 0 "finance office shall" "financial" 6 lower case "financial management" 0 "financial office" 0 "budget" 5 lower case "budget office" 0 "budgeting" 1</p> <p>-----</p> <p>"organizational" 22 "offices" 4 "shall" 10</p>
12	<p>TITLE: Acquisition in Transition: Workforce, Oversight, and Mission - 2008 Procurement Policy Survey, Professional Services Council Oct 2008</p> <p>TYPE: Privately commissioned study report DATE: Oct 2008 PAGES: 32</p> <p>SOURCE: PDF document downloaded from www.pscouncil.org/</p>	32	<p>"procurement office(s)" "contracting office(s)" 0 "contracting office shall" "contracting officer(s)" 12 "contracting officer shall" "procurement" 59 "contracting" 50</p> <p>-----</p> <p>"program" "program office(s)" 0 "program office shall" "program manager(s)" 5 "program manager(s) shall" "program management" "program management office" "requiring activity" "requiring offices"</p>

	Document	Page Count	Word / Phrase Count
			<pre> ----- "finance" 0 "finance office(s)" "finance office shall" "financial" 0 "financial management" "financial office" "budget" 6 lower case "budget office" 0 "budgeting" 0 ----- "organizational" 0 0 relevant "offices" 0 0 relevant "shall" </pre>
13	<p>TITLE: Principles of Federal Appropriations Law Vol. 1 TYPE: Federal policy guidance DATE: January 2004 PAGES: 640 SOURCE: PDF document accessed at www.gao.gov</p>	640	<pre> "contract" 460 "contracting" 70 "contracting officer(s)" 8 "contracting officer shall" 0 "contracting office" 0 "procurement" 52 "procurement office" 0 ----- "program" 241 "program office(s)" 0 "program office shall" 0 "program manager" 0 "program manager shall" 0 "program management" 1 "program management office" 0 "requiring activity" 0 "requiring offices" 0 ----- "finance" 15 "finance office" 2 (1) "finance office shall" "financial" 39 (lowercase) "financial office" 0 "budget" 310 (166 lowercase) "budget office(s)" 0 (lowercase) "budgeting" 2 ----- "organizational" 3 "activity" 49 </pre>
14	<p>TITLE: Principles of Federal Appropriations Law Vol. 2 TYPE: Federal policy guidance DATE: February 2006 PAGES: 727 SOURCE: PDF document accessed at www.gao.gov</p>	727	<pre> "contract" 616 "contracting" 47 "contracting officer(s)" 20 "contracting officer shall" 0 "contracting office" 0 "procurement" 88 "procurement office" 0 ----- "program" 597 "program office(s)" 0 "program office shall" 0 "program manager" 0 "program manager shall" 0 "program management" 0 "program management office" 0 "requiring activity" 0 "requiring offices" 0 ----- "finance" 33 "finance office" 1 "finance office shall" 0 </pre>

	Document	Page Count	Word / Phrase Count
			"financial" 146 (98 lowercase) "financial office" "budget" 260 (138 lowercase) "budget office" 0 "budgeting" 1 ----- "organizational" 0 "activity" 89
15	TITLE: Principles of Federal Appropriations Law Vol. 3 TYPE: Federal policy guidance DATE: September 2008 PAGES: 898 SOURCE: PDF document accessed at www.gao.gov	898	"contract" 410 "contracting" 81 "contracting officer(s)" 8 "contracting officer shall" 0 "contracting office" 1 "procurement" 136 "procurement office" 0 ----- "program" 185 "program office(s)" 0 "program office shall" 0 "program manager" 0 "program manager shall" 0 "program management" 0 "program management office" 0 "requiring activity" 0 "requiring offices" 0 ----- "finance" 82 (45 lowercase) "finance office" 0 "finance office shall" 0 "financial" 161 (105 lowercase) "financial office" 0 "budget" 236 (117 lowercase) "budget office" 5 (0 lowercase) "budgeting" 7 (4 lowercase) ----- "organizational" 8 "activity" 88
		5670	

Appendix D – Interview Scripts

Script for Elite Interviews

The problem of managing government acquisitions is probably one of the most important – and one of the most ignored – challenges facing government today. I feel it is important that we look more into the day-to-day operations and organizational processes in acquisition before pushing policy changes and reforms. As a person familiar with these types of operations, your insights are very valuable in this area.

I am researching the question of whether “institutional” characteristics that shape the program office, the contracting office, and the budget/finance office have a bearing on how well acquisition programs are managed. “Institutional” factors include the rules and regulations that people embrace and abide by, their professional identities and obligation to duty, and the day-to-day culture and routines of working in these offices.

I'd like this interview to involve a reflection about yourself, your sense of duty to your job, and how you've tried to make things work on a day-to-day basis and make sense out of things in the acquisition programs you supported.

I must ask for your verbal consent for this interview, as it is mandatory requirement of the University's research protocol. I may paraphrase your comments or quote you, but I will not use your name or title or any other personal information that will identify you with your role or responsibility. Thank you!

-
1. Please describe your **office and your title/role** (Program Office? Contracting Office? Budget/Finance Office?)-
 2. **Special distinguishing characteristics of your office** - What do you think were the key characteristics that distinguished your organization – and the work you did in that organization – from the others? (**R,N,CC?**)
 3. **Your personal ‘fit’ in the office** - Were you happy working within this organization? Was it a good fit for your personality? Did you ever consider working for the other organizations? Why? (**CC**)
 4. **Working relationships with the other two offices** - How would you describe the working relationship between the three offices. What organizational factors do you believe shaped the working relationships with the other 2 offices? (**R, N,CC?**)
 5. **Outside perceptions of your office** - How do you think your office was perceived by your counterparts from these other offices? By the agency's leadership? Was it a fair perception? (**CC**)

6. **Professional credentials** – In terms of professionalism -- college degrees, professional certifications, and professional association participation -- how do think staff in your organization stacked up compared to the other organizations? **(N)**
7. **Your work motivations** - What really motivated you personally to “do good work” when working on the program? **(R,N,CC?)**
8. **Others’ work motivations** - Do you think your motivations differed from those in the other organizations? If so, how? **(R,N,CC?)**
9. **Regulations, rules and procedures** – What regulations, rules, and procedures drove your day-to-day work routine? How did you feel about them in doing your work? Did these regulations, rules, and procedures differ much from those of the other two organizations? **(R)**
10. **Technology and systems** – What technologies and systems drove your day-to-day work routine? How did you feel about them in doing your work? Did they differ much from those of the other organizations? **(R)**
11. **Biggest frustration question** - From an organizational perspective, what is your biggest frustration in accomplishing the mission objectives of an acquisition? **(R,N,CC?)**
12. **“King for a day” question** – Looking back, from an organizational perspective, what do you think would have made the biggest positive change in the way the program was managed? **(R,N,CC?)**

(R) – Denotes a question designed to elicit comments on the **regulative** institutional pillar
(N) – Denotes a question designed to elicit comments on the **normative** institutional pillar
(CC) - Denotes a question designed to elicit comments on the **cultural-cognitive** institutional pillar
(R,N,CC?) – A question that might elicit comments involving one or more of the institutional pillars

Appendix E - Selection of Articles and Government Reports 2003 - 2009

(This listing is intended to illustrate, by titles alone, the problem statement set forth in Chapter 1)

Waste Abuse and Mismanagement in Department of Homeland Security Contracts, U.S. House of Representatives, Committee on Government Reform, July 2006

More Dollars, Less Sense: Worsening Contracting Trends Under the Bush Administration, U.S. House of Representatives, Committee on Oversight and Government Reform, Majority Staff July 2007

A Return to Competitive Contracting: Congress Needs to Clean Up the Procurement Mess, Scott Lilly, Center for American Progress, May 2007

Troubling Trends in Federal Procurement, 2006 Procurement Survey, Professional Services Council, Grant Thornton

Homeland Security's Use of Contractors is Questioned, Washington Post Article by Spencer Hsu, October 17, 2007 pA3

Report: Contracting Workforce Needs More Training, Elizabeth Newell, Government Executive, www.govexec.com, October 23, 2007

Poor Leadership, Not Excessive Oversight is What Troubles Contracting, Vernon Edwards, (2007) www.wicon.com

Department of Homeland Security: Progress and Continuing Concerns with Acquisition Management GAO-08-1164T September 17, 2008

Department of Homeland Security: Better Planning and Oversight Needed to Improve Complex Service Acquisition Outcomes GAO-08-765T May 8, 2008

Hurricane Katrina: Ineffective FEMA Oversight of Housing Maintenance Contracts in Mississippi Resulted in Millions of Dollars of Waste and Potential Fraud GAO-08-106 November 16, 2007

Information Technology: Improvements for Acquisition of Customs Trade Processing System Continue, but Further Efforts Needed to Avoid More Cost and Schedule Shortfalls GAO-08-46 October 25, 2007

Interagency Contracting: Need for Improved Information and Policy Implementation at the Department of State GAO-08-578, May 8, 2008

Federal Contracting: Congressional Action Needed to Address Long-standing Problems with Reporting of Advisory and Assistance Services GAO-08-319, March 31, 2008

Federal Acquisition: Oversight Plan Needed to Help Implement Acquisition Advisory Panel's Recommendations GAO-08-515T, February 27, 2008

Federal Acquisitions and Contracting: Systemic Challenges Need Attention GAO-07-1098T, July 17, 2007

District of Columbia: Procurement System Needs Major Reform GAO-07-159, January 19, 2007

Highlights of a GAO Forum: Federal Acquisition Challenges and Opportunities in the 21st Century GAO-07-45SP, October 6, 2006

NOAA: Next Steps to Strengthen Its Acquisition Function GAO-06-594, June 7, 2006

Hurricane Katrina: Improving Federal Contracting Practices in Disaster Recovery Operations
GAO-06-714T, May 4, 2006

Census Bureau: Important Activities for Improving Management of Key 2010 Decennial Acquisitions
Remain to be Done GAO-06-444T, March 1, 2006

Contract Management: No Reliable Data to Measure Benefits of the Simplified Acquisition Test Program
GAO-03-1068, September 30, 2003

Small Business Contracting: Concerns About the Administration's Plan to Address Contract Bundling
Issues GAO-03-559T, March 18, 2003

Acquisition Management: Agencies Can Improve Training on New Initiatives GAO-03-281, January 15,
2003

Contract Management: Interagency Contract Program Fees Need More Oversight GAO-02-734, July 25,
2002

Contract Management: Taking a Strategic Approach to Improving Service Acquisitions GAO-02-499T,
March 7, 2002

Appendix F - Permissions

New Yorker Cartoon

October 29, 2009

James L. Vann

1715 Fantasia Circle

Herndon, VA 20170

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DATE: July 24, 2009

MEMORANDUM TO: James F. Wolf

FROM: Carmen Green

SUBJECT: FWA00000572 (expires 1/20/2010) IRB # is IRB00000667

IRB Exempt Approval: "Institutional Dimensions of the Government's "Smart Buyer Problem"" , IRB # 09-101

I have reviewed your request to the IRB for exemption for the above referenced project. The research falls within the exempt status. Approval is granted effective as of July 24, 2009. As an investigator of human subjects, your responsibilities include the following:

1. Report promptly proposed changes in the research protocol. The proposed changes must not be initiated without IRB review and approval, except where necessary to eliminate apparent immediate hazards to the subjects.
2. Report promptly to the IRB any injuries or other unanticipated or adverse events involving risks or harms to human research subjects or others.

Office of Research Compliance

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