

**DRAFT OF A
PROPOSED REPORT**

**FY 2005 DoD Purchases Made Through
the General Services Administration**

Project No. D2005-D000CF-0222.000

July 21, 2006

This proposed report is being issued to management to obtain comments and a statement of actions to be taken. The report may be revised as a result of comments received and further reviews by the Department of Defense Office of Inspector General.

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**PREPARED BY THE
DEPARTMENT OF DEFENSE
OFFICE OF INSPECTOR GENERAL**



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INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
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July 21, 2006

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
UNDER SECRETARY OF DEFENSE
(COMPTROLLER)/CHIEF FINANCIAL OFFICER

SUBJECT: Report on FY 2005 DoD Purchases Made Through the General Services
Administration (Project No. D2005-D000CF-0222.000)

We are providing this draft report for review and comment. This audit was a coordinated effort with the General Services Administration Office of Inspector General. This is the second and final audit required by Section 802 of the "Ronald Reagan National Defense Authorization Act for Fiscal Year 2005."

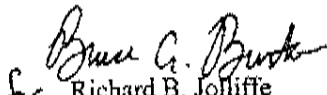
We request that management provide comments that conform to the requirements of DoD Directive 7650.3. If possible, please send management comments in electronic format (Adobe Acrobat file only) to AudACM@dodig.mil. Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

For us to consider management comments in preparing the final report, we should receive them by August 21, 2006. We normally include copies of the comments in the final report. Matters considered by management to be exempt from public release should be clearly marked for Inspector General consideration.

Management comments should indicate concurrence or nonconcurrence with the finding and recommendations. Comments should describe actions taken or planned in response to agreed-upon recommendations and provide the completion dates of the actions. State specific reasons for any nonconcurrence and propose alternative actions, if appropriate.

We appreciate the courtesies extended to the staff. Questions should be directed to either Mr. Terry L. McKinney at (703) 604-9288 (DSN 664-9288) or Mr. Timothy E. Moore at (703) 604-9282 (DSN 664-9282). If management requests, we will provide a formal briefing on the results. See Appendix G for the report distribution.

By direction of the Deputy Inspector General for Auditing:


for Richard B. Joffe
Assistant Inspector General
Acquisition and Contract Management

cc: Inspector General, General Services Administration

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Department of Defense Office of Inspector General

Project No. D2005-D000CF-0222.000

July 21, 2006

FY 2005 DoD Purchases Made Through the General Services Administration

Executive Summary

Who Should Read This Report and Why? DoD contracting officials, program managers, and financial managers should read this report because it discusses widely misunderstood DoD guidance on planning, reviewing, and funding purchases made by the General Services Administration (GSA) on behalf of DoD.

Background. Public Law 108-375 requires the DoD Office of Inspector General and the GSA Inspector General to jointly assess the policies, procedures, and internal controls of each GSA Client Support Center and determine whether the Client Support Centers were compliant with Defense procurement requirements for purchases awarded by GSA. The law requires a second review if our initial review disclosed problems. Our initial review was performed last year and disclosed numerous problems that are summarized in DoD Inspector General Report No. D-2005-096. This second report addresses whether the 11 GSA Client Support Centers and DoD requiring activities have improved their compliance with acquisition and funding laws and regulations.

The GSA Federal Technology Service provides assisted acquisition support for Federal agencies. DoD uses Military Interdepartmental Purchase Requests to transfer funds to GSA when using assisted acquisition support.

In FY 2005, DoD sent approximately 20,505 Military Interdepartmental Purchase Requests to GSA. The GSA Client Support Centers awarded approximately 18,960 orders for goods and services on behalf of DoD. Those orders had a total value of approximately \$3.0 billion. The \$3.0 billion dollar value, consisting of new orders and modifications to existing orders, represents more than 83 percent of the \$3.6 billion in total business by the GSA Client Support Centers.

Results. Although GSA and DoD contracting and program management officials improved the assisted contracting process, they continued to purchase goods and services without fully complying with appropriation law, the Federal Acquisition Regulation, and DoD procurement regulations. Of the 56 purchases reviewed, 55 were either hastily planned or improperly executed or funded. Specifically,

- on 55 of 56 purchases, DoD organizations lacked acquisition planning;
- on 54 of 56 purchases, DoD organizations did not have adequate interagency agreements with GSA;
- on 6 of 14 sole-source purchases reviewed, GSA Client Support Centers did not provide adequate justification for sole-source procurements;

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- on 42 of 51 purchases,¹ DoD did not develop and implement adequate quality assurance surveillance plans;
- on 12 of 54 purchases,² both GSA and the requesting DoD activity improperly used Government funds that resulted in potential violations of the Antideficiency Act; and
- on 11 of 56 purchases, DoD did not maintain an audit trail of the funds used to make the purchase.

The DoD Office of Inspector General identified 4 of 11 Client Support Centers that did not fully comply with DoD procurement and funding regulations. The four Client Support Centers were not fully compliant due to problems such as potential Antideficiency Act violations, and the lack of adequate interagency agreements. Both DoD and the General Services Administration are meeting to resolve problems found within the four Client Support Centers, meanwhile DoD will continue to do business with all Client Support Centers.

The Under Secretary of Defense for Acquisition, Technology, and Logistics needs to establish requirements that a DoD-qualified contracting officer evaluate acquisitions for amounts greater than the simplified acquisition threshold when a requiring DoD organization plans to use non-DoD contracts. The Under Secretary of Defense for Acquisition, Technology, and Logistics should also establish overall DoD policies on acceptable contract administration roles and responsibilities when purchasing goods or services through non-DoD agencies; finalize negotiations with non-DoD agencies to develop interagency agreements that specify agreed-upon roles and responsibilities regarding contract administration and surveillance duties; negotiate with non-DoD agencies to develop procedures that will record contractor performance on all Government contractors; and develop a training course that instructs contracting and program office personnel on the bona fide needs rule and appropriations law. The Under Secretary of Defense (Comptroller)/Chief Financial Officer needs to continue working with GSA to determine the amount of expired funds at GSA. The Under Secretary of Defense (Comptroller)/Chief Financial Officer must also oversee efforts by individual components to deobligate the expired funds and provide guidance on the specific laws other than the Economy Act. We also identified 12 potential Antideficiency Act violations, which are listed in Appendix D. Recommendations to the Under Secretary of Defense (Comptroller)/Chief Financial Officer to initiate preliminary reviews regarding those potential violations are in the yet to be released draft audit report, "Potential Antideficiency Act Violations on DoD Purchases Made Through Non-DoD Agencies." Recommendations to GSA are included in reports being prepared by the GSA Inspector General. (See the Finding section of the report for the detailed recommendations.)

Management Comments. We request that the Under Secretary of Defense for Acquisition, Technology, and Logistics and the Under Secretary of Defense (Comptroller)/Chief Financial Officer provide comments on this report by August 21, 2006.

¹Five of the purchases reviewed were for commodities and therefore did not require a QASP.

²We were unable to determine whether Government funds were properly funded for one purchase at U.S. Northern Command and one purchase at Defense Security Service due to lack of available documentation.

DRAFT REPORT

Table of Contents

Executive Summary	i
Background	1
Objectives	3
Finding	
FY 2005 DoD Use of GSA Client Support Centers	4
Appendixes	
A. Scope and Methodology	23
B. Prior Coverage	26
C. Identified Funding Problems	28
D. Potential Antideficiency Act Violations That Occurred Primarily in FY 2005	30
E. Other Identified Problems	34
F. DoD MIPRs to GSA in Audit	37
G. Report Distribution	51

DRAFT REPORT

Background

This audit was performed in accordance with section 802, Public Law 108-375, "National Defense Authorization Act for Fiscal Year 2005," October 28, 2004. Section 802 states:

(a) INITIAL INSPECTOR GENERAL REVIEW AND DETERMINATION.—

(1) Not later than March 15, 2005, the Inspector General of the Department of Defense and the Inspector General of the General Services Administration shall jointly—

(A) review—

(i) the policies, procedures, and internal controls of each GSA Client Support Center; and

(ii) the administration of those policies, procedures, and internal controls; and

(B) for each such Center, determine in writing whether—

(i) the Center is compliant with defense procurement requirements;

(ii) the Center is not compliant with defense procurement requirements, but the Center made significant progress during 2004 toward becoming compliant with defense procurement requirements; or

(iii) neither of the conclusions stated in clauses (i) and (ii) is correct.

(2) If the Inspectors General determine under paragraph (1) that the conclusion stated in clause (ii) or (iii) of subparagraph (B) of such paragraph is correct in the case of a GSA Client Support Center, those Inspectors General shall, not later than March 15, 2006, jointly—

(A) conduct a second review regarding that GSA Client Support Center as described in paragraph (1)(A); and

(B) determine in writing whether that GSA Client Support Center is or is not compliant with defense procurement requirements.

To comply with the FY 2005 National Defense Authorization Act, the DoD Office of Inspector General (OIG) and GSA OIG conducted an interagency audit of DoD purchases made by GSA. We were required to evaluate 11 of the 12 General Services Administration's (GSA) Client Support Centers (CSC).³ The law requires a second review if our initial review disclosed problems. Our initial

³The European Business Unit was not reviewed because the GSA Report, "Compendium of Audits of Federal Technology Service Client Support Center Controls," June 14, 2005, determined that the CSC (located in the Kansas City Region) was compliant with procurement regulations.

DRAFT REPORT

review was performed last year and disclosed numerous problems that are summarized in DoD Inspector General (IG) Report No. D-2005-096.

This report addresses whether problem areas identified in the initial report have been corrected. Specifically, we reviewed the policies, procedures, and internal controls in place and administered at the CSCs and determined whether the CSCs were compliant with Defense procurement and fiscal requirements. GSA OIG is also issuing an audit report addressing CSCs reviewed for compliance with procurement regulations. The OIGs of DoD and GSA transmitted a summary of this year's joint review to Congress on March 15, 2006, and provided a briefing to staffers working for the Senate Armed Services Committee on March 27, 2006.

GSA performs management and support functions for the Federal Government. Specifically, GSA offers Federal agencies workplaces, expert solutions, acquisition services, and management policies. GSA consists of the Federal Technology Service, Federal Supply Service, Public Building Services, and various Staff Offices. An anticipated GSA reorganization will consolidate the Federal Technology Service and the Federal Supply Service into the new Federal Acquisition Service. The planned Federal Acquisition Service will consist of 7 zones within 11 geographic regions. The 11 GSA regions are located in Boston (Region 1); New York (Region 2); Philadelphia (Region 3); Atlanta (Region 4); Chicago (Region 5); Kansas City (Region 6); Fort Worth (Region 7); Denver (Region 8); San Francisco (Region 9); Auburn, Washington (Region 10); and Washington, D.C. (Region 11). GSA was established in 1949 and employs approximately 13,000 personnel.

The GSA Federal Technology Service provides assisted acquisition support for Federal agencies including DoD. The GSA Federal Technology Service provides the Federal Information Technology (IT)⁴ community a comprehensive range of IT products and assisted services on a fully cost-reimbursable basis supported by the Clinger-Cohen Act. The GSA Federal Supply Schedule provides Federal agencies with negotiated contracts for commercial supplies and services. DoD uses the Military Interdepartmental Purchase Request (MIPR) to transfer funds to GSA when using assisted acquisition services.

Federal Technology Service. The GSA Federal Technology Service mission is to deliver best value and innovative solutions in IT to support Government agency missions worldwide. The GSA Federal Technology Service works with Federal Government agencies offering assisted acquisition services on a fee-for-service basis. Assisted acquisition services offered include developing the acquisition strategy; preparing the statement of work; determining the best solicitation approach; conducting the acquisition; signing contracting documents; providing legal support if required; acting as the contracting officer's technical representative on each task order; and managing contract milestones, schedules, and costs as necessary. According to the GSA Web site, GSA CSCs select from

⁴Information Technology is equipment or an interconnected system or subsystem of equipment that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission, or reception of data or information. Information Technology includes computers, ancillary equipment, software, firmware, and similar procedures, services (including support services), and related resources.

DRAFT REPORT

fully competed, national, multiple-award contracts and other Government-wide sources, including GSA Federal Supply Schedules, to identify and acquire best-value solutions to meet customer requirements.

Clinger-Cohen Act. The Information Technology Management Reform Act of 1996, also known as the Clinger-Cohen Act, defines IT. The Clinger-Cohen Act assigns overall responsibility for the acquisition and management of IT to the Director, Office of Management and Budget. The primary purposes of the Clinger-Cohen Act are to streamline IT acquisitions and emphasize life-cycle management of IT as a capital investment. The Clinger-Cohen Act also provides specific statutory authority for the GSA IT Fund.

DoD Use of GSA. DoD uses the MIPR (DoD Form 448) to transfer funds within the Services and to other Federal agencies. A MIPR is a request for materiel, supplies, or services. DoD sends reimbursable MIPRs to procure services and supplies from GSA. MIPRs are usually used to transfer funds to other Federal agencies under the authority of the Economy Act⁴ and in compliance with the DoD Financial Management Regulation, volume 11A, chapter 3, "Economy Act Orders." However, DoD issues MIPRs to GSA requesting IT goods and services under the Clinger-Cohen Act. Accordingly, the MIPRs sending funds to the GSA IT Fund are reimbursable orders that do not have the same controls as MIPRs sent under the Economy Act. The DoD activity records an obligation on its books when the MIPR is accepted by GSA. Usually acceptance occurs within a few days from when the MIPR was sent.

In FY 2005, DoD sent approximately 20,505 MIPRs to GSA. GSA awarded approximately 18,960 orders for goods and services with a total value of approximately \$3.0 billion. The \$3.0 billion dollar value, consisting of new orders and modifications to existing orders, represents more than 83 percent of the \$3.6 billion in total business by the GSA CSCs.

Objectives

Our overall audit objective was to evaluate the internal controls over DoD purchases through GSA. Specifically, we examined whether there was a legitimate need for DoD to use GSA, whether DoD requirements were clearly defined, and whether funds were properly used and tracked. We also examined how GSA accepted and fulfilled the DoD requirements. See Appendix A for a discussion of the scope and methodology. See Appendix B for prior coverage related to the objectives.

⁴The Economy Act authorizes agencies to enter into mutual agreements to obtain supplies or services by interagency or intra-agency acquisition. Each Economy Act order must be supported by a Determination and Finding stating that the use of an interagency acquisition is in the best interest of the Government, and the supplies or services cannot be obtained as conveniently or economically by contracting directly with a commercial enterprise.

DRAFT REPORT

FY 2005 DoD Use of GSA Client Support Centers

In FY 2005, GSA contracting officials and DoD management officials showed improvement from the previous year in complying with the appropriations law; however, those officials continued to purchase goods and services without fully complying with the Federal Acquisition Regulation (FAR), DoD procurement regulations, and fiscal policy. Of the 56 purchases reviewed, 55 were either hastily planned or improperly funded. Specifically,

- on 55 of 56 purchases, DoD organizations lacked acquisition planning;
- on 54 of 56 purchases DoD organizations did not have adequate interagency agreements with GSA;
- on 6 of 14 sole-source purchases reviewed, GSA CSCs did not provide adequate justification for sole-source procurements;
- on 42 of 51 purchases,⁶ DoD did not develop and implement adequate quality assurance surveillance plans (QASP);
- on 12 of 54 purchases,⁷ both GSA and the requesting activity improperly used Government funds; and
- on 11 of 56 purchases, DoD did not maintain an audit trail of the funds used to make the purchase.

This occurred because DoD guidance on the use and funding of interagency agreements for non-DoD purchases was unclear. As a result, DoD organizations making purchases through GSA had no assurance that the purchases were based on best value and DoD continued to incur potential Antideficiency Act violations.

Criteria

Acquisition Planning Criteria. FAR Part 7, "Acquisition Planning," details the Federal requirements for acquisition planning. FAR Subpart 7.102(b) states that agencies must perform acquisition planning for all acquisitions.

This planning shall integrate the efforts of all personnel responsible for significant aspects of the acquisition. The purpose of this planning is

⁶Five of the purchases reviewed were for commodities and therefore did not require a QASP.

⁷We were unable to determine whether Government funds were properly funded for one purchase at U.S. Northern Command and one purchase at Defense Security Service due to lack of available documentation.

DRAFT REPORT

to ensure that the Government meets its needs in the most effective, economical, and timely manner.

FAR Subpart 7.105 requires organizations to consider acquisition alternatives and prospective sources of supplies and services that will meet their need.

FAR Part 10, "Market Research," requires that agencies use the results of market research to determine the sources capable of satisfying the agency's requirements.

Proper Use of Non-DoD Contracts. The Principal Deputy Under Secretary of Defense (Comptroller) and Acting Under Secretary of Defense (Acquisition, Technology, and Logistics) issued an October 29, 2004, memorandum, "Proper Use of Non-DoD Contracts" (DoD October 29, 2004, Memorandum). The memorandum directs Military Departments and Defense agencies to establish procedures for reviewing and approving the use of non-DoD contract vehicles when procuring supplies and services on or after January 1, 2005, for amounts exceeding the simplified acquisition threshold. The procedures for assisted acquisitions must include evaluating whether using a non-DoD contract is in the best interest of DoD; determining that services and supplies are within the scope of the contract used; reviewing funding to ensure it is in compliance with appropriation limitations; providing unique terms, conditions, and requirements to the assisting agency for incorporation into the order or contract, thus ensuring the contract is in compliance with DoD-unique statutes, regulations, directives, and other requirements; and collecting data on the use of assisted acquisitions for analysis.

The Military Departments prepared procedures in compliance with section 854 of the FY 2005 National Defense Authorization Act and the DoD October 29, 2004, Memorandum noted above that establish policy for reviewing and approving the use of non-DoD contract vehicles when procuring supplies and services.

The Army, Navy, and Air Force issued their own "Proper Use of Non-DoD Contracts" memorandums in response to the DoD October 29, 2004, Memorandum. The Army July 12, 2005, Memorandum states, "prior to the transmittal of an assisted acquisition request to a non-DoD organization, the requiring activity shall consult with its designated contracting office (if there is no contracting office...contact the Office of Procurement Policy and Support under the Deputy Assistant Secretary of the Army (Policy and Procurement) for assignment of an Army contracting office), which will advise regarding the various DoD contractual options available to obtain the supplies and services." The Navy December 20, 2004, Memorandum instructs "requiring individuals must document for the record the following: The action is in the best interest of DoD..." While the Air Force December 6, 2004, Memorandum directs that "the requiring organization shall document the following: Use of a non-DoD contract is in the best interest of the Air Force and should be signed by the Program Manager or Project Officer for assisted acquisitions." All Military Department memorandums were effective on or after January 1, 2005.

DoD Policy on Interagency Agreements. Section 1535, title 31, United States Code, "Agency Agreements," allows the head of an agency or major organizational unit within an agency to place an order with another agency for

DRAFT REPORT

goods or services if amounts are available, it is in the best interest of the U.S. Government, the other agency can fill the order, and the order cannot be provided by contract as conveniently or economically by a commercial enterprise.

DoD Instruction 4000.19, "Interservice and Intragovernmental Support," August 9, 1995, implements policies, procedures, and responsibilities for intragovernmental support as a result of agreements among Federal Government activities. DoD organizations may enter into interagency agreements with non-DoD Federal activities when funding is available to pay for the support, the agreement is in the best interest of the Government, the supplying activity is able to provide the support, the support cannot be provided as conveniently or economically by a commercial enterprise, and the agreement does not conflict with any other agency's authority. Determinations must be approved by the head of the major organizational unit ordering the support and must be attached to the agreement.

DoD Financial Management Regulation volume 11A, chapter 1, "General Reimbursement Procedures and Supporting Documentation," March 1997, details interagency agreement documentation required to support evidence of a formal offer and acceptance between the grantor and grantee of the order. The minimum essential documentation includes the authority to enter into the Memorandum of Understanding, a description of the material or services required, the established dollar limits, financial source or fund citation, delivery requirements, payment provisions, duration of the agreement, and the form in which specific orders against the Memorandum of Understanding or Memorandum of Agreement will be placed.

The DoD Deputy Chief Financial Officer issued a March 24, 2005, memorandum, "Proper Use of Interagency Agreements for Non-Department of Defense Contracts Under Authorities Other Than the Economy Act" (DoD March 24, 2005, Memorandum). This memorandum, in conjunction with the DoD October 29, 2004, Memorandum, establishes DoD policy on assisted acquisitions such as those completed by the GSA Federal Technology Service and ensures that interagency agreements (under other than the Economy Act) for non-DoD contracts are used in accordance with existing laws and DoD policy.

MIPR Guidance. Section 1501, title 31, United States Code, "Documentary Evidence Requirement for Government Obligations," requires a binding, written agreement between two agencies that will report the specific goods to be delivered, real property to be bought or leased, or work or services to be provided. Defense Federal Acquisition Regulation Supplemental 253.208-1, "Military Interdepartmental Purchase Requests," requires reporting a realistic time of delivery or performance on each MIPR.

Sole-Source Requirements. FAR 6.3, "Other Than Full and Open Competition," requires that a contracting officer shall not commence negotiations for a contract resulting from an unsolicited proposal, or award any other contract without providing for full and open competition unless the contracting officer justifies the use of such actions in writing; certifies the accuracy and completeness of the justification; and obtains the proper approval level (based on dollar limits) for the justification. The exceptions identified in FAR 6.302 are: only one responsible

DRAFT REPORT

source and no other supplies or services will satisfy agency requirements; unusual and compelling urgency; industrial mobilization; engineering, developmental, or research capability; or expert services; international agreement; authorized or required by statute; national security; and public interest.

Surveillance Requirements. FAR Subpart 46.103, "Contracting Office Responsibilities," provides that contracting offices are responsible for receiving a QASP from the requesting activity when contracting for services. FAR Subpart 46.103 states:

Contracting offices are responsible for receiving from the activity responsible for technical requirements any specifications for inspection, testing, and other contract quality requirements essential to ensure the integrity of the supplies or services (the activity responsible for technical requirements is responsible for prescribing contract quality requirements, such as inspection and testing requirements or, for service contracts, a quality assurance surveillance plan).

According to FAR Part 46.4, "Government Contract Quality Assurance," a QASP should be prepared in conjunction with preparation of the statement of work and should specify all work requiring surveillance and the method of surveillance. FAR Part 46.4 states:

Government contract quality assurance shall be performed at such times (including any stage of manufacture or performance of services) and places (including subcontractors' plants) as may be necessary to determine that the supplies or services conform to contract requirements. Quality assurance surveillance plans should be prepared in conjunction with the preparation of the statement of work. The plans should specify—(1) All work requiring surveillance; and (2) The method of surveillance.

FAR Part 37.6, "Performance-Based Contracting," addresses QASP requirements for performance-based contracts. It requires agencies to develop QASPs when acquiring services that contain measurable inspection and acceptance criteria corresponding to the performance standards contained in the statement of work. FAR 37.6 states:

Agencies shall develop quality assurance surveillance plans when acquiring services (see 46.103 and 46.401(a)). These plans shall recognize the responsibility of the contractor (see 46.105) to carry out its quality control obligations and shall contain measurable inspection and acceptance criteria corresponding to the performance standards contained in the statement of work. The quality assurance surveillance plans shall focus on the level of performance required by the statement of work, rather than the methodology used by the contractor to achieve that level of performance.

DRAFT REPORT

Past Performance Requirements. FAR 42.15 "Contractor Performance Information" states:

Past performance information is relevant information, for future source selection purposes . . . It includes, for example, the contractor's record of conforming to contract requirements and to standards of good workmanship; the contractor's record of forecasting and controlling costs . . . interim evaluations should be prepared as specified by the agencies to provide current information for source selection purposes, for contracts with a period of performance, including options, exceeding one year.

The Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (Defense Procurement and Acquisition Policy) issued "A Guide to Collection and Use of Past Performance Information." The current version, issued in May 2003, articulates the key techniques and practices for the use and collection of past performance information. The publication provides guidance for both collection and use of past performance. Contracting offices must track past performance information for contracts valued at \$1.0 million or more. The guide states that assessments must be made as close as practicable to each anniversary of the effective date of the contract; however, the agencies shall determine the specific dates. A best practice is to include performance expectations in the Government's and contractor's initial post-award meeting.

Contract Funding Requirements. To use appropriated funds, there must be a bona fide need for the requirement in the year the appropriations are available for obligation. Section 1502(a), title 31, United States Code states,

The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability and obligated consistent with section 1501 of this title. However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law.

DoD Financial Management Regulation Appropriation Guidance. Annual appropriation acts define the uses of each appropriation and set specific timelines for use of the appropriations. However, the DoD Financial Management Regulation, volume 2A, chapter 1, provides guidelines on the most commonly used DoD appropriations for determining the correct appropriation to use when planning acquisitions.

Research, Development, Test, and Evaluation. The Under Secretary of Defense (Comptroller) (USD[C]) memorandum, "Clarification of Policy - Budgeting for Information Technology and Automated Information Systems," October 26, 1999, further clarifies the use of research, development, test, and evaluation (RDT&E) funds for IT purchases. DoD organizations fund development, test, and evaluation requirements, including designing prototypes and processes, with RDT&E appropriations. DoD organizations use RDT&E funds to develop major system upgrades, to purchase test articles, and to conduct developmental testing and initial operational testing and evaluation before the

DRAFT REPORT

DoD organizations accept and produce systems. In general, RDT&E funds should be used for all developmental activities involved with new systems or major upgrades. RDT&E funds are available for obligation for 2 years.

Operation and Maintenance. Expenses incurred in continuing operations and current services are funded with operation and maintenance (O&M) appropriations. The USD(C) considers all modernization costs under \$250,000 to be expenses, as are one-time projects such as developing planning documents and conducting studies. O&M funds are available for obligation for 1 year.

Procurement. The acquisition and deployment of a complete system or the modification of a system with a cost of \$250,000 or more is an investment and should be funded with a procurement appropriation. Complete system cost is the aggregate cost of all components (for example, equipment, integration, engineering support, and software) that are part of, and function together, as a system to meet an approved documented requirement. For modification efforts, count only the cost of the upgrade (for example, new software, hardware, and technical assistance) towards the investment threshold. Procurement funds are available for obligation for 3 years.

Defense Working Capital Fund. The Defense Working Capital Fund is a revolving fund, which means that it relies on sales revenue instead of direct appropriations to finance its operations. A DoD organization that has a Defense Working Capital Fund receives reimbursements from another organization for the goods purchased or the services rendered. The revolving fund operates on a break-even basis over time; that is, the DoD organization operating the Defense Working Capital Fund neither makes a profit nor incurs a loss. Rates are adjusted annually to keep the fund in balance. Defense Working Capital Funds do not have a restriction on the time they are available for obligation.

Military Construction. A military construction project includes the cost of all military construction work to produce a complete and usable facility or a complete and usable improvement to an existing facility. Section 2802, title 10, United States Code, states that the Secretary of Defense and the Secretaries of the Military Departments may carry out such military construction projects as are authorized by law. Section 2805, title 10, United States Code, states that the Secretary of Defense and the Secretaries of the Military Departments may carry out unspecified minor construction projects equal to or less than \$1.5 million. If the project is to correct a deficiency that is life-, health-, or safety-threatening, then the Secretary may approve the project to cost up to \$3.0 million. Military construction funds are available for obligation for 5 years.

The DoD March 24, 2005, Memorandum directs actions for services and goods. Funds for services provided to a servicing agency that have expired, require the servicing agency to deobligate and return funds unless the order was prepared when funds were available; the order was specific, definite, and certain, and the period does not exceed 1 year for severable services. Funds for goods provided to a servicing agency that have expired should be deobligated and returned from the servicing agency unless the request was made when funds were available; and the item could not be delivered when funds were available.

DRAFT REPORT

The USD(C) issued a March 27, 2006, memorandum entitled "Proper Use of Interagency Agreements with Non-Department of Defense Entities Under Authorities Other Than the Economy Act" (DoD March 27, 2006, Memorandum). This memorandum was issued due to the need to improve the use and control of DoD funds under interagency agreements. The memorandum directs DoD to commence corrective actions immediately; failure to comply with corrective actions may result in the revocation of authority to transfer funds to non-DoD entities executing interagency agreements. The corrective actions include status reviews of all interagency agreements and coordination with outside entities to return funds no later than June 30, 2006. In addition, expired funds provided to a servicing agency for services or goods must be deobligated no later than June 30, 2006. Furthermore, existing orders for severable services using O&M funds should not extend beyond 1 year from the date the funds were accepted by the servicing agency. Interagency agreement funding documents for severable services should include a statement that funds are available for services for a period not to exceed 1 year from the date of obligation and acceptance of the order, and certifying that goods acquired represent a bona fide need of the fiscal year funds were obligated. Finally, triannual review certifications should state that interagency agreements are consistent with DoD policy and report amounts reviewed and deobligated to the USD(C) no later than July 15, 2006.

DoD Planning for GSA-Assisted Contracting

We visited 13 DoD organizations that sent funds to GSA using MIPRs and Orders for Work and Services (Form 2275) for the purchase of goods and services. Results among the 13 DoD organizations showed that the organizations did not:

- document that the non-DoD contracts were in the best interest of DoD;
- enter into interagency agreements with GSA that were specific, definite, and certain; and
- properly complete the MIPRs used to fund their purchases.

Acquisition Planning. On 55 of 56 purchases, or 98 percent, as compared to 91 percent last year (68 of 75 purchases), DoD organizations did not have supporting documentation illustrating that making the purchase through GSA was in the best interest of the Government. All 13 DoD organizations had some purchases with inadequate acquisition planning. During initial acquisition planning DoD organizations should determine the best way to purchase goods or services. One option is through an interagency transaction such as the GSA IT Fund. Another option includes the use of a DoD contracting office to procure the goods or services from a Federal Supply Schedule, an existing contract, or from a new contract award. Assisted acquisitions such as those performed by GSA CSCs include a surcharge of from 2 to 5 percent. Since DoD sent GSA CSCs approximately \$3.0 billion for new orders and modifications to existing orders in FY 2005, DoD is providing GSA between \$60 million to \$150 million in surcharges that might have been put to better use in DoD if using a DoD contracting officer had been a viable option instead of GSA.

DRAFT REPORT

Basic acquisition planning ensures that requiring organizations consider procurement alternatives before acquiring the goods and services. Agency planning should address specific requirements through a preliminary statement of need or statement of work. In addition, thorough acquisition planning provides realistic delivery and performance schedules, identifies planned management responsibilities for contract performance, and develops a tentative cost basis for the purchase.

Acquisition Alternatives. DoD purchases through GSA consistently lacked an analysis of acquisition alternatives. Fifty-five of the 56 purchases examined at 13 different DoD activities were not performed in accordance with FAR requirements. For example, the Program Manager Tactical Radio Communications Systems (PM TRCS) activity did not provide an acquisition plan that justified the use of GSA as the best acquisition alternative. Specifically, PM TRCS did not comply with either the FAR or the Army July 12, 2005, Memorandum. This memorandum requires that the "head of the requiring activity (06/GS-15 level or higher) must execute a written certification that the order is in the best interest of the Army." Without a documented analysis of alternatives, PM TRCS was unable to support that the purchase was in the best interest of the Government. A PM TRCS Contracting Officer's Representative (COR) stated that GSA required less stringent policy in prior years, so GSA was selected as the chosen alternative. The COR added that lenient GSA "policy did not require acquisition plans or justifications and approvals." Government agencies must select the best acquisition alternative, rather than the easiest to use.

In another instance, the Air Force Accounting and Finance Office (the AF Finance Office) did not adequately determine whether selecting GSA was in the best interest of DoD when placing a purchase of kiosks to be used on Air Force bases. The AF Finance Office also did not use the correct fiscal year funds to procure the goods. The AF Finance Office purchased commercial items to be delivered in FY 2006 using FY 2005 O&M funds. The AF Finance Office compliance and understanding with the Air Force December 6, 2004, Memorandum would have resolved improper planning and incorrect use of funds issues. The Air Force December 6, 2004, Memorandum requires that the Air Force determine whether "use of a non-DoD contract is in the best interest of the Air Force" and whether the "funding appropriation is legal and proper for the acquisition and used in accordance with any appropriation limitation." To avoid inadequate acquisition planning, DoD personnel must comply with DoD policy. Use of non-DoD contracts is not a substitution for proper acquisition planning.

Acquisition Guidance. Of 13 DoD activities reviewed, only 3 issued local guidance on the proper use of non-DoD contract vehicles. The DoD October 29, 2004, Memorandum states that Military Departments and Defense agencies are required to establish procedures for reviewing and approving the use of non-DoD contract vehicles when procuring supplies and services on or after January 1, 2005. Specifically, the DoD October 29, 2004, Memorandum requires that the procurement source be in the best interest of DoD; however, this memorandum does not require contracting officers to review purchases. Though the DoD October 29, 2004, Memorandum does not require contracting officers to review purchases, the Army July 12, 2005, and Air Force December 6, 2004, Memorandums direct the requiring activity to consult with the contracting office

DRAFT REPORT

on various DoD contract options available to obtain supplies and services. However, the Navy December 20, 2004, Memorandum does not require the contracting office review purchases. To promote acquisitions that are in the best interest of DoD and prevent inconsistencies between DoD organizations, the Under Secretary of Defense for Acquisition, Technology, and Logistics should require that contracting officers review all DoD purchases being assisted by a non-DoD activity. The U.S. Army Communications and Electronics Command, the Cryptologic Systems Group, and the U.S. Northern Command prepared local guidance in accordance with the "Proper Use of Non-DoD Contracts" guidance. However, those commands did not implement the new procedures in time for local reviews to be performed on the purchases reviewed during this audit. Overall, none of the 13 DoD organizations complied with the DoD October 29, 2004, Memorandum on the proper use of non-DoD contract vehicles.

Interagency Agreements. On 54 of 56 purchases, or 96 percent, as compared to 99 percent last year (74 of 75 purchases), the 13 DoD organizations reviewed did not have adequate interagency agreements with GSA outlining the terms and conditions of the purchase. Of the 54 inadequate interagency agreements, 25 had no related interagency agreement, and 29 had inadequate interagency agreements because the agreements did not address the specific purchases. The only two purchases with adequate interagency agreements were at the Joint Information Operations Center. The Joint Information Operations Center developed two specific interagency agreements in accordance with military requirements.

Twenty-nine interagency agreements available were not prepared in accordance with DoD Instruction 4000.19 and Financial Management Regulation volume 11A, chapter 1 requirements. Those requirements include detailed descriptions of the procured goods and services, disclosure terms and conditions for the procurement services, and the authority for entering into the agreement. For example, the Counterintelligence Field Activity signed a Memorandum of Agreement with GSA for counterintelligence support. The "boilerplate" interagency agreement with GSA was signed by the Director for Business Operations, Counterintelligence Field Activity. This agreement did not identify the specific requirements of the purchase or contract surveillance roles and responsibilities for the DoD program office and GSA contracting office personnel. To the contrary, the agreement limited the roles and responsibilities for contract surveillance to receiving and accepting services in a timely manner. In a second example, the AF Finance Office interagency agreement did not list the required minimum essential information. The Memorandum of Agreement did not identify the dollar limits, financing source or fund citation, delivery requirements, or duration of the agreement. The Defense Federal Acquisition Regulation Supplement Part 207, "Acquisition Planning" mandates that supplies or services acquired by placing an order under a non-DoD contract will be consistent with DoD statutory and regulatory requirements applicable to the acquisition and the requirements for use of DoD appropriated funds. Therefore, non-DoD contracts must comply with DoD Instruction 4000.19 and Financial Management Regulation volume 11A, chapter 1 requirements for preparing interagency agreements. That information is necessary at the time the interagency agreement is entered into to determine whether correct funds are being used and whether the non-DoD purchase is in the best interest of DoD. The proper use of

DRAFT REPORT

interagency agreements must be viewed as a shared responsibility by all parties involved in the purchase.

MIPR Preparation. Of 223 MIPRs reviewed, 199 (89 percent) did not contain the required information necessary for interagency transactions. DoD organizations issued MIPRs that either lacked a specific, detailed description of the goods or services to be acquired or failed to specify the period of performance for purchased services. For example, the Battle Command Battle Laboratory, Fort Huachuca, issued a MIPR for services related to the creation of an advanced prototype capability called Blast and Damage Assessment Risk Analysis and Mitigation Application, totaling \$1.6 million, but the MIPR did not include the required, detailed description for an interagency transaction. Overall, DoD MIPRs lacked detailed descriptions of the purchase or references to the statements of work containing both the purpose and detailed requirements. Additionally, MIPRs did not include the period of performance during which the contractor would supply the services.

When preparing a MIPR, DoD organizations should include a reference to an interagency agreement, statement of work, task order, modification, or other contractual document that contains a specific description of goods and services being procured, including the expected periods of performance, to provide a sound basis for the use of DoD funds. Furthermore, the DoD March 27, 2006, Memorandum requires all future interagency agreement funding documents for severable services to include the statement, "These funds are available for services for a period not to exceed one year from the date of obligation and acceptance of this order. All unobligated funds shall be returned to the ordering activity no later than one year after the acceptance of the order or upon completion of the order, which ever is earlier." The memorandum also requires that interagency funding documents for goods include the statement, "I certify that the goods acquired under this agreement are legitimate, specific requirements representing a bona fide need of the fiscal year in which these funds are obligated."

Sole-Source Contracts

Sole-Source Contracts. GSA contracting officials did not adequately justify the use of sole-source contracts for purchases. Fourteen of the 56 contract actions were examined to determine the adequacy of contracts awarded on a sole-source basis. Six of the 14 contract actions did not comply with FAR requirements when making sole-source awards. Two of the six sole-source awards cited the Directed Buy process. The Directed Buy is utilized by GSA to directly assign an order to a contractor specified on the statement of work. Another contract cited FAR 6.302-1, "One Responsible Source." Two other contracts cited FAR 8.405-7(a)(4)(i), "Only One Responsible Source" and FAR 8.405-7(a)(4)(iv), "Urgent and Compelling Need Exists." Both of these FAR cites are located in Subpart 8.4, "Federal Supply Schedules." Finally, the remaining contract action that did not comply with FAR requirements did not include an explanation as to why the contract was not competed. Although the sole-source exceptions were cited, the sole-source awards did not support the assertions. Contracts that are not fully competed must provide sufficient explanations why

DRAFT REPORT

FAR exceptions are allowable. GSA did not furnish acceptable documentation supporting the use of FAR exceptions.

GSA CSC Region 6-Kansas City. For instance, GSA contracting officials at Region 6 (Kansas City) issued a sole-source contract on behalf of the Defense Manpower Data Center. The requirement was for contractor technical support including an end-user help desk, communications/network support and engineering, and database server maintenance. The Justification and Approval (J&A) states "there is insufficient time to re-solicit this requirement on a competitive basis" and cites FAR 8.405-7(a)(4)(i), "only one source is capable of responding due to the unique or specialized nature of the work." The "insufficient time" justification is not in accordance with the cited FAR 8.405-7(a)(4)(i) and is unacceptable. Specifically the J&A did not explain how the purchase was unique or specialized. We regard delays in re-soliciting requirements as a lack of advanced planning. The FAR states, "contracting without providing for full and open competition shall not be justified on the basis of a lack of advanced planning by the requiring activity." Furthermore, GSA contracting officials did not comply with FAR requirements for "planning as soon as the agency need is identified," so sufficient time was not available to compete the contract. Therefore, GSA did not ensure that the Government met its needs in the most effective, economical, and timely manner.

GSA CSC Region 2-New York. In another instance, GSA contracting officials at Region 2 (New York) issued a sole-source contract for PM TRCS on March 4, 2005. The requirement was to provide the Taiwan Army with command, control, computer, communication, intelligence, surveillance, and reconnaissance. The J&A cites FAR 8.405-7(a)(4)(iv), which states that due to the urgent and compelling need, following ordering procedures would result in unacceptable delays. Furthermore, the disruption of service would negatively impact the Taiwan program. GSA approved the J&A on April 26, 2005. Since the J&A is dated nearly 2 months after contract award, GSA prepared the J&A after the contract award date. The J&A was not prepared within a reasonable period of time. GSA did not comply with proper procedures to award sole-source contracts. If GSA followed proper procedures for awarding the contract, other contractors may have been considered as alternative options.

Contract Administration

DoD purchases reviewed did not clearly delineate contract administration roles and responsibilities for monitoring contractor performance or past performance information within DoD systems. Contract administration includes functions conducted by Government personnel from the awarding of the contract through contract termination. Furthermore, contract administration includes the elements of surveillance and documentation of past performance.

DoD Contracting Officers' Representatives. Defense Federal Acquisition Regulation Supplement Subpart 201.6, "Contracting Authority and Responsibilities," states that contracting officers may designate qualified personnel as their authorized representatives to assist in either technical monitoring or administration of a contract. GSA contracting officers identified

DRAFT REPORT

DoD personnel as CORs for 22 of the 56 purchases. However, there was no clear guidance explaining the specific surveillance steps DoD and GSA personnel should perform for these contract actions.

DoD Surveillance Roles and Responsibilities. At DoD activities 54 of 56 purchases reviewed did not clearly identify the roles and responsibilities for contract administration. The DoD surveillance personnel duties and responsibilities stated within contract files were often vague and unclear. At PM TRCS, six of the nine purchases reviewed from the activity had identical GSA and DoD COR delegation letters delineating the same duties to both DoD and GSA personnel. Therefore, we could not determine which agency had responsibility for contract surveillance for these requirements. In most instances, DoD CORs were unaware of the GSA-assigned roles and responsibilities for contract administration and contract surveillance. For 30 of the 56 purchases, DoD surveillance personnel did not have a list of their duties and responsibilities. Discussions with GSA and DoD revealed that DoD CORs were ultimately responsible for monitoring contractors' performance. The DoD October 29, 2004, Memorandum establishes procedures for reviewing and approving the use of non-DoD contract vehicles when procuring goods and services; however, additional policy is needed to clarify surveillance roles and responsibilities for interagency contracting. Agencies must work together in documenting clear contract administration duties and responsibilities.

DoD Surveillance Efforts. DoD officials were unable to demonstrate how they effectively monitored contractor performance. DoD surveillance efforts did not provide assurance that the contractor performed work in accordance with contract specifications. Most DoD activities did not develop and implement QASPs in accordance with FAR requirements. DoD surveillance personnel often stated that surveillance procedures were limited to reviewing monthly status reports and invoices for evidence of contractor compliance with contract terms. In many cases, DoD surveillance personnel were unable to furnish detailed surveillance procedures to monitor the contractors performance, even on time-and-materials contracts that the FAR states must have tight controls as there is no incentive for the contractor to perform the contract in an efficient manner. DoD must develop and implement QASPs that include all work requiring surveillance and the method of surveillance when monitoring contractor performance on service contracts. This could assist DoD requiring offices in determining whether the contractor is being efficiently and effectively monitored, as well as help identify areas requiring surveillance improvements. Establishing effective surveillance efforts is also crucial in distinguishing excellent and poor performing contractors for past performance ratings.

Forty-two of 51 purchases⁸ did not develop and implement adequate surveillance plans that met military requirements. Thirty purchases did not include QASPs; the remaining 12 purchases contained inadequate surveillance plans. Without adequate surveillance plans there was no assurance that work requiring surveillance was actually monitored, or that the methods to perform surveillance were adequate. Non-existent and inadequate surveillance plans increase the risks of the contractor not performing within contract specifications. The FAR states

⁸Five of the purchases reviewed were for commodities and therefore did not require a QASP.

DRAFT REPORT

that time-and-materials contracts require sufficient oversight due to the lack of incentive for the contractor to control costs or perform work efficiently. For instance, the 53rd Wing Air Combat Command did not provide a QASP with detailed metrics and surveillance procedures for the time-and-materials contract supporting electronic warfare, weapons systems, and computer systems. However, GSA contracting officials located in Atlanta (Region 4) did prepare a QASP, although the surveillance plan methods of surveillance were too broad. The QASP did not detail how the Government should monitor contractor performance for this specific purchase. The DoD COR did not follow the vague procedures within the surveillance plan because the DoD COR had no knowledge that a QASP existed for the contract.

Contractor Past Performance. DoD policy states that contracts worth \$1.0 million or more with a period of performance greater than 1 year will have annual performance assessment reports prepared. Periodically evaluating and documenting current contractor performance into an automated past performance information system provides valuable input to a contractor's prior performance, which can be an integral part of the "best value" source selection decision in future contract awards. It also provides the contractor with added motivation to perform at a very high level because future source selection decisions can be greatly impacted by the contractor's prior level of performance. Additionally, it can force contractors to improve inadequate performance before the next reporting cycle.

DoD contracting officials did not record GSA contractors' past performance, nor were they required to access the past performance system GSA uses to record GSA contractors' past performance. No past performance information on GSA contracts had been entered into DoD past performance data collection systems used to assess performance for future contract awards. GSA contracting officials stated GSA records past performance information into the Past Performance Information Retrieval System (PPIRS), the Federal Government's central retrieval system for all past performance assessments. PPIRS functions as the central warehouse for performance assessment reports received from other Federal performance information collections systems. However, PPIRS use is not mandatory for Federal agencies. DoD officials are not required to use PPIRS; however, they "may consider" information from the past performance system. The Military Departments rely on the Contractor Performance Assessment Reporting System and Past Performance Information Management System to record and retrieve past performance information. The 13 DoD activities reviewed did not use PPIRS, nor were they required to use PPIRS, the system that holds past performance assessments of GSA contracts. We believe that DoD should issue guidance requiring DoD organizations to enter past performance information into PPIRS and access PPIRS for future source selection decisions. PPIRS required use would ensure that DoD organizations access past performance information from a central location. Furthermore, all Government agencies should agree on a mandatory system that records contractor performance for use by all agencies. A Government-wide system enables agencies access to all contractor evaluations, rather than employing several different past performance systems that contain varying degrees of information.

DRAFT REPORT

Improper Use of Government Funds

On 12 of 54 purchases,⁹ or 22 percent, as compared to 51 percent last year (38 of 75 purchases), the requesting activity improperly used Government funds. DoD organizations either did not have a bona fide need in the year of the appropriation used or funded the purchase with an incorrect appropriation. On 11 of 56 purchases, or 20 percent, DoD did not maintain an audit trail of the funds used to make the purchase. DoD auditors reviewed the procedures and controls related to 223 MJPRs (valued at approximately \$179 million) that went to 11 separate GSA CSCs over a time span from December 2002 through November 2005 to fund 56 purchases. Of these 56 purchases, 51 had funded actions in FY 2005. We reviewed funding of purchases prior to FY 2005 to determine the source of the funds being used for the FY 2005 purchases.

Preliminary acquisition planning involving a qualified DoD contracting officer and early communication with GSA can prevent the improper use of Government funds, ensure that DoD purchases made through GSA and other non-DoD activities are made in the best interest of DoD, prevent potential Antideficiency Act violations, prevent the loss of DoD funds through expiration or improper spending, and help ensure that DoD receives best value acquisitions.

During the prior year's audit, both program and contracting officials operated as though funds accepted by GSA into the revolving IT Fund were available without limitation by fiscal year or use. The law, section 757, title 40, United States Code, establishes the IT Fund, and states that the fund "shall be available without fiscal year limitation." The phrase "shall be available without fiscal year limitation" applies to the capitalized fund itself. The funds reimbursing the capitalized fund must follow appropriations law. By not following the legal restriction on appropriations to have a bona fide need for the funds in the year appropriated, GSA and DoD organizations incorrectly used the GSA IT Fund to extend the time funds were available for use. GSA's acceptance of funds into the IT Fund does not allow an agency to extend the periods of availability of appropriations or change the restrictions of appropriations beyond that which Congress enacted in annual appropriations acts. We reported in DoD IG Report No. D-2005-096, July 29, 2005, that between \$1.0 billion to \$2.0 billion of expired or unavailable funds remained at GSA. On March 24, 2005, the Deputy Chief Financial Officer directed Military Services and Defense Agencies to initiate actions to review these uncommitted balances, coordinate with GSA to return expired balances to their respective offices, and coordinate with their servicing accounting office to ensure that appropriate adjustments to the accounting records were recorded. To date, DoD activities have reported to the USD(C) that they have deobligated only about \$183 million of the expired funds "banked" at GSA. The USD(C) must continue to monitor these funds and clean up its accounting records.

Our current audit also revealed that improper use of Government funds continues to remain an issue at GSA. Specifically, GSA and DoD still have not complied

⁹Unable to determine whether Government funds were properly funded for one purchase at U.S. Northern Command and one purchase at Defense Security Service due to lack of available documentation.

DRAFT REPORT

with legal restrictions on appropriations that require a bona fide need for the funds in the year appropriated. Once funds are past their period of availability, they cannot be used to finance new requirements and must be deobligated by DoD officials. The Under Secretary of Defense (Comptroller)/Chief Financial Officer must continue to work with GSA to deobligate these funds and must also oversee efforts by individual components to return the funds to the United States Treasury. Appendixes C and D list 12 new purchases that we believe improperly used Government funds.

Bona Fide Need. For 11 of the 54 purchases¹⁰ reviewed, DoD funding authorities potentially violated the bona fide needs rule. Specifically, DoD funding authorities may have violated the bona fide needs rule by using annual O&M appropriations to fund the purchase of severable services that would not be received in the year of the appropriation or goods that never had an expectation of being delivered in the year of the appropriation. For example, the Fleet Numerical Meteorology and Oceanography Center (Fleet Numerical Center) sent five funding documents to GSA for NetCentric FastTrack Services. The Fleet Numerical Center sent the first funding document (N63134-04-WR-00004) for \$386,000 to GSA on September 9, 2003; GSA accepted the funding document on September 24, 2003. The Fleet Numerical Center sent and GSA accepted the last funding document (N63134-04-WR-00004, amendment 4) for \$156,000 on October 28, 2004. The five MIPRs sent, totaling \$400,962, cited FY 2004 O&M funds. The Fleet Numerical Center was procuring severable services consisting of contractor subject matter expertise in exploring methods to exploit Web-based information systems. The services being procured were severable and the period of performance was from May 26, 2005, through May 25, 2006, a period that crosses from FY 2005 to FY 2006. Therefore, no FY 2004 bona fide need existed for this procurement.

Similarly, the U.S. Central Command Air Force (CENTAF) sent three MIPRs to GSA using FY 2004 funds, a 2-year O&M fund that expired on September 30, 2005. CENTAF sent the first MIPR (F3UTA65168GC01) for \$17.0 million to GSA on June 20, 2005; GSA accepted the MIPR on July 8, 2005. CENTAF also sent MIPR F3UTA65168GC01, amendment 1 for approximately \$1.7 million to GSA on August 30, 2005; GSA accepted the MIPR on September 8, 2005. Finally, GSA accepted MIPR F3UTA65168GC01, amendment 2 for negative \$245,046 on September 23, 2005. The funds, totaling \$18.5 million, were to purchase severable services supporting the Network Operations Security Center including networking, systems modeling, performance management, information assurance, routing, and switching. The 2-year FY 2004 funds, that expired September 30, 2005, supported an FY 2006 contract with a period of performance from October 1, 2005, through September 30, 2006. No FY 2004 or FY 2005 bona fide need existed for this procurement.

Wrong Appropriation. For 1 of the 54 purchases, DoD organizations used the wrong appropriation to fund the requirement. The Fleet Numerical Center sent GSA funding documents to GSA totaling \$2.2 million. The Come and Get It Product Services purchase was funded for \$2.1 million in FY 2004 O&M funds

¹⁰Unable to determine whether Government funds were properly funded for one purchase at U.S. Northern Command and one purchase at Defense Security Service due to lack of available documentation.

DRAFT REPORT

and \$153,645 in FY 2005 O&M funds. The procurement is an upgrade to the Primary Oceanographic Prediction system. The Fleet Numerical Center should have used Other Procurement funds for this purchase, not O&M funds. Therefore, Fleet Numerical used the incorrect appropriation.

Audit Trail of Funds. On 11 of 56 purchases, or 20 percent, as compared to 59 percent last year (44 of 75 purchases), DoD did not maintain an audit trail of the funds used to make the purchase. On GSA transactions, DoD considered funds to be obligated when GSA returned a MIPR Acceptance document (DD Form 448-2), not when the funds were placed on contract. In addition, DoD officials often did not track funds past the point of obligation. However, the GSA Information Technology Solutions Shop (ITSS) Integrated System¹¹ included Certification of Funds documentation that enables system users to match GSA contract actions to corresponding MIPRs. The Certification of Funds document provides documentation that allows users to trace contracts to MIPRs meant to fund contract actions. Ten of the 11 purchases that did not maintain an audit trail of the funds were inputted into the GSA Preferred System. DoD personnel were unable to access the GSA Preferred System. Accordingly, they were unable to monitor these funds. Another purchase was not inputted into the ITSS Integrated or GSA Preferred Systems. This purchase did not include an audit trail allowing users to trace contracts to MIPRS. DoD officials should identify funds sent to GSA and identify those available for recoupment during required triannual reviews.

GSA Funding Guidance. Guidance on the use of the GSA IT Fund was misunderstood. The GSA Chief Acquisition Officer issued an August 12, 2005, letter, "Fiscal Year 05 Cut-Off Dates for Assisted Acquisitions." The letter instructs GSA contracting activities that "new task orders must be awarded within a reasonable period of time in FY 05 or early FY 06, i.e., within 90 days." The policy that task orders for goods can be awarded 90 days after the next fiscal year begins appears to conflict with the DoD March 24, 2005, Memorandum. This memorandum requires that funds be obligated during the period of availability for items that can be delivered during the period of availability, unless the item cannot be delivered because of delivery, production lead time, or unforeseen delays.

For instance, the Joint Information Operations Center (the Operations Center) and GSA misunderstood policy on Government funds that were incorrectly applied to the Operations Center requirement. The Operations Center sent MIPR F2MTKV5258G001 to GSA for \$392,494 on September 15, 2005, using O&M funds; GSA accepted the MIPR on September 29, 2005. This purchase of equipment supports the Joint Multi-Disciplinary Vulnerability Assessment. In January 2006, the contract had still not been awarded for the equipment; therefore, the equipment was scheduled to be delivered to the Operations Center in FY 2006 or later. The Operations Center relied on GSA guidance that does not conform to DoD procurement regulations for the imminent award of the FY 2006 contract using FY 2005 funds.

¹¹DoD OIG did not test the computer system accuracy.

DRAFT REPORT

The receipt of goods for the Joint Multi-Disciplinary Vulnerability Assessment purchase after the DoD appropriation expired cannot be justified because of delivery time, production lead-time, or unforeseen delays. Unforeseen delays include situations such as sudden labor strikes impacting deliveries or delays caused by natural disasters. Accordingly, no FY 2005 bona fide need existed for the equipment purchase. The Operations Center stated that GSA should know the required guidelines, and not award a contract that is not proper. Incorrectly applied and misinterpreted guidance for the Operations Center requirement resulted in the potential Antideficiency Act violation. Clear guidance by the USD(C) would preclude DoD organizations from using other agencies to make purchases with expiring funds.

Non-Economy Act Orders. Since funding documents sent to the GSA IT Fund are non-Economy Act orders,¹² many DoD organizations believe that financial management policies that apply to Economy Act orders are not applicable. During the prior year's audit we reported that regulations were unclear on the policies for non-Economy Act orders. Regulations should direct whether Economy and non-Economy Act order purchases comply to similar requirements, or whether Economy and non-Economy Act order purchases should have their own separate guidelines. The Office of the USD(C) needs to issue clearer guidance on requirements for non-Economy Act Order purchases. Clearer guidance is necessary to distinguish the difference between Economy and non-Economy Act orders.

Conclusion

The DoD OIG identified 4 of 11 CSCs that did not fully comply with DoD procurement and funding regulations. DoD OIG determined that Region 2 (Northeast and Caribbean), Region 5 (Great Lakes), Region 7 (Greater SouthWest), and Region 10 (Northwest/Arctic) were not fully compliant due to problems such as potential Antideficiency Act violations, and the lack of adequate interagency agreements. DoD OIG and GSA OIG informed the Senate Armed Services Committee that the joint opinion between GSA and DoD as to whether the CSCs were compliant was qualified until all issues are resolved. DoD OIG did not make recommendations on the four CSCs that were not fully compliant due to ongoing meetings between the Director, Defense Procurement and Acquisition Policy and the Chief Acquisition Officer, GSA. Both DoD and GSA are meeting to resolve problems found within the four CSCs; meanwhile DoD will continue to do business with all GSA CSCs.

The percentage of funding issues decreased from the prior year's audit, but acquisition planning and interagency agreement deficiencies remain. GSA contracting officials and DoD requiring activity personnel showed improvement with FAR and appropriations law compliance when making purchases through GSA. However, DoD organizations continued to improperly use Government funds by not having a bona fide need in the year of the appropriation or funding the purchase with the incorrect appropriation. In addition, DoD contracting officers did not participate in preliminary acquisition planning which would assist

¹²DoD organizations normally use Economy Act orders to fund interagency acquisitions.

DRAFT REPORT

in preventing the improper use of Government funds and ensure DoD purchases made through GSA are in the best interest of the Government.

Furthermore, GSA contracting officials must comply with FAR sole-source requirements when limiting full and open competition. Contracts that are not fully competed must adequately explain why FAR exceptions are allowed for the purchase. Contracts should be competed whenever possible since competition promotes innovation, significant savings, and performance improvements.

Finally, contract administration policy is needed to identify surveillance roles and responsibilities for interagency agreements. DoD must develop and implement QASPs that include all work requiring surveillance and the method of surveillance when monitoring contractor performance. Surveillance personnel must document and record contractor past performance and enter it into past performance database systems. All Government agencies must agree on systems that record contractor performance for use by all agencies. The establishment of adequate controls are instrumental in ensuring that funding, acquisition planning, and contract administration functions are performed efficiently and effectively.

Recommendations

Recommendation 1.a. is identical to our recommendation in last year's report. At that time, the Under Secretary of Defense for Acquisition, Technology, and Logistics stated that a new policy for interagency purchase reviews had not been in place long enough to judge its effectiveness. Our follow-up audit showed that the new policy was not effective and there is still a need to have a contracting officer review all interagency purchases. Accordingly, we are making the recommendation again.

Recommendations pertaining to interagency funding problems are being consolidated into a separate report on the DoD Potential Antideficiency Act Violations on DoD Purchases Made Through Non-DoD Agencies.

1. We recommend that the Under Secretary of Defense for Acquisition, Technology, and Logistics:

a. Establish requirements that a qualified DoD contracting officer evaluate acquisitions for amounts greater than the simplified acquisition threshold when requiring DoD organizations plan to use non-DoD contracts. The contracting officer should determine whether the use of interagency support capabilities is in the best interest of the Government. The contracting officer should verify whether the required goods, supplies, or services cannot be obtained as conveniently or economically by contracting directly with a commercial enterprise. The contracting officer or another official designated by the agency head should also sign a written determination and finding.

b. Develop a training course that instructs contracting and program office personnel on proper acquisition planning and contract administration for assisted acquisitions. The course should also emphasize the bona fide needs rule and appropriations law.

DRAFT REPORT

c. Establish overall DoD policies on acceptable contract administration roles and responsibilities that DoD will accept when purchasing goods or services through a non-DoD agency.

d. Finalize negotiations with non-DoD agencies to develop interagency agreements that specify agreed-upon roles and responsibilities regarding contract administration and surveillance duties.

e. Negotiate with non-DoD agencies to develop procedures that will record contractor performance on all Government contractors. In addition, require DoD organizations to record past performance information into the Past Performance Information Retrieval System and access the Past Performance Information Retrieval System for future source selection decisions.

2. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer:

a. Continue to work with the General Services Administration to determine the amount of expired funds at the General Services Administration and oversee efforts by individual components to deobligate these funds.

b. Provide guidance and clarification on the use of and difference between Economy Act orders and Non-Economy Act orders. Specifically address when funds are obligated and should be deobligated under each type of order.

DRAFT REPORT

Appendix A. Scope and Methodology

This audit was a joint review between the DoD OIG and GSA OIG. We performed the audit in accordance with the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005. This law requires the Inspectors General of DoD and GSA to review the policies, procedures, and internal controls for purchases through GSA CSCs. Both the DoD OIG and GSA OIG reviews covered the 11 GSA CSCs. As a result, we reviewed 56 purchases funded by 223 MIPRs valued at \$179 million. We reviewed purchases initiated by DoD in September 2003 through ongoing procurements not yet awarded.

GSA provided two lists of DoD activities and MIPRs obtained through statistical sampling. The first covered the period from May 1, 2005, through July 31, 2005; and the second from August 1, 2005, through October 31, 2005. We selected 13 organizations that had high-value MIPRs from the two lists. The Army organizations visited were the U.S. Army Project Manager Tactical Radio Communications Systems, the U.S. Army Communications and Electronics Command, and the U.S. Army Intelligence Center. The Navy organization visited was the Fleet Numerical Meteorology and Oceanography Center. The Air Force organizations visited were the U.S. Central Command Air Force, Cryptologic Systems Group, 53rd Wing Air Combat Command, and the Air Force Accounting and Finance Office. The other Defense organizations visited were the U.S. Northern Command, Joint Information Operations Center, Defense Manpower Data Center, Defense Security Service, and Counterintelligence Field Activity. We also visited three GSA Client Support Centers. The Client Support Centers visited were GSA Region 6 (Kansas City), GSA Region 2 (New York), and GSA Region 4 (Atlanta).

For each site, we attempted to review a minimum of five purchases containing contract actions between May 1, 2005, and October 31, 2005. We first selected purchases from the GSA sample. When the GSA sample had fewer than five purchases, we selected additional purchases from the GSA universe used to create the GSA sample. If organizations did not have five purchases during the May through October 2005 timeframe, we either reviewed less than our goal of five purchases or, if possible, reviewed additional purchases at another organization within the same general location. We reviewed documentation maintained by the contracting and program organizations to support purchases made through GSA. The purchase documents reviewed were MIPRs and GSA acceptances, statements of work, acquisition plans, task orders, cost proposals, surveillance plans, invoices, sole-source justifications, contract award documents, disbursement reports, payment history documents, and miscellaneous correspondence. Much information was obtained by downloading documents from the GSA ITSS Integrated System, which is the GSA repository for contract information. We met with the DoD General Counsel and the DoD OIG General Counsel regarding the bona fide needs rule issue. We interviewed contract specialists; finance officials; the Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics personnel; Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer personnel; and program managers covering purchase requirements, bona fide needs, appropriation, and related management control programs. Our audit included four major areas of review at the DoD

DRAFT REPORT

organizations and two major areas of review at the GSA CSCs visited. At each DoD organization visited,

- we determined whether DoD organizations had internal controls to ensure that the proper types of funds and proper year of funds were used for DoD MIPRs sent to GSA. We determined whether the organization had written procedures covering the use of MIPRs to non-DoD organizations. For each purchase reviewed, we determined whether the appropriation code was correct, and whether the appropriation code would be proper if the purchase had not been made through GSA;
- we determined whether DoD requiring organizations had internal controls for defining requirements and planning acquisitions for purchases awarded on GSA contracts. For each purchase reviewed, we determined when the organization developed the requirement and why GSA was selected to make the purchase. In addition, we determined whether there was a bona fide need for the requirement in the fiscal year of the appropriation used to finance the requirement;
- we determined whether DoD contracting activities are following established procedures for approving purchases made through the use of contracts awarded by GSA. Specifically, we determined whether a DoD contracting office was involved in planning the GSA purchase; and
- we determined how contractor performance was being monitored in situations where DoD purchases were awarded on GSA contracts. For each purchase reviewed, we determined whether a DoD representative signed off on acceptance of contractor work.

At each GSA CSC visited,

- we determined whether the GSA CSCs adequately competed DoD purchases according to the FAR and Defense Federal Acquisition Regulation. For each sole-source award, we determined whether the GSA contracting officer prepared a J&A for other than full and open competition that adequately justified the sole-source award; and
- we determined whether the GSA contracting officers adequately documented that the prices paid for the DoD purchases were fair and reasonable.

These additional audit steps were performed on 13 of the 56 purchases reviewed during the audit.

We performed this audit from July 2005 through June 2006 in accordance with generally accepted government auditing standards.

Limitations of Scope. We did not assess the accuracy of the past performance information systems used within DoD, or the Government-wide PPIRS, which is the official past performance system for compiling data on contractor performance used throughout the Federal Government.

DRAFT REPORT

Use of Computer-Processed Data. We obtained a statistical sampling of DoD activities and MIPRs from GSA through its databases for May 1, 2005, through October 31, 2005. From the list, we judgmentally selected high-value MIPRs for review. We did not assess the reliability of the GSA-furnished data during this audit; however, our previous audit, DoD IG Report No. D-2005-096 "DoD Purchases Made Through the General Services Administration," dated July 29, 2005, did determine the GSA computer-processed listings to be unreliable in reporting all DoD funding documents received by GSA. In addition, we obtained much of the contract and funding information related to the 56 purchases reviewed from the GSA ITSS Integrated System. We did not assess the reliability of the GSA ITSS Integrated System.

Government Accountability Office High-Risk Area. The Government Accountability Office (GAO) has identified several high-risk areas in DoD. This report provides coverage of the high-risk area "Management of Interagency Contracting."

DRAFT REPORT

Appendix B. Prior Coverage

During the last 5 years, GAO, DoD IG, Army, Air Force, and GSA have issued 19 reports discussing MIPRs and Federal Technology Service's Client Support Centers. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.osd.mil/audit/reports>. Unrestricted Army reports can be accessed at <http://www.hqda.army.mil>. Unrestricted Air Force reports can be accessed at <http://www.afaa.hq.af.mil>. Unrestricted GSA reports can be accessed at <http://www.gsa.gov>.

GAO

GAO Report No. GAO-05-274, "Contract Management: Opportunities to Improve Surveillance on Department of Defense Service Contracts," March 2005

GAO Report No. GAO-05-207, "High-Risk Series: An Update," January 2005

DoD IG

DoD IG Report No. D-2006-029, "Report of Potential Antideficiency Act Violations Identified During the Audit of the Acquisition of the Pacific Mobile Emergency Radio System," November 23, 2005

DoD IG Report No. D-2005-096, "DoD Purchases Made Through the General Services Administration," July 29, 2005

DoD IG Report No. D-2003-090, "Use and Control of Military Interdepartmental Purchase Requests at the Air Force Pentagon Communications Agency," May 13, 2003

DoD IG Report No. D-2002-110, "Policies and Procedures for Military Interdepartmental Purchase Requests at Washington Headquarters Services," June 19, 2002

DoD IG Report No. D-2002-109, "Army Claims Service Military Interdepartmental Purchase Requests," June 19, 2002

Army

Army Report No. A-2004-0244-FFB, "Information Technology Agency Contract Management," May 25, 2004

Army Report No. A-2002-0536-IMU, "Military Interdepartmental Purchase Requests, Logistics Assistance Group Europe," August 21, 2002

DRAFT REPORT

Air Force

Air Force Report No. F2005-0006-FBP000, "General Services Administration Military Interdepartmental Purchase Request, 353d Special Operations Group, Kadena AB, Japan," November 10, 2004

Air Force Report No. F2004-0046-FBP000, "General Services Administration Military Interdepartmental Purchase Request, 390th Intelligence Squadron, Kadena AB, Japan," August 11, 2004

GSA IG

GSA Report, "Compendium of Audits of Federal Technology Service Regional Client Support Center Controls," June 14, 2005

GSA Report, "Compendium of Audits of the Federal Technology Service Regional Client Support Centers," December 14, 2004

GSA Report No. A040097/T/7/Z05011, "Audit of Federal Technology Service's Client Support Center," Greater Southwest Region, December 10, 2004

GSA Report No. A030205/T/9/Z05009, "Audit of Federal Technology Service's Client Support Center," Pacific Rim Region, December 9, 2004

GSA Report No. A040191/T/6/Z05007, "Audit of Federal Technology Service's Control and Testing of Those Controls," Heartland Region, December 9, 2004

GSA Report No. A040102/T/W/Z05004, "Audit of Federal Technology Service's Client Support Center," National Capital Region, December 9, 2004

GSA Report No. A020144/T/5/Z04002, "Audit of Federal Technology Service's Client Support Centers," January 8, 2004

GSA Report No. A020144/T/5/W03001, "Alert Report on Audit of Federal Technology Service's Client Support Centers," March 6, 2003

DRAFT REPORT

Appendix C. Identified Funding Problems

DoD Activity	Purchase	Incorrect Appropriation	No Bona Fide Need	No Audit Trail of Funds	Inadequate MIPR Preparation
ARMY 1) Fort Monmouth, PM IRCS	1) BRM Depot Support				•
	2) BBN Training				•
	3) BBN Technical Support				•
	4) MSE Shelter Cleaning				•
	5) BBN, SSS, INM Training				•
	6) CAISR Integration Support				•
	7) EPLRS Support				•
	8) Technical Support Services				•
	9) Joint Network Node Support				•
	10) Engineering Data Management				•
	11) BADARAMA				•
	12) BISRDM				•
	13) Unit of Employment Experimentation		•		•
	14) Biometrics Automated Toolset				•
	15) UMM Interactive Multimedia •				•
Navy 4) Fleet Numerical Meteorology and Oceanography Center	16) NetCentric FastTrack Services		•		•
	17) Trusted Service Engine		•		•
	18) High Performance Computing				•
	19) Core and Cnet It Product Services	•			•
	20) Information Assurance		•		•
Air Force 5) U.S. Central Command Air Force	21) NOSC		•		•
	22) NOSC Bridge			•	•
	23) Communications Services				•
	24) Staff Support				
	25) Systems Administration Operations Center				
	26) Electronic Key Management System				
	27) NCSDO Support (T.O. #188)				•
	28) NCSDO Support (T.O. #101)				•
	29) CSETO Support (T.O. #102)				•
	30) CSETO Support (T.O. #189)				•
	6) Lackland Air Force Base, CPSC				
	7) Eglin Air Force Base, 53 rd Wing				

Note: See the footnotes and acronym definitions at the end of Appendix F.

DRAFT REPORT

Appendix D. Potential Antideficiency Act Violations That Occurred Primarily in FY 2005

U.S. Army Intelligence Center and Fort Huachuca

Interactive Multimedia (Purchase No. 15).* The U.S. Army Intelligence Center and Fort Huachuca sent MIPRs MIPR5FGSA5W054, MIPR5FGSA5W055, MIPR5FGSA5W056, and MIPR5FGSA5W057 (totaling approximately \$2.61 million) to GSA on March 25, 2005, to obtain multimedia courseware development using FY 2004 O&M Funds, a special O&M fund that lasts 2 years. The funds used expired on September 30, 2005. As of December 1, 2005, GSA had not awarded a contract. Use of FY 2004 2-year O&M funds to satisfy FY 2006 requirements does not meet the intent of the bona fide needs rule.

Fleet Numerical Meteorology and Oceanography Center

NetCentric FastTrack Services (Purchase No. 16).* The Fleet Numerical Meteorology and Oceanography Center sent funding document N63134-04-WR-00004 for \$386,000 to GSA on September 9, 2003 and GSA accepted the funding document on September 24, 2003; N63134-04-WR-00004, amendment 1 for negative \$386,000 to GSA on September 29, 2003; N63134-04-WR-00004, amendment 2 for \$350,000 to GSA on September 29, 2003; funding document N63134-04-WR-00004, amendment 3 for negative \$105,038 to GSA on July 14, 2004; and funding document N63134-04-WR-0004, amendment 4 for \$156,000 (citing FY 2004 O&M funds) to GSA on October 28, 2004. The total of the FY 2004 funding documents was \$400,962, using O&M Funds. The center was procuring severable services consisting of contractor subject matter expertise in exploring methods to exploit Web-based information systems. The services being procured were severable and the period of performance was from May 26, 2005, through May 25, 2006, a period that crosses from FY 2005 to FY 2006. Use of FY 2004 O&M funds to satisfy FY 2005 requirements does not meet the intent of the bona fide needs rule.

Trusted Service Engine (Purchase No. 17).* The Fleet Numerical Meteorology and Oceanography Center sent funding document N63134-04-WR-00059 for \$850,000 to GSA on September 16, 2004, and funding document N63134-04-WR-00059, amendment 1 for negative \$10,035 to GSA on May 26, 2005, for a total of \$839,965 in FY 2004 O&M funds. The contract was for services to demonstrate that computer users will be limited to viewing information at their security classification level or lower when working on multiple networks with information of varying security classification levels. The period of performance for the severable services being procured was May 25, 2005, through January 31, 2006, a period that crosses from FY 2005 to FY 2006. Use of FY 2004

*Purchase number correlates with 56 purchases identified in Appendix C and Appendix E.

DRAFT REPORT

O&M funds to satisfy FY 2005 requirements does not meet the intent of the bona fide needs rule.

Come and Get It Product Services (Purchase No. 19).* The Fleet Numerical Meteorology and Oceanography Center sent funding documents N63134-04-WR-00037 for \$240,000 to GSA on July 20, 2004; amendment 1 for \$1,256,690 to GSA on September 8, 2004; amendment 2 for \$595,000 to GSA on September 10, 2004; amendment 3 for negative \$20,000 to GSA on September 16, 2004; amendment 4, for \$134,501 to GSA on September 29, 2004; and amendment 5 for negative \$195,574 to GSA on October 28, 2004. They also sent funding document N63134-04-WR-00028 for \$60,000 to GSA on May 17, 2004, and amendment 1 for \$10,000 to GSA on September 8, 2004. In FY 2005, the Fleet Numerical Meteorology and Oceanography Center sent funding document N6313405WR00701 for \$33,036 to GSA on November 22, 2004; amendment 1 for \$166,963 to GSA on December 1, 2004; amendment 2 for negative \$33,036 to GSA on September 22, 2005; and amendment 3 for negative \$13,318 to GSA on September 28, 2005. This purchase was funded for \$2,080,617 in FY 2004 O&M funds and \$153,645 in FY 2005 O&M funds. This procurement was an upgrade to the Primary Oceanographic Prediction system. The Fleet Numerical Meteorology and Oceanography Center should have used Other Procurement funds for this purchase, not O&M funds. Therefore, the Fleet Numerical Meteorology and Oceanography Center used the incorrect appropriation. GSA awarded the contract on January 4, 2005.

Information Assurance (Purchase No. 20).* The Fleet Numerical Meteorology and Oceanography Center sent funding document N6313404WR00056 for \$600,000 to GSA on September 15, 2004; funding document N6313404WR00064 for \$300,000 to GSA on September 29, 2004; and funding document N6313404WR00064, amendment 1 for negative \$136,336 on October 28, 2004. The funding totaled \$763,664 in FY 2004 O&M funds, which expired on September 30, 2004. The services being obtained were support services for information assurance projects dealing with weather forecasts that are being transmitted to the warfighter. The period of performance for the severable services being procured was January 4, 2005, through January 3, 2006, a period that crosses from FY 2005 to FY 2006. Use of FY 2004 O&M funds to satisfy FY 2005 requirements does not meet the intent of the bona fide needs rule.

U.S. Central Command Air Force

Network Operation Security Center (Purchase No. 21).* The U.S. Central Command Air Force sent MIPR F3UTA65168GC01 for \$16,999,993 to GSA on June 20, 2005; amendment 1 for \$1,748,238 to GSA on August 30, 2005; and amendment 2 for negative \$245,046 to GSA on September 23, 2005, using 2-year FY 2004 O&M funds that expired on September 30, 2005. The funds were to purchase severable services supporting the Network Operations Security Center including networking, systems modeling, performance management, information assurance, routing, and switching. A bridge contract was first awarded with a period of performance from August 1, 2005, through September 30, 2005. The 2-

*Purchase number correlates with 56 purchases identified in Appendix C and Appendix E.

DRAFT REPORT

year FY 2004 O&M funds were also used to fund a FY 2006 contract with a period of performance from October 1, 2005, through September 30, 2006. Use of FY 2004 2-year O&M funds to satisfy FY 2006 requirements does not meet the intent of the bona fide needs rule.

Air Force Accounting and Finance Office

Kiosks (Purchase No. 31).* The Air Force Finance and Accounting Office sent MIPR F1AF2B5265G001 for \$1,400,000 to GSA on September 22, 2005, using FY 2005 O&M funds. The funds were to purchase automated kiosks that allow Air Force personnel to make inquiries about and changes to their pay and personnel records. The contract for the kiosks, which are considered commercial items, was awarded October 25, 2005. The Air Force Finance and Accounting Office purchased commercial items that will be delivered in FY 2006 using FY 2005 O&M funds. The receipt of goods after the DoD appropriation expired could not be justified because of delivery time, production lead-time, or unforeseen delays. Use of FY 2005 O&M funds to satisfy FY 2006 requirements does not meet the intent of the bona fide needs rule.

Joint Information Operations Center

IT and Operations Support (J2) (Purchase No. 39).* The Joint Information Operations Center sent MIPR MIPR4JGSAJ2043 for \$311,709 to GSA on June 1, 2004, using FY 2004 O&M funds to partially fund a purchase for IT and operational expertise supporting the U.S. European Command, which includes integration of current IT, identifying information operations applicable databases, and technical expertise. GSA awarded the contract on November 4, 2004. Use of FY 2004 O&M funds to satisfy FY 2005 requirements does not meet the intent of the bona fide needs rule.

Network System Support and Administration (Purchase No. 40).* The Joint Information Operations Center sent MIPR NMIPR04250037 for \$875,000 to GSA on September 25, 2003; MIPR NMIPR04250550 for \$418,788 to GSA on September 8, 2004; MIPR NMIPR04250551 for \$586,212 to GSA on September 8, 2004; and MIPR NMIPR04250558 for \$6,148 to GSA on September 14, 2004, for a total of \$1,886,148 in FY 2004 O&M funds. The Joint Information Operations Center also sent MIPR F2MTKV5244G002 for \$1,031,557 to GSA on October 13, 2005, using FY 2006 O&M funds. The funds were to purchase severable services supporting the command's network. The funds were used to cover a base contract period from September 15, 2003, through September 30, 2004, for \$849,000; option year 1, from October 1, 2004, through September 30, 2005, for \$891,000; and option year 2, from October 1, 2005, through September 30, 2006, for \$891,000. Since no FY 2005 funds were sent to support option year 1, in FY 2005, it appears the services received that year were funded with FY 2004 funds. Use of FY 2004 O&M funds to satisfy FY 2005 requirements does not meet the intent of the bona fide needs rule.

*Purchase number correlates with 56 purchases identified in Appendix C and Appendix E.

DRAFT REPORT

Personal Video Systems (Purchase No. 41).* The Joint Information Operations Center sent MIPR F2MTKV5262G001 for \$73,912 to GSA on September 19, 2005, using FY 2005 O&M funds to purchase various Tandberg equipment, including 12 personal video systems. As of January 2006, no contract had been awarded for the equipment; therefore, the equipment will be delivered in FY 2006 or later. The receipt of goods after the DoD appropriation expired cannot be justified because of delivery time, production lead-time, or unforeseen delays. Use of FY 2005 O&M funds to satisfy FY 2006 requirements does not meet the intent of the bona fide needs rule.

Joint Multi-Disciplinary Vulnerability Assessment (Purchase No. 42).* The Joint Information Operations Center sent MIPR F2MTKV5258G001 for \$392,494 to GSA on September 20, 2005, using FY 2005 O&M funds. The funds were to purchase equipment in support of the Joint Multi-Disciplinary Vulnerability Assessment. As of January 2006, no contract had been awarded for the equipment; therefore, the equipment will be delivered in FY 2006 or later. The receipt of goods after the DoD appropriation expired cannot be justified because of delivery time, production lead-time, or unforeseen delays. Use of FY 2005 O&M funds to satisfy FY 2006 requirements does not meet the intent of the bona fide needs rule.

Defense Security Service

National Industrial Security Program Certification and Accreditation Tools (Purchase No. 48).* The Defense Security Service sent MIPR NMIPR04970376 for \$310,000 to GSA on September 17, 2004, using FY 2004 O&M funds. The funds were to purchase the testing of automated certification and accreditation tools, program management support, and independent verification and validation of automated tools. The contract for these severable services was awarded on August 25, 2005, for a period of performance of August 26, 2005, through August 25, 2006, a period that crosses from FY 2005 to FY 2006. Use of FY 2004 O&M funds to satisfy FY 2005 requirements does not meet the intent of the bona fide needs rule.

*Purchase number correlates with 56 purchases identified in Appendix C and Appendix E.

DRAFT REPORT

Appendix E. Other Identified Problems

DoD Activity	Purchase	Inadequate Acquisition Planning	No Interagency Agreement	Inadequate Source Justification	Inadequate Definition of Contract Administration Duties	No DoD COR Letter	No DoD Access of Past Performance	No QASP
Army								
1) Fort Monmouth, PM4 TRCS	1) BBN Depot Support	•	•		•	•	•	•
	2) BBN Training	•	•	•	•	•	•	•
	3) BBN Tech Support	•	•	•	•	•	•	•
	4) MSE Shelter Cleaning	•	•	ND	•	•	•	•
	5) BBN, SSS, JIN Training	•	•	•	•	•	•	•
	6) C4ISR Integration Support	•	•	•	•	•	•	•
	7) F3A/RS Support	•	•	•	•	•	•	•
	8) TSS	•	•	•	•	•	•	•
	9) JIN Support	•	•	•	•	•	•	•
	10) EDM	•	•	•	•	•	•	•
2) Fort Monmouth, CECOM	11) BADARAMA	•	Inadequate	ND	•	•	•	N/A
3) Fort Huchuca	12) BISREDM	•	Inadequate	N/A	•	•	•	•
	13) Unit of Facsimile Information	•	Inadequate	N/A	•	•	•	•
	14) Biometrics Automated Toolkit	•	Inadequate	N/A	•	•	•	•
	15) University of Military Intelligence Interactive Multimedia	•	Inadequate	N/A	•	•	•	•
Navy								
4) Fleet Numerical Meteorology and Oceanography Center	16) Net/Centric FastTrack Services	•	Inadequate	N/A	•	•	•	•
	17) Trusted Service Engine	•	Inadequate	N/A	•	•	•	•
	18) High Performance Computing	•	Inadequate	ND	•	•	•	•
	19) Core and Get It Product Services	•	Inadequate	N/A	•	•	•	•
	20) Information Assurance	•	Inadequate	N/A	•	•	•	•

Note: See the footnotes and acronym definitions at the end of Appendix F.

DRAFT REPORT

DoD Activity	Purchase	Inadequate Acquisition Planning	No Interagency Agreement	Inadequate Sole-Source Justification	Inadequate Definition of Contract Administration Duties	No DoD COR Letter	No DoD Access of Past Performance	No QASP
Air Force								
5) U.S. Central Command Air Force	21) NCSC	•	Inadequate	N/A	•	•	•	Inadequate
	22) NCSC Bridge	•	Inadequate	N/A	•	•	•	•
	23) Communications Services	•	•	ND	•	•	•	Inadequate
	24) Staff Support	•	•	N/A	•	•	•	Inadequate
	25) Systems Administration CENTAF Ops Center	•	•	N/A	•	•	•	Inadequate
6) Lackland AFB, (PSC)	26) Electronic Key Management System	•	Inadequate	N/A	•	•	•	Inadequate
7) Eglin Air Force Base, 53 rd Wing	27) NCSC(X) Support	•	Inadequate	N/A	•	•	•	Inadequate
	28) NCSC(X) Support #2	•	Inadequate	N/A	•	•	•	Inadequate
	29) CSETO Support	•	Inadequate	N/A	•	•	•	Inadequate
	30) CSETO Support #2	•	Inadequate	N/A	•	•	•	Inadequate
8) Air Force Accounting and Finance Office	31) Klenk	•	Inadequate	ND	•	•	•	N/A
Unified Command								
9) U.S. Northern Command	32) OC-135 Circuits*	•	•	N/A	•	•	•	Inadequate
	33) Advance Concepts Technology Demo	•	•	N/A	•	•	•	•
	34) Command Info Sharing, Infrastructure Archt., Implementation and Ops	•	•	N/A	•	•	•	N/A
	35) Equipment	•	•	N/A	•	•	•	•
	36) CWID	•	•	ND	•	•	•	•
	37) Network Management	•	Inadequate	N/A	•	•	•	•

Note: See the footnotes and acronym definitions at the end of Appendix F.

DRAFT REPORT

DoD Activity	Purchase	Inadequate Acquisition Planning	No Interagency Agreement	Inadequate Sole-Source Justification	Inadequate Delineation of Contract Administration Duties	No DoD COR Letter	No DoD Access of Past Performance	No QASP
Joint Command								
10) Joint Information Operations Center	38) Information Operations Support (IJ)	•	Inadequate	N/A	•		•	•
	39) IT and Operations Support (IJ)	•	Inadequate	N/A	•	•	•	•
	40) JIOC Network System Support	•	•	N/A	•		•	•
	41) J3 Equipment Buys*	•		N/A				N/A
	42) Equipment Purchases - JMEVA*	•		N/A				N/A
Defense Agency								
11) Defense Manpower Data Center	43) DUNS	•	Inadequate	N/A	•	•	•	Inadequate
	44) ASVAB	•	Inadequate	N/A	•	•	•	•
12) Defense Security Services	45) NT Support, Microsoft	•	Inadequate	•	•	•	•	Inadequate
	46) RAPIDS	•	Inadequate	N/A	•	•	•	Inadequate
	47) Integrated Call Center	•	•		•	•	•	Inadequate
	48) NISP Tools IV & V	•	•	N/D	•	•	•	Inadequate
13) Counternintelligence Field Activity	49) CCMS Integration	•	•	•	•	•	•	•
	50) JPAS Sustainment	•	•	N/A	•	•	•	•
	51) SLTA Service Support	•	Inadequate	N/A	•	•	•	Inadequate
	52) Foreign Language Translation	•	Inadequate	N/A	•	•	•	Inadequate
	53) Counternintelligence Support	•	Inadequate	N/A	•	•	•	•
	54) Analytical Support	•	•	N/A	•	•	•	•
Total 13 DoD Activities Visited	55) Event Planning Support	•	Inadequate	N/A	•	•	•	•
	56) Counternintelligence/Interpol	•	•	N/A	•	•	•	•
	Total 56 DoD Purchases Reviewed	55 Inadequate	25 No	14 Reviewed	54 Inadequate	30 No	52 No	30 No
			29 Inadequate	6 Inadequate				12 Inadequate

Note: See the footnotes and acronym definitions at the end of Appendix F.

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18	M	R51	SA	105			C	erf	7.5 .00
19	M	R51	EH	312			F	S	1.6 .00
20	M	R51	SA	722			C	erf	1.7 .12
21	M	R51	SA	722	11)		C	erf	1.45 17)
22	M	R51	SA	302			C	erf	2.3 .13
23	M	R51	SA	302	11)		C	erf	1.75 20)
24	M	R51	SA	302	12)		C	erf	6.0 .00
25	M	R51	SA	245			C	erf	5.6 .60
26	M	R51	SA	245	11)		C	erf	2.8 .85
27	M	R51	SA	692			C	erf	9.6 .89
28	M	R51	SA	692	11)		C	erf	1.35 17)
29	M	R51	EH	312			F	S	8.4 .00
30	M	R51	SA	MC			C	M	6.0 .00
31	M	R51	SA	MC			C	M	0.5 .00
32	M	R51	SA	MC			C	M	7.5 .00
33	M	R51	SA	MC			C	M	1.0 .00
34	M	R51	EH	312			C	M	3.0 .00
35	M	R51	EH	312			F	S	9.8 .00

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DRAFT REPORT

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The second half of the nineteenth century was a period of rapid change in the United States. The country was expanding westward, and the economy was growing rapidly. The industrial revolution was in full swing, and the United States was becoming a major power in the world. The Civil War was fought, and the country was reunited. The Reconstruction era followed, and the country was rebuilding itself. The Gilded Age was a period of great wealth and power, and the United States was becoming a world superpower. The Progressive Era was a period of reform and progress, and the United States was becoming a more democratic country. The Great Depression was a period of economic hardship, and the United States was struggling. The New Deal was a period of recovery and growth, and the United States was becoming a more powerful country. The Cold War was a period of tension and conflict, and the United States was becoming a world superpower. The Vietnam War was a period of conflict and loss, and the United States was becoming a more powerful country. The Watergate scandal was a period of scandal and corruption, and the United States was becoming a more powerful country. The Reagan Revolution was a period of economic growth and conservatism, and the United States was becoming a more powerful country. The Clinton Revolution was a period of economic growth and progress, and the United States was becoming a more powerful country. The Bush Revolution was a period of economic growth and progress, and the United States was becoming a more powerful country. The Obama Revolution was a period of economic growth and progress, and the United States was becoming a more powerful country. The Trump Revolution was a period of economic growth and progress, and the United States was becoming a more powerful country.

DRAFT REPORT

DoD Activity	Purchase	MIPR Number	Appropriation	MIPR Amount
Fleet Numerical, Cont'd	17 Trusted Service Engine	71 N63134-04-WR-00059	O&M	\$850,000.00
		72 N63134-04-WR-00059 (A1)	O&M	(\$10,035.09)
18	High Performance Computing	73 N63134-05-WR-00018	Other Procurement	\$91,532.47
		74 N63134-04-WR-00065	Other Procurement	\$80,745.53
19	Come and Get it Product Services	75 N63134-04-WR-00037	O&M	\$240,000.00
		76 N63134-04-WR-00037 (A1)	O&M	\$1,256,690.80
		77 N63134-04-WR-00037 (A2)	O&M	\$595,000.00
		78 N63134-04-WR-00037 (A3)	O&M	(\$20,000.00)
		79 N63134-04-WR-00037 (A4)	O&M	\$134,501.06
		80 N63134-04-WR-00037 (A5)	O&M	(\$195,574.25)
		81 N63134-04-WR00028	O&M	\$60,000.00
		82 N63134-04-WR00028 (A1)	O&M	\$10,000.00
		83 N6313405WR00701	O&M	\$33,036.81
		84 N6313405WR00701 (A1)	O&M	\$166,963.19
20	Information Assurance	85 N6313405WR00701 (A2)	O&M	(\$33,036.80)
		86 N6313405WR00701 (A3)	O&M	(\$13,318.00)
		87 N6313404WR00056	O&M	\$600,000.00
		88 N6313404WR00064	O&M	\$300,000.00
		89 N6313404WR00064 (A1)	O&M	(\$136,335.89)

Note: See the list of acronym definitions at the end of Appendix F.

Dr	Act	Y	Locat	onl	ch	on /	urance	JPI	um		A	opr	lon	AFE	Am
Fl	Nul				om	on		531	5W	26C					17.8
5.	Al	ore													
	S.	S. C	rad	men	ISC			1	UT	51E	C0	O4		\$14	19.9
		dr F	ex		dgc			2	UT	51E	C0	U1	O4	\$	18.2
								3	UT	51E	C0	UA	O4		
								4	UT	51E	C0	Q1	O4	3	5.04
					mm	cati	Service	5	UT	52E	C0		O4	\$11	13.2
					ff S	port		6	UT	517	C0		O4		30.0
								7	UT	517	C0	U1	O4		30.0
								8	UT	517	C0	Q1	O4		1.24
					ten	Adm	strator	9	UT	517	U1		O4		5.0
					per	ns	ter	0	UT	517	U1		O4		1.11
6.	chle	PS	Air	ree	circ	Ka	stem	1	MT	51E	00	RL	RE		9.6
					ana	men		2	MT	52E	00	RL	RE		9.0
								3	MT	521	00	O4			4.0
								4	MT	521	00	O4			4.0
								5	MT	52E	00	RL	RE		9.0
								6	MT	52E	00	RL	RE		2.6

Yes the list actually ends : F

[illegible]

State Superintendent of Public Instruction

DRAFT REPORT

DoD Activity	Purchase	MIPR Number	Appropriation	MIPR Amount
53 rd Wing, Cont'd	CSETOS Support (T.O. #189), Cont'd	145 NPY76210594157 (A6)	O&M	(\$5,867.28)
		146 NPY76210594157 (A7)	O&M	(\$12,433.14)
8. Air Force Accounting and Finance Office	31 Kiosk	147 F1AF2B5265G001	O&M	\$1,400,000.00
Unified Command				
9. U.S. Northern Command	32 OC-3 Circuits*	148 NMIPR054600299	O&M	\$252,000.00
		149 NMIPR054600299 (A1)	O&M	\$0.00
		150 NMIPR054600299 (A2)	O&M	(\$252,000.00)
33	Advanced Concepts Technology Demonstration	151 F31NHA5123G001	O&M	\$150,000.00
	34 Command Information Sharing, Infrastructure Architecture Operations	152 NMIPR054600235	O&M	\$4,644,000.00
		153 NMIPR054600235 (A1)	O&M	\$3,000,000.00
		154 NMIPR054600235 (A2)	O&M	\$1,524,998.64
		155 NMIPR054600235 (A3)	O&M	\$90,000.00
		156 NMIPR054600235 (A4)	O&M	\$50,080.00
		157 NMIPR054600259	O&M	\$2,281,000.00
		158 NMIPR054600259 (A1)	O&M	\$759,000.00
35 IT Hardware		159 NMIPR054600261	O&M	\$768,000.00
		160 NMIPR054600261 (A1)	O&M	\$0.00
		161 NMIPR054600261 (A2)	O&M	\$0.00

Note: See the list of acronym definitions at the end of Appendix F.

PCL XL error

Subsystem: USERSTREAM

Error: MissingData

Operator: ReadImage

Position: 15423