# Audit Report

OFFICE OF THE INSPECTOR GENERAL

**DEFENSE ENTERPRISE INTEGRATION SERVICES CONTRACTS**

Report No. 96-034 December 4, 1995

**Department of Defense**

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**Acronyms**

| | |
|---|---|
| COR | Contracting Officer's Representative |
| DEIS | Defense Enterprise Integration Services |
| DISA | Defense Information Systems Agency |
| DMMIS | Depot Maintenance Management Information System |
| DMSS | Depot Maintenance Standard System |
| ISO | Integration Services Office |
| JLSC | Joint Logistics Systems Center |
| MMSS | Material Management Standard System |
| SIMA | System Integration Management Activity |

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

December 4, 1995

MEMORANDUM FOR DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY

SUBJECT: Audit Report on the Defense Enterprise Integration Services Contracts (Report No. 96-034)

We are providing this report for review and comment. A draft report was previously furnished. At our meeting on September 1, 1995, you outlined a number of commendable actions taken or planned to improve contracting operations, but we did not receive a detailed response to the draft report. To comply with DoD Directive 7650.3, please provide written comments on the final report by January 16, 1996. Indicate concurrence or nonconcurrence with the finding and each recommendation. Comments must 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.

The courtesies extended to the audit staff are appreciated. Questions on the audit should be directed to Mr. Karim Malek, Audit Project Manager, at (703) 604-9538 (DSN 664-9538). The distribution of this report is listed in Appendix H. The audit team members are listed inside the back cover.

Robert J. Lieberman

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Assistant Inspector General
for Auditing

## Office of the Inspector General, DoD

**Report No. 96-034** **December 4, 1995**
(Project No. 4RE-0063)

## Defense Enterprise Integration Services Contracts

## Executive Summary

**Introduction.** The Defense Information Systems Agency established the Defense Enterprise Integration Services (DEIS) contracts to provide technical integration services in support of DoD Enterprise Integration efforts for automated information systems. The Defense Information Systems Agency awarded six indefinite-delivery, indefinite-quantity contracts with identical statements of work to six companies in November 1993. The DEIS contracts are subject to a General Services Administration delegation of procurement authority and have a combined price ceiling of $935 million: $850 million for DoD organizations and $85 million for non-DoD organizations. The Defense Information Systems Agency awarded delivery orders valued at more than $365 million during FY 1994.

**Audit Objectives.** The audit objective was to determine whether delivery orders awarded under the DEIS contracts complied with Federal, DoD, and Defense Information Systems Agency requirements and guidelines. We also determined whether those delivery orders pertained to DoD plans for standardizing automated information systems. Additionally, we assessed the adequacy of the Defense Information Systems Agency management control program as it applied to the audit objectives.

**Audit Results.** The Defense Information Systems Agency management controls did not prevent misuse of the DEIS contracts. As a result, the Defense Information Systems Agency awarded delivery orders with out-of-scope tasks of undeterminable value, did not enforce procedures established to control processing of customer requirements packages, circumvented the Federal Acquisition Regulation and contract terms in awarding delivery orders, limited competition by permitting customers to select subcontractors to perform the delivery order tasks, and awarded delivery orders without regard for the best value to the Government. Details are in Part I. Recommendations in this report, if implemented, will help eliminate management control weaknesses in DEIS contract administration. Appendix F summarizes the potential benefits of the audit.

**Summary of Recommendations.** We recommend actions to hold Defense Information Systems Agency officials accountable if their actions violate provisions of the Federal Acquisition Regulation, provide better guidance to customers on the type of work

allowable under the DEIS contracts, and strengthen management controls over delivery order processing and award. Also, we recommend consideration of best value to the Government in awarding delivery orders.

**Management Comments.** The Director, Defense Information Systems Agency, did not reply in writing to a draft of this report, although he outlined a number of responsive actions during a meeting with the Assistant Inspector General for Auditing on September 1, 1995. We ask that the Director provide detailed written comments by January 16, 1996.

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# Part I - Audit Results

# Audit Background

**Enterprise Integration Initiative.** The Corporate Information Management initiative was established by DoD to help functional managers improve their processes, data, and information systems. The key implementing strategy for Corporate Information Management is Enterprise Integration, which will assist DoD in meeting the challenges it faces in moving toward the 21st century. Enterprise Integration is an iterative process resulting in fewer information applications operated at lower costs with greater intrafunctional and cross-functional compatibility of critical management information. Past information resource management practices have resulted in the proliferation of stand-alone information applications in DoD. Because process improvements are difficult to implement in an environment with so many independent information systems, the near-term Enterprise Integration goal is to reduce the number of information systems while establishing an initial baseline for the overall functional process. Thus, the DoD business process is simplified by reducing the number of information systems to a few that support the prime functions. The reduced number of systems requires standardized functional processes that result in improved performance and cost benefits. Enterprise Integration supports DoD efforts to establish a common baseline of nonduplicative, standard information systems to serve as part of a solid foundation for continual long-term functional improvement.

**Contractor Support for Enterprise Integration.** In March 1993, the General Services Administration granted a delegation of procurement authority to the Defense Information Systems Agency (DISA) for procuring technical integration services. In November 1993, DISA awarded contracts with identical statements of work to six companies for Defense Enterprise Integration Services (DEIS) to help DoD achieve its Enterprise Integration goals. The six companies and their contract numbers are shown in the following table.

**Defense Enterprise Integration Services Contractors**

| Company | Contract Number |
|---|---|
| BDM Engineering Services Company | DCA100-94-D-0015 |
| Boeing Computer Support Services | DCA100-94-D-0016 |
| Computer Sciences Corporation | DCA100-94-D-0014 |
| Electronic Data Systems Corporation | DCA100-94-D-0017 |
| Martin Marietta Technical Services, Inc. | DCA100-94-D-0018 |
| Paramax Systems Corporation (now UNISYS) | DCA100-94-D-0019 |

The DEIS contracts are indefinite-delivery, indefinite-quantity contracts for integration services. The DEIS contracts provide for a base year and 6 option

years and collectively have a maximum value of $935 million: $850 million for DoD customers and an additional $85 million for non-DoD Federal customers over the life of the contracts. During FY 1994 (the first 11 months of the DEIS contracts), DISA issued 267 delivery orders valued at more than $365 million.

**DEIS Contract Tasks.** The purpose of the DEIS contracts is to provide technical integration support and related administrative services. The DEIS contracts may be used for system assessment, requirements analysis, design and development of system requirements, and prototyping of systems for proof of concept. The Agency Procurement Request that DISA submitted to the General Services Administration, seeking the authority to procure information processing services, stated that the acquisition effort ". . . does not include hardware, software, telecommunications or other like Federal information processing resources." The General Services Administration granted the delegation of procurement authority "Based on the information contained in the Agency Procurement Request . . . ." Therefore, the delegation of procurement authority does not authorize the acquisition of hardware, software, or telecommunications. Further, the DEIS contracts cannot be used to provide full-scale implementation of an information system or to provide operations support. The DEIS contract statement of work includes eight task areas[1] that describe the integration support and administrative services that customers may request:

- program and project management;
- integration program management and development;
- integration and migration[2] strategy;
- assessment support;
- integration prototyping and testing;
- training, documentation, and information dissemination;
- integration engineering and software development; and
- technical management planning.

[1]Complete details on the task areas can be provided upon request.

[2]An iterative process to develop an existing or planned and approved automated information system that has been designated to support a functional process on a DoD-wide basis.

**DEIS Contract Management.** The DISA Center for Integration and Interoperability (the Center) is responsible for coordinating the implementation of DoD Enterprise Integration efforts. The Center supports the DoD Components' efforts to achieve interoperability among automated systems, and the Center's Integration Services Office (ISO) manages the DEIS contracts. The ISO reviews customer requirements for services under the DEIS contracts and acts as the liaison between customers and the contracting officers in the DISA Contract Management Branch.

## Audit Objectives

The overall audit objective was to determine whether delivery orders placed through the DEIS contracts complied with Federal, DoD, and DISA requirements and guidelines. Specifically, the audit evaluated whether the delivery orders pertained to DoD plans for standardizing automated information systems. Also, the audit assessed the adequacy of the Center's management control program as it applied to the audit objectives. For a discussion of the audit scope, methodology, and review of the management control program, see Appendix A. See Appendix B for a summary of prior coverage related to the audit objectives and Appendix C for a discussion of other matters of interest. Appendix F summarizes the potential benefits of the audit.

# Procurement of Defense Enterprise Integration Services

The DISA management control program did not prevent misuse of the DEIS contracts. Management controls were ineffective because DISA contracting officials:

o did not clearly define the allowable and unallowable services under the DEIS contracts,

o split the responsibility for determining that delivery orders were within the scope of the DEIS contracts,

o circumvented procurement regulations and contract provisions to speed the award of delivery orders,

o and permitted customers to direct work to specific subcontractors.

As a result, DISA awarded delivery orders with out-of-scope tasks of undetermined value that duplicated work already under contract and were for services not associated with automated information system integration, permitted contracting officers to circumvent procurement regulations, limited competition by permitting customers to select subcontractors, and did not obtain the best value in awarding delivery orders.

## DEIS Contract Oversight

**Enterprise Integration Executive Management Council.** The Center established the Enterprise Integration Executive Management Council (the Council) to provide a continuing forum to communicate policy, procedural matters, delivery order status, and general information concerning the DEIS contracts. The Council is chaired by the DISA Director for Enterprise Integration. The Council is composed of representatives from the Center, ISO contracting officer's representatives (CORs), and contracting officers. Council membership also includes the DEIS contract program manager from each of the six prime contractors. Minutes of Council meetings show that DISA encouraged the prime contractors to market the services available under the DEIS contracts to the DoD Components. Further, although determining

requirements is inherently a governmental function, DISA encouraged the prime contractors to help the DoD Components prepare acceptable requirements packages and to tell the DoD Components which services were not allowed under the DEIS contracts.

**Services Allowed Under the DEIS Contracts Not Clearly Defined.** The DEIS contracts scopes of work were broadly written in order to permit the widest possible range of integration activities to be accomplished. It was in the contractors' best interests to encourage DoD Components to submit requirements that tested the limits of work allowed under the DEIS contracts. The DISA Director for Enterprise Integration used the Council to attempt to clarify for the prime contractors and for DISA contracting officials the types of tasks permissible under the DEIS contracts. Minutes of Council meetings show that the following guidance was issued.

o The DEIS contracts allow migration planning, strategies, system assessments, selections, modeling, and software development to include prototyping migration systems and data bases.

o The DEIS contracts also allow initial planning at sites, preparation for prototypes, and installation of prototypes.

o Prototyping is limited to no more than five sites based on the complexity and uniqueness of the sites to be integrated.

o Hardware and software may be procured only in quantities incidental to prototyping. As a guide, hardware and software costs should not exceed 10 percent of total labor costs for a delivery order.

o Work performed should focus on selected or candidate migration systems.

o Delivery order period of performance should not exceed 365 days.

o Customers may designate a prime contractor to perform the delivery order, but may not designate a subcontractor, because the DEIS contracts are only with the prime contractors.

o Contracting officers may compete delivery orders among the DEIS contractors, but customers must pay bid and proposal costs.

**Services Not Allowed Under the DEIS Contracts.** The Director for Enterprise Integration cautioned the contractors and DISA contracting officials that operational system installation, sustainment, and operation and maintenance

services are not within the scope of the DEIS contracts. Also, in accordance with the Agency Procurement Request on which the delegation of procurement authority is based, procurement of hardware or software is not allowable unless incidental to a prototyping effort.

**Contract Administration.** The ISO administers the DEIS contracts. The ISO is staffed with a COR for each of the six DEIS contracts. The COR is the point of contact for DEIS customers and the primary point of contact for DEIS prime contractors and serves as the liaison with the contracting officers in the DISA Contract Management Branch. The COR ensures that the Contracting Officer's Technical Representative, designated by the customer, for each delivery order receives the information and materials needed to fulfill assigned responsibilities.

**Documentation of Customer Requirements.** The ISO developed a Delivery Order Guidebook (the Guidebook) to assist DEIS contract customers in preparing requirements packages and to define the standard review and approval procedures for delivery orders. The Guidebook contains the ISO standard operating procedures (see Appendix D) for reviewing and approving delivery orders. Customers desiring to use one of the DEIS contracts are required to submit to the ISO a requirements package, including the proposed statement of work, contract data requirements list, delivery order cost estimate, funding document, and approval to procure Federal information processing resources. The ISO procedures require customers to provide those documents before the COR review.

**Reviewing Requirements Packages for Compliance with DEIS Contracts Scope.** The Center had not established reliable procedures to verify that the services requested by customers were within the scope of the DEIS contracts. The Federal Acquisition Regulation, subpart 1.602-2, "Responsibilities," makes contracting officers responsible for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in contractual relationships. The DISA contracting officers reviewed the delivery order statement of work, in conjunction with the ISO and the integration managers, to determine whether the statement of work was complete and within the scope of the DEIS contracts. The Guidebook states that the ISO was responsible for determining whether the work proposed in a delivery order was compatible with the contract scope, as well as with DoD plans, programs, standards, and guidelines. The ISO, in turn, relied on the expertise of integration managers from the Center to assist in evaluating the statements of work in customers' requirements packages. However, the integration managers had no responsibility to and did not certify that the delivery order tasks were within the scope of the DEIS contracts.

**Functions of Integration Managers.** The integration managers are functional area experts who review the DoD customers' requirements packages to verify that the requested service supports DoD Enterprise Integration goals.

Specifically, the integration managers certified that tasks requested by customers supported the Enterprise Integration goals for a designated functional area. However, Enterprise Integration involves much more than the technical integration covered by the DEIS contracts. Thus, a task could support Enterprise Integration goals and still be outside the scope of the DEIS contracts. The integration managers also certified that requested tasks did not duplicate other DoD efforts. Nonetheless, contract correspondence files showed that the contracting officers relied on the reviews performed by integration managers to determine whether the delivery order tasks were within the scope of the contracts. For example, if the contracting officer had questions regarding the applicability of a delivery order task to the DEIS statement of work, the contracting officer would ask the COR whether an integration manager had ". . . reviewed the tasks for scope . . .," yet the integration managers had no responsibility to do so.

## Delivery Orders Outside the Scope of the DEIS Contracts

Ineffective COR review of delivery order statements of work for compliance with the DEIS contracts scope resulted in misuse of the contracts. Because the DEIS contracts' statements of work are so broadly worded and because the delivery orders' statements of work lacked specificity, determining whether the requested services were out of scope was difficult. However, we determined that 44 of the 122 delivery orders we reviewed contain tasks that are outside the scope of the contracts. The questionable delivery orders are identified in Appendix E.

**Delivery Order Tasks Outside the Scope.** The DEIS contracts are to provide technical integration support and related administrative services. Migration planning and limited prototyping for proof of concept are permissible, but installation and operation of automated information systems is outside the scope of the DEIS contracts. That distinction was a recurring theme at Council meetings. However, customers requested and DEIS contracting officials approved delivery orders for installation and operational support of automated information systems. The Joint Logistics Systems Center (JLSC) used the DEIS contracts to achieve full operational capability for portions of one automated system.

## Joint Logistics Systems Center Delivery Orders Outside the Scope of the DEIS Contracts

**Joint Logistics Systems Center.** The JLSC used the DEIS contracts during FY 1994 for 47 delivery orders valued at more than $248 million. The delivery orders were for the development and installation of the Depot Maintenance Standard System (DMSS), the Depot Maintenance Management Information System (DMMIS), and the Material Management Standard System (MMSS). Although procurement of hardware and software under the DEIS contracts was supposed to be limited to quantities incidental to prototyping, the JLSC procured more than $6 million in hardware and $7 million in software. Also, although the period of performance for delivery orders was to be limited to 365 days, DISA approved multiple delivery orders for JLSC with periods of performance of 15 months (about 450 days) and one delivery order for 420 days. Although only prototyping to demonstrate proof of concept was permitted under the DEIS contracts, six delivery orders, valued at $89.5 million, provided for installation and achievement of full operational capability for the DMSS, DMMIS, and MMSS.

**DMSS Integration.** Delivery order 0030, contract DCA100-94-D-0015, awarded September 28, 1994, for $38.1 million required the contractor to build and install a turnkey, interfaced DMSS at all Government designated sites; to shut down designated legacy systems; to develop a long-term, flexible, standards-based architecture; and to develop and conduct needed training. The integration tasks were to be accomplished at 24 sites. Included in the 24 sites are the 5 initial operating sites, 5 Air Logistics Centers, and 16 other sites to be designated by the Government. (Two Air Logistics Centers are also initial operating sites, thus work will be performed at only 24 sites). The installation of turnkey, interfaced systems and the shut down of legacy systems goes beyond the prototyping that is permitted under the DEIS contracts; therefore, we believe that the delivery order is outside the contract scope. Furthermore, the delivery order states that DMMIS will be deployed to and tested to initial operating capability at the five Air Logistics Centers. However, in its System Decision Memorandum for the DMMIS, August 30, 1994, the Major Automated Information System Review Council authorized deployment of the DMMIS to only five DoD initial operating sites. Therefore, deployment of DMMIS to the Air Logistics Centers was not authorized.

**DMSS Implementation.** Delivery order 0027, contract DCA100-94-D-0018, awarded September 20, 1994, for $11.4 million requires the contractor to support activation of the DMSS to achieve full operational capability at each of the five Military Department initial operating sites. The delivery order described the measure of success as proving the concept through implementation of the DMSS from demonstration of initial capability on a single product line to achievement of full operational capability for all targeted product lines at the

same depot locations. The required tasks clearly transcend prototyping for proof of concept and are outside the scope of the DEIS contracts. Furthermore, distinguishing the type of work performed under the integration contract from the work performed under the implementation contract is difficult. Because delivery order 0030, contract DCA100-94-D-0015, discussed above required a different contractor to install a turnkey, interfaced DMSS system and shut down legacy systems at the five initial operating sites, a significant potential exists for duplication of effort. Also, because of the need to coordinate the efforts of two or more contractors in DMSS tasks, we believe that a significant potential exists for Government customers to direct contractor efforts, thus creating a personal services relationship that is prohibited by the Federal Acquisition Regulation.

**DMMIS Implementation.** Delivery orders 0026 and 0028, awarded September 20, 1994, for $1.8 million and $1.9 million respectively, and delivery order 0039, awarded September 30, 1994, for $4.9 million, all on contract DCA100-94-D-0018, require the contractor to activate the DMMIS in all commodity directorates and all financial modules across the entire depot maintenance business area. The delivery orders also required the contractor to provide assistance to the customer in all facets of DMMIS activation, provide follow-on training, support system installation, facilitate follow-on activations, and provide undefined customer support. Delivery orders 0026 and 0028 pertain to the Tobyhanna Army Depot and the Jacksonville Naval Aviation Depot respectively. Delivery order 0039 pertains to the Air Logistics Centers at Sacramento, San Antonio, Warner Robins, and Oklahoma City. Except for Warner Robins, the efforts under delivery order 0039 were outside the scope because the Air Logistics Centers are not among the five Military Department initial operating sites authorized by the Major Automated Information Systems Council. Furthermore, a duplication of effort may exist between contractors installing the DMMIS at the Air Logistics Centers because a similar tasking was in delivery order 0030, contract DCA100-94-D-0015, as previously discussed.

**MMSS Integration.** Delivery order 0082, contract DCA100-94-D-0014, awarded September 27, 1994, for $31.8 million requires the contractor to perform all the tasks necessary to develop, integrate, test, and install the MMSS. Also, the delivery order required the contractor to perform all services needed to activate the MMSS at 17 inventory control points. Again, the scope of work goes well beyond prototyping at a maximum of five sites and is outside the scope of the DEIS contracts. Furthermore, officials at JLSC insisted that 60 percent of the work (about $20 million) be awarded to a specific subcontractor, Andersen Consulting. Because Andersen Consulting's labor charges were higher than the DEIS contract's negotiated rates and because Andersen Consulting quoted significant charges for other direct costs, the prime contractor proposed a cost-plus-fixed-fee delivery order rather than a time and materials delivery order. The DISA contracting officer stated that, because of the Andersen Consulting proposal, the prime contractor could propose to perform the work only on a cost-plus-fixed-fee basis. The DISA contracting officer also

stated that he could not award a cost-plus-fixed-fee delivery order without a Defense Contract Audit Agency audit of the proposed charges and price negotiation; therefore, the delivery order could not be awarded within 30 days. The JLSC officials responded that the funds for the delivery order must be obligated by the end of FY 1994 or they would be lost. The prime contractor resolved the matter by resubmitting its proposal on a time and materials basis. Also, at the request of JLSC, the prime contractor proposed the use of the Army's System Integration Management Activity (SIMA) in the performance of the work. The prime contractor's proposal stated that allowing SIMA to participate in the work would save 30 civil service SIMA employees from an organizational reduction in force and that Andersen Consulting had successfully worked with SIMA in the past.

Available records did not show whether Andersen Consulting accepted the negotiated rates or whether some means of compensating the firm at its own rates was devised. Also, we question how the COR and the contracting officer evaluated the contractor's proposal when the work to be performed by SIMA resources was not known.

The JLSC planned that the period of performance for delivery order 0082 would be 15 months. However, the contractor's proposal reduced the period of performance to 335 days (about 11 months). Furthermore, the contractor's proposal stated that the delivery order tasks could not be completed within the 335-day period of performance and that its proposal included only the work that could be accomplished in 335 days. Also, the contractor's proposal included hardware and software costs equal to about 33 percent of the total labor costs for the delivery order. Contracting officials at DISA rationalized that the hardware and software costs were permissible because hardware and software costs for the combined total of all JLSC delivery orders would equal only about 12 percent and because the bulk of the software would be distributed to the other DEIS contractors performing work for JLSC. For purposes of computing the hardware and software costs of all JLSC delivery orders, the DISA contracting officer included an estimated cost of about $30 million for two requirements packages for which delivery orders had not been awarded.

**Delivery Orders With Identical Statements of Work.** Delivery order 0028, contract DCA100-94-D-0017, awarded September 26, 1994; delivery order 0031, contract DCA100-94-D-0015, awarded September 30, 1994; and delivery order 0045, contract DCA100-94-D-0018, awarded September 30, 1994, for about $350,000 each, had identical statements of work. The delivery orders required each contractor to transform the Navy's Conventional Ammunition Integrated Management System documentation into a toolset compatible with the JLSC toolsets used for configuration management. Also, the delivery orders required each contractor to develop a plan for implementing the Navy system as

the DoD standard ammunition system for all the Military Departments. In effect, the three statements of work had the contractors competing to be selected to develop and deploy the new ammunition management system in DoD. Each of the contractor teams participating in the DEIS contracts is a world-class organization imminently qualified to support DoD's integration initiative. Therefore, we believe that the development of three models for the ammunition system is unnecessarily duplicative and a misuse of about $700,000.

## More Examples of Delivery Orders Outside the Scope of the DEIS Contracts

**Vessel Traffic Service System Integration.** Delivery order 0026, contract DCA100-94-0014, awarded June 23, 1994, for $365,000 required the contractor to design, develop, and install sensor and software enhancements at three seaports to satisfy a Coast Guard mission. The delivery order will consolidate three systems into a single migration system; however, no prototyping is involved. The project is not a developmental project; the intent is to install fully operational systems. Therefore, work required by the delivery order is outside the scope of the DEIS contracts.

**Integration of Navy Parts Data Bases.** Delivery order 0020, contract DCA100-94-D-0014, awarded June 6, 1994, for $900,000 required the contractor to develop a common data base to replace three existing data bases for spares requirements for new acquisitions. The purpose of the delivery order was to achieve economies from consolidating three data bases into one and to service the three customers from a single location. Although that consolidation may be considered a migration effort, the system will be a stovepipe system unique to the Navy and will not achieve cross-functionality with other Military Departments or applications. Therefore, we question whether the Navy used the DEIS contract appropriately for this effort.

**Horizontal Technology Integration Support.** Delivery order 0012, contract DCA100-94-D-0014, awarded April 26, 1994, for $481,000, required the contractor to provide administrative support functions to help establish the Army Digitization Office. The Contracting Officer's Technical Representative stated that the Army Digitization Office needed additional personnel, so it used the DEIS contract to acquire the needed services. The Contracting Officer's Technical Representative also stated that he was fully aware of contractor personnel activities because he kept in constant touch with them. The DEIS contracts are for Federal Information Processing services as defined in the Federal Information Resources Management Regulation. Delivery order 0012 has no relationship to Federal Information Processing services; therefore, it is not within the scope of the DEIS contracts. Further, we believe that the

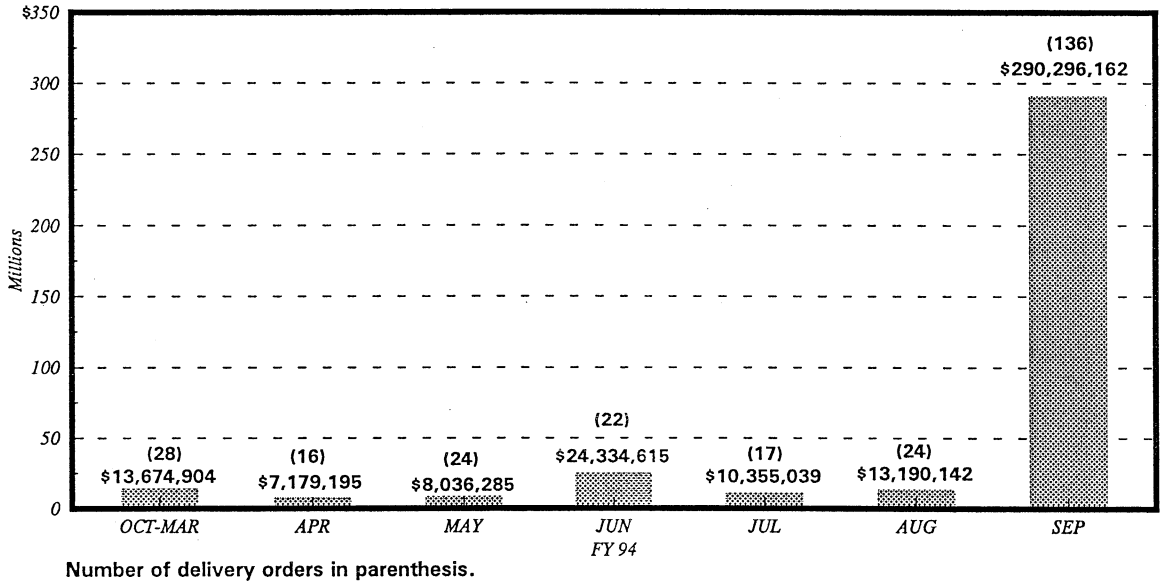
delivery order entails personal services that are prohibited by the Federal Acquisition Regulation because the work of contractor employees is directed by Government personnel.

**Customer Support Services.** Delivery order 0032, contract DCA100-94-D-0018, awarded September 26, 1994, for $600,000, required the contractor to provide a wide range of customer support services to create an environment conducive to the implementation of the MMSS. In effect, the delivery order is to market the MMSS to the user community. Contractor functions include identifying and monitoring target audiences to build sponsorship, supporting briefings to inform customers about the JLSC and the need for the MMSS, developing and presenting training materials, developing and conducting customer surveys, and developing and staffing a customer service support center that will provide a forum for customers to ask questions about the MMSS. This delivery order was directed to a specific subcontractor to continue an effort started under an Air Force contract. The customer sites identified in the delivery order are all logistical support organizations that will have no option but to use MMSS. Training is included in the delivery orders for the implementation and integration of the MMSS. Therefore, we question the need to spend $600,000 to develop customer appreciation for the system. Further, this delivery order requires no system planning, assessment, selection, or prototyping tasks; therefore, we believe the work is not within the scope of the DEIS contracts.

## Pressures Placed on DISA Contracting Officers to Speed Delivery Order Awards

**Workload Volume was Inconsistent with 30-Day Processing Goal.** The Center's goal to award time and materials delivery orders within 30 days of receipt of a completed requirements package by the ISO created pressure on the contracting officers to expedite the award of delivery orders. Although six contract specialists provided assistance, we believe that limited delivery order processing time and workload volume overwhelmed the four DISA contracting officers during the final 2 months of FY 1994. In September 1994, the DISA contracting officers awarded 136 delivery orders valued at more than $290 million (see the figure below). Processing for most of the delivery orders began in August, but some requirements packages were not received until September. The ISO established August 31, 1994, as the cutoff date for customer submission of requirements packages that were to be funded with FY 1994 funds. However, the ISO did not enforce the cutoff. Of 35 requirements packages received in September 1994, the DISA contracting officers awarded delivery orders for 22. In some instances the turnaround time was remarkable. One requirements package was received on September 20, 1994, and the

delivery order valued at more than $4.8 million was awarded on September 27, 1994. Delivery orders valued at more than $168 million were awarded during the final 4 days of September 1994: $59 million on September 27, $55.1 million on September 28, $14.9 million on September 29, and $39.8 million on September 30. Better workload planning by the Center, an earlier cutoff date, and strict adherence to the cutoff date is needed to avoid an unmanageable yearend work load.




Number of delivery orders in parenthesis.

## Monthly Contract Awards

**Perceived Pressure from Senior Officials.** The perception of senior official influence, real or imagined, affected the performance of the DISA contracting officers. At a meeting on September 19, 1994, a DISA contracting officer stated, "I live in the real world, and when flag officers request something be done, people make sure that it somehow gets done." The effect of that attitude is illustrated by the actions of another contracting officer in the January 19, 1994, award of delivery order 0002, contract DCA100-94-D-0014, for $475,000. The delivery order was for systems integration and engineering support of the Global Command and Control System. The customer's initial statement of work required the contractor to provide a Global Command and Control System integration schedule and to integrate elements of Global Command and Control System migration candidates.

**Senior Official Changed Requirement.** Before the delivery order was awarded, the customer's requirements changed to require installation of the Global Command and Control System at the U.S. Transportation Command. However, documentation in the contract file showed that the contracting officer was compelled to speed delivery order award because a flag officer wanted the work to start immediately. The Government's cost estimate for the work was $2 million, but only $500,000 was available to defray the cost for a 90-day period of performance. As a result, the COR asked the contractor to describe the work it could accomplish for $480,000 ($500,000 minus the DISA 4-percent processing fee), and the contracting officer gave oral approval for the contractor to start work without agreement on the work to be performed or the deliverables to be received.

**Potential for Violation of the Federal Acquisition Regulation.** The contract file provided evidence that the DISA contracting officer was fully aware that giving oral approval to start work without an agreed-upon deliverable placed the Government at risk. In effect, without an agreed-upon statement of work or a deliverable, the contractor was free to charge the Government $480,000 for any work the contractor decided to perform. The contracting officer's actions in this instance did not safeguard the interests of the Government as required by the Federal Acquisition Regulation. Furthermore, the contracting officer's oral direction to start work was contrary to the DEIS contract. Paragraph G.5 of the contract states, "The contractor is not authorized to commence task performance prior to issuance of the signed delivery order by the contracting officer." The delivery order was not definitized until March 7, 1994. Delivery order modifications on April 11, 1994, and May 11, 1994, increased the cost to about $700,000 and $1.1 million, respectively. The last modification required performance of the tasks originally requested.

## Customer Selection of Contractors to Perform Work

**Contract Customers Selected DEIS Subcontractors.** The contracting officer permitted DoD customers to select preferred subcontractors in 41 of the 122 sampled delivery orders. The Center's procedures permitted customers to state prime contractor preferences because the contracts were awarded to the six prime contractors through competitive contracting procedures. The DEIS contracts did not permit contract customers to state preferences for specific subcontractors, and that restriction was emphasized by the Council. However, the ISO and the DISA contracting office permitted the customer to designate a specific subcontractor for the 41 delivery orders in violation of DEIS contracts' provisions and Guidebook procedures. The delivery orders for which customers selected a specific subcontractor are identified in Appendix E.

**Subcontractors Other Than Contract Team Members Selected.** The DEIS contracts required that prime contractors subcontract only with those companies that took part in the original competition. Guidance issued by the DISA contracting officers provides for the following two exceptions.

o The new subcontractor service is required for one-time use because unique skills are not currently available among the approved team of subcontractors.

o The new subcontractor is needed to fulfill the requirements for small business goals if an approved small business graduated from the small business program.

A total of 19 delivery orders required new subcontractors. According to the contract, the six prime contractors, not the customers, would decide the team mix of subcontractors for a delivery order. However, for 16 of the 19 delivery orders requesting new subcontractors, the DISA contracting office permitted customers to select new subcontractors that were not part of the DEIS team arrangements. Permitting customers to select new subcontractors was contrary to provisions in the DEIS contracts and resulted in noncompetitive procurement of services. The justifications for new subcontractors that we reviewed were no more than statements of the contractor's wish to include a new subcontractor. None of the requests defined a compelling need for the services of the new subcontractor. The delivery orders issued, which included tasks to be performed by new subcontractors, are shown in Appendix E.

**Award of Delivery Orders Did Not Assure Best Value.** During the source selection and evaluation process, DISA evaluated each contractor that competed for award of the DEIS contracts on technical ability and cost. The DISA considers each contractor selected for award qualified to successfully perform any task within the DEIS contract's statement of work. Given that each DEIS contractor is capable, cost should have been a major factor for determining the best value in awarding delivery orders to achieve cost savings. However, most of the delivery orders and funds went to high-cost contractors.

For example, DISA ranked Boeing Computer Support Services a very close second to Computer Sciences Corporation technically, and Boeing had the lowest price. However, as of October 3, 1994, Boeing was awarded the fewest number of delivery orders (38) for the least dollar value ($24,465,272) among the six contractors. Computer Sciences Corporation, which had the second highest price and had no significant technical advantage over Boeing, received the most delivery orders (88) and the highest dollar value ($144,819,161) among the 6 contractors. The average labor cost for Computer Sciences Corporation was about 16 percent higher than the average labor cost for Boeing; therefore, contract costs could have been reduced by as much as $23 million if

delivery order awards were based on cost alone. We believe that delivery orders should be awarded based on the best value to the Government rather than on customer preference.

## Conclusion

The DEIS contracts provide DoD managers with a streamlined vehicle to help achieve DoD's Enterprise Integration goals, which is laudable. However, the delegation of procurement authority, which authorized the DEIS contracts, is voidable if that authority is misused. The DISA administration of the DEIS contracts during FY 1994 permitted misuse of the delegation of authority. Contract misuse occurred because DISA contracting officials did not clearly define for their customers the authorized uses of the contracts and the specific limitations on those uses. Also, DISA did not enforce compliance with the procedures established to validate customers' requirements packages and to help control administration of the contracts. Further, DISA permitted contracting officers to circumvent the Federal Acquisition Regulation in the award of delivery orders, and permitted customers to select contractors to perform delivery orders without consideration of the best value to the Government. The collective contract administration shortfalls may jeopardize the future availability of the DEIS contracts if not promptly corrected.

## Recommendations for Corrective Action

We recommend that the Director, Defense Information Systems Agency:

1. Evaluate the performance of all Defense Information Systems Agency officials, including contracting officers, and initiate appropriate action, if improper procurement actions were taken involving the Defense Enterprise Integration Systems contracts.

2. Direct contracting officers to award delivery orders based on best value to the Government rather than customer preference.

3. Direct contracting officers to follow provisions in the Federal Acquisition Regulation and the Defense Enterprise Integration Services contract in awarding delivery orders.

4. Publish and disseminate definitive guidance to Defense Enterprise Integration Services contractors and customers, describing the type of work allowable under the contract and the types of work and procurement that are not allowable under the Defense Enterprise Integration Services contract.

5. Establish controls to verify that the Integration Services Office certifies that customers' statements of work contain only tasks that are allowable under the Defense Enterprise Integration Services contract.

6. Enforce annual cutoff dates for acceptance of requirements packages that cite current year funds.

## Management Comment Required

The Director, Defense Information Systems Agency, did not respond formally to the draft of this report. We ask that the Director provide written comments on the final report.

# Part II - Additional Information

# Appendix A. Scope and Methodology

## Scope

**Review of Delivery Orders.** We randomly reviewed 122 delivery orders totaling more than $290 million, from an overall universe of 267 delivery orders, totaling more than $365 million, issued through the DEIS contract to six companies. The 122 delivery orders were issued from December 1993 through September 1994.

**Sampling Plan.** The purpose of the sampling plan was to estimate the value of DEIS contract delivery orders that contained out-of-scope tasks. However, because dollars could not be assigned to specific delivery order tasks, we could not make projections, but presented sample results descriptively. Although we made no projections, the sample results are representative of the population.

**Delivery Order Review Methodology.** We reviewed the delivery orders' statements of work for compliance with the overall contract scope and for compliance with established management controls. For each of the delivery orders selected, we compared the tasks in delivery orders for compliance with DEIS contract provisions. We reviewed support documentation for delivery orders maintained in contract files and in the ISO files. We interviewed employees of the DISA Center for Enterprise Integration, contracting officers of the DISA Contract Management Branch, and customer technical representatives at various DoD and non-DoD organizations. We also interviewed oversight personnel from the Office of the Deputy Assistant Secretary of Defense for Information Management, and the Office of the Director, Defense Procurement. We examined all related documentation to determine whether controls had been established and to ensure compliance with the regulatory provisions of DoD Directive 5010.38.

**Use of Computer-Processed Data.** We performed limited tests on the reliability of computer-processed data provided to us by the Center for Enterprise Integration. We verified the data for total dollar awards of our sample, outlined in Part I. Also, we verified the award dollars from the actual delivery orders and compared that amount to the data base used by the ISO. We determined that any difference was not material and, to that extent, we determined the data were sufficiently reliable to be used in meeting our audit objectives.

**Audit Period, Standards, and Locations.** We performed this program audit from July 1994 through January 1995 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, we included such tests of management controls as were considered necessary. The audit was primarily performed at the Defense Information Systems Agency, Arlington, Virginia. Appendix G lists the organizations visited or contacted.

## Management Control Program

DoD Directive 5010.38, "Internal Management Control Program," April 14, 1987, requires every DoD organization to have in place management controls over its operations and to perform periodic self-evaluations of those controls. We reviewed both elements of the Center's management control program as those elements applied to the process for reviewing and approving delivery orders.

**Scope of Review of Management Control Program.** Specifically, we reviewed management control procedures for screening and reviewing DoD customers' requirements packages and for approving delivery orders for issuance on the DEIS contract. We reviewed management's self-evaluation of those management controls.

**Adequacy of Management Controls.** We identified a material management control weakness as defined by DoD Directive 5010.38 relating to the Center's process for reviewing and approving DEIS contract requirements packages. The Center had not established effective procedures to ensure that customers' requirements packages complied with the DEIS contracts statement of work or with the Center's management control policies. Recommendation 2, if implemented, will correct the weakness. A copy of the report will be provided to the senior official responsible for management controls at DISA.

**Adequacy of Management's Self-Evaluation of Management Controls.** The Center identified the ISO as an assessable unit, and the ISO determined that its inherent risk was high. However, the ISO reported to the Center's management that its inherent risk was medium due to controls in place. We believe the ISO should have reported its documented high level of inherent risk to DISA and should have conducted an evaluation of the applicable management controls to determine whether the risk could be reduced. Further, inherent in the process the ISO used to review and approve delivery orders is the 30-day time constraint established by management to review, approve, and issue DEIS contract delivery orders. The 30-day time constraint should have alerted Center management that high risk was likely and that a thorough assessment of

management controls was appropriate. Because the Center did not conduct the evaluation, the Center did not identify or report the material management control weakness identified by the audit.

# Appendix B. Prior Audits or Other Reviews

During the last 5 years, the Inspector General, DoD issued two reports that discuss issues similar to those discussed in this report.

Inspector General, DoD, Report No. 94-199, "Acquisition of Inventory Services for the Defense Information Services Organization," September 30, 1994, states that the Defense Commercial Communications Office contracting officer did not prepare justifications to support the use of $2.4 million in time and materials pricing actions, establish not-to-exceed prices, or monitor the contractor's performance. The report recommends that contracting officers provide written justification for using time and materials contractual actions, establish clear not-to-exceed amounts, determine the reasonableness and allowability of precontract costs and adjust as needed, and request that the Defense Contract Audit Agency review supporting documentation to determine the extent the contractor used labor categories other than those proposed or invoiced. The DISA concurred with the recommendations and initiated procedures to require written justification for using a time and materials contract for future delivery orders and modifications and to require a not-to-exceed amount. The DISA did not request that the Defense Contract Audit Agency review the labor categories because the contractor's use of local personnel rather than personnel in a travel status resulted in benefits of $106,309 to the Government.

Inspector General, DoD, Report No. 93-023, "Time-and-Materials Billings on Air Force Contract F33600-86-D-0295," November 13, 1992, states that work was performed that was outside the scope of the contract, the contract was improperly awarded and managed, and Air Force contracting officers improperly used Operation and Maintenance funds. The report recommends that the Commander, Air Force Material Command, initiate disciplinary action against Air Force officials and contracting officers responsible for the approval, award, and administration of contract F33600-86-D-0295. Also, the language in the Air Force Federal Acquisition Regulation Supplement should be revised to align with the Federal Acquisition Regulation. The Air Force deferred consideration of disciplinary action until the effects of an ongoing criminal investigation could be assessed. The Department of Justice pursued criminal and civil investigations of the issues in the report, but closed the cases and dropped its prosecution of all parties involved in the contract. The Air Force is now pursuing an investigation of Antideficiency Act violations. Required funding adjustments were expected to be completed by September 30, 1995.

# Appendix C. Other Matters of Interest

## Actions Taken to Strengthen Management Controls

The Integration Services Office conducted training for the integration managers during July and August 1994, and issued revised delivery order guidelines on November 10, 1994, to improve the process of awarding and monitoring delivery orders under the DEIS contracts. The revised delivery order guidelines should assist in documenting a direct relationship between delivery orders and the Enterprise Integration goals and should help ensure that the delivery orders are within the scope of the contracts.

## Authority for DISA to Award the DEIS Contract

**Delegation of Procurement Authority.** The DISA awarded the Defense Enterprise Integration Services contract through the General Services Administration delegation of procurement authority (the delegation). The General Services Administration has oversight of all Federal procurements for information processing resources. The delegation was based on information provided by DISA and placed certain limitations on DISA management and contracting, including a maximum contract ceiling amount of $850 million for DoD customers.

**DEIS Contract Approaching Maximum Ordering Limitation.** The DISA estimated that the contract's maximum dollar ceiling of $850 million for DoD requirements and an additional $85 million for non-DoD customers would be for the 7-year life of the contract. The obligations during the first contract year totaled more than $365 million--40 percent of the total contract authority. If the contract use continues at the rate of the first contract year, the contract will reach its maximum dollar ceiling much sooner than the planned for 7 years. The DISA recognized the high rate of contract use and is planning for a subsequent contract.

**Effects of Acquisition Streamlining on the DEIS Contract.** The Federal Acquisition Streamlining Act of 1994 (the Act) requires special procedures for delivery orders or tasks issued through multiple-award contracts. Section 1004a of the Act added section 2304c to title 10. United States Code, title 10, section 2304c. paragraph (b) states, in part:

> When multiple task or delivery order contracts are awarded under (the Act), all contractors awarded such contract shall be provided a fair opportunity to be considered, pursuant to procedures set forth in the contracts, for each task or delivery order in excess of $2,500 that is to be issued under any of the contracts . . . .

Although awarded before the Act became effective, the DEIS contract permits contracting officers to determine when competition may be in the Government's best interests and permits contracting officers to compete requirements among the DEIS prime contractors. The DISA did not take advantage of those contracting procedures to compete delivery orders among the six DEIS contractors and should recognize the applicability of the Act to planned follow-on efforts. The provisions in the Act requiring all multiple-award contractors be given a fair opportunity for consideration in the award of delivery orders become effective October 1, 1995, unless implemented sooner by regulation.

# Appendix D. Delivery Order Review and Approval Process

The procedures the ISO established in the Delivery Order Guidebook for review and approval of delivery orders placed against the DEIS contracts are excerpted below.

1. A requirements package is received by the ISO and checked for completeness. The requirements package receives an internal tracking number.

2. If all the required support was received, the ISO performs a review of the package for compliance with the DEIS contract statement of work. The ISO also forwards a copy of the requirements package to the assigned technical integration manager who reviews the package to ensure Enterprise Integration goals were met; and the ISO forwards a copy, concurrently, to the DISA Contracts Management Branch.

3. Upon the satisfactory completion of all three concurrent reviews, the ISO provides the package to the contractor for proposal.

4. The contractor prepares and submits delivery order cost and technical proposals simultaneously to the customer, the ISO, and to the contracting officer.

5. The customer, the ISO, and the contracting officer review the proposals and hold pre-award discussions with the contractor.

6. The contracting officer representative forwards a final package to the contracting officer for delivery order award.

7. The contracting officer, the contracting officer's representative, and the contracting officer's technical representative will jointly administer the delivery order through its completion.

# Appendix E. Delivery Orders Reviewed

| Contract No. | Delivery Order No. Reviewed | Amount Awarded | Tasks Outside Scope | Customer Selected Subcontractor | New Subcontractor Selected |
|---|---|---|---|---|---|
| DCA100-94-D-0019 | 0002 | $ 72,476.58 | X | - | - |
| DCA100-94-D-0014 | 0002 | 1,180,203.28 | X | X | X |
| DCA100-94-D-0014 | 0004 | 593,211.20 | - | - | - |
| DCA100-94-D-0016 | 0002 | 295,474.16 | - | X | - |
| DCA100-94-D-0016 | 0003 | 75,075.44 | - | X | - |
| DCA100-94-D-0019 | 0003 | 2,671,106.81 | - | - | - |
| DCA100-94-D-0014 | 0005 | 987,961.71 | - | - | - |
| DCA100-94-D-0014 | 0006 | 1,216,975.00 | - | - | - |
| DCA100-94-D-0015 | 0002 | 747,272.00 | - | - | - |
| DCA100-94-D-0018 | 0002 | 824,702.00 | - | - | - |
| DCA100-94-D-0017 | 0006 | 504,520.51 | - | - | - |
| DCA100-94-D-0015 | 0007 | 370,506.00 | - | - | - |
| DCA100-94-D-0014 | 0009 | 599,828.00 | - | - | - |
| DCA100-94-D-0017 | 0004 | 180,273.14 | - | - | - |
| DCA100-94-D-0018 | 0004 | 632,205.00 | - | - | - |
| DCA100-94-D-0014 | 0010 | 699,988.00 | - | X | - |
| DCA100-94-D-0018 | 0005 | 470,954.00 | - | - | - |
| DCA100-94-D-0015 | 0006 | 104,711.00 | X | X | X |
| DCA100-94-D-0014 | 0030 | 1,377,372.00 | - | - | - |
| DCA100-94-D-0015 | 0003 | 704,085.00 | - | - | - |
| DCA100-94-D-0019 | 0007 | 1,320,286.00 | - | - | - |
| DCA100-94-D-0017 | 0007 | 582,886.00 | - | - | - |
| DCA100-94-D-0014 | 0012 | 481,384.00 | X | X | X |
| DCA100-94-D-0015 | 0008 | 161,703.00 | - | - | - |
| DCA100-94-D-0014 | 0016 | 457,981.00 | X | X | X |
| DCA100-94-D-0016 | 0004 | 523,541.30 | - | - | - |
| DCA100-94-D-0018 | 0006 | 171,800.00 | X | X | X |
| DCA100-94-D-0015 | 0010 | 103,677.00 | - | - | - |
| DCA100-94-D-0014 | 0017 | 105,768.00 | - | - | - |
| DCA100-94-D-0017 | 0012 | 61,445.15 | - | X | X |
| **Subtotal** | | **$18,279,372.28** | | | |

| Contract No. | Delivery Order No. Reviewed | Amount Awarded | Tasks Outside Scope | Customer Selected Subcontractor | New Subcontractor Selected |
|---|---|---|---|---|---|
| DCA100-94-D-0017 | 0011 | $ 1,166,005.08 | - | - | - |
| DCA100-94-D-0017 | 0008 | 182,301.23 | - | - | - |
| DCA100-94-D-0017 | 0009 | 243,575.65 | - | - | - |
| DCA100-94-D-0014 | 0018 | 219,021.00 | - | X | - |
| DCA100-94-D-0016 | 0005 | 276,983.43 | - | - | - |
| DCA100-94-D-0018 | 0009 | 50,000.00 | - | X | X |
| DCA100-94-D-0018 | 0010 | 964,752.00 | - | - | - |
| DCA100-94-D-0019 | 0009 | 89,379.92 | - | - | - |
| DCA100-94-D-0014 | 0022 | 7,788,414.00 | X | X | X |
| DCA100-94-D-0015 | 0014 | 191,990.00 | - | X | - |
| DCA100-94-D-0014 | 0020 | 899,920.00 | X | X | - |
| DCA100-94-D-0015 | 0015 | 64,669.00 | X | - | - |
| DCA100-94-D-0014 | 0024 | 67,307.00 | - | - | - |
| DCA100-94-D-0019 | 0011 | 71,194.09 | X | X | - |
| DCA100-94-D-0017 | 0016 | 195,181.80 | - | - | - |
| DCA100-94-D-0015 | 0017 | 9,292,883.00 | - | - | - |
| DCA100-94-D-0015 | 0016 | 2,848,362.00 | - | - | - |
| DCA100-94-D-0014 | 0026 | 365,232.00 | X | - | - |
| DCA100-94-D-0016 | 0006 | 721,042.34 | - | - | - |
| DCA100-94-D-0014 | 0011 | 502,283.00 | - | - | - |
| DCA100-94-D-0014 | 0027 | 393,258.00 | X | X | - |
| DCA100-94-D-0016 | 0007 | 71,957.76 | - | - | - |
| DCA100-94-D-0017 | 0017 | 359,231.65 | - | - | - |
| DCA100-94-D-0014 | 0029 | 2,912,834.00 | - | - | - |
| DCA100-94-D-0014 | 0031 | 439,998.00 | X | X | - |
| DCA100-94-D-0015 | 0019 | 191,993.00 | - | - | - |
| DCA100-94-D-0019 | 0012 | 222,698.29 | X | - | - |
| DCA100-94-D-0019 | 0013 | 638,745.37 | X | X | - |
| DCA100-94-D-0015 | 0020 | 107,652.00 | - | X | - |
| DCA100-94-D-0014 | 0034 | 4,914,359.00 | - | X | X |
| DCA100-94-D-0018 | 0013 | 255,940.00 | X | - | - |
| **Subtotal** | | **$36,709,163.61** | | | |

| Contract No. | Delivery Order No. Reviewed | Amount Awarded | Tasks Outside Scope | Customer Selected Subcontractor | New Subcontractor Selected |
|---|---|---|---|---|---|
| DCA100-94-D-0017 | 0020 | $ 1,598,313.57 | X | - | - |
| DCA100-94-D-0018 | 0015 | 466,427.00 | X | - | X |
| DCA100-94-D-0014 | 0038 | 124,093.00 | X | X | - |
| DCA100-94-D-0014 | 0039 | 308,123.00 | - | X | - |
| DCA100-94-D-0016 | 0008 | 222,052.68 | - | - | - |
| DCA100-94-D-0014 | 0041 | 528,846.00 | - | - | - |
| DCA100-94-D-0014 | 0049 | 729,711.00 | X | X | - |
| DCA100-94-D-0019 | 0015 | 1,453,066.04 | X | - | X |
| DCA100-94-D-0019 | 0016 | 61,049.71 | - | - | - |
| DCA100-94-D-0017 | 0021 | 73,529.00 | X | - | - |
| DCA100-94-D-0014 | 0052 | 392,199.00 | - | X | X |
| DCA100-94-D-0019 | 0017 | 675,855.62 | - | - | - |
| DCA100-94-D-0019 | 0018 | 328,514.41 | - | - | - |
| DCA100-94-D-0018 | 0022 | 822,191.00 | - | - | - |
| DCA100-94-D-0014 | 0058 | 1,220,669.00 | X | - | - |
| DCA100-94-D-0014 | 0059 | 50,732.00 | X | - | - |
| DCA100-94-D-0014 | 0060 | 1,905,749.00 | - | X | - |
| DCA100-94-D-0019 | 0019 | 344,240.01 | X | - | - |
| DCA100-94-D-0018 | 0024 | 480,752.00 | - | - | - |
| DCA100-94-D-0017 | 0025 | 99,979.27 | - | - | - |
| DCA100-94-D-0014 | 0063 | 159,897.00 | - | - | - |
| DCA100-94-D-0018 | 0026 | 1,813,240.00 | X | - | - |
| DCA100-94-D-0018 | 0027 | 11,389,791.00 | X | - | - |
| DCA100-94-D-0018 | 0028 | 1,895,103.00 | X | - | - |
| DCA100-94-D-0018 | 0021 | 479,372.00 | - | - | - |
| DCA100-94-D-0015 | 0028 | 1,923,631.00 | - | - | X |
| DCA100-94-D-0015 | 0024 | 751,411.00 | - | X | - |
| DCA100-94-D-0018 | 0029 | 397,221.00 | X | X | - |
| DCA100-94-D-0016 | 0012 | 326,897.43 | X | - | - |
| DCA100-94-D-0019 | 0023 | 121,628.38 | - | - | - |
| **Subtotal** | | **$31,144,284.12** | | | |

## Appendix E. Delivery Orders Reviewed

| Contract No. | Delivery Order No. Reviewed | Amount Awarded | Tasks Outside Scope | Customer Selected Subcontractor | New Subcontractor Selected |
|---|---|---|---|---|---|
| DCA100-94-D-0017 | 0027 | $ 829,499.14 | - | - | - |
| DCA100-94-D-0017 | 0028 | 348,985.97 | - | X | X |
| DCA100-94-D-0017 | 0029 | 184,361.94 | - | - | - |
| DCA100-94-D-0018 | 0032 | 599,507.00 | X | X | - |
| DCA100-94-D-0014 | 0085 | 192,000.00 | X | X | X |
| DCA100-94-D-0014 | 0086 | 335,996.00 | X | X | X |
| DCA100-94-D-0014 | 0087 | 596,751.00 | - | X | - |
| DCA100-94-D-0014 | 0082 | 31,820,706.00 | X | X | X |
| DCA100-94-D-0014 | 0088 | 240,098.00 | - | - | - |
| DCA100-94-D-0015 | 0029 | 17,623,129.00 | - | - | - |
| DCA100-94-D-0015 | 0030 | 38,169,031.00 | X | - | - |
| DCA100-94-D-0014 | 0080 | 307,228.00 | - | X | - |
| DCA100-94-D-0014 | 0081 | 54,894,095.00 | - | X | - |
| DCA100-94-D-0017 | 0037 | 6,614,095.10 | X | - | - |
| DCA100-94-D-0017 | 0038 | 8,100,345.34 | X | - | - |
| DCA100-94-D-0014 | 0083 | 191,959.00 | - | - | - |
| DCA100-94-D-0016 | 0015 | 2,710,217.58 | X | - | - |
| DCA100-94-D-0016 | 0017 | 120,212.82 | - | X | - |
| DCA100-94-D-0019 | 0028 | 198,469.58 | - | X | - |
| DCA100-94-D-0015 | 0031 | 349,993.00 | - | - | - |
| DCA100-94-D-0019 | 0031 | 761,738.01 | - | - | - |
| DCA100-94-D-0019 | 0032 | 586,226.64 | X | - | - |
| DCA100-94-D-0018 | 0033 | 768,764.00 | X | X | - |
| DCA100-94-D-0019 | 0034 | 1,246,231.15 | X | - | - |
| DCA100-94-D-0017 | 0035 | 93,963.76 | - | - | - |
| DCA100-94-D-0019 | 0035 | 575,052.96 | - | - | - |
| DCA100-94-D-0018 | 0039 | 4,868,401.00 | X | - | - |
| DCA100-94-D-0018 | 0041 | 16,749,798.00 | - | X | X |
| DCA100-94-D-0017 | 0041 | 12,655,890.35 | X | - | - |
| DCA100-94-D-0018 | 0045 | 350,913.00 | - | X | X |
| DCA100-94-D-0018 | 0048 | 1,747,466.00 | X | X | - |
| **Subtotal** | | **$204,831,125.34** | | | |
| **Total** | | **$290,963,945.35** | | | |

# Appendix F. Summary of Potential Benefits Resulting From Audit

| Recommendation Reference | Description of Benefit | Amount and/or Type of Benefit |
|---|---|---|
| 1. | Compliance with Regulations. Enforces compliance with procurement regulations. | Nonmonetary. |
| 2. | Economy and Efficiency. Delivery orders will be based on best value to the Government. | Undeterminable. Amount is subject to future award of delivery orders to contractors with lower labor rates. |
| 3. | Compliance with Regulations. Requires contracting officers to comply with acquisition regulations, even if the 30-day goal for award of delivery orders is not met. | Nonmonetary. |
| 4. | Management Control. Definitive guidance will identify specific work and procurements allowable under the DEIS contract. | Nonmonetary. |
| 5. | Management Control. Establishes responsibility for verifying that customer requirements are allowable under the DEIS contract. | Nonmonetary. |
| 6. | Management Control. Establishes firm cutoff date for receipt of fiscal yearend requirements packages. | Nonmonetary. |

# Appendix G. Organizations Visited or Contacted

## Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
  Director, Defense Procurement, Washington, DC
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
  Washington, DC
Deputy Under Secretary of Defense (Logistics)
  Assistant Deputy Under Secretary of Defense for Logistics Systems Development,
    Washington, DC

## Department of the Army

Digitization Task Force, Office of the Secretary of the Army,
  Washington, DC
Information Systems Command, Washington, DC
Combined Arms Support Command, Fort Lee, VA

## Department of the Navy

Naval Sea Logistics Center, Mechanicsburg, PA
Office of Naval Research, Industrial Programs Department, Arlington, VA
Naval Air Warfare Center Aircraft Division, Patuxent River, MD
  Desktop Solutions Project Office, Patuxent River, MD
  Chesapeake Test Range Center Department, Patuxent River, MD
Navy Ships Parts Control Center, Mechanicsburg, PA

## Department of the Air Force

Joint Logistics Systems Center
  Directorate for Material Management, Dayton, OH
  Directorate for Depot Maintenance, Dayton, OH
Air Force Cost Analysis Agency, Arlington, VA

## Unified Command

Office of the Commander in Chief, U.S. Atlantic Command, Norfolk, VA

## Defense Organizations

Defense Information Systems Agency, Arlington, VA
Defense Investigative Service, National Computer Center, Baltimore, MD
Defense Logistics Agency
  Defense Distribution Systems Center, Alexandria, VA

## Non-Defense Federal Organization

Department of Veterans Affairs
  Veterans Benefits Administration, Washington, DC

# Appendix H. Report Distribution

## Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
  Deputy Under Secretary of Defense (Logistics)
  Director, Defense Procurement
  Director, Defense Logistics Studies Information Exchange
Under Secretary of Defense (Comptroller)
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
Assistant to the Secretary of Defense (Public Affairs)

## Department of the Army

Auditor General, Department of the Army

## Department of the Navy

Assistant Secretary of the Navy (Financial Management and Comptroller)
Auditor General, Department of the Navy

## Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

## Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Information Systems Agency

## Defense Organizations (con't)

Director, Defense Logistics Agency
Director, National Security Agency
Inspector General, National Security Agency

## Non-Defense Organizations

Office of Management and Budget
Technical Information Center, National Security and International Affairs Division, General Accounting Office

Chairman and ranking minority member of each of the following congressional committees and subcommittees:

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
House Committee on National Security

# Audit Team Members

This report was produced by the Readiness and Operational Support Directorate, Office of the Assistant Inspector General for Auditing, DoD.

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