
October 30, 2006



Acquisition

FY 2005 DoD Purchases Made
Through the General Services
Administration
(D-2007-007)

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Acronyms

CENTAF	U.S. Central Command Air Force
COR	Contracting Officer's Representative
CSC	Client Support Center
FAR	Federal Acquisition Regulation
GAO	Government Accountability Office
GSA	General Services Administration
IG	Inspector General
IT	Information Technology
ITSS	Information Technology Solutions Shop
J&A	Justification and Approval
MIPR	Military Interdepartmental Purchase Request
O&M	Operation and Maintenance
OIG	Office of Inspector General
PM TRCS	Program Manager Tactical Radio Communications Systems
PPIRS	Past Performance Information Retrieval System
QASP	Quality Assurance Surveillance Plan
RDT&E	Research, Development, Test, and Evaluation
USD(AT&L)	Under Secretary of Defense for Acquisition, Technology, and Logistics
USD(C)	Under Secretary of Defense (Comptroller)
USD(C)/CFO	Under Secretary of Defense (Comptroller)/Chief Financial Officer



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October 30, 2006

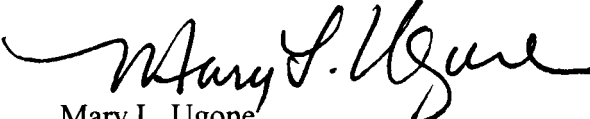
MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
UNDER SECRETARY OF DEFENSE
(COMPTROLLER)/CHIEF FINANCIAL OFFICER

SUBJECT: Report on FY 2005 DoD Purchases Made Through the General Services
Administration (Report No. D-2007-007)

We are providing this report for information and use. We considered management comments on a draft of this report in preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the staff. Questions should be directed to either Mr. Richard B. Jolliffe at (703) 604-9201 (DSN 664-9201) or Mr. Terry L. McKinney at (703) 604-9288 (DSN 664-9288). See Appendix G for the report distribution. The team members are listed inside the back cover.


Mary L. Ugone
Deputy Inspector General
for Auditing

cc: Inspector General, General Services Administration

Department of Defense Office of Inspector General

Report No. D-2007-007

October 30, 2006

(Project No. D2005-D000CF-0222.000)

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, “National Defense Authorization Act for Fiscal Year 2005,” October 28, 2004, requires the DoD and GSA Office of Inspectors General to assess the policies, procedures, and internal controls of each GSA Client Support Center and determine whether the GSA 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, “DoD Purchases Made Through the General Services Administration,” July 29, 2005. 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. These orders had a total value around \$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 acquisition 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;

- on 42 of 51 purchases,¹ DoD did not develop and implement adequate quality assurance surveillance plans;
- on 11 of 54 purchases,² both GSA and the DoD requesting activity used Government funds that did not meet the bona fide needs rule, and on 1 of 54 purchases the DoD requesting activity used the incorrect appropriation; 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 working together 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 (USD[AT&L]) needs to establish requirements that a DoD-qualified contracting officer evaluate acquisitions for amounts greater than the simplified acquisition threshold when requiring DoD organization plans to use non-DoD contracts. The USD(AT&L) 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 (USD[C]/CFO) needs to continue working with GSA to determine the amount of expired funds at GSA. The USD(C)/CFO 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 USD(C)/CFO to initiate preliminary reviews regarding those potential violations are contained in another DoD Inspector General audit report, "Potential Antideficiency Act Violations on DoD Purchases Made Through Non-DoD Agencies." Recommendations to GSA are included in reports prepared by the GSA Inspector General. (See the Finding section of the report for the detailed recommendations.)

Management Comments and Audit Response. The Office of the USD(AT&L) concurred that better acquisition planning, discipline, and oversight are required in the area of interagency acquisition. The USD(AT&L) advised that since our audit concluded, DoD and GSA have been working on a Corrective Action Plan that addresses 22 areas of concern, including those areas identified in our report. The Director of Defense Procurement and Acquisition Policy, responding for the USD(AT&L), partially concurred with our recommendation that a contracting officer determine whether it is in the best interest of the DoD to use interagency support; however, the Director felt that a

¹Five of the purchases reviewed were for commodities and therefore did not require a quality assurance surveillance plan.

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.

threshold needed to be established to preclude all purchases being reviewed by contracting officers. The Director concurred with recommendations to develop a training course on proper acquisition planning and contract administration, establish policy on contract administration roles and responsibilities when purchasing goods or services through a non-DoD agency, establish a Memorandum of Understanding with GSA that will include roles and responsibilities regarding contract administration and surveillance duties, and utilize the Past Performance Information Retrieval System. The Acting Deputy Chief Financial Officer, responding for the USD(C)/CFO concurred with recommendations to determine the amount of expired funds at the GSA, and oversee efforts by individual Components to deobligate these funds. Finally, the Acting Deputy Chief Financial Officer concurred to provide guidance and clarification on the use of Non-Economy Act orders, in addition to distinguishing between Economy Act orders and Non-Economy Act orders. No additional comments from either the USD(AT&L) or the USD(C)/CFO are required. A discussion of management comments is in the Finding section of the report and the complete text is in the Management Comments section.

Although not asked to comment, the GSA Federal Acquisition Service Commissioner provided comments on our finding. GSA disagreed with the statement that GSA and DoD "... continue to purchase goods and services without fully complying with appropriation law, the Federal Acquisition Regulation, and DoD procurement regulations," and that purchases were either hastily planned or improperly executed or funded. GSA recommended that wording be changed to show that DoD officials were responsible for acquisition errors and mismanagement and that DoD Inspector General found instances where they questioned GSA compliance with fiscal law and the Federal Acquisition Regulation. Furthermore, the GSA Commissioner stated that "GSA used funds in a manner consistent with the Federal Acquisition Regulation but inconsistent with the DoD guidance as it now appears to be evolving." Specifically, GSA IG stated that interagency agreements and quality assurance surveillance plans were prepared in accordance with the Federal Acquisition Regulation. GSA disagreed that on 6 of 14 sole-source purchases reviewed, GSA Client Support Centers did not provide adequate justification for sole source procurements. GSA disagreed that 12 of 54 purchases improperly used Government funds and resulted in potential Antideficiency Act violations. GSA stated that there was a potential Antideficiency Act violation on only 1 of the 54 purchases. GSA further disagreed that 4 of 11 GSA Client Support Centers did not fully comply with DoD procurement and funding regulations. GSA stated that there was not any justification for singling out the four Client Support Centers identified in the DoD Inspector General report.

Although we believe that GSA has made progress in improving its operation, we do not believe that it is blameless in the flawed acquisitions identified in this report and that DoD should shoulder all the blame. Representatives from the office of the USD(AT&L) and GSA acquisition executives have developed a draft Corrective Action Plan that should bring GSA-assisted acquisitions into alignment with statutory and DoD regulatory guidance. Although GSA felt it had acquisition plans, the relevant DoD requiring activities did not always know that the GSA acquisition plans existed; and acquisition planning requires the involvement of the requiring activity. Interagency agreements should be specific, and quality assurance surveillance plans should include all work requiring surveillance and the method of surveillance. We also stand by our belief that 12 potential Antideficiency Act violations occurred. Although there is not a precedent that clearly demonstrates responsibility, we believe that both parties have some culpability in these 12 potential Antideficiency Act violations. Additionally, as reported, GSA funding guidance was inconsistent with how DoD wanted its funds managed, and in some cases the GSA Client Support Centers did not follow GSA guidance. We also stand by our concerns relating to problems identified at four Client Support Centers.

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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 in FY 2005. We were required to evaluate 11 of the 12 General Services Administration’s (GSA) Client Support Centers (CSC).¹ 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

¹The 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.

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

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 also issued an audit report addressing CSCs reviewed for compliance with procurement regulations. The DoD and GSA OIGs 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. GSA anticipates its 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)² community a comprehensive range of IT products and assisted services on a fully cost-reimbursable basis supported by the Clinger-Cohen Act (see next page). 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 (current as of

²Information 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.

April/May 2006), GSA CSCs select from 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. DoD usually uses MIPRs to transfer funds to other Federal agencies under the authority of the Economy Act³ 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; as stated within the GSA Commissioner issued June 7, 2004, memorandum, “Guidance and Information Concerning Interagency Transactions and Proper Management of Reimbursable Agreements in Revolving Funds.” 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.

³The 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.

Review of Internal Controls

At the sites visited, we identified material internal control weaknesses as defined by DoD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006. DoD organizations were required to ensure the acquisition strategy is in the best interest of the Government. The sites we visited encountered problems while implementing and executing policy. Furthermore, contracting, financial, and accounting officials did not comply with regulations and statutes. DoD organizations should incorporate the regulations and statutes associated with contracting and funding. Contracting, financial, and accounting officials should have the necessary training and knowledge to properly execute the orders. Implementing the recommendations in this report should improve contracting procedures for orders awarded using non-DoD contracts. We are making no recommendations related to funding problems because DoD IG audit report, "Potential Antideficiency Act Violations on DoD Purchases Made Through Non-DoD Agencies," due out in FY 2007,⁴ contains recommendations that should correct the material funding weaknesses identified in this report. A copy of these reports will be provided to the senior official responsible for internal controls in the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer (USD[C]/CFO).

⁴Draft report was issued October 6, 2006.

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,⁵ DoD did not develop and implement adequate quality assurance surveillance plans (QASP);
- on 11 of 54 purchases,⁶ both GSA and the DoD requesting activity used Government funds that did not meet the bona fide needs rule, and on 1 of 54 purchases the DoD requesting activity used the incorrect appropriation; 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

⁵Five of the purchases reviewed were for commodities and therefore did not require a quality assurance surveillance plan.

⁶We 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.

acquisition. The purpose of this planning is 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

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

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,”⁷ 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.

⁷FAR Part 37.6, “Performance-Based Contracting,” was revised to “Performance-Based Acquisition” on April 19, 2006. The FAR revision was effective after DoD OIG completed fieldwork, so the new FAR requirement did not affect the audit.

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, “Budget Formulation and Presentation,” 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

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.

The USD(C)/CFO 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. The statement should also certify 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)/CFO 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 provided GSA between \$60 million and \$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.

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

on various DoD contract options available to obtain supplies and services. However, the Navy December 20, 2004, Memorandum does not require the contracting office to 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 (USD[AT&L]) should require that contracting officers review 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 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 FAR exceptions are allowable for DoD to use GSA in interagency orders. 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 task order 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 the task order was awarded, GSA prepared the J&A after the acquisition 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 contract actions. If GSA followed proper procedures for awarding the contract action, 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 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

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

were adequate. Non-existent and inadequate surveillance plans increase the risks of the contractor not performing within contract specifications. The FAR states 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 acquisition 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 procedures within the surveillance plan because the DoD COR had no knowledge that a QASP existed for the acquisition.

Contractor Past Performance. DoD policy states that contracts worth \$1.0 million or more with a period of performance longer 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 that GSA enters 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.

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 DoD 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 MIPRs (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 five purchases prior to FY 2005 purchases that used incorrect funds for FY 2005 and FY 2006 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 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 that between \$1.0 billion and \$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 in expired funds. The USD(C) must continue to monitor these funds and clean up their accounting records.

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.

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 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 USD(C)/CFO 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 were received in the year following the appropriation and did not have delivery, production lead time, or unforeseen delays. 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 2-year O&M FY 2004 funds 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 a FY 2006 task order 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

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.

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 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.

The receipt of goods for the Joint Multi-Disciplinary Vulnerability Assessment purchase after the DoD appropriation expired cannot be justified based on 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 representative 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 polices 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. The DoD OIG determined that Region 2 (Northeast and Caribbean), Region 5 (Great Lakes), Region 7 (Greater SouthWest), and Region 10 (Northwest/Artic) were not fully compliant due to problems such as potential Antideficiency Act violations and the lack of adequate interagency agreements. Specifically, 3 of the 4 noncompliant CSCs had significant funding issues. The other CSC had substantial internal control weaknesses. None of the noncompliant CSCs prepared adequate interagency agreements. The DoD and GSA OIGs 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. The 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 working 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

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

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 that would help prevent the improper use of Government funds and ensure DoD purchases made through GSA are in the best interest of the Government.

Furthermore, for DoD to use GSA interagency orders, GSA contracting officials must comply with FAR sole-source requirements when limiting full and open competition. Acquisitions that are not fully competed must adequately explain why FAR exceptions are allowed for the purchase. Acquisitions 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.

Actions Taken During the Audit

Corrective Action Plan. The Office of the USD(AT&L) has shared with our office a draft Corrective Action Plan that was developed in collaboration with GSA acquisition executives. The draft Corrective Action Plan was developed to bring GSA-assisted acquisitions into alignment with statutory and DoD regulatory guidance. The draft Corrective Action Plan lists actions to improve the following areas of concern:

- inadequate sole-source justifications;
- vague/incomplete Statements of Work;
- boilerplate or non-existent Interagency Agreements;
- insufficient price reasonableness determinations;
- regional practices contrary to GSA guidance;
- inadequate or undefined contract surveillance and oversight requirements;
- inadequate funding oversight/management;
- potential Antideficiency Act violations;
- lack of standardized Interagency Agreement content;

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- lack of acquisition planning;
 - lack of DoD contracting officer review prior to GSA acceptance;
 - ensuring DoD customers provide quality MIPRs to GSA for assisted acquisitions;
 - ensuring rates and prices contained within GSA schedule vehicles reflect current competitive market pricing;
 - ensuring fees paid to GSA for services provided are fair and reasonable and consistent with the complexity of the tasks to be accomplished;
 - ensuring adequate price competition is obtained for DoD requirements in accordance with statutory and regulatory requirements;
 - ensuring sufficient contract oversight is performed to detect potential nonperformance and/or noncompliance issues and ensuring that contractor past performance is documented properly and in a timely manner;
 - ensuring requirements are stated in “performance based” terms to the maximum extent possible, consistent with statute and regulation;
 - ensuring training and education opportunities are made available to GSA CSCs and their customers;
 - ensuring timely and accurate data is reported in the Federal Procurement Data System-Next Generation;
 - ensuring DoD customers are provided with timely and accurate reports on GSA-assisted acquisition support;
 - ensuring excess contract funds are deobligated in a timely manner and such results are reported to DoD customers; and
 - ensuring and fostering an open line of communication between DoD and GSA leadership and promoting “Acquisition Excellence” within the two organizations.

The magnitude of the effort being made by DoD and GSA employees to bring GSA-assisted acquisitions into alignment with statutory and regulatory guidance is commendable. However, the GSA Federal Acquisition Service Commissioner’s (the Commissioner) comments indicate that GSA does not share responsibility with DoD in causing the problems identified in this report, which raises concerns on whether GSA management is committed to implementing a shared Corrective Action Plan. We have summarized the Commissioner’s comments below. The complete text is contained in the Management Comments section of the report.

Management Comments on the Finding and Audit Response

Under Secretary of Defense for Acquisition, Technology, and Logistics Comments. The Office of the USD(AT&L) concurred that better acquisition planning, discipline, and oversight are required in the area of interagency acquisition. The Office USD(AT&L) advised that since our audit concluded, DoD and GSA have been working on a Corrective Action Plan that addresses 22 areas of concern including those areas identified in our report.

GSA Comments. Although not asked to comment, the Commissioner provided comments on the finding. The Commissioner responded to the draft report and generally took exception with all portions of the report that attributed GSA as a causal factor to the problems identified in this report. The Commissioner stated that the report did not accurately reflect the facts and suggested some changes to the report. Additionally, on August 18, 2006, the GSA Administrator sent her comments to the Deputy Secretary of Defense under a separate cover letter that included these comments by the GSA Federal Acquisition Service Commissioner as an attachment. A summary of the Commissioner's concerns follows.

The Commissioner stated that GSA shares the interests of DoD in ensuring that contracts for goods and services on behalf of the Government comply with law, regulation, and administrative guidance and that he shares the DoD concern that GSA customer agencies and the American taxpayer receive the best value for every dollar spent. Specific comments on the finding are listed below.

- GSA disagreed with the statement that “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,” and that of 56 purchases reviewed, 55 were either hastily planned or improperly executed or funded. GSA recommended that wording be changed to show that DoD officials were responsible for acquisition errors and mismanagement and that the DoD IG found instances where we questioned GSA compliance with fiscal law and the Federal Acquisition Regulation. GSA stated that “GSA used funds in a manner consistent with the FAR but inconsistent with the DoD guidance as it now appears to be evolving.” GSA also noted that it now uses an automated tool for preparing acquisition plans and that our report does not provide specifics for where GSA actually failed to properly execute contracts in accordance with the FAR or applicable supplements.
- GSA disagreed that on 6 of 14 sole-source purchases reviewed, GSA CSCs did not provide adequate justification for sole-source procurements. GSA stated that in the first case, the purchase was for a 6-month sole-source bridge contract and that although the justification and approval file did not include this information, it was clear from the whole contract file. In the second case, there was no need to do a justification and approval document because a justification for all task

orders was included with the basic contract. In the third and fourth cases, the reviewed purchases were from prior years and outside the scope of the audit. In the fifth case, the justification and approval document was inadequate but was not required. In the sixth case, a GSA review of the contract file found that the sole-source modification that occurred in April 2005 was fully compliant with the FAR and was signed by the contracting office on April 28, 2005, and that there was an adequate justification and approval document in the file.

- GSA disagreed that 12 of 54 purchases, improperly used Government funds and resulted in potential Antideficiency Act violations. GSA stated that there was a potential Antideficiency Act violation on only 1 of the 54 purchases. In that case, GSA stated that they were unable to comment on whether the correct DoD appropriation was used. Three of the 12 cases identified as improper involved equipment purchases. GSA disagreed with the DoD conclusion that use of FY 2005 Operations and Maintenance funds for goods that will not be contracted for or delivered until FY 2006 requirements does not meet the bona fide needs rule. Four of the cases involved procurements that GSA now regards as non-severable services. However, GSA stated that the contracts awarded were structured as if they were for severable services. The remaining four cases involved procurements for severable services. GSA stated that just as with non-severable services, once a servicing agency accepts a proper interagency agreement for severable services, the requesting agency may record a valid obligation and the servicing agency may retain and obligate funds in the following fiscal year. GSA understands the DoD IG position and interpretation of fiscal law to be that if contractor performance begins on October 1, 2005, the task order represents a bona fide need in FY 2006 and requires FY 2006 funding.
- GSA disagreed that 4 of 11 CSCs did not fully comply with DoD procurement and funding regulations. GSA stated that there was not any justification for singling out the four CSCs identified in the DoD IG report. The DoD IG report did not include evidence that during FY 2005, the CSCs failed to comply with the guidance that was in existence at the time the MIPRs and Inter-Agency Agreements were sent to GSA. Further, while there was a difference of opinion in what financial guidance should be followed, the CSCs in question followed the guidance that GSA had issued.

The GSA IG also provided comments on the report that generally parallel those of the Commissioner. In his comments, the GSA IG wanted to clarify the roles of the two audit activities performing the joint review. The GSA IG stated that our report was based on the DoD IG examination of how DoD organizations were managing transactions processed by GSA CSCs, and that the DoD IG work was supplemented by information provided by the GSA OIG, which was performing a parallel review of how GSA centers managed the acquisition process once orders were received from military clients. Furthermore, the GSA OIG does not fully agree with the findings and conclusions as presented in the DoD IG report.

Specifically, the GSA IG stated that interagency agreements and QASPs were prepared in accordance with the FAR.

Audit Response. DoD and GSA share responsibilities in causing the problems identified in this report. Regardless of culpability, section 802 of the National Defense Authorization Act for Fiscal Year 2005 directs the Inspectors General of DoD and GSA to audit GSA compliance with DoD procurement requirements. As to the specific concerns summarized, comments are provided below.

Although GSA uses software that ensures an acquisition plan exists within the contract file, our review found that for the most part relevant DoD requiring activities did not always know the GSA acquisition plans existed. Acquisition planning requires the involvement of the requiring activity. Early preparation of a specific interagency agreement signed by both parties would ensure a shared interest. In addition, QASPs must include all work requiring surveillance and the method of surveillance when monitoring contractor performance on service contracts.

Regarding sole-source justifications, GSA states that in the first case, the justification is for a 6-month bridge contract. In fact, this was an 8-month bridge contract and the GSA contracting officer signed the justification almost 2 months after award of the contract. A bridge contract provides time until a new contract can be competed. Use of a bridge contract does not absolve the contracting officer of justifying his reasons for a sole-source award. The second, third, and fourth cases cited involve task orders awarded under the same indefinite-delivery, indefinite-quantity contract by the Northeast Region. The basic indefinite-delivery, indefinite-quantity contract contained a sole-source justification and authorization for all task orders placed under that contract, a practice that is not consistent with DoD contracting practices. A review of the basic contract found many problems including a lack of basic internal controls and task orders outside the scope of the contract. One task order that GSA referred to in its comments was outside the time frame of the GSA sample. However, the basic contract was still in use for the out-of-audit-scope task order so we included that task order in our report to show that severe problems on older contracts can continue and impact the present. Representatives from the office of the USD(AT&L) have since informed us that the services on this contract are in the process of being brought back to DoD for contracting.

In the fifth case, the justification for a sole-source award was clearly inadequate as recognized by GSA. The last case involves a contract awarded at a CSC that was undergoing a changeover to a new computer system that maintains acquisition records. The GSA purchased the Preferred GSA System to support assisted acquisitions at CSCs and was conducting a trial of the system at two CSCs. The records from the two CSCs using this computer system were not made available to DoD auditors, as the system did not work as intended. GSA has since canceled the purchase of the GSA Preferred System and no longer uses the system at its two CSCs. GSA delivered hard copies of the contract files to DoD IG auditors; however, those records did not contain an adequate justification and authorization for the sole-source purchase in question. We requested a properly prepared justification and approval document several times but never received it.

Regarding the potential Antideficiency Act violations, GSA used its IT Fund to extend the time of availability of DoD FY 2004 O&M funds by accepting funds from DoD at the end of the fiscal year for goods and services that could not be contracted for within a reasonable time. GSA Chief Acquisition Officer Memorandum, "Fiscal Year 05 Cut-Off Dates for Assisted Acquisitions," August 12, 2005, states that a reasonable amount of time to award a contract is 90 days. The GSA policy is contrary to the DoD March 24, 2005, Memorandum, which states that 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. On two purchases for commercial equipment, GSA accepted FY 2005 O&M funds in September 2005 and had not awarded contracts in January 2006, placing the contracting activities in violation of both DoD and GSA policies. The third equipment purchase was for commercial goods which are presumed to be readily available; however, GSA did not award the contract until October 25, 2006, almost a month after the funds expired. In four cases, GSA now asserts that the purchases were for non-severable services although GSA admits the contracts were structured for severable services. Preliminary reviews of potential Antideficiency Act violations will determine whether the services are severable, but after the fact changes in purchase definitions raises questions as to adequacy of acquisition planning. In the remaining four cases, GSA appears to argue that purchases for severable service should be treated the same as purchases for non-severable services. The law clearly treats severable and non-severable services differently. GSA statements on this topic are unclear. Furthermore, the occurrence of the 12 potential Antideficiency Act violations within DoD would hold both the funding and the receiving activity in violation of statutory law. Although there is not a precedent that clearly demonstrates responsibility, we believe that both parties have some culpability in these 12 potential Antideficiency Act violations.

Finally, on March 15, 2006, in accordance with Public Law 108-375, "The Ronald W. Reagan Defense Authorization Act for FY 2005," the Inspectors General of DoD and GSA sent letters to the Chairmen of the Senate and House Armed Services Committees. Those letters stated that 11 GSA Federal Technology Service CSCs identified last year as "not compliant, but making significant progress," are now generally "compliant" with the FAR and applicable DoD procurement requirements. However, the Inspectors General qualified the joint opinion "to the extent that issues relating to fiscal year funding limitations for interagency contracting between DoD and non-Defense agencies, including the overall CSC [Client Support Center] program, need to be resolved before we can say the CSCs are completely compliant." We stand by our qualification to the joint opinion provided to the Senate Armed Forces Committee regarding the issues relating to the Senate Armed Services Committee regarding the issues relating to the four CSCs.

Regarding the qualification to the joint opinion, the DoD IG discussed with DoD management, the GSA IG, and GSA management whether four of the CSCs should be permitted to operate "business as usual." Some specific concerns are as follows:

- Client Support Center No. 2-Northeast and Caribbean Region:

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- Continued to award tasks on a \$250 million indefinite-delivery, indefinite-quantity contract with little or no internal controls (undefinitized tasks, sole-source purchases without technical evaluations, or cost estimates).
 - At the time of the audit, had employees indicted and later convicted for fraud and kickbacks in connection with other indefinite-delivery, indefinite-quantity contracts administered by the same CSC.
 - Client Support Center No. 5-Great Lakes Region:
 - Continued work on \$171 million “Smartgate” project after the purchase of vehicle barriers was reported by both GSA and DoD last year as a potential Antideficiency Act violation; the extent of the additional work cannot be determined because of the lack of an adequate audit trail.
 - Client Support Center No. 7-Greater Southwest Region:
 - DoD auditors found four of six FY 2005 purchases reviewed with potential Antideficiency Act violations, and two purchases were in non-compliance with both DoD and GSA guidance (used an annual appropriation and task was still not awarded more than 90 days after the start of the next fiscal year).
 - Client Support Center No. 10 –Northwest/Arctic Region:
 - DoD auditors found four of five FY 2005 purchases reviewed with potential Antideficiency Act violations; all four were in noncompliance with both DoD and GSA guidance.

Although we believe that GSA has made progress in improving its operation, we do not believe that it is blameless in the flawed acquisitions identified in this report and that DoD should shoulder all the blame. As reported last year, the mismanagement and lack of planning for the funds transferred to GSA over the last 5 years has resulted in from \$1.0 billion to \$2.0 billion of DoD funds to either expire or otherwise be unavailable for use. Currently, DoD has received disposition on only \$183 million of those funds. DoD and GSA must work together to reconcile funds.

Recommendations, Management Comments, and Audit Response

Recommendation 1.a. is identical to our recommendation in last year’s report. At that time, the Office of 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 DoD IG 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.

Management Comments. The Director of Defense Procurement and Acquisition Policy, responding for the Under Secretary of Defense for Acquisition, Technology, and Logistics, partially concurred. The Director stated that his office will issue a revision to its October 2004 policy memorandum on the “Proper Use of Non-DoD Contracts” to require that a warranted contracting officer must review any action greater than \$500,000, where a non-DoD contract is utilized before it is sent outside of DoD. The Director also stated that his office will require the Military Departments, other Defense agencies, and DoD field activities to amend their existing policies, as necessary, to meet this requirement. The expected date of the policy memorandum is November 1, 2006.

Audit Response. The Director of Defense Procurement and Acquisition Policy comments are responsive. No further comments are necessary.

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.

Management Comments. The Director of Defense Procurement and Acquisition Policy concurred and stated that his office is currently reviewing its curriculum in all courses to ensure that the subject topics included in the recommendation are properly covered. Under the leadership of the Defense Acquisition University, his office will develop appropriate course materials in these subject areas.

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.

Management Comments. The Director of Defense Procurement and Acquisition Policy concurred and stated that his office will issue guidance on contract administration roles and responsibilities when purchasing goods or services through a non-DoD agency. The expected date for issuance is November 1, 2006.

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

Management Comments. The Director of Defense Procurement and Acquisition Policy concurred and stated that his office will establish a Memorandum of Agreement with General Services Administration that will include 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 enter past performance information into the Past Performance Information Retrieval System and access the Past Performance Information Retrieval System for future source selection decisions.

Management Comments. The Director of Defense Procurement and Acquisition Policy concurred and stated that the Memorandum of Agreement between DoD and General Services Administration will address roles and responsibilities regarding past performance information in the Federal-wide past performance database (PPIRS). In addition, his office will issue a policy memorandum reminding the acquisition workforce of its responsibility to capture past performance information and to utilize this information in the source selection process. The expected date of the policy memorandum is December 1, 2006.

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.

Management Comments. The Acting Deputy Chief Financial Officer, responding for the Under Secretary of Defense (Comptroller)/Chief Financial Officer concurred. The Acting Deputy stated that his office had previously directed all Components to review interagency agreements and coordinate the return of excess funds with the outside agency by June 30, 2006. Components have so far deobligated \$183 million. He also stated that his office continues to work with the Components and GSA to identify and synchronize GSA and DoD records that will assist in the timely deobligation of excess funding.

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.

Management Comments. The Acting Deputy Chief Financial Officer concurred and stated that his office had established an interagency acquisition working group to develop policy and procedures that will provide guidance and clarification on the use of Non-Economy Act orders, as well as distinguish

between Economy Act orders and Non-Economy Act orders. The guidance will be updated in the DoD Financial Management Regulation, volume 11A, chapter 3, in December 2006. In addition, his office is working with the Office of General Counsel to issue additional policy on the proper use of DoD funds for interagency agreements to address obligation and deobligation of funds under Non-Economy Act orders.

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 CSCs. The CSCs 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 time frame, we either reviewed fewer 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 of this 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 USD(AT&L) personnel; Office of the USD(C)/CFO personnel; and program managers covering purchase requirements, bona fide needs, appropriation, and related internal control programs. Our audit included four major areas of review at the DoD organizations and two major areas of review at

the GSA CSCs visited. At each DoD organization visited, our review included the following.

- 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.
- 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, our review included the following.

- 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.
- 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 at the GSA CSCs 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.

Use of Computer-Processed Data. We obtained a statistical sampling of DoD activities and purchases 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.”

Appendix B. Prior Coverage

During the last 5 years, GAO, DoD IG, Army, Air Force, and GSA have issued 21 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.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-06-996, "Interagency Contracting: Improved Guidance, Planning, and Oversight Would Enable the Department of Homeland Security to Address Risks," September 2006

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

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 Client Support Center Controls," September 29, 2006

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

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 TRCS	1) BBN Depot Support				•
	2) BBN Training				•
	3) BBN Technical Support**				•
	4) MSE Shelter Cleaning				•
	5) BBN, SSS, JNN Training**				•
	6) C4ISR Integration Support				•
	7) EPLRS Support				•
	8) TSS				•
	9) Joint Network Node Support				•
	10) Engineering Data Management				•
2) Fort Monmouth, CECOM	11) BADARAMA				•
3) Fort Huachuca	12) BISRDM				•
	13) Unit of Employment Experimentation				•
	14) Biometrics Automated Toolset				•
	15) UMI Interactive Multimedia*		•		•
Navy					
4) Fleet Numerical Meteorology and Oceanography Center	16) NetCentric FastTrack Services		•		•
	17) Trusted Service Engine		•		•
	18) High Performance Computing				•
	19) Come and Get 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				•
6) Lackland Air Force Base, CPSG	26) Electronic Key Management System				•
	27) NCSDO Support (T.O. #188)				•
	28) NCSDO Support (T.O. #101)				•
7) Eglin Air Force Base, 53 rd Wing	29) CSETO Support (T.O. #102)				•
	30) CSETO Support (T.O. #189)				•

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

DoD Activity	Purchase	Incorrect Appropriation	No Bona Fide Need	No Audit Trail of Funds	Inadequate MIPR Preparation
8) Air Force Accounting and Finance Office	31) Kiosks		•		•
Unified Command					
9) U.S. Northern Command	32) OC-3 Circuits*			•	•
	33) Advanced Concepts Technology Demonstration			•	•
	34) Command Information Sharing, Infrastructure, Architecture Operations			•	•
	35) IT Hardware			•	•
	36) CWID			•	•
	37) Network Management			•	•
Joint Command					
10) Joint Information Operations Center	38) Information Operations Support (J3)				•
	39) IT and Operations Support (J2)		•		•
	40) Network System Support		•		•
	41) Personal Video Systems*		•		•
	42) JMDVA*		•		•
Defense Agency					
11) Defense Manpower Data Center	43) DUNS				•
	44) ASVAB				•
	45) Microsoft NT Support				•
	46) RAPIDS				•
12) Defense Security Services	47) Integrated Call Center			•	•
	48) NISP Tools IV&V		•	•	•
	49) CCMS Integration			•	•
	50) JPAS Sustainment				•
	51) SETA Service Support			•	•
13) Counterintelligence Field Activity	52) Foreign Language Translation				•
	53) Counterintelligence Support				•
	54) Analytical Support				•
	55) Event Planning Support				•
	56) Counterintelligence/Interpol				•
Total 13 DoD Activities Visited	Total 56 DoD Purchases Reviewed	1 Incorrect	11 No	11 No	52 Inadequate

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

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 2-year O&M FY 2004 funds. 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 requirements that begin in FY 2005 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

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

FY 2004 O&M funds to satisfy requirements that begin in FY 2005 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 requirements that begin in FY 2005 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

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

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-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 in FY 2005 to support option year 1, it appears the services received that year were funded with FY 2004 funds. Use of FY 2004 O&M funds

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

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

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 requirements that begin in FY 2005 does not meet the intent of the bona fide needs rule.

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

Appendix E. Other Identified Problems

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
Army								
1) Fort Monmouth, PM TRCS	1) BBN Depot Support	•	•		•		•	•
	2) BBN Training	•	•	•	•		•	•
	3) BBN Tech Support**	•	•		•		•	•
	4) MSE Shelter Cleaning	•	•	ND	•		•	•
	5) BBN, SSS, JNN Training**	•	•	•	•	•	•	•
	6) C4ISR Integration Support	•	•	•	•	•	•	•
	7) EPLRS Support	•	•		•		•	•
	8) TSS	•	•		•		•	•
	9) JNN Support	•	•	•	•	•	•	•
	10) EDM	•	•		•		•	•
2) Fort Monmouth, CECOM	11) BADARAMA	•	Inadequate	ND	•		•	•
3) Fort Huachuca	12) BISRDM	•	Inadequate	N/A	•		•	•
	13) Unit of Experimentation	•	Inadequate	N/A	•		•	•
	14) Biometrics Automated Toolset	•	Inadequate		•		•	•
	15) University of Military Intelligence Interactive Multimedia *	•	Inadequate	N/A	•	•	•	N/A
Navy								
4) Fleet Numerical Meteorology and Oceanography Center	16) NetCentric FastTrack Services	•	Inadequate	N/A	•		•	•
	17) Trusted Service Engine	•	Inadequate	N/A	•		•	•
	18) High Performance Computing	•	Inadequate	ND	•	•	•	•
	19) Come 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.

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
Air Force								
5) U.S. Central Command Air Force	21) NOSC	•	Inadequate	N/A	•	•	•	Inadequate
6) Lackland AFB, CPSG	22) NOSC Bridge	•	Inadequate	N/A	•	•	•	•
7) Eglin Air Force Base, 53 rd Wing	23) Communications Services	•	•	ND	•	•	•	•
	24) Staff Support	•	•	N/A	•	•	•	Inadequate
	25) Systems Administration Operations Center	•	•	N/A	•	•	•	Inadequate
	26) Electronic Key Management System	•	Inadequate	N/A	•	•	•	•
	27) NCSDO Support	•	Inadequate	N/A	•	•	•	Inadequate
	28) NCSDO 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) Kiosk	•	Inadequate	ND	•	•	•	N/A
Unified Command								
9) U.S. Northern Command	32) OC-3 Circuits*	•	•	N/A	•	•	•	Inadequate
	33) Advance Concepts Technology Demo	•	•	N/A	•	•	•	•
	34) Command Info Sharing, Infrastructure Arch., Implementation and Ops	•	•	N/A	•	•	•	•
	35) Equipment	•	•	N/A	•	•	•	N/A
	36) CWID	•	•	ND	•	•	•	•
	37) Network Management	•	Inadequate	N/A	•	•	•	•

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

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 (J3)	•	Inadequate	N/A	•	•	•	•
	39) IT and Operations Support (J2)	•	Inadequate	N/A	•	•	•	•
	40) Network System Support	•	•	N/A	•	•	•	•
	41) J3 Equipment Buys*	•		N/A				N/A
	42) Equipment Purchases – JMDVA*	•		N/A				N/A
Defense Agency								
11) Defense Manpower Data Center	43) DUNS	•	Inadequate	N/A	•	•	•	Inadequate
	44) ASVAB	•	Inadequate	N/A	•	•	•	•
	45) NT Support, Microsoft	•	Inadequate		•	•	•	•
	46) RAPIDS	•	Inadequate	•	•	•	•	•
12) Defense Security Services	47) ICC	•	•	N/A	•	•	•	Inadequate
	48) NISP Tools IV & V	•	•	ND	•	•	•	Inadequate
	49) CCMS Integration	•	•	•	•	•	•	•
	50) JPAS Sustainment	•	•	N/A	•	•	•	•
	51) SETA Service Support	•	Inadequate	N/A	•	•	•	•
13) Counterintelligence Field Activity	52) Foreign Language Translation	•	Inadequate	N/A	•	•	•	Inadequate
	53) Counterintelligence Support	•	Inadequate	N/A	•	•	•	•
	54) Analytical Support	•	•	N/A	•	•	•	•
	55) Event Planning Support	•	Inadequate	N/A	•	•	•	•
	56) Counterintelligence/Interpol	•	•	N/A	•	•	•	•
Total 13 DoD Activities Visited	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.

Appendix F. DoD MIPRs to GSA in Audit

DoD Activity	Purchase	MIPR Number	Appropriation	MIPR Amount
Army				
1. Fort Monmouth, PM TRCS	1 BBN Depot Support	1 MIPR5FGSAK0583	Other Procurement	\$295,000.00
	2 BBN Training	2 MIPR4DGS AK1573	Other Procurement	\$1,750,000.00
	3 BBN Technical Support**	3 MIPR4DGS AK1573 (A1)	Other Procurement	(\$1,237,500.00)
	4 MSE Shelter Cleaning	4 MIPR4KGSADM346	O&M	\$100,450.00
	5 BBN, SSS, JNN Training**	5 MIPR5D4AGSA036	RDT&E	\$150,000.00
	6 C4ISR Integration Support	6 MIPR5D4AGSA235	O&M	\$118,956.38
	7 EPLRS Support	7 MIPR5FGSAMS339	O&M	\$3,000,000.00
	8 C4ISR Integration Support	8 MIPR4DGS AK0576	Other Procurement	\$1,080,000.00
	9 EPLRS Support	9 MIPR4DGS AK0576 (A1)	Other Procurement	(\$530,000.00)
	10 C4ISR Integration Support	10 MIPR5EGSA5FM07	O&M	\$16,692.00
	11 EPLRS Support	11 MIPR5EGSA5FM06	O&M	\$236,250.00
	12 EPLRS Support	12 MIPR5EGSA5FM05	O&M	\$11,149.00
	13 EPLRS Support	13 MIPR5EGSA5FM57	O&M	\$34,000.00
	14 EPLRS Support	14 MIPR5CGSA5E904	Other Procurement	\$13,843,000.00
	15 EPLRS Support	15 MIPR4LCUS42282	Other Procurement	\$199,260.00
	16 EPLRS Support	16 MIPR4LCUS42280	Aircraft Procurement	\$6,400.00

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

DoD Activity	Purchase	MIPR Number	Appropriation	MIPR Amount
Fort Monmouth, PM TRCS, Cont'd	EPLRS Support, Cont'd	17	MIPR4LCUS42281 DW Procurement	\$51,200.00
		18	MIPR5DGS5CUS3 Other Procurement	\$7,500.00
8	TSS	19	MIPR5EREHRG126 FMS	\$51,616.00
		20	MIPR5FGSAT1722 Other Procurement	\$131,783.12
		21	MIPR5FGSAT1722 (A1) Other Procurement	(\$17,429.17)
		22	MIPR5FGSA52905 Other Procurement	\$1,382,362.13
		23	MIPR5FGSA52905 (A1) Other Procurement	(\$22,794.20)
		24	MIPR5FGSA52905 (A2) Other Procurement	\$36,050.00
		25	MIPR5FGSA5024S Other Procurement	\$245,602.60
		26	MIPR5FGSA5024S (A1) Other Procurement	\$2,848.85
		27	MIPR5FGSAT0695 Other Procurement	\$119,663.89
		28	MIPR5FGSAT0695 (A1) Other Procurement	(\$6,397.57)
		29	MIPR5EREHRG127 FMS	\$28,400.00
		30	MIPR5EGSA5FM02 O&M	\$56,000.00
		31	MIPR5EGSA5FM03 O&M	\$30,575.00
		32	MIPR5EGSA5FM04 O&M	\$27,500.00
		33	MIPR5EGSA5FM01 O&M	\$181,000.00
		34	MIPR5EREHRG129 O&M	\$3,087.00
		35	MIPR5EREHRG128 FMS	\$19,896.00

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

DoD Activity	Purchase	MIPR Number	Appropriation	MIPR Amount	
Fort Monmouth, PM TRCS, Cont'd	TSS, Cont'd	36	MIPR5FGSAJ1729 Other Procurement	\$389,817.54	
		37	MIPR5FGSA5C114 Other Procurement	\$436,603.25	
		38	MIPR5FGSA5E901 Other Procurement	\$449,949.36	
		39	MIPR5FGSAJ0737 Other Procurement	\$116,183.54	
		40	MIPR5FGSAS0040 Other Procurement	\$73,957.50	
		41	MIPR5FGSAX0608 Other Procurement	\$672,640.71	
		42	MIPR4FGSAJ7012 Other Procurement	\$470,006.23	
		43	MIPR5JGSA21330 Other Procurement	\$3,030,318.00	
		44	MIPR5LEOREE04 O&M	\$456,000.00	
		45	MIPR5LLEOREL29 Defense WCF	\$300,000.00	
		46	MIPR5MLEOREM35 Defense WCF	\$350,000.00	
		3. Fort Huachuca	BADARAMA	47	MIPR5DGSAJD132 RDT&E
48	MIPR516NR4F126 RDT&E			\$25,000.00	
49	MIPR516NR4F126 (A1) RDT&E			\$3,000.00	
12	BISRDM	50	MIPR5EGSA5R031 RDT&E	\$297,000.00	
13	Unit of Employment Experimentation	51	MIPR5HGSA5Y080 RDT&E	\$148,293.13	
		52	MIPR5EGSA5R031 RDT&E	\$297,000.00	
		53	MIPR5EGSA5R031 (A1) RDT&E	\$59,706.87	
9	JNN Support	43	MIPR5JGSA21330 Other Procurement	\$3,030,318.00	
2. Fort Monmouth, CECOM	10	EDM	44	MIPR5LEOREE04 O&M	\$456,000.00
			45	MIPR5LLEOREL29 Defense WCF	\$300,000.00
			46	MIPR5MLEOREM35 Defense WCF	\$350,000.00

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

DoD Activity	Purchase	MIPR Number	Appropriation	MIPR Amount	
Fort Huachuca, Cont'd	Unit of Employment Experimentation, Cont'd	54	MIPR5DGSA5E024 O&M	\$335,000.00	
		55	MIPR5DGSA5E024 (A1) O&M	\$0.00	
		56	MIPR5MGSA5R111 RDT&E	\$27,927.00	
		57	MIPR5MGSA5E131 O&M	\$47,700.00	
		58	MIPR5MGSA5R137 RDT&E	\$80,000.00	
		59	MIPR5MGSA5E130 O&M	\$28,800.00	
		14	Biometrics Automated Toolset	MIPR5LGSAXLCCC MIPR5LGSAXLCCC (A1) O&M	\$3,883,579.90 \$0.00
		15	UMI Interactive Multimedia*	MIPR5FGSA5W054 MIPR5FGSA5W055 MIPR5FGSA5W056 MIPR5FGSA5W057 O&M O&M O&M O&M	\$1,390,000.00 \$990,000.00 \$130,000.00 \$100,000.00
		Navy			
4. Fleet Numerical Meteorology and Oceanography Center	16	NetCentric FastTrack Services	N63134-04-WR-00004 O&M	\$386,000.00	
			N63134-04-WR-00004 (A1) O&M	(\$386,000.00)	
			N63134-04-WR-00004 (A2) O&M	\$350,000.00	
			N63134-04-WR-00004 (A3) O&M	(\$105,037.60)	
			N63134-04-WR-00004 (A4) O&M	\$156,000.00	

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

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	
20	Information Assurance	83	N6313405WR00701	O&M	\$33,036.81	
		84	N6313405WR00701 (A1)	O&M	\$166,963.19	
		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.

DoD Activity	Purchase	MIPR Number	Appropriation	MIPR Amount
Fleet Numerical, Cont'd	Information Assurance, Cont'd	90 N6313405WR02601	O&M	\$247,890.67
Air Force				
5. U.S. Central Command Air Force	21/ NOSC/ 22 Bridge	91 F3UTA65168GC01	O&M	\$16,999,993.50
		92 F3UTA65168GC01 (A1)	O&M	\$1,748,238.38
		93 F3UTA65168GC01 (A1A)	O&M	\$0.00
		94 F3UTA65168GC01 (A2)	O&M	(\$245,046.17)
		95 F3UTA65269GC01	O&M	\$11,503,299.99
23 Communications Services				
24 Staff Support		96 F3UTA65171GC01	O&M	\$400,000.00
		97 F3UTA65171GC01 (A1)	O&M	\$30,000.00
		98 F3UTA65171GC01 (A2)	O&M	(\$4,349.40)
25 Systems Administration – Operations Center		99 F3UT335172G001	O&M	\$755,039.22
		100 F3UT335172G001 (A1)	O&M	(\$91,116.74)
6. Lackland Air Force Base, CPSC	26 Electronic Key Management System	101 F2MTN75167G003	RDT&E	\$159,640.00
		102 F2MTN75207G001	RDT&E	\$300,000.00
		103 F2MTN75210G002	O&M	\$234,000.00
		104 F2MTN75213G001	O&M	\$114,000.00
		105 F2MTN75290G001	RDT&E	\$209,040.00
		106 F2MTN75290G001 (A1)	RDT&E	\$82,680.00

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

DoD Activity	Purchase	MIPR Number	Appropriation	MIPR Amount
Lackland AFB, CPSG, Cont'd	Electronic Key Management System, Cont'd	107 F2MTN75256G001	RDT&E	\$174,720.00
		108 F2MTN75287G002	O&M	\$194,480.00
		109 F2MTN75265G002	RDT&E	\$72,000.00
		110 F2MTN75265G002 (A1)	RDT&E	\$0.00
7. Eglin Air Force Base, 53 rd Wing	27 NCSDO Support (T.O. #188)	111 FIT0AY5180G001	O&M	\$71,700.00
		112 FIT0AY5167G001	O&M	\$130,000.00
		113 FIT0AY5140G002	Aircraft Procurement	\$180,500.00
		114 FIT0BV5090G001	O&M	\$137,000.00
		115 FIT0AY5137G001	O&M	\$19,800.00
		116 FIT0AY5081G001	O&M	\$42,750.00
		117 NFY76210594169	O&M	\$65,750.00
		118 NFY76210594169 (A1)	O&M	\$65,750.00
		119 NFY76210594170	O&M	\$52,500.00
28 NCSDO Support (T.O. #101)		120 NFY76210594170	O&M	\$52,500.00
		121 NFY76210594169	O&M	\$65,750.00
		122 NFY76210594169 (A1)	O&M	\$65,750.00
		123 FIT0BV5090G002	O&M	\$100,000.00
		124 FIT0BV5091G002	O&M	\$28,000.00
		125 FIT0BV509G001	O&M	\$25,000.00

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

DoD Activity	Purchase	MIPR Number	Appropriation	MIPR Amount
53 rd Wing, Cont'd	NCSDO Support (T.O. #101) Cont'd	126	F1T0BV509G001 O&M	\$30,000.00
		127	F1T0DH5116G003 RDT&E	\$139,000.00
		128	F1T0BV5109G001 O&M	\$20,000.00
29	CSETO Support (T.O. #102)			
		129	NFY76210594157 O&M	\$101,024.00
		130	NFY76210594157 (A1) O&M	\$264,297.00
		131	NFY76210594157 (A3) O&M	\$148,109.00
		132	NFY76210594157 (A4) O&M	\$53,935.22
		133	NFY76210594157 (A5) O&M	\$634.98
		134	NFY76210594157 (A6) O&M	(\$5,867.28)
		135	NFY76210594157 (A7) O&M	(\$12,433.14)
		136	DD044851N50000005 O&M	\$81,200.00
		137	F1T0BV5090G003 O&M	\$78,000.00
30	CSETO Support (T.O. #189)			
		138	F2QF345096G001 O&M	\$40,800.00
		139	DD044851N50000005 O&M	\$81,200.00
		140	NFY76210594157 O&M	\$101,024.00
		141	NFY76210594157 (A1) O&M	\$264,297.00
		142	NFY76210594157 (A3) O&M	\$148,109.00
		143	NFY76210594157 (A4) O&M	\$53,935.22
		144	NFY76210594157 (A5) O&M	\$634.98

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

DoD Activity	Purchase	MIPR Number	Appropriation	MIPR Amount
53 rd Wing, Cont'd	CSETO Support (T.O. #189), Cont'd	145 NFY76210594157 (A6)	O&M	(\$5,867.28)
		146 NFY76210594157 (A7)	O&M	(\$12,433.14)
8. Air Force Accounting and Finance Office	31 Kiosk	147 FIAF2B5265G001	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 F3LNHA5123G001	O&M	\$150,000.00
		Command Information		
34	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
35	IT Hardware	158 NMIPR054600259 (A1)	O&M	\$750,000.00
		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.

DoD Activity	Purchase	MIPR Number	Appropriation	MIPR Amount
U.S. Northern Command, Cont'd	36 CWID	162 F3LNHA5207G001	O&M	\$110,000.00
	37 Network Management	163 NMIPR044600925	Other Procurement	\$700,000.00
		164 NMIPR044600925 (A1)	Other Procurement	\$1,400,000.00
Joint Command				
10. Joint Information Operations Center	38 Information Operations Support (J3)	165 NMIPR05250123	O&M	\$1,199,000.00
		166 NMIPR05250123 (A1)	O&M	\$707,139.00
		167 F2MTKV5179G001	O&M	\$207,680.00
39 IT and Operations Support (J2)		168 MIPR4JGSAJ2043	O&M	\$311,709.00
		169 F2MTKV5298G001	O&M	\$309,583.00
		40 Network System Support		
40 Network System Support		170 NMIPR03251083	O&M	\$624,000.00
		171 NMIPR04250037	O&M	\$875,000.00
		172 NMIPR04250550	O&M	\$418,788.00
		173 NMIPR04250551	O&M	\$586,212.00
		174 NMIPR04250558	O&M	\$6,148.00
175 F2MTKV5244G002	O&M	\$1,031,557.62		
41 Personal Video Systems*		176 F2MTKV5262G001	O&M	\$73,912.00
42 JMDVA*		177 F2MTKV5258G001	O&M	\$392,494.00

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

DoD Activity	Purchase	MIPR Number	Appropriation	MIPR Amount
Defense Agency				
11. Defense Manpower Data Center				
43	DUNS	178 XK5H5A5XN124MP	O&M	\$266,760.00
		179 XK5H5A5XN124MP (A1)	O&M	\$34,767.20
44	ASVAB	180 XA5H5A5XL113MP	O&M	\$249,366.00
		181 XD5H5A5XD116MP	O&M	\$26,000.00
45	Microsoft NT Support	182 XK5H5A55F013MP	O&M	\$7,700,000.00
		183 XK5H5A55F013MP (A1)	O&M	\$0.00
		184 XK5H5A55F013MP (A2)	O&M	\$1,000,000.00
		185 XK5H5A55F013MP (A3)	O&M	\$738,236.41
		186 XK5H5A55F013MP (A4)	O&M	(\$1,930,000.00)
46	RAPIDS	187 XB5H5A5XX169MP	O&M	\$5,050,352.00
		188 XB5H5A5XX169MP (A1)	O&M	\$0.00
		189 XK5H5A5XK161MP	O&M	\$7,170,557.52
		190 XK5H5A5XK161MP (A1)	O&M	\$0.00
		191 XK5H5A5XK164MP	O&M	\$1,519,800.00
		192 XB5H5A5XX170MP	O&M	\$2,615,775.00
		193 XB5H5A5XX170MP (A1)	O&M	\$0.00
12. Defense Security Services				
47	ICC	194 NMIPR05970172	O&M	\$1,030,000.00
		195 NMIPR05970172 (A1)	O&M	\$0.00

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

DoD Activity	Purchase	MIPR Number	Appropriation	MIPR Amount
Defense Security Services, Cont'd	ICC, Cont'd	196 NMIPR05970172 (A2)	O&M	\$0.00
48	NISP Tools IV&V	197 NMIPR04970376	O&M	\$310,000.00
49	CCMS Integration	198 NMIPR05970307	Defense WCF	\$4,903,758.44
		199 NMIPR05970307 (A1)	Defense WCF	\$2,500,000.00
		200 NMIPR04970345	DWCF/RDT&E	\$5,928,000.00
		201 NMIPR05970360	O&M	\$714,000.00
50	JPAS Sustainment	202 NMIPR05970242	Defense WCF	\$1,648,000.00
		203 NMIPR05970242 (A1)	Defense WCF	\$2,987,000.00
		204 NMIPR05970242 (A2)	Defense WCF	\$2,678,000.00
		205 NMIPR04970380	O&M	\$2,060,000.00
		206 NMIPR04970380 (A1)	O&M	\$1,030,000.00
		207 NMIPR05970171	O&M	\$7,210,000.00
		208 NMIPR05970171 (A1)	O&M	\$2,678,000.00
		209 NMIPR06970013	O&M	\$6,798,000.00
		210 NMIPR06970013 (A1)	O&M	\$0.00
51	SETA Service Support	211 NMIPR05970378	O&M	\$277,159.33
		212 NMIPR5970378 (A1)	O&M	\$1,818,919.90
13. Counterintelligence Field Activity	Foreign Language Translation	213 H9C101-5-0302	O&M	\$1,119,843.90
53	Counterintelligence Support	214 H9C101-5-0263	O&M	\$475,642.82

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

DoD Activity	Purchase	MIPR Number	Appropriation	MIPR Amount
Counterintelligence Field Activity, Cont'd	Counterintelligence Support, Cont'd	215 H9C101-5-0263 (A1)	O&M	\$480,000.00
		216 H9C101-5-0263 (A2)	O&M	\$240,000.00
54	Analytical Support	217 H9C101-5-0132	O&M	\$4,868,668.41
55	Event Planning Support	218 H9C101-5-0262	O&M	\$373,970.48
56	Counterintelligence/Interpol	219 H9C101-5-0256	O&M	\$1,601,781.27
		220 H9C101-5-0256 (A1)	O&M	(\$184,774.62)
		221 H9C101-5-0230	O&M	\$217,196.96
		222 H9C101-5-0230 (A1)	O&M	\$2,939.92
		223 H9C101-5-0230 (A2)	O&M	(\$7,697.40)
13 Activities	56 Purchases	223 MIPRs	Total	\$179,386,080.10

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

Appendixes Abbreviations, Acronyms, and Footnotes Defined

Abbreviations

N/A	Not Applicable
ND	Did not determine due to lack of documentation.
T.O.	Task Order

Acronyms

ASVAB	Armed Services Vocational Aptitude Battery
BADARAMA	Blast and Damage Assessment Risk Analysis and Mitigation Application
BBN	Base Band Node
BISRDM	Battlespace ISR Domain Model
C4ISR	Taiwan Command, Control, Computer, Communications Intelligence Surveillance and Reconnaissance
CECOM	Communications and Electronics Command
CCMS	Case Control Management System
CPSG	Cryptologic Systems Group
CSETO	Combat Systems Engineering Test and Operations
CWID	Coalition Warrior Interoperability Demonstration
DW	Defense-Wide
DWCF	Defense Working Capital Fund
DUNS	Data Universal Numbering System
EDM	Engineering Data Management
EPLRS	Enhanced Position Location Reporting System
FMS	Foreign Military Sales
ICC	Integrated Call Center
IT	Information Technology
IV&V	Independent Verification and Validation
JNN	Joint Network Node
JMDVA	Joint Multi-Disciplinary Vulnerability Assessment
JPAS	Joint Personnel Adjudication System
MSE	Mobile Subscriber Equipment
NCSDO	Network and Computer Systems Development and Operation
NISP	Network Industrial Security Program
NOSC	Network Operations Security Center
O&M	Operation and Maintenance
PM TRCS	Project Manager, Tactical Radio Communications Systems
RAPIDS	Real-Time Automated Personnel Identification System
RDT&E	Research, Development, Test, and Evaluation
SETA	System Engineering Technical Advisory
SSS	Single Shelter Switch
TSS	Technical Support Services
UMI	University of Military Intelligence
WCF	Working Capital Fund

Footnote

*Contract Not Awarded

**DoD Activity Requested DoD IG Review FY 2004 Contract Action.

Appendix G. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
 Director, Acquisition Resources and Analysis
 Director, Defense Procurement and Acquisition Policy
Under Secretary of Defense (Comptroller)/Chief Financial Officer
 Deputy Chief Financial Officer
 Deputy Comptroller (Program/Budget)
Under Secretary of Defense for Personnel and Readiness
 Director, Program Analysis and Evaluation

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army
Commander, Army Intelligence Center
Commander, Communications-Electronics Command
Commander, Program Executive Office, Command, Control, and
 Communications Tactical
 Project Manager, Tactical Radio Communications Systems

Department of the Navy

Assistant Secretary of the Navy (Manpower and Reserve Affairs)
Naval Inspector General
Auditor General, Department of the Navy
Commander, Fleet Numerical Meteorology and Oceanography Center

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Commander, Electronic Systems Center
 Commander, Cryptologic Systems Group
Auditor General, Department of the Air Force
Commander, 53rd Wing

Combatant Commands

Commander, U.S. Central Command
 Commander, U.S. Central Command Air Forces
Commander, U.S. Strategic Command
 Commander, Joint Information Operations Center
Commander, U.S. Northern Command
Commander, U.S. Joint Forces Command
 Inspector General, U.S. Joint Forces Command

Other Defense Organizations

Director, Defense Security Service
Director, Defense Manpower Data Center
Director, Counterintelligence Field Activity

Non-Defense Federal Organization

Office of Management and Budget
General Services Administration, Inspector General

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Homeland Security and Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Finance, and Accountability,
 Committee on Government Reform
House Subcommittee on National Security, Emerging Threats, and International
 Relations, Committee on Government Reform

Office of the Under Secretary for Acquisition, Technology, and Logistics Comments



ACQUISITION
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

OCT 02 2006

MEMORANDUM FOR DEPUTY DIRECTOR, CONTRACT MANAGEMENT
DIRECTORATE, DODIG

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS *ms 10/6/06*

SUBJECT: Response to DoDIG Draft Audit Report D2005-D000CF-0222.000, "Report on FY 2005 DoD Purchases Made Through the General Services Administration"

As requested, I am providing responses to the recommendations directed to the Under Secretary of Defense for Acquisition, Technology, and Logistics, contained in the subject report.

General Content:

The Department wishes to thank you for this report and to advise you of our plan of action with regard to addressing the report findings and other areas of shared concern with regard to the Department's use of General Services Administration (GSA) contracts and GSA contracting support. Since your review concluded, the Department and GSA have been working on a Corrective Action Plan that addresses approximately twenty areas of concern including all those included in your report. We concur with your general comments that better acquisition planning, discipline and oversight are required. We welcome your recommendations and expect to continue our collaborative relationship in the area of "Interagency Acquisition."

Recommendations:

DoDIG Recommendation 1: We recommend that the Undersecretary 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 interests 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.

DoD Response: Partially concur. The Department will issue a revision to its October 2004 policy memo on the "Proper Use of Non-DoD Contracts" to require that for any action greater than \$500,000, where a non-DoD contract is utilized, a warranted DoD contracting officer must review the package before it is sent outside the Department. The Department will require the Military Departments, Other Defense Agencies and DOD Field Activities amend their existing policies, as necessary, to meet this requirement. The policy memo is expected by November 1, 2006.

- 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.

DoD response: Concur. The Department is currently reviewing its curriculum in all courses to ensure that the subject topics included in the recommendation are covered properly. Under the leadership of DAU, where necessary, we will develop appropriate course materials in these subject areas. In addition, we are working closely with GSA to ensure that their contracting officers, program managers and other functional experts who support assisted acquisitions are aware of the report findings and the expectations of DoD. The expected date for completion of the review and course development is December 15, 2006.

- 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.

DoD Response: Concur. The Department will issue guidance on contract administration roles and responsibilities when purchasing goods and or services through a non-DoD agency. The expected date for issuance is November 1, 2006.

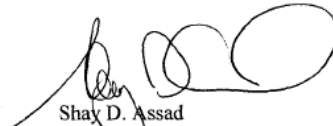
- d. Finalize negotiations with non-DoD agencies to develop interagency agreements that specify agreed upon roles and responsibilities regarding contract administration and surveillance duties.

DoD Response: Concur. By November 1, 2006, the Department will establish a Memorandum of Agreement (MOA) with the General Services Administration that will include 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 selections.

DoD Response: Concur: The MOA established between DoD and GSA will address roles and responsibilities with regard to capturing past performance information in the Federal-wide past performance data base (PPIRS). In addition, the Department will issue a policy memorandum that will remind the acquisition workforce of its responsibility to capture past performance information and to utilize that information in the source selection process. The policy memo is expected by December 1, 2006.

*If you have any questions regarding this memorandum, please contact my point of contact Mr. Michael Canales, at 703-695-8571 or at michael.canales@osd.mil.



Shay D. Assad
Director, Defense Procurement
and Acquisition Policy

Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer Comments



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

AUG 30 2006

MEMORANDUM FOR PROGRAM DIRECTOR, DEFENSE FINANCIAL AUDITING
SERVICE, OFFICE OF INSPECTOR GENERAL,
DEPARTMENT OF DEFENSE

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

This memo is in response to the subject July 21, 2006, draft report provided to this office for review and comment. Our response to each of the audit report recommendations directed to the Under Secretary of Defense (Comptroller)/Chief Financial Officer is at Attachment I.

We appreciate the opportunity to respond to your draft audit report and look forward to resolving the cited issues. My point of contact is Ms. Kathryn Gillis. She can be contacted by telephone at 703-697-6875 or e-mail at Kathryn.gillis@osd.mil.

Robert P. McNamara
Acting, Deputy Chief Financial Officer

Attachments:
As stated

cc:
ODGC(F)
USD(AT&L)
DFAS

Attachment
Response to Draft Audit Report Recommendations

Office of the Inspector General (OIG), Department of Defense (DoD)
"FY 2005 DoD Purchases Made Through the General Services Administration"
OIG Project No. D2005-D000CF-0222.000

OIG Recommendation 2a. The OIG recommended that the Under Secretary of Defense (Comptroller (USD(C))) 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.

OSD Response. Concur. We previously directed all components to review interagency agreements and coordinate the return of excess funds with the outside agency by June 30, 2006. Most components have completed this review and have deobligated \$183 million in expired funds held at GSA. We have also directed all components to include interagency agreements in their triannual review to assist in continuous monitoring of outstanding agreements. Additionally, we continue to work with the components and the General Service Administration to identify and synchronize GSA and DoD records that will assist in timely deobligation of excess funding.

OIG Recommendation 2b. The OIG recommended that the Under Secretary of Defense (Comptroller (USD(C))) 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.

OSD Response. Concur. We previously established an interagency acquisition working group to develop policy and procedures that will provide guidance and clarification on the use of Non-Economy Act orders as well as distinguish between Economy Act Orders and Non-Economy Act orders. This guidance will be updated in the DoD Financial Management Regulation Volume 11A, Chapter 3 in December 2006. Additionally, we are working with Office of General Counsel to issue additional policy by September 2006 on the proper use of DoD funds for interagency agreements to address obligation and deobligation of funds under Non-Economy Act orders. Obligation and deobligation of funds under Economy Act orders is already addressed in the DoD FMR Volume 11A, Chapter 3 and will be updated with the proper use of DoD funds for Non-Economy Act orders in December 2006.

General Services Administration Comments



GSA Federal Acquisition Service

August 17, 2006

MEMORANDUM FOR INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

FROM:

JAMES A. WILLIAMS
COMMISSIONER

A handwritten signature in black ink that reads "James A. Williams".

SUBJECT:

Report on FY 2005 DoD Purchases Made Through
the General Services Administration (Project No. D2005-
D00CF-0222.000)

Thank you for the opportunity to comment on the draft report, "FY 2005 DOD Purchases Made through the General Services Administration." GSA shares the interests of Department of Defense (DoD) in ensuring that contracts for goods and services on behalf of the government comply with law, regulation and administrative guidance. In addition, we share your concern that our customer agencies, and ultimately the American taxpayer, receive the best value for the dollar spent.

GSA is a key supplier of best value goods and services to DoD in support of its mission every day. GSA's Schedules Program provides over \$10.5 billion of goods and services to DoD. A large portion of these goods and services are provided by small businesses (over 33% program-wide), a significant aid to DoD in meeting its small business goals. GSA's Governmentwide Acquisition Contracts (GWACs) used by DoD programs provide for DoD's needs, cutting acquisition lead time while providing compliant, fully competed solutions to meet warfighters' needs. In addition, GSA's GWAC program provides DoD with the opportunity to meet its HUBZone and 8(a) Small Business goals through two GWACs focused on these two categories of small business. Two additional GWACs will be added, focused on Service-Disabled Veteran Owned Small Businesses and Small Businesses, in the next 12 months. According to DoD, our telecommunications contracts will save DoD in excess of \$200 million over the prices they were previously paying for similar services. We also provide DoD with non-tactical vehicles at substantially lower prices than DoD could historically provide itself.

While providing DoD with these best value goods and services, GSA allows DoD to leverage its acquisition workforce through GSA's various programs, thus reducing the need to increase the size of its acquisition workforce in areas

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outside of its core missions. GSA is also able to use the combined buying power of the government to pass along savings to other agencies within the government as well and in certain markets to state and local governments.

It is our understanding that the sampling for this report was drawn from the universe of work performed by GSA's Client Support Centers (CSCs) and provided to you by GSA's IG, as well as actions found while visiting the specific DoD activities identified in Appendix A. We note that from the universe available for selection, that the contracting actions that were considered, occurred outside the time period specified (May 14, 2005 and October 31, 2005). This is important to understand since these actions preceded current DoD and GSA guidance and the steps GSA undertook to bring our performance into compliance in those areas where we had found that we were out of compliance. Given the total universe of actions available for sampling we think that this report, in light of our clarifying comments below, demonstrates that GSA and DoD made significant improvements since the first problems were uncovered over three years ago.

We observe that you refer to the best interests of the government and the best interests of DoD interchangeably throughout the report. We agree that what is in the best interests of the government and what is in the best interests of the DoD should always be synonymous, however it is not clear to us, from your draft report, that this is always the case. For example, use of Governmentwide Acquisition Contracts (GWACs) and Multiple Award Schedules which leverage the government's buying power, reduce the administrative costs per transaction and present a single face to industry, are clearly in the best interests of the government as a whole.

We also note that the goods or services purchased by GSA on behalf of DoD, were for necessary, current and vital needs of the warfighter; the government paid a fair and reasonable price; and the goods or services were delivered to the intended DoD recipients.

As you know, GSA, in order to improve its acquisition planning both for itself and its agency customers, developed and implemented an on-line acquisition planning tool across the agency. The tool is fully compliant with FAR Part 7 and is used for contract actions of a value in excess of \$100,000.

Further, GSA instituted a Procurement Management Review (PMR) program wherein GSA visits all of the CSCs annually, randomly selects contracts and reviews those contracts for consistency with applicable rules and regulations. The PMRs are showing continuous improvement across-the-board by GSA's contracting activities.

GSA is committed to providing all of its customers with sufficient data concerning the work they have asked us to perform on their behalf and to this end we will meet with the Office of Under Secretary Comptroller/Chief Financial Officer and

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the Office of the Under Secretary of Defense For Acquisition, Technology & Logistics to determine exactly what information is needed and when that information is needed.

Attached are more detailed comments concerning the Draft Report. Again thank you for the opportunity to comment on your Draft Report. We look forward to working with your office, and DoD, on continuing to improve the service we provide our customers in the Department of Defense.

cc: Administrator
GSA IG
CAO

Page 1 of the Executive Summary. Paragraph entitled "Results." We recommend that you delete the words and figures:

"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."

And substitute therefore the words and figures:

"We found significant improvement by both GSA and DoD contracting and program management officials in the use of GSA's assisted acquisition process. We also found that DoD program officials still made some errors in the application of appropriation law and DoD guidance on the use of DoD's funds. In addition, we found instances of noncompliance by DoD officials with DoD procurement regulations. We also found instances where we questioned the compliance by GSA with fiscal law and Federal Acquisition Regulation requirements."

Comment: We agree that because of different interpretations of the applicability of DoD guidance on the use of DoD's funds, GSA used funds in a manner consistent with the FAR but inconsistent with the DoD guidance as it now appears to be evolving. We also agree that GSA should comply with DoD's guidance regarding DoD purchases, even though we believe the law allows greater flexibilities in conducting interagency transactions than your report seems to indicate. As you know, the authority for interagency agreements began in 1932 with the enactment of the Economy Act, 31 U.S.C. § 1535, which was the first governmentwide statutory authorization for Federal agencies to provide work, services or materials to other Federal agencies on a reimbursable basis. Subsequently, Congress enacted more authorities for interagency transactions including the Federal Property and Administrative Services Act of 1949 (the Property Act), which established GSA; the Government Management Reform Act of 1994, Pub. L. 103-356 (1994); and the Information Technology Management Reform Act of 1996, Pub. L. 104-106 (1996).

The purpose of these authorities was to leverage the buying power of the Government by creating economies of scale and to promote an economical and efficient system of Government procurement. In order to advance these goals, Congress did not include the fiscal year restrictions found in the Economy Act in these statutes, thus permitting greater flexibility to award contracts on behalf of customer agencies. This fact has been explicitly recognized by the Government Accountability Office, see Volume II, Principles of Federal Appropriation Law, 7-28 to 7-31, (3rd Ed. 2006).

Nonetheless, GSA fully intends to ensure that all DoD funds are used in accordance with DoD guidance, and we are working with DoD to clarify what exactly that guidance means so that we can give appropriate implementing instructions to our personnel. Further as we noted in our cover letter, GSA now uses an automated tool for preparing acquisition plans and nowhere in your report do you provide specifics where GSA actually failed to properly execute the contracts in accordance with the FAR or applicable supplements. The proposed language is more accurate in its depiction of DoD and GSA's actions supported by the evidence in the report.

Page 1 of the Executive Summary, Paragraph entitled "Results." Third bullet, we recommend that you delete the words and figures:

"on 6 of 14 sole-source purchases reviewed, GSA Client Support Centers did not provide adequate justification for sole-source procurements;"

Comment: We have carefully reviewed the 6 acquisitions you identified as not having adequate sole source justifications. We found:

- In the first case GSA did a sole source bridge contract for 6 months with the incumbent in order to run a competition. The J&A file didn't include this explanation, although it was clear from the whole file that this was the reason. The customer's requirement would not allow a termination of performance while GSA recompleted the contract.
- In the second case we used an IDIQ contract that had been properly awarded as a sole source contract to place an order. A proper J&A to support the sole source justification was in the basic contract file. There is no requirement in the FAR, GSAM or DFARS to complete a J&A for orders placed against a contract under these circumstances.
- In the third and fourth cases you reviewed modifications which were outside the scope of the audit, from prior years.
- In the fifth case the contracting complied with fair opportunity inviting all holders of the GWAC to bid, but only one submitted a proposal. In explicable, the CO put a J&A in the file to explain why only one GWAC holder responded. There was no requirement for a J&A in either the FAR, GSAM or DFARS. The J&A would have been inadequate if one had been required, but there was no requirement for a J&A.
- In the sixth case, we have reviewed the contract file in question. The sole source modification that occurred in April 2005 was fully compliant with the FAR and GSAM and was signed by the contracting officer on 28 April 2005. We also discovered in our review of the file that the original award was a sole source award and that while the copy of the J&A in the file

does not appear to be signed, it does have a time and date stamp on it contemporaneous with the original award. The contract action within the scope of your audit was fully compliant with all applicable guidance.

Page 2 of the Executive Summary, Paragraph) entitled "Results." Fourth bullet, we recommend that you delete the words and figures:

"on 12 of 54 purchases, both GSA and the requesting DoD activity improperly used Government funds that resulted in potential violations of the Anti-Deficiency Act: and"

And substitute therefore the following words and figures:

"on 1 of 54 purchases GSA reviewed, and the requesting DoD activity improperly used prior year funds when exercising an option, violating the Anti-Deficiency Act."

Comment: We evaluated all 12 of the cases referred to in the bullet referenced above. In one of the cases (Come and Get it Product Services Purchase No. 19) the draft report stated that the Fleet Numeric and Meteorology and Oceanography Center should have used Other Procurement funds instead of O&M funds. We are unable, and it would be inappropriate for us, to comment on whether the correct DoD appropriation was used. We note that there was no finding of any impropriety on GSA's part.

Three of the cases involved equipment purchases (Kiosks Purchase No. 31, Personal Video Systems Purchase No. 41, Joint Multi-Disciplinary Vulnerability Assessment Purchase No. 42). We disagree with your conclusion that,

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.

The Government Accountability Office has long recognized that an appropriation is just as much available to supply the needs of the last day of a fiscal year as any other day or time in the year, and that the timing of an obligation does not, in and of itself, establish anything improper. See, 8 Comp. Dec. 346 (1901); 38 Comp. Gen. 628 (1959). In these cases, DoD components came to GSA with well documented requirements reflecting bona fide needs of FY 2005 and properly recorded obligations during FY 2005. GSA promptly initiated procurement action and awarded contracts as expeditiously as possible based on the complexity of the acquisitions, ensuring that all procurement rules were followed and that adequate competitions were conducted.

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Four of the cases (Interactive Multimedia Purchase No. 15, NetCentric FastTrack Services Purchase No. 16, Trusted Service Engine Purchase No. 17, Information Assurance Purchase No. 20) involved procurements for non-severable services. It is well established that when a proper IA for non-severable services has been accepted by the servicing agency, the customer agency may record a valid obligation, 31 U.S.C. § 1501(a)(1). See *Transfer of Fiscal Year 2003 Funds from the Library of Congress to the Office of the Architect of the Capitol*, B-302760 (May 17, 2004); *Continued Availability of Expired Appropriation for Additional Project Phases*, B-286929 (Apr. 25, 2001). Moreover, "where an interagency agreement is based on specific statutory authority other than the Economy Act, an agency is not required to deobligate funds at the end of the period of availability." *Independent Statutory Authority of Consumer Product Safety Commission to Enter Into Interagency Agreements*, B-289380 (July 31, 2002). See also, B-282601, Sept. 27, 1999; B-167790 (Sept. 22, 1977). Upon acceptance of these interagency agreements, GSA was required to work promptly and diligently to award a contract. However, there was no requirement for GSA to award a contract within the fiscal year, as there would be under the Economy Act. Although our review revealed that these procurements were for non-severable services, we are concerned that the contracts awarded were structured as if they were for severable services. While this does not amount to a violation of the Anti-Deficiency Act, we believe our acquisition workforce should do a better job of matching the contract structure to the customers' requirements. We will include this issue as part of our ongoing training initiatives.

The remaining four cases involved procurements for severable services. Two of these (IT and Operations Support (J2) Purchase No. 39 and National Industrial Security Program Certification and Accreditation Tools Purchase No. 48) were new requirements. It is GSA's position that, just as with non-severable services, once a proper interagency agreement for severable services is accepted by a servicing agency, the requesting agency may record a valid obligation. The servicing agency must then promptly and diligently work on the agreement; however, if the authority for the agreement is other than the Economy Act, the servicing agency may retain and obligate funds in the following fiscal year. (Of course, in compliance with 41 U.S.C. § 253f and 10 U.S.C. § 2410a, the ensuing contract may be for no more than 12 months). In these cases GSA promptly initiated procurement action and awarded contracts as expeditiously as possible based on the complexity of the acquisitions, ensuring that all procurement rules were followed and that adequate competitions were conducted. We do not believe this constituted a violation of the bona fide needs rule or the Anti-Deficiency Act.¹

¹ We are aware that the GAO has issued opinions treating severable services differently from non-severable services for purposes of the bona fide needs rule. We note that the GAO interpretation regarding severable services has not been embodied in any statute, nor adopted by any court. The bona fide needs statute, 31 U.S.C. 1502, does not distinguish between severable

In the Network Operation Security Center task order (4TFL57052211), GSA issued a bridge task order in order to allow adequate time to complete due diligence and prepare for recompetition and award of a new effort to replace two separate existing task orders set to expire on 31 JUL 2005. There was a bridge task order (4TFL57B57011, number 7011) put in place with a period of performance of 1 AUG 2005 through 30 SEP 2005. The new task order that followed the bridge (number 2211) was awarded on 8 SEP 2005 with a start date of 1 OCT 2005. GSA policy allows for the receipt of funds for a bona fide need of one fiscal year though award of the task order might not occur until the following fiscal year. The intent in awarding the bridge (7011) and the new order (2211) was consistent with that policy. The requirement for the new effort was presented to GSA on or about June 2005 as a need of the customer at that time. We acknowledge that it is the DOD IG's position and interpretation of fiscal law that task order 2211 represented a bona fide need of FY06 since the period of performance on 2211 started on 1 OCT 2005, and therefore required FY06 type funds. We promptly responded to that concern by coordinating with the customer and obtaining FY06 Air Force funds to cure this when it was brought to the attention of Region 4 in February 2006. According to our understanding of the DOD IG's interpretation, no violation of the bona fide needs rule would have occurred had the bridge (7011) ended prior to 30 SEP 2005 and the new order (2211) been awarded with performance beginning on or before 30 SEP 2005.

In the final case, Network System Support and Administration, we agree with you that it was improper to exercise an option with a period of performance *entirely* in the following fiscal year using current year funds. This constituted a violation of the bona fide needs rule, and unless the Joint Information Operations Center applies corrective funding, this is a violation of the Anti-Deficiency Act. It was also improper to award a base period in excess of one year since this was a contract for severable services.

GSA believes that this final action is aberrant and not reflective of the changed working environment we created when we initiated our "Get it Right" program. To increase awareness of the requirements with fiscal guidance, GSA frequently reminds our personnel of the applicable rules and we are looking at changes to our systems with the objective of preventing any violations in the future. GSA is also preparing end of year "Tips" to send to all of our contracting offices to remind them of the existing guidance and to help them focus on the total action.

and non-severable services. We believe the same acquisition lead time allowed for contracts for non-severable services should be allowed when the contract is for severable services. In the information technology age, severable services include services that are essential for an agency to operate, such as help desk support and network administration for agency computer systems. Contracts for severable services can also involve millions of dollars. Thus, it is just as important to conduct proper, fully competed procurements.

Page 2 of the Executive Summary, Results Paragraph, the first full paragraph at the top of the page, we recommend that you delete the words and figures:

"The DoD Office of the 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 Anti-Deficiency Act violations, and the lack of adequate interagency agreements."

Comment: We have studied your report thoroughly and cannot find therein any justification for singling out the 4 CSCs you identify. Your report does not include evidence that during the period the audit was supposed to cover, FY 05, that the CSCs failed to comply with the guidance that was in existence at the time the MIPRs and Inter-Agency Agreements were sent to GSA. Further, while there was a difference of opinion in what financial guidance should be followed, the CSCs in question followed the guidance that GSA had issued, which is discussed above. In the future, GSA will assist DoD in ensuring that the DoD requiring activity has complied with DoD's guidance before accepting the agreement, although this was not a requirement during the time period in question.

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