



SECRETARY OF THE ARMY
WASHINGTON

28 JUL 2010

MEMORANDUM FOR

ASSISTANT SECRETARY OF THE ARMY (ACQUISITION, LOGISTICS AND
TECHNOLOGY)

COMMANDER, U.S. ARMY MATERIEL COMMAND

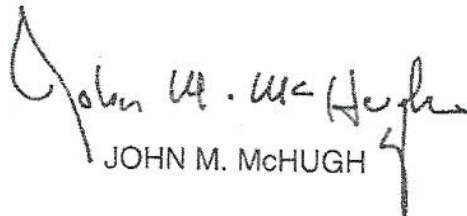
COMMANDER, U.S. ARMY CORPS OF ENGINEERS

EXECUTIVE DIRECTOR, ARMY NATIONAL CEMETERIES PROGRAM

SUBJECT: Procurement Management Review of Arlington National Cemetery

1. I have been briefed on the results of the subject Procurement Management Review (PMR) concerning contracts awarded and administered on behalf of Arlington National Cemetery (ANC). As part of the process of restoring confidence in the Army National Cemeteries Program, I direct the addressees to begin immediate implementation of the PMR report's recommendations.

2. The Assistant Secretary of the Army (Acquisition, Logistics and Technology) (ASA(ALT)), as the Department of the Army's Senior Procurement Executive, will directly oversee this effort. Specific assignments of responsibility, keyed to the PMR report, are enclosed.


JOHN M. McHUGH

Enclosure

SPECIFIC ASSIGNMENTS

Commander, U.S. Army Materiel Command

- Page 9: R-2 pertaining to lack of communication between ANC and its supporting contracting offices
- Page 13: R-1 pertaining to lack of documentation for items purchased and verification of receipt and acceptance of purchases—notify appropriate investigative authorities if fraud is suspected
- Page 16: R-1 pertaining to refresher training for the supporting acquisition workforce
- Page 16: R-1 pertaining to development of quality assurance surveillance plans (QASPs)
- Page 17: R-1 pertaining to adherence to established procedures for nondisclosure agreements
- Page 17: R-1 pertaining to contracting officer representative (COR) appointment and designation letters
- Page 18: R-2 pertaining to COR nomination and training
- Page 18: R-3 pertaining to contract file checklists
- Page 18: R-1 pertaining to justification for noncompetitive awards
- Page 18: R-1 pertaining to determination of proper contract type
- Page 19: R-1 pertaining to COR performance of proper surveillance
- Page 19: R-2 pertaining to contractor performance assessment report documentation
- Page 20: R-1 pertaining to utilization of computer hardware, enterprise software and solutions contracts
- Page 23: R-1 pertaining to review of completed contracts
- Page 23: R-2 pertaining to government-furnished equipment
- Page 24: R-1 pertaining to proper alignment of contracting activity skill sets
- Page 24: R-2 pertaining to preconstruction site visits
- Page 25: R-1 pertaining to preaward checklists
- Page 25: R-1 pertaining to risk identification and analysis

- Page 25: R-1 pertaining to National Capital Region Contracting Center (NCRCC)–ANC memorandum of agreement
- Page 26: R-2 pertaining to NCRCC–ANC annual meetings
- Page 26: R-1 pertaining to use of longer term contracting actions
- Page 26: R-1 pertaining to customer COR nominations
- Page 27: R-1 pertaining to quarterly site visits
- Page 42: R-1 pertaining to market analysis
- Page 42: R-1 pertaining to development of acquisition strategies
- Page 42: R-1 pertaining to requirements traceability
- Page 42: R-1 pertaining to sufficient pricing detail
- Page 43: R-1 pertaining to QASP documentation
- Page 43: R-1 pertaining to COR appointment and designation
- Page 43: R-1 pertaining to proper receipt and acceptance documentation

Commander, U.S. Army Corps of Engineers

- Page 9: R-2 pertaining to lack of communication between ANC and its supporting contracting offices
- Page 13: R-1 pertaining to lack of documentation for items purchased and verification of receipt and acceptance of purchases—notify appropriate investigative authorities if fraud is suspected
- Page 29: R-1 pertaining to use of competition
- Page 30: R-1 pertaining to contract file documentation and market research
- Page 30: R-2 pertaining to development of QASPs
- Page 30: R-3 pertaining to internal training
- Page 31: R-1 pertaining to COR appointment and designation letters
- Page 31: R-2 pertaining to COR nomination and training
- Page 31: R-3 pertaining to contract file checklists
- Page 32: R-1 pertaining to performance of COR functions

- Page 33: R-1 pertaining to review of completed contracts
- Page 34: R-1 pertaining to onsite review of administrative contracting officer files
- Page 34: R-1 pertaining to use of performance standards
- Page 35: R-1 pertaining to Corps of Engineers contracting office–ANC memorandum of agreement
- Page 35: R-2 pertaining to Corps of Engineers contracting office–ANC annual meetings
- Page 35: R-1 pertaining to contracting officer–ANC presolicitation meetings
- Page 35: R-1 pertaining to quarterly COR file reviews
- Page 42: R-1 pertaining to market analysis
- Page 42: R-1 pertaining to development of acquisition strategies
- Page 42: R-1 pertaining to requirements traceability
- Page 42: R-1 pertaining to sufficient pricing detail
- Page 43: R-1 pertaining to QASP documentation
- Page 43: R-1 pertaining to COR appointment and designation
- Page 43: R-1 pertaining to proper receipt and acceptance documentation

Executive Director, Army National Cemeteries Program

- Page 8: R-1, R-2, R-3 pertaining to the absence of internal policies or standing operating procedures
- Page 8: R-1, R-2 pertaining to outdated or unsigned memorandums of agreement/understanding
- Page 9: R-1 pertaining to lack of communication between ANC and its supporting contracting offices
- Page 13: R-1 pertaining to the absence of ANC internal policies for the Government Purchase Card Program
- Page 16: R-1 pertaining to development of QASPs
- Page 18: R-2 pertaining to COR nomination and training

DEPUTY ASSISTANT SECRETARY OF THE ARMY (PROCUREMENT)

PROCUREMENT MANAGEMENT REVIEW OF
ARLINGTON NATIONAL CEMETERY

Including National Capital Region Contracting
Center and US Army Corps of Engineers
Contract Office

BUSINESS OPERATIONS DIRECTORATE

7/27/2010

FOR OFFICIAL USE ONLY (FOUO)

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EXECUTIVE SUMMARY

Per Army directive 2010-04, the Army Senior Procurement Executive directed the Deputy Assistant Secretary of the Army (Procurement) (DASA (P)) to conduct a Procurement Management Review (PMR) of the Arlington National Cemetery (ANC) and all contracts awarded or administered by the National Capital Region Contracting Center (NCRCC) (legacy Contracting Center of Excellence (CCE)) and the U.S. Army Corps of Engineers (USACE) – Baltimore District during the last five years in support of ANC. Further, the Secretary of the Army directed DASA (P) to report the PMR results to the Executive Director (ED) of the ANC Program within 45 days of the date of the directive, 10 June 2010.

The review began with an overview presented by the DASA (P) to the ED ANC on 22 June 2010 and concluded with the results briefed to the ED ANC on 26 July 2010 and the Army's Senior Procurement Executive on 27 July 2010.

REVIEW RESULTS

The PMR discovered a number of findings in the areas highlighted by the Final Report of the "U.S. Army Inspector General Agency Special Inspection of Arlington National Cemetery," dated 9 June 2010.

1. The U.S. Army Inspector General (ARMY IG) report cited the following deficiencies:

DEFICIENCY 5.1: Procurements, to include information technology (IT), for ANC are not in compliance with applicable Federal, Defense and Army acquisition regulations.

PMR supports the cited deficiency with the following findings:

- Lack of documentation
- Incorrect procedures
- Construction contracting and closeout procedures not followed
- Risk management not addressed

DEFICIENCY 5.2: The acquisition of IT to automate ANC's antiquated paper recordkeeping systems and modernize cemetery IT operations did not comply with Office of Management and Budget Circulars, Federal and Defense Acquisition Regulations.

PMR supports the cited deficiency with the following findings:

- No acquisition strategy for IT systems
- Deliverables not clearly defined
- Insufficient documentation
- Lack of government oversight

DEFICIENCY 5.3: Contracts supporting ANC lacked proper oversight and officials were inadequately trained and improperly applied various Federal, Defense and Army Acquisition Regulation rules, many of which contributed to ANC's IT acquisition problems.

PMR supports the cited deficiency with the following findings:

- Inadequate oversight of contractor performance

- Lack of training and appointment/designation of Contracting Officer Representatives (CORs)
 - Lack of property accountability
 - USACE Program Management Office at the District of Columbia Integrated Programs Office (DCIPO) performs contracting officer duties including issuing Request for Proposals, negotiations and award decisions, and contract changes. DCIPO Contracting Office functions in an administrative capacity only.
2. Additionally, the PMR team conducted a review of ANC as it pertains to the acquisition function and discovered the following findings:
- No evidence of internal policy or Standard Operating Procedures (SOPs)
 - Lack of communication between NCRCC/USACE Contracting Office and ANC
 - Outdated/unsigned Memorandums of Agreement (MoAs) and Memorandums of Understanding
 - Lack of property control procedures
3. In our review of the Government Purchase Card (GPC) Program – the review discovered the following findings:
- Lack of management controls and oversight at ANC and NCRCC
 - No evidence of ANC internal policies or guidance for program

CONCLUSION: The findings discovered during the PMR of ANC, NCRCC and USACE support the statement that, from requirements definition through contract closeout, there was a general breakdown in sound business processes, and statutory, regulatory and policy requirements were not followed.

Requirements for new work must be written so that the government's needs are clearly stated. Additionally, the contracting office needs to be vigilant in acquiring goods and services through competitive means. This will require an appropriate level of acquisition strategy for the complexity of what is being acquired. When surveying the market, both ANC and the contracting office must pay attention to any limitations to competition such as overly restrictive work statements or features that are not commercially available or only available from one source. Competition should be maximized to the fullest extent. Even if the use of the SBA Section 8(a) Program is a valid determination, competition should be maximized among qualified 8(a) firms. Additionally, care must be taken to obtain adequate pricing information from the offeror(s) and to analyze the data in a way that will ensure the government receives a fair price.

Traceability must exist between the requirements and what is to be delivered to the government. Receipt and acceptance of contract deliverables must be fully supported by documentation in the contract file.

Contract administration is the responsibility of the contracting officer. Any field technicians or CORs performing contract surveillance must have the limits of their authority delineated in writing. Any ANC employees performing as CORs must be trained and designated by the contracting officer for existing and future service contracts. The contracting officer is the only individual authorized to make changes to the contract, and must be actively involved in contract surveillance through correspondence and face-to-face meetings with the designated COR.

CORRECTIVE ACTIONS IN PROGRESS

- NCRCC and USACE contracting office have already put corrective actions plans in place to address the Army IG findings.
- Recommendations made by DASA (P) to the ED ANC while the PMR was in progress:
 - Designation of a qualified staff member to review/finalize requirements packages prior to submission. Skill set should include requirements generation, ability to track contract actions and determine qualified ANC CORs for specific requirements, and serve a point of contact between ANC and NCRCC/USACE contracting activities.
 - Establishment of an MoAs with USACE for construction/NCRCC for all other contracting requirements. Establish a policy whereby any deviation from the MoA will not be allowed unless a waiver is granted by higher authority structured by dollar thresholds. This will eliminate ANC "shopping" between multiple contracting activities for support.
 - Relocation of GPC Program from NCRCC to ANC with applicable oversight and documentation.
- DASA (P) is working with Acquisition, Logistics & Technology-Integration Office (ALT-IO) to provide ANC training on writing a requirements package and applicable SOPs in accordance with Army regulations.
- The PMR team is assisting the ED ANC by reviewing a number of current USACE solicitations to provide recommendations for improvement in the actions.

PATH FORWARD

The PMR team believes the review has sufficiently detailed the issues regarding acquisition and contracting actions in support of ANC. Unless leadership determines 100% review is mandatory, the team recommends terminating the review and moving forward with corrective action plans. Additionally, the DASA (P) PMR team will perform a follow-up review in 6 months at ANC, NCRCC and USACE and report the progress of the corrective actions to the ED ANC and the Senior Procurement Executive for the Army. Further, the USACE-Baltimore contracting office and NCRCC (including ANC contract actions) will be included in the FY12 PMR cycle and all subsequent yearly cycles until corrective actions are ingrained in the culture.

INTRODUCTION

The United States Army Inspector General (Army IG) issued an Agency Special Inspection of Arlington National Cemetery (ANC) final report on 9 June 2010. The Secretary of the Army issued Memorandum "Army Directive 2010-04 (Enhancing the Operations and Oversight of the Army National Cemeteries Program)," on 10 June 2010. On behalf of the Army Senior Procurement Executive, the Procurement Management Review (PMR) team was tasked to review all contracts awarded or administered by U.S. Army Corps of Engineers (USACE) – Baltimore District and the National Capital Region Contracting Center (NCRCC) (legacy Contracting Center of Excellence (CCE)) during the past five years in support of ANC. As directed by the Secretary of Army, this review includes an assessment of the roles of the Heads of Contracting Activities (HCAs) and Principal Assistants Responsible for Contracting (PARCs) in executing and overseeing such contracts. Contract review encompasses the full acquisition cycle from requirement definition through close out. It addresses applicable deficiencies and recommendations presented in the Army IG Special Inspection of ANC final report, and evaluates the management controls and business practices in place at ANC.

Many different contracting offices have supported ANC requirements in the past, to include the Capital District Contracting Center (CDCC) Fort Belvoir and the Fort Myer Directorate of Contracting. NCRCC inherited the contracts that CDCC awarded on behalf of ANC.

REFERENCES

- Secretary of the Army Memorandum "Army Directive 2010-04 (Enhancing the Operations and Oversight of the Army National Cemeteries Program)," 10 June 2010.
- Final Report of the "U.S. Army Inspector General Agency Special Inspection of Arlington National Cemetery," 9 June 2010.
- Army Federal Acquisition Regulations (AFARS) Appendix CC "Army Procurement Management Review," 16 May 2008.

OVERVIEW

- 22 June – Provided preliminary PMR Program overview, including mission, intent and outcomes to Executive Director (ED) ANC

- 23 June – Review began at ANC to include the Government Purchase Card (GPC) program, and management controls and processes in place associated with the acquisition of supplies/services for ANC
- 28 June – 15 July – Reviewed contracts at NCRCC and USACE (total 114 files), conducted workforce/management interviews
 - 29 June – Interim update on status of PMR progress provided to ED
 - 14 July – Interim update on status of PMR progress provided to ED
- 16-26 July – Analyzed results of review and finalized briefing and report
- 26 July – Briefed ED, ANC on final results of review
- 27 July – Briefed Assistant Secretary of the Army (Acquisition, Logistics & Technology) (ASA(ALT)) on final results of review

SUMMARY OF FINDINGS

ANC

The PMR discovered the following findings:

- No evidence of internal policy or Standard Operating Procedures (SOPs)
- Lack of communication between NCRCC/USACE Contracting Office and ANC
- Outdated/unsigned Memorandums of Agreement (MoAs) and Memorandums of Understanding (MoUs)
- Lack of property control procedures

GPC

The PMR discovered the following findings:

- Lack of management controls and oversight at ANC and NCRCC
- No evidence of ANC internal policies or guidance for program

NCRCC (CCE) / USACE:

The Army IG report cited the following deficiencies:

DEFICIENCY 5.1: Procurements, to include information technology (IT), for ANC are not in compliance with applicable Federal, Defense and Army acquisition regulations.

PMR supports the cited deficiency with the following findings:

- Lack of documentation
- Incorrect procedures
- Construction contracting and closeout procedures not followed
- Risk management not addressed

DEFICIENCY 5.2: The acquisition of IT to automate ANCs antiquated paper recordkeeping systems and modernize cemetery IT operations did not comply with Office of Management and Budget Circulars, Federal and Defense Acquisition Regulations.

PMR supports the cited deficiency with the following findings:

- No acquisition strategy for IT systems
- Deliverables not clearly defined
- Insufficient documentation
- Lack of government oversight

DEFICIENCY 5.3: Contracts supporting ANC lacked proper oversight and officials were inadequately trained and improperly applied various Federal, Defense and Army Acquisition Regulation rules, many of which contributed to ANC's IT acquisition problems.

PMR supports the cited deficiency with the following findings:

- Inadequate oversight of contractor performance
- Lack of training and appointment/designation of Contracting Officer Representatives (CORs)
- Lack of property accountability
- USACE Program Management Office at the District of Columbia Integrated Programs Office (DCIPO) performs contracting officer duties including issuing Request for Proposal (RFP), negotiations and award decisions, and contract changes. DCIPO Contracting Office functions in an administrative capacity only.

PROCUREMENT MANAGEMENT REVIEW SPECIFICS

ANC REVIEW

The PMR team started its review at ANC on Wednesday, 23 June 2010.

The team initiated on-site interviews with key participants to determine their roles and responsibilities at ANC. Additionally, the team requested copies of documents, including MoAs, MoUs, Military Interdepartmental Purchase Requests (MIPR) and any other contractual or financial documents in support of ANC requirements. These documents were requested from ANC and Defense Finance and Accounting Services.

During this time, the United States Army Force Management Support Agency (USAFMSA) conducted an inventory of all physical property on ANC grounds by photographing the property and noting the equipment barcodes (if available). The photographs and barcodes were catalogued to establish a property baseline (100% inventory) and rebuild the ANC property book. The Fort Myer Property Book Office (PBO) currently supports ANC via an MoU; however, the Fort Myer PBO wants to immediately relinquish all responsibility and control for ANC property. In addition, the USAFMSA team observed a significant amount of equipment that should be processed for turn-in with the PBO.

FINDINGS:

F-1 No evidence of internal policy or SOPs.

ANC administrative staff could not provide internal policies or SOPs upon request. When asked about office procedures, ANC administrative staff were able to verbally relay procedural guidelines and management direction; however, could not produce a written policy to validate the process. Interviews with ANC Facilities Maintenance staff indicated on-the-job training and verbal instructions from supervisors as the only means of policy direction and dissemination. The team was unable to verify written policies and procedures associated with the Horticulturalist Division. Although, as detailed above, the USAFMSA team completed 100% baseline inventory of ANC property, there are no established SOPs or internal policies for the management and oversight of property.

Recommendations:

R-1 Establish written policy/SOPs for all staff functions; develop central database to store documents; ensure frequent updates and widest dissemination.

R-2 Establish written policy on proper ANC property management/oversight in accordance with (IAW) AFARS, from goods receipt to issuance to ANC or contractor employees.

R-3 Create a Property Book Officer position at ANC

F-2 Outdated/unsigned MoAs and MoUs.

MoAs and MoUs were reviewed to identify ANC support relationships with external government agencies. It was noted that several documents lacked a signature from both parties and had not been updated to reflect new policies, guidance, or organizational changes. For example, one MoA dated May 2010 referenced an organization whose name changed in December 2009 due to a merger, although the MoA did not reflect the change. Other documents did not reflect an effective date within the agreement, or lacked a date on the signature page. In addition, ANC staff could not ensure a complete list of MoAs/MoUs was provided to the review team, as there is no log or database containing the documents.

Recommendations:

R-1 Update MoAs/MoUs; formalize support agreements; catalogue all documents in a central database.

R-2 Establish an MoA with USACE for construction and NCRCC for all other contracting requirements. Establish a policy whereby any deviation from the MoA will not be allowed unless a waiver is granted by higher authority structured by dollar thresholds. This will eliminate ANC "shopping" between multiple contracting activities for support.

F-3 Lack of Communication between NCRCC/USACE Contracting Office and ANC

The USACE-Baltimore / DCIPO CORs are USACE employees, not ANC employees. USACE CORs relationships and the lack of communication with ANC are addressed in the USACE section of this report. This section addresses the relationship between the ANC CORs and the NCRCC.

Interviews conducted with CORs at ANC suggest minimal oversight and support from the NCRCC contracting officer and contract specialists. CORs reported continual turnover in contract support at NCRCC, and often times were not informed of personnel changes. CORs stated that correspondence with the NCRCC contracting officer was limited at best, even if an issue with contractor performance occurred. COR meetings with NCRCC personnel were limited; as were reviews of COR desk files (some CORs recall only one meeting within the past two years).

Mid-level managers indicated an undue delay once purchase requests (PRs) were submitted to NCRCC for award (estimated 18 – 26 days waiting for the contracting officer to assign the PR to a contractor support specialist). CORs reported a significant amount of time (approximately 30-40% of day) tracking requirements and requesting status on PRs.

When asked if issued an appointment and designation letter, some CORs indicated that appointment letters were issued but were not sure if they received a designation letter. Several CORs produced a copy of a combined appointment/designation letter, listing all assigned contracts on the one letter (as opposed to one designation letter per contract). These combined appointment/designation letters were often missing the signature page.

Recommendations:

R-1 ANC Leadership designate a qualified staff member to review requisition packages for completeness prior to submission to NCRCC or USACE contracting activities. Skill set should include requirements generation, ability to track contract actions and determine qualified ANC CORs for specific requirements, and serve as point of contact between ANC and NCRCC/USACE contracting activities. Potential job series include GS-343 Management Analyst, GS-1101 Business Specialist or GS-1106 Procurement Technician.

R-2 NCRCC and USACE each designate a single contracting point of contact for the purpose of providing a customer interface to ANC.

GPC PROGRAM IN SUPPORT OF ANC

The GPC review began at ANC on Wednesday, 23 June 2010. Mr. Daniel Schwemmer, Deputy Assistant Secretary of the Army (Procurement) (DASA (P)) GPC Program Manager, conducted this review at the ANC and NCRCC offices.

Overview: The ANC GPC program falls under the administration and oversight of NCRCC. In January 2007, this responsibility transferred from CDCC Ft. Belvoir to NCRCC. GPC program administrators, resource management, account billing official and most card holders that support ANC are NCRCC employees per the roles and responsibilities listed in the MoA. ANC provides \$349,442 to NCRCC for GPC and contracting support. The ANC GPC program consists of one billing official, three cardholders, and a resource manager. Of these, only one card holder is located at ANC.

The following shows the activity of the ANC GPC program since January 2007:

FY 07	622 transactions	\$498K spent (Jan – Sep)
FY 08	776 transactions	\$718K spent
FY 09	684 transactions	\$576K spent
FY 10	563 transactions	\$461K spent (Oct – Jun)

At least 90% of the total ANC GPC purchases and obligations during the fiscal year (FY) are processed by the NCRCC cardholders. A convenience checking account was established in June 2008 and there have been three different NCRCC check writers since its creation. A total of 11 checks valued at \$14,625 were written during the existence of this account.

Various individuals were assigned as card holders on the ANC account at NCRCC. These individuals were all in the contracting career field (GS-1102s) and trained in acquisition regulations and processes. They follow Army GPC policy as well as an NCRCC GPC policy document. The same individual held the billing official position during the entire period under review (January 2007 to the present). The ANC card holder held this position for many years, and was instructed to use her card for emergencies only or when a specific ANC customer requires quick response. The ANC card holder advised that she has been trained and takes refresher training as required.

All ANC requirements sent to NCRCC are processed by the electronic Defense Automated Requisition Tracking System (eDARTS). This system maintains records to show how efficiently requirements are routed and ultimately purchased. The eDARTS routing records reviewed showed that between 21 and 30 days passed after the requirement was received by NCRCC and assigned to a card holder. The card holder at ANC received her requirements via a manual PR (DA Form 3953).

ANC:

All ANC card holder transactions from FY06 to present were reviewed. The files are maintained in monthly billing cycle folders after the close of the cycle. These files contained a manual PR (DA Form 3953) and little else. Requirements were not questioned by the card holder and supporting documentation was unavailable. In addition, the card holder did not attempt to request or validate the existence of required supporting documentation. No evidence was found to show independent receipt and acceptance, or that accountable property was placed on a hand receipt or entered into the property book. The ANC card holder stated that her card was for use in emergency or short turnaround situations, as NCRCC awards all routine actions. However, there is no guidance on what situation or requirement constitutes an emergency vs. routine purchase. The ANC cardholder averaged approximately 10 transactions per monthly cycle and spent approximately \$5,000.

Current management controls at ANC are minimal or non-existent. There are no formal ANC policies, guidance, or instructions on how the GPC program should operate. No guidance currently exists which directs the ANC recipient of goods and services purchased with the GPC to obtain independent receipt and acceptance, and provide this documentation to the card holder. During the time period covered by this review, it appears that no single office at ANC was responsible for reviewing requested purchases. Additionally, it was unclear if ANC had a record or knew what was sent to NCRCC for action.

ANC does not have written policy on who should sign the DA 3953 PRs or processing procedures. On many occasions, forms did not have all required signatures and some of the signatures on the forms were suspicious (signatures purported to be signed by the same person appeared totally different). Filed documents at ANC are occasionally accompanied by product information from a company's web site, an email of discussion between the requester and the company, or a confirmation of order or invoice (usually faxed to the card holder by the vender). No records of negotiations or other documentation is maintained in the file.

NCRCC:

The review of FY 09 and FY 10 files found that requirements were not questioned, required supporting documentation was not provided, receipt and acceptance was not in the files, and there was no evidence of accountable property identified on a hand receipt or entered into the property book.

Management controls were not in place at NCRCC to ensure only authorized items were purchased, and receipt and acceptance was documented.

SUMMARY:

Based on the lack of documentation, justification for the items being purchased, independent receipt and acceptance, and the location of property purchased which should be maintained in the files, most of the purchases reviewed at ANC and NCRCC would be considered questionable or improper.

Review of transactions at ANC and NCRCC revealed that many questionable items and services were purchased:

- At ANC, large quantities of donuts were purchased frequently in support of incentive award ceremonies although documentation supporting this purpose was not available. Cameras, refrigerators, IT equipment and software, cell phone charges for the Deputy Superintendent, and vehicle parts and repair were all purchased with limited or no supporting documentation or validation of the location of the items. No maintenance log exists to match the purchase of vehicle parts and/or repairs to a specific vehicle.
- At NCRCC, charges for bottled water (the requirements document was funded for \$23.91 and the store charged \$33.48), payments to a vender for dollars left off a previous charge (no documentation), office supplies purchased from Staples instead of the required Army Blanket Purchase Agreement (BPA), tools with no hand receipt, many purchases of vehicle repair parts and maintenance were common and made without questioning the requester. In one instance, a vender tried to process a charge over the micro-purchase limit that was authorized by the ANC Chief of Maintenance prior to NCRCC processing the transaction. This reveals ANC personnel exceeding individual authority. It was not clear whether this transaction occurred with or without the knowledge of the card holders.

No evidence was presented that the NCRCC billing official ever reviewed the ANC card holder's supporting documentation or files prior to certifying the ANC card holder's monthly invoice. This leads to the conclusion that oversight normally conducted by the billing official is not occurring.

Overall Recommendation for ANC GPC Program: Transfer operation of GPC program from NCRCC to ANC; appoint an ANC billing official and designate 3 ANC employee card holders. Since the billing official will be in the cardholders supervisory chain and the resource manager will be outside this chain, this will ensure proper controls and accountability are in place. Additionally, the required documentation should be created to detail oversight responsibilities.

FINDINGS:**F-1 Lack of management controls/oversight at ANC and NCRCC:**

- No evidence of accountable property identified on hand receipt; current location not documented
- Questionable supplies/services purchased

- Requirements not validated by ANC/NCRCC card holder (no justifications found)
- Supporting documentation limited or missing from files
- No evidence of independent receipt/acceptance
- No evidence of NCRCC billing official oversight or review of ANC card holder files
- Required signatures on ANC DA 3953 PRs missing or inconsistent

Recommendation:

R-1 Due to the lack of required documentation, support and justification for items purchased, lack of verification of receipt and acceptance, and the absence of proper management controls for the GPC program at both ANC and NCRCC, request an audit/investigation to: 1) determine if items purchased were authorized and proper, and; 2) identify and locate the physical property purchased with the GPC.

F-2 No evidence of ANC internal policies or guidance established for the GPC program (e.g. independent receipt/acceptance, purchase requests, routine vs. emergency purchase)

Recommendation:

R-1 Develop written ANC GPC Program SOP and internal policies for the proper use of the GPC.

CONTRACT EXECUTION REVIEW

The PMR contract review team utilized the following Risk Matrix to determine the severity of findings/deficiencies:

Frequency of Deficiency	Severity of <u>Contract</u> Deficiency			
	1	2	3	4
Few (10% range)	LOW	LOW	LOW	MED
Some (25% range)	LOW	MED	MED	HIGH
Many (50% range)	MED	MED	HIGH	HIGH
Most (75% range)	MED	HIGH	HIGH	HIGH

The severity code is based upon statutory, regulatory and policy requirements. The severity of the finding/deficiency and the frequency of its occurrence determine the resulting risk.

NCRCC REVIEW

The PMR team started its review at NCRCC on 28 June 2010.

To determine which contracts to review, the team requested all contracts awarded by NCRCC in support of ANC requirements. Consolidated contract lists were separated by type of supply or service (IT, landscape (grounds maintenance), facilities and miscellaneous items). All contracts of type completion (C) and indefinite delivery/indefinite quantity (IDIQ) (D) were selected for review. One BPA (A) was identified on the list and therefore selected for review. A representative sample of purchase (P) and delivery (F) orders valued in excess of \$50,000.00 and miscellaneous actions below \$50,000.00 were selected for review. Initially, 167 contracts were selected by the team for review based on the above criteria. However, NCRCC was only able to produce 80 contract files for review. The following chart contains the breakdown of reviewed contracts by contract type:

Contract Types	Total Contract Actions all types
Construction	3
Commercial	4
Federal Supply Schedule	5
Services	38
Supplies	26
IT	4
Total	80

The overall risk assessment for contract execution is high. Support for this high risk rating is provided below.

FINDINGS:

Competitive Pre-award Documentation:

A recurring observation throughout the contract execution review involved the lack of sufficient documentation in the contract files. While some supporting documentation was provided upon request, it is imperative that these documents are included in the contract file to constitute a complete history of the transaction (Federal Acquisition Regulation (FAR) 4.801(b)). Specifically, the documentation should provide a complete background as a basis for informed decisions at each step in the acquisition process, support actions taken, provide information for reviews and investigations, and furnish essential facts in the event of litigation or congressional inquiries.

F-1 Thirty three (33) service contract files did not contain the Army's Contractor Manpower Reporting requirement.

F-2 Twenty three (23) contract files did not contain the Commander's approval for the Army Policy for Civilian Hiring and Initiative/Continuation of Contracts for Service Personnel.

Recommendation:

R-1 (F-1/2) Integrate requirements into refresher training for acquisition workforce; perform internal audits to ensure compliance.

F-3 Thirty one (31) service contract files did not contain evidence of a Quality Assurance Surveillance Plans (QASPs).

Recommendation:

R-1 Develop QASP in conjunction with the performance work statement for all applicable service contracts (FAR 46.401). Provide training as required to ensure heightened awareness of QASP requirements, policy and implementation. Monitor documents to ensure QASP is included in the applicable services contracts file.

F-4 The Army Source Selection Manual (ASSM) was not followed in all cases, specifically where non-disclosure agreements (NDA) are required from all source selection team members, appointment of the Source Selection Authority (SSA), and proper notices to offerors in the solicitation.

For the members of the source selection team, it is necessary to sign an NDA to protect the government from unauthorized disclosure of source selection information and mitigate the risk of potential organizational conflicts of interest.

Solicitations with a dollar value in excess of \$50M will have the SSA designated at a level above the contracting officer. Solicitations for services with a dollar value in excess of \$500M will have the SSA designated by the DASA (P) at the Senior Executive Service (SES) or General Officer level. All appointed SSAs are procurement officials and are subject to the statutory/regulatory rules associated therein.

If during the source selection process negotiations are not expected, then the solicitation should include the notice to the offerors.

NDAs not evident in ten (10) contract files.

No evidence of SSA designation in five (5) the following contract files.

Solicitation did not clearly state the award may be made without discussions in sixteen (16) contract files.

Recommendation:

R-1 Adhere to established procedures for the proper use of non-disclosure agreements, appointing Source Selection Authority and proper notices in the solicitation IAW with ASSM.

F-5 COR appointment letters and training certificates missing from the files.

Any ANC employees performing as CORs need to be trained and designated by the contracting officer for existing and future service contracts.

COR appointment/designation letters not evident in forty (40) contract files.

COR training certificates not evident in thirty five (35) contract files.

Recommendations:

R-1 Contracting officer should ensure appointment and designation letters are issued to the COR, and documented in the file prior to contractor performance.

R-2 Ensure customers provide COR nomination, including evidence of current training with the requirements package, IAW DFARS 201.602. Ensure COR training is current and IAW Defense Acquisition University (DAU) COR training standards.

R-3 Revise internal contract file checklists to include the COR appointment/designation letter in the official contract file for all applicable services contracts.

Non-competitive Pre-Award:

F-1 Incomplete justification in the use of brand name only determinations to exclude sources in three (3) following contract files.

For example, one contract excluded all other sources in favor of John Deere based upon an invalid Justification and Approval (J&A) memorandum. IAW FAR 6.302-1, the J&A did not quantify the amount of investment in John Deere parts and maintenance equipment to support exclusion of all other sources.

Recommendation:

R-1 Provide adequate justification to illustrate best interest of the government.

Competitive Post-Award:

F-1 Inappropriate contract types used.

In some cases contracts were solicited and awarded as IDIQ or requirements type contracts (D) in lieu of completion (C) type contracts. In addition, there was no documentation included in the file detailing the contracting officer's determination not to award as a multiple award contract.

IDIQ was not awarded as a multiple award action in three (3) contract files.

If not a multiple award, no evidence of contracting officer determination with applicable approvals found in two (2) contract files.

Recommendation:

R-1 Utilize acquisition planning indicators to determine proper contract type; include contracting officer's determination with applicable approvals in the contract file.

F-2 No evidence of contractor performance or Contractor Performance Assessment Reports (CPARs) documentation.

Many files contained no evidence of delivery and/or acceptance of services and supplies. Files did not contain correspondence or documentation from the COR detailing acceptability of contractor performance.

Reviewers observed a lack of evidence that contractor performance assessments were completed in CPARs, which limits the ability of Army contracting activities to adequately assess a contractor's past performance on future requirements/source selections.

Documentation of contractor performance not evident in forty nine (49) contract files.

No evidence that a Performance Assessment Report has been entered into CPARs in eighteen (18) contract files.

Recommendations:

R-1 Contracting officer should ensure CORs perform proper surveillance and provide documentation of contractor performance and delivery.

R-2 Ensure that contractor performance documentation is submitted in the CPARS.

F-3 Computer Hardware, Enterprise Software & Solutions (CHES) contracts were not utilized for commercial off-the-shelf (COTS) IT equipment purchases in two (2) contract files.

The team identified cases where CHES contracts were not used for COTS IT purchases and instead non-Department of Defense (DoD) contracts were utilized without documenting the rationale IAW Army Policy Memorandum on Proper Use of Non-DoD contracts. The Army has realized significant savings by directing purchases of software, hardware and peripherals through the use of CHES multiple award contracts.

Recommendation:

R-1 All COTS IT equipment purchases utilize CHES contracts, unless the contracting officer determines a valid deviation and documents the file.

F-4 No evidence of executing contract close-out procedures (FAR 4.804). Specifically, procedures were not initiated within established timeframes, and no evidence of final delivery/acceptance documentation or final vouchers (FAR 4.804-1). No evidence of Government Furnished Equipment (GFE) provisions/clause in applicable contract files and no record of specific equipment delivered to the contractor or returned after completion of the contract.

It is the responsibility of the person accountable for inspecting and receiving the goods and services to notify the contracting officer of the acceptability of the final delivery. The

contractor cannot be paid without this documentation nor can the contract be closed out. Some files contain no evidence of delivery/completion of the effort. Files generally lacked evidence of final payment or closeout activity. When contracts are completed and not closed out, the funding attached to those contracts remain obligated and cannot be used until de-obligated.

Some contract files indicated the GFE was provided to the contractor, however; the contract did not contain GFE provisions/clauses. Record of the specific equipment given to the contractor did not exist and there was no evidence that the GFE was returned.

No evidence that administrative closeout is initiated after receiving evidence of physical completion in forty five (45) contract files.

No evidence contract closed out within the standard time limits in (42) contract files.

No evidence of final delivery and acceptance documentation in forty six (46) contract files.

No evidence that acceptance was signed by the proper authority in thirty five (35) contract files.

No evidence final audit(s) was received on cost contracts in five (5) contract files.

No evidence of final voucher/payment (SF 1034) in fifty (50) contract files.

No evidence of a modification to de-commit any residual funds in twenty five (25) contract files.

No evidence of a signed DD1594/1597 in forty four (44) contract files.

No evidence that a performance report was entered into CPARS in sixteen (16) contract files.

No evidence of the contractor's closing statement/release of claims/disputes in twenty nine (29) contract files.

No evidence of property administration records maintained properly in one (1) contract file.

Recommendations:

R-1 Review completed contracts to ensure receipt of all deliveries, final payment made to contractor, and all remaining funds are de-obligated.

R-2 Recover GFE; for existing contracts where GFE has not been accounted for, conduct an immediate inventory and record document in all applicable contract files. Ensure proper property accountability records are maintained by the government and the contractor when GFE is included in contracts IAW FAR Part 45.

F-5 Procedures for construction contracting were not always followed.

The PMR team review found that a majority of ANC construction requirements were awarded by USACE Baltimore/DCIPO, which is best equipped to handle construction contracting. The team reviewed 3 construction contracts awarded at NCRCC and found numerous deficiencies in contract requirements, as follows:

- There was no evidence contained in files that pre-performance conferences were held.
- There was no evidence in the files that pre-award conferences were held. These conferences inform the offerors first hand of the intricacies of the project and any special terms and conditions. Technical briefings explaining the work statement and specifications are given so that all of the offerors understand fully what is required. Questions and answers are allowed and encouraged. A visit to the actual site where the work is to be performed reduces the risk of offerors not understanding the site conditions.
- Site visits were not held when required.
- There was no evidence in the file that the contractor was submitting required documentation, including required payroll records IAW Davis Bacon Act provisions.
- There was no documentation in the file that the contractor had submitted a release of claims. Obtaining the required release of claims further aides and facilitates the contract close out process and protects the government from a future claim.

No evidence that current bond amounts are tracked in one (1) contract file.

No evidence that a Release of Claims was obtained prior to final payment in two (2) contract files.

No evidence periodic on-site reviews of the ACO files were completed and documented in three (3) contract files.

No evidence that at least one site visit held in three (3) contract files.

No evidence of Pre-Construction Conference documentation or identification of COR(s) to the contractor in three (3) contract files.

No evidence of contractor submittals or government processing those submittals in a timely manner in three (3) contract files.

No evidence that the contractor is submitting timely Davis Bacon payrolls in three (3) contract files.

No evidence of labor interviews performed or correctness of payrolls checked by the contracting officer in three (3) contract files.

Recommendations:

R-1 Ensure contracting activity skill set is aligned with customer requirement. USACE is better able to perform construction contracting.

R-2 Hold pre-construction site visits; verify receipt of all contract deliverables; verify contractor's payrolls; perform labor checks for compliance with Davis Bacon Act; perform periodic regular site visits. Document the file.

F-6 Walsh-Healy Act provisions omitted in twelve (12) contract files.

Contracts for the manufacture or furnishing of materials, supplies, articles, and equipment in any amount exceeding \$10,000, shall include or incorporate by reference the stipulations required by the Walsh-Healy Act pertaining to such matters as minimum wages, maximum hours, child labor, convict labor, and safe and sanitary working conditions. It is up to the contracting officer to identify these contract types and insert the appropriate labor provision, in this case the Walsh-Healey provision.

Recommendation:

R-1 Add clause requirement to internal pre-award checklist; train contracting personnel on proper use.

F-7 Risk Management not addressed in two (2) IT contract files.

Contracting and program office officials are jointly responsible for assessing, monitoring and controlling risk when selecting projects for investment and during program implementation. All risk identified for a project should be analyzed and a plan to control the risk for the project should be developed. Appropriate techniques should be applied to manage and mitigate risk during the acquisition of information technology. Techniques include, but are not limited to: prudent project management; use of modular contracting; thorough acquisition planning tied to budget planning by the program, finance and contracting offices; continuous collection and evaluation of risk-based assessment data; prototyping prior to implementation; post implementation reviews to determine actual project cost, benefits and returns; and focusing on risks and returns using quantifiable measures.

Recommendation:

R-1 Identify and analyze risk associated with any new acquisition of information technology systems. Develop a risk mitigation plan to reduce risk prior to solicitation of any new system.

NCRCC Workforce

On 7-8 July 2010, the DASA (P) review team members visited NCRCC to assess the roles and responsibilities of the contracting staff that supports ANC. Team members interviewed the Army Contracting Command (ACC) Executive Director, NCRCC PARC, current and previous contracting officers, contract specialists, and the contractor support team lead.

F-1 No strategic relationship with ANC leadership.

Discussions with the HCA and PARC revealed no direct involvement in ANC requirements. The multi-layered organizational structures at both ACC and NCRCC prevent upward communication and further limit involvement with ANC requirements. In addition, there is no strategic relationship in place with ANC leadership.

Recommendation:

R-1 Rewrite the MoA with ANC to fully detail the roles and responsibilities of both ANC and NCRCC parties; sign and date the agreement, and update as necessary.

R-2 Establish an annual meeting schedule with ANC staff and the NCRCC contracting office to perform acquisition planning for out-year requirements.

F-2 Heavy workload and high OPTEMPO require additional resources to support ANC requirements.

The current MoA between NCRCC and ANC delineates a pre- and post-award agreement and ANC's reimbursement of two Full-Time Equivalent employees and 25 percent of the time of a contracting officer to support ANC requirements. Interviews with the previous and current contracting officers estimated the time to support ANC requirements as exceeding the 25 percent time (an average of 30-40 percent and 50 percent, respectively). Per discussions with NCRCC contracting staff, a number of recurring requirements are placed on short duration contracts at the request of ANC. NCRCC contracting staff stated that, as per ANC staff, this was a result of the funding structure at ANC. Interviews with contracting officers and contract specialists indicated a high level of workload and requested additional resources to support the ANC requirements; however, the request was disapproved by management.

Recommendation:

R-1 Restructure ANC requirements into longer-term contract actions reducing the need to perform frequent recurring acquisition actions.

F-3 Evidence of required COR training not completed at time of nomination by ANC.

NCRCC contracting officers identified a weakness in the ANC COR nomination process and training. Although ANC nominated CORs, the individuals had not yet completed the required COR training prior to nomination.

Recommendation:

R-1 Ensure customers provide COR nomination, including evidence of current training with the requirements package, IAW DFARS 201.602. Ensure COR training is current and IAW DAU COR training standards.

F-4 Contracting officers not performing site visits and COR contract file reviews on a regular basis.

Contracting officers have not met with CORs, or reviewed the COR contract files on a regular basis. Reviewing COR contract files will help ensure effective performance of duties, the contractor is performing in accordance with cost, schedule and performance criteria of the contract, and timely payments are being made to the contractors.

Recommendation:

R-1 Establish a routine, quarterly schedule of ANC site visits and COR file reviews

NCRCC Review Conclusion:

Based upon the analysis of the information gathered during the review and discussions with ACC and NCRCC Leadership and past and present contracting officers and contract specialists, the PMR team documented many factors that contribute to the assessment of high risk for contract execution. Key among those factors is the transfer of several contracts to NCRCC from other contracting centers that were not well executed or maintained. There is no evidence that NCRCC attempted to fix the problems with these contracts when inherited by the center, rather the team found that poor contracting practices continued. Some of the issues that attributed to the high risk findings may be corrected through re-training, refresher training and more intense oversight at the contracting officer/contract specialist level. Further, turn-over of contracting staff has negatively impacted continuity of contract support. Based on the lower dollar value of many of the ANC requirements, less emphasis and oversight appears to have been placed on contract execution for these requirements, contributing to the general lack of acceptable contracting practices and processes.

USACE-BALTIMORE DISTRICT REVIEW

The PMR team started its review at USACE-Baltimore District / DCIPO on 28 June 2010.

To determine which contracts to review, the team requested all contracts awarded by USACE-Baltimore District / DCIPO in support of ANC requirements. All contracts of type completion (C), IDIQ (D), purchase (P), and delivery (F) orders were reviewed. Initially, 19 contracts were identified, an additional 15 documents were provided and of those, four were incomplete and therefore, incapable of a full review. The following chart contains the breakdown of reviewed contracts by contract type:

Contract Type	Total Contract Actions all types
Construction	13
A&E	3
Services	11
Supplies	2
Information Technology	1
Incomplete files (incapable of full review)	4
Total	34

The overall risk assessment for contract execution is high. Support for this high risk rating is provided below.

FINDINGS:**Competitive Pre-Award Documentation:****F-1 Sole Source justifications lack adequate support in twelve (12) contract files.**

The contracting officer is responsible to acquire goods and services through competitive means. Lack of competition results in the government paying premium pricing, decreases its industrial base, reduces innovation and creativity in providing solutions to meet the government's needs for goods and services.

Recommendation:

R-1 Compete all requirements unless a valid sole source justification exists.

F-2 Lack of documentation for market research, QASP and price reasonableness determination.

During the acquisition pre-award, collecting and analyzing information about capabilities within the market to satisfy agency needs is necessary for the contracting officer to take

the most suitable approach to acquiring supplies and services. Market research is the responsibility of the program manager or the requiring activity (AFARS 5110.002). The market research supports a competitive or non-competitive determination identifying qualified sources capable of satisfying the government's requirements.

The contracting officer requests the QASP from the requiring activity if not submitted with the requirements package. The QASP provides a systematic method to evaluate contractor's performance.

Lack of price reasonableness does not provide the government a sound method of determining whether the contractor is complying with the terms and conditions of the contract. Adjustment of the Independent Government Cost Estimate (IGCE) prior to award without sufficient explanation creates the appearance of no independence of government estimate. For example, in several of the files reviewed, the IGCE is a mirror of the contractor's price proposal.

No evidence of market research conducted in twelve (12) contract files.

No evidence of QASP in nine (9) contract files.

No evidence of an adequate written determination of price reasonableness in fifteen (15) contract files.

Recommendations:

R-1 Ensure documentation fully supports business decisions; emphasize market research in refresher training.

R-2 Develop QASP in conjunction with performance work statement for all applicable service contracts (FAR 46.401). Provide training as required to ensure heightened awareness of QASP requirements, policy and implementation. Monitor documents to ensure QASP is included in the contract file, when appropriate.

R-3 Provide internal training on pricing techniques and analysis.

F-3 COR appointment letters and training certificates missing from contract files.

The COR is the "eyes and ears" of the government, providing daily monitoring of the contractor's performance. In the files reviewed, the CORs are performing contracting officer functions which are not authorized in the appointment letter. For example, COR's issuing Requests for Information, negotiating, executing change orders and making contract award determinations. Most contracts files reviewed did not identify a COR and/or contain a COR appointment letter.

No evidence of COR appointment in fourteen (14) contract files.

No evidence of COR training certificates in thirteen (13) contract files.**Recommendations:**

R-1 Contracting officer should ensure appointment and designation letters are issued to the COR, and documented in the file prior to contractor performance.

R-2 Ensure customers provide COR nomination, including evidence of current training with the requirements package, IAW DFARS 201.602. Ensure COR training is current and IAW DAU COR training standards.

R-3 Revise internal contract file checklists to include the COR appointment/designation letter in the official contract file for all applicable services contracts.

Competitive Post-Award:**F-1 No evidence of contractor performance or CPARs documentation in contract files.**

Many files contained no evidence of delivery and/or acceptance of services and supplies. Files did not contain correspondence or documentation from the COR detailing acceptability of contractor performance.

Reviewers observed a lack of evidence that contractor performance assessments were completed in CPARs, which limits the ability of Army contracting activities to adequately assess a contractor's past performance on future requirements/source selections.

Documentation of contractor performance not evident in twenty five (25) contract files.**No evidence that a Performance Assessment Report has been entered into CPARs in fifteen (15) contract files.****Recommendation:**

R-1 Contracting officers ensure CORs perform proper surveillance, document contractor performance and submit documentation in CPARs.

F-2 Files did not contain evidence of contract close-out procedures. Specifically, procedures were not initiated within established timeframes, and no evidence of final delivery/acceptance documentation or final vouchers. (FAR 4.804-1)

It is the responsibility of the person accountable for inspecting and receiving the goods and services to notify the contracting officer of the acceptability of the final delivery. The

contractor cannot be paid without this documentation nor can the contract be closed out. Some files contain no evidence of delivery/completion of the effort. Files generally lacked evidence of final payment or closeout activity. When contracts are completed and not closed out, the funding attached to those contracts remain obligated and cannot be used until de-obligated.

No evidence that administrative closeout is initiated after receiving evidence of physical completion in thirteen (13) contract files.

No evidence of contract closeout within the standard time limits in ten (10) contract files.

No evidence of final delivery and acceptance documents in twelve (12) contract files.

No evidence that acceptance was signed by the proper authority in five (5) contract files.

No evidence of the final voucher/payment (SF 1034) in eleven (11) contract files.

No evidence of a modification to de-commit any residual funds in seven (7) contract files.

No evidence of a signed DD1594/1597 in nine (9) contract files.

Recommendation:

R-1 Review completed contracts to ensure receipt of all deliveries, final payment made to contractor, and all remaining funds have been de-obligated.

F-3 Periodic on-site reviews of Administrative Contracting Officer (ACO) files not evident in eleven (11) contract files.

Recommendation:

R-1 Contracting officers should comply with the requirements at FAR 46.102 and conduct periodic on-site reviews of ACO files and document the file accordingly.

F-4 Work statements are not performance-based in eight (8) contract files.

All contracts for services are required to be performance-based and identify performance standards in the Performance Work Statement (PWS) in order to objectively evaluate the contractor's performance. It does not appear that the DCIPO awarded any performance-based contracts.

Recommendation:

R-1 Ensure all future service requirements are stated in terms of performance standards and measurable outcomes.

USACE WORKFORCE

On 1 July 2010, the DASA (P) review team members visited USACE DCIPO to assess the roles and responsibilities of the contracting staff that supports ANC. Team members interviewed the Director of National Contracting Organization (NCO), PARC, Director and Deputy Director for Baltimore District Office, DCIPO Program Manager (PM), current and previous contracting officers, contract specialists and a COR.

Discussions with the NCO Director and PARC revealed no direct involvement in ANC requirements. The multi-layered organizational structures at USACE prevent upward communication and further limit involvement with ANC requirements. In addition, there is no strategic relationship in place with ANC leadership.

F-1 Exclusion of DCIPO contracting staff in acquisition lifecycle.

The MoU between USACE and ANC does not differentiate between USACE contracting activities and the USACE construction activities. Instead, it reads as though the design, engineering and construction activities include the contracting functions. This may account for the comments from the USACE contracting staff that their contracting authority was usurped by the construction and engineering division. As indicated by contract staff interviews, the USACE procurement process begins when the PM prepares the procurement requirements package, to include the Statement of Work (SOW) or the PWS, the IGCE, and all supporting documentation, then enters the information into their Resource Management System (RMS).

Recommendations:

R-1 Rewrite the MoA with ANC to fully detail the roles and responsibilities of both ANC and USACE parties; emphasize the responsibilities of the contracting office, and the engineering and construction division.

R-2 Establish an annual meeting schedule with ANC staff and the USACE contracting office to perform acquisition planning for out-year requirements.

F-2 Lack of information regarding ANC mission requirements disseminated to DCIPO contracting staff.

Interviews with contract staff, specifically with contract specialists, indicated a lack of involvement and knowledge regarding the ANC requirements process. When asked to describe their relationship with the ANC requesting activity/customer, the contracting

officers stated all contact with ANC occurred at the PM level, and therefore they had no relationship with the customer.

Recommendation:

R-1 Contracting officer and specialist meet face-to-face with ANC requesting activity prior to issuance of solicitation to enable two-way communication regarding the requirement.

F-3 Contracting officers not performing COR contract file reviews on a regular basis.

Some contracting officers expressed concern regarding the lack of COR involvement; however, other CORs were successfully performing (maintaining contact with the contractor and ensuring contractors were performing on time and at cost, etc.) on multiple contracts. No evidence was found to validate regularly scheduled COR file reviews.

Recommendation:

R-1 Establish a quarterly schedule of COR file reviews.

USACE Review Conclusion

Based upon the analysis of the information gathered during the review and discussions with USACE leadership and past and present contracting officers and contract specialists, the PMR team documented many factors that contribute to the assessment of high risk for contract execution. The 30 contracts reviewed at USACE-Baltimore / DCIPO reflect the use of poor contracting practices. Files were not uniformly organized nor did they contain required documentation. In discussions with the contracting personnel, most did not know or understand the appropriate process and procedures for their contract actions. The engineering community exhibited the majority control of the contract process. In addition, the engineering community had access to several electronic databases (Corps of Engineers Financial Management System and RMS/Construction Management) for managing the acquisition process, which is not available to the contracting professionals. A significant concern found at the DCIPO was that although the contracting office awarded the contracts, they were not engaged in the post-award functions. USACE technical managers are responsible for ensuring contract execution is performed at the construction work site. The contract deliverables are received directly by the technical managers, without providing a receiving report to the contracting officer. Contract changes are initiated, negotiated and approved by the technical engineers and PM without proper authority. The DCIPO culture perpetuates the use of the contracting officer to perform administrative tasks within Procurement Desktop-Defense to sign the contracts and modifications. To improve the contracting process, a reorientation and training is needed for both the USACE contracting and engineering community. A strong emphasis on management oversight, control, and

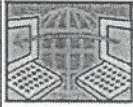
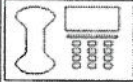


enforcement of contracting policies and procedures would ensure the Army is properly awarding and administering contracts, acquiring goods and services, and using funds correctly.

INFORMATION TECHNOLOGY (IT) CONTRACT REVIEW

The PMR team started its IT contracts review on 28 June 2010.

Based on the Army IG report, special review emphasis was placed on IT contracts, particularly those associated with the Total Cemetery Management System (TCMS). IT contract requirements for ANC were awarded by several Army buying activities. Since 2005, NCRCC and USACE have been the primary contract support providers. Contracts awarded to support ANC IT requirements are categorized in this portion of the report as operations support or to support the TCMS.

IT SERVICE CONTRACTS - OPERATIONS SUPPORT:

	Network Services to include Help desk
	Telephones and Switch
	Security Cameras
	Audio Visual Support
Annual Expenditure Approximately \$520K	

Service contracts were awarded to maintain daily operations, telecommunication switches/peripherals and preventative maintenance on the cable infrastructure. The team reviewed all SOWs and found that maintenance on the network is the primary reason for the contracted services. It appeared that several services crossed over to support the ongoing TCMS efforts, but it was not clearly delineated in the contracts which contractors were responsible for what services.

IT Operations Support Contracts:

CONTRACT #	VENDOR	YEAR	VALUE	MAINTENANCE
	ALPHA TECH GROUP	2005	\$213,641.16	SWITCH
	ALPHA TECH GROUP	2005	\$18,911.74	NETWORK
	ALPHA TECH GROUP	2005	\$1,423,271.16	NETWORK
	ALPHA TECH GROUP	2005	\$402,615.68	CABLE
	ALPHA TECH GROUP	2005	\$243,427.00	CAMERAS
	ALPHA TECH GROUP	2005	\$104,926.80	NETWORK
	ALPHA TECH GROUP	2006	\$315,944.88	NETWORK
	ALPHA TECH GROUP	2007	\$324,868.32	NETWORK
	ALPHA TECH GROUP	2008	\$348,651.00	NETWORK
	ALPHA TECH GROUP	2009	\$351,288.97	NETWORK
	ALPHA TECH GROUP	2008	\$59,934.74	AUDIO VISUAL
	ALPHA TECH GROUP	2008	\$59,048.18	CAMERAS
	ALPHA TECH GROUP	2008	\$67,721.04	SWITCH
	ALPHA TECH GROUP	2008	\$92,461.53	CABLE
	ALPHA TECH GROUP	2010	\$207,521.08	TELECOM
TOTAL 15 contracts			\$4,234,233.28	

TOTAL CEMETERY MANAGEMENT SYSTEM (TCMS) SUPPORT:

<p>Original Concept in 2000: One software application to schedule funerals, order headstones, store documents and locate gravesites via a web site. Only ISS Version II has ever been in use at ANC. TCMS was never formally proposed as a system through the IT approval cycles.</p>				
<p>2003</p>				
<p>Interment Scheduling System (ISS) Version II</p>		<p>•Schedule Funerals •Order Headstones</p>		<p>Status: Operational</p>
<p>2004 - 2010</p>				
PROJECT	DIGITIZE RECORDS	GEOGRAPHIC INFO SYSTEM	ISS UPGRADE	INTERMENT MGT SYST (INS)
CONTRACTOR	OFFISE SOLUTIONS & ALPHA TECH	INTERACTIVE DESIGN	ALPHA TECH	OPTIMUM TECHNICAL SOLUTIONS
VALUE	\$1,147,397	\$226,681	\$295,839	\$291,321
STATUS	Contractor paid – cannot confirm deliverable	Contractor paid – cannot locate deliverable	Contractor paid – Software code given to Optimum	Project stopped – believed to be at ANC on server

In early 2000, efforts began to automate manual operational cemetery functions. The objective was to develop one TCMS software application to schedule funerals, order headstones, store documents and locate gravesites via a public website.

The review identified that TCMS consisted of two components: Interment Scheduling System ((ISS) developed / operational in 2003 and paid for by ANC) and Geographic Information System (GIS). Although all of the TCMS functionality is not deployed in the original ISS (2003), it has become an integral tool for scheduling funerals and assigning gravesites.

Contracts awarded between 2003 and 2009 included the digitization of burial records, data capture for the GIS implementation, development of the GIS, and upgrading the originally-deployed ISS with additional functionality. Although partially developed and tested, none of this added functionality was deployed:

Five (5) Digitized Records Contracts:

CONTRACT #	VENDOR	YEAR	VALUE
	OFFISE SOLUTIONS	2004	\$9,086.00
	OFFISE SOLUTIONS	2004	\$370,000.00
	OFFISE SOLUTIONS	2005	\$415,000.00
	OFFISE SOLUTIONS	2005	\$211,950.00
	ALPHA TECH GROUP	2006	\$150,447.76
TOTAL 5 contracts			\$1,147,397.76

Three (3) ISS Upgrade (also called ISSV3 AND IMS) Contracts:

CONTRACT #	VENDOR	YEAR	VALUE
	ALPHA TECH GROUP	2008	\$295,839.53
	OPTIMUM TECHNICAL SOLUTIONS	2009	\$193,346.03
	OPTIMUM TECHNICAL SOLUTIONS	2009	\$97,975.12
TOTAL 3 contracts			\$587,160.68

Eight (8) GIS Development Contracts:

CONTRACT #	VENDOR	YEAR	VALUE
	INTERACTIVE DESIGN	2004	\$34,082.50
	INTERACTIVE DESIGN	2004	\$18,650.25
	INTERACTIVE DESIGN	2004	\$38,224.50
	INTERACTIVE DESIGN	2004	\$38,569.00
	INTERACTIVE DESIGN	2004	\$23,780.00
	INTERACTIVE DESIGN	2004	\$35,015.00
	INTERACTIVE DESIGN	2004	\$21,032.00
	INTERACTIVE DESIGN	2004	\$17,328.00
TOTAL 8 contracts			\$226,681.25

Requirements Formation

The Deputy Superintendant ANC submitted the requirements for IT operations and development of the TCMS system to the contracting officers at both NCRCC and USACE. The contract files did not contain market research or any justification to award exclusive contracts to select vendors to develop the TCMS. Deputy Superintendent ANC recommended to the contracting officer that Alpha Technologies Group receive contract awards under the Section 8(a) program. The files did not contain any documentation supporting the rationale.

Insufficient market analysis was conducted for one contract. It was found that many other vendors could perform the work but an 8(a) award was formed because of urgency. Price lists from GSA advantage are in the file with no connection to the market research.

The files did not contain evidence that acquisition strategies or planning documents were prepared for the TCMS design, development or operational implementation. Although many contracts were awarded with the intent of formulating a TCMS, there was no documented acquisition strategy to support a path forward.

Most contracts reviewed did not clearly define deliverables traceable to the work performed. Performance standards or performance-based outcomes were not identified in any of the service contracts reviewed.

Pre-award selection of contractors

NCRCC and USACE contracting offices did not demonstrate sound practices to ensure proper selection of capable contractors at fair and reasonable prices. Section 8(a) awards were not properly coordinated with the U.S. Small Business Administration (SBA). Additionally, when options were not exercised timely under existing contracts, bridge contracts were awarded utilizing the original SBA offering letter.

Proper reviews were not conducted prior to contract award. For example, one contract did not contain a legal review. As noted in the file, the CDCC director determined "Alpha is currently providing support and maintenance service to Arlington National Cemetery; therefore, no problems are anticipated," (see Memorandum for Record dated 4/22/05).

Contract files reviewed disclosed insufficient documentation of fair and reasonable price determinations. Fair and reasonable price determinations were based on previous contract awards that did not define the basis for this determination. Adequate pricing information was not received from the potential offeror. In fact, most contracts did not contain evidence of the contractor's proposal.

The justifications to use single source procedures were not in accordance with regulatory and policy requirements. For example, the J&A for limitation of sources for one contract stated that the contractor owned the source code, when in fact the source code was a deliverable to the government under another contract. The contractor for both contracts was selected without documentation of a statement of capability or past performance. The intent to single source was not synopsisized in accordance with FAR 5.203(a) for either contract.

Post award administration

It was not evident at USACE that contract administration was being performed. In addition, the contract files did not contain evidence that NCRCC or USACE provided contract oversight for their deliverables.

The services contract files reviewed did not contain a QASP requirement, nor did the files contain evidence of a QASP prepared by the government. There is no evidence of quality assurance reviews conducted by the contractor or government officials.

IT Operations contracts and TCMS development contracts reviewed contained no evidence of a COR nomination and/or appointment/delegation letter, or current training certificates. Contract file documentation indicated that the Deputy Superintendent ANC acted with apparent authority to receive services and provided direction to the contractors. Receiving reports reviewed at ANC were signed by the Deputy Superintendent ANC. The contract files did not contain evidence that the government received deliverables as stated in the contract.

Contract files indicated GFE was provided to the contractor; however, the contract did not contain GFE provisions/clauses. Records of the specific equipment given to the contractor did not exist and there was no evidence that the GFE was returned.

FINDINGS:

F-1 Insufficient or missing market analysis.

Recommendation

R-1 Analyze marketplace to determine optimal sourcing of requirements IAW FAR; document the file.

F-2 No acquisition strategy for the TCMS design, development or operational implementation.

Recommendation

R-1 Develop appropriate acquisition strategies for all new IT systems; and depending on dollar thresholds, secure appropriate approvals.

F-3 Deliverables were not clearly defined.

Recommendation

R-1 Ensure deliverables and performance standards are traceable to the requirements for all IT services and products.

F-4 Insufficient documentation of fair and reasonable price determination.

Recommendation

R-1 Obtain sufficient pricing detail from offerors and analyze to ensure the government receives a fair price for goods and services.

F-5 No evidence of QASP in file.

Recommendation

R-1 Develop QASP in conjunction with performance work statement (FAR 46.401).

F-6 No evidence of COR designation in files.

Recommendation

R-1 Appoint and designate a qualified COR to monitor contractor performance for all applicable service contracts. Ensure training is current and IAW DAU COR training standards.

F-7 No evidence of receipt of services/deliverables.

Recommendation

R-1 Ensure proper receipt and acceptance documentation is in the contract file.

PROCUREMENT MANAGEMENT REVIEW CONCLUSION

The findings discovered during the PMR of ANC, NCRCC and USACE support the statement that from requirements definition through contract closeout, there was a general breakdown in sound business processes, and statutory, regulatory and policy requirements were not followed. The recommendations found in the NCRCC and USACE contract review sections of this report, if implemented, will ensure the government's rights are protected in future acquisitions.

Requirements for new work must be written so that the government's needs are clearly stated. Additionally, the contracting office needs to be vigilant in acquiring goods and services through competitive means. This will require an appropriate level of acquisition strategy for the complexity of what is being acquired. When surveying the market, both ANC and the contracting office need to pay attention to any limitations to competition, such as over restrictive work statements or features that are not commercially available or only available from one source. Competition should be maximized to the fullest extent. Even if the use of the SBA Section 8(a) Program is a valid determination, competition should be maximized among qualified 8(a) firms. Additionally, care must be taken to obtain adequate pricing information from the offeror(s) and to analyze the data in a way that will ensure the government receives a fair price.

Traceability must exist between the requirements and what is to be delivered to the government. Receipt and acceptance of contract deliverables must be fully supported by documentation in the contract file.

Contract administration is the responsibility of the contracting officer. Any field technicians or CORs performing contract surveillance must have the limits of their authority placed in writing. Any ANC employees performing as CORs must be trained and designated by the contracting officer for existing and future service contracts. The contracting officer is the only individual authorized to make changes to the contract, and must be actively involved in contract surveillance through correspondence and face-to-face meetings with the designated COR.

CORRECTIVE ACTIONS IN PROGRESS

- NCRCC/USACE has already put corrective actions plans in place to address the Army IG findings.
- Recommendations made by DASA(P) to the ED ANC while PMR in progress:
 - Designation of a qualified staff member to review/finalize requirements packages prior to submission. Skill set should include requirements generation, ability to track contract actions and determine qualified ANC CORs for specific

- requirements, and serve a point of contact between ANC and NCRCC/USACE contracting activities.
- Establishment of an MoA with USACE for construction/NCRCC for all other contracting requirements. Establish a policy whereby any deviation from the MoA will not be allowed unless a waiver is granted by higher authority structured by dollar thresholds. This will eliminate ANC "shopping" between multiple contracting activities for support.
 - Relocation of GPC Program from NCRCC to ANC with applicable oversight documentation.
- Working with Acquisition, Logistics & Technology-Integration Office (ALT-IO) to provide ANC training on writing a requirements package and applicable SOPs IAW Army regulations.
 - Participating in review of current USACE solicitations on behalf of ED ANC.

PATH FORWARD

- PMR team believes the review has sufficiently detailed the issues regarding ANC contracting. Unless leadership determines 100% review is mandatory, recommend moving forward with corrective action plan.
- Perform follow-up PMR in 6 months at ANC, NCRCC and USACE. Report progress of corrective actions to the Executive Director ANC and ASA (ALT).
- Include USACE-Baltimore and NCRCC (including ANC requirements) in FY12 PMR review cycle and all subsequent years until corrective actions are ingrained in the culture.

APPENDIX

ACRONYMS AND ABBREVIATIONS

Acquisition, Logistics & Technology-Integration Office	ALT-IO
Administrative Contracting Officer	ACO
Arlington National Cemetery	ANC
Army Contracting Command	ACC
Army Federal Acquisition Regulation Supplement	AFARS
Army Source Selection Manual	ASSM
Assistant Secretary of the Army (Acquisition, Logistics & Technology)	ASA (ALT)
Blanket Purchase Agreement	BPA
Capital District Contracting Center	CDCC
Commercial Off-the-Shelf	COTS
Computer Hardware, Enterprise Software & Solutions	CHESS
Contracting Center of Excellence	CCE
Contracting Officer Representatives	CORs
Contractor Performance Assessment Reports	CPARs
Defense Acquisition University	DAU
Department of Defense	DoD
Deputy Assistant Secretary of the Army (Procurement)	DASA (P)
District of Columbia Integrated Programs Office	DCIPO
electronic Defense Automated Requisition Tracking System	eDARTS
Executive Director	ED
Federal Acquisition Regulation	FAR

Fiscal Year	FY
Geographic Information System	GIS
Government Furnished Equipment	GFE
Government Purchase Card	GPC
Heads of Contracting Activities	HCA's
In Accordance With	IAW
Indefinite Delivery/Indefinite Quantity	IDIQ
Independent Government Cost Estimate	IGCE
Information Technology	IT
Internment Scheduling System	ISS
Justification and Approval	J&A
Memorandums of Agreement	MoAs
Memorandums of Understanding	MoUs
Military Interdepartmental Purchase Requests	MIPR
National Capital Region Contracting Center	NCRCC
National Contracting Organization	NCO
Non-disclosure Agreement	NDA
Performance Work Statement	PWS
Principal Assistants Responsible for Contracting	PARCs
Procurement Management Review	PMR
Program Manager	PM
Property Book Office	PBO
Purchase Requests	PRs
Quality Assurance Surveillance Plan	QASP

PMR ANC, NCRCC, USACE

FOUO

Request for Proposal

RFP

Resource Management System

RMS

Source Selection Authority

SSA

Standard Operating Procedures

SOPs

Statement of Work

SOW

Total Cemetery Management System

TCMS

U.S. Army Corps of Engineers

USACE

U.S. Small Business Administration

SBA

United States Army Inspector General

Army IG

United States Force Management Support Agency

USAFMSA