DEPARTMENT OF DEFENSE

AUDIT REPORT

CONTRACTED ADVISORY AND ASSISTANCE
SERVICES CONTRACTS

No. 91-041

February 1, 1991

Office of the
Inspector General

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

February 1, 1991

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION
COMPTROLLER OF THE DEPARTMENT OF DEFENSE
ASSISTANT SECRETARY OF DEFENSE (FORCE MANAGEMENT AND PERSONNEL)
ASSISTANT SECRETARY OF THE ARMY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT)
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Report on the Audit of Contracted Advisory and Assistance Services Contracts (Report No. 91-041)

This is our final report on the Audit of Contracted Advisory and Assistance Services (CAAS) contracts for your information and use. Comments on a draft report were considered in preparing the final report. We made the audit from October 1988 through December 1990 as part of a Government-wide audit of CAAS by the President's Council on Integrity and Efficiency. The primary objective was to determine the adequacy of management controls over CAAS. The audit evaluated the use of sole-source contracts and unsolicited proposals, and whether contract modifications were used to significantly increase the scope and cost of the original contract. We also examined the process for deciding whether work was to be performed in-house or by CAAS, and the cost-effectiveness of contracting for the services. We reviewed the internal controls applicable to the identification, reporting, and procurement of CAAS. The audit included a random sample of 407 contract actions that were reported in the Federal Procurement Data System during FY 1987. DoD reported expenditures of $2.05 billion for CAAS and $1.8 billion for Contractor Support Services for FY 1987.

The audit showed that management controls over CAAS needed improvement. Although the acquisition of CAAS through sole-source contracts or unsolicited proposals were generally justified, contract modifications more than doubled the cost from the original estimate on 22 percent of the contracts. The audit showed that additional management attention was needed to ensure that CAAS efforts were properly identified and reported, that long-term relationships with contractors were justified and not based on favoritism, and that competition was maximized in the procurement of CAAS. We also determined that cost-effectiveness analyses of continued contracting for CAAS versus performing the effort in-house were not performed. The results of the audit are summarized in the following paragraphs, and the details, audit recommendations, and management comments are in Part II of this report.

DoD did not identify and report an estimated $4.0 to $9.0 billion of CAAS procurements for FY 1987. As a result, CAAS data reported for FY 1987 were not reliable for oversight and policy-making purposes. We recommended that the Under Secretary of Defense for Acquisition revise DoD Directive 4205.2, "DoD Contracted Advisory and Assistance Services," to comply with Office of Management and Budget (OMB) Circular No. A-120, "Guidelines for the Use of Advisory and Assistance Services"; require that Comptrollers of the DoD Components identify and report CAAS obligations; revise the Federal Acquisition Regulation to remove from contracting officers the responsibility to identify CAAS; and develop a pamphlet to assist personnel in the identification and reporting of CAAS. We recommended that the Secretary of the Army update its CAAS regulation to implement the DoD Directive and the OMB Circular. We recommended that the Secretaries of the Military Departments provide training on the identification and reporting of CAAS and direct Service auditors, inspectors, and procurement management review teams to make the accuracy and completeness of CAAS reporting a special interest item. We recommended that the CAAS Directors for the Army, Navy, and Air Force direct their field activities to implement current DoD CAAS policy, prepare and submit CAAS information for the CAAS Budget Exhibit, and establish reporting mechanisms within budget and accounting systems to provide detail support for CAAS expenditures and budget estimates (page 5).

DoD activities imposed manpower ceiling constraints that lead to contracting for services that should have been performed in-house. Also, Military Departments did not comply with personnel manning requirements and did not determine the cost-effectiveness of continued contractor support. As a result, DoD obligated an estimated $2.8 to $5.0 billion in FY 1987 on contracts for CAAS work that continued for more than 5 years. We determined, in some cases, that the effort could have been performed at 37 to 50 percent less cost if performed in-house. We recommended that the Assistant Secretary of Defense (Force Management and Personnel) define in detail what inherent governmental functions should be performed by DoD employees, and require DoD Components to identify total manpower requirements for CAAS efforts. We recommended that the Under Secretary of Defense for Acquisition revise DoD Directive 4205.2 to require DoD Component CAAS Directors to review CAAS services that continue longer than 5 years for compliance with DoD policy, and require that purchase requests only be approved when program officials have demonstrated that continued contracting out is more economical. We recommended that the Comptroller for DoD revise budget guidance to require the identification of the number of CAAS staff years (full-time equivalents) in the CAAS Budget Exhibit (page 17).

DoD had not established effective policy and procedures for CAAS contracting with indefinite quantity contracts and options. Contracting officers limited CAAS competition through indefinite quantity contracts, contract options, and awards to

small businesses. Also, contractors were directed to perform work outside of the original scope of work, and 69 percent of sampled CAAS was acquired on cost-type contracts. As a result, 85 percent of all CAAS contracts had limited competition. In addition, breakout of individual tasks to competition and the use of firm-fixed-price contracts could have reduced Government cost. We recommended that the Under Secretary of Defense for Acquisition discontinue the use of indefinite quantity contracts and options for CAAS, increase the use of fixed-price contracts for CAAS procurements when requirement can be defined, use presolicitation conferences to ascertain that at least two small business firms bid on CAAS set-aside procurements, evaluate subcontract efforts to determine if breakout of work under a separate contract is possible, and reemphasize procurement planning on follow-on CAAS contracts. We also recommended that the Navy Acquisition Executive direct contracting officers to discontinue the practice of authorizing ordering officers to place orders for CAAS (page 29).

We provided a draft of this report to the addressees on September 7, 1990, and requested that comments be provided by November 7, 1990. We received comments from the Principal Deputy Assistant Secretary of Defense (Production and Logistics) who responded for the Under Secretary of Defense for Acquisition; Assistant Secretary of Defense (Force Management and Personnel); DoD Deputy Comptroller (Program/Budget); Deputy Under Secretary of the Army (Operations Research); Assistant Secretary of the Navy (Research, Development and Acquisition); and the Deputy Assistant Secretary of the Air Force (Acquisition). Comments are summarized in Part II of this report, and the complete text of the responses is in Appendixes J through O.

The Principal Deputy Assistant Secretary of Defense (Production and Logistics) generally agreed with the report's overall conclusion; however, he took exception to some of the finding issues and recommendations. The Principal Deputy concurred with Recommendation A.1. to improve the identification and reporting of CAAS, but disagreed with the method of projecting the CAAS underreporting. The Principal Deputy nonconcurred with Recommendation B.2.a., requiring that the DoD Component CAAS Directors review long-term CAAS reliance for compliance with policy, stating that alternative measures such as strengthening internal controls and accountability were needed. The Principal Deputy generally concurred with the recommendations to improve the acquisition of CAAS, but disagreed with Recommendation C.1.a. to eliminate CAAS procurements with indefinite quantity contracts. The Principal Deputy stated that corrective action, as a result of this report, will be taken in conjunction with the ongoing CAAS Management Action Plan. In coordination with the DoD CAAS Director, and in response to the Principal Deputy's and the Military Departments' comments to the draft report, we revised our projection of the underreporting of CAAS. Based on the Principal Deputy's comments that improvements are needed in internal management controls and in establishing

accountability, we added two recommendations in this final report. Recommendations B.2.c. and B.2.d. require a zero-base review of all CAAS contracts, and an annual certification by commanders that all CAAS contracts were identified and reported. Accordingly, we request that the Under Secretary of Defense for Acquisition provide comments to the new recommendations in response to the final report.

The Assistant Secretary of Defense (Force Management and Personnel) recognized that DoD should strengthen the management of CAAS. He agreed with the recommendation requiring additional guidance on what functions should be performed by DoD employees. However, he disagreed with the manpower issues and the proposed corrective actions stating that administrative policy directs maximum reliance on the private sector. Based on comments from the Assistant Secretary and the DoD Deputy Comptroller (Program/ Budget), we deleted Recommendation B.1.b., requiring the identification of contractor personnel services as full-time equivalents. Draft report Recommendation B.1.a. is now renumbered Recommendation B.1.

The Deputy Under Secretary of the Army (Operations Research) concurred with the recommendations concerning the identification and reporting of CAAS. The Deputy disagreed with our Findings B. and C., which addressed the use of contractor personnel and the manner in which contractor support was being acquired.

The Assistant Secretary of the Navy (Research, Development and Acquisition) concurred with recommendations to improve guidance for CAAS, but did not agree with all the recommended changes in Recommendation A.2.a. and A.2.b. Also, the Assistant Secretary nonconcurred with Recommendation C.2. to discontinue using ordering officers for authorizing CAAS work. He disagreed with the issues, conclusions and recommendations in Findings B. and C., pertaining to how CAAS is used and acquired.

The Deputy Assistant Secretary of the Air Force (Acquisition) concurred with the recommendations in Finding A, concerning the identification and reporting of CAAS. The Deputy Assistant Secretary disagreed with Finding C. issues and conclusions concerning contracting procedures used for the acquisition of CAAS.

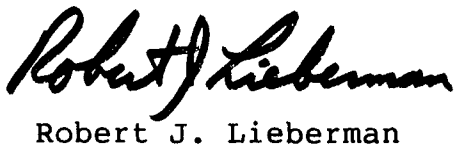
The audit identified internal control weaknesses as defined by Public Law 97-255, Office of Management and Budget Circular A-123, and DoD Directive 5010.38. We examined DoD Component procedures for identifying and reporting CAAS and for implementing procedures at component field activities, the process for determining the cost-effectiveness of CAAS procurement, and the process for ensuring that competitive CAAS procurements were made. The Military Departments had not established effective controls to ensure that all CAAS efforts were properly identified and reported. The Military Departments did not ensure that CAAS was the most cost-effective method to

accomplish mission functions. Adequate competition for CAAS procurements were not being achieved. All recommendations in this report, if implemented, will correct the weaknesses. We could not determine the monetary benefits to be realized from implementing the recommendations. We will provide a copy of this report to the senior officials responsible for internal controls within the Office of the Secretary of Defense and the Military Departments.

Implementation of our recommendations should provide improvements in the acquisition of CAAS. However, since these benefits cannot be quantified, we are not claiming monetary benefits in this report (Appendix P).

DoD Directive 7650.3 requires that all audit recommendations be resolved promptly. Final comments must be provided to us within 60 days of the date of this report. The recommendations requiring additional comments and the findings that were revised for the final report are identified in Appendix R. The specific action needed to resolve each recommendation is in Part II of this report.

The cooperation and courtesies provided the audit staff are appreciated. Please contact Mr. Garold E. Stephenson on (703) 614-6275 (AUTOVON 224-6275) or Mr. Roger Florence on (703) 693-0489 (AUTOVON 223-0489) if you have any questions concerning the report. A list of the audit team members is provided in Appendix S. The distribution of this report is listed in Appendix T.



Robert J. Lieberman
Assistant Inspector General
for Auditing

cc:
Secretary of the Army
Secretary of the Navy
Secretary of the Air Force
Director, Defense Acquisition Regulatory Council

REPORT ON THE AUDIT OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES CONTRACTS

TABLE OF CONTENTS

Prepared by:
Contract Management Directorate
Project 8AE-0076

LIST OF APPENDIXES

LIST OF APPENDIXES
(Continued)

REPORT ON THE AUDIT OF MANAGEMENT OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES CONTRACTS

PART I - INTRODUCTION

Background

Office of Management and Budget Circular No. A-120, "Guidelines for the Use of Advisory and Assistance Services," January 4, 1988, provides general policy to be followed by executive branch agencies in determining and controlling the appropriate use of advisory and assistance services. DoD Directive 4205.2, "DoD Contracted Advisory and Assistance Services (CAAS)," January 27, 1986, establishes policy, assigns responsibilities, and prescribes procedures for planning, managing, evaluating, and reporting CAAS. Federal Acquisition Regulation (FAR) Subpart 37.2, "Advisory and Assistance Services," prescribes policies and procedures for acquiring CAAS. The Directive defines CAAS as those services acquired by DoD from nongovernmental sources to support or improve policy development or decisionmaking, management of organizations, or the operation of weapon systems, equipment, and components. CAAS consist of the following four categories: Category A--Individual Experts and Consultants; Category B--Studies, Analyses, and Evaluation; Category C--Management Support Services; and Category D--Engineering and Technical Services. CAAS may be procured to obtain outside points of view; to obtain expert advice, opinions, knowledge, and skills; to enhance the understanding of complex issues; to support and improve operations of organizations; and to ensure more efficient or effective operations of managerial or hardware systems. CAAS are to be obtained on an intermittent or temporary basis, and contracts for CAAS are to be awarded through the use of competitive procurement procedures.

DoD uses CAAS for a wide variety of efforts every year. These services range from studies of ballistics effects of projectiles to studies of a foreign government's political activities. CAAS efforts cover many facets of DoD activities and include work done by individuals, corporations, and large think tanks. Also, the increased complexity and sophistication of defense systems have resulted in demands for CAAS in planning, developing, acquiring, operating, and supporting these systems. The amended FY 1988/1989 Biennial Budget submission showed that DoD obligated $2.05 billion for CAAS and $1.8 billion for Contractor Support Services in FY 1987. This amount included procurements totaling about $713.6 million from DoD Federally Funded Research and Development Centers. The FY 1990/1991 budget submission showed

$1.6 billion of CAAS would be procured. The amount reported for procurements of CAAS declined because the Military Departments excluded efforts for systems engineering and efforts at Federally Funded Research and Development Centers.

DoD's contracting and administration of CAAS has been an area of concern to the Congress and Executive Branch since the early 1960's. This concern has resulted in increased management controls and requirements for DoD to document and report costs for CAAS through budget justifications and Federal Procurement Data System reporting.

Objectives and Scope

The primary objective of the audit was to determine the adequacy of management controls over CAAS. The audit evaluated the use of sole-source contracts and unsolicited proposals. It also evaluated whether contract modifications were used to significantly increase the scope and cost of the original contract. The audit included a review of the process for deciding whether work was performed in-house or by CAAS, and the cost-effectiveness of contracting for the services. The audit included a review of internal controls applicable to the procurement of CAAS.

We examined contract actions reported in the Federal Procurement Data System (FPDS) for FY 1987. An abstract of the FPDS was obtained for all contract actions (contracts, contract modifications, and delivery orders) processed during FY 1987 for specific Federal Supply Codes. We selected Federal Supply Codes that agreed with the descriptions of CAAS in the February 17, 1984, report issued by the President's former Cabinet Council on Management and Administration; DoD Directive 4205.2; and the Office of Secretary of Defense (OSD) Administrative Instruction No. 54 "Contracted Advisory and Assistance Service," dated July 7, 1986. Appendix B lists Federal Supply Codes used to identify the audit universe. The audit universe consisted of 8,722 contract actions valued at about $2.8 billion. The contract actions reviewed were statistically sampled so that the audit results could be projected. A 90-percent confidence level was used. The audit universe was divided into six geographic areas, and we randomly selected three geographic areas for audit. The three geographic areas selected included a sample value of about $1.9 billion and 6,256 of the 8,722 contract actions in the audit universe (Appendix C). Within the three geographic areas, we randomly selected 25 procuring activities (Office of the Secretary of Defense - 2, Army - 8, Navy - 8, and Air Force - 7). At the procuring activities, we used a FY 1987 listing of contract actions to randomly select actions for detail examination. Of 407 contract actions reviewed, we identified 154 as CAAS transactions (Appendix D). We determined that the remaining 253 contract actions were not CAAS or funding actions for efforts contracted in prior years.

Our review included an examination of documentation in the contract files and discussions with contracting officials and personnel from the program office sponsoring the CAAS effort. We reviewed the statements of work, requests for proposal, justification and approval documents, contractor proposals, contracts, price negotiation memorandums, and other documentation and correspondence in the contract files.

This performance audit was made between October 1988 and December 1990. Documentation dating back to March 1973 and as recent as August 1989 was examined. The audit was made in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. Accordingly, we included such tests of the internal controls as were considered necessary. Appendix Q is a list of activities visited or contacted during the audit.

Internal Controls

The audit examined the process for identifying and reporting CAAS, the process for determining the cost-effectiveness of contracting for contractor services, and the process for ensuring that adequate competition was achieved in the acquisition of CAAS. The scope of the examination was a review of the procedures for CAAS identification and reporting in the DoD Components and the implementation of these procedures at DoD field activities. We examined the DoD field activities' justifications for acquiring contractor support, and we examined DoD field activities' contract records to determine the degree of competitive acquisition procedures used in the procurement of CAAS. The audit identified internal control weaknesses in that DoD field activities did not have or follow their Service CAAS procedures. DoD field activities were not preparing cost-effectiveness analyses to justify CAAS procurement. Contracting officers were publicizing CAAS requirements in the Commerce Business Daily and issuing solicitations to more than one contractor. However, competition was often limited on follow-on contracts due to the receipt of one bid and no competition existed in the exercise of contract options for additional services. The implementation of the recommendations in Part II of the report should correct these weaknesses.

Prior Audit Coverage

Since November 1984, there were 22 audit or inspection reports issued by the General Accounting Office (GAO); Inspector General, DoD; and the Military Department audit agencies (Appendix A). These reports addressed CAAS identification and definition problems, problems with CAAS contracts justifications, lack of contractor performance evaluations, and problems with the lack of competition for CAAS contracts. The Office of the Secretary of Defense developed common CAAS definitions and instituted CAAS accounting and reporting procedures. The Military Departments issued CAAS instructions, increased competitive procurements, and enhanced management controls.

PART II - FINDINGS AND RECOMMENDATIONS

A. Identification and Reporting of Contracted Advisory and Assistance Services

FINDING

DoD has significantly underreported its Contracted Advisory and Assistance Services (CAAS). We estimate that DoD Components did not identify and report between $4.0 to $9.0 billion of CAAS procurements for FY 1987. CAAS efforts were not identified and reported because DoD Directive 4205.2, "DoD Contracted Advisory and Assistance Services," (the DoD Directive) contained terminology that was unclear and undefined, and because the Military Departments were not timely in updating their regulations to implement the 1986 version of the DoD Directive and did not ensure that implementing regulations were disseminated to field activities. Personnel within the DoD Components did not accurately report CAAS because of uncertainty over the CAAS definition. Furthermore, personnel within DoD Components have not received the training needed to improve their understanding of the definition of CAAS. As a result, DoD Components reported data for FY 1987 that were not reliable for oversight and policy-making purposes. Also, the DoD Directive is not consistent with the provisions of the Office of Management and Budget (OMB) Circular No. A-120, "Guidelines for the Use of Advisory and Assistance Services," (the Circular).

DISCUSSION OF DETAILS

Background. For many years Congress has been interested in the DoD Components' use of CAAS. CAAS is perceived as an area vulnerable to such abuses as conflict of interest, favoritism, and procurement of services that have no useful purpose. For oversight purposes, Congress has required DoD to report how much money was spent for CAAS. In FY 1987, DoD field activities began coding CAAS in their accounting system, and since FY 1988, DoD has used the PB-27 Budget Exhibit to report CAAS to Congress. This document identifies actual CAAS expenditures for the prior year and forecasted requirements for the next 3 years. The DoD Comptroller develops the PB-27 Budget Exhibit, based on submissions from DoD Components on obligations, expenditures, and future requirements. Federal Acquisition Regulation Subpart 37.2, "Consulting Services," requires contracting officers to identify CAAS obligations.

The DoD Director of CAAS is responsible for the oversight of CAAS activities within the Office of the Under Secretary of Defense for Acquisition. In coordination with the DoD Comptroller, the Director is responsible for ensuring that DoD Components establish adequate and consistent procedures to classify and

record planned and actual obligations for CAAS and for reviewing each DoD Component's submission for the PB-27 Budget Exhibit. Each DoD Component designates a Director, or focal point for CAAS. This focal point is responsible for ensuring that component implementing instructions, regulations and directives are consistent with the DoD Directive, and that CAAS funds are obligated for the purposes specified in the CAAS budget exhibit.

Underreporting of CAAS. DoD field activities did not identify or report 113 (73 percent) of the 154 sampled contract actions as CAAS in the submission of actual CAAS expenditure data for FY 1987. The 113 unidentified CAAS contract actions by DoD Components are listed below:

DoD Component	Contract Actions Reviewed	Contract Actions Not Reported	Percent Not Reported
OSD	6	2	33
Army	46	46	100
Navy	51	39	76
Air Force	51	26	51
Total	154	113	

Field activity personnel identified 41 CAAS contract actions (154 less 113); however, these contract actions could not be reconciled to the amounts reported for CAAS expenditures for FY 1987. This condition occurred because the field activities and major commands did not have listings of the contract actions that composed the reported CAAS totals.

We estimated that the DoD Components did not identify or report between $4.0 and $9.0 billion of CAAS during FY 1987 based on the 113 sampled contract actions not identified as CAAS. The total value of the 113 contract actions was $76.5 million. The underreporting of $4.0 to $9.0 billion was based on a statistical projection that estimated total CAAS expenditures derived from a sample of contract actions reported in the Federal Procurement Data System for FY 1987 and the reported OSD CAAS obligations of $2.05 FY 1987. The audit sampled 407 contract actions of which 154 actions met the definition in the DoD Directive (Appendix D). We estimated that $8.5 billion should have been reported as CAAS obligations for FY 1987 (Appendix C). The estimate includes a margin of error of plus or minus $2.5 billion. The PB-27 Budget Exhibit reported actual CAAS obligations and/or expenditures of $2.05 billion for FY 1987.

Reporting of CAAS. We believe that the underreporting occurred because the DoD Directive contained unclear instructions and undefined terminology; the Military Departments were untimely in updating their CAAS regulations to implement the DoD Directive and did not ensure that implementing regulations were

disseminated to field activities; lacked incentive to report; DoD policy was inconsistent with OMB; and personnel within the DoD Components did not have a working knowledge of the CAAS definition.

Instructions and Terminology. The DoD Directive dated January 27, 1986, contained several ambiguous provisions. The DoD Directive identified information technology/automatic data processing (ADP) as an exclusion from CAAS, but also stated that the exclusion did not apply to "... systems analysis, design, development, engineering, programming, and studies," which were not defined. Contracting support in developing ADP systems accounted for 40 contract actions that we believed should have been identified and reported as CAAS.

The categories of CAAS in the DoD Directive were not clearly defined. Category B, "Studies, Analyses, and Evaluations," was defined as used to "... understand complex issues and improve policy development or decision making." We found that two DoD field activities did not identify studies as CAAS because the study recommendations were directed to the field level. The field activity officials believed that their activities were too low in the Military Department organizational structure to effect policy development. We believe that studies that assist field activity management in its decision and policy making should be classified as CAAS.

The DoD Directive also stated that "system specific engineering studies," were to be excluded from the definition of Category B, but did not define what these studies encompassed. Activity personnel also cited this exclusion as justification for not reporting contract efforts as CAAS.

Establishing and Disseminating Implementing Instructions. Guidance of the Military Departments that implemented the DoD Directive was not available at 16 of 25 field activities visited (Appendix E). Neither the DoD Director for CAAS nor the Directors for CAAS in the Military Departments ensured that implementing instructions were published and disseminated in a timely manner.

Army. The Army's CAAS implementation regulation, Army Regulation 5-14, "Managing Analytical Support Services," dated October 1981 was not updated to implement the 1986 version of the DoD Directive. Army officials stated that a draft revision of the regulation was prepared, but not finalized because the Army believed that the Office of Management and Budget and DoD would change the CAAS definition. In lieu of a regulation, the Army issued several messages and memorandums to its field activities to implement provisions of the DoD Directive. The Army Regulation did not include CAAS Category D, "Engineering and Technical Services," which was a significant category of CAAS at Army field activities. At 8 field

activities, 18 of the 48 CAAS actions sampled were for engineering and technical services. The total value of these 18 sample actions was $18.9 million.

The eight Army field activities visited did not have current CAAS implementing guidance. Furthermore, seven of the eight Army activities were not submitting data on CAAS for the PB-27 Budget Exhibit.

Navy. During FY 1987 when the contract actions in the audit sample were awarded, Navy CAAS guidance was Secretary of the Navy (SECNAV) Instruction 4200.31A, "Contracted Advisory and Assistance Services," dated October 1985. This instruction, predated the January 1986 DoD Directive and provided a narrower definition of CAAS. The Navy's instruction excluded contractor efforts performed as "operational support activities" from CAAS Category C, "Management Support Services." This exclusion resulted in underreporting CAAS. For example, the Naval Air Development Center (the Center) excluded contract N62269-85-C-0416, which was for automated data processing services and material necessary to furnish operational software support systems analyses, engineering software documentation packages for life-cycle support equipment, and task coordination for the S-3A aircraft life-cycle support facility. The Center officials stated that these contract services were not reported as CAAS because of the "operational support" exclusion.

The Navy implemented the January 1986 DoD Directive in September 1987 by publishing SECNAV Instruction 4200.31B, "Contract Support Services." This revision eliminated the "operational support" exclusion from Category C and provided supplemental guidance to the DoD Directive on the determination of CAAS. The Navy instruction was not modified after Federal Acquisition Regulation (FAR) 37.2, "Consulting Services," was revised on November 25, 1988. FAR 37.2 assigned responsibility to the contracting officer for classifying contractor efforts as CAAS (the DoD Directive does not address this issue). SECNAV Instruction 4200.31B assigned final determination authority to the program offices or activity comptroller. This conflict will not necessarily result in underreporting, but it may result in confusion among Navy field activity personnel about who was responsible for the identification of CAAS efforts. We believe that the primary responsibility for the identification and reporting of CAAS should be assigned to field activity Comptrollers and that the requirement be incorporated in the DoD Directive.

Air Force. The Air Force issued its first CAAS regulation, Air Force Regulation 800-44, "Contracted Advisory and Assistance Services," in December 1986, about 10 months after the DoD Directive was published. Prior to the regulation issuance, CAAS reporting was based on budget guidance that the Comptroller of the Air Force provided to field activities. The Air Force CAAS Director had not ensured that the regulation was implemented

by field Offices. Only one of the seven Air Force field activities visited had the Air Force regulation. Most activities used budget guidance that did not incorporate the CAAS policies and procedures as outlined in the DoD Directive and Air Force Regulation 800-44. Specifically, the budget guidance did not prescribe the proper use and identification of CAAS, did not establish a formal approval process for CAAS expenditures, and did not require the reporting of studies to the Defense Technology Information Center.

Incentive to Report. Identifying and reporting CAAS was not a priority at the field activities visited. There appeared to be an attitude among personnel at the activities visited that CAAS was a "Washington, D.C. issue." Military Department managers recognize that Congressional oversight could result in CAAS budget reductions as occurred in the FY 1990 Department of Defense Appropriations Act. The Department of Defense Appropriations Act for FY 1990 reduced CAAS planned expenditures by $125 million. Activities that made an effort to report CAAS accurately will face a greater reduction than those activities that did not. We believe that there was a tendency at field activities not to report contracts as CAAS if there was uncertainty whether the contract services met the CAAS definition.

Inconsistent Policy. The DoD Directive was not consistent with OMB Circular A-120, dated January 4, 1988. The Circular stated that ADP and telecommunications may be excluded only if such functions and related services are controlled in accordance with the Federal Information Resource Management Regulation (FIRMR). The FIRMR was promulgated by the General Services Administration to cover the acquisition of automatic data processing hardware, software services, and telecommunications. The reference to the FIRMR has not clarified what ADP services should be reported as CAAS. For example, Navy officials interpret the reference to the FIRMR to mean that ADP related services should not be reported as CAAS. We believe that services for ADP systems analysis, design, development, engineering, programming, and studies are assistance services and should be reported as CAAS. The DoD Directive also allows exclusions from CAAS for Category D, whereas the exclusions are not provided in Circular A-120. These exclusions include:

- Engineering and technical services designed to provide feedback to current production and continuing engineering programs.

- Engineering and technical services used to correct weapon system, equipment, and component deficiencies identified before final acceptance, but actually completed after final acceptance.

Although these inconsistencies between the DoD Directive and the 1988 Circular did not contribute to the underreporting of CAAS in

FY 1987, they will impact the reporting of CAAS for FY 1988 and subsequent years.

Education and Training. A comprehensive training program was needed because comptroller, contracting, and management personnel were confused about the contract efforts that meet the CAAS definition. Although, previous Inspector General, DoD audit reports identified the need for training in the CAAS definition, we found that the training had not been developed and provided at DoD field activities.

We believe that a pamphlet should be developed that provides guidance and examples, and defines terminology to supplement the DoD Directive and that the Military Departments should provide training in the identification and reporting of CAAS.

Conclusions. Underreporting of CAAS is a continuing problem. Although the audit examined contract actions for FY 1987, the causes for the underreporting still exist and subsequent inconsistencies between the DoD Directive and OMB Circular No. A-120 further detract from accurate reporting. The DoD Biennial Budget submission for FY 1990/1991 identified an estimated planned CAAS expenditure of $1.6 billion for FY 1990. The projected CAAS expenditures identified in this audit for FY 1987 are more representative of the current expenditure levels. DoD Components furnished CAAS data that were not reliable for oversight and policy making purposes, and the spending controls that Congress imposed in the FY 1990 DoD Appropriations Act may not be effective.

It is essential that CAAS requirements and obligations be consistently identified and reported to effectively manage CAAS. Accordingly, we believe that the accuracy and completeness of CAAS reporting could be improved if CAAS is given additional attention during audits, inspections, and management reviews by the Military Departments.

RECOMMENDATIONS, MANAGEMENT COMMENTS AND AUDIT RESPONSE

Finding

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics), Deputy Under Secretary of the Army (Operations Research), Assistant Secretary of the Navy (Research, Development and Acquisition), and the Deputy Assistant Secretary of the Air Force (Acquisition) provided comments to the draft report. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) agreed that the CAAS definition is unclear, difficult to apply, and results in underreporting of CAAS actions. All the management comments disagreed with the method of estimating the value of CAAS expenditures for FY 1987. The comments recommended that either the estimating methodology be revised or that no

projection be made. The complete text of the comments is in Appendixes J, M, N, and O, respectively.

Audit Response. The amount of CAAS expenditures within DoD has been long disputed in DoD as well as outside of DoD. Our statistical sampling methodology was directed toward identifying total CAAS expenditures. In developing the draft report projection, we included contractor support services because these services represent long-term management support, and technical and engineering support for day-to-day mission requirements. However, based on managements' comments, we revised our CAAS projection in the final report to include only the $2.05 billion as suggested by the Principal Deputy Assistant Secretary of Defense (Production and Logistics) which results in a projected CAAS expenditure of $8.5 billion. Since $2.05 billion was reported in the PB-27, the amount of underreporting was about $6.5 billion (plus or minus $2.5 billion) for FY 1987.

Recommendation A.1.a. We recommend that the Under Secretary of Defense (Acquisition) update DoD Directive 4205.2 to eliminate inconsistencies with OMB Circular No. A-120 for automatic data processing and telecommunications and clarify the relationship with Federal Information Resource Management Regulation and engineering and technical services.

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) concurred with the recommendation and stated that corrective action will be implemented as part of the ongoing action plan to strengthen the management and reporting of CAAS.

Audit Response. The planned actions of the Principal Deputy Assistant Secretary of Defense (Production and Logistics) is responsive to the recommendation.

Recommendation A.1.b. We recommend that the Under Secretary of Defense (Acquisition) revise DoD Directive 4205.2 to require the Comptrollers of the DoD Components to identify and report obligations for contracted advisory and assistance services.

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) concurred with the recommendation stating the revised DoD Directive 4205.2 will clearly assign the comptroller responsibility for reporting and accounting for CAAS requirements. However, the comptroller must work together with the requiring organization to ensure that CAAS is properly identified.

Audit Response. The planned actions of the Principal Deputy Assistant Secretary of Defense (Production and Logistics) are responsive to the recommendation.

Recommendation A.1.c. We recommend that the Under Secretary of Defense (Acquisition) direct the Defense Acquisition Regulatory Council to revise Federal Acquisition Regulation Subpart 37.2, "Advisory and Assistance Services," to eliminate the requirement that contracting officers make the determination whether contract services are advisory and assistance services.

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) concurred with the recommendation and stated that other parts of the FAR and the DFAR must also be changed for consistency.

Audit Response. The planned actions of the Principal Deputy Assistant Secretary of Defense (Production and Logistics) is responsive to the recommendation. However, we request that the Under Secretary of Defense for Acquisition provide an estimated completion date for making the appropriate changes in the acquisition regulations in response to the final report.

Recommendation A.1.d. We recommend that the Under Secretary of Defense (Acquisition) develop and publish a pamphlet that supplements the guidance in DoD Directive 4205.2. The pamphlet should provide additional guidance and examples, and define terminology to assist DoD personnel in identifying and reporting contracted advisory and assistance services.

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) concurred with the recommendation. The Secretary stated that improved reporting can only occur from an improved definition and reporting process.

Audit Response. The planned actions of the Principal Deputy Assistant Secretary of Defense (Production and Logistics) is responsive to the recommendation. However, we request that the Under Secretary of Defense for Acquisition provide an estimated completion date for publishing the pamphlet to supplement the DoD Directive 4205.2 in response to the final report.

Recommendation A.2.a. We recommend that the Secretaries of the Military Departments require training on the identification and reporting of contracted advisory and assistance services be provided to comptroller, contracting, and management personnel.

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics), Deputy Under Secretary of the Army (Operations Research) and the Deputy Assistant Secretary of the Air Force (Acquisition) concurred with the recommendation. The Assistant Secretary of the Navy (Research, Development and Acquisition) nonconcurred with the recommendation.

The Deputy Under Secretary of the Army (Operations Research) stated that once the working group training program under the DoD plan has identified training requirements, the Army would initiate a structured training program.

The Deputy Assistant Secretary of the Air Force (Acquisition) stated that training in the identification and reporting will be provided along with the whole concept of what we are trying to manage and why.

The Assistant Secretary of the Navy (Research, Development and Acquisition) stated that the updated DoD Directive 4205.2 should be sufficiently clear to obviate the need for training.

Audit Response. The Army and Air Force comments are responsive to the recommendation. However, the Army and Air Force should provide estimated dates for the beginning of the training in response to the final report.

Navy's comments to the recommendation are non-responsive. The recognized weaknesses and needed corrective actions agreed to by the Army and the Air Force also exist within the Navy. Comprehensive training to program and procurement officials, on CAAS policies and procedures, is one of the tasks under the Defense Management Plan; therefore, participation by all the Military Departments will be necessary. We request that Navy reconsider its response and provide comments on the recommendations in response to the final report.

Recommendation A.2.b. We recommend that the Secretaries of the Military Departments direct their auditors, inspectors, and procurement management review teams to make the accuracy and completeness of CAAS reporting a special interest item.

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics), Deputy Under Secretary of the Army (Operations Research) and the Deputy Assistant Secretary of the Air Force (Acquisition) concurred with the recommendation. The Assistant Secretary of the Navy (Research, Development and Acquisition) nonconcurred with the recommendation.

The Deputy Under Secretary of the Army (Operations Research) stated that it would be necessary to allow management improvements to take effect before making CAAS a special interest item for auditors, inspectors, and procurement management reviews.

The Assistant Secretary of the Navy (Research, Development and Acquisition) stated that there is already sufficient CAAS reviews and that additional emphasis is unnecessary.

Audit Response. The Army and Air Force comments are responsive to the recommendation. The Army and Air Force should provide estimated dates for when they will implement the recommendation in their response to the final report.

The Navy comments on the recommendation are nonresponsive. We believe that additional management reviews are necessary at the Services' field activities to improve the identification and

reporting of CAAS. For example, 76 percent of the Navy CAAS actions that we examined had not been reported as CAAS. We attributed this underreporting partially to a lack of management concern at the field activity. We request that Navy reconsider its response and provide comments on the recommendations in response to the final report.

Recommendation A.3. We recommend that the Secretary of the Army update the Army's Contracted Advisory and Assistance Services Regulation 5-14, "Managing Analytical Support Services," to implement DoD Directive 4205.2 and OMB Circular No. A-120.

Management Comments. The Deputy Under Secretary of the Army (Operations Research) concurred with this recommendation and stated that revised regulation was in process.

Audit Response. The Army comments are responsive to the recommendation. In response to the final report, we request that the Army provide an estimated completion date for the publication of the revised regulation.

Recommendation A.4.a. We recommend that the Army, Navy, and Air Force Directors for Contracted Advisory and Assistance Services direct all field activities to implement current CAAS guidance and prepare and submit CAAS information for the PB-27 Budget Exhibit.

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics), Deputy Under Secretary of the Army (Operations Research), Assistant Secretary of the Navy (Research, Development and Acquisition), and the Deputy Assistant Secretary of the Air Force (Acquisition) all concurred with the recommendation.

The Deputy Under Secretary of the Army (Operations Research) stated that distribution of the Army regulation and information related to PB-27 Budget Exhibit will be included in the Command Budget Estimate requests and will provide the necessary guidance.

The Assistant Secretary of the Navy (Research, Development and Acquisition) stated that the recommendation was implemented by issuance of Navy Instruction 7102.2B in April 1990. This Instruction provides guidance for the preparation and submission of CAAS information for the PB-27.

Audit Response. The comments provided by the Army and Navy are responsive to the recommendation. In response to the final report, the Air Force should identify actions planned to implement the recommendations and the estimated completion date for these actions.

Recommendation A.4.b. We recommend that the Army, Navy, and Air Force Directors for Contracted Advisory and Assistance Services establish reporting mechanisms within budget and accounting

systems that provide detailed support for Contracted Advisory and Assistance Services expenditures and budget estimates in the PB-27 Budget Exhibit.

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics), Deputy Under Secretary of the Army (Operations Research), Assistant Secretary of the Navy (Research, Development and Acquisition), and the Deputy Assistant Secretary of the Air Force (Acquisition) all concurred with the recommendation.

The Deputy Under Secretary of the Army (Operations Research) stated that element of resource codes in the Army accounting system will identify CAAS expenditures, and Command Budget Estimates will identify CAAS by one of the four categories.

The Assistant Secretary of the Navy (Research, Development and Acquisition) stated that action on this recommendation is already completed with the publication of the revised Navy instruction.

Audit Response. The comments provided by the Army and Navy are responsive to the recommendation. However, in response to the final report, the Air Force should identify actions planned to implement the recommendations and the estimated completion date for these actions.

B. Use of Contracted Advisory and Assistance Services

FINDING

DoD activities imposed manpower ceiling constraints that lead to contracting for CAAS services that should have been performed in-house. In addition, the Military Departments did not comply with DoD guidance to determine total manning requirements, and did not determine the cost-effectiveness of continued use of CAAS. Further, the Military Departments became too dependent on outside consultants to perform day-to-day tasks that more appropriately should be performed by Government employees. These conditions occurred because the Military Departments have only partially implemented the manpower ceiling free management policy with respect to planning civilian workforce requirements. Also, the governmental policy to maximize reliance on the private sector for performance of all nongovernmental functions is too broad and leads to varying interpretations by management and contracting officials. As a result, DoD obligated an estimated $2.8 to $5.0 billion in FY 1987 on contracts for work that continued for more than 5 years. Also, we determined, in some cases, that the effort could have been performed more economically if performed in-house.

DISCUSSION OF DETAILS

Background. OMB Circular No. A-76, "Performance of Commercial Activities," dated August 4, 1983, which establishes Executive Branch policy on contracting, states that the Government should rely on the private sector to supply the products and services the Government needs, if they can be obtained from a commercial source. The OMB Circular identifies several exceptions to this policy, one of the exceptions was for activities that were "inherently governmental in nature." The OMB Circular describes inherently governmental functions as those that require either the exercise of discretion in applying Government authority, or the use of value judgments in making decisions for the Government. It is DoD policy to establish and maintain internal resources to perform such governmental functions as planning; policy development, interpretation, and enforcement; program and budget decisionmaking; and financial accountability. However, DoD policy guidance does not further identify and clarify what are inherently governmental functions, leaving the definition to varying interpretations.

DoD Directive 4205.2 states that CAAS will be obtained only on an intermittent or temporary basis, and that repeated or extended CAAS arrangements shall occur only under extraordinary circumstances. The DoD Directive also states that CAAS will be used when development of an in-house capability would not be cost-effective.

The DoD Directive does not define what constitutes an intermittent requirement or an extended CAAS arrangement, but OMB Circular No. A-120 states that contracts for CAAS may not continue longer than 5 years without review for continued compliance with CAAS policy. Applicable FAR and DoD Supplements prohibit the use of personal services contracts for work that is inherently a governmental function and cautions users of CAAS to be aware of, and have procedures to prevent organizational conflicts of interest.

Long-Term Work Requirements. We examined 154 contract actions for CAAS efforts that were on 110 contracts. We found that 51 (46 percent) of the 110 contracts were for efforts that continued for more than 5 years (Appendix F and G). The same contractor performed 27 (53 percent) of the 51 long-term CAAS efforts that are identified in Appendix G. Since we projected that $8.5 billion was obligated for CAAS in FY 1987 and 46 percent of the value of sampled contracts was for efforts over 5 years, we estimated that $3.9 billion (plus or minus $1.1 billion) was for long-term efforts. Eight examples of these long-term efforts are discussed below.

- From 1979 until 1989, the Army Communications-Electronics Command (CECOM) continuously contracted with Computer Sciences Corporation (CSC) to provide system engineering and technical assistance to the Program Manager, Army Satellite Communications Agency (SATCOM). The justification and approval document for awarding the sole-source contract, which provided for 685 staff-months (about 57 full-time equivalent personnel) of engineering support per year, stated that "the quantity and magnitude of programs assigned to SATCOM has increased dramatically; however, commensurate manpower resources have not increased. The required technical support has also grown beyond the capability that SATCOM and the CECOM matrix organization can support. Therefore, system engineering and technical assistance support services are required in order that the Program Manager can accomplish the mission and avoid program schedule slippage, increased contract costs, and delays in release of systems to the field."

A follow-on contract (DAAB07-90-D-D100) was awarded to Advanced Technology, Incorporated for 5 years (base year and 4 option years). The estimated total cost of this 5-year contract was $25 million for 920,000 staff hours of effort. This level of effort is about 105 full-time equivalent personnel per year.

- Since 1979, CECOM had continuously contracted for technical and program support services for the Deputy Project Manager for Worldwide Military Command and Control Systems at the U. S. Army Information Systems Engineering Command (USAISEC). Semcor, Incorporated, the contractor until 1988, provided about 100,000 staff hours of support or about 57 full-time equivalent personnel per year. USAISEC and CECOM contracted for the support because in-house personnel were not available. In 1988, CECOM

awarded a follow-on 4-year contract for 400,000 staff hours at an estimated cost of $10.6 million to Analytics, Incorporated. This follow-on contract will continue the level of effort at about 57 full-time equivalent personnel per year.

- Since 1982, the Fort Huachuca Procurement Office had contracted with Mantech Advanced Systems International to provide about 33,480 staff hours (or about 19 full-time equivalent personnel) of administrative and technical support services to the U. S. Army Intelligence Center and School (USAICS) per year. The contract was progressively modified to increase the hours to over 65,000 of support effort (about 37 full-time equivalent personnel). USAICS officials stated that continued contractor support was necessary because required technical skills were not available and the budget did not authorize funding for additional in-house personnel.

- Since January 1973, the Naval Sea Systems Command (NAVSEA) had continuously contracted for technical support services in support of the Internal Combustion and Gas Turbine Division of NAVSEA. Advanced Technology, Incorporated (ATI) had provided the contract support services from May 1978 until October 1987. When the 1987 contract was awarded, NAVSEA estimated that an additional 35 people would be required to perform the effort with civil service personnel. Documentation supporting the decision to contract with ATI stated that "the broad range of expertise and experience needed, makes it impractical to consider and improbable to succeed in, hiring full-time, in-house personnel to meet requirements." In October 1989, NAVSEA awarded a small business set-aside contract to Designers and Planners, Incorporated for 538,500 staff hours to continue the technical support services through 1992 at a total estimated contract value of about $19 million. This is about 100 full-time equivalent personnel during the 3-year period. ATI, a large business, became a subcontractor to Designers and Planners, performing about 40 percent of the continued effort.

- Since 1975, the Space and Naval Warfare Systems Command (SPAWAR) had contracted for about 20 full-time equivalent personnel per year to provide technical and management support services to support its Communication Systems Program Office. The Navy justified contracting for the management support services on the basis that in-house civil service personnel were not available to perform the functions, and contracting was the only viable alternative. American Systems Corporation was the contractor until 1989. In October 1989, SPAWAR awarded a 3-year contract to Vredenburg, a small business firm to provide about 56 staff years of services per year at an estimated total cost of $7.7 million. American Systems Corporation became a subcontractor to Vredenburg, performing about 45 percent of the follow-on effort.

- Since 1967, the CSC had continuously provided technical support services to the Navy's Fleet Combat Direction Systems Support Activity (FCDSSA). The FY 1986 contract stipulated that about 979,000 staff hours of support would be provided during 5 years at an estimated cost of $38.5 million. This level of effort is about 120 full-time equivalent personnel per year. FCDSSA contracted for the technical support services because it did not have in-house civil service personnel to perform the tasks.

- Since 1982, the Air Force Electronics System Division (ESD) had contracted for cost estimating support. In 1984, ESD estimated the manpower requirement to perform the cost estimating function to be 74 personnel, but only 20 personnel were available and half of those were still receiving the requisite training. As of August 1989, the ESD cost estimating staff had increased to 35 estimators; however, the level of contractor support had increased from about 120,000 to 150,000 staff hours per year, or from about 69 to 86 full-time equivalent personnel.

- The Air Force Space Division had continuously contracted with the same contractor for cost estimating support since 1983. A 5-year contract was awarded for a maximum of 180,000 staff hours at an estimated cost of $10.8 million. This level of effort is about 20 full-time equivalent personnel per year. The Space Division contracted for the cost estimating services because it did not have staffing to perform the requirement.

Personal Service Contracts. Long-term CAAS arrangements were used in lieu of direct hire employment. The contracts were written to procure hundreds of thousands of contractor staff hours to perform day-to-day tasks for which Government employees should be held accountable. The tasks included developing cost estimates; writing specifications and statements of work; monitoring other contractors; drafting policy statements, position descriptions, and briefings; and maintaining accounting records. The services were acquired from engineers, computer programmers, data processors, logisticians, cost estimators, and clerical support. Some contracts required the contractor to have his personnel located within a certain number of miles of the DoD activity, or the Government reserved the right to review the qualifications of key personnel assigned to the contract.

Federal Acquisition Regulation Subpart 37.104, "Personal Service Contracts," defines the descriptive elements of a personal services contract. The 51 long-term CAAS contract efforts were considered personal services because of the following reasons.

- Services were applied to the integral effort of agencies or organizational subpart to further assigned functions or mission.

- Comparable services, which met comparable needs, were performed in the same or similar agencies using civil service personnel.

- The need for the type of services provided was expected to last beyond 1 year. (Contracts were usually written for 1-base year often with 4-option years).

- The nature of the service or the manner in which it was provided required, directly or indirectly, Government direction or supervision of contractor employees.

- Government employees were usually reviewing and taking credit for the work performed by the CAAS contractors.

Workforce Ceilings. Program officials and contracting personnel usually justified the procurement of long-term CAAS efforts on the basis that military or civil service personnel were not available to perform the tasks, and personnel ceilings precluded hiring additional personnel. However, in FY 1985 Congress enacted Public Law 98-473 to remove civilian employment end-strength ceilings, and in FY 1986 the DoD adopted a ceiling free management policy. During the first year of ceiling free operations, the DoD Components exceeded their civilian personnel projections by a significant percentage, suggesting that DoD did not accurately forecast requirements. The statutory provision on the removal of civilian employment end-strength has been included in subsequent legislation; however, the Military Departments have been required to demonstrate consistency with manpower forecasts, which they have done since 1988. Annual DoD manpower guidance to the DoD Components has stated that civilian workforce levels should be matched to funded work loads and mission requirements. The guidance further stated that the DoD Components should use increased overtime and more temporary employees to accommodate workload surges and that each DoD manager should review all manpower requirements from the perspective of lowest cost and the most effective support of mission accomplishment.

We found little evidence that program officials had seriously attempted to define needs and obtain sufficient staffing. The Army and Air Force were still operating under the philosophy of manpower ceilings. Navy only initiated an effort at NAVSEA as a result of a 1988 Navy Inspector General report, which indicated that contractor support was substantially relied on in the procurement process. The Navy realized that continued contractor support in the procurement process increases the Navy's vulnerability for potential misuse of business sensitive information and can provide an unfair advantage to certain contractors in a competitive environment. Also, the Navy realized that reliance on contractor personnel in systems engineering resulted in the use of contract personnel in areas and functions that were inappropriate and involved systems interfaces and warfare requirements. The Navy initiative

involves a 6-year effort to recruit 3,178 additional full-time personnel to provide in-house engineering and management support.

Cost-Effectiveness of Contractor Support. DoD incurred significantly higher costs to perform some long-term work requirements with CAAS. In-house versus contracting out cost-effectiveness analyses were not performed for any of the 51 long-term contracts prior to the issuance of the follow-on procurement solicitations. We used the cost comparison methodology prescribed in OMB Circular No. A-76 for commercial activities, and used the methodology to determine the cost-effectiveness of procuring CAAS to accomplish four work requirements where sufficient information was available. These efforts did not require a specialized skill, and as a result, we were able to identify the civil service equivalent of the contractor employee.

- On Fort Huachuca contract DAEA18-86-D-0002 with Mantech Advanced Systems International, we reviewed delivery order 0005 with a total value of about $2.1 million and determined that a savings of $770,883, or 37 percent, could have been achieved if the effort was performed in-house (Appendix H, page 1).

- On Air Force Electronics System Division contract F19628-84-D-0019 with Tecolote Research for cost estimating services, we reviewed delivery order 0035 for $649,221 and determined ESD could have realized cost savings of $305,634, or 47 percent if the effort was performed with equivalent civil service personnel (Appendix H, page 2).

- On Air Force Electronics Systems Division contract F19628-84-D-0020 with John Cockerman & Associates for cost estimating services, we reviewed delivery order 0027 for $154,941. A cost savings of $78,722, or 51 percent, would have been achieved if the effort was performed in-house (Appendix H, page 3).

- On Air Force Space Division contract F04701-87-D-0004 with Tecolote Research, we reviewed delivery order 0005 and determined that $67,376, or 48 percent of the $139,315 that was spent could have been saved if the effort was performed by in-house personnel (Appendix H, page 4).

The cost comparisons in these four examples do not include facilities and additional administrative costs that may be required if the services were performed in-house. The examples are not sufficient to make a projection of the total additional costs incurred by the Military Departments by utilizing CAAS, but they are indicative in that DoD is paying more for services contracted out than for services performed in-house. Potential cost savings were also identified in 1988 when the Navy estimated that its conversion of contractor support to 3,178 in-house personnel by the end of fiscal year 1994 would achieve an overall

savings of 15 percent over contractor cost. During the first 3 years (FY 1989-1991), the Navy estimated that a savings of $897,000 would be achieved by the conversion to 1,719 in-house personnel from contractor support effort.

Congressional Budget Limitations. Because of concern over the overall accuracy of estimates provided by DoD for service support contracts, the large amounts budgeted for contract studies and consultant services, and concern about abuse and waste of much of this effort, Congress imposed obligation authority and expenditure limitations on CAAS of about $1.6 billion for FY 1990 and about $1.3 billion for FY 1991. Based on the conditions discussed in Finding A. and DoD's extensive use of CAAS to support day-to-day mission requirements, each DoD Component must take action to ensure budget limitations are met. To help ensure that CAAS is properly identified, needed, and cost-effective, there should be a zero base review of all contracts throughout DoD. To improve management controls and help establish accountability for CAAS, there should be an annual certification process by commanders that all CAAS contracts are identified, needed, and reported.

RECOMMENDATIONS, MANAGEMENT COMMENTS AND AUDIT RESPONSES

We have deleted draft report Recommendations B.1.b. and B.3. from this final report, and Recommendation B.1.a. is now renumbered Recommendation B.1. In preparation of the final report, we added Recommendations B.2.c. and B.2.d. We request that the Under Secretary of Defense for Acquisition provide comments to the new recommendations in response to the final report.

Finding

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics), Assistant Secretary of Defense (Force Management and Personnel), and Deputy DoD Comptroller (Program/Budget) provided comments to the draft report. The complete text of the comments are in Appendixes J, K, and L respectively.

The Assistant Secretary of Defense (Force Management and Personnel) agreed that DoD should strengthen the management of CAAS, but stated that the discussion of manpower management issues in the finding was inconsistent with both administration policy directed toward reliance on the private sector and DoD reform initiatives to eliminate nonvalue adding controls.

The Principal Deputy Assistant Secretary of Defense (Production and Logistics) agreed with the Assistant Secretary of Defense's (Force Management and Personnel) position. He also stated that the report implies that DoD policy supports the projection and collection of manpower utilization data for private sector contractors, but that no such policy exists, and his office does not support creation of such a policy. He further stated that the audit's generalization of personal services was flawed because it did not take into account that the key criteria in determining a personal service is the employee-employer relationship. Federal Acquisition Regulation 37.104 requires relatively continuous supervision and control over contractor personnel to have a personal services contract. The Principal Deputy also disagreed with the projection of $6.3 billion for CAAS work that continued more than 5 years. The Principal Deputy based his objection upon comments provided to Finding A. concerning the projected underreporting of CAAS for FY 1987.

Audit Response. The administration's policy for the Government to rely on private sector contractors referred to in the Assistant Secretary of Defense's (Force Management and Personnel) response is discussed in the Office of Management and Budget (OMB) Circular No. A-76, "Performance of Commercial Activities." Although we agree that the OMB Circular No. A-76 encourages the use of private contractors, the policy also states that "comparison of the cost of contracting and the cost of in-house performance shall be performed to determine who will do the work." Our audit disclosed that all CAAS contracts were extended without any cost analysis as to whether the services should be brought in-house or whether it was cost-effective to continue to rely on private contractors over extended periods.

The classification of continued contractor support as personal services is dependent upon proving that direct supervision of contractor personnel by Government personnel exists. Our audit did not prove that direct supervision existed in the CAAS actions we reviewed. However, we believe the eight examples cited in our report identify the continued reliance on contractors (in many cases the same contractor) to perform day-to-day functions that are associated with Government functions and could be construed to resemble personal services. We do not believe the continued reliance on contractor personnel is in compliance with OMB Circular A-120, which prohibits the use of contractor personnel to bypass or undermine personnel ceilings. In connection with the revised projection of CAAS procurement for FY 1987 in Finding A., the projection of CAAS efforts that continued for more than 5 years was also revised in this final report.

Recommendation B.1. We recommend that the Assistant Secretary of Defense (Force Management and Personnel) issue guidance that defines in detail what are the inherent governmental functions that should be performed by DoD employees.

Management Comments. The Assistant Secretary of Defense (Force Management and Personnel) concurred with this recommendation. He stated that the annual manpower guidance will identify functions that are inherent government functions and the guidance will be consistent with guidance in Office of Management and Budget Circular A-76. He also stated that the guidance will be further modified in response to GAO's ongoing evaluation defining "inherent government functions."

The Principal Deputy Assistant Secretary of Defense (Production and Logistics) agreed with the planned actions stated in the Assistant Secretary of Defense (Force Management and Personnel) comments.

Audit Response. The planned action by Assistant Secretary of Defense (Force Management and Personnel) is responsive to the recommendation.

Recommendation B.2.a. We recommend that the Under Secretary of Defense for Acquisition revise DoD Directive 4205.2, "DoD Contracted Advisory and Assistance Services," to require Directors for Contracted Advisory and Assistance Services in the DoD Components to review contracts for contracted advisory and assistance services that continue longer than 5 years for compliance with DoD policy.

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) nonconcurred with this recommendation. He stated that the component CAAS directors should be required to implement policies and provide CAAS oversight, but should not be in the approval process for individual contracts. Placing the component CAAS directors in the approval process would add an unnecessary management layer. He said a better and more effective way to review contractor support requirements is to ensure that adequate internal management controls are in place where accountability and responsibility of government resources reside.

Audit Response. We agree that more effective internal controls are needed and believe that the component CAAS directors can best ensure compliance by reviewing these contracts. DoD Directive 4205.2 provides that CAAS will be obtained on an intermittent or temporary basis, and that repeated or extended CAAS arrangements shall not be entered into except under extraordinary circumstances. We found that component CAAS directors were not reviewing follow-on long-term CAAS contracts for compliance with this policy. We directed the recommendation toward work efforts where the requirement is anticipated to be longer than 5 years. These longer efforts do not meet the definition of intermittent. OMB Circular A-120, January 4, 1988, requires that contracts for CAAS be reviewed for compliance with the Circular if they continue longer than 5 years. The component CAAS director would be independent of the program office and field activity that has the requirement for the service. We

believe that the recommendation is still valid and request the Office of the Under Secretary of Defense for Acquisition to reconsider its position in response to the final report.

Recommendation B.2.b. **We recommend that the Under Secretary of Defense for Acquisition revise DoD Directive 4205.2, "DoD Contracted Advisory and Assistance Services," to require that purchase requests for contracted advisory and assistance services only be approved when program officials have demonstrated, by cost comparisons, that contracting for continuing work requirements is more economical.**

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) nonconcurred with the recommendation. He stated that the recommendation would be impossible to enforce because its application is dependent upon the definition of CAAS and the definition of what is a long-term requirement. He agreed that DoD needs to improve its compliance with current policies on when it is appropriate to choose between contracting and performing a service in-house. He stated that when implemented, the CAAS management improvement action plan will provide for improved internal controls and for the education and training to improve the process of using contract support.

Audit Response. DoD Directive 4205.2 provides that a CAAS contract may be used "when suitable in-house capability is unavailable, and ... development of in-house capability would not be cost-effective because the special skills or expertise are not required full-time." A cost comparison will ensure that the need is met in the most economical manner, and that the price paid is fair and reasonable if the service is contracted. Cost comparisons should be performed on each procurement to test price reasonableness. An analysis is needed for the contracting officer to establish what the cost should be and to negotiate on that basis. The contracts that we analyzed had a history of service procurements. In the absence of criteria for what is a long-term requirement, we used 5 years. We do not agree that it would be impossible to enforce. Each procurement request package should include a Government cost estimate, with an explanation of how the estimate was prepared. We found that the procurement request estimates for contract costs were not reliable. They were not based on a realistic analysis of what the Government should be paying for the needed services if performed in-house and contracted. We request the Office of the Under Secretary of Defense for Acquisition to reconsider its response to this recommendation and provide comments to the final report.

Recommendation B.2.c. **We recommend that the Under Secretary of Defense for Acquisition, in coordination with the DoD Comptroller establish a program to zero-base review all CAAS contracts by the end of FY 1992. The program should not permit the exercise of any contract option, modification, or renewals until the contract is reviewed. The review should determine whether requirements**

for the CAAS contract are justified and whether it is more cost-effective to perform the requirement in-house or on contract.

Recommendation B.2.d. We recommend that the Under Secretary of Defense for Acquisition, in coordination with the DoD Comptroller establish procedures for commanders to annually certify that all contracts under their cognizance for CAAS were identified and properly reported.

C. Contracting Practices

FINDING

DoD had not established effective policy or procedures for contracting for CAAS with indefinite quantity contracts and options. Contracting officers limited competition for CAAS through the use of indefinite quantity contracts, through the exercise of contract options, and through the award of contracts to small businesses. Contractors were also directed to perform work that was outside the original scope of work, and 68 percent of sampled CAAS was acquired on cost-type contracts. The use of indefinite quantity contracts for CAAS evolved because contracting officers found this type of contract to be more convenient than other contract types. Furthermore, the FAR does not specifically provide for or prohibit their use for CAAS. Also, procuring activities did not have adequate procurement planning and often did not identify what was expected of contractors in the basic statements of work. Contracting officers did not do enough to ensure competition on small business set-asides. Consequently, 85 percent of all CAAS contracts had limited competition. In addition, breakout of individual tasks to competition and the use of firm-fixed-price contracts could have reduced Government costs.

DISCUSSION OF DETAILS

Background. The Competition in Contracting Act of 1984, as implemented by Federal Acquisition Regulation (FAR) Part 6, requires procuring activities to use full and open competition in their procurements to the fullest extent possible. If full and open competition is not possible, a justification should be prepared and approved at a level consistent with the dollar value of the procurements. DoD Directive 4245.9, "Competitive Acquisitions," states that it is DoD policy that all goods and services be acquired on a competitive basis to the maximum extent practicable as a means of achieving fair and reasonable prices and technical benefits.

The Office of Management and Budget (OMB) Circular No. A-120 and DoD Directive 4205.2 require that work statements for CAAS be specific, complete, and specify a fixed period of performance for the services; and that contracting officers for CAAS use competitive procedures to promote full and open competition. Competitive procedures include advertising in the Commerce Business Daily, conducting market surveys, holding pre-solicitation conferences, and establishing and maintaining contractor mailing lists for solicitation.

The FAR provides guidance on the use of contract types. Fixed-price contracts should be used where requirements are known and

can be sufficiently defined to permit the assessment of risks. Cost-type contracts are appropriate for certain indefinite requirements and where risks cannot be adequately assessed. Ordinarily, cost-type contracts should not be used for repetitive or recurring requirements. In such circumstances, program officials should have sufficient experience to enable the adequate definition of quantity and performance factors to permit the use of fixed-price contracts.

Indefinite Quantity Contracts. The FAR provides that indefinite quantity contracts may be used to purchase commercial products or services. The FAR does not specifically provide for or prohibit the use of indefinite quantity contracts for the procurement of CAAS. Variations of indefinite quantity contracts were used for the procurement of CAAS on 45 of 110 contracts reviewed (Appendix I). The variations included indefinite quantity/indefinite delivery, definite quantity/indefinite delivery, time-and-material, labor hour contracts, and task order contracts. These contracts usually had general terms and a general statement of work because specific tasks were unknown when the contracts were negotiated. Only 1 of the 45 indefinite quantity contracts sampled identified the tasks to be performed when the basic contract was awarded. The basic contracts contained estimates of the number of hours for various labor categories that would be needed during the term of the contract. The contracts provide for the Government to issue task orders to the contractor during the contract performance period. When task orders were issued, the contractor provided a cost proposal based on the hourly labor rates negotiated in the basic contract.

The use of indefinite quantity contracts prohibited the competitive acquisition of individual tasks, allowed activities to contract for future unknown CAAS requirements, provided the ability to direct subcontracting, and allowed the obligation of funds at fiscal year end. Generally, multiple task orders were issued against the basic contract. For example, 3 of the 45 contracts in our sample had more than 70 task orders issued against each contract.

Competitive solicitations, including advertising in the Commerce Business Daily, were used to award all of the 45 indefinite quantity contracts. Proposal evaluation factors included technical qualifications and price. The offerors' proposed billing rates for labor, while the total amount of the contract were estimated. Various levels of effort were identified in the contracts in several ways: a minimum and maximum number of hours, an exact number of hours, and an approximate number of hours to be delivered. Often the number of hours was broken down by specific categories of labor, with provisions for percentage deviations or the negotiation of "equivalent hours" on individual tasks. Equivalent hours were negotiated when a task required labor categories that were not specified in the basic task order contract. This procedure permits ordering fewer hours for labor

categories with a higher cost per hour, and conversely more hours for labor categories with a lower cost per hour. The provision for equivalent hours was used on large task order contracts for cost estimating support services at the Air Force Space Division and the Air Force Electronic Systems Division.

The indefinite quantity contracts are used because they permit the procuring activities to place task orders easily and quickly. Indefinite quantity contracts are a convenient method of contracting because they:

- allow the contracting officers or requiring activity to satisfy an indefinite number of requirements during the performance period, and

- reduce administrative costs and lead time associated with individual contracts.

The indefinite quantity contract also allowed obligation of funds quickly at the end of the fiscal year for work to be substantially performed during the following fiscal year. Twenty-three sample task orders for $10.8 million were issued on 16 contracts during the last quarter of FY 1987. Use of competitive procedures to procure these tasks takes a longer time than issuing a task order on an existing contract because of procurement administrative lead time.

Contracting officers also negotiated task orders that revised the original contract prices. Specifically, labor rates changed, labor mix changed, new labor categories were added, and subcontract labor that was not included in the original negotiations was used. This condition occurred on contracts that contained provisions for the negotiation of equivalent hours in individual task orders and on other indefinite delivery contracts. This illustrates that the actual work requirements were not well defined when the basic indefinite quantity contract was negotiated.

Ordering Officers. At two Navy activities, ordering officers at the using activities rather than contracting officers, placed task orders on 7 of the 45 indefinite delivery contracts reviewed. We sampled 11 task orders that were issued against the 7 contracts and found each order was greater than $25,000 including 3 orders that were more than $100,000. Ordering officers are personnel designated by contracting officers to have the authority to place orders against established contracts. We believe that it may not be in the Government's best interest for personnel other than contracting officers to task contractors because FAR Subpart 37.2 requires that the contracting officers make determinations regarding the procurements of CAAS.

Subcontracting Task Orders. Task orders issued against indefinite quantity contracts were used for directed

subcontracting to obtain services that should have been procured directly. For example, on Air Force Space Division contract F04701-83-D-0103 with Tecolote Research, Incorporated for cost estimating services, task orders 0086 and 0087 directed Tecolote to subcontract with Booz, Allen and Hamilton, Incorporated for studies concerning the Strategic Defense Initiative (SDI) program. On both task orders, Tecolote acted as the Government's contracting office and provided no added benefit. Task order 0086 was a "rush" effort to develop a methodology to identify potential manufacturing cost reductions in SDI systems and components. Task order 0087 was an analysis of specific manufacturing technology, producibility and industrial capability issues to support the Strategic Defense Initiative Office in replying to Congressional concerns of SDI program costs. Tecolote accepted Booz, Allen and Hamilton's cost proposals as submitted for both task orders. The value of task orders 0086 and 0087 were $66,729 and $336,420, respectively.

Contract Options and Modifications. Other indicators of the need for better procurement planning were the use of contract options and modifications. Contract options were used for 31 of 45 indefinite quantity contracts. In 29 of the 31 option contracts, the contract provided for a base year of performance, with options to extend performance for up to 3 years. The other 2 option contracts contained options for a shorter duration. Contract options were also used with 32 contracts that were not indefinite quantity. We found that contracting officers exercised all contract options to maintain continued contractor support.

On 24 of the 110 contracts reviewed, modifications for additional work more than doubled the contract value from the amount originally estimated. Modifications were used to increase the level of effort, to add tasks to the statement of work, and to extend the period of performance. We identified 26 other contracts with modifications where contract values increased but did not double.

Small Business Awards. The audit showed that 34 of the 110 contracts reviewed were reserved for award to small business firms and small disadvantaged business concerns. Twenty-four contracts were set-asides to small business firms in accordance with FAR Subpart 19.5, and 10 contracts were sole-source contracts awarded to small disadvantaged business concerns under Section 8(a) of the Small Business Act (FAR Subpart 19.7). Reserving the contracts for small business set-asides did not always result in limited price competition because only one proposal was received for 8 of the 24 small business set-aside procurements. The reasonable expectation in setting aside a procurement to small business is that at least two responsible small businesses will bid for the contract at reasonable prices. DoD has policies for purchasing products and services from small businesses and small disadvantaged businesses, and has special advocate personnel to assist small businesses. Contracting for

CAAS from small businesses and small disadvantaged businesses was a legal exception to full and open competition that helped to achieve socioeconomic goals. We concluded, based on our review of the contracts, that contracting officers and program officials did not give sufficient attention to obtaining adequate competition on small business set-asides and in ascertaining that small disadvantaged business firms could provide the best mix of cost and performance. We believe that the use of presolicitation conferences would increase competition. Contracts for the acquisition of labor hours (level of effort contracts) were awarded to small disadvantaged business concerns under the Section 8(a) Program, and we found that on 4 of the 10 contracts reviewed, a substantial amount of the effort was subcontracted to other large and small business firms. The amount subcontracted ranged from 29 to 46 percent of the total contract value. In 2 of the 10 contracts, there were no determinations that the subcontracted effort could have been broken out to avoid payment of unnecessary overhead and profit. The four contracts, which were all Navy contracts, were for the performance of spare parts breakout reviews at the Navy Aviation Supply Office, and were to provide management support services to program offices at the Naval Sea Systems Command, Space and Naval Warfare Systems Command, and at the Naval Air Development Center. We also found that 6 of 24 small business set aside contracts had subcontracting that ranged from about 12 to 46 percent of the contract value. Subcontracting on these contracts increased the amount of indirect costs and profit that the Government was required to pay.

Cost-Type Contracts. For the 110 contracts in our sample, 76 were cost-type contracts and 34 were fixed-price contracts. The latter included two fixed-price level of effort contracts, which had statements of work that were described in general terms and were like cost reimbursable contracts issued at other locations. The labor rates were the only part of the contract that was fixed-priced.

We found that a determination and finding was prepared in accordance with FAR 16.301-3, "Cost Reimbursement Contracts," for each cost-type contract. In these cases the contracting officer concluded that the contract requirements could not be adequately defined and that the cost-type contract was likely to be less costly than another contract type. The statements of work on individual task orders were more specific in what was expected of the contractor. We believe that many of the orders issued under the cost-type indefinite delivery contracts and fixed-price level of effort contracts could have been separate firm-fixed-price contracts or fixed price orders under a basic ordering agreement because they were for substantially the same efforts and the requirements were sufficiently defined. A basic ordering agreement is a written understanding that contains terms and clauses applicable to future orders. Orders issued under a basic ordering agreement are separate contracts subject to FAR competition and synopsis requirements. FAR 16.103(c) states that

"contracting officers should avoid protracted use of cost reimbursement or time and materials contract after experience provides a basis for firmer pricing." Contracting officers did not use firmer pricing because it was more cumbersome and required more administrative lead time than the issuance of orders under cost-type indefinite delivery contracts.

The overuse of cost-type contracts, when use of fixed-price contracts was more applicable, was also identified in audit Report No. 91-030, "Justification for Use of Time-and-Materials Contracts," January 8, 1991. That audit reviewed $1.4 billion of FY 1987 time-and-materials contracts (included in the time-and-material contract universe were indefinite delivery contracts and basic ordering agreements). The audit determined that about 72 percent, or $1 billion, of the time-and-materials contracts could have been awarded as fixed-price contracts. The audit determined that a lack of proper analysis, planning, or justification caused the problem.

Follow-on Contracts. Follow-on contracts were frequently issued to the same contractor, and actions by the procuring activity to stimulate competition were limited. In our sample of 110 contracts, 36 were follow-on contracts issued to the same contractors. In all cases examined, the contracting officer either advertised the solicitation in the Commerce Business Daily as required by the Competition in Contracting Act or the procurement was made under one of the competitive acquisition exclusions. However, in 25 of the 36 contracts, only 1 contractor submitted a proposal (and that was always the incumbent contractor). For 26 of the 36 follow-on contracts, awards were made to contractors who had previously performed the support services for more than 5 years (9 contractors had performed the services for 10 years or longer). Once the contractor had established himself as a satisfactory performer, and the contractor and the activity personnel were comfortable with each other, this situation would lead to continual follow-on contracts. Although the audit could not determine why only one contractor submitted a proposal, the audit did show that contracting officers could have done more to stimulate competition. The contracting officers limited their actions to achieve competition to advertising in the Commerce Business Daily and issuing solicitations to contractors on bidder lists. Based on our sample of contracts reviewed, we projected that DoD issued 38 percent of all CAAS follow-on contracts to the same contractor, and 26 percent of all follow-on contracts issued to the same contractor had only 1 proposal.

Procurement Planning. We concluded that the requiring activities and contracting officers could have done better procurement planning to increase competition and to reduce the use of cost-type contracts. FAR 7.102, "Acquisition Plans," requires that agencies perform acquisition planning and conduct market surveys for all acquisitions in order to promote and provide for full and open competition. The purpose of this

planning is to ensure that the Government meets its needs in the most effective, economical, and timely manner. Procurement planning should begin as soon as the need is identified or with budget preparation, preferably well in advance of the contract award. The planning should determine the type, quality, quantity, and delivery requirements; and it should result in a specific statement of work. It should also identify several prospective sources for the service and the type of contract best suited to acquire the services and achieve the best mix of price and performance. Presolicitation conferences can be used to discuss the Government's requirement with perspective contractors and increase competition. Of the 57 follow-on efforts, 30 were for work requirements of more than 5 years (18 of the 30 were for efforts of 10 years or more). Of these 30 follow-on efforts, 20 of the procurement solicitations received only 1 contractor proposal (in all instances the 1 proposal was received from the predecessor contractor). Also, 29 of the 30 follow-on efforts were issued under a cost-type contract.

Program officials did not always start planning early enough, and contracting officers on nine contracts had no alternative but to extend performance or issue a noncompetitive "bridge" contract in order to meet the continuing requirement. Program officials did not advocate or support introduction of competition unless they were dissatisfied with the incumbent contractor's performance. We believe that the program officials did not introduce or encourage new contractors to provide management support or engineering and technical support services because using new contractors would require that more technical direction be provided to the contractor. Overall, we believe that there was a need for more and earlier front-end analysis of the requirement and how it could be more effectively competed.

Conclusion. Overall, we believe that increased competition and the use of firm-fixed-price contracts to perform CAAS could reduce contract costs. The use of cost-type contracts and indefinite quantity contracts to procure CAAS provided little incentive for the contractors to control costs. Cost-type contracts also require more monitoring and administration by the Government to ensure that the contractor uses efficient methods and effective cost controls. Breakout of individual tasks to competition and firm-fixed-price contracts could reduce costs and risks to the Government.

In lieu of indefinite quantity (task order) contracts, we believe that DoD contracting activities should expand the use of individual contracts and basic ordering agreements. Master agreements may also be a viable alternative. The FY 1990 Defense Authorization Act allows DoD to develop a 3-year test program to use master agreements for CAAS. Master agreements, which will be a variation of basic ordering agreement, will be issued to a number of contractors for the same type of services. When an individual requirement is defined, it will be competed among the contractors with master agreements for the type of services

needed. The placement of orders under master agreements should require less administrative lead time than regular competitive contracting procedures.

RECOMMENDATIONS, MANAGEMENT COMMENTS AND AUDIT RESPONSE

Finding

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) and the Assistant Secretary of the Navy (Research, Development and Acquisition) provided comments to the draft report. The complete text of the comments is in Appendixes J and N respectively.

The Principal Deputy Assistant Secretary of Defense (Production and Logistics) disagreed with some of the conclusions and recommended corrective actions in this finding. He stated that existing FAR guidance provides effective policy and procedures for the use of indefinite quantity contracts, options, and small business set-asides. The guidance enables contracting officers the ability to choose the most appropriated acquisition methods to meet requirements. The Principal Deputy stated that it is unwarranted to conclude there is a lack of procurement planning when there are modifications to contract requirements because in dynamic environments, such changes cannot be predicted and yet are necessary for a meaningful product. He also stated that a firm-fixed-price contract should be used under appropriate conditions, but well-defined requirements are not always available and competing individual tasks would have to take into account any possible Government savings.

Audit Response. The policy is unclear on when indefinite quantity contracts and options are appropriate to acquire CAAS. DoD Directive 4205.2 states that "contracts for CAAS shall clearly describe the work to be performed, the items to be delivered, and shall specify a fixed period of performance." The indefinite quantity contracts lacked specificity in the initial stated requirements, and are used because there is no natural term for the support. This type of contract allows a maximum contract term of 5 years between recompetitions. Contracting officers trade off the specificity of contract terms and control features of a short-term contract for the administrative economies and operating efficiencies of the longer intervals between resolicitations. Furthermore, DoD Directive 4205.2 states that "CAAS shall be obtained on an intermittent or temporary basis, as required." Indefinite quantity contracts with options that extend the contract term to 5 years do not meet this condition. To the extent that there is competition for the award of the indefinite quantity contracts, it is on quoted rates for types of services that may be needed to accomplish a broad statement of work. We believe that this virtually ensures that the incumbent contractor will receive the award, thus not meeting

the intent of full and open competition in the Competition and Contracting Act, OMB Circular No. A-120, and DoD Directive 4205.2.

We disagree with the Principal Deputy's comments that existing FAR policy provides effective policy in the use of indefinite quantity contracts and that the use of these contracts is appropriate for CAAS. The Principal Deputy's position is contrary to DoD's recent request to Congress for the approval of the establishment of master agreements for study, advisory, and assistance services. If the use of indefinite quantity contracts were proper, there would be no need for master agreements. In response to the "Audit of the Justification for Use of Time-and-Materials Contracts," (Report No. 91-030), the Principal Deputy concurred that master agreements were established for advisory and assistance services. He agreed that master agreements should be used in lieu of time-and-material contracts (time-and-material contracts are cost contracts used when the extent or duration of work cannot be estimated accurately and are similar to indefinite quantity contracts). We believe the position taken by the Principal Deputy in response to Report No. 91-030 should also be taken for the indefinite quantity contracts issue raised in this report.

Recommendation C.1.a. **We recommend the Under Secretary of Defense for Acquisition issue a policy memorandum that directs DoD Components to discontinue the use of indefinite quantity (task order) contracts and options for the acquisition of contracted advisory and assistance services and expand the use of basic ordering agreements, master agreements, and other contract types.**

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) nonconcurred and stated that discontinuing the use of indefinite quantity contract for CAAS is inappropriate. He stated that many CAAS contract actions fully meet the criteria for this type of contract, although many other CAAS efforts should be contracted with master agreements or other contract types. He believed that it would be counterproductive and costly to eliminate the contracting officers' ability to choose the most advantageous contract type.

Audit Response. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) did not identify the circumstances or criteria that would make the use of indefinite quantity (task order) contracts for CAAS appropriate and when master agreements or other contract types are appropriate. All of the CAAS contracts that we reviewed could have been contracted using a master agreement arrangement, basic ordering agreement, or regular contract. However, the indefinite quantity type contract was preferred because of administrative economies. Also, Contracting officers did not have to prepare justification and approval documentation and publicize individual task order requirements in the Commerce Business Daily. Another trade-off

is the control offered by short-term contracts. Because the scope of individual tasks and required outputs vary, the Government cannot be assured that the most advantageous price for the work was obtained.

The Federal Acquisition Regulation (FAR) 16.504(a) describes an indefinite quantity contract as a contract vehicle for an indefinite quantity, within stated limits, of specific supplies or services to be furnished during a fixed period. FAR 16.504(b) describes the application of these contracts and states indefinite quantity contracts should be used only for items or services that are commercial products or commercial-type products and when a recurring need is anticipated. FAR 11.001 defines commercial products or commercial-type products as an item, material, component, subsystem, or system, sold or traded to the general public in the course of normal business operations at prices based on established catalog or market prices. Due to the policy stated in the FAR, we believe that the procurement of CAAS does not meet the definition of a commercial product, and the use of contract options under indefinite quantity contracts does not satisfy the definition of a fixed period.

The Principal Deputy's comments are not consistent with the DoD Office of General Counsel's position that the use of indefinite delivery order contracts for CAAS are inappropriate because the subsequent issuance of tasks is, in essence, a sole-source procurement. In addition, the Deputy Assistant Secretary of Defense (Procurement) in response to the report on time-and-material contracts sent out a policy memorandum to all contracting offices stressing the need to review statements of work to assess the potential for awarding firm-fixed-price contracts, especially for follow-on efforts. The policy memorandum also reminded contracting officers to avoid protracted use of cost-reimbursement or time-and-materials contracts, which includes indefinite contracts and basic ordering agreements, after experience provides a basis for firmer pricing. Similar policy is needed in response to this report.

We request the Under Secretary of Defense for Acquisition reconsider his position and provide additional comments to this recommendation in response to the final report.

Recommendation C.1.b. We recommend the Under Secretary of Defense for Acquisition issue a policy memorandum that directs DoD Components to increase the use of fixed-price contracts to procure contracted advisory and assistance services when performance requirements can be defined and cost data can be obtained.

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) concurred with this recommendation. In response to the final report, we request a completion date for the planned action.

Recommendation C.1.c. **We recommend the Under Secretary of Defense for Acquisition issue a policy memorandum that directs DoD Components to use presolicitation conferences to ascertain that at least two small business firms will bid on small business set-asides for contracted advisory and assistance services.**

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) concurred in part with this recommendation stating that presolicitation conferences are not binding and therefore do not guarantee multiple competitive participation.

Audit Response. Single source awards on small business set-asides should be avoided. We agree that presolicitation conferences do not guarantee competitive procurements, but holding such conferences may provide the contracting officer with a better understanding of the marketplace from which the procurement will be made. A presolicitation conference can provide additional assurance that at least two bidders have an interest to perform and that the statement of work is understood by potential bidders. Therefore, in response to the final report, we request that the Under Secretary of Defense for Acquisition reconsider his position and state whether his office will address the use presolicitation conference on small business set-aside procurements in the policy memorandum to DoD Components.

Recommendation C.1.d. **We recommend the Under Secretary of Defense for Acquisition issue a policy memorandum that directs DoD Components to evaluate proposals to subcontract efforts on large dollar value contracts for contracted advisory and assistance services to determine whether it would be more advantageous to breakout the work for separate contract.**

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) concurred and stated that the recommendation is equivalent to a "make-or-buy" evaluation in a production proposal. He stated that the contracting officers have the responsibility to ensure that subcontracting decisions make good business sense. The Principal Deputy concluded that adequate guidance is already contained in the Federal Acquisition Regulation.

Audit Response. We agree that adequate guidance exists in the Federal Acquisition Regulation on evaluating proposals for possible breakout. The intent of the recommendation was to make contracting officers aware of existing guidance, because we found no evidence during our audit that such evaluations were being performed. We request that the Under Secretary of Defense for Acquisition provide additional comments to the final report and state whether the existing policy will be reemphasized in a policy memorandum to the DoD Components.

Recommendation C.1.e. **We recommend the Under Secretary of Defense for Acquisition issue a policy memorandum that directs DoD Components to reemphasize the need for planning for competition in the awarding of follow-on contracts for contracted advisory and assistance services.**

Management Comments. The Principal Deputy Assistant Secretary of Defense (Production and Logistics) concurred and stated that the FAR requires contracting officers to promote and provide for full and open competition in awarding contracts (presumably including follow-on contracts).

Audit Response. The guidance in the FAR does not guarantee that contracting officers will aggressively pursue competitive procurements. Contracting officers should give serious consideration to publicizing major CAAS procurements well in advance of the draft solicitation/solicitation stages to give the private sector advance information and to allow time for considering or preparing a response to a solicitation. There may also be transition cost involved in bringing a new contractor on board. These costs may include keeping both the old and the new contractors on board for a short time until the new contractor comes up to speed and the old contractor releases its employees. Careful consideration should be given to the treatment of transition costs prior to issuance of a competitive solicitation for a major support requirement, currently performed by a long-term incumbent. If a contractor has held a service contract for a significant period of time, its employees may have pension rights. The threat of competition raises the possibility that if a new contractor is selected, these employees may lose their pension rights. This factor may create significant difficulties for the DoD Component in attempting to run effective competition, as well as disrupt performance under the ongoing contract. During this audit, we found that contracts were extended through sole-source "bridge" contracts to continue contractor performance because of inadequate procurement planning. We request that the Under Secretary of Defense for Acquisition address these issues in his memorandum when reemphasizing the need for planning for competition. In response to the final report, the Under Secretary should also provide a completion date for the planned action.

Recommendation C.2. **We recommend that the Navy Acquisition Executive direct contracting officers to discontinue the practice of authorizing ordering officers to place orders for contracted advisory and assistance services.**

Management Comments. The Assistant Secretary of the Navy (Research, Development and Acquisition) nonconcurred with this recommendation on the basis that the use of ordering officers is an acceptable practice and their use streamlines the procurement process. He stated that the requirements of the Federal Acquisition Regulation are satisfied at the time of contract award.

The Principal Deputy Assistant Secretary of Defense (Production and Logistics) concurred in part with the recommendation and stated that where specific tasks are unknown at the time of award, it is inappropriate to use ordering officers and that Navy should ensure that contracting officers use good judgment in selecting the best procedures.

Audit Response. We found seven Navy contracts that ordering officers had placed orders that were all indefinite quantity contracts with general statements of work. Specific tasks and the value of task orders were not identified until the ordering officer placed the order. The ordering officer was an employee of the program office that was also responsible for monitoring contract performance on-site. We believe that it is generally appropriate that responsibilities for contract award and on-site administration be divided. Modern communication capabilities can permit the contracting officer to award the order although he is geographically separated from the program office. We request the Navy to reconsider its position in responding to the final report.

PRIOR AUDITS AND INSPECTIONS OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES SINCE 1984

Agency	Report No.	Date	Title
OAIG-AUD [1]	85-029	Nov. 11, 1984	Report on the Audit of DoD Contract Studies and Analyses, and Professional and Management Services
AAA [2]	NE85-2	Nov. 16, 1984	Contracting Operations at the Dover, NJ, Procurement Directorate
AFAA [3]	3066414	Jan. 16, 1985	Service Engineering Contracts at the Air Logistics Center
GAO [4]	966188	Jan. 24, 1985	GAO Review of DoD Consulting Services
OAIG-AUD	85-071	Feb. 7, 1985	Report on the Audit of Consulting Service Contracts as of March 31, 1984
AFAA	3066416	Mar. 18, 1985	Review of Firm Fixed Price Level of Effort Contracting within the Air Force Systems Command
NAS [5]	C35224	June 5, 1985	Personnel Management at the Naval Sea Systems Command
NAS	K30044	July 3, 1985	Joint Tactical Information Distribution System Program at the Space and Naval Warfare Systems Command
OAIG-AUD	85-116	Sep. 18, 1985	Report on the Audit of DoD Laboratory Contract Studies and Analyses
AFAA	4066429	Sep. 18, 1985	Followup Audit: Contracting for Consulting, Management Support Services, Studies and Analyses

See footnotes at end of table.

PRIOR AUDITS AND INSPECTIONS OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES SINCE 1984
(Continued)

Agency	Report No.	Date	Title
NAS	A40045L	Oct. 7, 1985	Contract Administration, Procurement, Program and Budget, Information Technology, Property, Internal Control Program, and Other Selected Functions at the Navy Management Systems Support Office, Norfolk, VA
GAO	NSIAD 86-8	Nov. 22, 1985	Actions to Gain Management Control Over DoD's Contract Support Services
OAIG-AUD	86-093	May 23, 1986	Report on the Audit of Consulting Service Contracts as of March 31, 1985
AFAA	6066415	Nov. 12, 1986	Followup Audit--Service Engineering Contracts at the Air Logistics Centers
OAIG-AUD	87-127	Apr. 17, 1987	Report on the Audit of the Status of Consulting Services
OAIG-AUD	87-146	May 13, 1987	Report on the Audit of the Hazardous Material Technical Center
OAIG-AUD	88-184	July 22, 1988	Report on the Status of Consulting Services
OAIG-INS [6/]	88-02	March 24, 1988	Inspection of Strategic Defense Initiative Organization

See footnotes at end of table.

PRIOR AUDITS AND INSPECTIONS OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES SINCE 1984
(Continued)

Agency	Report No.	Date	Title
AAA	HQ 89-1	April 28, 1989	Contracted Advisory and Assistance Services, Study Program Management Agency
GAO	GAO/ NSIAD-89-221	September 13, 1989	DoD REVOLVING DOOR: Processes Have Improved But Post-DoD Employment Reporting Still Low.
GAO	GAO/ NSIAD-90-103	February 27, 1990	DoD REVOLVING DOOR: Few Are Restricted From Post-DoD Employment and Reporting Has Some Gaps.
GAO	GAO/ NSIAD-90-119	August 20, 1990	Consulting Services: Role and Use in Acquiring Three Weapon Systems.

1/ Office of the Assistant Inspector General for Auditing
2/ Army Audit Agency
3/ Air Force Audit Agency
4/ General Accounting Office
5/ Naval Audit Service
6/ Office of the Assistant Inspector General for Inspections

FEDERAL SUPPLY/SERVICE CODES USED IN CONTRACTED ADVISORY AND ASSISTANCE SERVICES

R,D,T,& E Codes	Codes
All Codes with the Following	A**6
Automatic Data Processing Services	
ADP Systems Development Programming Services	R302
ADP Systems Analysis	R306
Management and Professional Services	
Land Surveys, Cadastral Services (Nonconstruction)	R404
Operations Research Services	R405
Policy Review/Development Services	R406
Program Evaluation Services	R407
Program Management Support Services	R408
Program Review/Development Services	R409
Real Property Appraisal Services	R411
Simulation	R412
Specifications Development Services	R413
Systems Engineering Services	R414
Technology Sharing/Utilization Services	R415
Care of Animals	R416
Legal Services	R418
Education Services	R419
Certifications and Accreditations	R420
Technical Assistance	R421
Telephone and Field Interview Services	R422
Intelligence Services	R423
Expert Witness	R424
Engineering Technical Services	R425
Communications Services	R426
Personal Services	R497
Other Professional Services	R498
Other Management Services	R499

* = any numerical code on this position

FEDERAL SUPPLY/SERVICE CODES USED IN CONTRACTED ADVISORY AND ASSISTANCE SERVICES
(Continued)

Special Studies and Analysis	Codes
Air Quality Analyses	R502
Archeological/Paleontological Studies	R503
Chemical/Biological Studies and Analyses	R504
Cost Benefit Analyses	R505
Data Analyses (Other than Scientific)	R506
Economic/Socio-Economic and Labor Studies	R507
Endangered Species Studies - Plant and Animal	R509
Environmental Assessments	R510
Environmental Baseline Studies	R511
Environmental Impact Studies	R512
Feasibility Studies (Nonconstruction)	R513
Animal and Fisheries Studies	R516
Geological Studies	R517
Geophysical Studies	R518
Geotechnical Studies	R519
Grazing/Range Studies	R520
Historical Studies	R521
Legal/Litigation Studies	R522
Mathematical/Statistical Analyses	R524
Natural Resources Studies	R525
Oceanological Studies	R526
Recreation Studies	R527
Regulatory Studies	R528
Scientific Data Studies	R529
Seismological Studies	R530
Soil Studies	R532
Water Quality Studies	R533
Wildlife Studies	R534
Medical and Health Studies	R537
Intelligence Studies	R538
Aeronautic/Space Studies	R539
Building Technology Studies	R540
Defense Studies	R541
Education Studies and Analyses	R542
Energy Studies	R543
Technology Studies	R544
Housing and Community Development Studies	R545
Security Studies (Physical and Personal)	R546
Accounting/Financial Management Studies	R547
Trade Issue Studies	R548
Foreign Policy/National Security Policy Studies	R549
Organization/Administrative/Personnel Studies	R550

FEDERAL SUPPLY/SERVICE CODES USED IN CONTRACTED ADVISORY AND ASSISTANCE SERVICES
(Continued)

Special Studies and Analysis	Codes
Mobilization/Preparedness Studies	R551
Manpower Studies	R552
Communications Studies	R553
Acquisition Policy/Procedures Studies	R554
Other Special Studies and Analyses	R599
Administrative Support Services	
Material Management	R601
Other Administrative Support Services	R699
Management Support Services	
Advertising Services (Excluding Media Costs)	R701
Data Collection Services	R702
Financial Services	R703
Auditing Services	R704
Debt Collection Services	R705
Logistics Support Services	R706
Contract, Procurement and Acquisition Support Services	R707
Public Relations Services	R708
Other Management Support Services	R799

STATISTICAL SAMPLING APPROACH

The FY 1987 audit universe consists of the following for the selected Federal Supply/Service Codes identified in Appendix B:

	Audit Universe	
	Actions	Amount
Army	2,241	$ 931,798,000
Navy	4,841	1,107,804,000
Air Force	1,598	749,740,000
Other	42	25,432,000
Total	8,722	$2,814,774,000

The audit universe was separated into 6 geographic zones with a total of 367 contracting offices. Three of the six zones were randomly selected for review. The universe and sample selected for the three zones were as follows:

	Three Zone Universe		Sample Selected	
	Actions	Amount	Actions	Amount
Army	1,552	$ 607,531,000	122	$ 93,508,058
Navy	4,199	1,015,793,000	99	72,247,452
Air Force	464	287,479,000	186	150,392,780
Other	41	24,885,000		
Total	6,256	$1,935,688,000	407	$316,148,290

There were 249 contracting offices within the 3-zone universe. Twenty-five contracting offices were randomly selected for inclusion in the audit. Within the 25 contracting offices, the auditors randomly selected contract actions issued by the office during FY 1987 for determining whether the contract action was for CAAS* efforts. Examination of individual contract actions showed that some actions met the definition of CAAS, some actions were non-CAAS, and some actions were financial actions of contract efforts prior to FY 1987. The distribution of audit results follows.

*CAAS - Contracted Advisory and Assistance Services

STATISTICAL SAMPLING APPROACH (Continued)

Military Department	Sample Selected		CAAS		Non-CAAS		Financial Actions	
	Actions	Amount	Actions	Amount	Actions	Amount	Actions	Amount
Army	122	$ 93,508,058	52	$44,831,179	51	$ 37,097,558	19	$11,579,321
Navy	99	72,247,452	51	23,856,275	36	37,524,977	12	10,866,200
Air Force	186	150,392,780	51	28,696,119	97	52,459,264	38	69,237,397
Total	407	$316,148,290	154	$97,383,573	184	$127,081,799	69	$91,682,918

These results were the basis for the division of the universe into three categories, CAAS actions, non-CAAS actions, and financial actions. Once the universe was divided and the CAAS universe was established, the CAAS universe became the basis for projecting the total DoD CAAS amount for FY 1987. The sample results were projected against each Military Department and zone for the three zones reviewed (Appendix C, page 3 identifies the overall projection for the three sample zones).

The estimate is based on two separate and distinct pieces of information: (1) we selected a two-stage stratified sample of 407 contract actions worth $316.1 million of which 154 actions (Appendix D) met the CAAS definition in the DoD Directive 4205.2. Of these 154 contract actions reviewed, 113 actions worth $76.5 million, had not been identified and reported as CAAS by the Military Departments (page 6). The total projected results showed that $226,049,486 was classified as CAAS by the field activities and may have been reported as CAAS out of a total projected CAAS universe of $941,478,789 (Appendix C, pages 3 and 4). From this projection, we estimated that only 24 percent ($226.0 million ÷ 941.5 million) of the amount obligated for CAAS was reported for FY 1987. This statistical projection has a precision of estimate of plus or minus 7.1 percent with 90 percent confidence. (This also amounts to a relative precision of plus or minus 29.4 percent of the projected amount); (2) since the amount of CAAS reported for FY 1987 by OSD was $2.05 billion, and we projected that only 24 percent of CAAS was reported, we applied the 24 percent to the OSD reported amount to obtain the amount of CAAS that should have been reported of $8.5 billion ($2.05 billion ÷ .24 (24 percent)). The 24 percent of reported CAAS was subject to a precision of plus or minus 7.1 percent (with 90-percent confidence). Therefore, we estimated that OSD should have reported $8.5 billion (with 90-percent confidence) for FY 1987. Since OSD reported $2.05 billion of CAAS, we estimated that between $4.0 billion and $9.0 billion (projected $8.5 billion less $2.05 billion reported by OSD results in about $6.5 billion underreported CAAS plus or minus $2.5 billion).

STATISTICAL SAMPLING APPROACH (Continued)

Projection of the Contracted Advisory and Assistance Services (CAAS) Universe

Military Component	Audit Universe		Three Sampled Zones	
	Actions	Amount	Actions	Amount
Army	2,241	$ 931,798,000	1,552	$ 607,531,000
Navy	4,841	1,107,804,000	4,199	1,015,793,000
Air Force	1,598	749,740,000	464	287,479,000
Other	42	25,432,000	41	24,885,000
Total	8,722	$2,814,774,000	6,256	$1,935,688,000

Projected CAAS Universe:

Military Component	Three Sampled Zones		All Zones	
	Actions	Amount	Actions	Amount
Army	638	$257,423,485	921	$396,587,269
Navy	2,282	364,955,585	2,631	398,013,431
Air Force	129	44,564,191	447	146,878,089
Total	3,049	$666,943,261	3999	$941,478,789

Projected Non-CAAS Universe:

Military Component	Three Sampled Zones		All Zones	
	Actions	Amount	Actions	Amount
Army	656	$272,137,628	946	$419,255,915
Navy	1,432	513,869,124	1,651	560,415,627
Air Force	240	78,645,971	825	259,205,932
Total	2,328	$864,652,723	3,422	$1,238,877,474

Projected Financial Actions:

Military Component	Three Sampled Zones		All Zones	
	Actions	Amount	Actions	Amount
Army	259	$ 75,265,888	374	$115,954,816
Navy	485	136,968,291	559	149,374,942
Air Force	95	104,268,838	326	343,655,980
Total	839	$316,503,017	1,259	$608,985,738

STATISTICAL SAMPLING APPROACH (Continued)

Projection of How Much of the Contracted Advisory and Assistance Services (CAAS) Universe Reported to Congress

Projected CAAS Universe:

Military Component	Three Sampled Zones		All Zones	
	Actions	Amount	Actions	Amount
Army	638	$257,423,485	921	$396,587,269
Navy	2,282	364,955,585	2,631	398,013,431
Air Force	129	44,564,191	447	146,878,089
Total	3,049	$666,943,261	3,999	$941,478,789

Projected CAAS Reported:

Military Component	Three Sampled Zones		All Zones	
	Actions	Amount	Actions	Amount
Army	67	$ 9,083,106	97	$ 13,993,457
Navy	594	162,578,183	685	177,304,590
Air Force	61	10,543,952	209	34,751,439
Total	722	$182,205,241	991	$226,049,486

Projected CAAS Not Reported:

Military Component	Three Sampled Zones		All Zones	
	Actions	Amount	Actions	Amount
Army	571	$248,340,378	824	$382,593,811
Navy	1,688	202,377,403	1,946	220,708,842
Air Force	68	34,020,239	238	112,126,650
Total	2,327	$484,738,020	3,008	$715,429,303

CONTRACTED ADVISORY AND ASSISTANCE SERVICES
CONTRACT ACTIONS REVIEWED

ARMY

Contracting office: Army Armament Munitions and Chemical Command, Aberdeen Proving Ground, MD (DAAK11-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
84-D-0016	0018	$3,613,880.00	O&M	B	Monitor & analyze underground & surface water contamination, Rocky Mountain Arsenal
84-D-0017	0028	2,263,158.00	O&M	B	Phase II contamination surveys on the southern sections of Rocky Mountain Arsenal

Contracting office: Army Armament Munitions and Chemical Command, Aberdeen Proving Grounds, MD (DAAA15-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
85-D-0015	0006	$1,587,513.00	O&M	B	Remedial investigation and study of contamination at Riverbank Army Ammunition Plant
85-D-0015	0007	966,525.00	O&M	B	Remedial investigation and study of contamination at Umatilla Army Depot Activity
85-D-0015	0008	826,955.00	O&M	B	Remedial investigation and study of contamination at Louisiana Army Ammunition Plant
85-D-0017	0007	334,328.00	O&M	B	Review/update prior environmental assessment reports at 22 Army sites
85-D-0017	0009	1,099,174.00	O&M	B	Investigation of underground water cotamination at Tobyhanna Army Depot
87-C-0056	Basic	55,631.00	RDT&E	D	Analysis and evaluation of protective coating for aluminum alloy fins

See definitions of abbreviations and acronyms at end of chart.

CONTRACTED ADVISORY AND ASSISTANCE SERVICES
CONTRACT ACTIONS REVIEWED (Continued)

ARMY

Contracting office: Army Armament Munitions and Chemical Command, Picatinny Arsenal, NJ (DAAA21-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
86-C-0328	0003	$220,849.75	O&M	C	Automation of ammunition management functions at an ammunition transfer point
86-C-0328	0006	95,484.92	O&M	B	Analysis and study of methods to repackage HELLFIRE missiles for transportation
86-D-0031	0002	42,850.00	O&M	C	Evaluation of electric power alternatives at Radford Army Ammunition Plant
86-D-0031	0014	152,022.00	O&M	C	Study of hazardous waste material storage and processing requirements at depots
86-D-0033	0003	398,803.00	AIF	C	Development of engineering standards for work measurement
86-D-0033	0009	317,924.00	AIF	C	Study of modernization alternatives at Letterkenny Army Depot
86-D-0033	0010	109,659.00	RDT&E	B	Study of air contamination at Letterkenny Army Depot and develop air quality plan
87-C-0043	Basic	110,765.00	O&M	C	Technical support for the Army chemical service response force exercise
87-C-0255	Basic	100,798.00	O&M	C	Technical support for the Army nuclear response force exercise, nuclear survivability
87-D-0016	0001	274,067.00	RDT&E	C	Engineering support services for PEP efforts for the Howitzer improvement program
87-D-0017	0001	145,133.00	RDT&E	C	Eng. support services for the cannon artillery weapons systems and guided projectiles
87-D-0022	0005	256,067.00	RDT&E	C	Telemetry field support for test firings of XM785

Contracting office: U.S.A. Yuma Proving Grounds, Yuma, AZ (DAAD01-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
85-C-0005	P00009	$ 26,070.00	RDT&E	D	Material analysis support services for the Material Test Directorate
87-C-0010	Basic	275,676.00	RDT&E	D	Material analysis support services for the Material Test Directorate

Contracting office: Army Laboratory Command, Adelphi, MD (DAA102-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
86-D-0042	0018	$ 757,528.00	RDT&E	B	Analytical support for HEMP telecomunications testing and HEMP nuclear test
86-D-0042	0035	1,013,087.00	RDT&E	B	Analytical support for HEMP telecomunications testing and HEMP nuclear test
86-D-0043	0032	416,081.00	RDT&E	B	Nuclear survivability assessment of Army battalion systems

See definitions of abbreviations and acronyms at end of chart.

CONTRACTED ADVISORY AND ASSISTANCE SERVICES
CONTRACT ACTIONS REVIEWED (Continued)

ARMY

Contracting office: Communication and Electronics Command, Ft. Monomouth NJ (DAAB07-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
84-C-D039	P00033	$1,860,539.00	O&M	D	Technical and program support for the USACSA portion of WWMCCS
84-G-F081	2018-4	965,573.00	O&M	D	TMDE management information systems program planning support
85-C-D175	P00006	3,842,397.00	O&M	D	Engineering and technical services for European telephone system support
86-D-D006	0016	4,285,985.00	OPA	D	Systems engineering and technical support services for U.S. Army Satellite Comm Agency
87-D-C009	0013	616,789.00	RDT&E	B	Study and computer model development of high frequency radio self interference
87-D-C009	0039	167,401.00	RDT&E	D	Preparation of technical interface specs. and data base for multisystems interoperability

Contracting office: Defense Supply Service - Washington, DC (MDA903-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
85-G-0012	P00001	$ 74,913.00	O&M	C	Revision of training materials for the New Vision Program Management Course
86-C-0412	P00002	407,048.00	RDT&E	D	ARI's three-phase program to develop six decision aids for implementing MANPRINT
87-C-0523	Basic	6,383,211.00	RDT&E	B	Human factors research in aircraft performance and training
87-C-0568	Basic	50,000.00	RDT&E	B	Study to estimate financial investment requirement for USSR environmental protection
87-C-0642	Basic	492,196.00	O&M	B	General and flag officer job evaluation study
87-C-0647	Basic	244,968.00	O&M	B	Dev. data base and analytical model for est. of the reserve military compensation impacts
87-C-0773	Basic	281,697.00	O&M	B	Study of overseas military banking facilities
87-C-0868	Basic	421,672.00	RDT&E	D	Develop training videodisc
87-C-0869	Basic	52,610.00	O&M	C	Develop program manuals for youth activities

Contracting office: National Defense University, Ft. McNair, DC (DAHC32-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
87-C-0007	BASIC	$ 189,887.00	O&M	B	Analysis of NATO's programmed forces to meet the early 1990's threat
87-C-0007	P00002	29,843.43	O&M	B	Analysis of NATO's follow-on forces attack

See definitions of abbreviations and acronyms at end of chart.

CONTRACTED ADVISORY AND ASSISTANCE SERVICES
CONTRACT ACTIONS REVIEWED (Continued)

ARMY

Contracting office: U.S. Army Garrison, Ft. Huachuca, AZ. (DAEA18-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
82-D-0151	0058	$ 262,106.00	O&M	D	Onsite computer programming support in Germany for an automated telecommunications system
82-D-0151	0069	403,074.00	O&M	D	ADP system analysis and computer maint. support for existing telecommunications systems
84-D-0058	0078	3,683,656.00	O&M	D	Engineering support for the digitization of Okinawa technical control
84-D-0058	0082	54,850.00	O&M	D	Integration engineering in support of sustaining base Army network
84-D-0058	0088	811,119.00	O&M	D	Engineering support for the selection of Army information mission area standards
84-D-0058	0090	25,740.00	O&M	D	Electromagnetic compatibility (emc) engineering/measurement support
86-D-0002	0005	2,075,244.84	O&M	D	Engineering and technical support services for U.S. Army Intelligence Center and School
87-C-0089	Basic	282,810.00	O&M	D	Multisource intelligence collection management strategies

Contracting office: U.S.A. Information Systems Command, Alexandria, VA (DAEA26-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
86-D-2000	0010	$1,098,572.00	O&M	C	Systems analysis, software design, software development of division personnel system

Contracting office: U.S.A. Information Systems Command, Alexandria, VA (DAHC26-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
84-C-0004	P00031	$1,354,548.00	O&M	C	Pilot testing for the development of an Army recruitment and accession data system

See definitions of abbreviations and acronyms at end of chart.

CONTRACTED ADVISORY AND ASSISTANCE SERVICES
CONTRACT ACTIONS REVIEWED (Continued)

NAVY

Contracting office: Office of Naval Research, Arlington, VA (N00014-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
85-C-0043	P00007	$1,077,313.00	RDT&E	B	Analytical support for submarine tactical projects in antisubmarine warfare areas
85-C-0186	P00004	275,248.00	RDT&E	B	Maintain, modify and develop computer models to support in-house strategic systems analysis
86-D-0096	1008	48,657.00	O&M	B	Analysis assistance in studies of recruitment and retention of personnel programs
87-C-0001	Basic	9,253,000.00	RDT&E	B	Perform studies and operate the Center for Naval Analyses (CNA)
87-C-0018	P00002	335,000.00	RDT&E	B	Survey and evaluations implications of 21st-century technologies on Naval warfare

Contracting office: Naval Air Development Center, Warminster, PA (N62269-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
85-C-0416	P00017	$ 400,000.00	O&M	C	Operate and maintain the S-3A software support facility
85-D-0108	0036	79,763.00	NIF	C	Technical support svcs. for software maintenance of the NADC financial data system
86-C-0030	P00006	45,000.00	NIF	C	Technical library management and documentation control services
86-C-0418	P00009	330,000.00	O&M	C	Configuration, data management, software life-cycle maintenance for the S-3A program
86-C-0466	P00004	100,000.00	APN	C	Data collection, analysis, engineering support for the VP program office
87-C-0005	P00003	303,380.00	NIF	C	ILS planning and management support for multiwarfare systems
87-C-0214	P00003	40,000.00	APN	C	Dev. of a Government furnished equipment tracking system for the A-6F program office
87-C-0311	P00002	1,727,713.00	NIF	C	Analysis services for software acquisition and development of central computer

Contracting office: Naval Air Systems Command, Arlington, VA (N00019-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
84-C-0192	P00006	$ 215,941.00	O&M	C	Investigations and technical reviews of ordinance/ammo during program initiation of FSD
84-D-0176	0062	33,646,269.00	O&M	B	Evaluate and assess ILS documentation for the S-3A and impact of ECP's on ILS
84-D-0176	0070	294,133.40	RDT&E	C	Maintenance of logistics data analysis for V-22

See definitions of abbreviations and acronyms at end of chart.

CONTRACTED ADVISORY AND ASSISTANCE SERVICES
CONTRACT ACTIONS REVIEWED (Continued)

NAVY

Contracting office: Naval Ocean Systems Center, San Diego, CA (N66001-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
84-D-0143	0993	$ 30,879.00	RDT&E	C	Student technical and analytical support to government R&D activities
86-D-0007	0002	481,882.00	O&M	D	Software maintenance support for IUSS target data processor
86-D-0077	0004	29,305.00	RDT&E	D	Systems analysis and engineering services for C3I systems
86-D-0121	0010	72,466.00	RDT&E	D	Program assistance in dev., planning, analysis, management support, and documentation
87-D-0237	7J01	90,000.00	RDT&E	C	Develop conceptual model to support the Navy enlisted personnel rotation system

Contracting office: Naval Regional Contracting Center, Philadelphia, PA (N00140-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
86-C-1542	P00005	$ 125,000.00	O&M	C	Aviation office review of NON-P source coded items for conversion to P source coded items
86-C-9459	P00005	250,000.00	O&M	C	Logistics support services for various weapon systems at the Navy Aviation Supply Office
87-D-1749	001/1	50,000.00	O&M	C	Tech. support in dev. of CALS program master plan and enhancement of SLMIS and TDR modules

Contracting office: Naval Regional Contracting Center, San Diego, CA (N00244-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
84-D-1500	GZ79	$ 25,000.00	O&M	D	Fleet support of STR/SCP analysis and software updates for sensor interface unit
84-D-1521	GZ44	97,000.00	O&M	D	Software development and programming support for the E-2C tactical programs
84-D-1562	ED-19	240,317.00	O&M	D	Technical support for development of IM2500/501-K17 marine gas turbine ILS program
86-D-0410	0003	224,323.00	O&M	C	Dev. preliminary specs. and modules for a prototype system for projection of funding req.
86-D-8000	GZ04	59,254.00	O&M	C	Tech. support for CMS-2Y revision 17 development and delivery to Federal German Navy and USMC
86-D-8000	GZ13	169,120.00	O&M	C	Computer program modification support services, testing, and documentation
86-D-8000	GZ06	57,511.00	O&M	B	Feasibility study for the software enhancement to a timesharing sys. for Federal German Navy
87-D-0078	GZ01	271,176.00	O&M	D	Support for correction and enhancement of SCP of the LHD development effort
87-D-0078	GZ09	66,422.00	O&M	D	Technical support for the command and control (C2P) project
87-D-0078	GZ11	38,198.00	O&M	D	Technical support for advanced combat direction system model 5 systems

See definitions of abbreviations and acronyms at end of chart.

CONTRACTED ADVISORY AND ASSISTANCE SERVICES
CONTRACT ACTIONS REVIEWED (Continued)

NAVY

Contracting office: Naval Sea Systems Command, Arlington, VA (N00024-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
83-C-6046	P00006	$ 223,685.00	SCN	C	Technical support services for AEGIS system shipbuilding schedule analysis
85-C-4032	P00016	1,038,375.00	O&M	C	Technical services for the modernization of the Ship Alteration Mgmt. Information System
85-C-5562	P00009	384,378.00	O&M	C	Assistance in the computer facility operation at the Engineering Data Support Branch
85-C-6108	P00019	366,000.00	O&M	C/D	Provide technical support services for an integrated logistics review
86-C-4035	P00008	488,344.00	O&M	C/D	Technical support for the Trident ship control system program office
87-C-4009	P00003	415,000.00	O&M	C	Engineering and technical services for ILS, R/M/A program, PQA and CM/CSA systems
87-C-6045	P00002	623,112.00	O&M	C	Logistics and engineering svcs. in support of the integrated logistics overhaul program

Contracting office: Space and Naval Warfare Systems Command, Arlington, VA (N00039-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
84-C-0149	P00012	$ 665,000.00	O&M	C	Tech. svcs. to support manpower, personnel and training at Space and Naval Warfare Sys. Cmd.
85-C-0538	P00017	138,000.00	RDT&E	C	Engineering and technical services for logistics planning and support for Navy JTIDS
85-C-0656	P00009	136,877.00	O&M	C	Software engineering management support of command and control baseline software
85-D-0006	0130	100,000.00	SCN	C	Technical support for the CG 47 class exterior communication system
86-C-0005	P00011	377,561.00	O&M	C	Management support services for a financial management database
87-C-0035	P00015	50,000.00	RDT&E	C	Requirements definition and development monitoring and testing for anti-submarine
87-C-0064	P00003	388,000.00	O&M	B/C	Eng and tech services for the ASW readiness improvement program, AIREM program & dbase mgmt
87-C-0106	P00001	660,000.00	O&M	C	Eng and tech. svcs. in support of the tech. publications branch of Naval Elec. Sys. Cmd.
87-C-0300	Basic	91,789.00	O&M	D	Development of generic training material for ASW acoustic analysis
87-C-0370	Basic	470,688.00	O&M	C	Eng support for development of the Marine Air Traffic Control and Landing System

See definitions of abbreviations and acronyms at end of chart.

CONTRACTED ADVISORY AND ASSISTANCE SERVICES
CONTRACT ACTIONS REVIEWED (Continued)

AIR FORCE

Contracting Office: Air Force District of Washington, Andrews AFB, MD (F49642-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
84-D-0037	5016	$ 59,969.00	O&M	B	Study of welfare and recreation programs effects on retention and readiness
84-D-0038	5021	78,339.00	O&M	B	Analysis of the Air Force morale, welfare, and recreation programs
84-D-0038	5022	139,500.00	O&M	C	Plan and organize the meeting of the Third National Forum on Human Resources Planning
85-D-0029	5017	619,055.00	O&M	B	Enhance aircraft spares, capability assessment models, and apply new methodologies
85-D-0030	5011	296,052.00	O&M	B	Analysis and conceptual design study of a logistics information system for the DMSP
86-D-0070	5011	437,453.00	RDT&E	C	Develop a training plan for the joint operations planning and execution system
86-D-0070	5012	556,226.00	RDT&E	B	Req. analysis for the Joint Operations Planning and Execution Systems project group
86-D-0093	5005	971,422.00	O&M	B	Impact assessment of military intellegence data system on Air Force intelligence
86-D-0093	5006	394,592.00	O&M	B	Research, analysis, and tech. support associated with Air Force intelligence systems

Contracting office: Electronics Systems Division, Hanscom AFB, MA (F19628-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
84-D-0019	003304	$ 204,997.86	RDT&E	C	Strategic Defense Initiative national test bed cost and schedule analysis
84-D-0019	0034	47,997.55	RDT&E	C	Cost estimate for point analysis model and program objective memorandum preparation
84-D-0019	0035	599,239.00	RDT&E	B/C	Cost studies for various MILSTAR subsystems
84-D-0019	0036	72,799.80	RDT&E	C	Cost study of Granite Sentry acquisition costs for baselining and budgetary purposes
84-D-0019	0037	233,686.00	RDT&E	C	Development of parametric cost and schedule estimating tools for ESD
84-D-0019	0038	100,000.00	RDT&E	C	Collection of data on software programs and summary SDI battle mgmt. C3 roadmap update
84-D-0019	0041	226,710.40	RDT&E	C	Expansion and enhancement of ESD's automated cost database
84-D-0020	0022	114,962.64	RDT&E	B/C	Design and demonstrate a prototype ABS financial and programmatic database
84-D-0020	0023	218,773.10	RDT&E	C	Maintain, expand, and enhance the ESD software cost database
84-D-0020	0027	154,943.48	RDT&E	B	Cost estimate for Deep Space Warning Radar
87-C-0093	P00001	160,000.00	RDT&E	B	Research analysis into behavior and characteristics of seismic signals

See definitions of abbreviations and acronyms at end of chart.

AIR FORCE

Contracting office: Rome Air Development Center, Griffis AFB, NY (F30602-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
87-C-0082	Basic	$ 50,000.00	RDT&E	B	Study of weaknesses in software engineering technology and methodology
87-C-0083	Basic	52,772.00	RDT&E	B	Study of high productivity software engineering workstations

Contracting office: Sacramento Air Logistics Center, Sacramento, CA (F04606-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
85-C-0440	P00009	$ 386,505.00	O&M	D	Dev. and maintainance of training material for an operator qualification training program
86-C-1181	Basic	90,287.00	O&M	D	Engineering analysis to formulate specifications for equipment procurement
86-D-0012	0010	80,160.00	O&M	B	Redefinition of the red CPM operational role and elimination of excess CCES component
86-D-0012	0011	125,000.00	O&M	B	Study/testing for replacement of Diablo 30 disk drives.
87-D-0044	0003	1,000,000.00	O&M	B/D	Eng. svcs. for Air Force Logistics Command to support weapon system computers
87-D-0044	0005	500,000.00	O&M	B/D	Eng and related services to support the computer resources support improvement program
87-D-0044	0006	900,000.00	O&M	D	Eng and related services to support the intergrated tactical warning assessment
87-D-0044	0007	1,093,300.00	O&M	B/D	Avionics test setup/study for the extendable integration support environment

Contracting office: Strategic Defense Initiative Organization, Bolling AFB, MD (F49620-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
87-C-0035	Basic	$ 56,219.00	RDT&E	B	Study of the use of Nitinol actuator for SDI lasar platforms

See definitions of abbreviations and acronyms at end of chart.

CONTRACTED ADVISORY AND ASSISTANCE SERVICES
CONTRACT ACTIONS REVIEWED (Continued)

AIR FORCE

Contracting office: Space Division, Los Angeles AFB, CA (F04701-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
82-C-0052	P00110	$14,525,000.00	RDT&E	C/D	Engineering and technical support of the Consolidated Space Operations Center program office
83-D-0103	005903	179,000.00	RDT&E	C	Cost estimating support for the Unmanned Spacecraft cost model
83-D-0103	0075	149,968.00	RDT&E	C	Collection of historical cost data for launch vehicle programs to develop cost projections
83-D-0103	0077	99,951.00	RDT&E	C	Develop an operations and support cost model for SDIO Phase II
83-D-0103	0080	299,967.00	RDT&E	C	Cost analysis support to the Space Assembly, Maintenance and Servicing Study
83-D-0103	0082	336,933.00	RDT&E	C	Development of costing model for major Air Force programs
83-D-0103	0086	66,729.00	RDT&E	B	Develop a manufacturing cost reduction study for SDIO programs
83-D-0103	0087	336,420.00	RDT&E	B	Investigation of SDI production issues in response to congressional inquiries
83-D-0103	0085	159,850.00	RDT&E	C	Cost estimating support for Defense Support Program office
84-C-0142	P00007	1,049,000.00	RDT&E	B	Study of SDI midcourse surveillance; assess, evaluate, and design algorithms for SDI
86-C-0048	P00002	64,890.00	RDT&E	B	Study of environmental risk assessment for construction of Beryllium Propellant facility
87-C-0022	Basic	94,432.00	RDT&E	C	Technical support services for multiyear contract negotiations for the DSP
87-D-0004	0005	139,315.00	RDT&E	C	Evaluate cost reports of ASPC contractors and prepare an ICE for the system
87-D-0004	0008	39,982.00	RDT&E	C	Dev. a cost performance training course and survey software packages for CPR analysis
87-D-0004	0012	177,821.00	RDT&E	C	Provide source selection and cost/budget support to the DMSP

Contracting office: Ogden Air Logistics Center, Hill AFB, UT (F42650-)

Contract Number	Mod/ Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
86-C-3384	P00005	$ 284,000.00	AP/AF	B	Study of laser technology application survey at Air Force Logistics Centers
86-C-3384	P00007	42,000.00	AP/AF	B	Joint service review of laser applications examined during Phase I and II of AFLS
86-C-3537	P00003	140,400.00	O&M	B	Phase I and II of AFLS study of flora and fauna with emphasis on advoidance of bird strikes by aircraft
87-C-0031	Basic	398,180.00	DMIF	B	Feasibility study for hazardous waste incineration project at AFLC

See definitions of abbreviations and acronyms at end of chart.

CONTRACTED ADVISORY AND ASSISTANCE SERVICES
CONTRACT ACTION REVIEWED (Continued)

AIR FORCE

Contracting office: Ogden Air Logistics Center, Hill AFB, UT (F42600-)

Contract Number	Task/ Order	Sampled Action Dollar Amount	Type Appr.	CAAS Cat	Description of Work Effort
87-C-3123	Basic	$ 91,719.82	O&M	D	Engineering services to update AN/GPN-T4 radar proficiency trainer

LEGEND

ABS - Air Base Survivability
ADP - Automated Data Processing
AEGIS - Navy Antiair Warfare Weapon System
AFB - Air Force Base
AFLC - Air Force Logistics Center
AFLS - Air Force Laser Study
AIF - Army Industrial Fund
AIREM - Air Effectiveness Measurement
Ammo - Ammunition
Amt. - Amount
Anal. - Analysis
AP/AF - Aircraft Procurement/Air Force
APN - Aircraft Procurement, Navy
Appr. - Appropriation
ARI - Army Research Institute
ASPC - Adaptable Space Propulsion System
ASW - AntiSubmarine Warfare
CAAS - Contracted Advisory and Assistance Services
CALS - Computer Aided Logistics Support
Cat. - Category
  B - Studies, Analyses, and Evaluations
  C - Management Support Services
  D - Engineering and Technical Services
CCES - Communications Circuit Equipment Switch
C3I - Command, Control, Communications and Intelligence
CG - Guided Missile Cruiser
Cmd - Command
CM/CSA - Configuration Management/Configuration Status Accounting
Comm. - Communications
COMP - Compensation
CPM - Communication Performance Monitor
CPR - Cost Performance Report
Ctr. - Center
Dbase - Database
Dev - Development
DMIF - Depot Maintenance Industrial Fund
DMSP - Defense Meterological Satellite Program
DSP - Defense Support Program
ECP's - Engineering Change Proposals
ECS - Exterior Communication System
ELINT - Electronic Intelligence
Eng. - Engineering
ESD - Electronic System Division
Est. - Estimate
EVAL - Evaluation
EXT - Extendable
FSD - Full Scale Development
HELLFIRE - Helborne Laser Fire
HEMP - High Altitude Electromagnetic Pulse
HIP - Howitzer Improvement Program
ICE - Independent Cost Estimate
ILS - Integrated Logistics System
IUSS - Integrated Undersea Surveillance System

CONTRACTED ADVISORY AND ASSISTANCE SERVICES
CONTRACT ACTION REVIEWED (Continued)

JTIDS - Joint Tactical Surveillance System
LCSF - Life-Cycle Support Facility
Log. - Logistics
LHD - Landing Helicopter Dock
Maint. - Maintenance
Mgmt - Management
MILSTARS - Military Strategic and Tactical Relay System
Mod - Modification
Mult. - Multiple
NADC - Naval Air Development Center
NATO - North Atlantic Treaty Organization
NIF - Navy Industrial Fund
NITINOL - Nickle-Titanium Alike
Non-P - Non-Provisioning
O&M - Operation and Maintenance
OPA - Other Procurement, Army
P - Provisioning
PEP - Productibility, Engineering, Planning
PQA - Procurement Quality Assurance
Prep. - Preparation
Req. - Requirement
R&D - Research and Development
RDT&E - Research, Development, Test and Evaluation
R/M/A - Reallability/Maintainability/Availiability
SCD - Ship Contruction, Navy
SCN - Shipbuilding and Conversion, Navy
SCP - Simulation Control Program
SDI - Strategic Defense Initiative
SDIO - Strategic Defense Initiative Office
SLMIS - Ship Logistics Management Information System
Specs. - Specifications
STR/SCP - System Technical Review/System Change Proposal
Svcs. - Services
Sys. - System
Tech. - Technical
TDR - Technical Data Review
TMDE - Test, Measurement, and Diagnostic Equipment
USACSA - U.S. Army Communications System Agency
USMC - United States Marine Corps
USSR - Union of Soviet Socialist Republic
VP - Heavy Fixed Wing Patrol
VS - Versus
WWMCCS - Worldwide Military Command Systems

REPORTING OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES BY DOD FIELD ACTIVITIES

Activities Visited	Current PB-27 Report [1]	Current Implementing Instructions
Office of the Secretary of Defense		
Defense Supply Service Washington, [2] Washington, DC	N/A	Yes
National Defense University, Washington, DC	No	No
Army		
Picatinny Arsenal, NJ	No	No
USA Yuma Proving Grounds, AZ	No	No
Fort Huachuca, AZ [3]	Yes	No
Fort Monmouth, NJ	No	No
U.S.A. Natick Research, Development and Engineering Center, MA	No	No
U.S. Army Armament Munitions and Chemical Command, Aberdeen Proving Grounds, MD	No	No
U.S. Army Laboratory Command, MD	No	No
U.S.A. Information Systems Command, VA	No	No
Navy		
Navy Regional Contracting Center, Pennsylvania [2]	N/A	Yes
Naval Ocean Systems Center, CA	No	Yes
Navy Regional Contracting Center, CA [2]	N/A	Yes
Office of Naval Research, VA	Yes	Yes
Naval Air Development Center, PA [4]	Yes	No
Naval Air Systems Command, VA	Yes	Yes
Naval Sea Systems Command, VA	Yes	Yes
Space and Naval Warefare Systems Command, VA	Yes	Yes

See footnotes at end of table.

REPORTING OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES BY DOD FIELD ACTIVITIES (Continued)

Activities Visited	Current PB-27 Report	Current Implementing Instructions
Air Force		
Office of Scientific Research, Bolling Air Force Base, Washington, DC	No	No
Ogden Air Logistics Center, UT 3/	No	No
Space Division - Los Angeles, CA 3/	Yes	No
Andrews Air Force Base, Washington, DC 2/	N/A	No
Sacramento Air Logistics Center, CA 3/	No	No
Rome Air Development Center, NY	No	Yes
Hanscom Air Force Base, MA	No	No

1/ PB-27 - President's Budget
2/ These procuring activities are not required to submit a PB-27 report.
3/ These activities prepared PB-27 data based on budget guidance rather than on current instructions.
4/ Activity submitted PB-27 data based on old Navy Instruction (SECNAV 4200.31A, October 23, 1985.

SAMPLE CONTRACT ACTIONS THAT SUPPLEMENTED BILLETS

ARMY

Contracting office: Army Laboratory Command, Adelphi, MD (DAAL02-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Decription of Work Effort
86-D-0043	0032	Mission Research Corporation	416,081	RDT&E	Nuclear survivability assessment of Army battalion systems

Contracting office: Communication and Electronics Command, Ft. Monmouth, NJ (DAAB07-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
86-D-0006	0016	Computer Science Corporation	4,285,985	OPA	Engr and technical services for U.S. Army Satellite Comm. Agency
85-C-0175	P00006	TechDyn Systems Corporation	3,842,397	O&M	Engr and Technical services for European telephone systems support
84-G-F081	2018-4	Arinc Research, Corporation	965,573	O&M	TMDE management information systems program planning support
84-C-0039	P00033	Semcor, Incorporated	1,860,539	O&M	Technical and program support for the USACSA portion of WWMCCS

Contracting office: National Defense University, Ft. McNair, DC (DAHC32-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
87-C-0007	Basic	Potomac Applied Research and Tech.	189,887	O&M	Analysis of NATO's programmed forces to meet the early 1990's threat

Contracting office: U.S. Army Garrison, Ft. Huachuca, AZ (DAEA18-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
84-D-0058	0088	PRC Kentron, Incorporated	811,119	O&M	Engr support for the selection of Army information mission area standards
82-D-0151	0058	Unisys Corporation	262,106	O&M	Onsite computer prog support in Germany for an automated telecom. system
86-D-0002	0005	ManTech Advanced Systems Int.	1,027,946	O&M	Engr. and tech. support services for U.S. Army Intelligence Center and School

See definitions of abbreviations and acronyms at end of chart.

SAMPLE CONTRACT ACTIONS THAT SUPPLEMENTED BILLETS (Continued)

ARMY

Contracting office: U.S.A. Yuma Proving Grounds, Yuma, AZ (DAAD01-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
85-C-0005	P00009	S-Cubed	26,070	RDT&E	Material analysis support services for the Material Test Directorate

Contracting office: Army Armanent Munitions and Chemical Command, Picatinny Arsenal, NJ (DAAA21-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
87-D-0022	005	NMSU-Physical Science Laboratory	256,067	RDT&E	Telemetry field support for test firings of XM785

NAVY

Contracting office: Office of Naval Research, Arlington, VA (N00014-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
85-C-0186	P00004	Academy of Interscience Methodology	275,248	RDT&E	Maintenance, modify, and develop computer models to support in-house strategic systems analysis
86-D-0096	1008	BDM Corporation	48,657	O&M	Analysis assistance in studies of recruitment and retention of personnel programs

See definitions of abbreviations and acronyms at end of chart.

SAMPLE CONTRACT ACTIONS THAT SUPPLEMENTED BILLETS (Continued)

NAVY

Contracting office: Naval Air Development Center, Warminster, PA (N62269-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
87-C-0214	P00003	Semcor, Incorporated	40,000	APN	Dev. of a govt. furnished equip. tracking system for the A6F program
85-D-0108	0036	Intermetrics Incorporated	79,763	NIF	Tech. support svcs. for software maint. of the NADC financial data sys.
86-C-0030	P00006	Mandex, Incorporated	45,000	NIF	Technical library management and documentation control services
86-C-0466	P00004	RBC, Incorporated	100,000	APN	Data collection, analysis, engineering support for the VP program office
85-C-0416	P00017	Atlantic Science and Technology	400,000	O&M	Operate and maintain the S-3A software support facility
87-C-0005	P00003	Dual and Associates, Inc.	303,380	NIF	ILS planning and mgmt support for multiwarefare systems
86-C-0418	P00009	Atlantic Science and Technology	330,000	O&M	Configuration, data mgmt., software life-cycle maint. for the S-3A program
87-C-0311	P00002	Digital Systems Group, Inc.	1,727,713	NIF	Analyst svcs. for software acquisition and development of central computer

Contracting office: Naval Air Systems Command, Arlington, VA (N00019-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
84-D-0176	0070	National Systems Management Corp	294,133	RDT&E	Maintenance of logistics data analysis for V-22

See definitions of abbreviations and acronyms at end of chart.

SAMPLE CONTRACT ACTIONS THAT SUPPLEMENTED BILLETS (Continued)

Contracting office: Naval Regional Contractor Center, San Diego, CA (N00244-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
84-D-1500	GZ79	Sperry Corp., Computer Systems	25,000	O&M	Fleet support of STR/SCP analysis and software updates for sensor interface unit
84-D-1521	GZ44	Computer Sciences Corporation	97,000	O&M	Software develop and programming support for the E-2C tactical programs
87-D-0078	GZ01	Computer Sciences Corporation	271,176	O&M	Support for correction and enhancement of SCP of the LHD development effort
86-D-8000	GZ06	Computer Sciences Corporation	57,511	O&M	Feasibility study for the software enhancement of a timesharing system for Federal German Navy
86-D-0410	0003	Systems & Software Svcs., Inc.	224,323	O&M	Develop preliminary specifications and modules for a prototype system for projection of funding requirements

Contracting office: Naval Sea Systems Command, Arlington, VA (N00024-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
85-C-4032	P00016	Techplan Corporation	1,038,375	O&M	Technical services for the modernization of the Ship Alteration Management Information System
87-C-6045	P00002	Integrated Systems Analysts, Inc	623,112	O&M	Logistics and engineering services in support of the integrated logistics overhaul program
87-C-4009	P00003	Advanced Technology, Inc.	415,000	O&M	Engineering and technical services for Integrated Logistic Support; R/M/A program, PQA & CM/CSA systems
86-C-4035	P00008	ORI, Incorporated	488,344	O&M	Technical suport services for the Trident ship contron system program office
85-C-6108	P00019	EG&G Washington Analytical Svcs	366,000	O&M	Provide technical support services for an integrated logistics review
83-C-6046	P00006	Resource Consultants, Inc.	223,685	SCN	Technical support services for AEGIS system-shipbuilding schedule analysis
85-C-5562	P00009	AAC Associates	384,378	O&M	Assistance in the computer facility operation at the Engineering Data Support Branch

See definitions of abbreviations and acronyms at end of chart.

SAMPLE CONTRACT ACTIONS THAT SUPPLEMENTED BILLETS (Continued)

NAVY

Contracting office: Space and Naval Warfare Systems Command, Arlington, VA (N00039-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
84-C-0149	P00012	Resource Consultants, Inc.	665,000	O&M	Technical services to support manpower, personnel and training at Space and Naval Warfare System Command
87-C-0106	P00001	Resource Consultants, Inc.	660,000	O&M	Engineering and technical services in support of the technical publications branch at Space and Naval Warfare System Command
87-C-0064	P00003	Vitro Corporation	388,000	O&M	Engineering and technical services for the ASW readiness improvement program, Airem program, and database management
86-C-0005	P00011	American Systems Corporation	377,561	O&M	Management support services for a financial management database
87-C-0370	Basic	MSI Services, Incorporated	470,688	O&M	Engineering support for development of the Marine Air Traffic Control and Landing System
87-C-0035	P00015	TRW Federal Systems Group	50,000	RDT&E	Requirements definition, development, monitoring and testing for antisubmarine
87-C-0300	Basic	Summit Reseach Corporation	91,789	O&M	Development of generic training material for ASW acoustic analysis
85-C-0538	P00017	Summit Technologies, Inc.	138,000	RDT&E	Engr. and tech. services for log. planning and support for Navy JTIDS
85-D-0006	0130	Semcor, Incorporated	100,000	SCN	Technical support for the CG 47 class exterior communication system

Contracting office: Naval Ocean Systems Center, San Diego CA (N66001-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
84-D-0143	0993	San Diego State University	30,879	RDT&E	Student technical and analytical support to government R&D activities
86-D-0007	0002	Computer Sciences Corporation	481,882	O&M	Software maintenance support for IUSS target data processor

See definitions of abbreviations and acronyms at end of chart.

SAMPLE CONTRACT ACTIONS THAT SUPLEMENTED BILLETS (Continued)

AIR FORCE

Contracting office: Air Force District of Washington, Andrews AFB, MD (F49642-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
84-D-0038	5021	Syllogistics, Incorporated	78,339	O&M	Analysis of the Air Force morale, welfare, and recreation programs

Contracting office: Electronics Systems Division, Hanscom, AFB, MA (F19628-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
84-D-0019	0035	Tecolote Research, Incorporated	599,239	RDT&E	Cost studies for various MILSTAR Subsystems
84-D-0020	0027	J. M. Cockerham & Associates	154,943	RDT&E	Cost estimate for Deep Space Warning Radar

Contracting office: Sacramento Air Logistics Center, Sacramento, CA (F04606-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
86-D-0012	0011	Ford Aerospace & Comm. Corp.	125,000	O&M	Study/testing for replacement of Diablo 30 disk drives

Contracting office: Space Division, Los Angeles, CA (F04701-)

Contract Number	Mod/ Task/ Order	Contractor	Sample Action $ Amt	Type Appr.	Description of Work Effort
82-C-0052	P00110	TRW Inc., Defense Systems Group	39,035,402	RDT&E	System integration and program office support
83-D-0103	P00085	Tecolote Research, Incorporated	159,850	RDT&E	Cost estimating support for Defense Support Program office

See definitions of abbreviations and acronyms at end of chart.

SAMPLE CONTRACT ACTIONS THAT SUPLEMENTED BILLETS (Continued)

LEGEND

AEGIS	- Navy Antiair Warfare Weapon System
AIREM	- Air Effectiveness Measurement
Amt.	- Amount
APN	- Aircraft Procurement, Navy
Appr.	- Appropriation
ASW	- AntiSubmarine Warfare
CG	- Guided Missile Cruiser
CM/CSA	- Configuration Management/Configuration Planning
Comm.	- Communications
Dev	- Development
Govt	- Government
Engr	- Engineering
ILS	- Integrated
IUSS	- Integrated Undersea Surveillance System
LHD	- Landing Hellcopter Dock
Log.	- Logistics
Maint.	- Maintenance
Mgmt	- Management
MILSTARS	- Military Strategic and Tactical Relay System
Mod	- Modification
NADC	- Naval Air Development Center
NATO	- North Atlantic Treaty Organization
NIF	- Navy Industrial Fund
O&M	- Operation and Maintenance
OPA	- Other Procurement, Army
PQA	- Procurement Quality Assurance
Prog	- Program
R&D	- Research and Development
RDT&E	- Research, Development, Test and Evaluation
R/M/A	- Reallability/Maintability/Availability
SCD	- Ship Construction, Navy
SCP	- Simulation Control Program
STR/SCP	- System Technical Review/System Change Proposal
Svcs.	- Services
Sys.	- System
Tech.	- Technical
TMDE	- Test, Measurement, and Diagnostic
USACSA	- U.S. Army Communication System Agency
VP	- Heavy Fixed Wing Patrol
WWMCCS	- World-Wide Military Command Control Systems

CONTRACTED ADVISORY AND ASSISTANCE SERVICES EFFORTS OVER 5 YEARS

ARMY

Sponsoring organization: Army Armament Munitions and Chemical Command, Picatinny Arsenal, NJ

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Management Support Services	20	New Mexico State University, Physical Science Laboratory	DAAA21-87-D-0022

Sponsoring organization: Army Laboratory Command, Adelphi, MD

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Studies, Analyses, and Evaluations	6	Mission Research Corporation	DAAL02-86-D-0043

Sponsoring organization: Communication and Electronics Command, Fort Monmouth, NJ

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Engineering and Technical Services	10	Computer Sciences Corporation	DAAB07-86-D-D006
Engineering and Technical Services	11	TechDyn Systems Corporation	DAAB07-85-C-D175
Engineering and Technical Services	13	Arinc Research, Corporation	DAAB07-84-G-F081
Engineering and Technical Services	13	Semcor, Incorporated	DAAB07-84-C-D039

CONTRACTED ADVISORY AND ASSISTANCE SERVICES EFFORTS OVER 5 YEARS (Continued)

ARMY

Sponsoring organization: National Defense University, Fort McNair, DC

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Studies, Analyses, and Evaluations	9	Potomac Applied Research & Technology	DAHC32-87-C-0007

Sponsoring organization: U.S. Army Garrison, Fort Huachuca, AZ

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Engineering and Technical Services	16	PRC Kentron, Incorporated	DAEA18-84-D-0058
Engineering and Technical Services	10	Unisys Corporation	DAEA18-82-D-0151
Engineering and Technical Services	8	ManTech Advanced Sytems International, Incorporated	DAEA18-86-D-0002

Sponsoring organization: U.S. Army Proving Grounds, Yuma, AZ

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Engineering and Technical Services	9	S-Cubed	DAAD01-85-C-0005

CONTRACTED ADVISORY AND ASSISTANCE SERVICES EFFORTS OVER 5 YEARS (Continued)

NAVY

Sponsoring organization: Office of Naval Research, Arlington, VA

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Studies, Analyses, and Evaluations	22	Academy of Interscience Methodology	N00014-85-C-0186
Studies, Analyses, and Evaluations	8	BDM Corporation	N00014-86-D-0096

Sponsoring organization: Naval Air Development Center, Warminster, PA

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Management Support Services	6	Semcor, Incorporated	N62269-87-C-0214
Management Support Services	11	Intermetrics, Incorporated	N62269-85-D-0108
Management Support Services	12	Mandex, Incorporated	N62269-86-C-0030
Management Support Services	12	RBC, Incorporated	N62269-86-C-0466
Management Support Services	11	Atlantic Science & Technology	N62269-85-C-0416
Management Support Services	7	Dual and Associates, Incorporated	N62269-87-C-0005
Management Support Services	11	Atlantic Science & Technology	N62269-86-C-0418
Management Support Services	21	Digital Systems Group, Incorporated	N62269-87-C-0311

CONTRACTED ADVISORY AND ASSISTANCE SERVICES EFFORTS OVER 5 YEARS (Continued)

NAVY

Sponsoring organization: Naval Air Systems Command, Arlington, VA

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Studies, Analyses and Evaluations; and Management Support Services	10	National Systems Management Corporation	N00019-84-D-0176

Sponsoring organization: Space and Naval Warfare Systems Command, Arlington, VA

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Management Support Services	18	Resource Consultants, Incorporated	N00039-84-C-0149
Management Support Services	18	Resource Consultants, Incorporated	N00039-87-C-0106
Studies, Analyses and Evaluations; and Management Support Services	6	Vitro Corporation	N00039-87-C-0064
Management Support Services	14	American Systems Corporation	N00039-86-C-0005
Management Support Services	18	MSI Services, Incorporated	N00039-87-C-0370
Management Support Services	15	TRW Federal Systems Group	N00039-87-C-0035
Engineering and Technical Services	7	Summit Research Corporation	N00039-87-C-0300
Management Support Services	11	Summit Technologies, Incorporated	N00039-85-C-0538
Management Support Services	14	Semcor, Incorporated	N00039-85-D-0006

CONTRACTED ADVISORY AND ASSISTANCE SERVICES EFFORTS OVER 5 YEARS (Continued)

NAVY

Sponsoring organization: Naval Ocean Systems Center, San Diego, CA

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Management Support Services	6	San Diego State University	N66001-84-D-0143
Engineering and Technical Services	8	Computer Sciences Corporation	N66001-86-D-0007

Sponsoring organization: Fleet Combat Direction Systems Support Activity, San Diego, CA

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Engineering and Technical Services	9	Sperry Corp., Computer Systems	N00244-84-D-1500
Engineering and Technical Services	14	Computer Sciences Corporation	N00244-84-D-1521
Engineering and Technical Services	12	Computer Sciences Corporation	N00244-84-D-0078
Studies, Analyses and Evaluation; and Management Support Services	8	Computer Sciences Corporation	N00244-86-D-8000

Sponsoring organization: Naval Air Station, North Island, San Diego, CA

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Management Support Services	6	Systems and Software Services Incorporated	N00244-86-D-0410

CONTRACTED ADVISORY AND ASSISTANCE SERVICES EFFORTS OVER 5 YEARS (Continued)

NAVY

Sponsoring organization: Naval Sea Systems Command, Arlington, VA

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Management Support Services	9	Techplan Corporation	N00024-85-C-4032
Management Support Services	7	Integrated Systems Analysts, Incorporated	N00024-87-C-6045
Management Support Services	19	Advanced Technology, Incorporated	N00024-87-C-4009
Management Support Services; and Engineering and Technical Services	11	ORI, Incorporated	N00024-86-C-4035
Management Support Services; and Engineering and Technical Services	14	EG&G Washington Analytical Services	N00024-85-C-6108
Management Support Services	10	Resource Consultants, Incorporated	N00024-83-C-6046
Management Support Services	8	AAC Associates	N00024-85-C-5562

AIR FORCE

Sponsoring organization: Directorate of Personnel Plans, U.S. Air Force, Washington, DC

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Studies, Analyses and Evaluations; and Management Support Services	8	Syllogistics, Incorporated	F49642-84-D-0038

CONTRACTED ADVISORY AND ASSISTANCE SERVICES EFFORTS OVER 5 YEARS (Continued)

AIR FORCE

Sponsoring organization: Electronics Systems Division, Hanscom Air Force Base, MA

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Studies, Analyses, and Evaluations; and Management Support Services	7	Tecolote Research, Incorporated	F19628-84-D-0019
Studies, Analyses, and Evaluations; and Management Support Services	7	J. M. Cockerham & Associates	F19628-84-D-0020

Sponsoring organization: Sacramento Air Logistics Center, Sacramento, CA

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Studies, Analyses, and Evaluations	11	Ford Aerospace & Communications Corporation	F04606-86-D-0012

Sponsoring organization: Space Division, Los Angeles, CA

Contract Effort	No. of Years Effort Has Been Contracted	Current Contractor	Current Contract Number
Management Support Services and Engineering and Technical Services	8	TRW Incorported Defense Systems Group	F04701-82-C-0052
Studies, Analyses, and Evaluations; and Management Support Services	9	Tecolote Research, Incorporated	F04701-83-D-0103

COST COMPARISON OF CONTRACTING OUT VERSUS IN-HOUSE EFFORT

Government GS/Contractor Equivalents [1]		GS - 9/5 Engineer Assistant	GS - 10/5 Junior Engineer	GS - 12/5 Senior Engineer	GS - 13/5 Project Engineer
Government GS Base Salary (1987)		$25,454.00	$28,028.00	$36,911.00	$43,891.00
Hourly Rate [2]		$14.60	$16.07	$21.16	$25.17
OMB A-76 Benefit Cost Factors [3]					
Retirement	21.70 percent	3.17	3.49	4.59	5.46
Medicare	1.45 percent	.21	.23	.31	.36
Life & Health Ins.	4.70 percent	.69	.76	.99	1.18
Misc Fringe	1.80 percent	.26	.28	.38	.45
Government Rates with Benefit Costs		$18.93	$20.83	$27.43	$32.62

Mantech Advanced Systems Intl., Inc. Contract No. DAEA18-86-D-0002, D.O. 0005 Integration and Fusion Technical Support

Contract Labor Categories	Contract Rate	Contract Hours	Total Contract Cost	Government Rates x Contract Hours	Government Cost	Savings - In-House
Project Engineer	$48.44	3,180	$ 154,039.20	32.62 x 3,180	$ 103,731.60	$ 50,307.60
Senior Engineer	41.75	17,810	743,567.50	27.43 x 17,810	488,528.30	255,039.20
Junior Engineer	35.68	19,995	713,421.60	20.83 x 19,995	416,495.85	296,925.75
Engineer Assistant	30.50	14,410	439,505.00	18.93 x 14,410	272,781.30	166,723.70
Travel, Miscellaneous			24,711.54		22,824.00	1,887.54
Total Cost			$2,075,244.84		$1,304,361.05	$770,883.79

Percentage of Savings if Performed In-house: 37.0 percent

See footnotes at end of chart.

COST COMPARISON OF CONTRACTING OUT VERSUS IN-HOUSE EFFORT (Continued)

Government GS/Contractor Equivalents 1/ 4/		GS - 12/5 Cost Estimator	GS - 12/5 Cost Research Analyst	GS - 13/5 Senior Cost Estimator	GS - 14/5 Senior Technical Analyst	GS - 14/5 Senior Cost Research Analyst
Government GS Base Salary (1987)		$36,911.00	$36,911.00	$43,891.00	$51,863.00	$51,863.00
Hourly Rate 2/		$21.16	$21.16	$25.17	$29.74	$29.74
OMB A-76 Benefit Cost Factors 3/						
Retirement	21.70 percent	4.59	4.59	5.46	6.45	6.45
Medicare	1.45 percent	.31	.31	.36	.43	.43
Life & Health Ins.	4.70 percent	.99	.99	1.18	1.40	1.40
Misc Fringe	1.80 percent	.38	.38	.45	.54	.54
Government Rates with Benefit Costs		$27.43	$27.43	$32.62	$38.56	$38.56

John M. Cockerham & Associates, Inc. Contract No. F19628-84-D-0020, D0027 Cost Estimating and Analyst Services

Contract Labor Categories	Contract Rate	Contract Hours	Total Contract Cost	Government Rates x Contract Hours	Government Cost	Savings - In-House
Senior Cost Estimator	$54.69	702	$38,392.38	32.62 x 702	$22,899.24	$15,493.14
Senior Tech Analyst	79.42	71	5,638.82	38.56 x 71	2,737.76	2,901.06
Cost Research Analyst	49.53	248	12,283.44	27.43 x 248	6,802.64	5,480.80
Cost Estimator	35.51	368	13,067.68	27.43 x 368	10,094.24	2,973.44
Senior Tech Analyst	119.76	33	3,952.08	38.56 x 33	1,272.48	2,679.60
Senior Cost Res Analyst	94.64	78	7,381.92	38.56 x 78	3,007.68	4,374.24
Cost Research Analyst	71.85	1,009	72,496.65	27.43 x 1,009	27,676.87	44,819.78
Travel, Miscellaneous			1,728.56		1,728.56	.00
Total Cost			$154,941.53		$76,219.47	$78,722.06

Percentage of Savings if Performed In-house: 50.0 percent

See footnotes at end of chart.

COST COMPARISON OF CONTRACTING OUT VERSUS IN-HOUSE EFFORT (Continued)

Government GS/Contractor Equivalents [1]		GS - 9/5 Technical Support	GS - 11/5 Technical Support	GS - 13/5 Senior Tech Expert/ Analyst	GS - 14/5 Senior Tech Expert/ Analyst
Government GS Base Salary (1987)		$25,454.00	$30,796.00	$43,891.00	$51,863.00
Hourly Rate [2]		$14.60	$17.66	$25.17	$29.74
OMB A-76 Benefit Cost Factors [3]					
Retirement	21.70 percent	3.17	3.83	5.46	6.45
Medicare	1.45 percent	.21	.25	.36	.43
Life & Health Ins.	4.70 percent	.69	.83	1.18	1.40
Misc Fringe	1.80 percent	.26	.32	.45	.54
Government Rates with Benefit Costs		$18.93	$22.89	$32.62	$38.56

Tecolote Contract No. F04701-87-D-0004, Task 0005 Independent Cost Estimating for the Adaptable Space Propulsion System

Contract Labor Categories	Contract Rate	Contract Hours	Total Contract Cost	Government Rates x Contract Hours	Government Cost	Savings - In-House
Senior Tech Expert	$91.54	54	$ 4,943.16	38.56 x 54	$ 2,082.24	$ 2,860.92
Senior Analyst	74.23	1,656	122,924.88	38.56 x 1,656	63,855.36	59,069.52
Techincal Support	36.11	317	11,446.87	18.93 x 317	6,000.81	5,446.06
Total Cost			$139,314.91		$71,938.41	$67,376.50

Percentage of Savings if Performed In-house: 48.0 percent

See footnotes at end of chart.

Note: Technical Support was equivalent to GS-9 or GS-11; for cost comparison, GS-11 rate was used. Senior Technical Expert and Senior Analyst was equivalent to GS-13 or GS-14; for cost comparison, GS-14 rate was used.

COST COMPARISON OF CONTRACTING OUT VERSUS IN-HOUSE EFFORT (Continued)

1/ Government Salary (GS)/Contractor Equivalent personnel comparison based on contract records or equivalents identified by activity personnel.
2/ Based upon 1,744 full-time annual equivalent hours (DoD Instruction 4100.33 "Commercial Activities Program Procedures").
3/ Office of Management and Budget Circular A-76.
4/ Based on similar contract effort at Space Division.
5/ Military Strategic and Tactical Relay System (MILSTAR).

INDEFINITE QUANTITY CONTRACTS REVIEWED

Contracting Office	Contract Number	Contractor
Army Armament Munitions and Chemical Command, Aberdeen Proving Grounds, MD	DAAA15-85-D-0015	Roy F. Weston, Incorporated
	DAAA15-85-D-0017	Environmental Science & Engineering, Incorporated
	DAAK11-84-D-0016	Environmental Science & Engineering, Incorporated
	DAAK11-84-D-0017	Ebasco Services, Incorporated
Army Armanent Munitions and Chemical Command, Picatinny Arsensal, NJ	DAAA21-86-D-0031	Foster Wheeler USA Corporation
	DAAA21-86-D-0033	Day & Zimmerman Incorporated
	DAAA21-87-D-0016	J. M. Cockerham & Associates
	DAAA21-87-D-0017	Integral Technologies, Incorporated
	DAAA21-87-D-0022	New Mexico State Universtiy, Physical Science Laboratory
U.S. Army Garrison, Fort Huachuca, AZ	DAEA18-82-D-0151	Unisys, Corporation
	DAEA18-84-D-0058	PRC Kentron, Incorporated
	DAEA18-86-D-0002	Mantech Advanced Systems International, Incorporated
Communications and Electronics Command, Fort Monmouth, NJ	DAAB07-86-D-D006	Computer Sciences Corporation
	DAAB07-87-D-C009	BDM Corporation
Army Laboratory Command, Adelphi, MD	DAAL02-86-D-0042	Booz, Allen & Hamilton, Incoporated
	DAAL02-86-D-0043	Mission Research Corporation
U.S. Information Systems Command, Alexandria, VA	DAEA26-86-D-2000	Computer Sciences Corporation

INDEFINITE QUANTITY CONTRACTS REVIEWED (Continued)

Contracting Office	Contract Number	Contractor
Naval Air Development Center, Warminster, PA	N62269-85-D-0108	Intermetrics, Incorporated
Naval Air Systems Command, Arlington, VA	N00019-84-D-0176	National Systems Management Corporation
Naval Ocean Systems Center, San Diego, CA	N66001-84-D-0143	San Diego State University
	N66001-86-D-0007	Computer Sciences Corporation
	N66001-86-D-0077	Sonalysts, Incorporated
	N66001-86-D-0121	Science Applications International, Corporation
	N66001-87-D-0237	B-K Dynamics
Naval Regional Contracting Center Philadelphia, PA	N00140-87-D-1749	Automated Information Management, Incorporated
Naval Regional Contracting Center San Diego, CA	N00244-84-D-1500	Sperry Corporation, Computer Systems
	N00244-84-D-1521	Computer Sciences Corporation
	N00244-84-D-1562	Advanced Technologies, Incorporated
	N00244-86-D-0410	Systems and Software Services, Incorporated
	N00244-86-D-8000	Computer Sciences Corporation
	N00244-87-D-0078	Computer Sciences Corporation
Office of Naval Research, Arlington, VA	N00014-86-D-0096	BDM Corporation
Space and Naval Warfare Systems Command, Arlington, VA	N00039-85-D-0006	Semcor Incorporated

INDEFINITE QUANTITY CONTRACTS REVIEWED (Continued)

Contracting Office	Contract Number	Contractor
Air Force District of Washington, Andrews Air Force Base, MD	F49642-84-D-0037	Systems Research and Applications, Corporation
	F49642-84-D-0038	Syllogistics, Incorporated
	F49642-85-D-0029	Synergy, Incorporated
	F49642-85-D-0030	Systems Research and Applications Corporation
	F49642-86-D-0070	Systems Research and Applications Corporation
	F49642-86-D-0093	Betac Corporation
Electronic Systems Division, Hanscom Air Force Base, MA	F19628-84-D-0019	Tecolote Research, Incorporated
	F19628-84-D-0020	J. M. Cockerham & Associates
Sacramento Air Logistics Center, Sacramento, CA	F04606-86-D-0012	Ford Aerospace & Communications Corporation
	F04606-87-D-0044	TRW Electronics and Defense Sector
Space Division, Los Angeles Air Force Base, Los Angles, CA	F04701-83-D-0103	Tecolote Research, Incorporated
	F04701-87-D-0004	Tecolote Research, Incorporated

ASSISTANT SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301-8000

PRODUCTION AND LOGISTICS

November 13, 1990

MEMORANDUM FOR THE INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Draft Report on the Audit of Contracted Advisory and Assistance Services Contracts (Project No. 8AE-0076)

This is the Office of the Under Secretary of Defense (Acquisition) response to subject draft report. The following comments are directed at the overall report. Specific comments on each of the findings and recommendations are attached.

The overall scope of the audit is impressive. It supports our premise that improved CAAS management, reporting and acquisition is the responsibility of many functional areas -- not just the Component CAAS Directors. We also agree with many of the problem areas that the report identifies, but nonconcur with several of the recommended corrective actions believing there is a better way to solve the problem. For example: monitoring CAAS costs by mission contribution (purpose and use) categories rather than reporting full-time equivalents in the PB-27; improving internal management controls and establishing accountability rather than requiring the component CAAS directors to review all long-term CAAS contracts; and better education and training of requirements officials to help determine the most cost-effective means -- in-house or contracting out -- for getting the job done.

However, some of the findings appear either overstated or forced and the recommendations arbitrary, implying that DoD is unable to manage its use of contractor support. I do not believe that is an accurate representation and am deeply concerned that our critics will only read the "headline" and attempt to further legislate the management of CAAS.

For example, the finding that "the DoD did not identify and report an estimated $9.9 billion of CAAS procurement for FY 1987" is highly questionable. The corresponding recommendation that a revised definition with better examples will fix the problem is simplistic. As you are well aware, inaccurate reporting has as its root cause both the inadequate and difficult-to-use definition and the real threat of arbitrary across-the-board reductions. The definition problem can probably be fixed. The irresponsible and inconsistent manner in which CAAS reductions are made will continue until the Department and the Congress can agree to a more

Revis
5

enlightened management approach. I believe your report should highlight this major disincentive to better reporting and offer a suitable recommendation for its resolution.

Another example is the finding that "DoD had not established effective policies or procedures for contracting for CAAS with indefinite quantities contracts" and the recommendation that we discontinue the use of indefinite quantity contracts for CAAS. Contracts meeting the broad definition of CAAS include many actions that fully meet the criteria for use of indefinite quantity contract vehicles. On the other hand, many CAAS efforts are not appropriate for the indefinite quantity contract. Existing policy and procedures for the use and execution of indefinite quantity type contracts is adequate. Ensuring that indefinite quantity type contracts are only used when appropriate rather than totally eliminating their use for CAAS is the preferred solution. 29 37

There are other similar examples in the report. However, the point is that improved CAAS management, acquisition and use is not black and white -- it takes well-thoughtout policies and procedures, applied with common sense and flexibility to meet the DoD objective for acquiring cost-effective contractor support.

Corrective action as a result of this report will be taken in conjunction with the ongoing CAAS Management Action Plan approved by the DepSecDef in July 1990. The plan is scheduled to be fully implemented by September 1991.

Despite my concern over how the report will be used by certain readers, it contains valuable data and information that will greatly assist our goal of improving the overall process and procedures for the management, acquisition and use of CAAS. I am available and would like the opportunity to further discuss my concerns and comments if you believe it useful. I appreciate the opportunity to comment on the draft report.

David J. Berteau
Principal Deputy Assistant Secretary
of Defense (Production and Logistics)

Attachment

DoDIG DRAFT REPORT - DATED SEP 7, 1990
(PROJECT NO. 8AE-0076)

"REPORT ON THE AUDIT OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES CONTRACTS"

OUSD(A) COMMENTS

* * * * * * *

DoDIG FINDINGS AND RECOMMENDATIONS

o FINDING A: Identification and Reporting of Contracted Advisory and Assistance Services

DoD has significantly underreported its Contracted Advisory and Assistance Services (CAAS). We estimate that DoD Components did not identify and report about $9.9 billion of CAAS for FY 1987. CAAS efforts were not identified and reported because DoD Directive 4205.2, "DoD Contracted Advisory and Assistance Services," (the DoD Directive) contained terminology that was unclear and undefined, and because the Military Departments were not timely in updating their regulations to implement the 1986 version of the DoD Directive and did not ensure that implementing regulations were disseminated to field activities. Personnel within the DoD Components did not accurately report CAAS because of uncertainty over the CAAS definition. Furthermore, personnel within DoD Components have not received the training needed to improve their understanding of the definition of CAAS. As a result, DoD Components reported data for FY 1987 that were not reliable for oversight and policy-making purposes. Also, the DoD Directive is not consistsent with the provisions of the Office of Management and Budget (OMB) Circular No. A-120 "Guidelines for the Use of Advisory and Assistance Services," (the Circular). Revised 5

OUSD(A) RESPONSE: Concur in general with the finding that the CAAS definition is unclear, difficult to apply, and results in the underreporting of CAAS contract actions. However, we strongly disagree with the estimate that DoD components did not identify about $9.9 billion of CAAS for FY 1987. Revis

The stratified sampling technique used to establish an audit universe was applied to the $2.8 billion of contract actions reported to the FPDS and appears to be methodologically sound. However, in the report you apply the values obtained from this technique to an entirely different universe drawn from the PB-27 Budget Exhibit and then project a range of unreported CAAS of $9.75 billion to $17.75 billion.

The PB-27 data (the report used $3.3 billion as the universe) are derived from entirely different reporting sources and the auditors did not apply any of the same sampling techniques to arrive at this universe as done with the FPDS data.

Moreover, the $3.3 billion amount used as the CAAS universe clearly is identified in the PB-27 as only partially CAAS. The reported CAAS number shown in the PB-27 is $2.05 billion.

Recommend that you not use a projected dollar amount in the report, or using the corrected CAAS value from the PB-27, clearly explain the shortcoming of how the methodology was applied.

DoDIG RECOMMENDATIONS FOR CORRECTIVE ACTION

1. We recommend that the Under Secretary of Defense for Acquisition:

a. Update DoD Directive 4205.2 to eliminate inconsistencies with OMB Circular No. A-120 for automatic data processing and telecommunications and clarify the relationship with Federal Information Resource Management Regulation, and engineering and technical services. 11

OUSD(A) RESPONSE: Concur. However, the inconsistencies occur when the DoD implements OMB Circular No. A-120 and attempts to clarify the vague definition and exclusions contained in the A-120. There are two ongoing actions to correct the inconsistencies. The Office of Federal Procurement Policy (OFPP) is sponsoring an effort to develop an easy-to-use and understand CAAS definition. The DoD has ongoing an action plan to strengthen the management and reporting of CAAS. A major task of the plan is to develop a consistent and easy-to-use CAAS definition. The plan will be fully implemented by September 1991.

b. Revise DoD Directive 4205.2 to require the Comptrollers of the DoD Components to identify and report obligations for contracted advisory and assistance services. 11

OUSD(A) RESPONSE: Concur. Any revision to DoD Directive 4205.2 will clearly assign the comptroller function responsibility for reporting and accounting for CAAS requirements and obligations. However, the guidance will emphasize that the requiring organization and the comptroller function must work together during the budget process to ensure CAAS efforts are properly identified and reported in the PB-27.

c. Direct the Defense Acquisition Regulatory Council to revise Federal Acquisition Regulation Subpart 37.2, "Advisory and Assistance Services," to eliminate the requirement that contracting officers make the determination whether contract services are advisory and assistance services. 12

OUSD(A) RESPONSE: Concur. However, other parts of the FAR and the DFAR must also be changed to ensure consistency. The contracting officer should treat a CAAS contract as any other

services contract and not be put in the position of making a determination he or she may not be qualified to make.

d. Develop and publish a pamphlet that supplements the guidance in DoD Directive 4205.2. The pamphlet should provide additional guidance and examples, and define terminology to assist DoD personnel in identifying and reporting contracted advisory and assistance services. 12

OUSD(A) RESPONSE: Concur. However, the emphasis of the pamphlet will be to improve the overall process and procedures for the acquisition and use of CAAS. Improved reporting can only occur from an improved definition and reporting process. The latter is a major objective of the revised DoD Directive 4205.2 and the CAAS action plan to be fully implemented by September 1991.

2. We recommend that the Secretaries of the Military Departments:

a. Require training on the identification and reporting of contracted advisory and assistance services be provided to comptroller, contracting, and management personnel. 12

OUSD(A) RESPONSE: Concur.

b, Direct their auditors, inspectors, and procurement management review teams to make the accuracy and completeness of CAAS reporting a special interest item. 13

OUSD(A) RESPONSE: Concur.

3. We recommend that the Secretary of the Army update the Army's Contracted Advisory and Assistance Services Regulation 5-14, "Managing Analytical Support Services," to implement DoD Directive 4205.2 and OMB Circular No. A-120. 14

OUSD(A) RESPONSE: Concur.

4. We recommend that the Army, Navy, and Air Force Directors for Contracted Advisory and Assistance Services: 14

a. Direct all field activities to implement current CAAS guidance and prepare and submit CAAS information for the PB-27 Budget Exhibit.

OUSD(A) RESPONSE: Concur.

b. Establish reporting mechanisms within budget and accounting systems that provide detailed support for Contracted Advisory and Assistance Services expenditures and budget estimates in the PB-27 Budget Exhibit. 15

OUSD(A) RESPONSE: Concur.

o FINDING B: Use of Contracted Advisory and Assistance Services

DoD activities imposed manpower ceiling constraints that lead to contracting for CAAS services that should have been performed in-house. In addition, the Military Departments (1) did not comply with DoD guidance to determine total manning requirements, and (2) did not determine the cost-effectiveness of continued use of CAAS. Further, the Military Departments (3) became too dependent on outside consultants to perform day-to-day tasks that more appropriately should be performed by Government employees. These conditions occurred because the Military Departments have only partially implemented the manpower ceiling free management policy with respect to planning civilian workforce requirements, and DoD managers have not considered it appropriate to track manpower use on contracted advisory and assistance services (CAAS) contracts. Also, the governmental policy to maximize reliance on the private sector for performance of all nongovernmental functions is too broad and leads to varying interpretation by management and contracting officials. As a result, DoD obligated an estimated $6.3 billion in FY 1987 on contracts for work that continued for more than 5 years. Also, we determined, in some cases, that the effort could have been performed more economically if performed in-house. 17 Revised

OUSD(A) RESPONSE: We basically agree with the ASD(FM&P) that your discussion of manpower management issues and proposed corrective actions reflect a premise that is inconsistent with both administration policy directing maximum reliance on the private sector and DoD reform initiatives to eliminate non-value-adding controls. The discussion in the draft report implies that DoD policy supports the projection and collection of manpower utilization data for private sector contractors. No such policy exists and we do not support creation of such a policy. Revised

What would greatly improve the process for determining whether to contract out a requirement would be better education, training and guidelines for project and program managers on how to make that determination; also, improved internal management controls at the point of making critical procurement decisions.

Also, the $6.3 billion projection should either be deleted or recomputed and fully explained per the OUSD(A) response at Finding A. Revised

The characterization that CAAS contracts are personal service contracts on page 28 is a flawed generalization because it does not take into account the key criteria in determining whether or not a service requirement is personal or nonpersonal. In accordance with FAR 37.104(a), "a personal services contract is characterized by the employer-employee relationship it creates between the Government and the contractor's personnel." Per FAR 37.104(c)(1) such a relationship occurs when the contract terms or the manner in which the contract is administered result in contractor personnel being subject to the relatively continuous 20

supervision and control of a Government officer or employee. Giving an order for a specific service, with the right to reject the final product or result, is specifically identified as not meeting this criteria. FAR 37.104(c)(2) states that the key issue in determining personal versus nonpersonal services is whether or not the Government will exercise relatively continuous supervision and control over contractor personnel.

The reasons provided in the report for determining the contracts to be personal services contracts (pages 28 and 29) address four of the six descriptive elements provided in FAR 37.104(d) as elements to be used as a guide. While the meeting of these criteria could result in a determination that the services were personal, it may not. Service requirements may meet one or more of those elements and still not be a requirement which would result in the Government exercising relatively continuous supervision over contractor personnel and, therefore, could legitimately be determined to be nonpersonal services. 20

RECOMMENDATIONS FOR CORRECTIVE ACTION

1. We recommend that the Assistant Secretary of Defense (Force Management and Personnel) issue guidance that:

a. Defines in detail what are inherent governmental functions that should be performed by DoD employees. 24

OUSD(A) RESPONSE: Concur with the ASD(FM&P) response. FM&P will issue guidance as part of the annual manpower guidance identifying what functions are inherent government functions that should be performed by DoD employees or uniformed personnel. This guidance will be consistent with OMB Circular No. A-76 and will be modified in response to adopted recommendations of the ongoing GAO evaluation defining "inherent government functions."

b. Requires DoD Components to identify their total manpower requirements, including full-time equivalent contractor personnel that will be needed on contracts for advisory and assistance services. Deleted

OUSD(A) RESPONSE: Nonconcur. The Department policy as directed in the Defense Management Report and further elaborated on in DoD Comptroller "Unit Cost Resourcing Guidance," issued on October 15, 1990, is to provide resources based on unit cost and projected work load. The recommendation to project, count, and implicitly manage private sector work years is clearly out of step with current policy direction. Rather, the policy should emphasize clearer definition of tasks and deliverables obtained under contractor support as the basic method of ensuring effective management oversight.

2. We recommend that the Under Secretary of Defense for Acquisition revise DoD Directive 4205.2, DoD Contracted Advisory and Assistance Services, to require:

a. Directors for Contracted Advisory and Assistance Services in the DoD Components to review contracts for contracted advisory and assistance services that continue longer than 5 years for compliance with DoD policy. 25

OUSD(A) RESPONSE: Nonconcur. The Component CAAS Director's job should be to implement policies and provide oversight to improve the acquisition, management, and use of contractor support. To place the CAAS Director in the approval process adds an unnecessary management layer without adding value. A better and more effective way to review contractor support requirements is to ensure adequate internal management controls are in place at the specific point where the accountability and responsibility for the use of government resources resides.

b. Purchase requests for contracted advisory and assistance services only be approved when program officials have demonstrated, by cost comparisons, that contracting for continuing work requirements is more economical. 26

OUSD(A) RESPONSE: Nonconcur. Implementing this policy would be impossible to enforce because its application is dependent upon a definition of CAAS and what is a continuing long term requirement. We would agree that the DoD needs to improve its compliance with current policies on when it is appropriate to choose between contracting and performing a service in-house. However, those policies should apply to all service contracts -- not just those defined as CAAS. When implemented, the CAAS management improvement action plan will provide for improved internal controls, education and training of program officials to improve the process of using contract support.

3. We recommend that the Comptroller for the Department of Defense revise budget guidance to require the identification of full-time equivalents in the submission of data for the PB-27 Budget Exhibit. Delete

OUSD(A) RESPONSE: Nonconcur. Agree with the DoD Comptroller response. The reporting of full-time equivalents, without end-strength or workyear ceilings, adds little value and could be used to apply additional DoD manpower constraints. Such constraints force managers to choose suboptimal means to get needed work done, and leads to increased costs.

o FINDING C: Contracting Practices

DoD had not established effective policy or procedures for contracting for CAAS with indefinite quantity contracts and options. Contracting officers limited competition for CAAS through the use of indefinite quantity contracts, through the exercise of contract options, and through the award of contracts to small businesses. Contractors were also directed to perform work that was outside the original scope of work, and 68 percent of sampled CAAS was acquired on cost-type contracts. The use of indefinite quantity contracts for CAAS evolved because contracting officers found this type of contract to be more convenient than other contract types. Furthermore, the FAR does not specifically provide or prohibit their use for CAAS. Also, procuring activities did not have adequate procurement planning and often did not identify what was expected of contractors in the basic statements of work. Contracting officers did not do enough to ensure competition on small business set-asides. Consequently, 85 percent of all CAAS contracts had limited competition. In addition, breakout of individual tasks to competition and the use of firm-fixed-price contracts could have reduced Government costs. 29

OUSD(A) RESPONSE: We take exception to some of the conclusions and recommended corrective actions from this finding. Existing FAR guidance provides effective policy and procedures for the use of indefinite quantity contracts, options and small business set-asides to cover all contract requirements. The guidance enables contracting officers to determine the most appropriate acquisition methods to meet requirements.

It is unwarranted to definitively conclude that there is a lack of adequate procurement planning in cases where there are modifications to original contract requirements. In dynamic environments, such changes can not be predicted and yet are necessary for a meaningful work product. The FAR contains adequate guidance to handle such instances.

Under appropriate conditions, firm fixed price contracts should be used. However, the conditions needed for this contract type (well-defined requirements, availability of relevant and reliable cost data) are not always available, and the decision as to contract type should be left to the contracting officer, based on individual cases. To the extent that competing individual tasks involves additional administrative costs, both in running multiple competitions and potentially administering additional contracts, these costs would have to be taken into account in assessing any Government savings.

RECOMMENDATIONS FOR CORRECTIVE ACTION

1. We recommend the Under Secretary of Defense for Acquisition issue a policy memorandum that directs DoD Components to:

a. Discontinue the use of indefinite quantity (task order) contracts and options for the acquisition of contracted advisory and assistance services and expand the use of basic ordering agreements, master agreements, and other contract types. 37

OUSD(A) RESPONSE: Nonconcur. Discontinuing the use of indefinite quantity contracts for CAAS is inappropriate. There are many CAAS contract actions that fully meet the criteria for indefinite contract types. On the other hand, many CAAS efforts are not appropriate for indefinite type contracts and should be considered for the use of master agreements or other contract types. It would be counterproductive and costly to eliminate the ability of contracting officers to choose the most advantageous type of contract to meet requirements.

b. Increase the use of fixed-price contracts to procure contracted advisory and assistance services when performance requirements can be defined and cost data can be obtained. 38

OUSD(A) RESPONSE: Concur.

c. Use pre-solicitation conferences to ascertain that at least two small business firms will bid on small business set-asides for contracted advisory and assistance services. 38

OUSD(A) RESPONSE: Concur in part. While such conferences may be helpful, indications of interest made at such conferences are not binding, and are therefore not guarantees of multiple competitive participation.

d. Evaluate proposals to subcontract efforts on large dollar value contracts for contracted advisory and assistance services to determine whether it would be more advantageous to breakout the work for separate contract. 39

OUSD(A) RESPONSE: Concur. This is the equivalent of the evaluation of a "make-or-buy" plan in a production proposal. The contracting officer always has the responsibility to ensure that subcontracting decisions make good business sense, when all relevant factors, including government administrative costs, are considered. Adequate guidance is contained in the FAR.

e. Reemphasize the need for planning for competition in the awarding of follow-on contracts for contracted advisory and assistance services. 39

OUSD(A) RESPONSE: Concur. FAR 6.101(a) requires contracting officers to promote and provide for full and open competition in awarding Government contracts (presumably including follow-on contracts). FAR 6.101(b) indicates that "contracting officers must use good judgment in selecting the procedure that best meets the needs of the Government."

2. We recommend that the Navy Acquisition Executive direct contracting officers to discontinue the practice of authorizing ordering officers to place orders for contracted advisory and assistance services. 40

OUSD(A) RESPONSE: Concur in part. Where the details of specific tasks are unknown at the time of award, it is inappropriate to use ordering officers. The Navy should ensure that all of its contracting officer representatives receive appropriate training with respect to their contractual responsibilities.

ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D C. 20301-4000

08 DEC 1990

FORCE MANAGEMENT
AND PERSONNEL

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Report on the Audit of Contracted Advisory and Assistance Services Contracts (Project No. 8AE-0076)

I recognize that the Department of Defense should strengthen the management of Contract Advisory and Assistance Service Contracts (CAAS) and many of your proposed corrective actions will support that objective. However, your discussion of manpower management issues and proposed corrective actions is inconsistent with both administration policy directing maximum reliance on the private sector and DoD reform initiatives to eliminate nonvalue-adding controls. Therefore, I have attached specific comments on identifying inherent governmental functions as recommended in your report and my objections to identifying CAAS manpower as a part of the Defense Department's work force. 17

Christopher Jehn

Attachment:
As stated

OASD (Force Management and Personnel) Comments on IG, DoD, Draft Report, (Project No. AE-0076)

DETAILED COMMENTS

The Draft Inspector General report found that "Military Services did not comply with DoD guidance to determine total manning requirements," (p. 21) and that "DoD managers have not considered it appropriate to track manpower utilization on CAAS contracts." The discussion in the draft report implies that DoD policy supports the projection and collection of manpower utilization data for private sector contractors. No such policy exists and we do not support creation of such a policy. Revised 23

The Draft Inspector General Report recommends that the Assistant Secretary of Defense (Force Management and Personnel) take the following corrective actions:

Recommendation A.1. (1.a., page 33) Define in detail what are inherent governmental functions that should be performed by DoD employees. 24

FM&P Position: FM&P concurs that it will issue guidance as part of the annual manpower guidance identifying what functions are inherent government functions that should be performed by DoD employees or uniformed personnel. This guidance will be consistent with guidance currently issued in Circular A-76 and will be further modified in response to adopted recommendations of the ongoing GAO evaluation defining "inherent government functions." This guidance will reflect administration policy to narrowly define inherent government functions in strict accordance with requirements to exercise discretion in applying government authority, commit government funds, or apply value judgements in making decisions for government. This list will constitute those functions that must be performed in-house, but will not reflect those functions which may be performed by in-house personnel when additional criteria are applied including cost advantage, rotation base (for military personnel), mobilization requirements, etc.

Recommendation A.2 (1.b., page 34) Require DoD Components to identify their total manpower requirements, including full-time equivalent contractor personnel, that will be needed on contracts for advisory and assistance services. Delet

FM&P Position: Nonconcur. The Department policy as directed in the Defense Management Report and further elaborated on in DoD Comptroller "Unit Cost Resourcing Guidance" issued on October 15, 1990, is to provide resources based on unit cost and projected work load. The recommendation to project, count, and implicitly manage, private sector work years provided through one aspect of the procurement system is clearly out of step with current policy direction. The Department has no current system to project or

track actual full-time equivalent or end strength manpower data for private sector employees which provide goods and services through the procurement process. Apart from ensuring compliance with federal laws such as the Fair Labor Standards Act, the Department has no responsibility or authority over the internal personnel operations of private sector firms. Development of such a system would add no value to the process, and would be inconsistent with the Defense Management Report recommendations to streamline the acquisition process. Rather, the policy should emphasize clearer definition of tasks and deliverables obtained under Contract Advisory and Assistance Contracts as the basic method of ensuring effective management oversight.

OFFICE OF THE COMPTROLLER OF THE DEPARTMENT OF DEFENSE

WASHINGTON, DC 20301-1100

OCT 24 1990

(Program/Budget)

Final Report
Page No.

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF DEFENSE

SUBJECT: Report on the Audit of Contracted Advisory and Assistance Services Contracts (CAAS) (Project No. 8AE-0076)

The CAAS audit recommends that budget guidance be revised to require DoD components to identify CAAS contractor personnel in terms of full-time equivalents (FTE's). This recommendation stems from the IG report assertion that contractor employees are often used instead of Government employees to stay within forecasted manpower requirements. Absent end strength or workyear ceilings, this conclusion is not supportable, and I do not agree with the recommendation. Delete

I fully support taking steps that will assist the Department in making the most cost-effective decision in choosing between contracting and performing a service in-house. However, I do not believe the collection of contract FTE's would contribute measurably to this objective. The decision on whether to perform services by contract or in-house is heavily influenced by the need for the services and the capability of the government to accomplish them. It also depends on a comparison of total in-house and contract costs, not just on the number of contractor personnel required. Further, the availability of this data could be used to develop additional DoD manpower constraints. Such constraints lead directly to forcing managers to choose suboptimal means of accomplishing their work load and, hence, to increased costs.

L. P Dube
Deputy Comptroller
(Program/Budget)

DEPARTMENT OF THE ARMY
OFFICE OF THE UNDER SECRETARY
WASHINGTON DC 20310 0102

SAUS-OR

5 NOV 1990

MEMORANDUM FOR DIRECTOR, CONTRACT MANAGEMENT DIRECTORATE

SUBJECT: Report on the Audit of Contracted Advisory and Assistance Services Contracts (CAAS) (Project No. 8AE-0076)

As a result of a thorough review of the subject audit, by Army organizations familiar with the individual issues identified by the auditors, the following information is provided for your consideration in preparing the final report. This response is divided into two parts. The first part is composed of responses to the recommendations for either the Secretary of the Army or the Army CAAS Director. The enclosure includes comments on the remaining recommendations and the inappropriate methods used by the DoDIG to estimate the dollar amount of CAAS under-reporting.

The recommendations directed to the Army are all from Part A, Identification and Reporting of Contracted Advisory and Assistance Services, of the audit.

Recommendation 2.a. The Secretaries of the Military Departments require training on the identification and reporting of contracted advisory and assistance services be provided to comptroller, contracting and management personnel. 12

Concur. This issue is addressed in the DoD plan for strengthening management and reporting controls over CAAS. A working group is required to recommend a training program to include: (1) the type of materials and/or methods required for the various target groups; (2) how the training will be developed, presented and kept current; and (3) a timetable identifying delivery dates for the initial products. Once this action is completed the Army will task the ASA(M&RA), ASA(RDA) and ASA(FM) to incorporate training on the identification and reporting of CAAS in the structured training programs for contracting, comptroller and management personnel.

Recommendation 2.b. The Secretaries of the Military Departments direct their auditors, inspectors, and procurement management review teams to make accuracy and completeness of CAAS reporting a special interest item. 13

Concur with comment. Once the DoD plan for strengthening management and reporting controls over CAAS has been completed, the Army will direct the auditors, inspectors and procurement management review teams to make CAAS a special interest item. It will be necessary to allow the management improvements caused by the DoD plan to take effect before attempting to measure and monitor the effects of the plan.

SAUS-OR
SUBJECT: Report on the Audit of Contracted Advisory and Assistance Services Contracts (CAAS) (Project No. 8AE-0076)

Recommendation 3.a. Recommend that the Secretary of the Army update the Army's Contracted Advisory and Assistance Services Regulation AR 5-14, "Managing Analytical Support Services," to implement DoD Directive 4205.2 and OMB Circular No. A-120. 14

Concur. The Army submitted the revised AR 5-14 for publication in June 1990. It was slated to be published in FY 1990 but the requirements for "Desert Shield" delayed publication. At the time of this response the regulation had been sent for development of proofs.

Recommendation 4.a. The Army, Navy, and Air Force Directors for CAAS direct all field activities to implement current CAAS guidance and prepare and submit CAAS information for the PB-27 exhibit. 14

Concur. The Army regulation will be distributed to all Army organizations once it is published as part of the publications process. Information relating to the PB-27 data will be included in the Command Budget Estimate request which goes to all Army organizations for input.

Recommendation 4.b. The Army, Navy, and Air Force Directors for CAAS establish reporting mechanisms within budget and accounting systems that provide detailed support for CAAS expenditures and budget estimates in the PB-27 Budget Exhibit. 15

Concur. The Army accounting system currently uses element of resource codes as part of the fund citation to identify funds used to procure an advisory or assistance service. Also, the Schedule 10 of the Command Budget Estimate is used to identify requirements in the Army, by one of the four CAAS categories, to prepare the PB-27.

As indicated above, we are addressing the recommendations for the Army in the first part of the response. The material included in the enclosure is extremely important particularly our comments on the methodology used to estimate under-reporting of CAAS. Army Leadership recognizes that much must be done to improve the management of CAAS and acknowledges the effort by the DoDIG in preparing the audit.

Walter W. Hollis
Deputy Under Secretary of the Army
(Operations Research)

Encl
as

Additional Army Comments and Concerns

The information that is provided in this enclosure expresses important concerns about material included in the text of the audit, the inappropriate method used to project under-reporting of CAAS and the concurrence or nonconcurrence with the remaining recommendations in the DoDIG audit on Contracted Advisory and Assistance Services.

The primary objective of the audit was to determine the adequacy of management controls over Contracted Advisory and Assistance Services. To do this, FY 1987 contract actions were randomly selected and examined to determine whether appropriate procedures were followed. These procedures should have been evaluated against standards drawn from documents which were enforceable during FY 1987. It is therefore inappropriate to reference OMB Circular A-120, "Guidelines for the Use of Advisory and Assistance Services," approved on January 4, 1988, (FY 1988) as a source document for the audit. The audit should have been carried out using OMB Circular A-120, approved in 1980 as the source for evaluation of FY 1987 contracts.

On page 5 of the audit report it is noted that "DoD field activities were not preparing cost-effectiveness analyses to justify CAAS procurement." Such analysis is not a requirement in either the DoD Directive, the OMB Circular A-120 dated April 14, 1980, or the revised OMB Circular A-120 cited in the audit. Cost-effectiveness analysis is not mentioned in the OMB Circulares at all. (Incidently, the audit itself does not recommend that a cost-effectiveness analysis be required, even when a CAAS contract is renewed.) The DoD Directive states that contracting may be appropriate "when suitable in-house capability is unavailable, and cannot be developed in time to meet the needs of the DoD Component concerned, or development of in-house capability would not be cost-effective because the special skills or expertise are not required full time." This does not establish a requirement to perform a rigorous cost-effectiveness analysis, but only to make a judgement. This comment is a *non sequitur* and should be removed from the document. 3

Section A, Identification and Reporting of Contracted Advisory and Assistance Services, is the focus of grave concerns for the Army, specifically with regard to the methods used to derive the $13.75 billion CAAS estimate. We fully support the use of stratified random sampling in audits such as the present one. We have commented earlier on the use of purposive (non-probability) sampling used by audit agencies to imply projections when no such projections can properly be deduced. This report is a major step in the right direction. Fuller explanation of the numerical analysis (Appendix C) would be helpful. For example, it is not clearly stated that a number of the computational steps involved stratifying the contractual actions making up the 5 Revis

Services when they develop procedures to deal with the reporting gaps identified by the audit team.

The table on page 9 shows the number of contract actions reviewed, the number not reported, and the percent not reported by DoD component (OSD, Army, Navy, Air Force, and total). In Appendix C we believe the data for OSD and the Army are combined. Thus, Appendix C works from a base of 52 Army CAAS actions as the sample for all subsequent computations with 4 of those 52 actions reported as CAAS. Clarification would be useful, either in Appendix C or in conjunction with the table on page 9. It would be sufficient to note that, for statistical sampling and computational purposes, the six actions taken on behalf of OSD by Army contracting agencies have been grouped as Army actions in Appendix C. 6

The matter of extrapolation from the PB-27 data is a most significant one, seriously affecting the credibility of the entire audit. The auditors' sampling and analysis process led to a projected CAAS universe of $941.8 million, from a universe of selected FPDS codes totaling $2.8 billion of contract actions. Why is the OSD reported CAAS expenditures of $3.3 billion accepted as the "true" universe? It derives from a different source with different summing procedures, unquestioned by the present audit team. In sum, the auditor's errors are methodological and epistemological; that is, they use data from two different sources to compute an estimate and are inconsistent in applying criteria for validity. The former is self-evident. For the latter, the auditors accept their own derived estimate of a CAAS universe in computing the ratio of 76 percent not identified as CAAS and then reject that universe by applying the ratio to the PB-27 figure. They cannot have it both ways. Stated another way, the auditors are holding up their analysis as a standard against which OSD's CAAS reporting can be judged. Then, they accept OSD's report as more accurate in order to compute the estimate of the "real" universe. Revise

An alternative explanation is that the "true" universe is that defined by the projection (not quite $1 billion) developed from sound probability sampling and that the $3.3 billion figure is a significant over-estimate rather than an under-estimate. This conclusion still leaves the issue of serious under-identification of CAAS actions but for a universe of about one billion dollars as opposed to a universe of $10 to 17 billion. Revis

In Part B, page 21 the audit states that, "... the Military have only partially implemented the manpower ceiling free management policy with respect to civilian workforce requirements." Although Public Law 98-473 removed civilian employment end-strength ceilings, it did not eliminate the need for the services to comply with OSD and Congressionally-imposed reporting requirements concerning projected civilian employment. With the recent implementation within the Army of the Managing Civilians to Budget (MCB) concept, there are no civilian manpower 17 Revis

limits imposed upon activities by Headquarters, Department of the Army, except for the applicable statutory controls and the Congressionally-imposed overseas workyear ceiling. However, the major commands are still required to project, monitor, and report civilian employment levels.

Part C, Contracting Practices, has *non sequiturs* that should be deleted. On page 42 the audit states that, "We found that contracting officers exercised all contract options to maintain continued contractor support." There is nothing wrong with that being done as long as the contractor is performing satisfactorily for the sponsor. This exercising of the option was not done to eliminate competition. It more likely was done to help reduce administrative costs to the government thus saving the taxpayer money. On page 43 the audit notes, "The amount subcontracted ranged from 29 to 46 percent of the total contract value." This comment relates to the amount of a Section 8(a) set-asides that were subcontracted out by the contractor. Standing alone as it does this paints a very negative picture for the reader. What is not pointed out by the audit is that the amount of work contracted out in the identified contracts is well within the 50 percent statutory limit established for subcontracting under these small business programs. A revision of this section of the report is recommended in order to present a more balanced analysis of Contracting Practices. 32

The recommendations for Part A, Identification and Reporting of Contracted Advisory and Assistance Services, not included in the cover letter are as follows:

Recommendation 1.a. Update DoD Directive 4205.2 to eliminate inconsistencies with OMB Circular A-120 for automatic data processing and telecommunications and clarify the relationship with Federal Information Resource Management Regulation, and engineering and technical services. 11

Concur. The OSD plan for strengthening the management and reporting controls for CAAS includes a task to develop a definition for CAAS which encompasses the scope of advisory and assistance services for which DoD wants to strengthen its management and reporting controls. The Army has provided staff support to the DoD CAAS Director to assist in accomplishing this task.

Recommendation 1.b. Revise DoD Directive 4205.2 to require the Comptroller of the DoD Components to identify and report obligations for CAAS. 11

Concur with comment. The Army agrees with requiring the Comptroller identify and report obligations for CAAS. This will ensure that the information is reported in the Component Accounting System as required by law. However, the Army absolutely disagrees with the recommendation included on page 14 that reads, "We believe that the primary responsibility for the

identification and reporting of CAAS should be assigned to field activity Comptroller and the requirement be incorporated in the DoD Directive." We do not believe that having the Comptroller determine whether a procurement action is CAAS or non-CAAS will improve reporting. The Army believes that the proponent for the requirement is the most capable entity for determining whether or not a procurement action is a CAAS or non-CAAS. If the requirement is other than identifying and reporting obligations for CAAS the Army will nonconcur with this recommendation.

Recommendation 1.c. Direct the Defense Acquisition Regulatory Council to revise Federal Acquisition Regulation Subpart 37.2, "Advisory and Assistance Services," to eliminate the requirement that contracting officers make the determination whether contract services are advisory and assistance services. 12

Concur with comment. The Army agrees with removing the responsibility of determining whether a procurement action is a CAAS or non-CAAS from the contracting officer. However, as indicated in our response to Recommendation 1.b. above, the Army is very concerned with where this responsibility will be placed. The Army believes that the responsibility for identification of a CAAS action should belong to the originator of the requirement (the sponsor). Thus, the Army would favor not having this responsibility identified in the FAR at all but having it identified in the revised DoD CAAS Directive.

Recommendation 1.d. Develop and publish a pamphlet that supplements the guidance in DoD Directive 4205.2. The pamphlet should provide additional guidance and examples, and define terminology to assist DoD personnel in identifying and reporting contracted advisory and assistance services. 12

Concur. The OSD plan for strengthening the management and reporting controls for CAAS includes a task to develop a definition for CAAS which encompasses the scope of advisory and assistance services for which DoD wants to strengthen its management and reporting controls. The Army has provided staff support to the DoD CAAS Director to assist in accomplishing this task.

The recommendations for Part B, Use of Contracted Advisory and Assistance Services were as follows:

Recommendation 1.a. The Assistant Secretary of Defense (Force Management and Personnel) define in detail what are inherent governmental functions that should be performed by DoD employees. 24

Nonconcur. The Army believes that this requirement does not belong to any organization within in the DoD. It is most appropriately required of either the Office of Personnel Management or the Office of Management and Budget. Additionally, Congress has requested that GAO perform an analysis of what are inherently governmental functions.

Recommendation 1.b. The Assistant Secretary of Defense (Force Management and Personnel) require DoD Components to identify their total manpower requirements, including full-time equivalent contractor personnel that will be needed on contracts for advisory and assistance services. Delete

Nonconcur. Contracts for advisory and assistance services are to be obtained on an intermittent or temporary basis, as required. Identifying "potential" contractor manpower requirements is an inexact undertaking with no value added to the system other than to provide another area for criticism by either audit or Congressional organizations.

The U.S. Army Force Integration Support Agency (USAFISA) has obtained FY 91 funding through the Army Study Program to support a study of "The Shadow Work Force." This study will look at all other personnel, to include contractor support personnel, and how they can be documented. It is anticipated that this study will take approximately 15 months to complete. Until the results of the study are available the Army believes that it would be unreasonable to require the identification the number of contractor personnel needed on contracts for advisory and assistance services.

Recommendation 2.a. The Under Secretary of Defense for Acquisition revise DoD Directive 4205.2, DoD Contracted Advisory and Assistance Services, to require that Directors for Contracted Advisory and Assistance Services in the DoD Components to review contracts for CAAS that continue longer than 5 years for compliance with DoD policy. 25

Concur with comment. Revising the DoD Directive 4205.2 for compliance with the current OMB Circular A-120 would require that no contracts for advisory and assistance services be continued longer than five years without being reviewed for continued compliance with the OMB Circular. The Army believes that having the Component CAAS Director review each of these actions is unreasonable. The Army CAAS Director recommends that a MACOM CAAS Director review the specific requirement and have the Component CAAS Director as the appeal authority when necessary.

Recommendation 2.b. The Under Secretary of Defense for Acquisition revise DoD Directive 4205.2, DoD Contracted Advisory and Assistance Services, to require that purchase requests for contracted advisory and assistance services only be approved when program officials have demonstrated, by cost comparisons, that contracting for continuing work requirements is more economical. 26

Nonconcur. The requirements for advisory and assistance service contracts are driven by other than cost reasons. CAAS can be procured to obtain outside points of view to avoid too limited judgements on critical issues, or to obtain advice regarding the latest developments outside of government. Section D.3. lists several reasons for using a contracted advisory and

assistance service. Additionally, Section D.5.e. reads that "When suitable in-house capability is unavailable, and cannot be developed in time to meet the needs of the DoD Component concerned, or development of in-house capability would not be cost effective because of the special skills or expertise are not required full time."

Recommendation 3. The Comptroller for the Department of Defense revise budget guidance to require the identification of full-time equivalents in the submission of data for the PB-27 Budget Exhibit. Delete

Nonconcur. Requiring that an identification of full-time equivalents in the PB-27 would only cause additional problems for the services in managing CAAS. Who would determine how a full-time equivalent is identified? Would the contracting officer be required to maintain a data base indicating the hours worked by each contractor on a particular task for inclusion in the PB-27 (which by the way he/she is not required to prepare data for currently) or would the sponsor would be required to collect and maintain this information? This additional work would not significantly enhance the PB-27. Projecting this requirement with any validity would be almost impossible. Because each contractor has varying staff year costs computation of an average would most likely lead to irreconcilable errors that could only be explained by requiring a contract by contract review. This recommendation does not improve the DoD's ability to manage CAAS. It only provides another number to be used as an arbitrary measuring stick.

The recommendations for Part C, Contracting Practices were as follows:

Recommendation 1.a. That the Under Secretary of Defense for Acquisition issue a policy memorandum that directs DoD components to discontinue the use of indefinite quantity (task order) contracts and options for the acquisition of CAAS and expand the use of basic ordering agreements, master agreements, and other contract types. 37

Nonconcur. This is one of the most important functions of the contracting officer, selecting the correct type of contract. Eliminating a specific type of contract will limit the ability of the contracting officer to ensure that the Government receives the most beneficial award possible.

Recommendation 1.b. That the Under Secretary of Defense for Acquisition issue a policy memorandum that directs DoD components to increase the use of fixed-price contracts to procure CAAS when performance requirements can be defined and cost data can be obtained. 38

Concur with comment. The Army supports the use of fixed price contracts when performance requirements can be defined and

cost data can be obtained. However, the recommendation should also state that fixed price contracts should be used when risk to the contractor and/or to the government is low.

Recommendation 1.c. That the Under Secretary of Defense for Acquisition issue a policy memorandum that directs DoD components to use pre-solicitation conferences to ascertain that at least two small business firms will bid on small business set-asides for CAAS. 38

Nonconcur. The recommendation addresses use of pre-solicitation conferences only when a small business set-aside is contemplated. The findings, however, do not support singling out the need for such conferences solely in these circumstances. The findings indicate that only one offer was received on 8 of 24 small business set-asides (33% of the acquisitions). This is a small percentage compared to the percentage of follow-on contracts where only one contractor submitted a proposal (25 of 36 or 69% of follow-ons). It is our opinion that applying this additional requirement solely to small business acquisitions would further reduce the use of these Congressionally sanctioned programs. Basing this action on a DoDIG "belief" that the use of pre-solicitation conferences would increase competition is not responsible/appropriate or warranted. The Army believes that a close working relationship between the Small Business Procurement Center Representative and the Small Disadvantaged Business Utilization specialist will ensure competition.

Recommendation 1.d. That the Under Secretary of Defense for Acquisition issue a policy memorandum that directs DoD components to evaluate proposals to subcontract efforts on large dollar value contracts for CAAS to determine whether it would be more advantageous to breakout the work for separate contract. 39

Concur. This is the equivalent of a make or buy plan in a production proposal. A contracting officer always has the responsibility to ensure that subcontracting decisions make good business sense, when all relevant factors, including administrative costs are considered.

Recommendation 1.e. That the Under Secretary of Defense for Acquisition issue a policy memorandum that directs DoD components to reemphasize the need for planning for competition in the awarding of follow-on contracts for CAAS. 39

Concur with comment. This recommendation should address all CAAS contracts, not just follow-on CAAS contracts. Revising the DoD Directive to comply with the January 4, 1988, OMB Circular A-120 will facilitate this recommendation. In it the Circular says, "No contracts for advisory and assistance services may be continued longer than five years without being reviewed for continued compliance with this circular." Thus, during this review, follow-on contracts will be required to conform with the requirements of the Competition in Contracting Act of 1984.

Recommendation 2. We recommend that the Navy Acquisition Executive direct contracting officers to discontinue the practice of authorizing ordering officers to place orders for CAAS. **No comment.**

THE ASSISTANT SECRETARY OF THE NAVY
(Research, Development and Acquisition)
WASHINGTON, D.C. 20350-1000

06 DEC 1990

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE ASSISTANT INSPECTOR GENERAL FOR AUDITING

Subj: DRAFT REPORT ON THE AUDIT OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES CONTRACTS (PROJECT NO. 8AE-0076) - ACTION MEMORANDUM

Ref: (a) DODIG Memo of 7 September 1990

Encl: (1) DON Response to Draft Audit Report

This is the Navy response to the draft audit report forwarded by reference (a) concerning the procurement and administrative reporting of contracted advisory and assistance services (CAAS). The Navy concurs with the recommendations to improve guidance for identification and reporting of CAAS. We do not agree with all the changes recommended. Our rationale is provided in enclosure (1).

The audit report found that the amount of FY87 CAAS that should have been reported was $13.75B while the amount reported was only $3.8B. We believe that the difference is exaggerated and that it is attributable to the assumption that the Federal Procurement Data System (FPDS), and the DoD's PB-27 Budget Exhibit reporting system (required by DoDD 4205.2) directly correlate. The Office of Federal Procurement Policy, Office of Management and Budget, September 1988 Report on the Government's Use of Contracted Advisory and Assistance Services found that the FPDS is not adequate for reporting and tracking CAAS, and stated "...reconciling data between the two systems can not readily be done because the systems were designed for different purposes." We suggest the method of estimating the amount of CAAS that should have been reported be re-examined.

Revis 5

The need for an update to OMB Circular A-120 and DoD Directive 4205.2 has been recognized for some time and has been delayed by the complexity of CAAS reporting issues. However, the draft report does not materially assist in resolving these issues. Many of the recommendations revisit policy issues previously considered and resolved. In this context, we recommend that the report be restructured to provide recommendations which will assist management in improving the process and procedures for the acquisition and/or use of CAAS.

Gerald A. Cann

cc: NAVINSGEN
NAVCOMPT (NCB-53)

Department of the Navy Response
to
DODIG Draft Report of September 7, 1990
on
Contracted Advisory and Assistance Services Contracts
Project No. 8AE-0076

Finding A - Identification and Reporting of CAAS

5

DoD has significantly underreported its Contracted Advisory and Assistance Services (CAAS) by $9.9B for FY1987 because DOD Directive 4205.2, "DoD Contracted Advisory and Assistance Services", contains terminology that is unclear and undefined, and because the Military Departments were not timely in updating their regulations to implement the 1986 version of the DoD Directive and did not ensure that implementing regulations were disseminated to field activities. As a result, DoD Components reported data for FY 1987 that were not reliable for oversight and policy-making purposes. Also, the DoD Directive is not consistent with OMB Circular A-120 "Guidelines for the Use of Advisory and Assistance Services" (the Circular).

Revise

DON Comments:

The draft report attributed the underreporting to (1) unclear instructions and undefined terminology, (2) untimely dissemination of regulations to field activities, and (3) lack of a working knowledge of the CAAS definitions. We believe these issues contribute to some underreporting, and can be adequately corrected by revising DoDD 4205.2. We believe, however, that the amount of underreporting is exaggerated, and that the primary cause is comparison of dissimilar reporting systems.

The significant underreporting of CAAS described in the draft audit report primarily is the result of the audit's reliance on the Federal Procurement Data System (FPDS) codes as compared to the Navy's reliance on Category Accounting Codes under the PB-27 Budget Exhibit reporting system. The former reports contract awards and obligations, while the latter reports budget expenditure amounts.

The contracting officer reports the CAAS action in the FPDS using the DD350 FPDS codes to accumulate contract data. As mentioned in the DoDIG draft report (Appendix B), this includes:

R,D,T & E	Code A**6 (all)
Intelligence Services	R423
Intelligence Studies	R538
Foreign Policy/National Security Policy Studies	R549

ENCLOSURE(/)

DON COMMENTS ON DODIG DRAFT AUDIT REPORT NO. 8AE-0076 "AUDIT OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES CONTRACTS," SEPTEMBER 7, 1990

Program offices and activity comptrollers must utilize the PB-27 Budget Exhibit Category Accounting Codes contained in DoDD 4205.2, but they do not include these (and perhaps other) FPDS categories.

Within the sample reviewed, differences as to whether certain CAAS efforts fall within the meaning of DoDD 4205.2 and OMB Circular A-120 contribute significantly to the "underreporting". In a number of instances (e.g., ADP hardware repair), we feel that these DODIG interpretations are not supported by the language of the directives. Such DODIG interpretations result in classifying as CAAS some efforts that do not provide for consultation, advice, or assistance.

In general, we agree that there may be underreporting of CAAS efforts, but the basis and method for estimating the amount should be consistent with the reporting system used. Use of the FPDS codes as the audit baseline and the other factors noted above have resulted in an exaggeration of the universe of CAAS and consequently an exaggeration of CAAS underreporting.

Recommendation A-1:

We recommend that the Under Secretary of Defense for Acquisition:

a. Update DoD Directive 4205.2 to eliminate inconsistencies with OMB Circular A-120 for automatic data processing and telecommunications and clarify the relationship with Federal Information Resource Management Regulation, and engineering and technical services. 11

b. Revise DoD Directive 4205.2 to require the Comptrollers of the DoD Components to identify and report obligations for contracted advisory and assistance services. 11

c. Direct the Defense Acquisition Regulatory Council to revise Federal Acquisition Regulation Subpart 37.2, "Advisory and Assistance Services," to eliminate the requirement that contracting officers make the determination whether contract services are advisory and assistance services. 12

d. Develop and publish a pamphlet that supplements the guidance in DoD Directive 4205.2. The pamphlet should provide additional guidance and examples, and define terminology to assist DoD personnel in identifying and reporting CAAS. 12

DON Position:

A-1(a) - No Comment.
A-1(b) - No Comment.

ENCLOSURE(1)

DON COMMENTS ON DODIG DRAFT AUDIT REPORT NO. SAE-0076 "AUDIT OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES CONTRACTS," SEPTEMBER 7, 1990

A-1(c) - Concur. The FAR 37.2 responsibility assigned to the contracting officer is not to identify CAAS obligations but rather to make a determination that the contractual effort is CAAS and to insure that all related requirements for contracting for CAAS have been satisfied.

A-1(d) - Non-Concur. A satisfactory update of the DoDD 4205.2 would make a pamphlet unnecessary.

Recommendation A-2:

We recommend that the Secretaries of the Military Departments:

a. Require training on the identification and reporting of contracted advisory and assistance services be provided to comptroller, contracting, and management personnel. 12

b. Direct their auditors, inspectors, and procurement management review teams to make the accuracy and completeness of CAAS reporting a special interest item. 13

DON Position:

A-2(a) - Non-Concur. The updated DoDD 4205.2 should be sufficiently clear to obviate the need for training.

A-2(b) - Non-Concur. Sufficient interest is already directed to CAAS review by auditors, IGs, and PMR teams; additional emphasis is unnecessary.

Recommendation A-3:

We recommend that the Secretary of the Army update the Army's Contracted Advisory and Assistance Services Regulation 5-14, "Managing Analytical Support Services," to implement DoD Directive 4205.2 and OMB Circular No. A-120.

DON Position:

No comment.

Recommendation A-4:

We recommend that the Army, Navy, and Air Force Directors for Contracted Advisory and Assistance Services:

a. Direct all field activities to implement current CAAS guidance and prepare and submit CAAS information for the PB-27 Budget Exhibit. 14

b. Establish reporting mechanisms within budget and accounting systems that provide detailed support for CAAS expenditures and budget estimates in the PB-27 Budget Exhibit. 15

ENCLOSURE(1)

**DON COMMENTS ON DODIG AUDIT REPORT NO. 8AE-0076
"AUDIT OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES CONTRACTS,"
SEPTEMBER 7, 1990**

DON Position:

A-4(a) - Concur. Implementation completed. The Department of the Navy issued Comptroller of the Navy Instruction 7102.2B on 23 April 1990. Exhibit PB-27 of that Instruction provides the recommended guidance for preparation and submission of CAAS information for the PB-27 Budget Exhibit, including detailed definitions for CAAS and instructions for preparing budget estimates.

A-4(b) - Concur. Implementation completed. See DON Position for recommendation A-4(a) above.

Finding B - Use of CAAS

DoD activities imposed manpower ceiling constraints that lead to contracting for CAAS services that should have been performed in-house, and also became too dependent on outside consultants to perform day-to-day tasks that more appropriately should be performed by Government employees. Military Departments did not comply with DoD guidance to determine total manning requirements, and did not determine the cost-effectiveness of continued use of CAAS. These conditions resulted from only partial implementation of the manpower ceiling-free management policy with respect to planning civilian workforce requirements, and DoD managers have not considered it appropriate to track manpower use on CAAS contracts. Also, the governmental policy to maximize reliance on the private sector for performance of all nongovernmental functions is too broad and leads to varying interpretation by management and contracting officials. As a result, DoD obligated an estimated $6.3 billion in FY 1987 on contracts for work that continued for more than 5 years. In some cases, the effort could have been performed more economically if performed in-house.

Revis 17

DON Comments:

The report equates personal services with a long-term relationship (i.e. five years or more) with a single contractor. On page 28, the draft report states: 20

> "Long-term CAAS arrangements were used in lieu of direct hire employment. The contracts were written to procure ...contractor staff hours to perform day-to-day tasks for which Government employees should be held accountable.... The 51 long-term CAAS contract efforts were considered personal services ..."

ENCLOSURE(1)

**DON COMMENTS ON DODIG AUDIT REPORT NO. 8AE-0076
"AUDIT OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES CONTRACTS,"
SEPTEMBER 7, 1990**

We object to this conclusion. Whether a contract is personal services depends on the Government-Contractor relationship--not the term of the contract. A long-term CAAS contract need not be personal services if properly administered.

In an environment of diminishing personnel resources without a corresponding decrease in governmental functions, continued contractor support is likely to remain the most prudent means of achieving programmatic objectives.

The application of appropriate competitive source selection criteria minimizes the potential for long term arrangements with the same contractor. However, it is understood that incumbents gain certain (fair) competitive advantages for follow-on efforts and it is not unreasonable to expect incumbents to win many recompeted contracts.

Recommendation B-1:

We recommend the Assistant Secretary of Defense (Force Management and Personnel) issue guidance that:

a. Defines in detail what are inherent governmental functions that should be performed by DoD employees. 24

b. Requires DoD Components to identify their total manpower requirements, including full-time equivalent contractor personnel that will be needed on contracts for advisory and assistance services. Delet

DON Position:

B-1(a) - Non-Concur. Inherent governmental functions are adequately defined. CAAS prohibitions in paragraph 7b of OMB Circular A-120 are sufficient guidance for DOD managers.

B-1(b) - Non-concur. The wide span of disparate skill and pay levels renders identification of full-time-equivalents meaningless.

Recommendation B-2:

We recommend that the Under Secretary of Defense for Acquisition revise DoD Directive 4205.2, DoD Contracted Advisory and Assistance Services, to require:

a. Directors for Contracted Advisory and Assistance Services in the DoD Components to review contracts for contracted advisory and assistance services that continue longer than 5 years for compliance with DoD policy. 25

b. Purchase requests for contracted advisory and assistance services only be approved when program officials have demonstrated, by cost comparisons, that contracting for continuing work requirements is more economical. 26

**DON COMMENTS ON DODIG AUDIT REPORT NO. 8AE-0076
"AUDIT OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES CONTRACTS,"
SEPTEMBER 7, 1990**

DON Position:

B-2(a) - Non concur. Paragraph F.2 of DoDD 4205.2 adequately covers Acquisition and Management of CAAS, including review of each procurement request by the Director of CAAS.

B-2(b) - Non-Concur. Paragraph D.5 of DoDD 4205.2 adequately covers the policy of cost-effective use of resources.

Recommendation B-3:

We recommend that the Comptroller for the Department of Defense revise budget guidance to require the identification of full-time equivalents in the submission of data for the PB-27 Budget Exhibit. Delete

DON Position:

B-3 - Non-Concur. Defer to OSD on this recommendation, however it is noted that Congressional oversight of DOD's use of CAAS through the PB-27 Budget Exhibit does not require identification of full-time-equivalents.

Finding C - Contracting Practices

DoD had not established effective policy or procedures for contracting for CAAS with indefinite quantity contracts and options. Contracting officers limited competition for CAAS through the use of indefinite quantity contracts, through the exercise of contract options, and through the award of contracts to small businesses. Contractors were directed to perform work that was outside the original scope of the contract, and 68 percent of sampled CAAS was acquired on cost-type contracts. The use of indefinite quantity contracts evolved because contracting officers found this type of contract to be more convenient than other contract types. Procuring activities did not have adequate procurement planning and often did not identify what was expected of contractors in the basic statements of work. Contracting officers did not do enough to ensure competition on small business set-asides. Consequently, 85 percent of all CAAS contracts had limited competition. Breakout of individual tasks to competition and the use of firm-fixed-price contracts could have reduced Government costs. 29

DON Comments:

The present FAR and DFARS guidance is sufficient for contracting officers, as evidenced by the high proportion of competitive CAAS awards. The use of ID/IQ contracts, options, and awards to small business are not limits to competition. The fact that prospective offerors, based on their own

ENCLOSURE( )

**DON COMMENTS ON DODIG AUDIT REPORT NO. 8AE-0076
"AUDIT OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES CONTRACTS,"
SEPTEMBER 7, 1990**

determinations, decide not to propose on a solicitation is not a limitation of competition, and should not be construed as a DoD "internal control deficiency." It is Navy policy to maximize competition to the fullest extent possible on all requirements. Competition in the Navy Field Contracting System for CAAS is currently running at 86.5% through August of FY 1990.

Recommendation C-1:

We recommend the Under Secretary of Defense for Acquisition issue a policy memorandum that directs DoD Components to:

a. Discontinue the use of indefinite quantity (task order) contracts and options for the acquisition of contracted and advisory assistance services and expand the use of basic ordering agreements, master agreements, and other contract types. 37

b. Increase the use of fixed-price contracts to procure CAAS when performance requirements can be defined and cost data can be obtained. 38

c. Use pre-solicitation conferences to ascertain that at least two small business firms will bid on small business set-asides for CAAS. 38

d. Evaluate proposals to subcontract efforts on large dollar value contracts for CAAS to determine whether it would be more advantageous to breakout the work for separate contract. 39

e. Reemphasize the need for planning for competition in the awarding of follow-on contracts for CAAS. 39

DON Position:

C-1(a) - Non-Concur. An indefinite quantity (task order) contract is a valid type of contract where the work cannot be sufficiently defined to permit contracting on a firm fixed price basis. FAR and DFARS provide for the use of IDIQ contracts for services. Selection of contract type is and should remain at the discretion of the contracting officer to determine what is in the best interest of the Government to meet its requirements.

C-1(b) - Non-Concur. Existing policy on the use of fixed-price contracts is adequately provided in FAR and DFARS.

C-1(c) - Non-Concur. The requirement to set a procurement aside is based on a reasonable expectation that at least two firms will bid on the procurement. Conducting a pre-solicitation conference will not provide any greater degree of assurance that at least two firms will bid on a small business set-aside procurement.

C-1(d) - Non-Concur. The proper time to make a decision to breakout a portion of the requirement is before the solicitation is issued, not after proposals are received. This is part of the acquisition planning process and should be accomplished at that

**DON COMMENTS ON DODIG AUDIT REPORT NO. 8AE-0076
"AUDIT OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES CONTRACTS,"
SEPTEMBER 7, 1990**

time. The instant recommendation would severely hamper the ability of the Government to make awards and would cost the Government and offerors a significant amount of time and money. By the time proposals are received, it's usually too late to make changes of the magnitude suggested. Furthermore, it is permissible for small businesses to subcontract up to 49 percent of the effort. The cost of this subcontracted effort should be weighed against the added government cost of awarding and administering more contracts.

C-1(e) - Non-Concur. Additional policy statements are not required since the FAR already prescribes acquisition by competition.

Recommendation C-2:

We recommend that the Navy Acquisition Executive direct contracting officers to discontinue the practice of authorizing ordering officers to place orders for CAAS. 40

DON Position:

Non-Concur. The use of ordering officers is an acceptable practice and has resulted in streamlining the procurement process. The requirement of FAR 37.2 is satisfied by the contracting officer at the time of award.

ENCLOSURE( )

DEPARTMENT OF THE AIR FORCE
WASHINGTON DC 20330-1000

OFFICE OF THE ASSISTANT SECRETARY

NOV 6 1990

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING
OFFICE OF THE INSPECTOR GENERAL
DEPARTMENT OF DEFENSE

SUBJECT: Draft Report on the Audit of Contracted Advisory and Assistance Services Contracts, September 7, 1990, Project No. 8AE-0076 - INFORMATION MEMORANDUM

This is in reply to your memorandum for Assistant Secretary of the Air Force (Financial Management and Comptroller) requesting comments on the findings and recommendations made in the subject report.

The draft report, in our view, should not be released as a final report in its present form. We take serious exception to the method used to derive the alleged underreporting. We believe it is wrong and the result is a highly exaggerated dollar amount which will serve only to create the misperception of wrongdoing.

We also take issue with the broad and specific condemnation of contracting procedures such as indefinite quantity contracts, small business set-asides, and options. It is inappropriate to conclude such methods are inhibitors to competition, or that no competition exists because such procedures are used.

Our specific comments are attached. We appreciate the opportunity to provide comments on the draft report, and we encourage your reconsideration of its conclusions.

DANIEL S. RAK
Deputy Assistant Secretary
(Acquisition)

1 Atch
Comments

AIR FORCE COMMENTS
ON
DoD(IG) DRAFT REPORT ON THE AUDIT
OF
CONTRACTED ADVISORY AND ASSISTANCE SERVICES (CAAS) CONTRACTS
PROJECT NO. 8AE-0076

FINDING A: Identification and Reporting of Contracted Advisory and Assistance Services. While we generally concur that policies and directives need clarification, we do not agree with the extent of underreporting alleged in the draft report. There are a number of reasons for our concern: 5

a. We believe the method used by the DoD(IG) to derive the alleged underreporting was wrong and resulted in a highly exaggerated dollar amount. The base amount of CAAS expenditures used by the DoD(IG) to project the underreporting is inconsistent with the actual amount of CAAS expenditures reported by DoD in fiscal year (FY) 1987. The September 7, 1990 DoD(IG) memorandum transmitting the draft report acknowledges DoD's reporting of $2.0 billion for CAAS and $1.8 billion for Contractor Support Services in FY 1987. Contractor Support Services are not defined as CAAS and are exempted from CAAS reporting, yet the total $3.8 billion (adjusted to $3.3 billion to exclude non-CAAS FFRDC effort) was used in Appendix C to the draft report (page 60) to establish a total projection of $13.75 billion in actual CAAS expenditures. This error alone contributes to nearly half the alleged $9.9 billion in underreporting. Revised

b. We also believe the DoD(IG)'s interpretation on page 11 is incorrect that the Rome Air Development Center contract F30602-87-D-0090 (for a study on the impact of installing software into computer systems in the Combat Operations Intelligence Center) should have been reported as CAAS. The program for which the services were acquired is part of the General Defense Intelligence Program which is excluded from the definition of CAAS under FAR 37.204(o). In addition, the nature of the effort falls under the exclusion to CAAS listed in FAR 37.204(e), an engineering study related to specific physical or performance characteristics of existing or proposed systems. This contract action and dollar amount were included in the amount used by the DoD(IG) in Appendix C to derive a projected percentage of underreporting. The incorrect amount of CAAS expenditures discussed in subparagraph a. above was divided by this projected percentage to arrive at the $9.9 billion number. Delete

RECOMMENDATIONS FOR CORRECTIVE ACTION:

A.1.a. We concur with the recommendation to eliminate inconsistencies and improve the guidance; however, the report implies that some systems engineering and technical assistance (SETA) effort falls within the definition of CAAS. We do not agree with including any systems engineering efforts in the CAAS definition. 10

A.1.b. We concur, in part, but wish to emphasize that the requiring organization and the comptroller must work together during the budget process to ensure CAAS efforts are properly identified in the PB-27 budget exhibit. The contracting officer should treat a CAAS contract as any other service contract and not be put in the position of making a determination he or she may not be qualified to make. 11

A.1.c. We concur with this recommendation. 11

A.1.d. We agree that a pamphlet may be useful, but wish to add that much work needs to be done before the DoD can begin to think about a pamphlet. 11

A.2.a. We agree that training is needed; however, we believe that the need is much broader than just identification and reporting. The whole concept of what we are trying to manage and why should be included. 12

A.2.b. We concur with this recommendation. 12

A.3. This recommendation does not apply to the Air Force.

A.4.a. We concur with this recommendation. 13

A.4.b. We concur with this recommendation. 14

FINDING B: USE OF CONTRACTED ADVISORY AND ASSISTANCE SERVICES. We do not concur with this finding for a number of reasons:

a. We do not agree with the fourth sentence on page 21 suggesting that not tracking manpower use on CAAS contracts is a condition which led to imposition of manpower ceilings, noncompliance with DoD guidance to determine total manning requirements, lack of determinations of the cost-effectiveness of continued use of CAAS, and dependence upon contracts to perform day-to-day tasks which should be performed by Government employees. Determinations of the cost-effectiveness of contracting versus performing in-house is the only condition found to exist which has a connection to a contractor's manning levels. The connection, however, is not to the numbers and skill levels of personnel actually utilized by the contractor, but rather to the numbers and skill levels proposed. Determinations as to whether in-house or contract Revise 17

performance of a requirement is most cost-effective are made based upon a comparison of the contract proposal to perform the work to the Government's estimate to perform that same work. Tracking an existing contractor's manpower usage would provide information after the determination that a contract is most cost-effective has already been made.

b. We do not agree with the statement on page 21 that "...governmental policy to maximize reliance on the private sector for performance of all nongovernmental functions is too broad and leads to varying interpretation by management and contracting officials." We believe it is inappropriate to criticize national policy in a way that suggests DoD implementation of that policy is noncompliant. We also believe the part suggesting management and contracting officials are interpreting the policy appears to be cast in a negative light, as if to say they should not. 17

c. On page 23, the last sentence of the second Background paragraph (which begins on page 22) is inaccurate and misleading. Neither FAR nor DFARS prohibits the use of personal services contracts for any service requirement, regardless of whether or not the requirement is an inherently governmental function. FAR 37.104(b) prohibits the use of personal service contracts unless a personal service contract is authorized by statute. FAR 37.102(b) prohibits any service contract for an inherent governmental function. The caution regarding prevention of conflicts of interest at FAR 37.110(d) applies to all service contracts. CAAS is not singled out. We are concerned that the use of the term "personal services" on page 23 implies that all CAAS contracts are personal services contracts - that is not the case. Whether or not a service contract is a personal or nonpersonal services contract is based upon a number of factors regarding the service being acquired and the way in which the contract will be administered. This applies to all service requirements, including advisory and assistance services. 18 18

d. We believe the characterization that CAAS contracts are personal service contracts on page 28 is flawed because it does not take into account the key issue in determining whether or not a service requirement is personal or nonpersonal. In accordance with FAR 37.104(a), "a personal services contract is characterized by the employer-employee relationship it creates between the Government and the contractor's personnel." Per FAR 37.104(c)(1) such a relationship occurs when the contract terms or the manner in which the contract is administered result in contractor personnel being subject to the relatively continuous supervision and control of a Government officer or employee. Giving an order for a specific service, with the right to reject the final product or result, is specifically identified as not meeting this criteria. FAR 37.104(c)(2) states that the key issue in determining personal versus nonpersonal services is whether or not the Government will exercise relatively continuous supervision and control over contractor personnel. 20

e. The reasons provided in the report for determining the contracts to be personal services contracts (pages 28 and 29) address four of the six descriptive elements provided in FAR 37.104(d) as elements to be used as a guide. While the meeting of these criteria could result in a determination that the services were personal, it may not. Service requirements may meet one or more of those elements and still not be a requirement which would result in the Government exercising relatively continuous supervision over contractor personnel and, therefore, could legitimately be determined to be nonpersonal services. The last reason provided in the report has no connection to whether or not services are personal or nonpersonal. In all contracts, the inspection clause of the contract requires that Government personnel review the delivered product to ensure that it meets the requirements of the contract. With regard to Government employees taking credit for contractor work, while that should not be condoned, it does not make the contracted services personal services. 20

f. On page 31, we do not agree with the third paragraph of the WORKFORCE CEILINGS section (which begins on page 29). As stated in subparagraph a. above, tracking of contractor manning would not result in the proper use of in-house and contract personnel resources. Also, identification of contractor full-time equivalents cannot be included in the CAAS PB-27 Budget Exhibit for future requirements because such information is not available until the contract is performed. Delete

RECOMMENDATIONS FOR CORRECTIVE ACTION:

B.1.a. We nonconcur with the recommendation that DoD be required to define in detail what inherently governmental functions should be performed by DoD employees. The defining of what is or is not an inherently governmental function has never been done in other than very vague or general terms. If DoD were to try to develop a specific definition, other than describing examples, it would be constantly challenged and criticized as too restrictive or not specific enough. Managers should be allowed to use the current OMB guidance as guidance so that they have some discretion in managing their activities. If it is necessary that we have a specific definition, the General Accounting Office (GAO) should define inherently governmental functions for the whole of government. 23

B.1.b. We nonconcur with the recommendation for the reasons cited in subparagraphs a. and f. under this finding. Delete

B.2.a. We nonconcur with the recommendation. The role of the CAAS Director should be policy management and oversight. To review the contracts implies approval by the CAAS Director which is adding a management layer to the acquisition process. CAAS should be treated as any other service contract. 23

B.2.b. We nonconcur with the recommendation because "cost comparisons" is not defined and if being more economical is the approval criteria, the activity requiring the services can be adversely affected if in-house resources are not available regardless of the outcome of the comparison. We do not believe an A-76 type of cost comparison or source selection is necessary. 24

B.3. We nonconcur with the recommendation for the reasons cited in subparagraphs a. and f. under this finding. Deleted

FINDING C: CONTRACTING PRACTICES. We do not concur with this finding. Existing FAR guidance provides policy and procedures for the use of indefinite quantity contracts, options, and small business set-asides which covers all contract requirements. The policy and procedures provide effective guidance to contracting officers in determining the most appropriate acquisition methods to fulfill mission requirements. The selection of contract type is not made for convenience or to limit competition, but to best meet the needs of the requester considering our ability to price, administer, and manage the contract. In response to the finding, we believe the types of contracts awarded were best suited to meet the requirements as submitted to the contracting officers. 27

a. The second sentence of the finding on page 35 states that indefinite quantity contracts, exercise of options, and awards to small businesses inherently limit competition and suggests that contracting officers intended to limit competition by use of these contract methods. That is not true and we take exception to it. FAR 16.504(b) provides guidance on the use of indefinite-quantity contracts. Such contracts may be used when the government cannot predetermine the precise quantities of services which will be required during a specified period but a recurring need is anticipated. This type of contract does not, of itself, limit competition. All interested contractors have the same opportunity to propose for the total estimated quantity, therefore, the price of each individual order placed under such contracts is competitive. We recognize there have been some problems in the execution of this type of contract, but that is a management problem and should not be an indictment against the use of indefinite-quantity contracts. 27

b. Contract options are most generally priced and evaluated in the initial solicitation for a requirement. In those cases where options are evaluated as part of an initial competition, exercise of those options does not limit competition for those requirements. If the options are not evaluated as part of the initial competition, then exercise of those options must comply with the competition requirements of FAR Part 6. For those options, the requirement must be resolicited or a justification and approval to award noncompetitively must be obtained from the proper authority.

c. Award of contracts to small business under either small business set-asides or Section 8(a) is in accordance with the Small Business Act (15 U.S.C. 631, et seq.), the Armed Services Procurement Act (10 U.S.C. 2301, et seq.), and the Federal Property and Administrative Services Act (41 U.S.C. 252). These laws specify that it is Governmental policy to place a fair proportion of all acquisitions with small disadvantaged business concerns. While there is no mandate to award any one specific contract under the set-aside or 8(a) provisions of the Small Business Act, there are implementing procedures which specify that if the contracting officer has a reasonable expectation of receiving at least two offers from responsible small business firms, then the solicitation should be set-aside for small business. Having had two small business sources on previous acquisitions and/or having a number of small businesses who have requested such solicitations is adequate to establish a reasonable expectation of receiving two offers on a solicitation.

d. With regards to Section 8(a) awards, the law and our implementing regulations encourage the use of these contracts in order to comply with the Government's policy of placing a fair portion of its acquisitions with small disadvantaged business concerns. This policy applies to all contract requirements - CAAS is no exception. If there are qualified small disadvantaged firms capable of providing the CAAS requirements, contracting officers are simply carrying out the provisions of the Small Business Act in awarding such contracts.

e. On page 38 in the Indefinite Quantity Contracts section, the second paragraph erroneously states that indefinite quantity contracts prohibit competition on individual tasks. We believe, as stated in subparagraph a. above, that because all offerors were provided the opportunity to compete for the total estimated requirement at the time of solicitation, the individual orders placed under the contract are also competitive. The principal objective in this process is not to obtain the lowest bid on every tasking, but instead to select the most capable source based on a balanced evaluation of technical, financial and business considerations. 28

f. On page 39 in the Indefinite Quantity Contracts section, the fourth paragraph correctly states that indefinite quantity contracts allow contracting officers to satisfy the needs of customers with reduced administrative costs and lead times, but the context of the discussion implies that this is a negative attribute. Since the administrative cost of contracting for requirements is a real and significant cost, the ability to satisfy an indefinite number of a customer's requirements with one contract is a positive attribute. 29

g. On page 41 in the Contract Options and Modifications section, it is suggested that the use of contract options is due to lack of planning. We do not believe that to be true. It is 30

because of planning that options are used. When there is a known continuing need for the requirement beyond the initial performance period, the inclusion of options in solicitations and resultant contracts allows for the reduction of administrative costs of contracting and provides continuity of service for the customer, both positive attributes in satisfying contracting needs.

h. On page 48 in the Conclusion section, the last sentence of the first paragraph should also recognize that a breakout of individual tasks could increase cost and risk to the Government. Breakout of individual tasks would increase administrative costs which might exceed cost savings, if any, resulting from competing individual requirements versus competing the total estimated requirement. 33

RECOMMENDATIONS FOR CORRECTIVE ACTION:

C.1.a. We do not concur with discontinued use of indefinite quantity contracts. While there may be cases in which this type of contract has been misused, it remains a viable contract type. Banning its use will not correct problems in contract execution. 34

C.1.b. We do not disagree that the use of fixed-price contracts can be increased when performance requirements and pricing data can be obtained; however, we believe the report misses the issue that is central to the use of cost-type, task-order contracts. That is timeliness. To compete or issue individual fixed-price contracts for tasks as they are identified would adversely affect an activity's ability to quickly initiate actions to meet short suspenses. 35

C.1.c. We do not agree that it is necessary to mandate the use of presolicitation conferences to ascertain that at least two small business firms will bid on small business set-asides for CAAS. Such conferences are an available tool, as long as they are not used to prequalify potential sources, but not the only one. There are other ways to establish a reasonable expectation of having at least two small business sources participate, such as having had at least two small business sources on previous or similar acquisitions. Also, having two or more small businesses respond to Commerce Business Daily announcements or request copies of a solicitation create a reasonable expectation that competitive pressures are present. 35

C.1.d. We do not disagree with the recommendation. It is a restatement of what the FAR already covers. 35

C.1.e. We do not disagree with the recommendation. Every new acquisition requires planning. If the use of other than full and open competition is anticipated, a justification and approval from the proper authority must be obtained. 36

SUMMARY OF POTENTIAL MONETARY AND OTHER BENEFITS RESULTING FROM THE AUDIT

Recommendation Reference	Description of Benefit	Amount and Type of Benefit
A.1.a.	Internal Control. Updates DoD Directive 4205.2, Contracted Advisory and Assistance Services (CAAS) to be consistent with OMB Circular A-120.	Nonmonetary. Improves reporting and management of CAAS.
A.1.b.	Internal Control. Requires DoD Component Comptrollers to identify and report CAAS obligations.	Nonmonetary. Improves the reporting of CAAS obligations.
A.1.c.	Internal Control. Revises the FAR to eliminate the responsibility of contracting officers from identifying contract efforts as CAAS.	Nonmonetary. Eliminates potential conflict in policy.
A.1.d.	Internal Control. Develops CAAS pamphlet to aid in the identification and reporting of CAAS.	Nonmonetary. Improved CAAS reporting.
A.2.a.	Internal Control. Provides training in the identifications and reporting of CAAS.	Nonmonetary. Improves the reporting of CAAS.
A.2.b.	Internal Control. Requires Military Department review teams to audit for compliance with DoD policy.	Nonmonetary. Ensures accurate and complete CAAS reporting.
A.3.	Internal Control. Updated Army CAAS regulation to comply with DoD Directive, Contracted Advisory and Assistance Services and OMB Circular A-120.	Nonmonetary. Establishes Army regulation to agree with DoD guidance.

SUMMARY OF POTENTIAL MONETARY AND OTHER BENEFITS RESULTING FROM THE AUDIT (Continued)

Recommendation Reference	Description of Benefits	Amount and Type of Benefit
A.4.a.	Internal Control. All Military Department CAAS Directors need to ensure that field activities have current guidance on CAAS and are submitting CAAS budget information.	Nonmonetary. Accurate and complete CAAS reporting.
A.4.b.	Internal Control. Establishes budget and accounting mechanisms to support CAAS budget exhibit for all Military Departments.	Nonmonetary. Improve Military Departments' ability to support budget exhibit.
B.1.	Internal Control. Defines inherent Governmental functions.	Nonmonetary. Aids the Military Departments as to what functions that should not be contracted out.
B.2.a.	Internal Control. Revises Department of Defense Directive 4205.2 Contracted Advisory and Assistance Services so Components will review continued contractor reliance for compliance with DoD policy.	Nonmonetary. Ensures compliance with DoD policy.
B.2.b.	Economy and Efficiency. Requires the demonstration by cost comparison that contracting out is more cost-effective.	Nonmonetary. Requestors to analyze the cost of contractor reliance.

SUMMARY OF POTENTIAL MONETARY AND OTHER BENEFITS RESULTING FROM THE AUDIT (Continued)

Recommendation Reference	Description of Benefits	Amount and Type of Benefit
B.2.c.	Econony and Efficiency. Requires the re-examination of CAAS requirements.	Nonmonetary ensures that CAAS efforts are needed.
B.2.d.	Internal Control. Requires the certification that all CAAS contracts are identified and reported.	Nonmonetary. Improves the reporting of CAAS.
C.1.a.	Internal Control. Provides guidance to the Components on the use of indefinite quantity contracts for CAAS.	Nonmonetary. Eliminates an improper method of contracting for CAAS.
C.1.b.	Economy and Efficiency. Shift cost risk from Government to contractors.	Nonmonetary. Contractors will be encouraged to control costs.
C.1.c.	Economy and Efficiency. Ensures competition in a small business set-aside procurement.	Nonmonetary. Increases competitive procurements.
C.1.d	Economy and Efficiency. Requires the evaluation of subcontract effort for possible breakout into separate contracts.	Nonmonetary. Avoidance of additional cost due to contractor mark-up.
C.1.e.	Economy and Efficiency. Ensures proper planning of contract requirements.	Nonmonetary. Enhances procurement competition.
C.2.	Internal Control. Precludes the ordering of contractor services by an unauthorized individual.	Nonmonetary. Ensures that only contracting officers obligate the Government.

ACTIVITIES VISITED OR CONTACTED

Office of Secretary of Defense

Assistant Secretary of Defense (Force Management and Personnel), Deputy Assistant Secretary (Civilian Personnel Policy), Washington, DC
Director, DoD Contracted Advisory and Assistance Services, Office of the Under Secretary of Defense (Acquisition), Washington, DC

Department of the Army

Deputy Under Secretary of the Army (Operations Research), Washington, DC
Headquarters, Army Communications-Electronics Command, Ft. Monmouth, NJ
Army Research Institute Aviation Research and Development Activity, Fort Rucker, AL
Army Armament, Munitions and Chemical Command, Aberdeen, MD
Army Armament, Munitions and Chemical Command, Picatinny Arsenal, Dover, NJ
Natick Research Development and Engineering Center, Natick, MA
Army Research Institute, Alexandria, VA
Yuma Proving Grounds, Yuma, AZ
Army Garrison, Fort Huachuca, AZ
Army Information Systems Command, Fort Huachuca, AZ
Army Information Center and School, Fort Huachuca, AZ
Army Laboratory Command, Adelphi, MD
National Defense University, Washington, DC
Army Information Systems Selection and Acquisition Agency, Alexandria, VA
Defense Supply Service - Washington, DC

Department of the Navy

Office of the Comptroller, Civilian/Contractor Manpower Division, Washington, DC
Naval Air Systems Command, Washington, DC
Naval Sea Systems Command, Washington, DC
Space and Naval Warfare Systems Command, Washington, DC
Office of Naval Research, Arlington, VA
Naval Air Development Center, Warminster, PA
Naval Air Rework Facility, Naval Air Station, North Island, San Diego, CA
Naval Ocean Systems Center, San Diego, CA
Naval Regional Contracting Center, San Diego, CA
Naval Regional Contracting Center, Philadelphia, PA

ACTIVITIES VISITED OR CONTACTED
(Continued)

Department of the Air Force

Assistant Chief of Staff Studies and Analyses, Washington, DC
Electronic Systems Division, Hanscom Air Force Base, MA
Space Division, Air Force Systems Command, Los Angeles, CA
Ogden Air Logistics Center, Hill Air Force Base, UT
Sacramento Air Logistics Center, McClellan Air Force Base, Sacramento, CA
Rome Air Development Center, Griffiss Air Force Base, Rome, NY
Air Force Office of Scientific Research, Bolling Air Force Base, Washington, DC
Air Force District of Washington, Andrews Air Force Base, Washington, DC
Washington Area Contracting Center, Andrews Air Force Base, Washington, DC
Base Contracting Division, Vandenberg Air Force Base, CA

Other

Institute for Defense Analysis, Alexandria, VA

RECOMMENDATIONS REQUIRING ADDITIONAL COMMENTS AND FINDINGS AND RECOMMENDATIONS THAT WERE REVISED IN THE FINAL REPORT

RECOMMENDATIONS REQUIRING ADDITIONAL COMMENTS

Under Secretary of Defense for Acquisition

Recommendations A.1.c., A.1.d., B.2.a., B.2.b., C.1.a., C.1.b., C.1.c., and C.1.d.

Assistant Secretary of the Army (Financial Management)

Recommendations A.2.a., A.2.b., and A.3.

Assistant Secretary of the Navy (Financial Management)

Recommendations A.2.a., A.2.b., and C.2.

Assistant Secretary of the Air Force (Financial Management) and Comptroller

Recommendations A.2.a., A.2.b., A.4.a., and A.4.b.

FINDINGS THAT WERE REVISED IN THE FINAL REPORT

Findings

Findings A and B

RECOMMENDATIONS IN THE DRAFT REPORT THAT WERE DELETED FROM THE FINAL REPORT

Recommendations

B.1.b. and B.3.

RECOMMENDATIONS THAT WERE ADDED TO THE FINAL REPORT

Recommendations

B.2.c. and B.2.d.

AUDIT TEAM MEMBERS

David K. Steensma, Director, Contract Management Directorate
Garold E. Stephenson, Program Director
Roger H. Florence, Project Manager
Harold James, Team Leader
Gilbert A. Nelson, Team Leader
John Seeba, Team Leader
Thomas J. Winter, Auditor
Thomas J. Hilliard, Auditor
Leonard Oestrich, Auditor
Margaret P. Briggs, Auditor
Addie B. Frundt, Auditor
Judy K. Palmer, Auditor

FINAL REPORT DISTRIBUTION

Office of the Secretary of Defense

Assistant Secretary of Defense (Force Management and Personnel)
  Deputy Assistant Secretary (Civilian Personnel Policy)
Comptroller of the Department of Defense
Assistant Secretary of Defense (Production and Logistics)
Deputy Assistant Secretary of Defense (Procurement)
Assistant Secretary of Defense (Public Affairs)

Department of the Army

Assistant Secretary of the Army (Installations and Logistics)
Office of the Deputy Chief of Staff for Personnel, Division of Manpower
Auditor General, U.S. Army Audit Agency
Commander, U.S. Army Materiel Command
Commander, Headquarters Communications and Electronics Command, Fort Monmouth, NJ
Commander, U.S. Army Armament, Munitions and Chemical Command Aberdeen Proving Grounds, Aberdeen, MD
Commander, U.S. Army Armament, Munitions and Chemical Command, Picatinny Arsenal, NJ
Commander, U.S. Army Information Systems Selection and Acquisition Agency, Alexandria, VA
Commander, Yuma Proving Grounds, Yuma, AZ
Commander, U.S. Army Garrison, Fort Huachuca, AZ
Director, U.S. Army Contracting Support Agency, Washington, DC
Commander, U.S. Army Laboratory Command, Adelphi, MD

Department of the Navy

Assistant Secretary of the Navy (Research, Development and Acquisition)
Comptroller of the Navy
Auditor General, Naval Audit Service
Commander, Naval Sea Systems Command, Arlington, VA
Commander, Naval Regional Contracting Center, Philadelphia, PA
Commander, Naval Regional Contracting Center, San Diego, CA
Chief of Naval Research, Arlington, VA
Naval Air Development Center, Warminster, PA
Commanding Officer, Naval Ocean System Center, San Diego, CA
Commanding Officer, Naval Air Rework Facility, Naval Air Station, North Island, San Diego, CA
Commander, Space and Naval Warfare Systems Command, Arlington, VA
Commander, Naval Air Systems Command, Arlington, VA

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Assistant Secretary of the Air Force (Acquisition)

FINAL REPORT DISTRIBUTION (Continued)

Department of the Air Force (Continued)

Auditor General, U.S. Air Force Audit Agency
Inspector General, Air Logistics Command, Hill Air Force Base (AFB), UT
Inspector General, Air Logistics Command, McClellan AFB, CA
Commander, Office of Scientific Research, Bolling AFB, DC
Commander, Hanscom AFB, MA
Commander, HQ Space Division, LA AFB, CA
Commander, Rome Air Development Center, Griffiss AFB, NY

Other Defense Activities

Director of Contracting, Defense Supply Service-Washington, DC
Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Institute for Defense Analysis, Alexandria, VA
Director, Defense Logistics Studies, Fort Lee, VA

Non-DoD Activities

Office of Management and Budget
U.S. General Accounting Office,
NSIAD Technical Information Center

Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
Senate Ranking Minority Member, Committee on Armed Services
Senate Subcommittee on Manpower and Personnel, Committee on Armed Services
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Ranking Minority Member, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on Government Operations