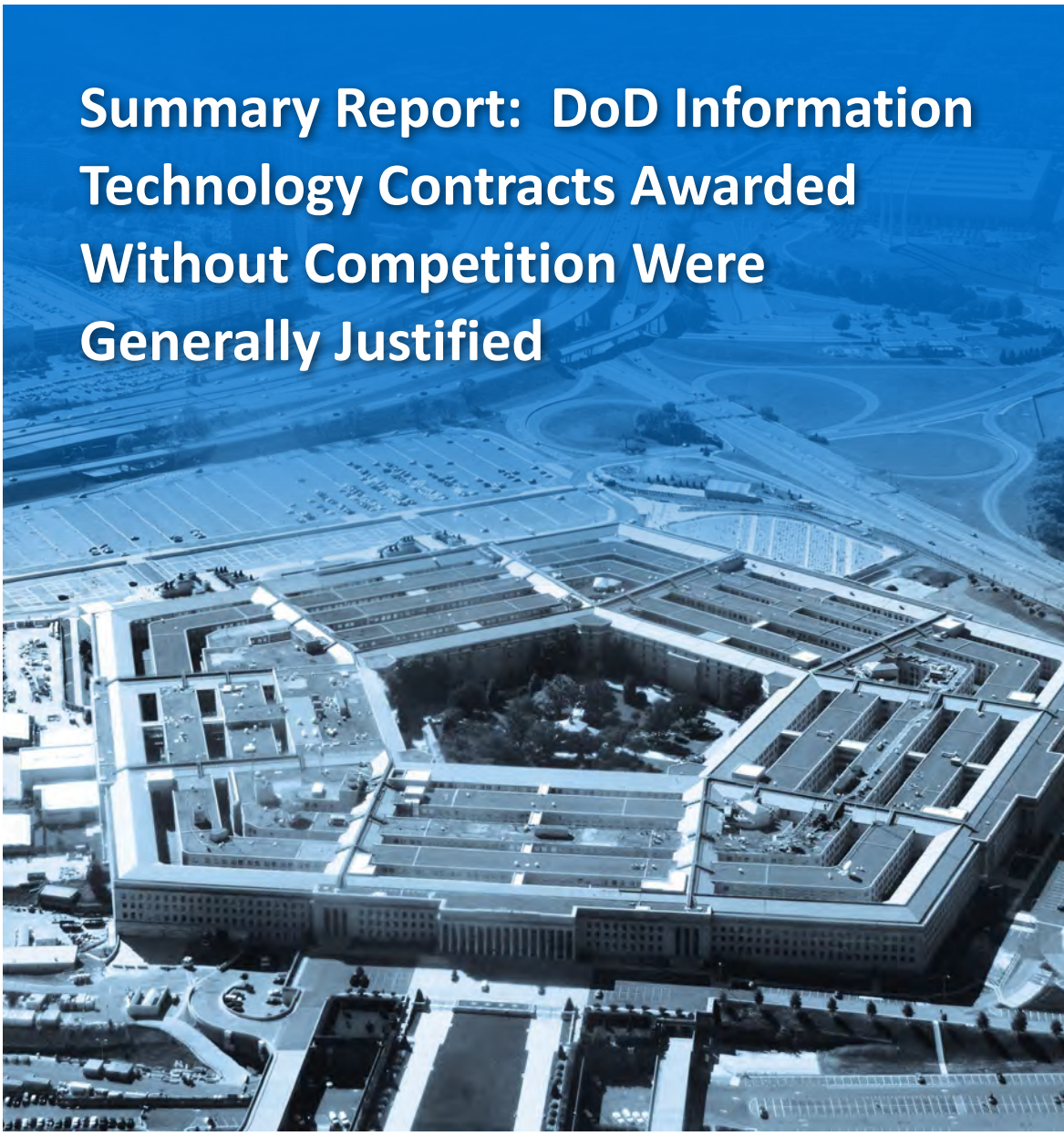
Report No. DODIG-2015-167

INSPECTOR GENERAL

U.S. Department of Defense

SEPTEMBER 9, 2015

Summary Report: DoD Information Technology Contracts Awarded Without Competition Were Generally Justified



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Results in Brief

Summary Report: DoD Information Technology Contracts Awarded Without Competition Were Generally Justified

September 9, 2015

Objective

Our objective was to determine whether DoD information technology (IT) contracts issued without competition were properly justified. This report is the fifth and final report in a series of audits on IT contracts issued without competition. We nonstatistically selected for review 232 of 602 contracts valued (including options) at $1.4 billion.

Finding

Contracting personnel at the Army, Navy, Marine Corps, Air Force, Defense Logistics Agency Contracting Services Office-Philadelphia, and Defense Information Systems Agency generally justified the use of other than full and open competition for IT contracts. For 117 noncompetitive IT contracts valued at $281.3 million, contracting personnel used a valid statutory requirement. For 115 noncompetitive IT contracts valued at $1.1 billion, contracting personnel properly justified 110 contracts for other than full and open competition. Contracting personnel did not properly justify four of the Army contracts valued at $83.3 million and one of the Defense Information Systems Agency contracts, valued at $151.0 million.

- For three Army contracts, this occurred because an Army contracting officer changed a multiple-award contract to three sole-source contracts when issuing the first task order in 2008. In 2013, the contracting officer then awarded three bridge contracts as sole-source, citing only one source.

Finding (cont'd)

- For the remaining Army contract, this occurred because an Army contracting officer did not include sufficient information in the justification to support a sole-source award because of year-end buys.
- For the Defense Information Systems Agency contract, this occurred because the contracting officer inappropriately included equipment on a sole-source contract for the convenience of the customers.

As a result, Army and Defense Information Systems Agency contracting personnel could have used full and open competition to save DoD funds.

Additionally, Army, Air Force, and Defense Information Systems Agency contracting personnel generally did not follow Federal Acquisition Regulation synopsis (summarizing) requirements. As a result, contracting personnel potentially excluded sources.

Recommendations

We are not making any recommendations in this report because we made recommendations in the previous reports in this audit series. If implemented, the recommendations should correct the weaknesses identified.

Management Comments

We do not require a written response to this report.


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September 9, 2015

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Summary Report: DoD Information Technology Contracts Awarded Without Competition Were Generally Justified (Report No. DODIG-2015-167)

We are providing the enclosed charts for your information and use. Contracting personnel at the Army, Navy, Marine Corps, Air Force, Defense Logistics Agency Contracting Services Office–Philadelphia, and Defense Information Systems Agency generally justified the use of other than full and open competition for information technology contracts. For 117 noncompetitive information technology contracts valued at $281.3 million, contracting personnel used a valid statutory requirement. For 115 noncompetitive information technology contracts valued at $1.1 billion, contracting personnel properly justified 110 contracts for other than full and open competition. Contracting personnel did not properly justify the use of other than full and open competition for four of the Army contracts valued at $83.3 million and one of the Defense Information Systems Agency contracts valued at $151.0 million. Additionally, Army, Air Force, and Defense Information Systems Agency contracting personnel generally did not follow the Federal Acquisition Regulation synopsis requirements for the noncompetitive information technology contracts that required written justification. We conducted this audit in accordance with generally accepted government auditing standards, except for planning and evidence requirements of the field work standards, because this audit summarized previously issued DoD OIG reports.

This audit is the fifth and final in a series of audits on DoD information technology contracts issued without competition. We conducted this audit series in anticipation that the Fiscal Year 2015 National Defense Authorization Act would require the DoD Inspector General to review DoD noncompetitive information technology contracts to determine whether they were properly justified as sole source. The House report contained the requirement; however, the final legislation did not contain the requirement.

We did not issue a draft report because this report summarizes report information that we already published. This report summarizes four DoD Office of Inspector General audit reports in a series of audits on DoD information technology contracts issued without competition. This report contains no recommendations; therefore, written comments are not required.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9187 (DSN 664-9187).

Michael J. Roark
Assistant Inspector General
Contract Management and Payments

Contents

Objective and Background

Objective

- Our audit objective was to determine whether DoD information technology (IT) contracts issued without competition were properly justified.

Background

- In April 2014, DoD OIG personnel met with House Armed Services Committee (HASC) staff to discuss the scope and methodology of the audit. HASC staff agreed with our proposed way forward. We began the series of audits anticipating that the Fiscal Year 2015 National Defense Authorization Act would require the DoD Inspector General to review DoD noncompetitive IT contracts to determine whether they were properly justified as sole source. In March 2015, we provided a status briefing to the HASC staff.
- We initially announced one DoD-wide audit on April 28, 2014: Audit of DoD Information Technology Contracts Issued Without Competition (Project No. D2014-D000CG-0171.000).

BACKGROUND (CONT'D)

- We subsequently divided the project into four separate projects, one for each Service and one for the Defense Agencies.
    - Report No. DODIG-2015-071 "The Navy and Marine Corps' Information Technology Contracts Awarded Without Competition Were Properly Justified" January 23, 2015 (Project No. D2014-D000CG-0171.000)
    - Report No. DODIG-2015-096 "The Army's Information Technology Contracts Awarded Without Competition Were Generally Justified" March 25, 2015 (Project No. D2014-D000CG-0214.000)
    - Report No. DODIG-2015-110 "The Air Force's Information Technology Contracts Awarded Without Competition Were Generally Justified" April 24, 2015 (Project No. D2015-D000CG-0009.000)
    - Report No. DODIG-2015-152 "Defense Information Systems Agency and Defense Logistics Agency Information Technology Contracts Awarded Without Competition Were Generally Justified" July 29, 2015 (Project No. D2015-D000CG-0121.000)
- We reviewed 232 contracts that we nonstatistically selected with a contract value (including options) of $1.4 billion.

Background (cont'd)—Army Sites

Site	No. of Contracts	Total Contract Value with Options (in millions)	Required by Statute*
Intelligence and Security Command, Fort Belvoir, Virginia	4	$86.0	1
Mission and Installation Contracting Command, Fort Belvoir, Virginia	2	2.1	1
Army Contracting Command (ACC), Aberdeen Proving Ground (APG), Maryland	26	66.3	4
ACC–APG, Fort Huachuca, Arizona	10	89.5	5
ACC–Rock Island, Illinois	11	44.6	3
Total	**53**	**$288.5**	**14**

* A statute expressly authorizes or requires that the acquisition be made through another agency from a specified source.

Background (cont'd)—Navy and Marine Corps Sites

Site	No. of Contracts	Total Contract Value with Options (in millions)	Required by Statute
Space and Naval Warfare Systems Command, San Diego, California	20	$72.2	12
Naval Supply Systems Command (NAVSUP) Fleet Logistics Center (FLC), Philadelphia, Pennsylvania	12	40.2	5
NAVSUP Weapons Systems Support, Mechanicsburg, Pennsylvania	11	6.5	2
NAVSUP FLC, Norfolk, Virginia	10	12.4	7
Marine Corps, Quantico, Virginia	8	81.9	4
NAVSUP FLC, San Diego, California	3	3.2	1
Naval Facilities Engineering Command, Norfolk, Virginia	2	2.0	1
Total	**66**	**$218.4**	**32**

Background (cont'd)—Air Force Sites

Site	No. of Contracts	Total Contract Value with Options (in millions)	Required by Statute
Joint Base San Antonio, Lackland, Texas	17	$20.6	10
Maxwell Gunter Annex, Montgomery, Alabama	14	55.7	12
Wright–Patterson Air Force Base, Ohio	12	21.7	10
Hill Air Force Base, Utah	11	53.8	5
Joint Base Andrews, Maryland	4	2.5	1
Total	**58**	**$154.3**	**38**

Background (cont'd)—Defense Agency Sites

Site	No. of Contracts	Total Contract Value with Options (in millions)	Required by Statute
Defense Logistics Agency (DLA) Contracting Services Office (DCSO) Philadelphia, Pennsylvania (DCSO–P)	11	$27.6	10
Defense Information Systems Agency (DISA), Defense Information Technology Contracting Organization (DITCO) – National Capital Region (NCR), Fort Meade, Maryland	10	581.4	1
DISA DITCO–Scott, Scott Air Force Base, Illinois	34	129.9	22
Total	**55**	**$738.9**	**33**

Finding—Contracting Personnel Generally Justified the Use of Other Than Full and Open Competition

- Contracting personnel generally justified the use of other than full and open competition for IT contracts.
  - For 117 noncompetitive IT contracts, we verified whether the contract contained a valid statutory requirement.
  - The remaining 115 noncompetitive IT contracts required written justification for other than full and open competition.
- Contracting personnel at the Army, Navy, Marine Corps, Air Force, DCSO–P, and DISA[1] used a valid statutory requirement when awarding 117 noncompetitive IT contracts valued at $281.3 million.

[1] We will refer to DITCO–NCR and DITCO–Scott collectively as DISA throughout this report when discussing both sites.

FINDING—CONTRACTING PERSONNEL GENERALLY JUSTIFIED THE USE OF OTHER THAN FULL AND OPEN COMPETITION (CONT'D)

- For the 115 noncompetitive IT contracts valued at $1.1 billion, the Army, Navy, Marine Corps, Air Force, DCSO-P, and DISA properly justified the use of other than full and open competition for 110 contracts. Contracting personnel did not properly justify:
  - Four Army contracts valued at $83.3 million, and
  - One DITCO-NCR contract valued at $151.0 million.
  - For these five contracts, personnel could have used full and open competition to save DoD funds.
- Additionally, for the 115 noncompetitive IT contracts, Army, Navy, Marine Corps, Air Force, DCSO–P, and DISA personnel generally:
  - Appropriately applied the authority cited;
  - Complied with Federal Acquisition Regulation (FAR) 6.303-2, "Content" requirements in the Justification and Approval (J&A) for Other Than Full and Open Competition;
  - Obtained approval from the proper personnel before contract award; and
  - Documented compliance with FAR Part 10, "Market Research."

FINDING—CONTRACTING PERSONNEL GENERALLY JUSTIFIED THE USE OF OTHER THAN FULL AND OPEN COMPETITION (CONT'D)

- However, Army, Air Force, and DISA contracting personnel generally did not follow FAR synopsis[2] requirements for the noncompetitive IT contracts that required written justification. As a result, for each of the proposed contract actions not properly synopsized, contracting personnel potentially excluded sources.

[2] A synopsis is a document used in contracting to let the public know about the procurement or the potential procurement of supplies or services.

Results—Valid Statutory Requirement Review of 117 Noncompetitive IT Contracts

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RESULTS—VALID STATUTORY REQUIREMENT[3]

Army

- Army contracting personnel used a valid statutory requirement when awarding 14 contracts with a value (including options) of $58.7 million.

Navy and Marine Corps

- Navy and Marine Corps contracting personnel used a valid statutory requirement when awarding 32 contracts with a value (including options) of $66.9 million.

Air Force

- Air Force contracting personnel used a valid statutory requirement when awarding 38 contracts with a value (including options) of $73.6 million.

Defense Agencies

- DCSO-P and DISA contracting personnel used a valid statutory requirement when awarding 33 contracts with a value (including options) of $82.1 million.

[3] The authority under the 8(a) program applied to 116 of the contracts and the authority under the qualified nonprofit agencies for the blind or severely disabled applied to 1 Air Force contract.

Results—Justification of the Use of Other Than Full and Open Competition Review of 115 Noncompetitive IT Contracts

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Results—Justification of the Use of Other Than Full and Open Competition

Army

- Army contracting personnel properly justified the use of other than full and open competition for 35 of the 39 sole-source IT contracts reviewed, with a value (including options) of $146.5 million.
- Contracting personnel improperly cited FAR 6.302-1 authority in 4 of the 39 contracts.
    - For three contracts, valued at $83.1 million, this occurred because an Army contracting officer changed a multiple-award contract to three sole-source contracts when issuing the first task order in 2008. In 2013, an Army contracting officer then awarded three sole-source bridge contracts, citing only one source. The actions the contracting officers performed for this requirement were actions the FAR directly states to avoid.
    - For the remaining contract, valued at $204,710, the Army contracting officer did not include sufficient information in the J&A to support the sole-source award when procuring hardware to provide cable television for DoD and other users within the Pentagon because of year-end buys.

Results—Justification of the Use of Other Than Full and Open Competition (cont'd)

Navy and Marine Corps

- Navy and Marine Corps contracting personnel justified the use of other than full and open competition for the 34 sole-source IT contracts reviewed, with a value (including options) of $151.5 million.
    - For one contract, Navy and Marine Corps contracting personnel did not cite a sole-source authority but the J&A explained that the contractor was the sole manufacturer/provider of the software and maintenance support. Even though personnel should have cited the FAR 6.302-1 authority, the omission did not result in an inadequate sole-source determination.

Results—Justification of the Use of Other Than Full and Open Competition (cont'd)

Air Force

- Air Force contracting personnel properly justified the use of other than full and open competition for 20 sole-source IT contracts reviewed, with a value (including options) of $80.7 million; however, 3 of the 20 contracts did not cite the appropriate authority.
    - For three contracts, Air Force contracting personnel incorrectly cited FAR 6.302-1 authority, FAR 6.302-2 authority, and FAR 13.501(a). Even though Air Force personnel should have cited FAR 6.302-5 "Authorized or Required by Statute" under the 8(a) Program, the three bridge contracts were justified as sole-source awards.

Results—Justification of the Use of Other Than Full and Open Competition (cont'd)

Defense Agencies

- DCSO–P and DISA contracting personnel properly justified the use of other than full and open competition for 21 of the 22 sole-source IT contracts reviewed, with a value (including options) of $505.8 million.
- For one contract, valued at $151.0 million, DITCO–NCR personnel improperly applied the FAR 6.302-1 authority. This occurred because the contracting officer inappropriately included some non-unique equipment and non-unique services on the sole-source contract for the convenience of the customer when the equipment was available from other sources.
- Non-unique equipment included items such as:
  - shipping,
  - electrical tape,
  - user's guide, and
  - leather holster.
- Non-unique services included some help desk services. The FAR does not include "convenience" as a reason to allow other than full and open competition; therefore some of the non-unique equipment items and non-unique help desk services should not have been included on the sole-source contract.

Results—Required Content and Approvals by Proper Officials in J&A

Army

- Army contracting personnel generally complied with FAR content requirements and generally obtained approval from the proper personnel before contract award in all 39 J&As.

Navy and Marine Corps

- Navy and Marine Corps contracting personnel generally complied with FAR content requirements and generally obtained approval from the proper personnel before contract award in all 34 J&As.

Air Force

- Air Force contracting personnel generally complied with FAR content requirements and generally obtained approval from the proper personnel before contract award in all 20 J&As.

Defense Agencies

- DCSO-P and DISA contracting personnel generally complied with FAR content requirements and obtained approval from the proper personnel before contract award in all 22 J&As.

Results—Market Research Conducted and Documented

Army

- Army contracting personnel generally complied with FAR market research requirements for 36 of 39 contracts reviewed.

Navy and Marine Corps

- Navy and Marine Corps contracting personnel appropriately documented the market research conducted or provided adequate justification in the contract file when market research was not conducted for all 34 contracts reviewed.

Air Force

- Air Force contracting personnel documented the market research conducted, or provided adequate justification in the contract file for market research not conducted, for all 20 contracts reviewed.

Defense Agencies

- DCSO–P and DISA contracting personnel documented the market research conducted for 21 of the 22 contracts reviewed.

Results—Required Synopsis Notification Posted to Federal Business Opportunities (FBO)

Army

- Army contracting personnel did not comply with FAR synopsis requirements when synopsizing 20 of 39 contracts.
- Army contracting personnel did not post the required synopsis for 13 proposed contracts, and did not include FAR data element requirements in the synopses for 7 proposed contracts.

Navy and Marine Corps

- For Navy and Marine Corps, of the 34 contracts reviewed, 5 contracts citing the FAR 6.302-2 authority were exempt from posting a synopsis under FAR 5.202(a)(2).
- Navy and Marine Corps contracting personnel generally complied with FAR synopsis requirements for 26 of the 29 contracts.

Results—Required Synopsis Notification Posted to Federal Business Opportunities (FBO) (cont'd)

Air Force

- Of the 20 contracts, 4 contracts did not require a synopsis under FAR 5.202 "Exceptions."
- For the remaining 16 contracts requiring a synopsis posting, Air Force contracting personnel did not comply with FAR synopsis requirements for 10 contracts.
- Air Force contracting personnel did not complete the required synopsis for two proposed contracts, and did not include applicable FAR data element requirements in the synopses for eight proposed contracts.

Defense Agencies

- DISA contracting personnel did not comply with FAR synopsis requirements for 12 of the 22 proposed contract actions.
- DISA contracting personnel did not post the required synopsis for seven proposed contracts or include applicable FAR data element requirements in the synopses for five proposed contracts.

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Report Recommendations

Army

- For Report No. DODIG-2015-096, we recommended Army officials issue guidance and provide refresher training on FAR Subpart 5.2, "Synopses of Proposed Contract Actions" and require refresher training on using multiple-award contracts and fully supporting justifications in accordance with FAR Subpart 6.3, "Other Than Full and Open Competition."

Navy and Marine Corps

- For Report No. DODIG-2015-071, we had no recommendations to Navy or Marine Corps officials.

Air Force

- For Report No. DODIG-2015-110, we recommended Air Force officials provide training on selecting the appropriate authority to issue sole-source contracts, retaining contract documentation, and completing required synopses and including the required statement as outlined in FAR 5.207 "Preparation and Transmittal of Synopses."

Defense Agencies

- For Report No. DODIG-2015-152, we recommended the DISA DITCO official review the contracting practices at DITCO–NCR, Fort Meade, Maryland, and take action to remove the non-unique equipment and services as appropriate; and to require refresher training and issue guidance on FAR Subpart 5.2, "Synopses of Proposed Contract Actions."

Report Recommendations (cont'd)

- Army, Air Force, and the DISA DITCO officials agreed with our recommendations and provided corrective actions with anticipated completion dates. Comments from the officials addressed all specifics of the recommendations and no further comments were required.

Scope and Methodology

- We conducted this summary audit from July 2015 through August 2015 in accordance with generally accepted government auditing standards, except for planning and evidence requirements of the field work standards, because this audit summarized previously issued DoD OIG reports. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.
- To address our audit objective, we queried the Federal Procurement Data System—Next Generation to determine the contract universe. We created a Federal Procurement Data System—Next Generation ad hoc query to pull relevant fields and filtered the data to populate Product or Service Codes that began with "IT" and contracts issued from October 1, 2012, through April 10, 2014.

SCOPE AND METHODOLOGY (CONT'D)

- We excluded:
  - contract actions with two or more offers received,
  - contract actions valued below the simplified acquisition threshold ($150,000), and
  - contract actions that used General Services Administration contracts or other interagency contracts.
- Our total contract universe included 602 IT contracts valued at $3.52 billion (including options), as reported in Federal Procurement Data System—Next Generation.

SCOPE AND METHODOLOGY (CONT'D)

- We reviewed 232 IT contracts that we nonstatistically selected with a contract value (including options) of $1.4 billion.
    - Examples of IT contracts reviewed:
        - Renewal of software and maintenance licensing agreements.
        - Engineering and support services.
        - Software for Radio Base Station and Radio Network Controller.
- When selecting our contracting activities to review, we considered the total number of contracts issued and the corresponding total contract value (including options).
- We obtained the contract file documentation from Electronic Document Access, Federal Business Opportunities, Army Paperless Contract Files, CDs from our points of contact, or by copying documentation at the sites.

SCOPE AND METHODOLOGY (CONT'D)

- We reviewed pertinent contract file documentation including the J&A, records of market research, performance work statements, FBO synopses, and other key decision making documents.
- We evaluated the documentation obtained against applicable criteria including but not limited to:
  - FAR Part 5, "Publicizing Contract Actions;"
  - FAR Subpart 6.3, "Other Than Full and Open Competition;" and
  - FAR Part 10, "Market Research."
- As necessary, we conducted interviews with the contracting officers and specialists responsible for the contracts; and competition advocates.

SCOPE AND METHODOLOGY (CONT'D)

- The acquisitions set aside for the 8(a) program and another specified program were authorized by FAR 6.302-5 "Authorized or Required by Statute." As discussed with the HASC staff, we did not complete a full review of the contracts under this authority. For verification purposes, we reviewed documentation such as the Small Business Administration Acceptance Letter, and DD Form 2579 "Small Business Coordination Record."
- We received assistance from the Quantitative Methods Division at the DoD Office of Inspector General for determining a sample of contracts to review.
- We did not rely on computer-processed data to perform this audit that supported our findings, conclusions, and recommendations.

Acronyms and Abbreviations

ACC	Army Contracting Command
APG	Aberdeen Proving Ground
DCSO	Defense Logistics Agency Contracting Services Office
DCSO-P	Defense Logistics Agency Contracting Services Office, Philadelphia
DISA	Defense Information Systems Agency
DITCO	Defense Information Technology Contracting Organization
DLA	Defense Logistics Agency
FAR	Federal Acquisition Regulation
FBO	Federal Business Opportunities
FLC	Fleet Logistics Center
HASC	House Armed Services Committee
IT	Information Technology
J&A	Justification and Approval for Other Than Full and Open Competition
NAVSUP	Naval Supply Systems Command

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