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Audit



Report

OPERATIONS OF THE NATIONAL ASSESSMENT GROUP

Report No. 99-066

January 8, 1999

Office of the Inspector General
Department of Defense

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Acronyms

DESA	Defense Evaluation Support Activity
IMPAC	International Merchant Purchase Authorization Card
MOA	Memorandum of Agreement
NAG	National Assessment Group
PBD	Program Budget Decision
SDUSM	Special Deputy U.S. Marshal
USD(A&T)	Under Secretary of Defense for Acquisition and Technology

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

January 8, 1999

MEMORANDUM FOR DIRECTOR, SPECIAL PROGRAMS
DIRECTOR, NATIONAL ASSESSMENT GROUP

SUBJECT: Audit Report on Operations of the National Assessment Group
(Report No. 99-066)

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

The comments conformed to the requirements of DoD Directive 7650.3; therefore, additional comments are not required.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to (b) (6) at (703) 604-(b) (6) (DSN 664-(b) (6)) (b) (6) @dodig.osd.mil) or (b) (6) at (703) 604-(b) (6) (DSN 664-(b) (6)) (b) (6) @dodig.osd.mil). See Appendix E for the report distribution. Audit team members are listed inside the back cover.

A handwritten signature in cursive script that reads "Robert J. Lieberman".

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 99-066
Project No. 8AD-0034

January 8, 1999

Operations of the National Assessment Group

Executive Summary

Introduction. The National Assessment Group, established on October 1, 1997, is an independent DoD evaluation organization that reports to the Director, Special Programs, within the Office of the Under Secretary of Defense for Acquisition and Technology. The National Assessment Group provides unique planning, field test, rapid assessment, and operational support services to DoD and other Defense-related Government agencies. The National Assessment Group emphasizes the application of off-the-shelf technology, tailored data collection, analysis, engineering, and instrumentation capabilities to ensure one-stop support of the Office of the Secretary of Defense, the Under Secretary of Defense for Acquisition and Technology, and other Defense-related customer evaluation needs. The National Assessment Group absorbed some of the personnel and resources that had been previously assigned to the Defense Evaluation Support Activity. The Defense Evaluation Support Activity was an independent field organization, chartered on July 5, 1990, by the Deputy Secretary of Defense to provide specialized, nontraditional field tests and quick-reaction evaluation support to DoD and non-DoD agencies. The Defense Evaluation Support Activity was dissolved on September 30, 1997.

Objectives. Our overall objective was to evaluate the efficiency and effectiveness of the National Assessment Group's programs, activities, and functions. Specifically, we evaluated the establishment and progress of the new organization, including its program management structure; compliance with DoD policies and regulations; contracting; budget and finance procedures; and security procedures. We also determined whether corrective actions were taken on previously identified deficiencies in the predecessor organization. In addition, we reviewed the status of the organization's year 2000 conversion efforts. Furthermore, we reviewed the management control program as it applies to the other stated audit objectives. At the request of the Director, Special Programs, we also reviewed whether the pending request to establish a Special Deputy U.S. Marshal program was justified.

Results. In general, the National Assessment Group is operating efficiently, effectively, and in compliance with its charter in most functional areas except for two areas that warrant management attention.

- For two functional areas, the National Assessment Group program office is not organized in the most efficient and effective manner. As a result of his inadequately defined role, the Deputy Program Manager appears to lack sufficient visibility into client projects, lacks authority over a significant portion of the National Assessment Group's employees, and may be unable to completely fulfill his duties as specified by the Under Secretary of Defense for Acquisition and Technology. The inadequate staffing of the contract function creates a management control weakness and a greater possibility for fraud, waste, and abuse (Finding A).

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- The Special Deputy U.S. Marshal authority that the National Assessment Group requested is not justified. The authority was granted to a predecessor organization, the Defense Evaluation Support Activity. The National Assessment Group is not a law enforcement agency and should not have Special Deputy U.S. Marshal authority (Finding B).

Summary of Recommendations. We recommend the following corrective actions:

- fully defining and documenting the Deputy Program Manager's roles and responsibilities;
- structuring all National Assessment Group employees, including the Director, Field Assessment and Operations, and the project managers, to report to the Program Manager through the Deputy Program Manager;
- establishing a second procurement analyst position and filling it with a dedicated and warranted contracting officer; and
- denying Special Deputy U.S. Marshal authority.

Management Comments and Response to Management Comments. Management concurred with all recommendations. Additionally, the National Assessment Group provided a summary of actions taken to address the recommendations. We consider the management comments responsive and no further comments are necessary. See Findings for the complete discussion of management comments and Management Comments for the complete text.

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Background

The National Assessment Group (NAG), established on October 1, 1997, is an independent DoD evaluation organization that reports to the Director, Special Programs, within the Office of the Under Secretary of Defense for Acquisition and Technology (USD[A&T]). The NAG provides unique planning, field test, rapid assessment, and operational support services to DoD and other Defense-related Government agencies. The NAG emphasizes the application of off-the-shelf technology, tailored data collection, analysis, engineering, and instrumentation capabilities to ensure one-stop support of the Office of the Secretary of Defense, USD(A&T), and other Defense-related customer evaluation needs. The NAG absorbed some of the personnel and resources that had previously been assigned to the Defense Evaluation Support Activity (DESA). DESA was an independent field organization, chartered July 5, 1990, by the Deputy Secretary of Defense to provide specialized, nontraditional field tests and quick-reaction evaluation support to DoD and non-DoD agencies. DESA was dissolved on September 30, 1997.

Objectives

Our overall objective was to evaluate the efficiency and effectiveness of the programs, activities, and functions of the NAG. Specifically, we evaluated the establishment and progress of the new organization, including its program management structure; compliance with DoD policies and regulations; contracting; budget and finance procedures; and security procedures. We also determined whether corrective actions were taken on previously identified deficiencies in the predecessor organization. In addition, we reviewed the status of the organization's year 2000 compliance efforts. Furthermore, we reviewed the management control program as it applies to the other stated audit objectives. At the request of the Director, Special Programs, we also reviewed whether the pending NAG request to establish a Special Deputy U.S. Marshal program was justified.

Except for the following issues noted, in general, the NAG is operating efficiently, effectively, and in compliance with its charter. The NAG operates in accordance with its established internal procedures. NAG clients are provided with a unique service that is provided in a timely, responsive manner. Tests of NAG functional areas included logistics support, financial management, property accountability, and security procedures. We identified no issues in those areas. Appendix D summarizes the audit work performed, including the year 2000 conversion effort, and the basis for audit conclusions.

The audit identified two areas that warrant management attention. Finding A discusses problems in the organization of the NAG program office related to the Deputy Program Manager position and contracting function. Finding B addresses the lack of justification for the pending request of the NAG to establish a Special Deputy U.S. Marshal program. Details on the scope, methodology, and review of the management control program are in Appendix A. Prior audit coverage is discussed in Appendix B, and other matters of interest regarding NAG funding are in Appendix C.

A. Program Management Organization

For two functional areas, the NAG program office is not organized in the most efficient and effective manner because the role of the Deputy Program Manager (Deputy) is not in accordance with established guidance and is not adequately defined and documented, and because the NAG contract function is not adequately staffed to support the large workload. As a result of his inadequately defined role, the Deputy appears to lack sufficient visibility into client projects, lacks authority over a significant portion of the NAG employees, and may be unable to completely fulfill his duties as specified by USD(A&T). The inadequate staffing of the contract function creates a management control weakness and a greater possibility for fraud, waste, and abuse.

Program Office Organization

The NAG is an independent DoD evaluation organization that reports to the Director, Special Programs, within the Office of the USD(A&T). The Director, NAG, is also the Director, Air Force Operational Test and Evaluation Center.

Office Structure. The NAG is a joint Office of the Secretary of Defense organization, managed by a civilian Program Manager; a military Deputy; a Director, Field Assessment and Operations; and three project managers. It is a relatively small organization consisting of 46 billets (24 civilians and 22 military).

The NAG has four functional support areas and three project offices. The functional support areas are Resources, Administration and Security, Engineering and Technical Systems, and Field Assessments. The project offices are Special Operations and Conventional Forces, Special Projects and Acquisition, and Intelligence and Information Operations.

Deputy Program Manager. According to an organization chart dated October 1, 1997, the Deputy has direct authority only over the Resources and Administration and Security functional support areas. The Resources area performs the personnel and manpower, financial management, and contracting duties. The Administration and Security area is responsible for the overall security support in areas of resource protection, physical security, information security, and industrial security programs; management of the Visitor Control Office; classification management and the protection of classified information within the office; and all matters of the operation and maintenance of NAG facilities. The Administration and Security area is not responsible for security control and oversight of the special access program aspects of NAG.

Director, Field Assessment and Operations. The Director, Field Assessment and Operations, has direct authority over the Engineering and Technical Systems and Field Assessments functional support areas. The Engineering and Technical Systems area consists of general and electronics engineers, computer specialists, and Signals Intelligence analysts. The Field Assessments area consists of security

specialists, special operations officers, and supply management personnel. The Director, Field Assessment and Operations, assigns the staffing for the individual client projects to the individual project managers. The Director, Field Assessment and Operations, is also responsible for security control and oversight of the special access program aspects of NAG. The Director, Field Assessment and Operations, reports directly to the Program Manager.

Project Managers. The project managers for the three project offices also report directly to the Program Manager. The project managers have direct authority over personnel with backgrounds specifically related to their areas of expertise.

Deputy Program Manager's Roles and Responsibilities

The current organizational structure of NAG does not comply with USD(A&T) guidance. NAG does not have a direct chain of command. The Field Assessment and Operations area and the three project managers bypass the Deputy and report directly to the Program Manager. The Deputy's authority, role, and responsibilities are not adequately defined and documented. As a result, the Deputy appears to lack visibility into client projects, lacks authority over a significant portion of the NAG employees, and will be unable to completely fulfill his duties as specified by USD(A&T).

Noncompliance With Guidance. The acting USD(A&T) issued a memorandum for the Director and Program Manager, NAG, outlining program guidance. The memorandum, dated October 6, 1997, describes the overall philosophy that NAG is expected to apply in its future planning. The memorandum also refers to the Deputy's roles and responsibilities.

The new military Deputy PM [Program Manager] position was established within the NAG organization to enhance the NAG's working relationship with your operational military clients. The Deputy should have authority in the absence of the Program Manager to provide management direction and control over the primary functions of the NAG including operations, personnel administration, logistics, contracting, finance, budget and security. The Deputy will ensure that Project Managers are adequately resourced to support all customer projects.

The current organizational structure of NAG does not comply with the USD(A&T) guidance. The memorandum states that the Deputy position was established to enhance the working relationship with the operational military clients; however, the Deputy is not involved in the individual projects. The project managers run the projects and report directly to the Program Manager.

The Deputy has direct authority over the administrative functions of NAG but no authority over operational functions. If the project managers report directly to the Program Manager, the Deputy is left out of the loop. Although the Deputy does have Program Manager authority in the absence of the Program Manager, he will be unable to adequately fulfill those duties if he is unaware of the detailed aspects of the individual projects. Further, according to the USD(A&T) guidance, the Deputy is responsible for ensuring that project managers are adequately resourced.

However, the Director, Field Assessment and Operations, has direct authority of the operational personnel, not the Deputy. The Director, Field Assessment and Operations, assigns all personnel to projects, with the exception of the project managers and project officers.

Roles and Responsibilities Not Defined or Documented. The NAG did not adequately define and document the roles and responsibilities of the Deputy. As of June 18, 1998, the Deputy did not have a signed position description or a NAG Operating Instruction for the Deputy position. The only documentation available consists of informal memorandums prepared by the Deputy and the Director, Field Assessment and Operations, proposing roles and responsibilities for their respective positions. The memorandums were prepared in response to a Program Manager request to describe their views on the delineation of responsibilities for their respective positions. Although the memorandums were reviewed and edited by the Program Manager, the documents do not contain the Program Manager's signature indicating his approval. The informal memorandums do not constitute either an adequate definition or documentation of the Deputy's position.

NAG Contract Function Not Adequately Staffed

The NAG contract function is not adequately staffed to support the large workload. The NAG has only one procurement analyst permanently dedicated to support the contract function. The contract workload far exceeds the ability of a single procurement analyst. Further, a one-man procurement shop creates a management control weakness that increases the possibility of fraud, waste, and abuse.

Procurement Analyst Duties. All contracting duties are performed by one procurement analyst. His Defense Logistics Agency warrant authorizes contracting authority up to \$100,000. Any contract over \$100,000 must go through the Defense Logistics Agency. The procurement analyst serves as both the administrative contracting officer and procuring contracting officer for each contract. He makes all International Merchant Purchase Authorization Card (IMPAC) purchases for the office. The procurement analyst position description lists a variety of oversight functions concerning policies and procedures. According to the position description, those duties include the following:

independently performs analyses of selected contracts . . . to assure compliance with required procurement policy and directives;

exercises independent judgment and gives authoritative direction in negotiating, writing and administering the most complex contracts;

performs independently as a Contract Policy and Review Committee, recommends and/or issues procurement decisions on general policy matters;

guides and assists buying personnel in negotiating particular special/unique contract terms and conditions with contractors;

performs special internal compliance reviews so as to identify areas of file, form and content requiring further attention; and

develops and recommends approaches for new contract management practices and procedures.

Work Performed as of June 1998. Since NAG was established on October 1, 1997, the procurement analyst awarded 3 new acquisitions, valued at \$15,513,000; processed 42 purchase orders, valued at \$129,778; processed 11 delivery orders, valued at \$189,536; made 172 IMPAC purchases, valued at \$283,312; and administered 41 contract modifications and 138 subtasks, valued at \$3,250,718. As of June 18, 1998, the current contracting backlog included 21 purchase requests, 4 funding modifications, and revisions to the facilities solicitation.

Contract Administration. The procurement analyst issues task orders on the larger contracts for the various field events. For each task order, the procurement analyst reviews the proposal, writes a pricing memo, and issues a funding modification. The function is performed in between the many daily IMPAC purchases, purchase orders, and delivery orders.

IMPAC Purchases. The procurement analyst makes all in-house IMPAC purchases. The other cardholders can only use their cards while working on a project in the field and are limited to \$2,500.

The IMPAC purchasing process is time consuming. A requester fills out a Form 9, "Item Request," and forwards it to the procurement analyst. Each purchase requires four forms. A Defense Supply Service - Washington "Purchase Sheet for Purchase Card Buys Above \$2,500 up to \$25,000" documents the three required vendor quotes. The "Small Purchase Pricing Memorandum" is a Defense Logistics Agency form that documents the reasons for selecting a vendor. The "Small Business Certification" documents the use of a small business. The procurement analyst fills out a NAG Form 64-5, "Record of Purchase, International Merchant Purchase Authorization Card," when making each purchase. He then provides the logistics support group with a copy of the form along with a Form 9, "Item Request." The logistics support group initials off on the Form 64-5 upon delivery of the item and provides the procurement analyst with a copy. The procurement analyst makes any necessary price revisions and forwards the form to the financial management group.

Management Control Weakness

The NAG procurement analyst is solely responsible for all contract actions, including contract award, contract administration, purchase orders, and most of the IMPAC card purchases. Also, the procurement analyst wrote the NAG procurement policy and is responsible for policy implementation and oversight. Not having a proper segregation of duties is a material management control weakness. It is also a management control weakness in that it places too much reliance on one individual. Because all contracting functions are performed by one person, all contracting functions stop while the procurement analyst is attending

training, is on travel, is sick, or is on leave. The only recent leave that the procurement analyst has taken was to attend a family member's funeral. Upon his return from a recent trip, he found a stack of purchase requests on his desk. The lack of a second warranted procurement analyst or other backup provisions could prevent the NAG from meeting its rapid assessment requirement.

Efforts to Reduce the Workload

The NAG has taken many actions to reduce the procurement analyst's workload. For example, contracting forms are being computerized to increase efficiency. Also, the administrative specialist was assigned to the procurement analyst as an assistant. The assistant helps with calling vendors for quotes, filling out forms, and maintaining files. The assistant currently has a \$250 IMPAC limit that enables her to purchase administrative items. The assistant attended a simplified acquisition course in the hopes of receiving a simplified acquisition warrant. Further, NAG is hiring a personnel specialist, and one of the specialist's duties will be to assist in contract areas.

However, the contracting functions assigned to the administrative assistant and personnel specialist are not top priorities. Purchasing supplies and equipment is listed as Duty 3 of the administrative specialist position description. Reviewing contracting items and developing guidance is Duty 4 of the personnel specialist position description. The personnel specialist has no contract training or experience. Also, the Program Manager promised the NAG finance group that the personnel specialist would also assist the group with its duties. Most of the major contracting functions will continue to have to be performed by the procurement analyst.

While those actions demonstrated the commitment of NAG to address the workload issue, it is unrealistic to believe that either the administrative specialist or the personnel specialist could provide the type of assistance necessary to significantly reduce the workload of the sole procurement analyst. Further, the actions did not address the fundamental management control weakness that exists with a one-man contract shop. If the procurement analyst is not available, most NAG contracting functions will cease. The Director, NAG, stated that the contracting situation was a major concern and that the Air Force Operational Test and Evaluation Center had contracting personnel that he could potentially reassign to NAG. Given the potential risk to NAG operations and the apparent availability of trained personnel from the Air Force Operational Test and Evaluation Center, NAG should establish a second procurement analyst position. A fully dedicated and warranted contracting officer should fill the position to reduce the procurement analyst's day-to-day workload, serve as a backup, and eliminate the management control weakness.

Recommendations

A. We recommend that the Director, National Assessment Group:

1. Direct the Program Manager, National Assessment Group, to define and document the roles and responsibilities of the Deputy Program Manager.
2. Establish a direct chain of command for all National Assessment Group functions, including the Director, Field Assessment and Operations, and project managers, to report to the Program Manager through the Deputy Program Manager.
3. Establish a second procurement analyst position. A dedicated and warranted contracting officer should fill the position.

Management Comments

The National Assessment Group concurred with Recommendations A.1., A.2., and A.3. In response to those recommendations, the National Assessment Group undertook the following actions: established a position description for the Deputy Program Manager; defined and documented the roles and responsibilities of the Deputy Program Manager in the National Assessment Group Organization and Functions Chart Pamphlet; revised the organization chart to reflect a direct chain of command for all National Assessment Group functions to report to the Program Manager through the Deputy Program Manager; cross trained available personnel in simplified acquisition duties and contracting levels 1, 2, and 3; and solicited the support of the Director, Special Programs, for an additional billet. See Management Comments for the complete text of comments.

Audit Response

The management comments provided are considered responsive and no further comments are necessary. Further, we appreciate the National Assessment Group's quick response in undertaking actions to comply with the recommendations. However, while the National Assessment Group's actions to Recommendation A.3. are responsive, cross training available personnel can only suffice as a temporary measure until a dedicated and warranted contracting officer position is established. Such a position is necessary to ensure that the National Assessment Group operates at maximum capacity. The National Assessment Group needs to continue its efforts to establish this position.

B. Special Deputy U.S. Marshal Authority

The Special Deputy U.S. Marshal (SDUSM) authority that NAG requested is not justified. The authority was granted to the predecessor organization, DESA. The SDUSM authority was not justified because it was required for only one project in the 10-month period that it existed under DESA. Also, DESA did not operate the program in accordance with the memorandum of agreement (MOA) or applicable guidance. The NAG is not a law enforcement agency and should not have SDUSM authority.

Background

The NAG was established on October 1, 1997, to provide rapid assessments on a variety of subject areas, including highly classified projects. Many of those functions had previously been performed by DESA, which was dissolved on September 30, 1997. In June 1996, the Executive Director, DESA, received direction from USD(A&T) to pursue, directly with the Department of Justice, the special deputization of six identified individuals. The authorization to arm the six identified individuals in accordance with DoD Directive 5210.56, "Use of Deadly Force and the Carrying of Firearms by DoD Personnel Engaged in Law Enforcement and Security Duties," was subject to the approval of the Director, Administration and Management, Office of the Secretary of Defense. The Director, Administration and Management, authorized DESA to arm the six identified employees for the purposes of carrying out the responsibilities of DESA within the limits of DoD Directive 5210.56, the DESA "Resources Protection Program," and the MOA between DESA and the U.S. Marshal Service. The SDUSM program was terminated when DESA was dissolved. The NAG prepared a request to the Director, Special Programs, within the Office of the USD(A&T), for approval to obtain and use SDUSM authority. The Office of the General Counsel, Washington Headquarters Services, reviewed the request.

SDUSM Justification

DESA Justification. The DESA justification for the SDUSM authority included providing routine secure transportation and temporary storage for extremely sensitive, emerging technology. DESA also included as justification the difficulty in obtaining law enforcement support for cross-country, secure movements because of short lead times and route variances. An additional part of the justification was that the sensitivity and classification of the loads frequently negated the use of non-cleared, non-Government personnel. However, when DESA used the authority, it was not used to support secure transportation.

NAG Request Not Justified. NAG personnel described scenarios of how NAG might theoretically employ the SDUSM authority. However, they did not provide any documented data to support those scenarios or their requirements. The NAG did not identify any potential client project that it had to reject because of the absence of the SDUSM authority. Our audit only identified one example of when the authority was requested by a DESA client and no examples of the authority being requested by a NAG client. Some of the NAG personnel who had been part of the DESA SDUSM program agreed that NAG did not need the SDUSM authority to continue operations and viewed it as an additional capability as opposed to a requirement.

NAG personnel indicated that they contacted law enforcement organizations concerning the possibility of providing support for operations requiring security services. However, NAG could not provide records of requests for assistance from Federal or local law enforcement agencies or the Military Departments.

The need to provide secure transportation was also used to justify the SDUSM program. We were informed that NAG is not as involved in providing secure transportation as DESA had been. NAG did not experience significant loss of business since the SDUSM authority lapsed. The Office of the General Counsel, Washington Headquarters Services, and the Office of the Director, Special Programs, stated that NAG personnel did not request assistance in obtaining protection for DoD personnel or technology because of the lack of the SDUSM authority.

Program Procedures

The approval of the SDUSM authority for DESA was covered by an MOA between DESA and the U.S. Marshal Service. The MOA was signed by the Executive Director, DESA, on October 28, 1996, and by the Assistant Director, Executive Services Division, U.S. Marshal Service, on November 1, 1996. The SDUSM authority was to be used only when DESA was conducting operations involving testing, evaluation, and transportation of sensitive Government property. The authority of the SDUSMs to make arrests was limited to crimes involving the theft or attempted theft or destruction of Government property, assaults on Federal personnel or accompanying personnel while conducting DESA operations, and personnel trespassing on a closed area while DESA was using that area. While law enforcement training was a requirement for SDUSM authority, a DESA SDUSM could not be considered as a fully qualified law enforcement agent when compared with agents of law enforcement organizations such as the Defense Criminal Investigative Service.

The MOA required all deputized personnel to be issued the "DESA Resources Protection Program Procedures Manual." The MOA required the inclusion of the following in the manual:

Weapons and ammunition shall be secured in an approved container at the employee's duty station when not in use by the Special Deputy U.S. Marshal. They will be removed from the container and carried by the employee on his or her person ONLY under the circumstances set forth in this manual. Badges and credentials will be controlled and issued in a similar fashion. FAILURE TO COMPLY WITH THESE PROCEDURES MAY RESULT IN IMMEDIATE RETRIEVAL OF THE INDIVIDUAL'S CREDENTIALS, CANCELLATION OF DEPUTIZED STATUS, AND POSSIBLE DISMISSAL FROM GOVERNMENT SERVICE. [Emphasis in original]

DESA Operating Instruction 31-3, "Resource Protection Program," and the "Resources Protection Program Procedures Manual" provided detailed guidance for the operation of the SDUSM Program. The guidance included the following:

- advance approval by the Executive Director, DESA, before any deployment of DESA SDUSMs to engage in protection missions with an after-action report provided to the Executive Director, DESA, stating whether or not the authority was exercised;
- storage of credentials in a General Services Administration-approved container when not carried or in the immediate custody and control of the DESA SDUSM;
- a semi-annual physical inventory of credentials with the results forwarded to the Executive Director, DESA, no later than June 30 and December 31 of each year;
- DESA-issued firearms stored in a General Services Administration-approved container when not carried or in the immediate custody of the DESA SDUSM;
- a semi-annual physical inventory of firearms to be completed with the results forwarded to the Executive Director, DESA, no later than June 30 and December 31 of each year;
- DESA SDUSMs armed with agency-issued firearms and carrying their firearms only when performing official duties; and
- a weapons log to be maintained to control and account for the firearms.

Noncompliance With Program Procedures

The SDUSM program placed the special deputies in unique positions of authority and required diligent management and oversight. However, DESA paid little attention to the management requirements of the program. The SDUSM authority was available to DESA for 10 months. During that time, DESA used the authority twice on one project. On the first occasion, one of the SDUSMs arrived

with credentials and a firearm even though the client had not requested the service. DESA did not have copies of the request for approval, the approval itself, or the after-action report for the two instances when it used the SDUSM authority. NAG personnel informed us that the approvals were done by e-mail and that NAG did not retain any copies. DESA Operating Instruction 31-3 requires the advance approval of the Executive Director, DESA, before the use of the SDUSM authority and an after-action report stating whether or not DESA had used the authority. The "Resources Protection Program Procedures Manual" also requires the advance approval of the Executive Director, DESA, before the use of the SDUSM authority.

We conducted an inventory of the firearms, ammunition, and credentials. All items listed on the inventory sheets were locked in a five-drawer safe. However, inventory records before October 1997, which would provide an audit trail of when firearms, ammunition, and credentials were issued and used, were destroyed. Although the items in the safe matched the available inventory lists, we could not determine whether the items and quantities on the inventory lists were correct because the records for DESA were destroyed. The Senior SDUSM; another SDUSM who is the Director, Field Assessment and Operations; and the three individuals who work in the Security Office knew the combination to the safe where the firearms were stored. One of the individuals working in the Security Office is an employee of a support contractor for NAG.

We were informed that at least one SDUSM signed out his credentials for contingency purposes. We were also informed that the credentials were maintained by the SDUSM even though no approved project required the SDUSM authority during the time period. We were unable to verify the information because the credential logs for the period before October 1, 1997, were destroyed. All of the guidance for the DESA SDUSM program required the credentials to be stored in a locked container unless on an approved mission.

The MOA with the U.S. Marshal Service and the approval letter from the Director, Administration and Management, contain a requirement that DESA report changes to the status of deputized employees. DESA had no record of reporting the change of status when three of the SDUSMs left the organization.

Conclusion

The audit failed to find any valid documentation justifying the requirement for the SDUSM authority. Further, DESA did not properly follow the requirements placed on the SDUSM program to prevent abuse of authority. Given those concerns and the fact that the NAG is not a law enforcement agency, the NAG should not have SDUSM authority.

Recommendation

B. We recommend that the Director, Special Programs, Under Secretary of Defense for Acquisition and Technology, not approve the request for the National Assessment Group to receive Special Deputy U.S. Marshal authority.

Management Comments

The Director, Special Programs, concurred with Recommendation B. The Director, Special Programs, also stated that his office will assist the National Assessment Group, if required, because special security procedures must be in place to protect sensitive items. See Management Comments for the complete text of comments.

Appendix A. Audit Process

Scope

The audit team visited NAG on two occasions. The primary objective of the initial visit was to obtain a thorough understanding of how NAG operates. We examined all of the functional areas to understand the processes, policies, and procedures that NAG uses to conduct its day-to-day operations. Those processes were tested during the second site visit to determine whether the functions were efficient, effective, and in accordance with the regulatory requirements.

The scope of the audit was primarily limited to the administrative functions of NAG. We reviewed DESA documents dated from May 26, 1994, through September 30, 1997. We also reviewed NAG documents dated from October 1, 1997, through June 15, 1998.

Methodology

Use of Computer-Processed Data. We relied on computer-processed data from the Business Management System and the property accountability database. We selected sample items from documentation provided by the systems. The sample items were tracked through the various NAG functional areas. We found the computer-processed data to be reliable.

Audit Type, Dates, and Standards. We performed this economy and efficiency audit from May through August 1998 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD. Further details are available upon request.

Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of those controls.

Scope of Review of Management Control Program. We reviewed NAG Operating Instruction 65-2, "Management Control Program." The Instruction states, "Vulnerability assessments will be prepared by each project manager/staff office, approved by management, and submitted to the Deputy by 31 October of each year. This assessment will be used to support the overall NAG Management Control Program." The Instruction describes the responsibilities of NAG personnel; provides implementation, guidance, and procedures; and outlines various internal management control review guides. We included tests of management controls considered necessary.

Adequacy of Management Controls. We identified a material management control weakness for the NAG as defined by DoD Directive 5010.38. The management controls of NAG for contract administration were not adequate to ensure proper segregation of duties. Recommendation A.3., if implemented, will eliminate the weakness. A copy of the report will be provided to the senior official responsible for management controls in the office of USD(A&T).

Adequacy of Management's Self-Evaluation. Upon receipt of management comments to a draft version of this report, we contacted the NAG to determine if a management control review was performed, as required. Personnel from the NAG stated that such a review was no longer required per direction from the Office of the Director, Special Programs. We contacted the Office of the Director, Special Programs, and determined that this direction applied only to financial disclosure requirements, not the management control review. The NAG still needs to perform its management control review in accordance with NAG Operating Instruction 65-2.

Appendix B. Summary of Prior Coverage

No prior coverage has been conducted on NAG. During the last 5 years, the Inspector General, DoD, and the Defense Logistics Agency as executive agent for the Director, Defense Procurement, each issued reports that addressed operations of the predecessor organization, DESA.

Inspector General, DoD

Inspector General, DoD, Report No. 96-217, "Projects Undertaken by the Defense Evaluation Support Activity and Associated Contractor Support," August 30, 1996.

Inspector General, DoD, Report No. 96-148, "Evaluation Report on the Administration of the Defense Evaluation Support Activity," June 7, 1996.

Defense Logistics Agency

Defense Logistics Agency Report, "DoD Procurement Management Review of the Defense Evaluation Support Activity," January 19, 1993.

Appendix C. Other Matters of Interest

During the audit, we identified two issues of concern. While we do not consider them to be reportable findings, we believe that the issues are important enough to warrant inclusion in the report.

Program Budget Decision. The NAG was not given the opportunity to respond to a \$700,000 cut in FY 1999 funds. On November 5, 1997, the Office of the Under Secretary of Defense (Comptroller) issued draft Program Budget Decision (PBD) No. 275, which transferred to the NAG \$4.7 million in funds from FY 1999 and subsequent years. The NAG received a copy of the document. On December 1, 1997, the final version of PBD No. 275 was issued. It transferred to the NAG only \$4.0 million in FY 1999 funds and provided no funding in subsequent years. Neither the NAG nor the Director, Special Programs, was notified about the cuts or given the opportunity to rebut them. The funding reduction would decrease the Systems Engineering and Technical Analysis contractor support. The funding reduction would also adversely impact the capitalization efforts of NAG to reach full operational capability. The NAG Program Manager stated that the PBD funding profile in the out years was not enough to keep NAG operational. The PBD process is designed to ensure that recipients of funding cuts are given the opportunity to rebut the cuts. Although the audit did not identify any systemic problems with the PBD process, in that one case, the PBD process failed.

Cost Reimbursements. On October 6, 1997, the Acting USD(A&T) issued a memorandum directing that, after FY 1999, NAG funding would be reduced to a steady level required to fund civilian salaries and minimal annual start-up and sustainment costs for the NAG support contracts. The NAG complied with the direction and charged clients for all allowed cost categories associated with a project, except civilian labor cost (civilian overtime is charged to the client). However, personnel from the Office of the Under Secretary of Defense (Comptroller) suggested that NAG reimbursements should increase, perhaps to include all civilian labor costs, which would result in a 100-percent reimbursement level.

We think that increasing the reimbursements is a bad idea. The mission of NAG is to provide rapid, independent assessments. A 100-percent reimbursement level would put the NAG in the position of having to "shop" for clients to keep its doors open, which would increase the possibility that NAG would accept projects outside its designated mission scope to maintain its funding level. NAG independence could also be jeopardized. Given the risks and our contention that a 100-percent reimbursement level would not provide any significant savings to the Government, the NAG reimbursements should remain at the current level.

Appendix D. Audit Work Performed

To examine and understand the operational processes for each functional area, we attended briefings on the mission and organization of the NAG; interviewed NAG personnel to identify their roles and responsibilities; reviewed regulations, directives, NAG operating instructions, and policies and procedures; performed walk-through inspections; and viewed operations. We then selected sample items to test the efficiency and effectiveness of the functional areas. Details of those reviews are in the following paragraphs. We found no material weaknesses for those areas.

Program Management Structure

We judgmentally selected a sample of IMPAC purchases, purchase orders and delivery orders for review. We selected the sample items from the financial management system documentation provided during the initial site visit. We chose the items from various programs. The sample items varied in dollar value, type of item, and location. We tracked the 20 sample items through the various NAG functional areas, from the initial request through contracting, the financial management system, and the logistics support system. We also performed a physical inventory of the items.

We judgmentally selected 10 IMPAC purchases. The NAG spent institutional funds for five of the purchases and Military Interdepartmental Purchase Request funds for the other five.

We judgmentally selected ten purchase orders and delivery orders. Seven were purchase orders; three were delivery orders. The sample included work performed in the field as well as equipment.

Contracting. With the exception of the management control weakness identified in Finding A, we found no indications that the contracting function had any deficiencies. The procurement analyst maintained the required documentation for each IMPAC purchase, purchase order, and delivery order sample item. Although the NAG Form 64-5 was not complete for one item and one item did not have an approving authority signature on a Form 9, we found no material weaknesses.

Financial Management System. We found no indications of any deficiencies within the financial management system. We verified dollar amounts for the selected items. The budget analysts maintained the required documentation for each IMPAC purchase, purchase order, and delivery order sample item.

Logistics Support System. We found no indications that the logistics support system had any material deficiencies. Of the 10 IMPAC purchase sample items, 9 were located. We located files for 5 of the 10 delivery and purchase order sample items. Those files contained the required documentation. Four of the remaining

sample items were services rather than equipment. Because no equipment was procured, the logistics support group would not be responsible for tracking accountability. The requester was able to provide documentation for the remaining sample item. The requester provided copies to the logistics support personnel. The logistics support personnel created a file. We did not consider the lack of files for the items a material weakness.

Physical Inventory of Sample Items. Upon reviewing the files, we performed a physical inventory of the sample items. We located eight sample items. Three sample items had not yet been delivered. A NAG employee provided a hand receipt for one item. Two sample items were shipped directly to a field organization. After an item is delivered to an organization other than the NAG, the receiving organization should fax written verification to the logistics support group. No verification was in the files. The supply technician contacted the organization to verify receipt. The organization faxed verification notices to the NAG. The remaining six items were for services.

Compliance With DoD Policies and Regulations

We reviewed the NAG charter and program guidance that USD(A&T) provided. We held discussions with program management personnel and reviewed selected project documentation. In general, we found no instances of noncompliance with the charter or the USD(A&T) guidance other than those issues concerning the role of the Deputy. We also reviewed the NAG operating instructions. We found no instances of noncompliance with the instructions.

Budget and Finance Procedures

We selected sample line items from the financial management report to verify the data through supporting documentation. We judgmentally selected 10 Military Interdepartmental Purchase Requests. We selected the sample from 10 different projects, three project managers, and various team leaders. We reviewed documentation for costs such as Federal Express and telephones, along with those for travel and IMPAC purchases.

Although not every client file contained all of the documentation required, the budget analyst was able to provide any requested information. We were able to verify all financial information contained in the financial management system with the file documentation.

Security Procedures

We judgmentally selected 26 sample items from the document control list to verify location and control of classified documents. The 26 documents represented approximately 10 percent of the total 262 documents listed in the log. The sample was selected from different containers, different custodians, and different types of documents. We found no discrepancies. We found 25 of the 26 documents. The NAG had transferred one document to a contractor. The transfer document was in the safe.

Property Accountability

We judgmentally selected 36 sample items from the property accountability list to verify location and paperwork. Items varied in size, dollar value and location. The items covered five different categories. We found 34 of the 36 items. We identified one item by serial number because the NAG bar code was missing. NAG employees were using one item in the field. The supply technician provided a copy of the inventory custody receipt. One item was missing. The supply technician provided a copy of the Report of Survey Action. The report listed six items that were not located during the FY 1998 annual inventory.

Audit Followup

The Inspector General, DoD, inspected DESA from June through August 1994. Auditors made follow-up site visits and data collection from September 1995 through January 1996. The Inspector General, DoD, evaluated how DESA determined requirements, planned and organized resources to meet those requirements, and evaluated the implementation of management oversight and control.

Inspector General, DoD, Report No. 96-148, "Evaluation Report on the Administration of the Defense Evaluation Support Activity," June 7, 1996, states that DESA was generally well managed, but recommended improvements in certain areas. DESA had addressed many concerns initially raised during the evaluation but further action was underway at that time. We discussed the actions with the Deputy to determine the current status. The disestablishment of DESA and the establishment of the NAG made three of the recommendations moot. We considered the actions of NAG concerning the remaining recommendations to be adequate.

Year 2000 Conversion

We provided NAG with a year 2000 conversion survey. The survey asks the organization to identify its information systems, state which are considered mission critical, and provide the current status of conversion efforts and contingency planning.

The NAG identified five information systems: communications, finance/contract, desktop computers [ADPE], Thompson 612, and the Global Positioning System. The NAG considers two of the five systems, communications and finance/contract, critical to its operations. In most respects, the NAG does not rely on high technology computer systems. For example, its communications system is the NAG telephone system. The finance/contract system is a personal-computer-based system, and NAG considers it a high priority with a target completion date of December 1998. The remaining systems are not considered critical and do not have to be year 2000 compliant for system operation. The ADPE system is considered low priority with a target date of June 1999. As of June 16, 1998, the NAG had not prepared a written contingency plan as required by the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) "Year 2000 Master Plan." We suggested that NAG prepare such a plan to comply with the direction. Since the issuance of a draft version of this report, the NAG has prepared a written contingency plan and is in compliance with the direction.

Appendix E. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
 Director, Special Programs
 Director, National Assessment Group
 Director, Defense Logistics Studies Information Exchange
Under Secretary of Defense (Comptroller)
 Deputy Chief Financial Officer
 Deputy Comptroller (Program/Budget)
 Internal Control Officer
General Counsel for the Department of Defense

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
 Audit Liaison
Auditor General, Department of the Army

Department of the Navy

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

Department of the Air Force

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

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
Director, National Security Agency
 Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations and Individuals

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

Chairman and Ranking Minority Member of Each of the Following Congressional Committees and Subcommittees

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

Special Programs, Under Secretary of Defense for Acquisition and Technology Comments



ACQUISITION AND
TECHNOLOGY

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

8 DEC 1998

MEMORANDUM FOR DIRECTOR, ACQUISITION MANAGEMENT DIRECTORATE,
OFFICE OF THE INSPECTOR GENERAL

SUBJECT: Audit Report on Operations of the National Assessment Group
(Project No. 8AD-0034)

Per your request, I am forwarding comments to the draft audit report (see TAB A) on the operations of the National Assessment Group. These comments conform to the requirements of DoD Directive 7650.3. The attached narrative indicates our concurrence accompanied by current and planned action associated with each finding and recommendation identified by your staff.

At the TAB B, we are forwarding comments made by the Director, National Assessment Group (NAG). The NAG concurs with all the recommendations made in section A of subject report (Program Management Organization).

I concur with your recommendation at section B to not approve the NAG's request to receive Special Deputy U.S. Marshal authority. We agree that the NAG is not a law enforcement agency and the request is not justified. However, this office will assist the NAG's Program Manager if required as we have stressed that special security procedures be in place to protect sensitive items.

If you have any further questions, please do not hesitate to contact my POC, (b) (6), 697 (b) (6).

H. Marshal Ward
Major General, USAF
Director, Special Programs



National Assessment Group Comments



DEPARTMENT OF DEFENSE
NATIONAL ASSESSMENT GROUP
2251 WYOMING BLVD SE, KIRTLAND AFB, NM 87117-5609

November 18, 1998


MEMORANDUM FOR DIRECTOR, ACQUISITION MANAGEMENT
DIRECTORATE OFFICE OF THE INSPECTOR GENERAL

THROUGH: DIRECTOR, SPECIAL PROGRAMS

SUBJECT: Audit Report on Operations of the National Assessment Group
(Project No. 8AD-0034)

As requested, we are providing comments for subject draft report. Our comments conform to the requirements of DoD Directive 7650.3. The attached narrative indicates our concurrence accompanied by current and planned actions associated with each finding and recommendation identified by your staff

I would like to express my appreciation for the professionalism and courtesy of your staff during the course of this audit. Please refer any questions to (b) (6)


Jeffrey G. Cliver
Major General, USAF
Director, National Assessment Group

Attachment:
NAG Comments on Audit Report (Tab 1)

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National Assessment Group Comments on
Audit Report of the
Operations of the National Assessment Group
(Project No 8AD-0034)

1. On page 3, under "Program Management Organization" the draft audit report cites the NAG program office "is not organized in the most efficient and effective manner because the role of the Deputy Program Manager (Deputy) is not in accordance with established guidance and is not adequately staffed to support the large workload". As stated in the draft audit, the NAG was chartered by the DEPSECDEF on 20 October 1997. During the first four months of its existence, the NAG was obtaining and subsequently requisitioning the Army to fill vacant billets. The position of the Deputy Program Manager (DPM) was vacant until the last week of April 1997. Due to the lengthy process of filling the DPM with a qualified Army LTC, the roles and responsibilities of the DPM were not fully developed.

2. Concurrence with the audit report recommendations is provided below:

a. **Recommendation A1:** Direct the Program Manager, National Assessment Group, to define and document the roles and responsibilities of the Deputy Program Manager.

Concur: As directed, the Program Manger has accomplished the following:

1. Signed the position description of the DPM as annotated on the Officer Evaluation Report Support Form (attachment 1).
2. Defined the roles and responsibilities of the DPM as documented in the NAG Organization and Functions Chart Pamphlet (attachment 2).

b. **Recommendation A2:** Establish a direct chain of command for all National Assessment Group functions, including the Director, Field Assessment and Operations, and project managers, to report to the Program Manager through the Deputy Program Manager.

Concur: The NAG Organizational Chart has been revised to reflect a direct chain of command for all NAG functions to report to the Program Manager through the Deputy. This has been accomplished without burdening the organization with unnecessary layering (attachment 3).

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c. **Recommendation A3:** Establish a second procurement analyst position. A dedicated and warranted contracting officer should fill the position

Concur: The NAG has unsuccessfully explored several avenues to obtain an additional civilian or military billet to serve as a dedicated warranted contracting officer. Current initiatives include:

- 1 Cross-training available personnel to perform simplified acquisition duties and contracting levels 1, 2, and 3 certification per internal NAG memo (attachment 4)
2. Soliciting the support of the Director, Special Programs for help in obtaining the additional billet (attachment 5).

Attachment's

1. OER Support Form (Tab 2)
2. NAG Organization and Functions Chart Pamphlet (Tab 3)
3. NAG Organizational Chart (Tab 4)
4. NAG Cross-training Memo (Tab 5)
5. Memo for Director Special Programs (Tab 6)

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Not Included
Not Included
Not Included
Not Included
Not Included

Audit Team Members

This report was prepared by the Acquisition Management Directorate, Office of the Assistant Inspector General for Auditing, DoD.

