



# INSPECTOR GENERAL

*U.S. Department of Defense*

APRIL 25, 2018



## Defense Contract Management Agency's Information Technology Service Contracts

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

## Mission

*Our mission is to provide independent, relevant, and timely oversight of the Department of Defense that supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and Congress; and informs the public.*

## Vision

*Our vision is to be a model oversight organization in the Federal Government by leading change, speaking truth, and promoting excellence—a diverse organization, working together as one professional team, recognized as leaders in our field.*



Fraud, Waste, & Abuse

**HOTLINE**

Department of Defense

[dodig.mil/hotline](https://dodig.mil/hotline) | 800.424.9098

For more information about whistleblower protection, please see the inside back cover.



# Results in Brief

## *Defense Contract Management Agency's Information Technology Service Contracts*

April 25, 2018

### Objective

We determined whether the Defense Contract Management Agency (DCMA) properly awarded and administered information technology (IT) service contracts.

We conducted this audit in response to a management request from the former DCMA Director. Specifically, the Director noted irregularities with DCMA Procurement Center IT contracts, including requirements definitions and the contract award process, and asked us to audit Procurement Center IT contracts.

### Background

The DCMA performs contract administration services for the DoD, other authorized Federal agencies, foreign governments, and international organizations. DCMA IT Directorate program managers, contracting officer's representatives (CORs), contract specialists, and DCMA Procurement Center contracting officers are involved with awarding and administering DCMA IT service contracts.

We reviewed a nonstatistical sample of 14 DCMA IT service contracts, valued at \$72 million, from a universe of 94 IT service contracts that were active in FY 2017. The contracts we reviewed included firm-fixed-price contracts and orders issued under blanket purchase agreements or flexible ordering agreements.<sup>1</sup>

<sup>1</sup> The Federal Acquisition Regulation does not define or mention flexible ordering agreements. However, DCMA officials established flexible ordering agreements under indefinite-delivery, indefinite-quantity contracts to fill anticipated repetitive needs for services by establishing an agreement with a qualified contractor on government-wide acquisition contracts.

### Findings

We determined that DCMA contracting officials did not properly award 11 of the 14 IT service contracts reviewed, valued at \$61 million. Specifically, DCMA officials did not:

- properly define requirements that included measurable performance standards for eight contracts;
- develop an acquisition plan for one contract; or
- submit offers for Small Business Administration acceptances for two contracts awarded through the 8(a) program.

In addition, DCMA officials used flexible ordering agreements to award 5 of the 14 contracts, which violated relevant Federal Acquisition Regulation requirements.

These problems occurred because DCMA officials did not ensure that contracts were developed in accordance with Federal Acquisition Regulation and DCMA guidance, use multi-functional teams to plan and manage IT service requirements, and perform pre- or post-award peer reviews of contracts.

As a result, DCMA contracting officials acquired \$56.4 million in IT services on contracts with poorly defined or nonexistent performance work statements that may not meet the performance needs required to successfully execute the DCMA mission. Additionally, DCMA contracting officials fulfilled IT services requirements under the 8(a) Business Development Program without the Small Business Administration determining whether the requirements should continue under the 8(a) program. Furthermore, DCMA contracting officers exceeded their authority by establishing flexible ordering agreements and did not comply with Federal competition guidelines.

In addition, DCMA contracting officials did not properly administer IT service contracts for 13 of the 14 contracts, valued at \$70.3 million. Specifically, DCMA officials did



# Results in Brief

## *Defense Contract Management Agency's Information Technology Service Contracts*

### **Findings (cont'd)**

not properly monitor contractor performance, accept IT services, approve invoices or use the Defense Contract Audit Agency to approve interim invoices with labor-hour line items. This occurred because DCMA officials did not:

- appoint CORs for 3 of the 13 contracts;
- terminate CORs for 6 of the 13 contracts;
- properly train the CORs for 10 of the 13 contracts;
- develop quality assurance surveillance plans for 7 of the 13 contracts; and
- develop adequate quality assurance surveillance plans for 4 of the 13 contracts.

Furthermore, DCMA officials who accepted IT services and approved invoices did not have the authority to do so and did not maintain discipline, structure, and a work environment that encouraged establishing and implementing effective internal controls.

As a result, DCMA officials do not have reasonable assurance that the DCMA received the \$70.3 million in IT services it paid for. Without adequate contractor surveillance, the DCMA might receive services that are late, deficient, or outside the scope of the contract requirements. Finally, if DCMA officials do not improve the controls to ensure effective contract administration, the DCMA IT Directorate will continue to pay for IT services without reasonable assurance that it received the services.

### **Recommendations**

Among other recommendations, we recommended the DCMA Director establish internal controls to ensure:

- DCMA officials develop performance work statements for service acquisitions;

### **Recommendations (cont'd)**

- CORs or contracting officers perform inspections and monitor contractor performance on service contracts;
- CORs or contracting officers determine whether the contractor performed satisfactorily and ensure the work progressed according to the contract before they approve invoices;
- CORs are nominated, appointed, and terminated and that contracting officers provide CORs with contract-specific training; and
- requiring activities develop quality assurance surveillance plans for all service acquisitions.

In addition, we recommended the DCMA Director:

- develop guidance for awarding contracts under the Small Business Administration's 8(a) program to include notifying the Small Business Administration of DCMA contracting officers' plans to award all orders under blanket purchase agreements under the 8(a) program;
- issue written justification and approvals for all ongoing orders under flexible ordering agreements and immediately identify the mission-critical requirements met through flexible ordering agreements and award new contracts before the current periods of performance end;
- initiate a review of the contracting officers' actions to continue the use of flexible ordering agreements, despite the Government Accountability Office's decision and, as appropriate, initiate administrative actions; and
- reemphasize the importance of all aspects of the contracting process, and provide training for DCMA officials responsible for contract monitoring and the administration of service contracts.



# Results in Brief

## *Defense Contract Management Agency's Information Technology Service Contracts*

### Management Comments and Our Response

The DCMA Director provided comments in response to a draft of this report.

The Director agreed with and identified corrective actions for all recommendations. Therefore, the following recommendations are resolved but remain open. We will close the recommendations once we verify that the DCMA Director has, among other requirements:

- developed internal controls to ensure that DCMA officials develop performance work statements for service acquisitions, that CORs or contracting officers perform inspections and monitor contractor performance on service contracts, and that the contracting officers or CORs determine whether the contractors performed satisfactorily and ensure the work progressed according to the contracts before approving invoices;
- developed guidance for awarding contracts under the Small Business Administration's 8(a) program to include notifying the regional Small Business Administration of DCMA contracting officers' plans to award all orders under blanket purchase agreements under the 8(a) program;

### *Management Comments and Our Response (cont'd)*

- identified the mission-critical requirements met through flexible ordering agreements and awarded new contracts before the current periods of performance end;
- confirmed that the DCMA initiated a review of the contracting officers' actions to continue the use of flexible ordering agreements, and stopped establishing flexible ordering agreements; and
- reemphasized the importance of all aspects of the contracting process, and provided training for DCMA officials.

Please see the Recommendations Table on the next page for the status of recommendations.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director, Defense Contract Management Agency	None	A.1.a.1, A.1.a.2, A.1.b, A.1.c, A.1.d, A.1.f, A.1.g, A.1.h, B.1.a.1, B.1.a.2, B.1.a.3, B.1.a.4, B.1.a.5, B.1.a.6, B.1.a.7, B.1.a.8, B.1.a.9, B.1.a.10, and B.1.b	A.1.e and B.1.a.11

Note: The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.



**INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE  
4800 MARK CENTER DRIVE  
ALEXANDRIA, VIRGINIA 22350-1500**

April 25, 2018

MEMORANDUM FOR THE DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY

SUBJECT: Defense Contract Management Agency's Information Technology  
Service Contracts (Report No. DODIG-2018-110)

We are providing this report for your review. We conducted this audit in accordance with generally accepted auditing standards.

We considered Defense Contract Management Agency management comments on the draft of this report when preparing the final report. Comments from the DCMA Director addressed all specifics of the recommendations and conformed to the requirements of DoD Instruction 7650.03; therefore, we do not require additional comments.

We appreciate the cooperation and assistance received during the audit. Please direct questions to me at (703) 604-9187 (DSN 664-9187).

  
Michael J. Roark  
Assistant Inspector General  
Readiness and Global Operations



# Contents

---

## Introduction

Objective.....	1
Background.....	1
Review of Internal Controls.....	3

## Finding A. DCMA Contracting Officials Did Not Properly Award Selected IT Service Contracts..... 4

DCMA Contracting Officials Did Not Properly Award IT Service Contracts.....	5
DCMA Contracts May Not Support the IT Mission and Did Not Comply With Federal Requirements.....	13
Recommendations, Management Comments, and Our Response.....	14

## Finding B. DCMA Contracting Officials Did Not Properly Administer Selected IT Service Contracts..... 19

Contracting Officials Did Not Properly Administer IT Service Contracts.....	20
Contracting Officials Did Not Properly Appoint, Terminate, and Train CORs or Develop QASPs.....	23
Contracting Officials Did Not Have Authority to Accept IT Services and Approve Invoices.....	28
DCMA Contracting Officials Did Not Establish and Maintain Internal Controls.....	30
DCMA May Not Receive IT Services Paid For.....	31
Recommendations, Management Comments, and Our Response.....	31

## Appendixes

Appendix A. Scope and Methodology.....	38
Use of Computer-Processed Data.....	40
Use of Technical Assistance.....	40
Prior Coverage.....	40
Appendix B. Summary Results of Contract Administration Review.....	41
Appendix C. Potential Monetary Benefits.....	42

## Management Comments

Defense Contract Management Agency.....	43
---	----

## Acronyms and Abbreviations..... 50

# Introduction

---

## Objective

We determined whether the Defense Contract Management Agency (DCMA) properly awarded and administered information technology (IT) service contracts.

We conducted this audit in response to a management request from the former DCMA Director. Specifically, the Director noted irregularities with DCMA Procurement Center IT contracts, including requirements definitions and the contract award process, and asked us to audit Procurement Center Contracts. See Appendix A for a discussion of the scope, methodology, and prior coverage.

## Background

The DCMA is a Defense agency under the authority of the Under Secretary of Defense for Acquisition, Technology, and Logistics. The DCMA performs contract administration services for the DoD, other authorized Federal agencies, foreign governments, and international organizations. The DCMA works directly with Defense suppliers to ensure that DoD, Federal, and allied government supplies and services are delivered on time, at projected cost, and meet all performance requirements. For FY 2017, the DCMA had a budget of \$129 million for IT operation and maintenance.

### ***DCMA Roles and Responsibilities for Contract Award and Administration***

DCMA IT Directorate program managers, contracting officer's representatives (CORs), and DCMA Procurement Center contracting officers and contract specialists are involved with awarding and administering DCMA IT service contracts.<sup>2</sup> Specifically, the program managers developed IT requirements in performance work statements (PWSs) and provided the requirements to the DCMA Procurement Center, which assigned a contracting officer to award the contracts. The contracting officer reviewed the PWS, prepared the acquisition plan, developed the solicitation package, and awarded the contract. The DCMA IT Directorate program managers or CORs then conducted contract surveillance, evaluated contractor performance, and approved invoices.

---

<sup>2</sup> We consider DCMA program managers, CORs, contracting officers, and contract specialists to be DCMA contracting officials.

## Contracts Reviewed

We reviewed a nonstatistical sample of 14 active DCMA IT service contracts, valued at \$72 million, from a universe of 94 IT service contracts, valued at \$362.7 million. The IT service contracts we reviewed directly support the DCMA mission. The sample contracts included firm-fixed-price contracts and orders issued under blanket purchase agreements (BPAs) or flexible ordering agreements (FOAs).<sup>3</sup> A firm-fixed-price contract provides a price that is not subject to any adjustment based on the contractor's cost experience in performing the contract, placing the majority of the risk on the contractor and providing the contractor with an incentive to control costs. Government agencies use BPAs to fill anticipated repetitive needs for supplies or services by establishing accounts with qualified contractors. The Federal Acquisition Regulation (FAR) does not define or mention FOAs. However, DCMA officials established FOAs under indefinite-delivery, indefinite-quantity (IDIQ) contracts to fill anticipated repetitive needs for services by establishing an agreement with a qualified contractor on Government-Wide Acquisition Contracts. Table 1 shows the 14 DMCA IT service contracts we nonstatistically selected for review.

*Table 1. Contracts Selected for Review*

Contract Number	Date Awarded	Award Type	Current Value (as of October 31, 2017)
S5121A-14-A-0003-0001	June 2014	Order Under a FOA	\$18,817,075
S5105A-12-F-0022	April 2012	Firm-Fixed-Price	14,321,174
S5121A-14-A-0005-0001	September 2014	Order Under a FOA	10,788,065
S5121A-15-A-0011-0001	September 2015	Order Under a BPA	5,472,242
S5105A-12-F-0005	April 2012	Firm-Fixed-Price	5,392,241
S5121A-13-A-0008-0018	January 2016	Order Under a BPA	4,291,119
S5121A-13-A-0008-0027	November 2016	Order Under a BPA	4,107,520
S5121A-15-A-0001-0003	August 2016	Order Under a BPA	2,277,799
S5121A-15-C-0001	July 2015	Firm-Fixed-Price	1,811,321
S5121A-15-A-0001-0004	August 2016	Order Under a BPA	1,217,717
S5121A-14-A-0003-0009	April 2016	Order Under a FOA	1,194,895
S5121A-15-A-0007-0003	May 2016	Order Under a FOA	894,657
S5121A-17-C-0003	January 2017	Firm-Fixed-Price	896,800
S5121A-14-A-0003-0010	August 2016	Order Under a FOA	620,803
<b>Total</b>			<b>\$72,103,428</b>

Source: The DoD OIG.

<sup>3</sup> A BPA is a written agreement between an agency and a contractor that anticipates separate future contracts, but is not a contract. The orders placed on the BPA become individual contracts.

## Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.<sup>4</sup>

We identified a lack of internal controls over the DCMA's IT service contract award and administration process. DCMA officials did not establish controls to ensure that contracts were awarded and administered in accordance with FAR, Defense Federal Acquisition Regulation Supplement (DFARS), and DCMA guidance. We will provide a copy of the report to the senior official responsible for internal controls at the DCMA.

---

<sup>4</sup> DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

## Finding A

### DCMA Contracting Officials Did Not Properly Award Selected IT Service Contracts

We reviewed 14 of the 94 DCMA IT service contracts, valued at \$72 million. DCMA contracting officials did not properly award 11 of the 14 IT service contracts reviewed, valued at \$61 million. Specifically, DCMA officials did not:

- properly define requirements that included measurable performance standards for eight contracts;
- develop an acquisition plan for one contract; or
- submit offers for Small Business Administration (SBA) acceptances for two contracts awarded through the 8(a) program.

In addition, DCMA officials used FOAs to award 5 of the 14 contracts, which violated relevant FAR requirements.

These problems occurred because DCMA officials did not ensure that contracts were developed in accordance with FAR and DCMA guidance, use multi-functional teams to plan and manage IT service requirements, or perform pre- or post-award peer reviews of contracts.<sup>5</sup>

As a result, DCMA contracting officials acquired \$56.4 million in IT services on contracts with poorly defined or nonexistent PWSs that may not meet the performance needs required to successfully execute the DCMA mission. Additionally, DCMA contracting officials fulfilled IT services requirements under the 8(a) Business Development Program without the SBA determining whether the requirements should continue under the 8(a) program. Furthermore, DCMA contracting officers exceeded their authority by establishing FOAs and did not comply with Federal competition guidelines.

<sup>5</sup> Multi-functional teams include the program manager, contracting officer, COR, finance officer, and legal advisor.

## DCMA Contracting Officials Did Not Properly Award IT Service Contracts

DCMA contracting officials did not properly award 11 of the 14 contracts, valued at \$61 million. Specifically, DCMA contracting officials did not:

- properly define requirements;
- develop an acquisition plan; or
- submit offers for SBA acceptances for contracts awarded through the 8(a) program.

In addition, DCMA contracting officials used FOAs, which violated relevant FAR requirements.

### ***DCMA Contracting Officials Did Not Properly Define Requirements and Develop an Acquisition Plan***

DCMA contracting officials did not properly define requirements for 8 of the 11 contracts. Specifically, DCMA contracting officials did not develop a PWS for three contracts and did not define measurable performance standards or the method of assessing contractor performance against performance standards in the PWSs for five contracts. In addition, DCMA contracting officials did not develop an acquisition plan for 1 of the 11 contracts. This occurred because DCMA officials did not establish controls to ensure DCMA officials developed PWSs that included measurable performance standards in accordance with the FAR and did not develop acquisition plans in accordance with DCMA Instruction 140.<sup>6</sup> Furthermore, DCMA officials did not use multi-functional teams to plan and manage IT service requirements in accordance with the DoD Guidebook for the Acquisition of Services.<sup>7</sup>

### ***Contracting Officials Did Not Develop PWSs***

Performance-based contracts for services should include a PWS that provides measurable performance standards and the method that will be used to assess contractor performance against the performance standards.<sup>8</sup> DCMA Instruction 140 states that the PWS should define performance requirements in terms of deliverables, the performance objectives and standards, and a quality assurance plan.

<sup>6</sup> DCMA Instruction 140, "Purchase Request Package," December 9, 2013.

<sup>7</sup> DoD Guidebook for the Acquisition of Services (ACE for services), March 24, 2012. The Guidebook is considered a best practice for Defense acquisitions.

<sup>8</sup> FAR Part 37, "Service Contracting," Subpart 37.6, "Performance-Based Acquisition," 37.601, "General."

DCMA contracting officials did not develop a PWS for three contracts.<sup>9</sup> For example, DCMA officials developed technical specifications for the purchase of software as a service, but did not develop a PWS for the contract.<sup>10</sup> The technical specifications only outlined the types of software licenses and support the contractor would provide, but did not define measurable performance standards for the support services.

According to DCMA contracting officials, they considered the contract a supply contract and did not believe they needed to develop a PWS. However, a PWS was required for the support services that were included in the contract.



DCMA contracting officials did not develop a PWS for three contracts.

### *Contracting Officials Did Not Develop Adequate PWSs*

DCMA contracting officials did not define measurable performance standards or the method of assessing contractor performance in the PWSs for five contracts.<sup>11</sup> For example, DCMA officials awarded a contract for application server administration; the development, enhancement, and maintenance of integration software solutions; and service-oriented architecture. However, the requirements did not describe the desired quality of the services or a method for assessing the quality of the services.<sup>12</sup> Specifically, the PWS did not include performance or timeliness standards for all tasks, such as milestone completion dates. Without these standards, the contract administration official could not effectively assess the contractor's performance.

<sup>9</sup> BPA S5121A-15-A-0011, order 0001; BPA S5121A-13-A-0008, order 0018; and FOA S5121A-14-A-0003, order 0010.

<sup>10</sup> BPA S5121A-15-A-0011, order 0001.

<sup>11</sup> FOA S5121A-14-A-0003, orders 0001 and 0009; S5105A-12-F-0022; FOA S5121A-14-A-0005, order 0001; S5121A-17-C-0003.

<sup>12</sup> FOA S5121A-14-A-0003, order 0001.

Table 2 shows the contracts reviewed for which the PWS did not define measurable performance standards or the method of assessing contractor performance.

*Table 2. Contracts Reviewed Without Properly Defined Requirements*

Contract Number	Issue	Contract Value (millions)
S5121A-14-A-0003-0001	No measurable performance standards and method of assessing performance	\$18.8
S5105A-12-F-0022	No measurable performance standards and method of assessing performance	14.3
S5121A-14-A-0005-0001	No measurable performance standards and method of assessing performance	10.8
S5121A-15-A-0011-0001	No PWS	5.5
S5121A-13-A-0008-0018	No PWS	4.3
S5121A-14-A-0003-0009	No measurable performance standards and method of assessing performance	1.2
S5121A-17-C-0003	No measurable performance standards and method of assessing performance	0.9
S5121A-14-A-0003-0010	No PWS	0.6
<b>Total Value</b>		<b>\$56.4</b>

Source: The DoD OIG.

### *Contracting Officials Did Not Develop an Acquisition Plan*

DCMA contracting officials did not develop an acquisition plan for 1 of the 11 contracts. Agencies must perform acquisition planning for all acquisitions.<sup>13</sup> DCMA Instruction 140 defines an acquisition plan as a documented plan that addresses all technical, business, management, and other significant considerations that will control an acquisition. In addition, DCMA Instruction 140 requires a simplified acquisition plan for acquisitions with a value of \$3,000 to \$1 million. DCMA contracting officials did not develop a simplified acquisition plan for one contract, valued at \$869,000.<sup>14</sup> Instead, DCMA contracting officials awarded the contract without an acquisition plan.

### *Contracting Officials Did Not Establish Controls*

DCMA contracting officials did not establish internal controls to ensure that PWSs defined measurable performance standards and methods of assessing contractor performance, or that an acquisition plan was developed in accordance with the FAR and DCMA guidance. DCMA Instruction 140 provides guidance on what to

<sup>13</sup> FAR Part 7, "Acquisition Planning," Subpart 7.1, "Acquisition Plans," 7.102, "Policy."

<sup>14</sup> S5121A-17-C-0003.

include in a PWS and when to develop an acquisition plan. However, to be effective, processes and procedures must be accompanied by controls that ensure the guidance and policies are translated into practice. Therefore, the DCMA Director should establish internal controls to ensure DCMA contracting officials develop contract PWSs for service acquisitions that include the contractor performance requirements in terms of defined deliverables, the contractor performance objectives and standards, and a quality assurance plan. In addition, the DCMA Director should establish internal controls to ensure DCMA contracting officials develop acquisition plans for all service acquisitions of \$3,000 or more.

Furthermore, DCMA officials did not use multi-functional teams to plan and manage IT service requirements. As a best practice, the DoD Guidebook for the Acquisition of Services states that, when starting a service acquisition, the first step is to form an acquisition team, which should be a customer-focused, multi-functional team that plans and manages the service requirement from planning and development through execution. However, DCMA officials did not use multi-functional teams to plan and manage the eight contracts that did not define measurable performance requirements or did not have a PWS. According to DCMA Instruction 140, DCMA IT Directorate program managers develop and submit the PWS to the DCMA Procurement Center without input from Procurement Center personnel to solicit and award a contract.<sup>15</sup> It is essential that all stakeholders be involved throughout the service acquisition life cycle from the planning and development of the requirements through the execution of the contract.

DCMA officials did not use multi-functional teams to plan and manage IT service requirements.

According to the DoD Guidebook for the Acquisition of Services, multi-functional teams, including the program manager, contracting officer, COR, finance officer, and legal advisor, are essential to the success of service contracts. The Director of the Procurement Center issued a memorandum, effective October 1, 2017, that requires contracting officers to ensure that, when the agency has a need for a service, an integrated procurement team is established. However, DCMA contracting officers may not be aware that the agency has a need for a service until they receive a PWS developed by the program manager. In addition, the memorandum does not identify the members of the integrated procurement team. Therefore, the DCMA Director should develop internal guidance to establish multi-functional teams that include the program manager, contracting officer, COR, finance officer, and legal advisor to plan and manage service acquisitions from when the agency has identified a need for a service through the execution of the contract.

<sup>15</sup> DCMA Instruction 140, "Purchase Request Package," December 9, 2013.

## ***Contracting Officers Awarded Contracts Without SBA Acceptance***

DCMA contracting officers awarded 2 of the 11 contracts, valued at \$3.5 million, to an 8(a) contractor without SBA acceptance of the requirements for the 8(a) program.<sup>16</sup> DCMA contracting officers stated that they did not notify the SBA of their plans to award two 8(a) contracts because they were unaware of the requirement to submit offers for SBA approval for all orders placed under BPAs before awarding the orders.

The FAR states that, in order for repetitive acquisitions to be awarded through the 8(a) program, there must be separate offers and acceptances.<sup>17</sup> Each order issued under a Basic Ordering Agreement is an individual contract; therefore, a procuring activity must issue the final offer for each order to the SBA for acceptance.<sup>18</sup>

In January 2013, the SBA and the DoD established a partnership agreement, which requires the DoD to offer letters for sole source contracts to the SBA district office that services the geographical area where the DoD contracting activity is located.<sup>19</sup> The agreement also requires the SBA to issue either an acceptance or a rejection letter within 5 working days of receiving the offer letter. If the DoD does not receive a notice of rejection from the SBA by the sixth working day, the DoD may assume acceptance.

Although the SBA accepted the DCMA's offering for the BPA, the SBA did not separately accept the two orders.<sup>20</sup> A DCMA contracting officer submitted an offering letter to the SBA for the BPA, but did not receive an acceptance or a rejection letter from the SBA within 5 days. Therefore, the SBA accepted the DCMA offer for the BPA.

According to a DCMA contracting officer, he did not notify the SBA of plans to award the two orders under the BPA because he was unaware of the requirement to submit offers for the SBA's approval for all orders placed under BPAs.

In addition, the DCMA contracting officer stated that he awarded orders under the BPA without further SBA correspondence as long as the aggregate value of the orders did not exceed the maximum value included in the BPA. The DCMA Director

<sup>16</sup> BPA S5121A-15-A-0001, orders 0003 and 0004. An 8(a) contractor is a contractor that qualifies as a small business and participates in the 8(a) program.

<sup>17</sup> FAR Part 19, "Small Business Programs," Subpart 19.8, "Contracting with the Small Business Administration (The 8(a) Program)," 19.804, "Evaluation, Offering, and Acceptance," 19.804-4, "Repetitive Acquisitions." A repetitive acquisition is a method of fulfilling recurring needs for supplies or services, such as orders placed under a BPA.

<sup>18</sup> Title 13 Code of Federal Regulations (CFR) section 124.503 (2017) and FAR Part 19, "Small Business Programs," Subpart 19.8, "Contracting with the Small Business Administration (The 8(a) Program)," 19.804, "Evaluation, Offering, and Acceptance," 19.804-5, "Basic Ordering agreement."

<sup>19</sup> "Partnership Agreement between the U.S. Small Business Administration and the U.S. Department of Defense," January 2013.

<sup>20</sup> BPA S5121A-15-A-0001, orders 0003 and 0004.

should develop guidance for awarding contracts under the SBA's 8(a) program to include notifying the SBA of DCMA contracting officers' plans to award all orders under BPAs that are under the 8(a) program.

An SBA representative stated that an agency must submit offers for the SBA's approval and receive acceptance in order for the contract to count towards agency small business goals.<sup>21</sup> DCMA officials incorrectly counted the value of one order towards their small business goals. SBA representatives stated, "If an agency awarded 8(a) contracts without submitting offers for approval, the agency should notify the SBA District Office of these contracts." Therefore, the DCMA director should inform the Richmond District Office of the SBA of all orders the DCMA awarded under BPAs without notifying the SBA.

### ***Contracting Officers Used FOAs to Award Contracts***

DCMA contracting officers used three FOAs, which violated relevant FAR requirements, to award IT service contracts reviewed.<sup>22</sup> Specifically, DCMA contracting officers established three FOAs (each with one qualified contractor) under two Government-Wide Acquisition Contracts, which are IDIQ contracts for acquiring IT products and services established for Government use.<sup>23</sup> DCMA contracting officers awarded the five orders under the FOAs. According to the FAR, IDIQ contracts provide for an indefinite quantity, within stated limits, of services during a fixed period wherein the Government places orders for individual requirements. A task order is an order for services placed against an established contract. Orders placed under IDIQ contracts must include the following information:

- quantity and unit price;
- delivery or performance schedule;
- place of delivery or performance; and
- accounting and appropriation data.<sup>24</sup>

The three FOAs did not include any of the required elements. Therefore, the three FOAs did not qualify as orders placed under the IDIQ contracts.

---

<sup>21</sup> Formal agency small business goals exist to ensure that small businesses get a fair share of work with the U.S. Government.

<sup>22</sup> DCMA contracting officers awarded 5 of the 14 contracts we reviewed under the three FOAs. Specifically, DCMA contracting officers awarded FOA S5121A-14-A-0003, order 0001; FOA S5121A-14-A-0003, order 0009; FOA S5121A-14-A-0003, order 0010; FOA S5121A-14-A-0005, order 0001; and FOA S5121A-15-A-0007, order 0003.

<sup>23</sup> DCMA contracting officers established the FOAs under National Institute of Health Information Technology Acquisition and Assessment Center IDIQ contracts.

<sup>24</sup> FAR Part 16, "Types of Contracts," Subpart 16.5, "Indefinite-Delivery Contracts," 16.505, "Ordering."

### *Contracting Officials Eliminated Competition for Subsequent Orders Placed Under FOAs*

The three FOAs eliminated competition for subsequent orders placed under the FOAs. The FAR states that each contractor, under the IDIQ contract, will be given a fair opportunity to be considered for each order issued over \$3,500, with exceptions. DCMA contracting officers established the three FOAs issued under IDIQ contracts, each with one qualified contractor. Specifically, DCMA contracting officers solicited offers for the FOAs to all contractors under the IDIQ contracts. The contractors submitted their proposals and DCMA contracting officials evaluated proposals using the evaluation factors in the solicitation. DCMA contracting officials selected the contractor that they determined offered the best value to the Government. DCMA contracting officers established each of the three FOAs and awarded the initial orders under the FOAs to the respective contractors. By establishing each FOA and awarding the orders to the respective contractors, DCMA contracting officers eliminated the opportunity for competition for subsequent orders placed under the FOAs. As a result, DCMA contracting officers issued all subsequent orders under the FOA to the one contractor without providing fair opportunity to all contractors under the IDIQ contract.



The three FOAs eliminated competition for subsequent orders placed under the FOAs.

For example, DCMA contracting officials solicited offers for a FOA and the first order to the 61 qualified contractors under an IDIQ contract. DCMA contracting officials received one offer in response to the solicitation.<sup>25</sup> DCMA contracting officials evaluated the proposal using the evaluation factors in the solicitation, established the FOA with the contractor, and awarded the first order under the FOA to the contractor. Because the DCMA contracting officer awarded the FOA and the initial order to one contractor, the 61 qualified contractors under the IDIQ were not provided the opportunity to compete for subsequent orders. Therefore, the DCMA contracting officer eliminated competition among the 61 qualified contractors.

### *Contracting Officials Continued to Use FOAs*

According to DCMA contracting officials, they were initially unaware that FOAs were not permitted by the FAR. DCMA contracting officers established the three FOAs used to award 5 of the 14 contracts between April 2014 and July 2015. In October 2015, the Government Accountability Office issued an opinion that stated that FOAs are inappropriate because once a FOA is placed, other

<sup>25</sup> FOA S5121A-14-A-0003 and order 0001.

contractors on the initial IDIQ contract do not have a fair opportunity to compete for subsequent orders over \$3,500 in accordance with the FAR. In addition, the Government Accountability Office concluded that FOAs do not qualify as orders under IDIQ contracts because they do not meet the requirements of an order. Specifically, the FOA that the Government Accountability Office reviewed did not include quantity, schedule, or a place of delivery as required by FAR part 16. The DCMA contracting officers established the three FOAs before the Government Accountability Office decision. According to a DCMA contracting officer, the DCMA discontinued its use of FOAs in March 2017. However, as of November 2017, DCMA contracting officers continued using FOAs to address IT service requirements. For example, in June 2017, a DCMA contracting officer exercised an option year on a FOA with a period of performance through May 2018.<sup>26</sup>

A DCMA contracting official stated that the FOAs contain DCMA mission-critical requirements; therefore, contracting officials continued the FOAs for sustainment purposes to prevent mission failure. In November 2017, a DCMA contracting official stated that DCMA contracting officers will not award new FOAs, but they may have to continue some FOA orders based on mission critical needs until replacement contracts are competed and awarded. He stated that DCMA would continue to use FOAs for another year, which will give DCMA contracting officials time to award the requirements on a different contract. According to a DCMA contracting officer, DCMA was using seven FOAs to meet DCMA mission-critical requirements, as of November 2017.

DCMA contracting officials violated competition requirements when they awarded orders under FOAs by eliminating the opportunity for competition. A written justification and approval is required for contracts awarded without providing an opportunity for competition.<sup>27</sup> DCMA contracting officers did not develop written justifications and approvals for ongoing orders under FOAs that the DCMA contracting officers awarded without providing an opportunity for competition. Because the DCMA will continue using orders under FOAs, the DCMA Director should issue written justifications and approvals for all ongoing orders under FOAs. In addition, the DCMA Director should immediately identify the mission-critical requirements being met through FOAs, and award new contracts before the current FOAs' periods of performance end. Finally, the DCMA Director should initiate a review of the contracting officers' actions to continue the use of FOAs, despite the Government Accountability Office's decision and as appropriate, initiate administrative actions.

---

<sup>26</sup> FOA S5121A-14-A-0003.

<sup>27</sup> FAR Part 6, "Competition Requirements," Subpart 6.3, "Other Than Full and Open Competition," 6.303, "Justifications."

## ***DCMA Officials Did Not Perform Peer Reviews of Contracts***

DCMA contracting officials did not properly award contracts because DCMA officials did not perform pre-award or post-award peer reviews of contracts. The DFARS requires Defense agencies to establish procedures for conducting peer reviews. Specifically, Defense agencies must establish procedures for pre-award peer reviews of solicitations for competitive procurements valued at less than \$1 billion and for noncompetitive procurements valued at less than \$500 million. In addition, Defense agencies must establish procedures for post-award peer reviews of all contracts for services valued at less than \$1 billion.<sup>28</sup> Even though each of the 14 contracts we reviewed met the criteria for a peer review, DCMA officials did not perform pre or post-award peer reviews on any of the contracts. DCMA officials did not develop procedures for conducting pre and post-award peer reviews. A DCMA contracting officer stated that DCMA does not have the resources to conduct peer reviews and conducting peer reviews would slow down the contracting process. Performing peer reviews would help DCMA contracting officials implement policy consistently, improve the quality of the contracting processes, and facilitate best practices and lessons learned across contracts. Therefore, pursuant to DFARS guidance, the DCMA Director must develop procedures for conducting pre-award peer reviews of solicitations for competitive procurements valued at less than \$1 billion and for noncompetitive procurements valued at less than \$500 million and post-award peer reviews of all contracts for services valued at less than \$1 billion.



DCMA officials did not develop procedures for conducting pre and post-award peer reviews.

## **DCMA Contracts May Not Support the IT Mission and Did Not Comply With Federal Requirements**

For 8 of the 11 contracts, DCMA contracting officials acquired \$56.4 million in IT services that may not meet the performance needs required to successfully execute the DCMA mission. Specifically, DCMA officials did not establish controls to ensure PWSs included measurable performance standards for eight contracts. For example, DCMA IT Directorate officials may not receive business process management software that is capable of satisfying its file management system needs, which allow DCMA officials to effectively perform contract administration across the DoD. Without measurable performance standards, DCMA officials made it difficult to administer contracts and assess contractor performance.

<sup>28</sup> DFARS Part 201, "Federal Acquisition Regulations System," Subpart 201.1, "Purpose, Authority, Issuance," 201.170, "Peer Reviews."

In addition, the DCMA fulfilled IT services requirements under the 8(a) Business Development Program without the SBA determining whether the requirements should continue under the 8(a) program. As a result, the DCMA took credit toward its small business goals without the SBA's approval. Furthermore, the FAR generally does not permit contracting officials to use contracting instruments that do not meet specific, applicable requirements of the FAR. By establishing the FOAs, the DCMA did not comply with Federal competition requirements to provide a fair opportunity for competition on orders issued under IDIQ contracts over the applicable dollar threshold.

## Recommendations, Management Comments, and Our Response

### **Recommendation A.1**

**We recommend that the Director, Defense Contract Management Agency:**

- a. Establish internal controls to ensure Defense Contract Management Agency contracting officials develop:**
  - 1. Contract performance work statements for service acquisitions that include performance requirements in terms of defined deliverables, contractor performance objectives and standards, and a quality assurance plan.**

#### *Defense Contract Management Agency Comments*

The DCMA Director agreed with the recommendation, and stated that, pending the development and implementation of a formal instruction and procedural manual, the DCMA will immediately issue a Director's Policy Memorandum requiring all services contracts to have a PWS with contractor performance objectives and standards; a contract data requirement list connected to each deliverable item; a performance requirements schedule within the PWS; and a quality assurance surveillance plan. The DCMA Director stated that the Director's Policy Memorandum will also establish and direct the charter for the DCMA's Acquisition Review Board, which will review and approve all procurements for supplies and services, regardless of value. The PWS, performance requirements schedule, and quality assurance surveillance plan for all contracted services will require Acquisition Review Board approval.

#### *Our Response*

Comments from the DCMA Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the DCMA has developed internal controls

to ensure contracting officials develop PWSs for service acquisitions that include performance requirements in terms of defined deliverables, contractor performance objectives and standards, and a quality assurance plan.

**2. Acquisition plans for all service acquisitions of \$3,000 or more.**

*Defense Contract Management Agency Comments*

The DCMA Director agreed with the recommendation, and stated that the Director's Policy Memorandum will establish that, for all DCMA services contracts, an acquisition plan must be briefed to and approved by the Acquisition Review Board before issuing the solicitation.

*Our Response*

Comments from the DCMA Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the DCMA has developed internal controls to ensure contracting officials develop acquisition plans.

- b. Develop internal guidance to establish multi-functional teams that include the program manager, contracting officer, contracting officer's representative, finance officer, and legal advisor to plan and manage service acquisitions from when the agency identifies a need for a service through the execution of the contract.**

*Defense Contract Management Agency Comments*

The DCMA Director agreed with the recommendation, and stated that the Director's Policy Memorandum will require a multi-functional team be established to develop and execute required contract documentation over the contract's life cycle for all DCMA contracts for supplies and services. At a minimum, multi-functional teams will consist of the program manager or requirements office representative, the contracting officer, the delegated contract specialist, the prospective or assigned contracting officer's representative, and representatives from the DCMA budget, general counsel, and small business offices. In addition, the DCMA Director stated that all multi-functional team members will be identified within the procurement request before the request is submitted to the procurement center. Multi-functional team members must be present when the contract effort is briefed to the Acquisition Review Board and Service Requirements Review Board.

*Our Response*

Comments from the DCMA Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the DCMA has developed internal guidance to establish multi-functional teams.

- c. **Develop guidance for awarding contracts under the Small Business Administration's 8(a) program to include notifying the Small Business Administration of DCMA contracting officers' plans to award all orders under blanket purchase agreements that are under the 8(a) program.**

*Defense Contract Management Agency Comments*

The DCMA Director agreed with the recommendation, stating that the procurement center has already re-engaged the DCMA Small Business Office with monthly meetings. The Small Business Office will have the opportunity to assign a representative to all future procurement multi-functional teams and will be required to coordinate on all purchase requests. These requirements will be further stipulated in a formal instruction and procedural manual.

*Our Response*

Comments from the DCMA Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the DCMA has developed the formal instruction and procedural manual for awarding contracts under the Small Business Administration's 8(a) program.

- d. **Inform the Richmond District Office of the Small Business Administration of all orders the Defense Contract Management Agency awarded under blanket purchase agreements without notifying the Small Business Administration.**

*Defense Contract Management Agency Comments*

The DCMA Director agreed with the recommendation, stating that the procurement center has identified all current and active orders awarded under blanket purchase agreements that did not have the necessary Small Business Administration notifications documented. This list has been coordinated with the DCMA's Small Business Office for further reporting to the Richmond District Office.

*Our Response*

Comments from the DCMA Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the DCMA has informed the Richmond District Office of the Small Business Administration of all orders awarded under blanket purchase agreements.

- e. **Issue written justifications and approvals for all ongoing orders under flexible ordering agreements.**

### *Defense Contract Management Agency Comments*

The DCMA Director agreed with the recommendation, and stated that, at the start of FY 2018, DCMA required written justifications and approvals on any extensions to orders that were awarded against flexible ordering agreements. For orders that were extended before FY 2018, the DCMA has included a memorandum for record substantiating the need for the services and addressing the lack of justification and approval in the contract file. As of December 2017, the DCMA stopped extending and placing any new orders under flexible ordering agreements.

### *Our Response*

Comments from the DCMA Director addressed all specifics of the recommendation. We verified that the DCMA issued written justifications and approvals for ongoing orders under flexible ordering agreements; therefore, this recommendation is closed.

- f. Immediately identify the mission-critical requirements being met through flexible ordering agreements, and award new contracts before the current flexible ordering agreements' periods of performance end.**

### *Defense Contract Management Agency Comments*

The DCMA Director agreed with the recommendation, and stated that, as of December 1, 2017, the DCMA stopped issuing orders under flexible ordering agreements. The Director stated that, until the PWS and all required and supporting documentation is completed to re-compete the requirements under the flexible ordering agreements, any actions required to bridge support will be awarded through a new contract with the current service provider and will be substantiated with an approved justification and approval.

### *Our Response*

Comments from the DCMA Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the DCMA has identified the mission critical requirements being met through flexible ordering agreements and awarded new contracts before the current flexible ordering agreements' periods of performance end.

- g. Initiate a review of the contracting officers' actions to continue the use of flexible ordering agreements, despite the Government Accountability Office's decision, and as appropriate, initiate management action to hold the officials accountable.**

### *Defense Contract Management Agency Comments*

The DCMA Director agreed with the recommendation, stating that the DCMA completed a review in December 2017 when the decision was made to award new contracts rather than extending or placing new orders under the flexible ordering agreements. If orders under the flexible ordering agreements that cover critical requirements are ongoing, a justification and approval or a memorandum for record discussing the mission need was included in the contract file.

### *Our Response*

Comments from the DCMA Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the DCMA has completed a review of the contracting officers' actions, discontinued establishment of flexible ordering agreements, and awarded new contracts.

- h. Develop procedures for conducting pre-award peer reviews of solicitations for competitive procurements valued at less than \$1 billion and for noncompetitive procurements valued at less than \$500 million and post-award peer reviews of all contracts for services valued at less than \$1 billion.**

### *Defense Contract Management Agency Comments*

The DCMA Director partially agreed with the recommendation, stating that, due to inadequate staffing in the procurement center, the procurement policy team conducts reviews in lieu of peer reviews. In August 2017, the Director, Procurement Center, issued mandatory procedures requiring all procurement actions, regardless of value, to be reviewed by the DCMA procurement policy team prior to solicitation and award. In addition to those reviews, the Director's Policy Memorandum will establish the requirements for peer reviews on all actions for services greater than the simplified acquisition threshold and all actions for supplies greater than \$500,000. These thresholds will apply to the total dollar value of the base and all options under the contract. The DCMA Director stated that the completed pre-solicitation procurement policy office and peer reviews will precede the Acquisition Review Board.

### *Our Response*

Comments from the DCMA Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the DCMA has developed procedures for conducting pre-award and post-award peer reviews.

## Finding B

### DCMA Contracting Officials Did Not Properly Administer Selected IT Service Contracts

DCMA contracting officials did not properly administer IT service contracts for 13 of the 14 contracts, valued at \$70.3 million. Specifically, DCMA officials did not properly monitor contractor performance, accept IT services, or approve invoices, and did not use the Defense Contract Audit Agency (DCAA) to approve interim invoices with labor-hour line items.<sup>29</sup> This occurred because DCMA officials did not:

- appoint CORs for 3 of the 13 contracts;
- terminate CORs for 6 of the 13 contracts;
- properly train the CORs for 10 of the 13 contracts;
- develop quality assurance surveillance plans (QASPs) for 7 of the 13 contracts; or
- develop adequate QASPs for 4 of the 13 contracts.

In addition, DCMA officials accepted IT services and approved invoices without the authority to do so, and did not maintain discipline, structure, and a work environment that encouraged establishing and implementing effective internal controls.

As a result, DCMA officials do not have reasonable assurance that the DCMA received the \$70.3 million in IT services it paid for. Without adequate contractor surveillance, the DCMA might receive services that are late, deficient, or outside the scope of the contract requirements. Finally, if DCMA officials do not improve internal controls to ensure effective contract administration, the DCMA IT Directorate will continue to pay for IT services without reasonable assurance that it received the services.

<sup>29</sup> The DCAA is the DoD's only authorized representative for receiving invoices from contractors for labor-hour contracts and approving interim invoices.

## Contracting Officials Did Not Properly Administer IT Service Contracts

DCMA contracting officials did not properly administer 13 of the 14 IT services contracts reviewed, valued at \$70.3 million. Specifically, DCMA contracting officials did not properly monitor contractor performance, accept IT services, or approve invoices, and did not use the DCAA to approve interim invoices with labor-hour line items.

### ***Contracting Officials Did Not Monitor Contractor Performance***

DCMA contracting officials did not properly monitor contractor performance for 13 of the 14 contracts. Specifically, DCMA contracting officials did not perform inspections or complete monthly reports on the contractors' performance for 13 IT service contracts. The DoD COR Handbook states that the COR must assess the contractor's performance to ensure that the service delivered conforms to contract requirements. The COR must inspect and carefully monitor and keep the contracting officer informed of contractor performance of the technical requirements of the contract.<sup>30</sup> Contracting officers are responsible for ensuring compliance with the terms of the contract.<sup>31</sup> Documenting how well a contractor performs on a contract is an important part of the performance assessment process; COR monthly reports to the contracting officer provide documentation of inspection results and contractor performance.

DCMA officials did not perform inspections or provide monthly reports to the contracting officer for 13 IT service contracts. For example, on one contract, DCMA officials did not perform inspections to determine whether a contractor performed tasks, such as installing and testing the production readiness of the latest version of the Task Management Tool, as required by the contract.<sup>32</sup> On another contract, DCMA officials did not perform inspections to determine whether the contractor provided application support for the DCMA Integrated Workload Management System.<sup>33</sup> For both contracts, the CORs did not prepare or submit monthly reports on the contractor's performance to the contracting officer.

DCMA officials did not perform inspections or provide monthly reports to the contracting officer for 13 IT service contracts.

<sup>30</sup> DoD COR Handbook, Chapter 8, "Monitoring the Contractor," March 22, 2012.

<sup>31</sup> FAR Part 1, "Federal Acquisition Regulations System," Subpart 1.6, "Career Development, Contracting Authority, and Responsibilities," 1.602, "Contracting Officers," 1.602-2, "Responsibilities."

<sup>32</sup> Contract S5121A-17-C-0003. The Task Management Tool provides collaboration capabilities to ensure all staff has visibility of task information and deadlines in one centralized location.

<sup>33</sup> BPA S5121A-13-A-0008, order 0027.

The Director of the Procurement Center issued a memorandum, effective October 1, 2017, that requires contracting officers to set aside the second and fourth Thursday of the month to review COR files and submit quarterly status reports on contractor performance to the Director of the Procurement Center. Although the memorandum requires contracting officers to review reports submitted by the COR, it does not ensure that DCMA officials monitor contractor performance. Therefore, the DCMA Director should establish controls to ensure that CORs or contracting officers perform inspections and monitor contractor performance on service contracts. In addition, DCMA officials should establish controls to ensure that CORs complete and submit monthly reports on the contractor's performance and contracting officers review COR monthly reports.

### ***Contracting Officials Did Not Accept or Inspect IT Services Before Approving Invoices***

DCMA officials did not properly accept IT services and approve contractor invoices for 13 of the 14 contracts we reviewed.<sup>34</sup> The DoD COR Handbook states that services ordinarily should not be accepted before completion of Government contract quality assurance actions. Before services can be accepted, the COR must determine acceptability by review or inspection.<sup>35</sup> DCMA officials accepted IT services on 13 contracts without performing reviews or inspections of contractor deliverables.

The FAR states that payments are based on receipt of a proper invoice and satisfactory contract performance.<sup>36</sup> The DoD COR Handbook states that payment to a contractor implies work is progressing according to the contract terms. For the period of August 2016 through August 2017, DCMA officials approved invoices, valued at \$17.1 million, for 13 contracts without determining whether the contractors' performance was satisfactory and without ensuring work progressed according to the contract terms.

<sup>34</sup> DCMA invoices included firm-fixed-price line items, labor-hour line items, and cost reimbursement for travel line items.

<sup>35</sup> DoD COR Handbook, Chapter 7, "Contract Administration," March 22, 2012.

<sup>36</sup> FAR Part 32, "Contract Financing," Subpart 32.9, "Prompt Payment," 32.905, "Payment Documentation and Process."

Table 3 shows the number and value of invoices DCMA officials approved, both properly and improperly, between August 2016 and August 2017.

*Table 3. Invoices DCMA Officials Approved Between August 2016 and August 2017*

Contract Number	Invoices Properly Approved <sup>1</sup>	Value of Invoices Properly Approved	Invoices Not Properly Approved <sup>2</sup>	Value of Invoices Not Properly Approved
S5121A-14-A-0003-0001	0	\$0	20	\$2,408,288
S5105A-12-F-0022	2	4,122	19	1,718,122
S5121A-14-A-0005-0001	1	4,317	14	2,343,554
S5105A-12-F-0005	2	3,549	16	739,062
S5121A-15-A-0011-0001	0	0	1	1,154,060
S5121A-13-A-0008-0018	0	0	11	3,829,544
S5121A-13-A-0008-0027	0	0	4	1,953,516
S5121A-15-A-0001-0003	0	0	6	1,503,436
S5121A-15-A-0001-0004	0	0	5	510,664
S5121A-14-A-0003-0009	0	0	3	102,599
S5121A-15-A-0007-0003	0	0	11	567,552
S5121A-17-C-0003	0	0	3	248,602
S5121A-14-A-0003-0010	0	0	2	17,393
<b>Totals</b>	<b>5</b>	<b>\$11,988</b>	<b>115</b>	<b>\$17,096,393</b>

<sup>1</sup> An invoice is properly approved when the invoice has the required elements, including the supporting documentation, and there is evidence of satisfactory contractor performance.

<sup>2</sup> An invoice is not properly approved when the invoice does not have the required elements and there is no evidence of satisfactory contractor performance.

Source: The DoD OIG.

For example, for two contracts a DCMA COR did not review or inspect contract deliverables, assess contractor performance, or ensure work progressed according to the contract. However, the DCMA COR accepted services and approved invoices for application support for the DCMA Integrated Workload Management System, which provides the DCMA with the ability to retrieve contracts, route documents, and manage files.<sup>37</sup> For these two contracts, the DCMA COR approved \$5.8 million for payment without assessing the contractor's performance or progress. According to the DCMA COR, the program manager provided contract oversight and tracked the services received from the contractor. However, the program manager could not provide documentation of reviews or inspections of contract deliverables and assessment of contractor performance. Therefore, either the DCMA contracting

<sup>37</sup> BPA S5121A-13-A-0008 orders 0018 and 0027.

officer or COR should perform reviews or inspections of contractor deliverables before accepting services. In addition, the DCMA Director should establish controls to ensure the contracting officer or COR determines whether the contractor performed satisfactorily and ensure the work progressed according to the contract before approving invoices.

### ***Contracting Officials Did Not Use the DCAA To Approve Invoices With Labor-Hour Line Items***

Four of the 13 contracts included labor-hour line items. DCMA contracting officials did not use the DCAA to approve interim invoices with labor-hour line items.

The FAR states that, for labor-hour contracts, agencies may authorize auditors to:

- receive invoices directly from contractors;
- approve acceptable invoices for payment;
- suspend payment of questionable costs; and
- forward approved invoices for payment.<sup>38</sup>

For labor-hour contracts, the DoD requires that the DCAA receive invoices from contractors, approve selected interim invoices, and send them to the disbursing office for payment.<sup>39</sup> Specifically, the DCAA has sole authority for verifying contractor claimed costs and approving interim invoices on labor-hour contracts, which applies to payments on commercial contracts.<sup>40</sup> DCMA officials approved invoices for four contracts with labor-hour line items, valued at \$4.9 million, instead of the DCAA receiving, reviewing, and approving, if appropriate, the interim invoices.

### **Contracting Officials Did Not Properly Appoint, Terminate, and Train CORs or Develop QASPs**

DCMA officials did not properly monitor contractor performance because DCMA contracting officials did not properly appoint CORs, terminate CORs, train the appointed CORs, or develop QASPs for 13 contracts.

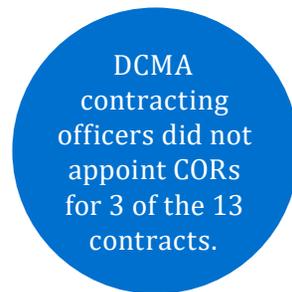
<sup>38</sup> FAR Part 42, "Contract Administration and Audit Services," Subpart 42.8, "Disallowance of Costs," 42.803, "Disallowing Costs After Incurrence."

<sup>39</sup> DFARS Part 242, "Contract Administration," Subpart 242.8, "Disallowance of Costs," Section 242.803, "Disallowing Costs After Incurrence" and Assistant Under Secretary of Defense (Acquisition, Technology, and Logistics) memorandum, "Approving Payments Under Cost-Reimbursement, Time-and-Materials, and Labor-Hour Contracts," April 14, 2008.

<sup>40</sup> Assistant Under Secretary of Defense (Acquisition, Technology, and Logistics) memorandum, "Approving Payments Under Cost-Reimbursement, Time-and-Materials, and Labor-Hour Contracts," April 14, 2008.

## ***Contracting Officials Did Not Properly Appoint CORs***

DCMA contracting officials did not appoint CORs for 3 of the 13 contracts. Contracting officers must designate and authorize the COR, in writing.<sup>41</sup> DoD requires contracting officers to appoint a COR before award (though exceptions are permissible if they meet the three DFARS criteria for exceptions).<sup>42</sup> The requiring activity, concurrent with requirements development or upon receipt of a request from the contracting officer for COR support, should identify a prospective COR, ensure the nominee receives required training prior to contract award, and develop and forward the COR nomination package to the contracting officer. In addition, the contracting officer is required to designate specific responsibilities to the COR prior to award.<sup>43</sup> Furthermore, DCMA Instruction 121 requires the COR to be appointed in writing at contract award if the service contract exceeds the simplified acquisition threshold, which is \$150,000.<sup>44</sup> However, DCMA contracting officers did not appoint CORs for 3 of the 13 contracts that exceeded the threshold.<sup>45</sup> The DCMA CORs should function as the eyes and ears of the contracting officers and are liaisons between the agency and contractors when executing their responsibilities.



The Director of the Procurement Center issued a memorandum, effective October 1, 2017, that requires contracting officers to ensure a COR is identified when the DCMA has identified the need for a service and appointed simultaneously at the point of contract award. By issuing this memorandum, the Director of the Procurement Center emphasized the need to appoint CORs at contract award. However, she did not implement any procedures to transfer the requirement into practice to ensure that contracting officers properly appoint CORs. Therefore, the DCMA Director should establish controls to ensure requiring activities nominate qualified CORs for all ongoing service contracts without CORs, and for future service contracts prior to the award of the contracts. In addition, the DCMA Director should establish controls to ensure contracting officers appoint CORs for all ongoing service contracts without CORs, and for future service contracts prior to the award of the contracts.

<sup>41</sup> FAR subpart 1.6.

<sup>42</sup> DoD Instruction 5000.72, "DoD Standard for Contracting Officer's Representative (COR) Certification," Enclosure 3, March 26, 2015, and DFARS Procedures, Guidance, and Information 201.6, "Career Development, Contracting Authority, and Responsibilities." The exceptions include when the contract is awarded using simplified acquisition procedures; the requirement is not complex; and specific reasons for not appointing a COR are documented in writing by the contracting officer.

<sup>43</sup> DoD COR Handbook, Chapter 7, "Contract Administration," March 22, 2012.

<sup>44</sup> DCMA Instruction 121, "Contracting Officer's Representatives," July 23, 2014.

<sup>45</sup> FOA S5121A-15-A-0007, order 0003; BPA S5121A-15-A-0011, order 0001; and contract S5105A-12-F-0022.

## ***Contracting Officials Did Not Properly Terminate CORs***

DCMA contracting officials did not properly terminate CORs for 6 of the 13 contracts. According to the DoD COR Handbook, the requiring activity should request termination of a COR appointment from the contracting officer if the COR is unable to perform for any reason, including unsatisfactory performance, transfer, or retirement. When the requiring activity requests termination of the COR appointment due to transfer or retirement, the contracting officer must terminate the COR designation. The requiring activity should nominate a new COR and the contracting officer should appoint the new COR. For 6 of the 13 contracts, either DCMA IT Directorate officials did not request termination of COR appointments or contracting officers did not terminate COR appointments when the COR transferred or retired. Table 4 summarizes the circumstances when the contracting officer should have terminated COR appointments but did not.

*Table 4. Summary of the Circumstances When the Contracting Officer Should Have Terminated COR Appointments*

Contract Number	Circumstances to Terminate the COR
S5121A-14-A-0003-0001	COR Retired
S5121A-14-A-0005-0001	COR Transferred
S5121A-15-A-0001-0003	COR Replaced
S5121A-15-A-0001-0004	COR Replaced
S5121A-14-A-0003-0009	COR Retired
S5121A-14-A-0003-0010	COR Retired

Source: The DoD OIG.

For example, a DCMA contracting officer awarded a service contract to support DCMA web-based applications in June 2014 and appointed a COR from May 2014 through May 2019.<sup>46</sup> A DCMA IT Directorate representative notified the contracting officer on February 24, 2017, that the COR was retiring in 1 day and did not nominate a new COR. However, the DCMA contracting officer did not terminate the COR's appointment or appoint another COR to the contract until August 2017. In another example, a contracting officer awarded a contract for software development life-cycle and maintenance support in September 2014 and appointed a COR on the contract in September 2014.<sup>47</sup> According to a DCMA official, the COR left the agency in March 2016. However, the DCMA contracting officer did not terminate the COR appointment or appoint another COR.<sup>48</sup> According to a DCMA

<sup>46</sup> FOA S5121A-14-A-0003.

<sup>47</sup> FOA S5121A-14-A-0005, order 0001.

<sup>48</sup> The period of performance for FOA S5121A-14-A-0005, order 0001 ended in March 2017.

contracting official, the contracting officer did not provide termination letters and appoint new CORs for these contracts because of an administrative oversight by the contracting officer.

According to the DCMA IT Directorate Contract Administration Branch director, in November 2016, the DCMA established the branch to manage contract support for IT contracts. The Contract Administration Branch's mission is to develop and ensure strategic management of contract support, contract support integration and contractor management. In addition, the Contract Administration Branch manages COR nominations and notifications to terminate CORs for IT contracts. DCMA officials stated that establishing the Contract Administration Branch was a step toward improving the DCMA's management of IT contractors. However, the DCMA Director still needs to establish controls to ensure contracting officers terminate the COR appointment when a COR has unsatisfactory performance, transfers, or retires and appoint a new COR.

### ***DCMA Contracting Officials Did Not Properly Train CORs***

DCMA contracting officials did not properly train CORs on contract-specific requirements prior to the COR appointment for 10 of the 13 contracts we reviewed. The DoD COR Handbook and DCMA Instruction 121 state that CORs must complete all mandatory training courses, or equivalents, and certifications before appointment. In addition, regardless of their level of experience, CORs must receive contract-specific training from their contracting officers. According to DCMA Instruction 121, contract-specific training normally covers COR duties and specific contract terms, conditions, and requirements. Although DCMA CORs received the mandatory COR training, they did not receive contract-specific training from their contracting officers.

For example, a COR appointed to a contract for program management support completed all mandatory training courses; however, the COR did not receive contract-specific training.<sup>49</sup> According to the COR, her responsibility was to accept services and approve invoices only. Without contract-specific training, she did not understand her responsibility to monitor contractor performance. The DCMA Director should establish controls to ensure contracting officers provide CORs with contract-specific training on COR duties and specific contract terms, conditions, and requirements prior to appointing CORs.



A COR appointed to a contract for program management support completed all mandatory training courses; however, the COR did not receive contract-specific training.

<sup>49</sup> Contract S5105A-12-F-0005.

## DCMA Officials Did Not Develop QASPs

DCMA officials did not develop QASPs for 7 of the 13 contracts and did not develop adequate QASPs for 4 of the 13 contracts. The FAR and DoD COR Handbook require a QASP that is tailored to the specifics of the contract. The QASP should specify all contractor work requiring surveillance and the method the department will use for surveillance.<sup>50</sup> DCMA officials did not develop QASPs for seven IT service contracts. Table 5 shows the value of seven IT service contracts for which DCMA officials did not develop QASPs.

Table 5. Value of Contracts for Which DCMA Officials Did Not Develop QASPs

Contract Number	Contract Award Values
S5105A-12-F-0022	\$2,306,890
S5105A-12-F-0005	953,238
S5121A-15-A-0011-0001	4,318,182
S5121A-13-A-0008-0018	4,291,119
S5121A-14-A-0003-0009	1,192,523
S5121A-15-A-0007-0003	762,665
S5121A-14-A-0003-0010	620,803
<b>Total</b>	<b>\$14,445,420</b>

Source: The DoD OIG.

According to the DFARS, a QASP should be prepared in conjunction with the PWS for solicitations and contracts for services.<sup>51</sup> DCMA Instruction 121 states that the requiring activity should develop QASPs for all service contracts over \$150,000. According to the DoD COR Handbook, the QASP should address purpose, roles and responsibilities, procedures, methods of assessment, successful performance standards and remedies for poor performance, and should be tailored to meet specific contract requirements.<sup>52</sup>

For 4 of 13 contracts, DCMA officials did not develop QASPs that addressed all the required elements in QASPs.<sup>53</sup> For example, the QASP for a contract which DCMA officials used to purchase software development life cycle and maintenance support did not include methods of assessing satisfactory contractor performance or remedies for poor performance for database support services.<sup>54</sup>

<sup>50</sup> FAR Part 46, "Quality Assurance," Subpart 46.4, "Government Contract Quality Assurance," 46.401, "General," and DoD Contracting Officer's Representative Handbook, Chapter 9, "Monitoring Service Contracts."

<sup>51</sup> DFARS Part 237, "Service Contracting," Subpart 237.1, "Service Contracts—General," 237.172, "Service Contracts Surveillance," revised June 7, 2016.

<sup>52</sup> Methods of assessment are the types of inspection used to assess contractor performance.

<sup>53</sup> BPA S5121A-14-A-0003, order 0001; FOA S5121A-14-A-0005, order 0001; S5121A-17-C-0003; and BPA S5121A-13-A-0008, order 0027.

<sup>54</sup> FOA S5121A-14-A-0005, order 0001.

Table 6 shows the elements missing from the QASPs for four contracts.

*Table 6. Elements Missing from QASPs*

Contract Number	Elements Missing From the QASP
S5121A-14-A-0003-0001	methods of assessment
S5121A-14-A-0005-0001	methods of assessment, remedies for poor performance, and was not tailored to meet specific contract requirements
S5121A-17-C-0003	remedies for poor performance
S5121A-13-A-0008-0027	methods of assessment

Source: The DoD OIG.

To improve monitoring of contractor performance, the DCMA needs to develop and implement complete QASPs that provide a guide for effectively determining the quality of the services provided by contractors. Therefore, the DCMA Director should establish controls to ensure requiring activities develop QASPs for all service acquisitions in accordance with the DoD COR Handbook and in conjunction with the performance standards contained in the PWS.

## Contracting Officials Did Not Have Authority to Accept IT Services and Approve Invoices

DCMA contracting officials accepted IT services and approved invoices without the delegated authority of the contracting officer on 12 of the 13 contracts.<sup>55</sup>

In addition, DCMA contracting officials did not properly use the DCAA to approve interim invoices for labor-hour line items on 4 of the 13 contracts.<sup>56</sup>

### ***Contracting Officials Did Not Have Delegated Authority to Accept Services and Approve Invoices***

DCMA contracting officials accepted IT services and approved invoices without the delegated authority of the contracting officer for 12 contracts. The DoD COR Handbook states that acceptance of services is the responsibility of the contracting officer but may be delegated to the COR. In addition, the contracting officer is responsible for monitoring invoice payments according to the terms and conditions of the contract, but CORs may approve invoices on fixed-price contracts.<sup>57</sup>

<sup>55</sup> S5105A-12-F-0005; S5105A-12-F-0022; BPA S5121A-13-A-0008, order 0018; BPA S5121A-13-A-0008, order 0027; BPA S5121A-15-A-0001, order 0003; BPA S5121A-15-A-0001, order 0004; FOA S5121A-15-A-0007, order 0003; S5121A-17-C-0003; and BPA S5121A-15-A-0011, order 0001.

<sup>56</sup> FOA S5121A-14-A-0003, order 0001; FOA S5121A-14-A-0003, order 0009; FOA S5121A-14-A-0003, order 0010; and FOA S5121A-14-A-0005, order 0001.

<sup>57</sup> DoD COR Handbook, Chapter 7, "Contract Administration," March 22, 2012.

DCMA Instruction 121 states CORs should perform acceptance of services and certification of invoices for payment. However, DCMA contracting officers did not delegate the responsibility for accepting IT services and approving invoices to DCMA IT directorate officials who accepted services and approved invoices on 12 contracts.

The Director of the Procurement Center issued a memorandum, effective October 1, 2017, that required contracting officers to identify the individual responsible for receipt, acceptance, and approval of invoices in the Wide Area Work Flow clause for all service and supply purchases prior to the award of the contract. Although the memorandum addresses the contracting officer identifying who will accept services and approve invoices, the memorandum does not address the requirement for the contracting officer to delegate the authority (when applicable) to accept services and approve invoices. Therefore, the DCMA Director should establish controls to ensure that only the DCMA contracting officers or officials with the delegated authority from the contracting officer accept services and approve invoices.

### ***DCMA Officials Did Not Have Authority to Approve Interim Invoices for Labor-Hour Line Items***

DCMA officials approved interim invoices that included labor-hour line items without the authority to do so—only the DCAA is authorized to approve interim invoices under labor-hour line items. When a labor-hour contract for commercial items is awarded, an Alternate I clause must be included in the solicitation and contract.<sup>58</sup> The Alternate I clause allows the DCAA to receive invoices from the contractor and requires the contractor to provide evidence to substantiate invoices when requested by the DCAA. According to a DCAA representative, for the DCAA to review interim invoices, the awarded contract must include the Alternate I clause. In addition, the agency must indicate that the contract is a cost-type contract in Wide Area Workflow.<sup>59</sup> DCMA officials did not include the Alternate I clause in the four contracts, and did not indicate that the contracts were cost-type contracts in Wide Area Workflow. Therefore, the DCAA did not receive the notification to review the invoices for the four contracts. The DCMA Director should establish controls to ensure that contracting officers include the Alternate I clause in the solicitation and contract when they plan to award labor-hour contracts, and indicate that the contract is a cost-type contract in Wide Area Workflow.

<sup>58</sup> The Alternate I clause is FAR Part 52, "Solicitation Provisions and Contract Clauses," Subpart 52.2, "Text of Provisions and Clauses," 52.212-4, "Contract Terms and Conditions—Commercial Items," Alternate I.

<sup>59</sup> The Wide Area Workflow is an application that allows for electronic submission of invoices and acceptance documents. Cost-type contracts in Wide Area Workflow include labor-hour contracts.

## DCMA Contracting Officials Did Not Establish and Maintain Internal Controls

DCMA contracting officials did not establish and maintain internal controls for administering IT service contracts. According to the Government Accountability Office's Standards for Internal Control in the Federal Government, management should establish and maintain a work environment that sets a positive attitude toward internal controls.<sup>60</sup> A positive work environment provides discipline, structure, and an environment that encourages establishing and implementing effective internal controls. The DCMA work environment did not foster the establishment and implementation of an effective system of internal controls to ensure proper administration of IT service contracts. According to DCMA contracting officials, Procurement Center officials prioritized awarding DCMA IT service contracts, foregoing the establishment of internal controls to ensure DCMA contracting officials properly administered the IT service contracts. A Procurement Center official stated that the contracting officials were pressured to award IT contracts and had inadequate time to complete assigned actions.<sup>61</sup> With the focus on awarding contracts, the DCMA contracting officials did not establish internal controls to ensure CORs or contracting officers performed inspections and monitored contractor performance or determined whether the contractor performed satisfactorily before approving invoices. A work environment that emphasized awarding contracts over establishing an effective system of internal controls directly contributed to the improper administration of 13 of 14 IT service contracts, or 93 percent of the contracts reviewed. Appendix B summarizes the contract administration deficiencies we identified for 13 of the 14 IT service contracts we reviewed. If DCMA IT Directorate and Procurement Center officials had maintained an environment that provided discipline and structure, and encouraged establishing and implementing effective internal controls, DCMA management would have prioritized enacting internal controls to ensure DCMA contracting officials implemented Federal, DoD, and DCMA policies and procedures consistently. Many of the recommendations made in this report, if implemented, should improve the DCMA internal control environment. However, the DCMA



Procurement Center officials prioritized awarding DCMA IT service contracts, foregoing the establishment of internal controls to ensure DCMA contracting officials properly administered the IT service contracts.

<sup>60</sup> Government Accountability Office Report No. GAO-14-704G, "Standards for Internal Control in the Federal Government," September 2014.

<sup>61</sup> DCMA Procurement Center officials could not provide evidence to support that DCMA contracting officials did not have sufficient time to complete assigned actions.

Director should reemphasize the importance of all aspects of the contracting process and provide training on the importance of following established internal controls for DCMA officials responsible for the monitoring and administration of the IT service contracts.

## **DCMA May Not Receive IT Services Paid For**

Because DCMA contracting officials did not properly administer 13 of the 14 IT service contracts we reviewed, DCMA requiring activities do not have reasonable assurance that the DCMA received the \$70.3 million in IT services it paid for. The DCMA relied on contractors to provide IT services to carry out critical aspects of the DCMA mission; therefore, effective and proper contract administration is essential to its success. The DCMA officials' failure to implement effective controls to ensure contracts are administered properly caused DCMA officials to accept and pay for IT services, valued at \$17.9 million, without the reasonable assurance that the IT services conformed to the quality and performance requirements of the contract. Furthermore, without adequate contractor surveillance, DCMA requiring activities might receive IT services that are late, deficient, or outside the scope of the contract requirements, which could directly affect their ability to accomplish their missions. Finally, if DCMA officials do not improve the controls to ensure effective contract administration, the DCMA IT Directorate will continue to pay for IT services without reasonable assurance that they received the services.

## **Recommendations, Management Comments, and Our Response**

### ***Recommendation B.1***

**We recommend the Director, Defense Contract Management Agency:**

- a. Establish internal controls, such as checklists, standard operating procedures, or reviews by supervisors to ensure that:**
  - 1. Contracting officer's representatives or contracting officers perform inspections and monitor contractor performance on service contracts.**
  - 2. Contracting officer's representatives complete and submit monthly reports on the contractor's performance and contracting officers review contracting officer's representative monthly reports.**
  - 3. Either the contracting officer or contracting officer's representative performs reviews or inspections of contractor deliverables before accepting services.**
  - 4. The contracting officer or contracting officer's representative determines whether the contractor performed satisfactorily and ensure the work progressed according to the contract before approving invoices.**

### *Defense Contract Management Agency Comments*

The DCMA Director agreed with these recommendations and stated that the Director's Policy Memorandum and subsequent instruction and manual will contain a "COR Support and Oversight Program." The guidance will establish and mandate that the program manager, COR, and contracting officer conduct a monthly performance review on all contracts for services and supply contracts above the simplified acquisition threshold before approving invoices. Furthermore, the DCMA Director stated that, at 4-month intervals following contract award, the program manager, contracting officer, and COR will brief the Acquisition Review Board on outcomes from the monthly contract performance assessments. For any follow-on contract actions, to include the exercise of options, the program manager, contracting officer, and COR will brief the Acquisition Review Board or Service Requirements Review Board on a summary of all prior contract performance assessments.

### *Our Response*

Comments from the DCMA Director addressed all specifics of these recommendations; therefore, the recommendations are resolved but will remain open. We will close the recommendations once we verify that the Director's Policy Memorandum and subsequent instruction and manual established the requirements to perform inspections and monitor contractor performance on service contracts; for CORs to complete and submit monthly reports on the contractor's performance and for contracting officers to review COR monthly reports; to perform reviews or inspections of contractor deliverables before accepting services; and to determine whether the contractor performed satisfactorily and ensure the work progressed according to the contract before approving invoices.

- 5. Requiring activities nominate qualified contracting officer's representatives for all ongoing service contracts without contracting officer's representatives, and for future service contracts prior to the award of the contracts.**
- 6. Contracting officers appoint contracting officer's representatives for all ongoing service contracts without contracting officer's representatives, and for future service contracts prior to the award of the contracts.**

### *Defense Contract Management Agency Comments*

The DCMA Director agreed with these recommendations, stating that DCMA contracting officials have confirmed that all existing contracts for services have qualified and properly trained CORs appointed by the contracting officers. The Director stated that, on all future contract actions, the requiring activity will nominate a qualified COR whose credentials will be reviewed and validated by the Acquisition Review Board in a pre-solicitation brief. This validation, along with documented appointment by the contracting officer, will be revalidated by the multi-functional team during the newly required post-award peer review. In addition, the DCMA will leverage and enforce the use of the existing documentation capability within the DoD Contracting Officer's Representative Tool. Furthermore, the Director stated that this process will be included in the new instruction and procedural manual with a focus on preempting COR deficiencies and performance issues.

### *Our Response*

Comments from the DCMA Director addressed all specifics of the recommendations; therefore, the recommendations are resolved but will remain open. We will close the recommendations once we verify that the requiring activity has nominated qualified CORs for all ongoing service contracts without CORs and is required to nominate qualified CORs for all future service contracts before contract award, and that the contracting officers have appointed CORs for all ongoing service contracts without CORs, and are required to appoint CORs for all future service contracts prior to award. In addition, we will verify that the instruction and manual includes the process for appointing CORs and reporting performance concerns.

7. **Contracting officers terminate the contracting officer's representative appointment when a contracting officer's representative has unsatisfactory performance, transfers, or retires and appoint a new contracting officer's representative.**

### *Defense Contract Management Agency Comments*

The DCMA Director agreed with the recommendation, stating that the Director's Policy Memorandum and subsequent instruction and manual will contain a "COR Support and Oversight Program." The guidance will establish and mandate that the program manager, COR, and contracting officer conduct a monthly performance review on all contracts for services and supply contracts above the simplified acquisition threshold before approving invoices. The "COR Support and Oversight Program" instruction and procedural manual will include monitoring controls to ensure contracting officers terminate COR appointments when necessary. In addition, the Director stated that, in 4-month intervals following award, the program manager, contracting officer, and COR will brief the Acquisition Review Board on outcomes from the monthly contract performance assessments.

### *Our Response*

Comments from the DCMA Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the Director's Policy Memorandum and subsequent instruction and manual require contracting officers to terminate COR appointments when CORs have unsatisfactory performance, transfers, or retires and appoint a new COR.

- 8. Contracting officers provide contracting officer's representatives with contract-specific training on contracting officer's representative duties and specific contract terms, conditions, and requirements prior to appointing contracting officer's representatives.**

### *Defense Contract Management Agency Comments*

The DCMA Director agreed with the recommendation, stating that the Director's Policy Memorandum will require the multi-functional team to conduct a post-award, contract-specific review that focuses on educating and synchronizing all members on the performance, deliverables, and unique terms and condition requirements of the contract. In addition, the DCMA will institute a monthly "Internal Acquisition Recurring Training Program" on subjects and curriculum focused on performing critical functions and responsibilities essential to acquisition success. Furthermore, the Director stated that, along with required functional training, DCMA staff will receive mandatory recurring training on subjects such as fiscal and appropriation law and core-acquisition training requirements. This mandatory training will be addressed and assessed as elements under the staff's individual development plans.

### *Our Response*

Comments from the DCMA Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the Director's Policy Memorandum requires contracting officers to provide CORs with contract-specific training on COR duties and specific contract terms, conditions, and requirements before appointment.

- 9. Requiring activities develop quality assurance surveillance plans for all service acquisitions in accordance with the DoD Contracting Officer's Representative Handbook and in conjunction with the performance standards contained in the performance work statement.**

### *Defense Contract Management Agency Comments*

The DCMA Director agreed with the recommendation, and stated that, pending the development and implementation of a formal instruction and procedural manual, the DCMA will immediately issue a Director's Policy Memorandum requiring all contracts for services to have a PWS with contractor performance objectives and standards; a contract data requirement list connected to each deliverable item; a performance requirements schedule within the PWS; and a QASP. The Director stated that the Director's Policy Memorandum will also establish and direct the charter for the DCMA's Acquisition Review Board, which will review and approve all procurements for supplies and services, regardless of value. The PWS, performance requirements schedule, and QASP for all contracted services will require Acquisition Review Board approval.

### *Our Response*

Comments from the DCMA Director fully addressed all specifics of the recommendation; therefore, this recommendation is resolved but will remain open. We will close the recommendation once we verify that the Director's Policy Memorandum and subsequent instruction and manual established the requirements to ensure contracting officials develop PWS for service acquisitions that include performance requirements in terms of defined deliverables, contractor performance objectives and standards, and a quality assurance plan.

- 10. Only the Defense Contract Management Agency contracting officers or officials with the delegated authority from a contracting officer accept services and approve invoices.**

### *Defense Contract Management Agency Comments*

The DCMA Director agreed with the recommendation, stating that the Director's Policy Memorandum and subsequent instruction and manual will contain a "COR Support and Oversight Program." The guidance will establish and mandate that the program manager, COR, and contracting officer conduct a monthly performance review on all contracts for services and supply contracts above the simplified acquisition threshold before approving invoices. In addition, the DCMA will institute monthly "Internal Acquisition Recurring Training Program" on subjects and curriculum focused on performing critical functions and responsibilities essential to acquisition success.

### *Our Response*

Comments from the DCMA Director fully addressed all specifics of the recommendation; therefore, this recommendation is resolved but will remain open. We will close the recommendation once we verify that the upcoming instruction and manual mandate that only contracting officers or their delegated representatives accept services and approve invoices.

**11. Contracting officers include the Federal Acquisition Regulation 52.212.4 Alternate I clause in the solicitation and contract when they plan to award labor-hour contracts, and indicate that the contract is a cost-type contract in Wide Area Workflow.**

*Defense Contract Management Agency Comments*

The DCMA Director agreed with the recommendation, stating that the DCMA Procurement Center has already begun enforcing use of the mandatory clauses in contracts. The Director stated that, as of August 2017, the Executive Director, Contracts issued mandatory procedures requiring that the Policy Procurement Team review all procurement actions, regardless of value. The review will confirm the clauses in the contract are appropriate and current.

*Our Response*

Comments from the DCMA Director fully addressed all specifics of the recommendation. We verified that the guidance issued by the Executive Director, Contracts established requirements to include the proper clauses in labor-hour contracts; therefore, this recommendation is closed.

- b. Reemphasize the importance of all aspects of the contracting process and provide training on the importance of following established internal controls for Defense Contract Management Agency officials responsible for contract monitoring and administration of information technology service contracts.**

*Defense Contract Management Agency Comments*

The DCMA Director agreed with the recommendation, and stated that, as part of its “Internal Recurring Acquisition Training Program,” the DCMA will leverage Defense Acquisition University and other classroom training offerings tailored to information technology acquisition and administration to educate program managers and the procurement center workforce. In addition, the Director stated that tracking records on COR internal training requirements and status will be maintained as the management internal controls element for this initiative. COR supervisors will be notified if the COR is in danger of becoming delinquent in required training or losing DCMA internal accreditation.

*Our Response*

Comments from the DCMA Director fully addressed all specifics of the recommendation; therefore, this recommendation is resolved but will remain open. We will close the recommendation once we verify that the DCMA has

provided training to contracting officials, and the “Internal Recurring Acquisition Training Program” emphasizes following established internal controls for DCMA officials responsible for contract monitoring and administration of the information technology service contracts.

## Appendix A

---

### Scope and Methodology

We conducted this performance audit from May 2017 through February 2018 in accordance with generally accepted government auditing standards. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To determine whether the DCMA properly awarded IT service contracts we reviewed and evaluated the DCMA process for awarding IT service contracts. We reviewed and evaluated various contract documentation to include requests for qualifications, acquisition plans, requirements approvals, PWSs, source selection documents, and contracts. We did not review the contract funding. To determine whether the DCMA properly administered IT service contracts, we reviewed the DCMA process for overseeing IT service contracts and we reviewed COR appointment letters, training records, and monthly reports, as well as QASPs and invoices. We reviewed invoices that contractors submitted between August 2016 and August 2017.

We interviewed DCMA personnel responsible for developing and validating the IT service requirements and awarding and administering the contracts, and we conducted site visits to DCMA headquarters in Fort Lee, Virginia. We reviewed the FAR, DFARS, DoD, and DCMA guidance to identify the requirements for awarding and administering IT service contracts. Specifically, we reviewed:

- FAR Subpart 7.1, "Acquisition Plans;"
- FAR Part 37, "Service Contracting;"
- FAR Part 42, "Contract Administration and Audit Services;"
- FAR Subpart 46.5, "Acceptance;"
- DFARS Part 232, "Contract Financing;"
- DFARS Part 242, "Contract Administration and Audit Services," Subpart 242.8, "Disallowance of Costs," Section 242.803, "Disallowing Costs After Incurrence;"
- Office of the Undersecretary of Defense for Acquisition, Technology, and Logistics Memorandum, "Acquisition of Services Policy," October 2006;
- DoD Instruction 5000.74, "Defense Acquisition of Services," January 5, 2016;
- DoD Guidebook for the Acquisition of Services, March 24, 2012;

- DoD COR Handbook, March 22, 2012;
- DCMA Instruction 121, “Procurement Center Contracting Officer’s Representative,” July 23, 2014; and
- DCMA Instruction 140, “Purchase Request Package,” December 9, 2013.

### ***Contract Selection***

On March 31, 2017, DCMA officials provided a list of 93 active IT service contracts. We used the Electronic Document Access to ensure that the list included all contracts awarded under blanket purchase agreements or flexible ordering agreements.<sup>62</sup> We identified one additional contract. Therefore, we used a universe of 94 active IT service contracts, valued at \$362.7 million, to select our sample. We worked with the DoD Office of Inspector General Quantitative Methods Division to select a nonstatistical sample of the contracts for review.

DCMA leadership expressed concern with four contractors, which accounted for 56 of the 94 contracts in the universe. We selected the two contracts with the highest dollar values for three of the four contractors. For the fourth contractor, we selected the two contracts with the highest dollar value and an ongoing period of performance.

The Quantitative Methods Division generated a random list of contracts from the remaining 38 contracts awarded to the other contractors in the universe. We selected the first four contracts from the random list. We later determined that DCMA officials had not obligated funds on one contract selected from the random list; therefore, we replaced that contract with the next contract in the random list. In addition, at DCMA management’s request, we selected two additional contracts to review, bringing our total sample size to 14 DCMA IT service contracts.

---

<sup>62</sup> The Electronic Document Access is an online document access system designed to provide acquisition related information for use by all of the DoD.

Table 7 shows the nonstatistical sample of 14 IT service contracts we reviewed.

*Table 7. Contracts Selected for Review*

Contract Number	Award Value	Current Value* (as of October 31, 2017)
S5121A-14-A-0003-0001	\$3,752,718	\$18,817,075
S5105A-12-F-0022	2,306,890	14,321,174
S5121A-14-A-0005-0001	1,998,529	10,788,065
S5121A-15-A-0011-0001	4,318,182	5,472,242
S5105A-12-F-0005	953,238	5,392,241
S5121A-13-A-0008-0018	4,291,119	4,291,119
S5121A-13-A-0008-0027	6,212,707	4,107,520
S5121A-15-A-0001-0003	3,023,551	2,277,799
S5121A-15-C-0001	350,769	1,811,321
S5121A-15-A-0001-0004	1,217,717	1,217,717
S5121A-14-A-0003-0009	1,192,523	1,194,895
S5121A-15-A-0007-0003	762,665	894,657
S5121A-17-C-0003	896,800	896,800
S5121A-14-A-0003-0010	620,803	620,803
<b>Total</b>	<b>\$31,898,209</b>	<b>\$72,103,428</b>

\*The current value is the value of the contract after DCMA contracting officers exercised options and modified contracts to increase contract value.

Source: The DoD OIG.

## Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

## Use of Technical Assistance

The DoD OIG Quantitative Methods Division helped select our nonstatistical sample of contracts for review.

## Prior Coverage

We did not identify any prior audit coverage on DCMA contract award and administration over the last 5 years.

## Appendix B

### Summary Results of Contract Administration Review

Table 8 summarizes the contract administration deficiencies we identified for 13 of the 14 IT service contracts we reviewed. Specifically, the DCMA did not properly appoint and train CORs, develop QASPs, accept services, and approve invoices.

Table 8. Summary Results of Contract Administration Review

Contract Number	COR Properly Appointed <sup>1</sup>	COR Properly Trained <sup>2</sup>	QASP Properly Developed <sup>3</sup>	Services Properly Accepted	Invoices Properly Approved
S5121A-14-A-0003-0001	No	No	No	No	No
S5105A-12-F-0022	No	No	No	No	No
S5121A-14-A-0005-0001	No	No	No	No	No
S5105A-12-F-0005	Yes	No	No	No	Yes
S5121A-15-A-0011-0001	No	No	No	No	No
S5121A-13-A-0008-0018	Yes	No	No	No	No
S5121A-13-A-0008-0027	Yes	No	No	No	No
S5121A-15-A-0001-0003	No	No	Yes	No	No
S5121A-15-C-0001	Yes	Yes	Yes	Yes	Yes
S5121A-15-A-0001-0004	No	No	Yes	No	No
S5121A-14-A-0003-0009	No	No	No	No	No
S5121A-15-A-0007-0003	No	No	No	No	No
S5121A-17-C-0003	Yes	No	No	No	No
S5121A-14-A-0003-0010	No	No	No	No	No

<sup>1</sup> DCMA contracting officers either did not properly appoint a COR on the contract or did not terminate CORs and appoint new CORs when a COR transferred or retired.

<sup>2</sup> DCMA contracting officers did not provide the COR contract specific training.

<sup>3</sup> DCMA officials either did not develop a QASP for the contract or the QASP did not include all required elements.

Source: The DoD OIG.

## Appendix C

### Potential Monetary Benefits

Recommendation	Type of Benefit	Amount of Benefit	Account
A.1.a.1 and A.1.e	Questioned Costs	\$57,296,830*	Multiple contracts will be impacted
B.1.a.3 and B.1.a.4	Unsupported Costs	\$17,096,393	Multiple contracts will be impacted

\*This value includes the \$56,402,173 related to DCMA officials not properly developing PWSs and the \$894,657 related to DCMA officials awarding an order under a FOA without competition.

# Management Comments

## Defense Contract Management Agency



**DEFENSE CONTRACT MANAGEMENT AGENCY**

3901 A. AVENUE, BUILDING 10500  
FORT LEE, VIRGINIA 23801-1809

MAR 26 2018

MEMORANDUM FOR DEPARTMENT OF DEFENSE, INSPECTOR GENERAL

SUBJECT: DCMA Response to DoDIG Draft Report Project No. D2017-D000CI-0140.000,  
"Audit of Defense Contract Management Agency's Information Technology Service  
Contracts" dated February 21, 2018

Attached is the Defense Contract Management Agency's response (TAB A) to the subject  
DoDIG Draft Report dated February 21, 2018.

The point of contact for this response is [REDACTED].

David H. Lewis  
VADM, USN  
Director

Attachments:  
As Stated

*Superb audit! Highly informative  
& helpful to the Agency as we reform  
& refocus our IT Enterprise. Thank you  
for the professional assessment and detailed analysis  
& recommendations. Well Done!*

## Defense Contract Management Agency (cont'd)

DCMA Response to DODIG draft report for the “Audit of Defense Contract Management Agency’s Information Technology Service Contracts” (Project No. D2017-D000CI-0140.000)

### **RECOMMENDATION A.1**

We recommend that the Director, Defense Contract Management Agency:

**RECOMMENDATION A.1.a:** Establish internal controls to ensure Defense Contract Management Agency contracting officials develop:

**RECOMMENDATION A.1.a.1:** Contract performance work statements for service acquisitions that include performance requirements in terms of defined deliverables, contractor performance objectives and standards, and a quality assurance plan.

**DCMA RESPONSE:** *DCMA concurs. Pending the development and implementation of a formal instruction and procedural manual, DCMA will take immediate action to issue a Director’s Policy Memorandum (DPM) requiring that all DCMA contracts for services to have a Performance-based Work Statement (PWS), with contractor performance objectives and standards; Contract Data Requirement List (CDRLs, DD1423-2) connected to each “deliverable,” i.e. requested reports/information/documents; a Performance Requirements Schedule (PRS) within the PWS; and, a Quality Assurance Surveillance Plan (QASP).*

*For management internal controls (MIC), the DPM will establish and direct the charter for DCMA’s Acquisition Review Board (ARB). The ARB will review and approve all DCMA procurements for supplies and services, regardless of value. For contracted services, ARB approval will be required on the PWS, PRS, and QASP. Please note that for all MIC elements addressed herein, in addition to establishing the referenced controls; it is DCMA’s common practice to develop test plans (i.e. to reassess, revalidate and (if required) recalibrate control) and appropriately apply these as our instructions and procedural manual are written.*

**RECOMMENDATION A.1.a.2:** Acquisition plans for all service acquisitions of \$3,000 or more.

**DCMA RESPONSE:** *DCMA concurs. The DPM will establish that all DCMA contracts for services will require an Acquisition Plan (APs).*

*For MIC, the DPM will require that all Streamlined-APs and APs be briefed to and approved by the ARB prior to release of solicitation.*

**RECOMMENDATION A.1.b:** Develop internal guidance to establish multi-functional teams that include the program manager, contracting officer, contracting officer’s representative, finance officer, and legal advisor to plan and manage service acquisitions from when the agency identifies a need for a service.

**DCMA RESPONSE:** *DCMA concurs. The DPM will require all DCMA contracts for supplies and services to have a multi-functional team (MFT) established and responsible for development and execution of all required contract documentation over the contract’s lifecycle through closeout. At a minimum, MFTs will consist of Program Manager or Requirements Office Representative (referred hereafter as PM), the Contracting Officer (and delegated*

## Defense Contract Management Agency (cont'd)

DCMA Response to DODIG draft report for the "Audit of Defense Contract Management Agency's Information Technology Service Contracts" (Project No. D2017-D000CI-0140.000)

*Contracts Specialist), the prospective/assigned Contracting Officer Representative (COR), a representative from DCMA's Budget, General Counsel, and Small Business offices.*

*For MIC, all MFT members will be identified within the Procurement Request (PR) prior to submission to the Procurement Center. MFT members will be required to be present when contract effort is briefed to ARB and Service Requirements Review Board (SRRB).*

**RECOMMENDATION A.1.c:** Develop guidance for awarding contracts under the Small Business Administration's 8(a) program to include notifying the Small Business Administration of Defense Contract Management Agency contracting officers' plans to award all orders under blanket purchase agreements that are under the 8(a) program.

**DCMA RESPONSE:** *DCMA concurs. The Procurement Center has already re-engaged on monthly meetings with the Small Business Office, which will have the opportunity to assign a representative to all future procurement MFTs (ref A.1.b) and will be required to coordinate on all PRs. These requirements will be further stipulated in the formal instruction and procedural manual. For MIC, reference A.1.b response.*

**RECOMMENDATION A.1.d:** Inform the Richmond District Office of the Small Business Administration of all orders the Defense Contract Management Agency awarded under blanket purchase agreements without notifying the Small Business Administration.

**DCMA RESPONSE:** *DCMA concurs. The Procurement Center has identified all current and active orders and calls awarded against blanket purchase agreements (BPAs) that did not have the necessary Small Business notifications documented. This list has been coordinated with DCMA's Small Business Office for further reporting to the Richmond District Office. For MIC, reference A.1.b.*

**RECOMMENDATION A.1.e:** Issue written justifications and approvals for all ongoing orders under flexible ordering agreements.

**DCMA RESPONSE:** *DCMA Concur. Beginning at the start of FY18, DCMA required written justifications and approvals (J&As) on any extensions to Calls that were awarded against Flexible Ordering Agreements (FOAs). Those Calls that were extended prior to FY18, have been documented with a Memorandum-for-Record (MFR) describing and substantiating need to sustain support services and also included discussion on the oversight for not having a signed J&A. As of 1 December 2017, DCMA stopped extending and placing any new Calls against FOAs.*

*Implementation of a MIC element is unnecessary due to the discontinued use of FOAs and the fact that DCMA has policy and controls associated with ensuring J&A requirements are satisfied prior to awards being approved.*

## Defense Contract Management Agency (cont'd)

DCMA Response to DODIG draft report for the “Audit of Defense Contract Management Agency’s Information Technology Service Contracts” (Project No. D2017-D000CI-0140.000)

**RECOMMENDATION A.1.f:** Immediately identify the mission-critical requirements being met through flexible ordering agreements, and award new contracts before the current flexible ordering agreements’ periods of performance end.

**DCMA RESPONSE:** *DCMA concurs. As noted above, as of 1 December 2017 DCMA stopped using FOAs for new or extensions to existing support needed under contract. For the short-term, until the PWSs and all required and supporting documentation are completed for re-competition of these requirements, any actions required to bridge support will be awarded through a new contract with the current service provider that will be substantiated with an approved J&A. Reference A.1.e for discussion on MIC.*

**RECOMMENDATION A.1.g:** Initiate a review of the contracting officers’ actions to continue the use of flexible ordering agreements, despite the Government Accountability Office’s decision, and as appropriate, initiate management action to hold the officials accountable.

**DCMA RESPONSE:** *DCMA concurs. Action completed in December when the decision was made to award new contracts and stop extending or placing new Calls under the FOAs. If not already expired, prior actions against FOAs that were required to sustain minimum critical capability, were either covered by a J&A or (if already in post-award) an MFR to the file substantiating the mission need and discussing the oversight of not having a J&A. Reference A. 1.e. for discussion on MIC.*

**RECOMMENDATION A.1.h:** Develop procedures for conducting pre-award peer reviews of solicitations for competitive procurements valued at less than \$1 billion and for noncompetitive procurements valued at less than \$500 million and post-award peer reviews of all contracts for services valued at less than \$1 billion.

**DCMA RESPONSE:** *DCMA partially concurs. Due to inadequate staffing in the Procurement Center, DCMA has been using reviews by a Procurement Policy Team in lieu of Peer Reviews. As of 26 August 2017, the Head-of-Contracting Activity (HCA) issued mandatory procedure requiring all procurement actions, regardless of value, to be reviewed by our Procurement Policy Team prior to solicitation and award. In addition to those reviews, the DPM will establish the requirements for Peer Reviews on all actions for Services greater than SAT and all actions for Supplies greater than \$500,000. These thresholds will apply to the total dollar-value of the base and all options under the solicitation/contract.*

*In regards to MIC, the completed Pre-Solicitation Procurement Policy Office and Peer Reviews will precede ARB and be briefed accordingly. Documentation from the Pre-Award reviews will be added to the Procurement Center’s contract file checklist and be required to obtain final approval to award.*

## Defense Contract Management Agency (cont'd)

DCMA Response to DODIG draft report for the “Audit of Defense Contract Management Agency’s Information Technology Service Contracts” (Project No. D2017-D000CI-0140.000)

### **RECOMMENDATIONS UNDER B.1**

We recommend the Director, Defense Contract Management Agency:

**RECOMMENDATION B.1.a:** Establish internal controls, such as checklists, standard operating procedures, or reviews by supervisors to ensure that:

**RECOMMENDATION B.1.a.1:** Contracting officer’s representatives or contracting officers perform inspections and monitor contractor performance on service contracts.

**DCMA RESPONSE:** *DCMA Concur. The DPM and subsequent Instruction/Manual that will contain a “COR Support and Oversight Program” will establish and mandate the requirements for the PM, COR and Contracting Officer to conduct a monthly performance review on all contracts for services and supply contracts above SAT (to include those awarded by DISA) prior to approval of invoice.*

*For MIC, at four month intervals following award, the outcomes from the monthly contract performance assessments will be briefed to the ARB by the PM, COR and Contracting Officer. Any follow-on contract actions, to include exercise of options, will require a summary of all prior Contract Performance Assessments be briefed to the ARB and/or SRRB (if applicable).*

**RECOMMENDATION B.1.a.2:** Contracting officer’s representatives complete and submit monthly reports on the contractor’s performance and contracting officers review contracting officer’s representative monthly reports.

**DCMA RESPONSE:** *DCMA Concur. To be addressed and completed as part of action under B.1.a.1.*

**RECOMMENDATION B.1.a.3:** Either the contracting officer or contracting officer’s representative performs reviews or inspections of contractor deliverables before accepting services.

**DCMA RESPONSE:** *DCMA Concur. To be addressed and completed as part of action under B.1.a.1.*

**RECOMMENDATION B.1.a.4:** The Contracting officer or contracting officer’s representative determines whether the contractor performed satisfactorily and ensure the work progressed according to the contract before approving invoices.

**DCMA RESPONSE:** *DCMA Concur. To be addressed and completed as part of action under B.1.a.1.*

**RECOMMENDATION B.1.a.5:** Requiring activities nominate qualified contracting officer’s representatives for all ongoing service contracts without contracting officer’s representatives and for future service contracts prior to the award of the contracts.

**DCMA RESPONSE:** *DCMA concurs. Action completed on confirming all existing contracts for services have qualified and properly trained CORs appointed by the Contracting Officer. On all future contract actions, the requiring activity will nominate a qualified COR and the*

## Defense Contract Management Agency (cont'd)

DCMA Response to DODIG draft report for the "Audit of Defense Contract Management Agency's Information Technology Service Contracts" (Project No. D2017-D000CI-0140.000)

*credentials of the proposed COR will be validated and reviewed in a Pre-Solicitation Brief to the ARB and this, along with documented appointment by the Contracting Officer, will be revalidated by MFT during to-be required Post-Award MFT Peer Review. In addition, DCMA will be leveraging and enforcing use of the existing documentation capability with in the DoD COR-Tool (CORT).*

*MIC elements will be included in the new instruction and procedural manual that will be focused on preempting COR deficiencies and performance issues from materializing.*

**RECOMMENDATION B.1.a.6:** Contracting officers appoint contracting officer's representatives for all ongoing service contracts without contracting officer's representatives, and for future service contracts prior to the award of the contracts.

**DCMA RESPONSE:** *DCMA concurs. To be addressed and completed as part of action under B.1.a.5.*

**RECOMMENDATION B.1.a.7:** Contracting officers terminate the contracting officer's representative appointment when a contracting officer's representative has unsatisfactory performance, transfers, or retires and appoint a new contracting officer's representative.

**DCMA RESPONSE:** *DCMA Concur. Addressed as part of the actions under B.1.a.1. In addition, the forthcoming "COR Support and Oversight Program" instruction and procedural manual will include monitoring controls to ensure Contracting Officers terminate COR appointments when necessary.*

**RECOMMENDATION B.1.a.8:** Contracting officers provide contracting officer's representatives with contract-specific training on contracting officer's representative duties and specific contract terms, conditions, and requirements prior to appointing contracting officer's representatives.

**DCMA RESPONSE:** *DCMA concurs. The DPM will mandate the requirement for the MFT to conduct a post-award contract-specific review that will be focused on educating and synchronizing all members on the performance, deliverable, and unique terms and condition requirements under the contract. In addition, DCMA will develop an "Internal Acquisition Recurring Training Program," on subjects and curriculum focused on performing critical functions and responsibilities essential to acquisition success that will be institutionalized through a monthly recurring training schedule. Training will be geared on "How-To" for entry-level acquisition staff and "Refresher" approach on critical function and focus areas for existing staff.*

## Defense Contract Management Agency (cont'd)

DCMA Response to DODIG draft report for the “Audit of Defense Contract Management Agency’s Information Technology Service Contracts” (Project No. D2017-D000CI-0140.000)

*For MIC purposes, along with required functional training, there will be mandatory recurring training such as Fiscal and Appropriation Law and core-acquisition training requirements for all DCMA staff. These training requirements will be addressed and assessed as elements under the staffs’ individual development plans.*

**RECOMMENDATION B.1.a.9:** Requiring activities develop quality assurance surveillance plans for all service acquisitions in accordance with the DoD Contracting Officer’s Representative Handbook and in conjunction with the performance standards contained in the performance work statement.

**DCMA RESPONSE:** *DCMA concurs. To be addressed and completed as part of action under A.1.a.1 and B.1.a.1.*

**RECOMMENDATION B.1.a.10:** Only the Defense Contract Management Agency contracting officers or officials with the delegated authority from a contracting officer accept services and approve invoices.

**DCMA RESPONSE:** *DCMA concurs. To be addressed and completed as part of action under A.1.a.1, B.1.a.1 and B.1a.8.*

**RECOMMENDATION B.1.a.11:** Contracting officers include the Federal Acquisition Regulation 52.212.4 Alternate I clause in the solicitation and contract when they plan to award labor-hour contracts, and indicate that the contract is a cost-type contract in Wide Area Workflow.

**DCMA RESPONSE:** *DCMA concurs. The DCMA Procurement Center has already begun enforcing use of the FAR and DFAR Clause Matrices. For the MIC and pursuant to A.1.h., all procurement actions regardless of value will be reviewed by the Procurement Policy Team prior to solicitation and award and will confirm clauses in contract are appropriate and current.*

**RECOMMENDATION B.1.b:** Re-emphasize the importance of all aspects of the contracting process and provide training on the importance of following established internal controls for Defense Contract Management Agency officials responsible for contract monitoring and administration of the information technology service contracts.

**DCMA RESPONSE:** *DCMA concurs. To be addressed and completed as part of action under A.1.a.1, B.1.a.1 and B.1a.8. In addition, as part of our “Internal Recurring Acquisition Training Program,” DCMA will leverage DAU and other class-room training offerings that are tailored to IT acquisition and administration for educating our PM and Procurement Center workforce.*

*Tracking records on COR internal training requirements and status will be maintained as the MIC element for this initiative. The supervisors of the COR will be notified if/when the COR is about to lapse on accomplishing required recurring training, and informed of the COR losing DCMA internal accreditation.*

## Acronyms and Abbreviations

---

<b>BPA</b>	Blanket Purchase Agreement
<b>COR</b>	Contracting Officer's Representative
<b>DCAA</b>	Defense Contract Audit Agency
<b>DCMA</b>	Defense Contract Management Agency
<b>DFARS</b>	Defense Federal Acquisition Regulation Supplement
<b>FAR</b>	Federal Acquisition Regulation
<b>FOA</b>	Flexible Ordering Agreement
<b>IDIQ</b>	Indefinite-Delivery, Indefinite-Quantity
<b>IT</b>	Information Technology
<b>PWS</b>	Performance Work Statement
<b>QASP</b>	Quality Assurance Surveillance Plan
<b>SBA</b>	Small Business Administration

# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

*The Whistleblower Protection Ombudsman's role is to educate agency employees about prohibitions on retaliation and employees' rights and remedies available for reprisal. The DoD Hotline Director is the designated ombudsman. For more information, please visit the Whistleblower webpage at [www.dodig.mil/Components/Administrative-Investigations/DoD-Hotline/](http://www.dodig.mil/Components/Administrative-Investigations/DoD-Hotline/).*

### **For more information about DoD OIG reports or activities, please contact us:**

**Congressional Liaison**

703.604.8324

**Media Contact**

[public.affairs@dodig.mil](mailto:public.affairs@dodig.mil); 703.604.8324

**DoD OIG Mailing Lists**

[www.dodig.mil/Mailing-Lists/](http://www.dodig.mil/Mailing-Lists/)

**Twitter**

[www.twitter.com/DoD\\_IG](http://www.twitter.com/DoD_IG)

**DoD Hotline**

[www.dodig.mil/hotline](http://www.dodig.mil/hotline)



DEPARTMENT OF DEFENSE | OFFICE OF INSPECTOR GENERAL

4800 Mark Center Drive  
Alexandria, Virginia 22350-1500  
[www.dodig.mil](http://www.dodig.mil)  
Defense Hotline 1.800.424.9098

