

Audit

Report



SIX INFORMATION TECHNOLOGY SERVICES CONTRACTS
FOR THE DEFENSE INTELLIGENCE COMMUNITY

Report No. D-2000-114

April 24, 2000

Office of the Inspector General
Department of Defense

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Acronyms

BPA	Blanket Purchase Agreement
CSC	Computer Sciences Corporation
DIA	Defense Intelligence Agency
DIESCON II	DoD Intelligence Information System Integration and Engineering Support Contract II
FAR	Federal Acquisition Regulations
GSA	General Services Administration
IPT	Integrated Process Team
MRR	Market Research Request
RFQ	Request for Quotation



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

April 24, 2000

MEMORANDUM FOR DIRECTOR, DEFENSE INTELLIGENCE AGENCY

SUBJECT: Audit Report on Six Information Technology Services Contracts for the Defense Intelligence Community (Report No. D2000-114)

We are providing this report for your information and use. Because this report contains no adverse findings or recommendations, no written comments were required, and none were received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Robert K. West at (703) 604-8983 (DSN 664-8983) (rwest@dodig.osd.mil) or Mrs. Yvonne M. Speight at (703) 604-8990 (DSN 664-8990) (yspeight@dodig.osd.mil). See Appendix E for the report distribution. The audit team members are listed on the inside back cover.

A handwritten signature in cursive script, reading "Robert J. Lieberman", is positioned above the typed name.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. D2000-114
(Project No. 9AD-0052)

April 24, 2000

Six Information Technology Services Contracts for the Defense Intelligence Community

Executive Summary

Introduction. The Defense Intelligence Agency awarded six fixed-price blanket purchase agreement contracts in June 1998 for information technology services for use by the Defense Intelligence Community. The information technology services provided under the blanket purchase agreements were divided into four categories:

- community infrastructure management
- information systems
- intelligence support and information services, and
- general technical support services.

Three contractors performed in all four service categories, while the other three limited their performance capabilities to one category. Each blanket purchase agreement had a 3-year base period, with two 1-year options. The estimated value of the six blanket purchase agreements was \$300 million and there was a total 4,000-order ceiling.

Objectives. The audit objective was to determine whether the Defense Intelligence Agency awarded and used DoD Intelligence Information System Integration and Engineering Support Contracts in accordance with statutory requirements and regulations. We also evaluated the management control program as it applied to the audit objective.

Results. The Defense Intelligence Agency awarded and used the DoD Intelligence Information System Integration and Engineering Support Contracts in accordance with applicable statutory and regulatory guidance. The DoD Intelligence Information System Integration and Engineering Support Contracts were an effective and efficient vehicle for providing information technology services to the Defense Intelligence Community. The Defense Intelligence Agency awarded 76 firm fixed-price or fixed-price level-of-effort blanket purchase agreement orders valued at \$53.4 million between June 1998 and October 1999. The Defense Intelligence Agency management controls were adequate in that we identified no material management control weaknesses in the administration of the DoD Intelligence Information System Integration and Engineering Support Contracts and the award of the blanket purchase agreement orders. For details of the audit results, see the Finding section of the report and Appendix A for details on the review of the management control program.

Management Comments. We provided a draft of this report on March 3, 2000. Because this report contains no adverse findings or recommendations, written comments were not required, and none were received. Therefore, we are publishing this report in final form.

Table of Contents

Executive Summary	i
Introduction	
Background	1
Objectives	1
Finding	
Use of Blanket Purchase Agreements to Provide Information Technology Services	2
Appendixes	
A. Audit Process	
Scope	7
Methodology	8
Management Control Program	8
B. Summary of Prior Coverage	9
C. Service Categories and Functional Requirements in DoD Intelligence Information System Integration and Engineering Support Contracts Blanket Purchase Agreements	10
D. Blanket Purchase Agreement Orders by DoD Intelligence Information System Integration and Engineering Support Contractors	12
E. Report Distribution	13

Background

This audit was initiated because of increasing significance of service contracts and issues reported in other Inspector General, DoD, reports. Particularly, issues associated with sole-source contracting and inadequately defined statements of work have been frequently reported.

Blanket Purchase Agreements. The Defense Intelligence Agency (DIA) awarded six fixed-price blanket purchase agreements (BPA) in June 1998 for information technology services for use by the Defense Intelligence Community. Collectively, the BPAs are referred to as the DoD Intelligence Information System Integration and Engineering Support Contracts II (DIESCON II).

DIA used one solicitation to award the BPAs; therefore, the BPAs were considered multiple-award contracts. DIA awarded BPAs to contractors included on the General Services Administration (GSA) Federal Supply Service Group 70 Program schedule. The GSA schedules did not limit the number or dollar value of orders that could be awarded under the DIESCON II BPAs. The six prime contractors can have multiple partners who must be on the GSA schedule. Each BPA had a 3-year base period, with two 1-year options. The estimated value of the BPAs was \$300 million and the six BPAs had an aggregated 4,000-order ceiling total.

DIESCON II Service Categories. The information technology services provided under the BPA contracts were divided into four categories:

- community infrastructure management,
- information systems,
- intelligence support and information services, and
- general technical support services.

Three contractors performed in all four service categories, while the other three limited their performance capabilities to one category. As of October 6, 1999, the DIA Procurement Office awarded 76 firm-fixed-price or fixed-price level-of-effort BPA orders valued at \$53,467,328 to the six DIESCON II contractors.

Objectives

The audit objective was to determine whether DIA awarded and used the DIESCON II BPAs in accordance with statutory requirements and regulations. We also evaluated the management control program as it applied to the audit objective. See Appendix A for a discussion of the audit scope and methodology and the review of the management control program.

Use of Blanket Purchase Agreements to Provide Information Technology Services

DIA awarded and used six DIESCON II BPAs in accordance with applicable statutory and regulatory guidance. DIA used the market research request (MRR) methodology to streamline awarding BPA orders and to minimize paperwork required of contractors. The DIESCON II BPAs were an effective and efficient vehicle for providing information technology services to the Defense Intelligence Community.

Statutory Authority for Multiple Award Contracts

Title 10, United States Code, section 2304a, “Task and Delivery Order Contracts,” allows the head of an agency to enter into a task or delivery order contract (as defined in section 2304d, of this Title) for the procurement of services or property.

Section 2304b(e), “Multiple Awards,” states that the head of an agency may, based on one solicitation, award separate task order contracts under this section for the same or similar services to two or more sources if the solicitation states that the head of the agency has the option to do so.

Section 2304c(b), “Multiple Award Contracts,” states that when multiple task or delivery order contracts are awarded under section 2304a(d)(1)(B) or section 2304b(e) of this Title, all contractors awarded such contracts shall be provided a fair opportunity to be considered for each task or delivery order in excess of \$2,500 that is to be issued under the contracts.

Section 2304c(c), “Statement of Work,” states that a task or delivery order shall include a statement of work that specifies all tasks to be performed or property to be delivered.

Federal Acquisition Regulations Guidance

Federal Acquisition Regulations Part 8. Federal Acquisition Regulations (FAR) Part 8, “Required Sources of Supplies and Services,” provides policies and procedures for the acquisition of supplies and services from Government approved supply sources. Specifically, Subpart 8.4 explains the use of Federal Supply Schedules, which the GSA directs and manages. These schedules provide Federal agencies with a simplified process for obtaining commonly used commercial supplies and services. The GSA schedule contracting office issues publications called Federal Supply Schedules that contain information necessary for placing delivery orders with contractors. When agencies select the Federal Supply Schedules to satisfy requirements, the simplified acquisition procedures of Part 13 and the small business provisions of Part 19 generally do not apply.

Therefore, when placing orders under Federal Supply Schedules, ordering offices need not seek further competition, make a separate determination of fair and reasonable pricing, or consider small business programs because these issues have already been addressed by GSA. By placing an order against a schedule using the procedures in FAR Part 8, the ordering office has concluded that the order represents the best value and results in the lowest overall cost alternative to meet the Government's needs. The lowest cost alternative considers price, special features, and administrative costs. The establishment of Federal Supply Schedule BPAs is permitted when following ordering procedures provided in FAR Part 8. All schedule contracts contain BPA provisions. Ordering offices may use BPAs to establish accounts with contractors to fill recurring requirements. In addition, BPAs should address the frequency of ordering and invoicing, discounts, and delivery locations and times.

FAR Part 10, Market Research. FAR Part 10 provides guidance for conducting market research to determine the best approach to acquire, distribute, and support supplies and services. FAR Part 10 specifically provides guidance on the extent of market research to be performed and the best techniques to use. Market research is conducted to determine if commercial items or nondevelopmental items are available or could be modified to meet the Government's needs. The extent of market research will vary, depending on such factors as urgency, estimated dollar value, complexity, and past experience. Agencies should do as much market research as possible to ensure receiving the best value.

DIESCON II Blanket Purchase Agreements

Initial Award of DIESCON II BPAs. DIA Office of Procurement personnel followed the statutory rules and guidance in FAR Part 8 in awarding the DIESCON II BPAs. DIA procurement personnel used the request for quotation (RFQ) to solicit proposals from 53 contractors on the GSA Federal Supply Schedule. Any contractor interested in responding to the RFQ had 15 days to do so. Sections included in the RFQ were the Statement of Work, the Terms and Conditions, the Instructions to Offerors, the Evaluation Factors and Criteria, and the DoD security form. DIA received questions about the RFQ, and amended the RFQ accordingly. When the DIESCON II RFQ closed, seven contractors responded. DIA awarded BPAs to six of the seven contractors. The information technology services provided under the BPAs were divided into four categories. The six selected contractors identified the service categories in which they could perform 14 functional requirements. See Appendix B for a description of the four service categories and a list of the functional requirements. Three contractors were awarded a BPA covering all service categories, while the other three contractors were awarded a BPA that covered one or two service categories as stated in their proposals.

DIA Procurement Office personnel developed and implemented the DIESCON II Management and Implementation Plan, dated July 13, 1998, that provides guidelines for the procurement of services under DIESCON II. All

Defense Intelligence Community agencies requesting support under DIESCON II had to follow guidelines provided in the DIESCON II Management and Implementation Plan.

Market Research Request Process. In accordance with FAR Part 8, DIA issued BPA orders to acquire specific services under the DIESCON II BPAs. DIA procurement personnel established the MRR methodology to inform DIESCON II contractors of BPA requirements for orders to be awarded under full and open competition rules. After the project manager (customer) identified the service category and defined the specific functional requirements in a statement of work, the DIA contracting officer's technical representatives sent out the MRR with the statement of work to contractors that could perform in the identified service category. DIA used the MRR as an informal way to solicit information from contractors on their ability to perform the requirements in the statement of work before funding was available. In response to the MRR, the contractors provided cost estimates although the DIA Office of Procurement did not specifically request estimates. Contractor responses to the MRR allowed DIA to evaluate each contractor's technical approach and to select the approach that provided the best value to the Government after funding for the BPA order became available. The MRR was not used to commit the Government to any funds, but was used only to obtain information. The use of the MRR was acceptable under the DIESCON II BPAs and reduced the flow of paperwork between the DIA procurement personnel and the contractors.

Blanket Purchase Agreement Orders. DIA used FAR Part 8 to award 76 BPA orders valued at \$53.4 million. The DIESCON II Management and Implementation Plan allows three basic methods for placing a BPA order. The methods are schedule selection, logical follow-on, and MRR or RFQ.

Schedule Selection. For the schedule selection method, the project manager researched the DIESCON II contractors and their labor rates as shown on the GSA Federal Supply Schedules and determined which contractor would provide the best value. The project manager provided DIA procurement personnel a written justification recommending the award of the BPA order to a specific DIESCON II contractor. DIA procurement personnel confirmed and approved the recommended contractor and processed the DIESCON II order. Of 76 BPA orders awarded, 27 (35 percent) were schedule selection valued at \$11.8 million. For 8 of the 27 BPA orders, the contractor selected for providing the best value also offered the lowest cost to the Government.

Logical Follow-On. For BPA orders awarded as logical follow-on, the project manager recommended the same BPA contractor who was awarded the previous BPA order. The project manager submitted a justification to DIA procurement personnel to review and to determine whether a logical follow-on was in the best interest of the Government. If so, DIA procurement personnel processed the order and if not, the DIA procurement personnel made another selection. Of 76 BPA orders awarded, 9 (12 percent) were awarded as logical follow-on and were valued at \$14.5 million. The justifications for the logical follow-on BPA orders were adequate. Although the justifications for the nine logical follow-on orders were adequate, an analysis of the orders revealed that

four orders valued at \$9 million were awarded to Computer Sciences Corporation (CSC) but the initial tasking to CSC was awarded under DIESCON, the predecessor to the DIESCON II BPA. CSC was to provide continuation of mission-essential services at an overseas location. However, before recommending CSC as the preferred DIESCON II contractor for award of the BPA order, the project manager evaluated the labor rates of two or more DIESCON II contractors and determined that CSC had the lowest labor rates. For the remaining five orders, valued at \$4.4 million, the initial tasking to the contractors was awarded as a schedule selection or a MRR.

Market Research Request. BPA orders awarded as a MRR or RFQ were processed under full and open competition rules. All BPA contractors that could perform services in the identified service category received the MRR or RFQ. The MRR or RFQ requested the DIESCON II contractors to submit their technical approach and price proposals. The project manager and DIA procurement personnel reviewed the contractors' technical approach and price quotes and selected the contractor that provided the best value. Of 76 BPA orders awarded, 40 (52 percent) were awarded as a MRR or RFQ and were valued at \$27.1 million. See the tables in Appendix C for details on the total BPA orders awarded by contractor and service categories.

Scope of Work for the BPA Orders. The statement of work in the six DIESCON II BPAs was broadly stated to cover the Government's requirements for recurring information technology life-cycle support services to be delivered by the BPA contractor in a wide-range of capabilities or functional requirements. Individual requirements were funded and accomplished in specific BPA orders defined by the project manager. Of the 76 BPA orders awarded, we reviewed 59 (78 percent) orders and found that the statements of work were well defined and within the scope of the DIESCON II BPAs.

Acquisition Streamlining

DoD is making a large push to improve the acquisition of all support services, including information technology. GSA has made many improvements to the GSA Federal Supply System schedules. GSA seeks competition and determines price reasonableness when awarding its contracts. Innovative changes mirroring commercial practices have made GSA schedules more efficient. Improvements include DoD procurement offices establishing teaming arrangements among more than one schedule contractor to satisfy a requirement that allows more flexibility and speeds the placement of orders and the delivery of products. Also, the GSA schedules do not limit the number or dollar value an ordering office can place thereby making schedules more advantageous to use. In a memorandum dated March 6, 1997, the Director for Defense Procurement urged DoD agencies to take full advantage of the GSA schedule contracts. The memorandum states that the use of these contracts meets DoD goals to simplify the acquisition process while at the same time increasing the contracting officer's authority and ability to make sound business judgements.

Conclusion

Title 10, United States Code, allows the heads of agencies to enter into multiple-award contracts under one solicitation. DIA properly awarded the DIESCON II BPAs in accordance with the law and FAR implementation. To administer and manage the DIESCON II BPAs, the DIA Chief of Procurement formed an integrated process team (IPT) that included the project manager, the contracting officer, the contracting specialist, and the contracting officer's technical representative. The IPT made certain that statements of work and justifications for BPA orders were well defined and that DIESCON II contractors were given a fair opportunity for consideration for individual BPA orders. The use of an IPT ensured an effective and efficient execution of the DIESCON II BPAs and BPA orders. DIA was innovative in using the MRR as a request for information that helped streamline the acquisition process and made the use of the DIESCON II BPA a better way of doing business for the Defense Intelligence Community. In contrast to other Defense organizations' laxity in administering and managing multiple-award contracts as reported in Inspector General, DoD, Report No. 99-116, "DoD Use of Multiple Award Task Order Contracts," April 2, 1999, DIA did an exceptionally good job in administering and managing the DIESCON II BPAs. Furthermore in responses to our questionnaire, project managers stated that the DIESCON II BPA order process was an effective method for acquiring information technology services and that the overall services received from the DIESCON II contractors were good to excellent. Feedback on our questionnaire to the six DIESCON II contractors indicated that they were very pleased with the BPA order process and their particular BPA has generally been lucrative for their company. In addition, they stated that the use of BPAs was an improvement in Government business practices.

Appendix A. Audit Process

Scope

Work Performed. We reviewed and evaluated the process to award six DIESCON II BPAs and to award 76 BPA orders under those BPAs. To accomplish the audit objective, we:

- used Title 10, United States Code, FAR Subpart 8.4, and FAR 10 as the framework to assess DIA management of the DIESCON II BPAs;
- reviewed the DIESCON II Management and Implementation Plan dated July 13, 1998, to determine whether DIA personnel were following procedures outlined in the plan;
- reviewed and evaluated 59 BPA orders awarded under the DIESCON II BPAs to determine whether the orders were within the scope of work of the DIESCON II service categories that each contractor was allowed to perform;
- interviewed DIA contracting personnel and the DIA general counsel;
- developed a questionnaire for contractors awarded the DIESCON II BPAs and BPA orders to solicit their feedback on the administration and effectiveness of the DIESCON II BPA and the BPA order award process; and
- developed a questionnaire for DIESCON II BPA order project managers to solicit their feedback on the administration and effectiveness of the DIESCON II BPA order award process.

DoD-wide Corporate Level Government Performance and Results Act Goals. In response to the Government Performance and Results Act, the Secretary of Defense annually establishes DoD-wide corporate level goals, subordinate performance goals, and performance measures. This report pertains to achievement of the following goal, subordinate performance goal, and performance measures:

- **FY 2000 DoD Corporate Level Goal 2:** Prepare now for an uncertain future by pursuing a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. Transform the force by exploiting the Revolution in Military Affairs, and reengineer the Department to achieve a 21st century infrastructure (00-DoD-2).
- **FY 2000 Subordinate Performance Goal 2.4:** Meet combat forces' needs smarter and faster, with products and services that work better and

-
- **FY 2000 Performance Measure 2.4.5:** Increase the percentage of DoD Paperless Transactions (00-DoD-2.4.5).
 - **FY 2000 Performance Measure 2.4.6:** Reduction in Acquisition Workforce (00-DoD-2.4.6).

General Accounting Office High-Risk Area. The General Accounting Office has identified several high-risk areas in the DoD. This report provides coverage of the Defense Contract Management and Information Management and Technology high-risk areas.

Methodology

Audit Type, Dates, and Standards. We performed this economy and efficiency audit from August 1999 to February 2000, in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD.

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD and within the organizations of the DIESCON II contractors. Further details are available on request.

Management Control Program

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

Scope of the Review of the Management Control Program. We reviewed the adequacy of management controls over contract management and administration within the Office of Procurement, DIA, for the DIESCON II BPAs. Specifically, we reviewed the Office of Procurement's management controls over maintaining contract files, performing prenegotiation reviews, and awarding BPA orders. Because we did not identify a management control material weakness, we did not assess the adequacy of management's self-evaluation of the controls.

Adequacy of Management Controls. Management controls over contract administration and management and the prenegotiation review and BPA order award processes within the Office of Procurement, DIA, for the DIESCON II BPAs were adequate as they applied to the audit objectives.

Appendix B. Prior Coverage

During the last 5 years, the Inspector General, DoD, issued six reports on multiple-award task order and service contracts.

Inspector General, DoD

Inspector General, DoD, Report No. D2000-100, "Award and Administration of Contracts for Professional, Administrative and Management Support Services," March 10, 2000.

Inspector General, DoD, Report No. 99-116, "DoD Use of Multiple Award Task Order Contracts," April 2, 1999.

Inspector General, DoD, Report No. 99-002, "Contracting For Defense and Accounting Service Support," October 5, 1998.

Inspector General, DoD, Report No. 98-132, "Procurement Practices and Procedures for Obtaining Contractor Support at Defense Finance and Accounting Service-Denver," May 8, 1998.

Inspector General, DoD, Report No. 98-099, "Continued Use of a Single Contractor For Contractor Reconciliation Work," April 2, 1998.

Inspector General, DoD, Report No. 96-034, "Defense Enterprise Integration Service Contracts," December 4, 1995.

Appendix C. Service Categories and Functional Requirements in DIESCON II Blanket Purchase Agreements

Service Categories.

Each of the six DIESCON II BPA holders can provide services in at least one of the following service categories. As required by specific BPA orders, the BPA holder must comply with the standards established in the DoD Joint Technical Architecture, the Defense Information Infrastructure Common Operating Environment and selected DIA/DoD standards, specifications, and directives.

- **Community Infrastructure Management.** This category covers Defense Intelligence Community organizations whose mission is to provide for the planning, development, deployment, operation, management, and oversight of global information networks and infrastructure supporting intelligence producers.
- **Information Systems.** This category of information technology covers the Defense Intelligence Community organizations responsible for information systems support that enables intelligence producers and consumers to meet a wide range of mission objectives.
- **Intelligence Support and Information Services.** This category covers the Defense Intelligence Community organizations responsible for the production and dissemination of intelligence products and information.
- **General Technical Support Services.** This category covers Defense Intelligence Community organizations responsible for wide range administrative, logistical, and management functions and systems that directly support the intelligence life cycle.

Functional Requirements

The DIESCON II service categories have functional area requirements that the BPA holder must be capable of performing. A BPA order will specify the functional area requirement to be completed. The 14 functional areas are:

- Network Planning and Engineering
- Systems Integration Management Services
- Rapid Response Capability

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- Rapid Prototyping and Proof of Concept
 - General Information System Engineering and Technical Assistance
 - Business Process Analysis and Re-engineering
 - World Wide Systems/Facilities Management and Maintenance Support
 - Internet/Intranet World Wide Web Support
 - Software Support
 - Hardware Support
 - Application Support
 - Security
 - Training, and
 - Documentation

Appendix D. Blanket Purchase Agreement Orders by DIESCON II Contractor

Table 1. DIESCON II Contractors BPA Orders and Dollar Value

			Dollar Value of BPS	
	<u>BPA Orders</u>	<u>Percentage</u>	<u>Orders (\$M)</u>	<u>Percentage</u>
CSC ¹	34	44.7	\$24.7	46.3
Synectics ²	20	26.3	21.2	39.7
PRC ³	7	9.2	4.3	8.1
BTG ⁴	6	7.9	1.4	2.6
ASI ⁵	8	10.5	1.6	3.0
SRA ⁶	1	1.3	0.2	0.3
Total	76		\$53.4	

Table 2. DIESCON II Contractors' BPA Orders by Service Category

<u>Contractor</u>	<u>Community Infrastructure Management</u>		<u>Information Systems</u>		<u>Intelligence Support and Information Services</u>		<u>General Technical Support Services</u>	
	<u>BPA Orders</u>	<u>Dollar Value</u>	<u>BPA Orders</u>	<u>Dollar Value</u>	<u>BPA Orders</u>	<u>Dollar Value</u>	<u>BPA Orders</u>	<u>Dollar Value</u>
CSC ¹	1	\$0.2	8	\$9.8	21	\$14.3	4	\$ 0.7
Synectics ²			1	1.6	11	12.0	8	7.6
PRC ³					7	4.3		
BTG ⁴							6	1.4
ASI ⁵							8	1.6
SRA ⁶	1	0.2						
Total	2	\$0.4	9	\$11.4	32	\$30.6	26	\$11.3

¹ Computer Sciences Corporation

² Synectics Corporation

³ People Results Customers

⁴ Beyond Technology Group

⁵ Advanced Systems Integration Corporation

⁶ Systems Research and Application Corporation

Appendix E. Report Distribution

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House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Permanent Select Committee on Intelligence
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Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International
Relations, Committee on Government Reform

Audit Team

The Acquisition Management Directorate, Office of the Assistant Inspector General for Auditing, DoD, prepared this report.

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