

November 18, 2003



Information Technology Management

Allegations Concerning Improprieties
in Awarding National Guard
Contracts
(D-2004-020)

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Acronyms

Air NG/C4PC	Air National Guard Contract Management Branch
APB	Acquisition Planning Board
Army-AIS	Army National Guard – Army Information Systems Division
CCB	Configuration Control Board
DTTP	Distributive Training Technology Project
EDS	Electronic Data Systems Corporation
IT	Information Technology
ITRCB	Information Technology Requirements Control Board
LAN	Local Area Network
MDW	Military District of Washington
NCI	NCI Information Systems, Inc.
NCR	National Capital Region



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

November 18, 2003

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY
CHIEF, NATIONAL GUARD BUREAU
CHIEF INFORMATION OFFICER, NATIONAL GUARD
BUREAU
DIRECTOR, ARMY NATIONAL GUARD
DIRECTOR, AIR NATIONAL GUARD

SUBJECT: Report on Allegations Concerning Improprieties in Awarding National Guard
Contracts (Report No. D-2004-020)

We are providing this report for review and comment. This report discusses a potential violation of the Antideficiency Act. The Army has directed a preliminary investigation of the matter under case control number 04-01 and the preliminary report is due to the Acting Deputy Assistant Secretary of the Army (Financial Operations) by January 5, 2004. In preparing the final report, we considered comments from the Acting Deputy Assistant Secretary of the Army (Financial Operations). However, the Director, Army National Guard; Director, Air National Guard, Chief, National Guard Bureau; and Chief Information Officer, National Guard Bureau*did not respond to the draft report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Management comments provided by the Acting Deputy Assistant Secretary of the Army (Financial Operations) conformed to the requirements of the Directive and no further comments are needed from that office. However, we request that the Director, Army National Guard; Director, Air National Guard; Chief, National Guard Bureau; and Chief Information Officer, National Guard Bureau comment on this report by December 18, 2003.

If possible, please send management comments in electronic format (Adobe Acrobat file only) to Audam@dodig.osd.mil. Copies of the management comments must contain the actual signature of the authorizing official. We cannot accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, they must be sent over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. Charles M. Santoni at (703) 604-9051 (DSN 664-9051) or Mr. Robert L. Shaffer at (703) 604-9043 (DSN 664-9043). See Appendix C for the report distribution. The team members are listed on the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in cursive script that reads "Mary L. Ugone".

Mary L. Ugone
Director

Acquisition Management Directorate

Office of the Inspector General of the Department of Defense

Report No. D-2004-020
(Project No. D2002AL-0059)

November 18, 2003

Allegations Concerning Improprieties in Awarding National Guard Contracts

Executive Summary

Who Should Read This Report and Why? People interested in how the National Guard procured information technology equipment and support for the Army and Air National Guard Readiness Centers and the Distributed Training Technology Program.

Background. This audit was performed in response to a referral from the General Accounting Office regarding the awarding of certain National Guard contracts. The National Guard Bureau is a joint bureau of the Departments of the Army and Air Force, and functions as a staff and operating capability for each Component. The National Guard provides military support to civil authorities; responds to state emergencies; and provides support to law enforcement in the war on drugs. Our objective was to determine the validity of allegations of improprieties in awarding certain National Guard contracts.

Results. Of three allegations, two were partially substantiated and one was unsubstantiated. See Appendix B for a detailed discussion of each allegation. In the process of determining the validity of the allegations, we identified a potential Antideficiency Act violation and other issues of concern that need to be addressed.

The Army National Guard used \$1.3 million of operations and maintenance funds rather than procurement funds to finance the purchase of information technology equipment. The Assistant Secretary of the Army (Financial Management and Comptroller) needs to initiate a review and, if necessary, an investigation of the purchase from Alcatel to determine whether an Antideficiency Act violation may have occurred (finding A).

The Army National Guard had not established formal policies addressing information technology requirements of the Army National Guard Readiness Center, therefore there is less assurance that the Army National Guard Readiness Center information technology requirements will be adequately assessed, analyzed, validated and approved. The Director, Army National Guard, in coordination with the Chief Information Officer, National Guard Bureau needs to implement a formal acquisition policy for the Army National Guard Readiness Center that integrates existing roles of acquisition oversight boards and the information technology strategic plan (finding B).

The Army and Air National Guards did not consolidate requirements for help desk support for the Military District of Washington and, as a result, may have lost opportunities to achieve cost savings. The Army and Air National Guards should coordinate the requirements for help desk support for the Military District of Washington with the Chief Information Officer, National Guard Bureau and the Chief Information Officer Executive Council to determine whether the contracts could be combined for possible cost savings (finding C).

See the Findings section for details on the audit results.

Management Comments. The Acting Deputy Assistant Secretary of the Army (Financial Operations) concurred, directing the Chief, National Guard Bureau to initiate a preliminary investigation, Army case control number 04-01, of the potential Antideficiency Act violation and provide a preliminary report by January 5, 2004. See the Findings section of this report for a discussion of the management comments and the Management Comments section of the report for the complete text of the comments.

The Director, Army National Guard; Director, Air National Guard; Chief, National Guard Bureau; and Chief Information Officer, National Guard Bureau did not respond to the draft report issued on August 22, 2003. Therefore, we request that the Director, Army National Guard and the Chief Information Officer, National Guard Bureau comment on the recommendation to implement a formal acquisition policy for the Army National Guard Readiness Center that integrates existing roles of acquisition oversight boards and the information technology strategic plan. Also, we request that the Director, Army National Guard; Director, Air National Guard; Chief Information Officer, National Guard Bureau; and the Chief Information Officer Executive Council comment on the recommendation to coordinate the requirements for help desk support for the Military District of Washington to determine whether the contracts could be combined for possible cost savings. The comments on this report should be provided by December 18, 2003.

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Background

This audit was performed in response to a referral from the General Accounting Office regarding the National Guard's awarding of certain contracts.

National Guard Mission. The National Guard mission includes both Federal and State responsibilities. For Federal missions, the National Guard provides combat ready, mission-capable forces throughout the entire spectrum of conflict. For states missions, the Governors direct State National Guard units through the Adjutants General. The National Guard provides military support to civil authorities; responds to state emergencies; and provides support to law enforcement in the war on drugs.

National Guard Bureau. The National Guard Bureau was formed to assist the 50 States, District of Columbia, Puerto Rico, the U.S. Virgin Islands, and Guam to procure funding for the National Guard, administer policies, and act as a liaison between the Departments of the Army and Air Force and the States. The National Guard Bureau is a joint bureau of the Departments of the Army and Air Force and functions as a staff and operating capability for each component. The Army National Guard and the Air National Guard are each led by their own director. The Secretary of the Army and Secretary of the Air Force select the two directors. Both directors report to the Chief, National Guard Bureau.

Army National Guard. The Army National Guard is composed primarily of civilian personnel who serve their country, State, and community on a part-time basis. Each State, territory, and the District of Columbia has its own National Guard and has a dual mission consisting of both Federal and State roles. For State missions, the Governor, through the state Adjutant General, commands Guard forces to call the National Guard into action during local or statewide emergencies, such as storms, fires, earthquakes, or civil disturbances. Similarly, the President of the United States can activate the National Guard for participation in Federal missions (known as Federalization). When Federalized by the President of the United States, National Guard personnel fall under the leadership of the Combatant Commanders of the theater in which they are operating.

Army National Guard – Army Information Systems Division. The Army Information Systems (Army-AIS) Division¹ provides technical assistance, data processing services, and systems and database integration for the 50 States, District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, the National Guard Bureau, and other Department of the Army customers.

Air National Guard. The Air National Guard was established as a separate Reserve Component of the U.S. Air Force on September 18, 1947.

¹ The report uses Army-AIS rather than NGB-AIS in order to identify AIS as an Army National Guard organization.

Air National Guard – Contract Management Branch. The Contract Management Branch (Air NG/C4PC) supports Air National Guard information technology (IT), airspace and ranges, and air traffic control contract requirements. Air NG/C4 is also responsible for obtaining goods and services to support Air National Guard Headquarters IT requirements.

Use of Terms. The terms Military District of Washington (MDW) and the National Capital Region (NCR) are used interchangeably in this report.

Objectives

The audit objective was to determine the validity of allegations of improprieties in awarding certain National Guard contracts. Specifically, we determined the validity of the following anonymous allegations contained in a General Accounting Office referral.

- The Army National Guard purchased \$1.2 million of Alcatel equipment without developing a need analysis, justification, or plan.
- The Air National Guard Readiness Center awarded Electronic Data Systems Corporation (EDS) a noncompetitive contract at the cost of millions of dollars more a year instead of participating in a Department of the Interior, Minerals Management Service contract that had been awarded to another contractor for the entire Army and Air National Guard National Capital Region [referred to as Military District of Washington in the contract]
- The National Guard pays more per classroom for its Distributive Training Technology Project (DTTP) classrooms than the Army and Navy pay for their respective distance learning programs. DTTP classrooms cost \$1 million each compared to Army and Navy classrooms that cost less than \$200,000 each.

Evaluation of Allegations

Of the three allegations, two were partially substantiated and one was unsubstantiated. The allegations concerning the purchase of computer equipment from Alcatel by the Army-AIS and the awarding of a separate contract for the Air National Guard Readiness Center were partially substantiated. The allegation concerning the National Guard Bureau purchase of DTTP classrooms was unsubstantiated.

In the process of determining the validity of the allegations, we identified a potential Antideficiency Act violation and other issues of concern that need to be addressed. See the Finding sections for discussion of those issues. See Appendix A for a discussion of the audit scope and methodology and prior audit coverage. See Appendix B for a detailed discussion of each allegation.

A. Procurement of Information Technology Equipment

The Army-AIS used \$1.3 million of operations and maintenance funds rather than procurement funds to finance the purchase of information technology equipment. As a result, a potential Antideficiency Act violation may have occurred.

Background on Purchase

In June 2001, the Army-AIS used a Military Interdepartmental Purchase Request to provide \$1.3 million of operations and maintenance funding in support of classified and unclassified communication requirements for the Army National Guard. Specifically, Army-AIS needed information technology equipment to upgrade obsolete components on the existing Readiness Center local area network (LAN) and to implement a standalone Readiness Center LAN.

Antideficiency Act Guidance

Antideficiency Act Compliance. DoD Financial Management Regulation 7000.14-R, Volume 14, “Administrative Control of Funds and Antideficiency Act Violations,” August 1995, states that Section 1517, Title 31, United States Code, forbids the overobligation and overexpenditure of an apportionment or an amount permitted by a regulation prescribed for the administrative control of appropriations. An Antideficiency Act violation may result if operations and maintenance funds rather than procurement funds are used to purchase equipment comprising a system costing more than the investment and expense threshold and the purchasing organization does not have the required amount of procurement funds at the time of the purchase.

Remedy for Potential Violations. DoD Financial Management Regulation 7000.14-R, Volume 14 states that a preliminary review must be initiated in response to an Inspector General, DoD audit report advising that a potential Antideficiency Act violation may have occurred. If the preliminary review determines that there may be a potential Antideficiency Act violation, a formal investigation is required. DoD Financial Management Regulation, Volume 14, provides further guidance on investigating potential violations of the Antideficiency Act.

Information Technology Funding

DoD Financial Management Regulation 7000.14-R, Volume 2A, "Budget Formulation and Presentation," June 2000, states that acquiring and deploying a complete system with a cost of \$100,000 or more is an investment and should be budgeted in a procurement appropriation. Upgrades to an existing system involving multiple equipment component and software changes that are combined to address deficiencies or improve system performance will be treated as new equipment or system procurement in determining applicability of the investment or expense criteria. For modification efforts, only the cost of the upgrade is counted towards the investment threshold. Modernization costs of less than \$100,000 are considered expenses and should be budgeted in the operations and maintenance appropriations. The validated requirement for, or upgrade to, a communications or information system may not be fragmented or acquired in a piecemeal fashion to circumvent the expense and investment criteria policy.

Funding for Purchase

The Army-AIS used \$1.3 million of operations and maintenance funds to finance the purchase of equipment for the Readiness Center network and the classified standalone Readiness Center LAN. According to the DoD Financial Management Regulation 7000.14-R, purchases of \$100,000 or more to acquire or modify a system should use procurement funds. As a result, a potential Antideficiency Act violation may have occurred. Army-AIS officials indicated that their use of operations and maintenance funds was appropriate because each segment comprising the LAN is a subnet that, in their opinion, represents a complete system. Although the segments can function by themselves if they are not connected to the rest of the network, the network is managed as one LAN. However, DoD Financial Management Regulation 7000.14-R, Volume 14 describes, as an example of a common Antideficiency Act violation, the use of operations and maintenance funds to purchase a computer system when other procurement funds are required. Other procurement funds shall be used whenever a piece of computer equipment becomes an integral part of a computer system or LAN unless the total cost of the entire system or LAN is less than the amount designated for the use of procurement funds. According to the DoD Financial Management Regulation, the remedy for this situation is performance of a preliminary review of the facts and a formal review if necessary.

Recommendation and Management Comments

A. We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller) initiate a preliminary review and, if necessary, an investigation into the purchase of the Alcatel computer equipment to determine whether an Antideficiency Act violation occurred. If violations of the Antideficiency Act occurred, the Assistant Secretary should comply with the reporting requirements in DoD Financial Management Regulation, Volume 14, “Administrative Control of Funds and Antideficiency Act Violations.”

Army Comments. The Acting Deputy Assistant Secretary of the Army (Financial Operations) concurred, directing the Chief, National Guard Bureau to initiate a preliminary investigation, Army case control number 04-01, of the potential Antideficiency Act violation and provide a preliminary report by January 5, 2004.

B. Information Technology Planning

Although the National Guard Bureau and Army National Guard have taken steps to improve planning for IT purchases, additional actions are needed to formalize procedures for processing IT requirements of the Army National Guard Readiness Center. Army National Guard and NCR officials were unable to provide a formal policy for processing IT requirements of the Army National Guard Readiness Center. As a result, there is less assurance that Army National Guard Readiness Center IT requirements will be adequately assessed, validated, prioritized, and approved.

IT Planning Improvements for Army National Guard

In FY 2001, the National Guard Bureau and Army National Guard took steps to improve planning for IT purchases. Specifically, the National Guard Bureau and Army National Guard established an oversight board to validate IT requirements and periodically review IT requirements that have been implemented. In addition, the Army National Guard established a configuration control board for the Army-AIS Enterprise Architecture.²

IT Requirements Control Board. The Army National Guard IT Requirements Control Board (ITRCB) charter was approved in December 2000. The charter states that the ITRCB will determine investment risks and establish metrics to measure investment success. The charter also states that the ITRCB will validate IT proposals against investment criteria and periodically review validated and funded proposals. In addition, the ITRCB will meet before the Acquisition Planning Board (APB) meets and provide input to the APB, and call additional meetings to work pending issues. National Guard Bureau representatives stated that the ITRCB reviews IT purchase requests with life cycle costs of more than \$100,000.

Army-AIS Configuration Control Board. The Army AIS Configuration Control Board (CCB) charter was approved in June 2001. The charter states that the board was created to provide informed, coordinated, systematic control of changes to the AIS Enterprise Architecture. The charter also states that the board will review items that affect the ability of the Enterprise Architecture to meet operational missions, provide a technical assessment against the Army National Guard configuration baseline for all requirements, and validate new requirements to the target architecture.

² OMB Circular A-130 defines an enterprise architecture as the explicit description and documentation of the current and desired relationships among business and management processes and information technology. The enterprise architecture describes the “current architecture” and “target architecture” to include the rules, standards, and systems life cycle information to optimize and maintain the environment that the agency wishes to create and maintain by managing its IT portfolio.

IT Planning Improvements for the NCR

The Army National Guard, Air National Guard, and the National Guard Bureau are initiating steps to improve IT purchase planning for the NCR. These steps include developing an NCR IT strategic plan and establishing an NCR CCB.

NCR IT Strategic Plan. The NCR IT Strategic Plan for the Army National Guard Readiness Center and Jefferson Plaza 1 will provide baseline architectures and set technical goals at 6-month intervals for the next 2 years. The plan will also address network topology, server configuration, and major network services and will describe system technical goals and associated costs, benefits, and difficulties. Major initiatives that the plan will address include a server consolidation and migration to a Gigabit Ethernet LAN topology using Alcatel equipment. The strategic plan is still under development and several sections are not yet complete.

NCR CCB. The NCR CCB charter states that the NCR CCB will provide the principal forum to review technical matters on the analysis, disposition, and execution of NCR LAN requirements. The NCR CCB will ensure that technical solutions meet system requirements through life-cycle management, system analysis and integration, evolution planning, and requirements assessment. The NCR CCB will provide management and technical risk assessments of requirements and ensure that technical solutions meet enterprise architecture standards. The NCR Director of Information Management indicated that this was the first CCB specifically for the NCR. Previous efforts were essentially controlled by the Wide Area Network.

Implementation Policy for IT Planning Process

The National Guard Bureau prepared a draft policy for implementing National Guard Bureau IT requirements. The draft policy, dated August 8, 2002, outlines procedures and responsibilities for funding, approving, and implementing National Guard Bureau IT requirements. Initially, IT requirements will be verified to determine whether they are within the scope of the NCR IT strategic plan. All IT requirements of more than \$25,000 will be forwarded to the NCR CCB for technical analysis and risk assessment. The NCR CCB will forward the requirement along with a recommendation to the Army-AIS CCB for assessment of the impact on the Army Enterprise Network. The Army-AIS CCB will forward the requirement and its recommendation to the ITRCB for validation and approval. The NCR CCB will work to implement and install new systems and software. The draft policy applies only to the IT requirements of the Jefferson Plaza 1 facility and not to the Army National Guard Readiness Center. An Army-AIS official and the NCR Director of Information Management stated that they were not aware of any similar policy covering IT requirements of the Readiness Center.

Recommendation

B. We recommend that the Director, Army National Guard, in coordination with the Chief Information Officer, National Guard Bureau implement a formal acquisition policy for the Army National Guard Readiness Center that integrates the existing roles of the Acquisition Planning Board, Information Technology Requirements Control Board, Army Information Systems Configuration Control Board, National Capital Region Configuration Control Board, and the National Capital Region Information Technology Strategic Plan.

Management Comments Required

The Director, Army National Guard and Chief Information Officer, National Guard Bureau did not respond to the draft report. We request that the Director, Army National Guard and the Chief Information Officer, National Guard Bureau provide comments in response to the final report.

C. Contract Coordination Between the Army and Air National Guard

The Army and Air National Guards did not consolidate the requirements for help desk support for the MDW. Because the Army and Air National Guards did not effectively coordinate their requirements through the National Guard Bureau Chief Information Officer and the Chief Information Officer Executive Council, opportunities to achieve potential cost savings may have been lost.

Chief Information Officer and the Chief Information Officer Executive Council

Role of the Chief Information Officer, National Guard Bureau. The Chief Information Officer serves as the information technology official for the National Guard, an advocate for the National Guard acquisition workforce, and a catalyst for facilitating communications between the Air National Guard, Army National Guard, and Joint Staff. The Chief Information Officer also explores opportunities for joint initiatives and interoperability of systems and is responsible for ensuring compliance with all applicable laws and regulations. The Chief Information Officer follows two primary guidelines. The first states that consensus will be used as the decision-making technique in making recommendations to the Chief, National Guard Bureau. The second states that Chief Information Officer will, in conjunction with the Chief Information Officer Executive Council, establish review processes for National Guard Bureau IT procurement, policy, planning procedures, and budgeting.

National Guard Policy Concerning Coordination. One of the responsibilities of the Chief Information Officer Executive Council is to build consensus among the Army National Guard, Air National Guard and Joint Staff Chief Information Officers and their staffs to ensure interoperability, reduce duplication and redundancy, and enhance the mission performance of the National Guard. Although the National Guard Bureau Chief Information Officer charts and oversees the Chief Information Officer Executive Council, the Chief Information Officer, National Guard Bureau stated that the Army National Guard and Air National Guard Chief Information Officers report directly to their Directors. The Chief Information Officer further stated that the Chairman, Chief Information Officer Executive Council had no official control over the flow of dollars for contractual funding to the National Guard agencies, did not have enough staff members to perform administrative tasks, and did not voice opinions of Army and Air National Guard operations that were outside their immediate rating chain.

Contracts for Help Desk Support

On August 23, 2001, a contract for help desk support for the Army National Guard was awarded to NCI Information Systems, Inc (NCI). On October 1, 2001, a contract was awarded to EDS for help desk support for the Air National Guard Readiness Center. Both contractors were on the General Services Administration IT Schedule. The support provided by both contractors to their respective National Guard organizations was similar. See Allegation 2 in Appendix B for details on both the Army and Air National Guard contracts.

Coordination of Requirements

Lack of Coordination. The Chief Information Officer, National Guard Bureau provided minutes from a Chief Information Officer Executive Council meeting held on June 14, 2001. According to the minutes, an Army-AIS official provided an overview of the statement of work for maintenance support for the Army National Guard MDW. Comments on the statement of work were requested by June 18, 2001, which gave the Air National Guard only 4 days to review the statement of work and provide input. The solicitation was released on June 20, 2001. The Chief Information Officer stated that she had not seen the Army National Guard contract with NCI until August 2001 and had never seen the Air National Guard contract with EDS.

The Air NG/C4PC contracting officer representative stated that he was aware of the Army National Guard competition but did not have enough time to respond. The contracting officials at the 12th Contracting Squadron, Randolph Air Force Base, Texas, stated they were not aware of the Army National Guard competition.

Recommendation

C. We recommend that the Director, Army National Guard and the Director, Air National Guard coordinate the requirements for help desk support for the Military of District of Washington with the Chief Information Officer, National Guard Bureau, and the Chief Information Officer Executive Council, to determine whether the contracts could be combined for possible cost savings.

Management Comments Required

The Director, Army National Guard; Director, Air National Guard; and Chief Information Officer, National Guard Bureau did not respond to the draft report. We request that the Director, Army National Guard; Director, Air National Guard; the Chief Information Officer, National Guard Bureau; and the Chief Information Officer Executive Council provide comments in response to the final report.

Appendix A. Scope and Methodology

To accomplish the audit objective, we performed work in the following areas:

- Reviewed applicable criteria concerning computer equipment purchases and contract awards;
- Reviewed the Army National Guard IT purchase process and computer equipment procurement records for FY 2000, FY 2001, and FY 2002;
- Reviewed the Army National Guard Systems Engineering Integration Group Charter;
- Reviewed source selection documentation for the Army National Guard contract;
- Compared the Army National Guard statement of work for the MDW with the Air National Guard statement of work for the Readiness Center to determine whether the services provided were similar;
- Reviewed the National Guard Chief Information Officer Charter and the Chief Information Officer Executive Council Charter;
- Reviewed the coordination process between the Army National Guard and Air National Guard to determine whether it was successful in preventing duplication of effort; and
- Obtained and reviewed classroom configuration and cost per configuration for the DTTP, the Total Army Distance Learning Program, and the Navy Distance Learning Program.

Documents reviewed were dated from February 10, 1996 through August 8, 2002.

We performed this audit from December 2001 through June 2003 in accordance with generally accepted government auditing standards. Because the person who made the allegation chose to remain anonymous, we were unable to determine the exact nature of some of the allegations. The scope of the audit was limited in that we did not review the management control program. Because we did not audit the Total Army Distance Learning Program or the Navy E-Learning Program, we did not verify the information provided by either program office.

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 DoD contract management high-risk areas.

Prior Coverage

No prior coverage has been conducted on the subject in the last 5 years.

Appendix B. Summary of Allegations and Audit Results

The allegations and a summary of the audit results pertaining to each allegation are provided below.

Allegation 1. The Army National Guard purchased \$1.2 million of Alcatel equipment without developing a need analysis, justification, or plan.

Audit Results. The allegation was partially substantiated.

- In June 2001, the Army-AIS used a Military Interdepartmental Purchase Request to provide \$1.3 million of operations and maintenance funding in support of classified and unclassified communication requirements for the Army National Guard.
- Army-AIS prepared justifications in June 2001 to upgrade the Readiness Center network and to implement a classified standalone Readiness Center LAN. The justifications consisted of a list of equipment and the reason for the purchase.
- Army-AIS could not provide documentation showing how they planned for the purchase. Army-AIS officials indicated that there was no documentation of the requirements or the working group meetings used to develop the technical solution for the purchase. In addition, we could not determine that any technical group, such as a configuration control board, had reviewed the technical solution or its impact on the architecture.
- Army-AIS officials stated that the APB approved the requirement in FY 2000. However, the APB worksheets provided by Army-AIS did not mention the need to upgrade the existing LAN or establish a classified standalone Readiness Center LAN. See Finding B for details on the steps Army-AIS took to improve its planning for IT purchases and the actions still needed to implement a comprehensive planning process.

Oversight for Purchase. Army-AIS officials stated that the Army National Guard APB approves requirements for contracts with life cycle costs in excess of \$200,000. Army-AIS officials stated that Army National Guard Components use worksheets to describe their requirements to the APB.

Army-AIS officials stated that they purchased the Alcatel equipment for the Readiness Center's LAN after the APB approved the requirement in FY 2000. The Army-AIS worksheets stated that the mission need was to maintain equipment supporting the LAN and to replace any broken and malfunctioning equipment. However, the APB worksheets did not discuss the need to upgrade the equipment or to implement a standalone LAN.

We asked Army-AIS officials if any group had reviewed the technical solution and its impact on the architecture. The officials stated that the Army-AIS branch that designed the solution developed it to fit the architecture. Although the justification documentation provided by Army-AIS indicated that the Alcatel purchase would affect the ability of the Army National Guard Readiness Center to achieve its operational mission, we found no indication from Army-AIS officials that the Army-AIS CCB or other technical oversight group had reviewed the technical solution. Finally, Army-AIS officials stated that the ITRCB was established too late to review the Alcatel requirement.

Planning Documentation for Purchase. Army-AIS officials stated that they used an informal process to identify the technical solution. Army-AIS officials stated that they used a working-group approach with the EDS engineers to develop the technical solution based on Army-AIS network requirements.

Army-AIS officials could not provide documentation of the requirements, the analysis, or the technical solution. Army-AIS officials provided Information Management Requirement/Project Document, DA Forms 5695-R (request forms) as justification for the purchase. The request forms, dated June 2001, included a list of Alcatel equipment to be purchased. Generally, the request forms indicated that Army-AIS needed the Alcatel equipment to upgrade old obsolete components on the Army National Guard Readiness Center network. In addition, the request forms stated that Army-AIS needed the Alcatel equipment to implement a classified standalone Readiness Center LAN because there were not enough existing terminals to perform classified missions.

Finally, Army-AIS officials stated that they had provided a verbal solicitation to four vendors based on the technical solution and then selected Alcatel based on lowest price. However, Army-AIS was unable to provide supporting documentation for the source selection decision.

Allegation 2. The Air National Guard Readiness Center awarded EDS a noncompetitive contract at the cost of millions of dollars more a year instead of participating in a Department of the Interior, Minerals Management Service contract that had been awarded to another contractor for the entire Army and Air National Guard NCR (referred to as the MDW).

Audit Results. The allegation was partially substantiated.

- The Air National Guard would not participate in the Army National Guard contract for help desk support. On October 1, 2001, a contract to provide technical support to the Air National Guard Readiness Center's LAN located at Andrews Air Force Base, Maryland, was awarded to EDS.
- The 12th Contracting Squadron competed the contract for Air National Guard Readiness Center help desk support. The process used by the Air National Guard to initiate the solicitation process by the 12th Contracting Squadron did not violate the Federal Acquisition Regulation by waiting until the end of the fiscal year to compete the contract.

-
- Although the Army National Guard briefed the CIO Executive Council on the MDW statement of work, it gave the Air National Guard only 4 days to review the statement of work and provide requirements for inclusion.
 - We could not substantiate whether the contract award to EDS for the Air National Guard Readiness Center's LAN resulted in increased costs to the Government because the additional cost to include Air National Guard Readiness Center requirements in the Army National Guard contract is unknown. See Finding C for a discussion of the adequacy of contract coordination between the Army and Air National Guard.

Contracts for Help Desk Support

Army National Guard Contract. The Army National Guard requirements for technical support for the Army National Guard Readiness Center's LAN were competed from June through August 2001. The Army National Guard divided its requirements into two separate efforts and recompeted each through the Department of the Interior, Minerals Management Service. Two contracts were awarded that totaled \$15.5 million per year: \$5 million for the Army National Guard help desk for the MDW and \$10.5 million for the combined Enterprise Operations Section and network operations center (hardware and software support). The contract for the Enterprise Operations Section was awarded to the SRA Corporation. The terms and conditions of this award were not audited because the competition for this contract was not the focus of the allegation.

The statement of work for the help desk contract recognized that the Government was allowed to modify the contract to include other National Guard offices and locations as necessary. According to the contracting officer, the Department of the Interior, Minerals Management Service solicited proposals from six contractors on the General Services Administration IT Schedule for the Army National Guard contract that focused on help desk services. Two additional contractors requested and received a copy of the solicitation after the Department of the Interior, Minerals Management Service chose the original six contractors. Of the eight contractors, four submitted qualification statements and were included in the final evaluation. After a competitive process, which took place from June through August 2001, on August 23, 2001, the Army National Guard contract was awarded to NCI.

Air National Guard Readiness Center Contract. The Air National Guard's contract with EDS, which provided technical support for the Air National Guard Readiness Center, also expired on September 30, 2001. The Air National Guard requested that the 12th Contracting Squadron compete its requirements for help desk support. The 12th Contracting Squadron solicited Requests For Proposals from four contractors on the General Services Administration IT Schedule for the help desk contract. Of the four potential contractors included in the competition, EDS was the only contractor to provide a response. Officials of the 12th Contracting Squadron stated that one contractor requested to be removed from the contract selection process and two contractors did not respond. On

October 2, 2001, the Air National Guard contract was awarded to EDS. The contract, valued at approximately \$6.3 million, covered the same services as the previous contract, but on a 24-hour, 7-day a week basis.

Comparison of Statements of Work. The services required of both contractors to their respective National Guard organizations are similar. In fact, EDS was an unsuccessful bidder for the Army National Guard contract. Both National Guard organizations require the contractor to provide technical help desk support for an operational network on a 24-hour, 7-day a week basis. Both contractors are required to provide Tier 1 (Help Desk) and Tier 2 (Desktop) support. Although the Air National Guard does not have Tier 3 (Systems Engineering) support level requirements, many of its Tier 2 contractor responsibilities are similar to the Tier 3 functions required by the Army National Guard. Both contracts are concerned with the maintenance, availability, and accessibility of the system and the contractors are responsible for maintaining their respective help desks when network threats arise. Both contracts require monthly performance and maintenance reports as well as quality assurance reviews of open help desk requests to ensure problems are resolved.

Annual Contract Awards

Consecutive 1-year Awards to EDS. According to their September 26, 2000, proposal for the 1999 and 2000 contract, the September 25, 2001, proposal for the 2000 and 2001 contract, and the 2001 and 2002 contract cover page, EDS was awarded the Air National Guard Readiness Center contract for help desk support for 3 consecutive years. Air NG/C4PC officials stated they informed the 12th Contracting Squadron contracting officials that EDS was its preferred contractor. The 12th Contracting Squadron contracting officials stated if a customer wants the incumbent contractor included, that contractor is added to the list of other qualified sources provided with the request for solicitation. The customer then selects the contractor that will provide them the best service value. For the award beginning October 2001, EDS was the only contractor to reply.

According to the 12th Contracting Squadron contracting officials, their customers are contacted every April to remind them that the end of the fiscal year is approaching and recommend that they begin preparing their renewed or revised requirements for the next fiscal year. The 12th Contracting Squadron contracting officials also stated that until they received the client's requirements, the 12th Contracting Squadron is unable to begin contractual competitions. On September 19, 2001, Air NG/C4PC provided the 12th Contracting Squadron with the purchase request for this award. On September 20, 2001, the 12th Contracting Squadron issued requests for proposals to four potential contractors. The requests noted that past performance information for the contractor was due by September 22 and that written technical proposals were due by September 25. According to 12th Contracting Squadron contracting officials, EDS was the only vendor to respond with the necessary information. A past performance questionnaire from the Air National Guard's Chief of Network Operations and Security Center in favor of EDS was received by e-mail on September 26. The Air National Guard evaluation of the EDS technical proposal was provided to the 12th Contracting Squadron on September 27. EDS was awarded the contract as the Air National Guard Readiness Center's technical provider effective October 1.

This accelerated schedule reduced the competition to 2 weeks from announcement to award and allowed little time for other potential contractors to review and respond to the award requirements.

Allegation 3. The National Guard pays more per classroom for its DTTP classrooms than the Army and Navy pay for their respective distance learning programs. DTTP classrooms cost \$1 million each compared to Army and Navy classrooms that cost under \$200,000 each.

Audit Results. The allegation was unsubstantiated.

- The National Guard classroom costs are less than the costs associated with the Army classrooms.
- We did not compare National Guard classroom costs with those associated with Navy classrooms because the Navy leased their classroom requirements.
- DTTP classrooms did not cost more than \$1 million each. The DTTP Program Office provided documentation showing nine different classroom configurations with estimated costs ranging from \$174,000 to \$452,000. The estimates included costs for installation, integration, logistics and hardware.
- DTTP program office officials stated that the Defense Information Systems Agency competed the original GuardNet XXI contract in 1995 and EDS won that competition. DTTP program office officials also stated that, in 1998, Army-AIS became the executive agent for GuardNet XXI and that the GuardNet XXI contract was awarded to the Science Applications International Corporation in May 2002.

DTTP. Based on EDS cost estimates, the National Guard spent approximately \$14.9 million for 60 DTTP classrooms in FY 2001. As of January 21, 2002, 291 DTTP classrooms had been fielded. According to DTTP program office officials, three contractors support the DTTP: Booz Allen and Hamilton, Carson and Associates, and EDS. The DTTP program office officials stated that Booz Allen and Hamilton developed the DTTP specific software for scheduling, metering, and billing; Carson and Associates provided program office support; and EDS was responsible for building the GuardNet XXI classrooms. The DTTP program office officials also stated that the contract for GuardNet XXI classrooms was awarded to the Science Applications International Corporation in May 2002.

DTTP program office officials provided representative classroom costs for classrooms that seat from 3 to 40 individuals. According to the documentation provided, the estimated classroom costs for the various configurations ranged from \$174,000 to \$452,000. Those costs do not include site preparation costs. According to documents provided by EDS, the FY 2001 cost of a 10-seat Multi-Media Scalable 450 Series classroom was \$248,472. Table 1 provides a breakdown of those costs attributable to the acquisition of the 10-seat Multi-Media Scalable 450 Series classroom.

Table 1. DTTP 10-Seat Multi-Media Scalable 450 Series Classroom Costs			
	<u>Labor Costs</u>	<u>Other Costs</u>	<u>Total</u>
Installation	\$ 59,000	\$ 5,150	\$ 64,150
Integration	10,181	0	10,181
Logistics	11,184	5,150	16,334
Hardware	127,807		127,807
Site Prep	\$ 30,000	0	\$ 30,000
Total			\$248,472

According to DTTP program office officials, DTTP buys its classroom equipment, uses commercial off-the-shelf software products, and pays standard license fees for Windows. DTTP program office officials also stated that the middleware linking the various commercial off-the-shelf products is the only DTTP-specific software, and there are no license fees for the middleware.

The Army Distance Learning Program. The Army Distance Learning Program is managed by the U.S. Army Training and Doctrine Command's Program Integration Office and the Program Executive Office for Enterprise Information Systems. The Army Distance Learning Program is divided into two components - courseware managed by the U.S. Army Training and Doctrine Command, and delivery systems managed by the Program Executive Office for Enterprise Information Systems through the Program Manager, Distributed Learning System. According to officials in the Program Executive Office for Enterprise Information Systems, the Army Distance Learning Program has fielded more than 243 Digital Training Facilities, plans to have approximately 380 Digital Training Facilities across the globe, and has trained more than 373,000 students since the program began.

According to officials in the Program Executive Office for Enterprise Information Systems, the Army obligated approximately \$20 million for Digital Training Facilities and completed 55 facilities in FY 2001. The officials explained that four contractors support the Distributed Learning System: IBM Business Consulting Services, Inc., ACS Systems and Engineering, Inc., The Portable Warehouse, and Sprint Communications Company and gave a brief description of the services that each contractor provides. IBM Business Consulting Services, Inc., operates the Distributed Learning System Enterprise Management Center, provides digital training facility manager services, and is responsible for development of the Army Learning Management System. ACS Systems and Engineering, Inc., performs site survey and Digital Training Facility installation

activities. The Portable Warehouse provides computer hardware, and Sprint Communications Company (through the U.S. Army Training and Doctrine Command Tele-Training Network) delivers and installs video teletraining equipment. The officials stated that the Army buys its classroom equipment.

Officials of the Program Executive Office for Enterprise Information Systems stated that, in FY 2001, the Army Distance Learning Program has a standard configuration of 16 workstations for active duty students and 12 workstations for U.S. Army Reserve students. According to the officials, the representative cost for a 16-workstation classroom is \$282,400 and for a 12-workstation classroom it is \$277,100. The officials further stated that annual sustainment costs of \$80,000 were not included for either classroom. However, officials in the Program Executive Office for Enterprise Information Systems stated that they could not provide a true average cost per classroom because of the configuration of buildings and rooms provided by installations. The officials further stated the cost per room is usually less if all three classrooms are located in the same building, slightly higher if two rooms are located in one building and one in another, and may be slightly higher if all three rooms are in different buildings. Table 2 provides a breakdown of the representative costs for both configurations as of June 2002.

	<u>Active Component</u> <u>Digital Training Facility</u> <u>(16 workstations)</u>	<u>U.S. Army Reserves</u> <u>Digital Training Facility</u> <u>(12 workstations)</u>
Site Survey (Facility and Video Teletraining)	\$ 24,700	\$ 24,700
Engineer, Furnish, Install & Test	120,800	114,500
Hardware	80,500	73,000
Networking	56,400	64,900
Total	\$282,400	\$277,100

Navy E-Learning Program. The Navy E-Learning Program is the Navy distance learning program. The program delivers, tracks, and manages more than 1,000 e-courses at no cost to more than 1.2 million Navy and Marine Corps active duty personnel, their family members, civilian employees, reservists, and retirees. The program allows students to continue their education, training, and professional development in IT, leadership, management, and several Navy-specific topics through use of the Internet.

Officials at the Naval Education and Training Command stated that the Navy-Marine Corps Video Teletraining Program is the Navy's Video Teletraining

Network The officials further stated that the Navy-Marine Corps Video Teletraining network has two hubs: the Fleet Combat Training Center Atlantic at Dam Neck in Virginia Beach, Virginia; and the Fleet Training Center, San Diego, California. The officials also stated that the Fleet Combat Training Center, Atlantic serves as the Executive Agent for the Navy-Marine Corps Video Teletraining.

Officials at the Naval Education and Training Command stated that approximately \$5.4 million is expended each year for the Video Teletraining Program. Approximate costs attributed to the program include:

- \$3 million for leased classroom equipment and contractor-provided facilitators.
- \$1 million for fleet Video Teletraining installations and support.
- \$0.75 million for dedicated circuits and Integrated Services Digital Network usage charges.
- Additional costs for salaries, miscellaneous equipment, and consumable supplies.

According to Navy E-Learning Program Office officials, as of October 2002, the Video Teletraining Program consisted of 28 Navy shore sites with 36 classrooms and 8 conference rooms, and 25 permanent Video Teletraining installations on ships. The officials stated that Applied Global Technologies is the prime contractor for all shore sites and provides classroom equipment to the Navy under a lease arrangement. The Space and Naval Systems Command provides Video Teletraining installation and support for all fleet sites. The officials further stated that the cost to lease equipment for a 24-seat classroom in the continental United States is \$33,222 per year and that each site requires a T-1 communications line which has an average cost of approximately \$1,500 per month. Although the officials stated that there are no additional instruction costs, certain high-usage classrooms require a contractor-furnished facilitator at an additional cost.

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Auditor General, Department of the Army
Program Executive Office, Enterprise Information Systems
Program Manager, Total Army Distance Learning Program

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy
Chief of Naval Education and Training
Program Manager, Learning Systems

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force
Inspector General, 12th Flying Training Wing
Commander, 12th Contracting Squadron

Other Defense Organizations

Chief, National Guard Bureau
Director, Army National Guard
Director, Air National Guard

Non-Defense Federal Organization

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform

Department of the Army Comments



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

October 16, 2003

MEMORANDUM FOR PROGRAM DIRECTOR, ACQUISITION MANAGEMENT
DIRECTORATE, OFFICE OF THE INSPECTOR GENERAL OF THE DEPARTMENT
OF DEFENSE, 400 ARMY NAVY DRIVE, ARLINGTON, VIRGINIA 22202-4704

SUBJECT: Report of Allegations Concerning Improprieties in Awarding National Guard
Contracts (Project No. D2002AL-0059)

Per recommendation found in your "Draft Report" Subject: same as above, my
office has prepared and submitted a memorandum to the Chief National Guard Bureau
directing a preliminary investigation be conducted to determine if an Antideficiency Act
Violation has occurred. (See enclosed memorandum)

The Army case control number 04-01 has been assigned to this investigation and
should be used for subsequent identification and reporting purposes. A preliminary
report that includes the facts surrounding the alleged violation is due to the Deputy
Assistant Secretary of the Army (Financial Operations) by January 5, 2004.

My point of contact for this action is Mr. Jorge Roca, who can be reached at (703)
693-2774 or email: Jorge.Roca@hqda.army.mil.

A handwritten signature in black ink that reads "William M. Landrum III".

William M. Landrum III
Colonel, Finance Corps
Acting Deputy Assistant Secretary of
the Army (Financial Operations)

Enclosure



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
FINANCIAL MANAGEMENT AND COMPTROLLER
109 ARMY PENTAGON
WASHINGTON DC 20310-0109

October 14, 2003

MEMORANDUM FOR CHIEF NATIONAL GUARD BUREAU, NATIONAL GUARD
READINESS CENTER, 111 SOUTH GEORGE MASON DRIVE, ARLINGTON,
VIRGINIA 22204-1382

SUBJECT: Potential Antideficiency Act Violation Case 04-01

The Office of the Inspector General of the Department of Defense completed their audit of allegations concerning improprieties in awarding National Guard contracts. They have concluded that a Potential Antideficiency Act Violation may have occurred. You are directed to initiate a preliminary investigation within 30 days from the date of this memorandum in accordance with the supplemental guidance to DFAS Regulation 37-1, dated January 2000, and the DoD Financial Management Regulation, Volume 14. The case control number 04-01 has been assigned to this investigation and should be used for subsequent identification and reporting purposes.

The purpose of the preliminary investigation is to ascertain whether or not an Antideficiency Act (ADA) violation occurred. A preliminary report that includes the facts surrounding the alleged violation is due to the Deputy Assistant Secretary of the Army (Financial Operations) by January 5, 2004.

If you determine that an ADA violation has occurred, a complete and final summary report is due by April 5, 2004. If the suspense cannot be met, an interim report is required by the due date providing the reason for the delay and the estimated completion date.

The point of contact for this action is Mr. Jorge Roca, who can be reached at (703) 693-2774 or email: Jorge.Roca@hqda.army.mil.

William M. Landrum III
Colonel, Finance Corps
Acting Deputy Assistant Secretary of
the Army (Financial Operations)

Team Members

The Acquisition Management Directorate, Office of the Deputy Inspector General for Auditing of the Department of Defense prepared this report. Personnel of the Office of the Inspector General of the Department of Defense who contributed to the report are listed below.

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