DoD OIG Report No. DODIG-2012-072 DOI OIG Report No. ER-IN-NBC-0001-2011

A JOINT AUDIT BY THE INSPECTORS GENERAL OF
U.S. DEPARTMENT OF THE INTERIOR AND
U.S. DEPARTMENT of DEFENSE

DoD's FY 2010 Purchases Made Through the Department of the Interior

April 13, 2012

Additional Copies

To obtain additional copies of this report, visit the Web site of the Department of Defense Inspector General at http://www.dodig.mil/audit/reports or contact the Secondary Reports Distribution Unit at (703) 604-8937 (DSN 664-8937) or fax (571) 372-7469.

Suggestions for Audits

To suggest or request audits, contact the Office of the Deputy Inspector General for Auditing by phone (703) 604-9142 (DSN 664-9142), by fax (571) 372-7469, or by mail:

ODIG-AUD (ATTN: Audit Suggestions)
Department of Defense Inspector General
4800 Mark Center Drive (13F25-04)
Alexandria, VA 22350-1500

DEPARTMENT OF DEFENSE hotline

To report fraud, waste, mismanagement, and abuse of authority.

Send written complaints to: Defense Hotline, The Pentagon, Washington, DC 20301-1900
Phone: 800.424.9098 e-mail: hotline@dodig.mil www.dodig.mil/hotline

Acronyms and Abbreviations

AQD	Acquisition Services Directorate
DARPA	Defense Advanced Research Projects Agency
DoD FMR	DoD Financial Management Regulation
DOI	Department of the Interior
FAR	Federal Acquisition Regulation
GAO	Government Accountability Office
GSA	General Services Administration
IGCE	Independent Government Cost Estimate
MIPR	Military Interdepartmental Purchase Request
NASA	National Aeronautics and Space Administration
O&M	Operation and Maintenance
U.S.C.	United States Code
USD AT&L	Under Secretary of Defense for Acquisition, Technology, and Logistics

Department of Defense
4800 Mark Center Drive
Alexandria, Virginia 22350-1500

Department of the Interior
MS4428 - MIB
1849 C Street, NW
Washington, DC 20240

April 13, 2012

MEMORANDUM FOR SECRETARY OF THE INTERIOR
UNDER SECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY, AND LOGISTICS
UNDER SECRETARY OF DEFENSE (COMPTROLLER)/ CHIEF FINANCIAL OFFICER
ASSISTANT SECRETARY OF THE AIR FORCE (FINANCIAL MANAGEMENT AND COMPTROLLER)
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: DoD's FY 2010 Purchases Made Through the Department of the Interior
(DoD Report No. DODIG-2012-072)
(DOI Report No. ER-IN-NBC-0001-2011)

We are providing this report for review and comment. We considered comments from the Secretary of the Interior; Under Secretary of Defense for Acquisition, Technology, and Logistics; Under Secretary of Defense (Comptroller)/Chief Financial Officer; and the Assistant Secretary of the Army (Financial Management and Comptroller) when preparing the final report.

DoD Directive 7650.3 and the DOI Departmental Manual 360 DM 1 require that all recommendations be resolved promptly. The comments from the Secretary of the Interior, Under Secretary of Defense (Comptroller)/Chief Financial Officer, and the Assistant Secretary of the Army (Financial Management and Comptroller) were responsive. However, the comments from the Under Secretary of Defense for Acquisition, Technology, and Logistics were only partially responsive. Therefore, we request comments on Recommendation A.2 by May 14, 2012.

If possible, send a Microsoft Word (.doc) file and portable document format (.pdf) file containing your comments to audacm@dodig.mil. Portable document format (.pdf) copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to us at (703) 604-8901 and (202) 208-5745, respectively.

Amy J. Frontz
for Daniel R. Blair
Deputy Inspector General for Auditing
Department of Defense
Office of Inspector General

Kimberly Elmore
Kimberly Elmore
Assistant Inspector General for
Audits, Inspections, and Evaluations
U.S. Department of the Interior
Office of Inspector General

Report No. DODIG-2012-072 (Project No. D2011-D000CF-0034.000) April 13, 2012
DOI Report No. ER-IN-NBC-0001-2011 (Project No. ER-IN-NBC-0001-2011)

Results in Brief: DoD's FY 2010 Purchases Made Through the Department of the Interior

What We Did

The National Defense Authorization Act for FY 2008 requires the DoD Inspector General and the Department of the Interior (DOI) Inspector General to review DoD procedures for interagency purchases made through DOI. We reviewed 56 contract actions, valued at $133.4 million, which officials from two DOI contracting offices, the Acquisition Services Directorate (AQD)-Herndon and AQD-Sierra Vista, awarded for DoD requesting activities, to determine whether the purchases were made in accordance with laws, policies, and procedures.

What We Found

Generally, DOI contracting and resource management officials complied with laws, policies, and procedures. Prior significant problems with DOI billing DoD in advance and DOI using DoD expired funds have been fixed. Improvements can still be realized in other contracting areas. Specifically:

- AQD-Herndon and AQD-Sierra Vista contracting officials did not support that the prices DoD paid were fair and reasonable for 24 contract actions, valued at $72 million.

- AQD-Herndon contracting officials did not adequately compete two contract actions, valued at $1.3 million, and did not support the use of sole-source contracts for three contract actions, valued at $1.3 million.

- DoD requesting activity officials performed inadequate reviews of contractor cost proposals for 31 contract actions, valued at $77.1 million.

- DoD requesting activity officials prepared inadequate independent Government cost estimates for 38 contract actions, valued at $84.1 million.

- AQD-Herndon and AQD-Sierra Vista used other Federal agencies' and existing DoD contracts to make purchases for DoD for 44 contract actions, valued at $95.3 million.

The price reasonableness problems occurred because AQD-Herndon and AQD-Sierra Vista contracting officials relied on incomplete DoD requesting activities' reviews of contractor cost proposals and inadequate DoD requesting activities independent Government cost estimates as their primary basis for determining that the prices DoD paid were fair and reasonable. The competition problems occurred because AQD-Herndon contracting officials did not attempt to obtain more offers after receiving only one offer.

We also identified five potential bona fide needs rule violations, valued at $6.9 million. The problems occurred because the policy for Economy Act orders and non-Economy Act orders is not consistent. In addition, the "reasonable time" standard for Economy Act orders is unclear. As a result, AQD-Sierra Vista accepted DoD purchases right up to the end of

the fiscal year, sometimes on September 30, 2010. This made it difficult, if not impossible, for contract performance to begin during the funds' period of availability, as required by the DoD Regulation 7000.14-R, "DoD Financial Management Regulation" (DoD FMR). We also determined that 38 of 81 DoD military interdepartmental purchase requests (MIPRs), related to 27 of the 56 contract actions, were not specific. The MIPRs were not specific because DoD requesting activities did not follow existing guidance related to the need to be specific when defining requirements.

What We Recommend

The Secretary of the Interior should direct the DOI National Business Center to instruct AQD-Herndon and AQD-Sierra Vista to inform DoD requesting agencies of their intent to use DoD contracts and contracts from other Federal agencies for DoD purchases and to better support price reasonableness determinations for DoD purchases. Likewise, the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD AT&L) should instruct DoD requesting activities to obtain prior approval from their respective heads of contracting when DOI prepares to use other Federal agencies' contracts for DoD purchases.

The Under Secretary should also initiate a change to the Defense Federal Acquisition Regulation Supplement to include information contained in the USD AT&L November 24, 2010, and April 27, 2011, memoranda.

The Under Secretary of Defense (Comptroller)/Chief Financial Officer should change the DoD FMR so that policy for Economy Act orders matches that for non-Economy Act orders, requiring severable services to begin during the funds' period of availability. The Comptroller should also instruct DoD Components to comply with existing guidance on the need to be specific in defining requirements, including a clear description of the services or goods being purchased and a period of performance, when they prepare MIPRs.

The Assistant Secretary of the Army (Financial Management and Comptroller) should instruct activities having potential bona fide needs rule violations to initiate action and oversee the process to adjudicate the potential violations.

Management Comments and Our Response

The Secretary of the Interior agreed with the recommendations, and the comments were responsive. The Secretary of the Interior agreed to strengthen the Interior's process of informing DoD requesting activities of the intent to use contracts from other Federal agencies. The USD AT&L agreed with the recommendations; however, his comments were not fully responsive. The USD AT&L stated that DoD had generated multiple Defense Federal Acquisition Regulation Supplement cases including Case 2011-D013. The USD AT&L did not address the action his office is going to take to instruct DoD requesting activities to obtain prior approval from their respective heads of contracting when DOI prepares to use other Federal agencies' contracts for DoD purchases. Therefore, we request that the USD AT&L provide additional comments in response to the final report. The Under Secretary of Defense (Comptroller)/Chief Financial Officer, and the Assistant Secretary of the Army (Financial Management and Comptroller) agreed with the recommendations, and the comments were responsive. The Under Secretary of Defense (Comptroller)/Chief Financial Officer agreed to update the DoD FMR and to issue a policy memorandum to remind Components to adhere to existing guidance in the DoD FMR. The Assistant Secretary of the Army (Financial Management and Comptroller) agreed to review the five contracts and issue guidance directing the appropriate commands to provide additional information and report violations to his office. Please see the recommendations table on the next page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Secretary of the Interior		A.1
Under Secretary of Defense for Acquisition, Technology, and Logistics	A.2.a	A.2.b
Under Secretary of Defense (Comptroller)/Chief Financial Officer		B.1
Assistant Secretary of the Army (Financial Management and Comptroller)		B.2

Please provide comments by date May 14, 2012.

Table of Contents

Introduction 1

Objective 1
Legislation and Congressional Report Requirement 1
Background 2
Review of Internal Controls 4

Finding A. DOI Complied With Laws, Policies, and Procedures, but Improvement Is Needed 5

DOI Complied With Section 801 Requirements 6
Prior Significant Problems Have Been Fixed 6
Price Reasonableness Problems Occurred 6
Competition and Sole-Source Problems Occurred 7
DoD Reviews of Contractor Cost Proposals Were Inadequate 9
Information in IGCEs Was Not Supported 11
DoD Paid Unnecessary Fees When DOI Used Other Federal Agencies' Contracts to Make Purchases for DoD 11
Conclusion 14
Recommendations, Management Comments, and Our Response 15

Finding B. Potential Bona Fide Needs Rule Violations 17

Applicable Criteria 17
Five Potential Bona Fide Needs Rule Violations 18
Contributing Factors 22
DoD MIPRs Were Not Specific 23
Conclusion 23
Recommendations, Management Comments, and Our Response 24

Appendices

A. Scope and Methodology 26
Universe Information 26
Sample Information 26
Use of Computer-Processed Data 27
B. Prior Coverage 28
C. DoD Purchases Reviewed 30
D. AQD-Herndon Contracting Problems 36
E. AQD-Sierra Vista Contracting Problems 38
F. MIPRs That Were Not Specific 40

Table of Contents (cont'd)

Management Comments

Department of the Interior 42
Under Secretary of Defense for Acquisition, Technology, and Logistics Comments 45
Under Secretary of Defense (Comptroller)/Chief Financial Officer 46
Department of the Army 48

Introduction

Objective

Our overall objective was to determine whether contract actions for purchases that two Department of the Interior (DOI) contracting offices, Acquisition Services Directorate (AQD)-Herndon and AQD-Sierra Vista, made for DoD requesting activities were in compliance with laws, policies, and procedures. Specifically, we examined whether:

- DOI complied with defense procurement requirements,
- adequate competition occurred,
- goods and services purchased were obtained at fair and reasonable prices, and
- DoD funds were used appropriately.

See Appendix A for a discussion of the scope and methodology and Appendix B for prior coverage related to the objectives.

Legislation and Congressional Report Requirement

We performed this audit pursuant to Public Law 110-181, "The National Defense Authorization Act for Fiscal Year 2008," section 801, "Internal controls for procurements on behalf of the Department of Defense by certain non-Defense agencies," January 28, 2008. Section 801 requires the following Inspector General reviews:

"(a) INSPECTORS GENERAL REVIEWS AND DETERMINATIONS.—

(1) IN GENERAL.—For each covered non-defense agency, the Inspector General of the Department of Defense and the Inspector General of such covered non-defense agency shall, not later than the date specified in paragraph (2), jointly—

(A) review—

(i) the procurement policies, procedures, and internal controls of such covered non-defense agency that are applicable to the procurement of property and services on behalf of the Department by such covered non-defense agency; and

(ii) the administration of such policies, procedures, and internal controls; and

(B) determine in writing whether such covered non-defense agency is or is not compliant with defense procurement requirements.

(2) DEADLINE FOR REVIEWS AND DETERMINATIONS.—The reviews and determinations required by paragraph (1) shall take place as follows:

(A) In the case of the General Services Administration, by not later than March 15, 2010.

(B) In the case of each of the Department of the Treasury, the Department of the Interior, and the National Aeronautics and Space Administration, by not later than March 15, 2011.

(C) In the case of each of the Department of Veterans Affairs and the National Institutes of Health, by not later than March 15, 2012."

On March 14, 2011, we provided letters and debrief charts to the U.S. House Committee on Armed Services and the U.S. Senate Armed Services Committee, which included the results of our audit.

Background

Interagency acquisition is the procedure by which an agency needing supplies or services obtains them by means of another agency's contract, the acquisition assistance of another agency, or both. Interagency acquisitions typically involve two Government agencies: the requesting agency, which has the requirement, and the servicing agency, which provides the acquisition support, administers the contract, or both. There are two types of interagency acquisitions: direct acquisition and assisted acquisition. In direct acquisition, the requesting agency places an order against the servicing agency's indefinite-delivery vehicle. The servicing agency manages the indefinite-delivery vehicle but does not participate in the placement of an order. In assisted acquisition, the servicing agency and requesting agency enter into an interagency agreement, where the servicing agency performs acquisition activities on the requesting agency's behalf. The servicing agency is responsible for awarding a contract, task order, or delivery order and for appointing a contracting officer's representative. The 56 contract actions reviewed during this audit were assisted acquisitions, which two DOI National Business Center contracting activities executed for purchases on behalf of DoD requesting activities during FY 2010. Appendix C provides details on each of the 56 contract actions.

The National Business Center

The National Business Center, created within DOI on April 1, 1999, includes seven directorates:

- Acquisition Services,
- Aviation Services,
- Consulting and Performance Management Services,
- Financial and Business Management Services,
- Human Resource Services,
- Information Technology Services, and
- Other DOI Support Services.

The 56 contract actions reviewed in this report were related to the Acquisition Services Directorate. There are five contracting offices within AQD, in Boise, Idaho; Denver, Colorado; Herndon, Virginia; Sierra Vista, Arizona; and Washington, D.C. AQD-Herndon and AQD-Sierra Vista awarded the 56 contract actions we reviewed. We selected these contracting offices because they obligated more funds for DoD purchases than the other contracting offices.

DoD Business With DOI in FY 2010 Was Significant

As Figure 1 shows, a large portion of AQD-Herndon and AQD-Sierra Vista contract actions were for DoD. During FY 2010, AQD-Herndon executed 1,001 contract actions, which obligated $1.1 billion of funds. Of these, 347 contract actions, which obligated

funds of $521.1 million, were for assisted acquisitions that AQD-Herndon made on behalf of DoD customers. Accordingly, 48 percent of AQD-Herndon's FY 2010 obligations were for DoD purchases. During the same time period, AQD-Sierra Vista executed 640 contract actions, which obligated $498.7 million of funds. Of these, 464 contract actions, with obligated funds of $434.3 million, were for assisted acquisition purchases that AQD-Sierra Vista made on behalf of DoD customers. Accordingly, 87 percent of AQD-Sierra Vista's FY 2010 obligations were for DoD purchases.

Figure 1. Proportion of Contract Actions Performed for DoD Purchases at AQD-Herndon and AQD-Sierra Vista in FY 2010

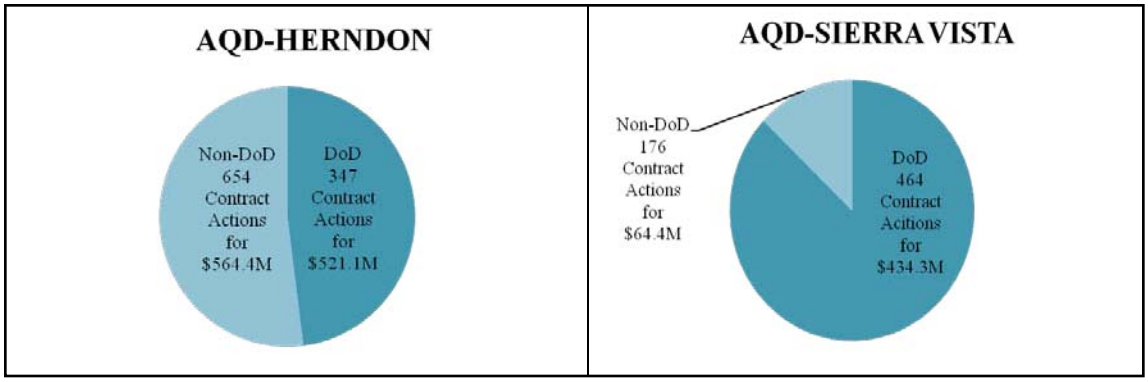
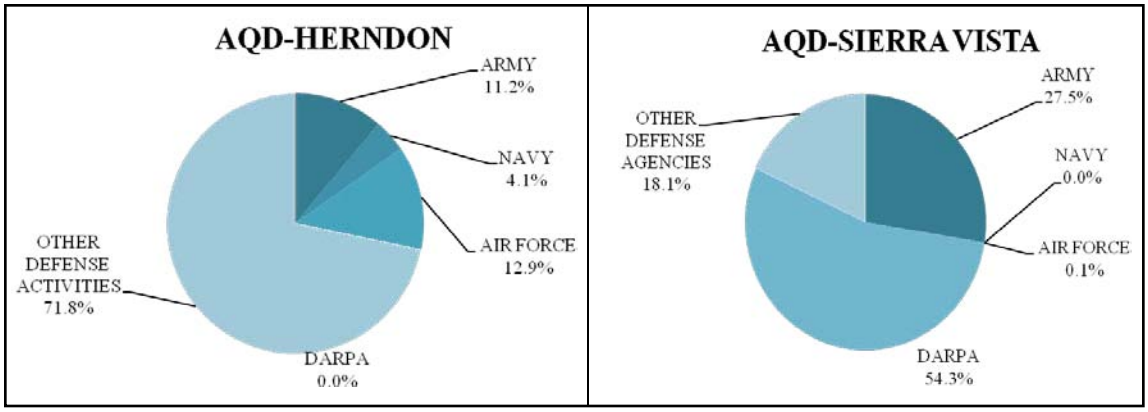


Figure 2 identifies the various DoD activities that used AQD-Herndon and AQD-Sierra Vista for assisted acquisitions during FY 2010. The Defense Advanced Research Projects Agency (DARPA) is separated from other DoD agencies to better show its significant use of AQD-Sierra Vista.

Figure 2. DoD Activities That Used AQD-Herndon and AQD-Sierra Vista in FY 2010



Contract Actions We Reviewed

We nonstatistically selected 56 FY 2010 AQD-Herndon and AQD-Sierra Vista contract actions, valued at $133.4 million, for review. AQD-Herndon awarded 28 of the 56 contract actions, valued at $63.5 million, for 16 DoD requesting activities. AQD-Sierra Vista also awarded 28 contract actions, valued at $69.9 million, for 12 DoD requesting activities.

Fifty of the 56 contract actions were for services, and 6 were for products. We used the Federal Procurement Data System-Next Generation database to determine the contract actions we reviewed.

We reviewed the contract actions for the following issues:

- compliance with defense procurement requirements,
- advance billing,
- use of expired funds,
- furniture purchases,
- competition,
- price reasonableness determinations, and
- use of funds.

Various Contracting Methods DOI Used for DoD Purchases

AQD-Herndon and AQD-Sierra Vista contracting officials used a variety of contracting methods for the 56 contract actions (see Table 1). These included other Federal agencies' contracts, such as the General Services Administration (GSA) Federal supply schedules; existing DoD contacts; an existing National Aeronautics and Space Administration (NASA) contract; and new and existing DOI contracts.

Table 1. Contracting Methods Used for DoD Purchases

DOI Contracting Office	GSA Federal Supply Schedules	Existing DoD Contract	Existing NASA Contract	Existing DOI Contract	New DOI Contract	Total
AQD-Herndon	13	10	1	2	2	28
AQD-Sierra Vista	20			6	2	28
Total	**33**	**10**	**1**	**8**	**4**	**56**

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program (MICP) Procedures," July 29, 2010, and the DOI Departmental Manual 360 DM 1, requires DoD and DOI 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. We identified internal control weaknesses when, AQD-Herndon and AQD-Sierra Vista contracting officials relied on incomplete DoD reviews of contractor cost proposals and independent Government cost estimates (IGCEs) as their primary basis for determining that the prices paid were fair and reasonable. Accordingly, DoD did not have adequate assurance that the prices it paid were fair and reasonable or that it obtained best value. In addition, DoD and AQD-Sierra Vista did not always follow the bona fide needs rule, and DoD funding documents were not specific. We will provide a copy of the report to the senior official responsible for internal controls in the offices of the Under Secretary of Defense for Acquisition, Technology and Logistics; the Under Secretary of Defense (Comptroller)/Chief Financial Officer; and the DOI National Business Center.

Finding A. DOI Complied With Laws, Policies, and Procedures, but Improvement Is Needed

Generally, DOI contracting offices AQD-Herndon and AQD-Sierra Vista contracting and resource management officials complied with laws, policies, and procedures. Prior significant problems with purchases made by DOI—billing DoD in advance and using DoD expired funds—have been fixed. DOI can still improve support for price reasonableness determinations, and DoD requesting activities can improve on proposal reviews and IGCEs. Specifically:[*]

- Of 48 contract actions, valued at $102.6 million, AQD-Herndon and AQD-Sierra Vista contracting officials did not support that the prices DoD paid were fair and reasonable for 24 contract actions, valued at $72 million.

- Of 45 contract actions, valued at $101.8 million, AQD-Herndon contracting officials did not adequately compete 2 contract actions, valued at $1.3 million, and did not support the use of sole-source contracts for 3 contract actions, valued at $1.3 million.

- Of 42 contract actions, valued at $91.4 million, DoD requesting activity officials performed inadequate reviews of contractor cost proposals for 31 contract actions, valued at $77.1 million.

- Of 40 contract actions, valued at $89.6 million, DoD requesting activity officials prepared inadequate IGCEs for 38 contract actions, valued at $84.1 million.

- Of 56 contract actions, valued at $133.4 million, AQD-Herndon and AQD-Sierra Vista used other Federal agencies' contracts and existing DoD contracts to make purchases for DoD for 44 contract actions, valued at $95.3 million.

The price reasonableness problems occurred because AQD-Herndon and AQD-Sierra Vista contracting officials relied on incomplete DoD reviews of contractor cost proposals and IGCEs as their primary basis for determining that the prices paid were fair and reasonable. The competition problems occurred because AQD-Herndon and AQD-Sierra Vista contracting officials did not attempt to obtain more offers after receiving only one offer and also because they advertised requirements for short periods of time. The sole-source problems occurred due to poor acquisition planning. Until DoD and DOI resolve these contracting issues, DoD will not be assured that it is receiving best value when using DOI for making interagency acquisitions.

---

[*]Overall, we reviewed 56 contract actions. Eight of the contract actions were modifications to contracts or orders issued under existing contracts; therefore, we did not review these for competition or pricing issues. That is why the denominators in the bulleted information are different.

DOI Complied With Section 801 Requirements

Congress enacted section 801 of the FY 2008 National Defense Authorization Act because of abuses related to DoD purchases made through other agencies. Section 801 requires the following for Inspector General reviews:

> (b) LIMITATION ON PROCUREMENTS ON BEHALF OF DEPARTMENT OF DEFENSE.—
>
> (1) Except as provided in paragraph (2), an acquisition official of the Department of Defense may place an order, make a purchase, or otherwise procure property or services for the Department of Defense in excess of the simplified acquisition threshold through a non-defense agency only if—
>
> (A) in the case of a procurement by any non-defense agency in any fiscal year, the head of the non-defense agency has certified that the non-defense agency will comply with defense procurement requirements for the fiscal year.

Generally, DOI contracting and resource management officials complied with section 801 of the National Defense Authorization Act for Fiscal Year 2008.

Prior Significant Problems Have Been Fixed

Problems that had been identified in past DOI audits, specifically advance billing and the use of expired DoD funds, did not reoccur. DOI did not bill in advance or use expired DoD funds. However, we determined that none of the 56 contract actions we reviewed were for furniture purchases. As a result of the furniture problems identified in DoD Inspector General Report No. D-2008-122, "Follow-up on DoD Purchases Made Through the Department of the Interior," August 18, 2008, the Director, Defense Procurement and Acquisition Policy, issued a memorandum on March 27, 2008, that imposed restrictions on furniture purchases. The memorandum stated:

> Interagency agreements with the Department of the Interior's Herndon and AQD-Sierra Vista locations for requirements for furniture may only be accepted and executed by the Associate Director, Acquisition Services, or his designee(s). In no event may DoD Components send an interagency agreement for any furniture requirement after July 1, or any fiscal year, regardless of the expected delivery date of the requirement.

In response to the Director's restrictions, the Associate Director of the DOI National Business Center, Acquisition Services Directorate, delegated his authority to accept DoD requirements for furniture to an Acquisition Services Directorate Division Chief. We did not identify any instances where AQD-Herndon or AQD-Sierra Vista purchased furniture on behalf of DoD during FY 2010.

Price Reasonableness Problems Occurred

Of 48 contract actions, valued at $102.6 million, AQD-Herndon and AQD-Sierra Vista contracting officials did not support that the prices DoD paid were fair and reasonable for 24 contract actions, valued at $72 million. The price reasonableness problems were

related to contract actions for services that involved only one offer. The price reasonableness problems occurred because AQD-Herndon and AQD-Sierra Vista contracting officials relied primarily on inadequate DoD reviews of contractor cost proposals and inadequate DoD IGCEs to support that the prices DoD paid were fair and reasonable. For 10 contract actions, AQD-Sierra Vista contracting officials did not even state whether the overall prices were fair and reasonable. Appendices D and E identify the individual AQD-Herndon and AQD-Sierra Vista contract actions that had price reasonableness problems. DOI also had price reasonableness problems involving contract actions for the purchases of services involving only one offer during three prior DOI audits, (see Table 2).

The price reasonableness problems occurred because AQD-Herndon and AQD-Sierra Vista contracting officials relied primarily on inadequate DoD reviews of contractor cost proposals and inadequate DoD IGCEs to support that the prices DoD paid were fair and reasonable.

Table 2. Price Reasonableness Problems Identified During Prior DOI Audits

DoD IG Report Title	Report Number	Report Date	No. of Contract Actions With Price Reasonableness Problems (Services)
FY 2005 DoD Purchases Made Through the Department of the Interior	D-2007-044	01/16/07	20 of 24
FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior	D-2008-066	03/19/08	4 of 24
Follow-up on DoD Purchases Made Through the Department of the Interior	D-2008-122	08/18/08	6 of 22

Competition and Sole-Source Problems Occurred

Of 45 contract actions, valued at $101.8 million, AQD-Herndon contracting officials did not adequately compete 2 contract actions, valued at $1.3 million, and did not support the use of sole-source contracts for 3 contract actions, also valued at $1.3 million. For two contract actions, AQD-Herndon did not attempt to obtain more than one quote. For three contract actions, AQD-Herndon's use of sole-source justifications resulted from poor acquisition planning rather than a legitimate need (see Table 3).

Table 3. Inadequate Use of Sole-Source Contracts

AQD-Herndon Contract Action	Information Contained in Contract Award Summaries
INN10PD18216	It would be impractical to conduct a meaningful competition by the time the current task order expires February 28, 2010, without a break in service.
INN10PD18224	It would be impractical to conduct a meaningful competition by the time the current task order expires on February 28, 2010, without a break in service.
INN10PD18229	The current task order expires March 4, 2010, and cannot be extended.*

*The Justification and Approval was not signed until March 3, 2010.

AQD-Sierra Vista did not have any competition problems. Appendix D identifies the AQD-Herndon contract actions that had competition and sole-source problems.

DOI Advertised DoD Purchases for Short Periods of Time

Of the 45 contract actions, valued at $101.8 million, 9 contract actions, valued at $30.5 million, were advertised for short periods of time. The nine requests for quote were advertised for 22 days or less, and eight of the nine were advertised for 16 days or less (see Table 4).

Table 4. Contract Actions Advertised for Short Periods of Time

Contract Action	Contract Action Amount	Number of Offers Received	Days RFQ* Advertised
INN10PD18350	$216,688	1	15 days
INN10PD18352	216,688	1	11 days
INN10PD18140	1,086,126	1	14 days
INN10PD18425	213,469	1	11 days
INN10PD20046	11,714,234	1	22 days
INN10PD20038	11,028,479	1	15 days
IND10PD20053	526,358	1	5 days
IND10PD20062	2,287,040	1	4 days
IND10PD20029	3,207,434	1	16 days
Total	**$30,496,516**		

*Request for quote.
Note: Amounts are rounded.

The Director, Defense Procurement and Acquisition Policy, issued two memoranda to DoD Components, providing guidance on solicitations that are open for fewer than 30 days and receive only one offer. On November 24, 2010, the Director issued "Improving Competition in Defense Procurements." The memorandum stated:

> If a solicitation was open for less than 30 days and only one offer was received, the contracting officer shall re-advertise the solicitation for a

> minimum of an additional 30 days unless a waiver is obtained from the head of the contracting activity. Further, if the solicitation was open for at least 30 days, or has been re-advertised and still only one offer is received, the contracting officer shall conduct negotiations with the offeror, unless this requirement is specifically waived by the head of the contracting activity. The basis for these negotiations shall be either certified cost or pricing data or other than certified cost or pricing data, as appropriate. In no event, should the negotiated price exceed the price originally offered.

On April 27, 2011, the Director issued another memorandum, "Improving Competition in Defense Procurements – Amplifying Guidance," in response to questions raised about the earlier memorandum. The April 27, 2011, memorandum stated:

> The policy guidance set out in the November 24, 2010, memorandum is applicable to all competitive procurements of supplies and services above the Simplified Acquisition Threshold (SAT), including commercial items and construction. Further, it covers procurements accomplished under the procedures in Federal Acquisition Regulation (FAR) and Defense Federal Acquisition Regulation Supplement (DFARS) parts/subparts 8.4, 12, 13, 14, 15, and 16.5. Exceptions to this policy are procurements in support of emergency acquisitions for contingency operations, humanitarian assistance, disaster relief, peacekeeping operations, or recovery from nuclear, biological, chemical, or radiological attacks against the United States.

The Director issued the memoranda after DOI awarded the 56 contract actions. Nevertheless, the memoranda should also apply to other Federal agencies that perform assisted interagency acquisitions for DoD. Accordingly, the Under Secretary of Defense for Acquisition, Technology and Logistics should initiate a change to the Defense Federal Acquisition Regulation Supplement to include information contained in both policy memoranda.

DoD Reviews of Contractor Cost Proposals Were Inadequate

Of 42 contract actions, valued at $91.4 million, DoD requesting activity officials performed inadequate reviews of contractor cost proposals for 31 contract actions, valued at $77.1 million. DoD reviews consisted of cursory statements instead of a specific analysis that explained the appropriateness of the various cost elements in the contractors' cost proposals. The inadequate reviews caused more problems. Specifically, AQD-Herndon and AQD-Sierra Vista contracting officials used the inadequate reviews to support that the prices DoD paid were fair and reasonable. The reviews were especially important for contract actions involving only one offer. In the following review for contract action N10PD18229, valued at $956,277, DoD requesting activity officials did not state whether DoD officials determined that the

DoD reviews consisted of cursory statements instead of a specific analysis that explained the appropriateness of the various cost elements in the contractors' cost proposals.

contractor-proposed labor hours were adequate, or even whether DoD officials reviewed labor hours.

> 4 March 2010
>
> Army National Guard has reviewed the NOBLIS' response to RFQ#N10PS18229 and find it technically responsive and acceptable.
>
> The labor categories and skill levels appear reasonable to accomplish the ongoing tasks except for the addition of a new labor category of "Senior Principal." Since it is not clear what the function of the Senior Principal will be, we are recommending removing the labor category.

In the review for contract action N10PD20038, valued at $11 million, instead of a detailed analysis, the review of the contractor's cost proposal consisted of a checklist with no explanation of how the reviewer determined that the various cost elements were appropriate.

> FROM: U.S. Army National Guard, Training Division, 111 S. George Mason Drive, Arlington, VA 22204
>
> SUBJECT: Technical Evaluation of Proposal Entitled "EXPORTABLE COMBAT TRAINING CAPABILITY PREPARATION, EXECUTION, AND POST EXERCISE ACTIVITIES for the 2010 Exportable Combat Training Capability Bridge," dated 21 May 2010, SRI Proposal EXU 10-144R1
>
> 1) My review of labor categories and mix proposed finds the proposal appropriate.
> ■ Yes ☐ No ☐ N/A ☐ Yes with comments_____ ☐ No with comments_____
>
> 2) Proposed ODCs were detailed and are appropriate for the task.
> ■ Yes ☐ No ☐ N/A ☐ Yes with comments_____ ☐ No with comments_____
>
> 3) Personal proposed are qualified to perform work (education, experience, certifications)
> ■ Yes ☐ No ☐ N/A ☐ Yes with comments_____ ☐ No with comments_____
>
> 4) The quantity of labor hours is appropriate to do the task.
> ■ Yes ☐ No ☐ N/A ☐ Yes with comments_____ ☐ No with comments_____
>
> 5) I have read and fully comprehend the proposal.
> ■ Yes ☐ No ☐ N/A ☐ Yes with comments_____ ☐ No with comments_____
>
> 6) Travel estimates + costs are appropriate for the task.
> ■ Yes ☐ No ☐ N/A ☐ Yes with comments_____ ☐ No with comments_____
>
> 7) To the best of my knowledge, this proposal satisfies all aspects of the requirements
> ■ Yes ☐ No ☐ N/A ☐ Yes with comments_____ ☐ No with comments_____

Appendices D and E identify the respective AQD-Herndon and AQD-Sierra Vista contract actions in which DoD requesting activities performed inadequate reviews of contractor cost proposals. During three prior DOI audits, we also identified problems related to inadequate reviews of contractor cost proposals (see Table 5).

Table 5. Inadequate Reviews of Contractor Cost Proposals Identified During Three Prior DOI Audits

DoD-IG Report Title	Report No.	Report Date	No. of Contract Actions With Inadequate DoD Reviews of Contractor Cost Proposals (Services)
FY 2005 DoD Purchases Made Through the Department of the Interior	D-2007-044	01/16/07	19 of 24
FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior	D-2008-066	03/19/08	3 of 24
Follow-up on DoD Purchases Made Through the Department of the Interior	D-2008-122	08/18/08	6 of 22

Information in IGCEs Was Not Supported

Of 40 contract actions for services, valued at $89.6 million, DoD requesting activity officials prepared inadequate IGCEs for 38 contract actions, valued at $84.1 million. Specifically, the DoD requesting activity provided IGCEs that did not identify the preparer, when they were prepared, how the preparer developed the estimated costs, and what reference materials the preparer used. The IGCEs were important because AQD-Herndon and AQD-Sierra Vista contracting officials used them to evaluate the prices proposed by contractors. Appendices D and E identify the respective AQD-Herndon and AQD-Sierra Vista contract actions in which DoD requesting activities prepared inadequate IGCEs. Two prior DOI audits also identified problems related to inadequate IGCEs for service contracts (see Table 6).

Table 6. Prior DOI Audits That Identified IGCE Problems

DoD-IG Report Title	Report No.	Report Date	No. of Contract Actions With IGCE Problems (Services)
FY 2005 DoD Purchases Made Through the Department of the Interior	D-2007-044	01/16/07	22 of 24
FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior	D-2008-066	03/19/08	11 of 11

DoD Paid Unnecessary Fees When DOI Used Other Federal Agencies' Contracts to Make Purchases for DoD

DoD paid AQD-Herndon and AQD-Sierra Vista $2.9 million in unnecessary fees for its contracting support for 44 contract actions, valued at $95.3 million, of 56 contract actions, valued at $133.4 million. Specifically, AQD-Herndon and AQD-Sierra Vista

used other Federal agencies' contracts and existing DoD contracts to make the purchases for DoD. Of the 44 contract actions:

- 33 contract actions, valued at $68.9 million, were GSA Federal supply schedule orders,
- 10 contract actions, valued at $24.4 million, were orders issued under existing DoD contracts, and
- 1 contract action, valued at $2 million, was an order issued from a NASA Solutions for Enterprise-Wide Procurement contract.

While AQD-Herndon and AQD-Sierra Vista contracting officials were permitted to use other Federal agencies' contracts for DoD purchases, DoD requesting activities should be required to obtain approval from their head of contracting for these types of purchases. In addition, DoD contracting offices should have had the expertise to make purchases such as help desk services and life preservers, which AQD-Herndon purchased for the Army and Navy from two of the contracts we reviewed. Appendix C identifies the contract vehicle used for the 56 contract actions reviewed in this report.

DoD Paid Unnecessary Fees When DOI Used GSA Federal Supply Schedule

DoD paid AQD-Herndon and AQD-Sierra Vista unnecessary estimated service fees of $2.1 million for GSA Federal supply schedule orders for 33 contract actions, valued at $68.9 million. The fees ranged from 1.5 to 5 percent, for an average of approximately 2.99 percent of the total amount obligated. Overall, during FY 2010, AQD-Herndon and AQD-Sierra Vista contracting officials used GSA Federal supply schedules for 203 contract actions, valued at $181.1 million, for purchases made on behalf of DoD. DoD would have paid AQD-Herndon and AQD-Sierra Vista service fees for these purchases. During two previous DOI interagency audits, AQD-Herndon and AQD-Sierra Vista contracting officials used GSA Federal supply schedules to make purchases for DoD for 46 of 92 contract actions (see Table 7).

Table 7. Prior Audits Showing DOI Use of GSA Federal Supply Schedules for DoD Purchases

DoD IG Report Title	Report No.	Report Date	No. of Contract Actions Made Using GSA Federal Supply Schedules
FY 2005 DoD Purchases Made Through the Department of the Interior	D-2007-044	01/16/07	19 of 49
FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior	D-2008-066	03/19/08	27 of 43
Total			**46 of 92**

DoD Paid Unnecessary Fees When DOI Used Existing DoD Contracts

DoD paid AQD-Herndon unnecessary fees of $650,460 for contracting support for 10 contract actions, valued at $24.4 million. AQD-Herndon contracting officials used existing DoD contracts to make those purchases for DoD (see Table 8).

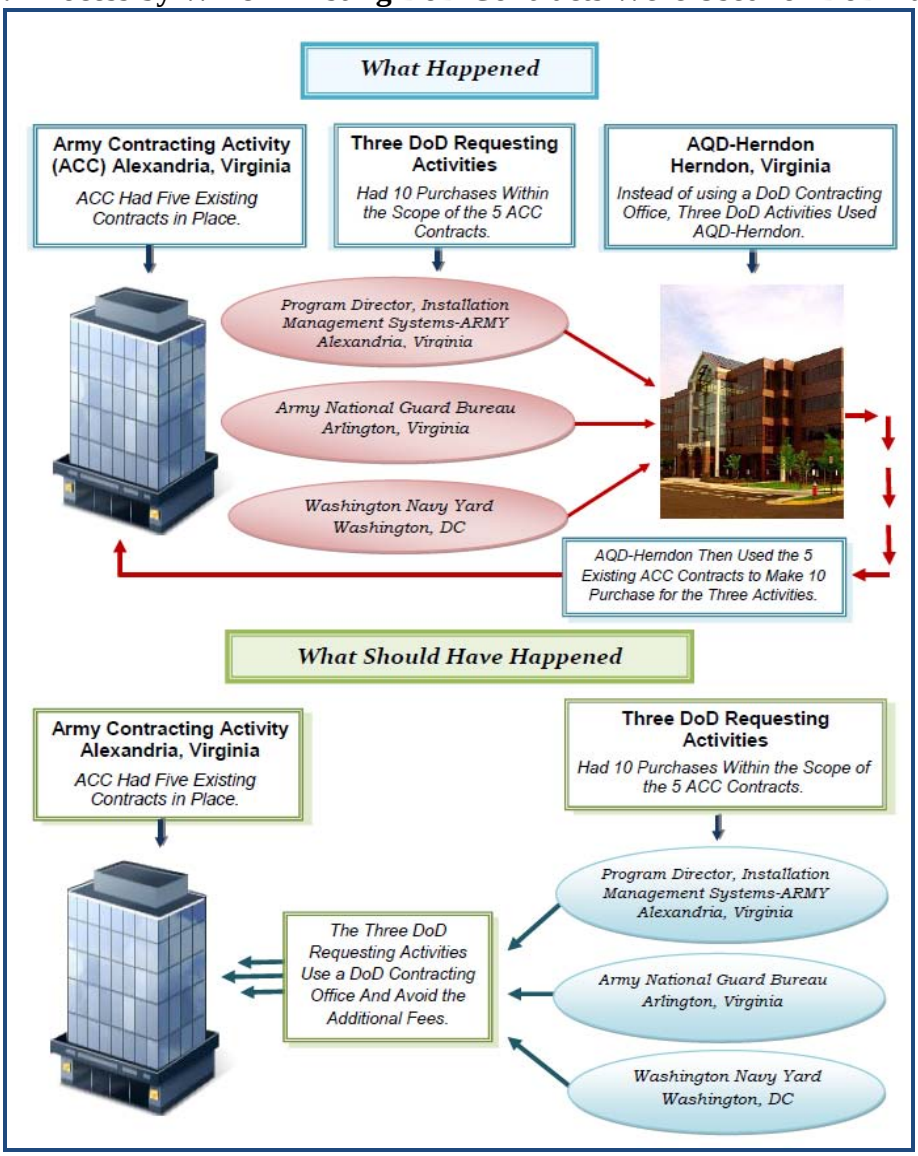
Table 8. Existing DoD Contracts That AQD-Herndon Used for DoD Purchases

DoD Contract	AQD-Herndon Order	Award Amount	Fees Paid
W91QUZ09D0043	INN10PD18265	$3,782,801	$113,484
W91QUZ06D0016	INN10PD18153	1,500,000	48,788
	INN10PD18153/01	522,920	20,917
	INN10PD18153/03	50,000	2,000
W91QUZ07D0006	INN10PD18428	18,755	750
W91QUZ07D0004	INN09PD10053/08	10,522,821	263,071
	INN09PD10053/09	5,346,558	133,664
	INN09PD10053/11	300,128	7,503
	INN09PD10053/14	2,274,824	56,871
DABL0103A1006	IND10PD18613	85,288	3,412
Total		**$24,404,095**	**$650,460**

Note: Amounts are rounded.

The DoD contracting activity that awarded the contracts and the three DoD requesting activities that used AQD-Herndon are all located in the Washington metropolitan area (see Figure 3). According to the contract files, the DoD requesting activities instructed AQD-Herndon to use the DoD contracts for their purchases. This situation also occurred in two previous audits. DoD Inspector General Report No. D-2007-044, "FY 2005 DoD Purchases Made Through the Department of the Interior," January 16, 2007, disclosed that AQD-Herndon contracting officials awarded 49 contract actions from existing DoD contracts in FY 2005 for DoD purchases. DoD Inspector General Report No. D-2008-007, "Task Orders on the Air Force Network-Centric Solutions Contract," October 25, 2007, disclosed that the GSA placed 91 orders for DoD customers on Air Force contracts.

Figure 3. Process by Which Existing DoD Contracts Were Used for DoD Purchases



DoD Paid Unnecessary Fees When DOI Used a NASA Contract

DoD paid AQD-Herndon $101,626.37 in unnecessary fees for its contracting support for one contract action, valued at $2 million. AQD-Herndon contracting officials used an existing NASA contract for the DoD purchase.

Conclusion

The price reasonableness problems occurred because AQD-Herndon and AQD-Sierra Vista contracting officials relied on DoD requesting activities' inadequate reviews of contractor cost proposals and IGCEs as their primary basis for determining that the prices paid were fair and reasonable. The competition problems occurred because AQD-Herndon and AQD-Sierra Vista contracting officials did not attempt to obtain more offers after receiving only one offer and they advertised requirements for short periods of time,

which may have been the reason only one offer was received. Until DoD and DOI resolve the issues in this finding, DoD will not be assured that it is receiving best value.

Recommendations, Management Comments, and Our Response

A.1 We recommend that the Secretary of the Interior direct the National Business Center to instruct Acquisition Services Directorate-Herndon and Acquisition Services Directorate-Sierra Vista to:

a. Inform DoD requesting activities of their intent to use contracts from other Federal agencies for DoD purchases.

Department of the Interior Comments

The Secretary of the Interior agreed, stating that the Department of the Interior Office of the Secretary, National Business Center Acquisition Services Directorate, will deploy a management corrective action plan by June 30, 2012, to strengthen the Interior's process of informing DoD requesting activities of the intent to use contracts from other Federal agencies for DoD purchases.

b. Better support price reasonableness determinations for contract actions awarded using competitive procedures where only one offer is received.

Department of the Interior Comments

The Secretary of the Interior agreed, stating that the Department of the Interior Office of the Secretary, National Business Center Acquisition Services Directorate, will enhance price reasonableness determinations for contract actions awarded using competitive procedures when only one offer is received. He further stated that the Acquisitions Services Directorate will also implement policies and procedures to ensure that price reasonableness determinations are adequately supported and that competition is sought to the maximum extent practicable. He stated that implementation will be completed by June 30, 2012.

Our Response

The Secretary of the Interior's comments were responsive, and no further comments are required.

A.2. We recommend that the Under Secretary of Defense for Acquisition, Technology, and Logistics:

a. Instruct DoD requesting activities to obtain approval from their Heads of Contracting at their respective contracting activities in situations when Acquisition Services Directorate-Herndon or Acquisition Services Directorate-Sierra Vista intend to use other Federal agencies' contracts to make purchases for DoD.

Under Secretary of Defense for Acquisition, Technology, and Logistics Comments

The Under Secretary of Defense for Acquisition, Technology, and Logistics agreed, stating that his office shared the concern that DoD should be mindful of the fees paid to assisting agencies for services and the use of DoD contract vehicles to meet DoD requirements. He also stated that for both direct and assisted acquisitions, Defense Federal Acquisition Regulation Supplement 217.7802 requires DoD Components to establish and maintain procedures for reviewing and approving orders for supplies and services under non-DoD contracts and for assessing the cost-effectiveness of the approach.

Our Response

The Under Secretary of Defense for Acquisition, Technology, and Logistics comments were nonresponsive. Although the Under Secretary of Defense for Acquisition, Technology, and Logistics agreed, he did not address the action his office is going to take to address the recommendation. Therefore, we request that the Under Secretary of Defense for Acquisition, Technology, and Logistics provide additional comments in response to the final report. The comments should identify specific actions that will ensure that DoD requesting activities obtain approval from their heads of contracting at their respective contracting activities when AQD-Herndon or AQD-Sierra Vista intend to use other Federal agencies' contracts to make purchases for DoD

b. Initiate a change to the Defense Federal Acquisition Regulation Supplement to include information contained in the November 24, 2010, and April 27, 2011, Under Secretary of Defense for Acquisition, Technology, and Logistics memoranda related to improving competition in Defense procurements.

Under Secretary of Defense for Acquisition, Technology, and Logistics Comments

The Under Secretary of Defense for Acquisition, Technology, and Logistics agreed, stating that DoD has generated multiple Defense Federal Acquisition Regulation Supplement cases in support of the Better Buying Power initiative. He further stated that Case 2011-D013 is directly related to improving competition in DoD procurements by implementing a DoD Better Buying Power initiative to address using competitive procedures in procurements in which only one offer is received. He also stated that the Defense Acquisition Regulation Council is in the process of completing its review of public comments and preparing a final rule, which is planned for release sometime in April or May 2012.

Our Response

The Under Secretary of Defense for Acquisition, Technology, and Logistic comments were responsive, and no further comments are required. We reviewed Defense Federal Acquisition Regulation Supplement Case 2011-D013 and determined that its implementation will satisfy our recommendation.

Finding B. Potential Bona Fide Needs Rule Violations

Five potential bona fide needs rule violations, valued at $6.9 million, may have occurred for the following reasons.

- Policy in the DoD Financial Management Regulations for Economy Act orders and non-Economy Act orders was not consistent.

- The "reasonable time" standard for Economy Act orders was unclear.

- AQD-Sierra Vista accepted DoD purchases through September 30, 2010, the last day of the fiscal year. This made it difficult, if not impossible, for contract performance to begin during the funds' period of availability, as required by the DoD Regulation 7000.14-R, "DoD Financial Management Regulation" (DoD FMR).

Of 81 DoD military interdepartmental purchase requests (MIPRs), 38 MIPRs, related to 27 of the 56 contract actions, were not specific. The MIPRs were not specific because DoD requesting activities did not follow existing guidance related to the need to be specific when defining requirements. As a result, DoD did not have adequate assurance that purchases DOI made on behalf of DoD were properly funded.

Applicable Criteria

Bona Fide Needs Rule

Appropriations are generally available for set periods. An agency incurs a legal obligation to pay money within an appropriation's period of availability. Funds are no longer available for use if an agency fails to obligate funds before they expire. Expired funds retain their "fiscal year identity" for 5 years after the end of the period of availability. During this time, the funds are available to adjust existing obligations or to liquidate prior valid obligations.

According to section 1502(a), title 31, United States Code (31 U.S.C. § 1502[a]) appropriations are available for the bona fide needs of an appropriation's period of availability. The bona fide needs rule states:

> The balance of an appropriation or fund limited for obligation to a definite period is available only for payment of expenses properly incurred during the period of availability or to complete contracts properly made within that period of availability and obligated consistent with section 1501 of this title. However, the appropriation or fund is not available for expenditure for a period beyond the period otherwise authorized by law.

Section 1501, Title 31, United States Code

Section 1501, title 31, United States Code, "Documentary Evidence Requirement for Government Obligations" subparagraph (a) states that an amount shall be recorded as an obligation of the United States Government only when supported by documentary evidence of a binding agreement between an agency and another person (including an agency) that is in writing and for a purpose authorized by law.

Antideficiency Act

Congress passed the Antideficiency Act to curb the fiscal abuses that frequently created "coercive deficiencies" that required supplemental appropriations. The Antideficiency Act consists of several statutes, which include administrative and criminal sanctions for unlawful use of appropriated funds (31 U.S.C. §§ 1341, 1342, 1350, 1351, and 1511-1519). These statutory provisions enforce the constitutional budgetary powers entrusted to Congress with respect to the purpose, time, and amount of expenditures made by the Federal Government. Violations of other laws may trigger violations of Antideficiency Act provisions, such as the "bona fide needs rule" (31 U.S.C. § 1502[a]). Violations of the Antideficiency Act may result in administrative and/or criminal sanctions against those responsible.

Economy Act

Section 1535, title 31, United States Code, "Agency Agreements," commonly referred to as the Economy Act, subparagraph (d), states that an order placed or agreement made under this section obligates an appropriation of the ordering agency or unit. The amount obligated is deobligated to the extent that the agency or unit filling the order has not incurred obligations, before the end of the period of availability of the appropriation, in (1) providing goods or services or (2) making an authorized contract with another person to provide the requested goods or services.

DoD Financial Management Regulation

Annual Appropriation Acts define the use of each appropriation and set specific timelines for use of the appropriations. The DoD FMR, volume 2A, chapter 1, provides guidelines on the most commonly used DoD appropriations for determining the correct appropriation to use when planning acquisitions. Chapters 3 and 18 provide guidelines for Economy Act and non-Economy Act orders, respectively.

Section 2410a, Title 10, United States Code

Section 2410a, title 10, United States Code, permits the performance of severable services to begin in one fiscal year and end in the next provided the period of performance does not exceed 12 months.

Five Potential Bona Fide Needs Rule Violations

Five potential bona fide needs rule violations may have occurred (see Table 9). The violations were related to contract actions that AQD-Sierra Vista contracting officials awarded and were subject to the Economy Act. Four of the five potential violations were for severable services, and all five were subject to annual funding fiscal limitations. The

Assistant Secretary of the Army (Financial Management and Comptroller) should instruct activities having potential bona fide needs rule violations to initiate action and oversee the process to adjudicate the potential violations. Each violation is discussed after Table 9.

Table 9. Details Related to the Five Potential Bona Fide Needs Rule Violations

Contract	Contract Award Date	DoD MIPR.	DoD MIPR Amount	DoD Requesting Activity
IND10PD20076	09/30/10	MIPR0HDATIAZ02	$200,000	National Guard Bureau, Arlington, Virginia
IND10PB20014	09/16/10	MIPR0LDOIRE207 and Amendment 1	1,274,831 530,000	U.S. Army Intelligence Center, Fort Huachuca, Arizona
IND10PD20073	09/30/10	MIPR10D1JW0013	1,800,000	Office of the Assistant Secretary of the Army, Manpower and Reserve Affairs
IND10PB20009	09/19/10	MIPR0LDO1RE206	1,658,061	U.S. Army Intelligence Center, Fort Huachuca, Arizona
IND10PD20028	09/08/10	MIPR0LH8ARD041	1,920,000	U.S. Army Medical Command, Fort Sam Houston, Texas
Total			**$6,852,892**	

Note: Amounts are rounded.

Contract Action IND10PD20076

The contractor did not begin performance during the FY 2010 Operation and Maintenance (O&M) funds' period of availability (see Table 10). Instead, performance began on October 1, 2010, which was the beginning of FY 2011. Accordingly, FY 2011 O&M funds should have been used. On September 9, 2010, National Guard Bureau, Camp Dodge, Johnston, Iowa, officials issued MIPR0HDATIAZ02 to provide $200,000 of funds to AQD-Sierra Vista. The funds used were FY 2010 Army National Guard O&M funds, which were available for use until September 30, 2010. The funds were to be used to obtain nonpersonal services, to comply with the DoD Information Assurance Certification and Accreditation Process, as required by the Federal Information Security Management Act of 2002 and DoD Information Assurance Certification and Accreditation Process. On September 30, 2010, AQD-Sierra Vista officials accepted the DoD funds and obligated the funds by awarding contract action IND10PD20076, valued at $189,066. According to documentation in the contract files, the services were severable.

Table 10. Information From Invoice Records for Contract Action IND10PD20076

MIPR and Amount	Invoice	Period Work Was Performed	Invoice Amount
MIPR0HDATIAZ02 $200,000.00	004027	10/01/10 to 10/31/10	$28,750
	004048	11/01/10 to 11/30/10	48,477
	004068	12/01/10 to 12/31/10	15,704
Total			**$92,931**

Note: Amounts are rounded.

Contract Action IND10PB20014

The contractor did not begin performance during the FY 2010 O&M funds' period of availability (see Table 11). Instead, performance began on October 1, 2010, which was the beginning of FY 2011; therefore, FY 2011 O&M funds should have been used. On August 5, 2010, U.S. Army Intelligence Center, Fort Huachuca, Arizona, officials issued MIPR0LDOIRE207 to provide $1,274,831 of funds to AQD-Sierra Vista. On August 13, 2010, U.S. Army Intelligence Center, Fort Huachuca, Arizona, officials issued MIPR0LDOIRE207, amendment 1, to provide an additional $530,000 of funds to AQD-Sierra Vista. The funds on these two MIPRs were FY 2010 Army O&M funds, which were available for use until September 30, 2010. The funds were to be used to obtain contractor expertise for follow-on efforts resulting from the 2009 and 2010 Warfighter Information Capability Assessment of information and intelligence collection, processing, analysis, dissemination, and integration with the combatant commander's information needs. Information in the contract file stated that the services were severable.

Table 11. Information From Invoice Records for Contract Action IND10PB20014

MIPR and Amount	Invoice.	Period Work Was Performed	Invoice Amount
MIPR0LDORE207 $1,274,831.04 Amendment 1 $530,000.00	INV-0001579465	10/01/10 to 10/29/11	$120,280
	INV-0001580035	11/05/10 to 11/26/11	122,403
	INV-0001611381	12/03/10 to 12/31/11	122,134
Total			**$364,817**

Note: Amounts are rounded.

Contract Action IND10PD20073

The contractor did not begin performance during the FY 2010 O&M funds' period of availability (see Table 12). After reviewing how AQD-Sierra Vista used the funds, a potential bona fide needs rule violation occurred whether the services were severable or nonseverable. AQD-Sierra Vista was required by the bona fide needs rule (31 U.S.C. § 1502[a]) and DoD FMR volume 3, chapter 8, paragraph 080303.C to fund the entire contract action, $9,392,385, at award if the services were nonseverable which it did not do (see Government Accountability Office Decision B-317139, June 1, 2009). If the services were severable, the funds used could be FY 2010 funds only if the services began in FY 2010, in order to comply with 10 U.S.C. § 2410(a) and DoD FMR, volume 3, chapter 8, paragraph 080303.C, which did not happen (see Table 12). Section 2410a, title 10, United States Code is a statutory authority that permits the full obligation of severable contracts that begin in 1 fiscal year and end in the next, provided the contract period does not exceed 1 year. The contract period for performance of severable services must begin during the funds' period of availability and may not exceed the funds' period of availability, absent statutory authority or a legally recognized exception. On September 18, 2010, officials from the Office of the Assistant Secretary of the Army, Manpower and Reserve Affairs, issued MIPR10D1JW0013 to provide $1,800,000 of funds to AQD-Sierra Vista. The funds were FY 2010 Army O&M funds, which were available for use until September 30, 2010. The funds were to be used for contractor support to develop, maintain, and provide content support for a Web-based benefits and

counseling information and support system for the Deputy Chief of Staff, G1, Human Resources Policy Directorate. On September 30, 2010, AQD-Sierra Vista officials accepted the DoD funds and obligated the funds by awarding contract action IND10PD20073, valued at $1,773,399. According to information in the contract files, the services were nonseverable.

Table 12. Information From Invoice Records for Contract Action IND10PD20073

MIPR and Amount	Invoice	Period Work Performed	Invoice Amount
MIPR10D1JW0013 $1,800,000.00	FY10-062449	10/08/10 to 10/29/10	$99,448
	FY10-073420	12/03/10 to 12/31/10	257,003
	FY10-065391	11/05/10 to 11/26/10	248,257
	1	10/04/10 to 10/31/10	124,775
	2	11/01/10 to 11/30/10	117,047
	3	12/01/10 to 12/31/10	131,166
Total			**$977,696**

Note: Amounts are rounded.

Contract Action IND10PB20009

The contractor did not begin performance during the FY 2010 O&M funds' period of availability (see Table 13). Instead, performance began on October 1, 2010, which was the beginning of FY 2011. Accordingly, FY 2011 O&M funds should have been used. On August 5, 2010, U.S. Army Intelligence Center of Excellence, Fort Huachuca, Arizona, officials issued MIPR0LDO1RE206, to provide $1,658,061 of funds to AQD-Sierra Vista. The funds were FY 2010 Army O&M funds, which were available for use until September 30, 2010. The funds were to be used to document the intelligence, surveillance, and reconnaissance operations and organizations down to the individual soldier level, across the full spectrum of military operations. On September 24, 2010, AQD-Sierra Vista officials accepted the DoD funds. On September 29, 2010, AQD-Sierra Vista officials issued contract action IND10PB20009, valued at $1,534,951, for this DoD purchase.

Table 13. Information From Invoice Records for Contract Action IND10PB20009

MIPR and Amount	Invoice	Period Work Performed	Invoice Amount
MIPR0LDO1RE206 $1,658,061.25	INV-0001579348	10/01/10 to 10/29/10	$120,413
	INV-0001580062	11/05/10 to 11/26/10	120,413
	INV-0001611396	12/03/10 to 12/24/10	122,218
Total			**$363,044**

Note: Amounts are rounded.

Contract Action IND10PD20028

The contractor did not begin performance during the FY 2010 O&M funds' period of availability (see Table 14). Instead, performance began on October 1, 2010, which was the beginning of FY 2011. Accordingly, FY 2011 O&M funds should have been used. On August 18, 2010, Headquarters U.S. Army Medical Command, Fort Sam Houston,

Texas, officials issued MIPR0LH8ARD041, to provide $1,920,000 of funds to AQD-Sierra Vista. The funds were FY 2010 Defense Health Program O&M funds, which were available for use until September 30, 2010. The funds were to be used for engineering, integration, and support services required to operate, manage, and sustain the technical architecture, platforms, and clinical and business systems required for clinic operations. On September 2, 2010, AQD-Sierra Vista officials accepted the funds. On September 8, 2010, AQD-Sierra Vista officials obligated the funds when awarding contract action IND10PB20028, valued at $1,920,000. According to information in the contract files, the services were severable.

Table 14. Information From Invoice Records of Contract Action IND10PD20028

MIPR and Amount	Invoice	Period Work Performed	Invoice Amount
MIPR0LH8ARD041 $1,920,000.00	261	10/01/10 to 10/31/10	$52,703
	269	11/01/10 to 11/30/10	118,581
	301	12/01/10 to 12/31/10	160,808
Total			**$332,092**

Note: Amounts are rounded.

Contributing Factors

The policy in the DoD Financial Management Regulations for Economy Act orders and non-Economy Act orders is not consistent. In addition, the "reasonable time" standard for Economy Act orders is unclear. As a result, AQD-Sierra Vista officials accepted DoD purchases through September, 30, 2010, the last day of the fiscal year. This made it difficult, if not impossible, for contract performance to begin during the funds' period of availability, as required by the DoD FMR. For example, AQD-Sierra Vista officials awarded two of the five contract actions, which had potential bona fide rule issue violations, on September 30, 2010, the last day of the DoD funds' period of availability. MIPRs were not specific because DoD requesting activities did not follow existing guidance related to the need to be specific when defining requirements.

Economy Act and Non-Economy Act Policy Is Not Consistent

Generally, under the bona fide needs rule; the Government should obligate annual funds from the current year for current-year needs. This caused problems for the Government when a severable service contract crossed into the next fiscal year. Congress provided some flexibility with 10 U.S.C. § 2410a, permitting the use of current-year funds for severable services crossing a fiscal year, where the performance of the services begins in the current year, as long the period of performance does not exceed 1 year. The bona fide needs rule and the flexibility provided by 10 U.S.C. § 2410a apply equally to Economy Act and non-Economy Act orders. To comply with these laws, the policy for Economy Act orders should be changed to match DoD FMR policy for non-Economy Act orders, requiring severable services to begin during the funds' period of availability.

Standard of a "Reasonable Time" Is Vague

DoD FMR, volume 11A, chapter 3, applies to Economy Act orders. Chapter 3, paragraph 030405, provides that services performed under the Economy Act "shall be

expected to begin within a reasonable time" after the acceptance of the order by the servicing organization. This vague standard of a "reasonable time" led to end-of-year ordering where, although the contract order had been placed in the fiscal year of the funds, no work began until well into the next fiscal year, thereby using funds from the last fiscal year for services beginning in a current fiscal year. This violated the bona fide needs rule (31 U.S.C. § 1502a), which requires funds to be obligated for services needed during the period of the funds' availability. For the five potential bona fide needs rule violations, no services were expected to be performed during the period the funds were available for obligation. This policy also violated paragraph 030407 of chapter 3 and violated 10 U.S.C. § 2410a for the same reason. The policy for Economy Act orders is in stark contrast to the policy for non-Economy Act orders, found at volume 11A, chapter 18, of the DoD FMR, Paragraph 180302 B.1 states: "The performance of severable services must begin during funds period of availability." This policy is necessary to comply with the bona fide needs rule and the authority provided under 10 U.S.C. § 2410a.

DoD MIPRs Were Not Specific

DoD officials prepared MIPRs that were not specific for 38 of 81 MIPRs. The 38 MIPRs were not specific because they did not define their requirements in detail, which they need to do to establish a valid obligation, pursuant to 31 U.S.C. § 1501. DoD FMR, volume 11A, chapters 3 and 18 identify the requirements for specificity. DoD FMR volume 11A, chapter 3 addresses economy act orders. The AQD-Sierra Vista contract actions were economy act orders. The AQD-Herndon contract actions were non-Economy Act orders. DoD FMR, volume 11A, chapter 18 addresses non-Economy Act orders. The 38 MIPRs that were not specific did not have a clear description of the services purchased, a period of performance, or both. Appendix F identifies the DoD MIPRs that were not specific. DoD officials also prepared MIPRs that were not specific during two previous DOI audits (see Table 15).

The 38 MIPRs that were not specific did not have a clear description of the services purchased, a period of performance, or both.

Table 15. Prior DOI Audits Where We Identified MIPRs That Were Not Specific

DoD-IG Report Title	Report No.	Report Date	MIPRS That Were Not Specific
FY 2005 DoD Purchases Made Through the Department of the Interior	D-2007-044	01/16/07	65 of 103
FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior	D-2008-066	03/19/08	31 of 47

Conclusion

The five potential bona fide needs rule violations occurred primarily because the policy in the DoD FMR for Economy Act orders and non-Economy Act orders is not consistent and the "reasonable time" standard for Economy Act orders is unclear. In addition, AQD-Sierra Vista contracting personnel accepted DoD purchases at the end of the fiscal

year, making it difficult, if not impossible, for contract performance to begin during the funds' period of availability. As a result, funds were not used for the purposes mandated by Congress.

Recommendations, Management Comments, and Our Response

B.1. We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial Officer:

a. Update the DoD Financial Management Regulation to state that the bona fide needs rule and the flexibility provided by section 2410a, title 10, United States Code, applies equally to Economy Act and non-Economy Act orders. Specifically, the policy for Economy Act orders should be changed to match that for non-Economy Act orders, requiring severable services to begin during the funds' period of availability.

Under Secretary of Defense (Comptroller)/Chief Financial Officer Comments

The Under Secretary of Defense (Comptroller)/Chief Financial Officer agreed, stating that the Office of the Deputy Chief Financial Officer will update DoD Financial Management Regulation 7000.14.R, volume 11A, chapter 3, "Economy Act," and chapter 18, "Non-Economy Act," to state that the bona fide needs rule and the flexibility provided by section 2410a, title 10, United States Code, applies equally to Economy Act and non-Economy Act orders.

b. Instruct DoD Components to follow existing guidance on the need to be specific in defining requirements, including a clear description of the services or goods being purchased and a period of performance, when they prepare military interdepartmental purchase requests.

Under Secretary of Defense (Comptroller)/Chief Financial Officer Comments

The Under Secretary of Defense (Comptroller)/Chief Financial Officer agreed, stating that the Office of the Deputy Chief Financial Officer will issue a policy memorandum to remind Components to adhere to existing guidance in DoD Financial Management Regulation 7000.14.R, volume 11A, chapter 3, paragraph 030401, and chapter 18, paragraph 180203A.

Our Response

The Under Secretary of Defense (Comptroller)/Chief Financial Officer's comments were responsive, and no further comments are required.

B.2. We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller) instruct activities having potential bona fide needs

rule violations to initiate action and oversee the process to adjudicate the potential violations.

Department of the Army Comments

The Assistant Secretary of the Army (Financial Management and Comptroller) agreed, stating that his office is reviewing the five contracts and issued memoranda on August 17, 2011, directing the appropriate commands to provide his office with additional information on these contract actions and to report any suspected violations. He stated that the initial review of the Army National Guard contract indicated that the contract was funded correctly and was a bona fide need of FY 2010 and that the remaining reviews will be completed in the next 90 days.

Our Response

The Assistant Secretary of the Army (Financial Management and Comptroller) comments were responsive, and no further comments are required.

Appendix A. Scope and Methodology

We conducted this performance audit from October 2010 through April 2012 in accordance with generally accepted government auditing standards. Those standards require 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. We performed this audit as required by Section 801, Public Law 110-181, of the National Defense Authorization Act for Fiscal Year 2008, January 28, 2008. The Act requires the Inspectors General of DoD and DOI to conduct a joint review of interagency transactions between DoD and DOI.

Universe Information

Initially, we used the Federal Procurement Data System-Next Generation database to identify a universe of assisted acquisitions that AQD-Herndon and AQD-Sierra Vista awarded for DoD purchases during FY 2010. We selected the AQD-Herndon and AQD-Sierra Vista contracting offices because they obligated more DoD funds than the other DOI contracting offices did. During FY 2010, AQD-Herndon contracting officials executed 1,001 contract actions that obligated $1.1 billion of funds. Of those, 347 contract actions that obligated funds of $521.1 million were for purchases AQD-Herndon officials made on behalf of DoD customers. DoD requesting activities business represented 48 percent of AQD-Herndon's overall business for FY 2010. During the same time period, AQD-Sierra Vista contracting officials executed 640 contract actions that obligated $498.7 million of funds. Of this, 464 contract actions, with obligated funds of $434.3 million, were for purchases AQD-Sierra Vista made on behalf of DoD customers. DoD business represented 87 percent of AQD-Sierra Vista's overall business in FY 2010.

Sample Information

We selected a nonstatistical sample of 56 assisted contract actions, valued at $133.4 million, which AQD-Herndon and AQD-Sierra Vista contracting officials awarded. AQD-Herndon contracting officials awarded 28 of the contract actions, valued at $63.5 million, and AQD-Sierra Vista contracting officials awarded 28 contract actions, valued at $69.9 million. Of the 56 contract actions we reviewed, 50 contract actions were for services, and 6 contract actions were for products. None of the 56 contract actions were for purchases of furniture. We reviewed the 56 contract actions in the following areas:

- compliance with defense procurement requirements (56 contract actions),
- advance billing (56 contract actions),
- use of expired funds (56 contract actions),
- furniture purchases (56 contract actions),
- competition (45 contract actions),
- price reasonableness determinations (48 contract actions), and
- use of funds (42 contract actions).

Use of Computer-Processed Data

We used the Federal Procurement Data System-Next Generation database to identify assisted acquisition purchases that DOI made on behalf of DoD in FY 2010. We did not perform a reliability assessment of the quality of the data because we used the data only to identify DoD purchases to review. Once we selected a purchase, we reviewed it using the documentation from the DOI contract files. Therefore, the computer-processed data did not affect the performance of our audit steps.

Appendix B. Prior Coverage

During the last 6 years, the Government Accountability Office (GAO), the DoD Inspector General (DoD IG), the U.S. Department of the Army, the Department of Energy Inspector General (DOE IG), and the Veterans Administration Inspector General (VA IG) issued 32 reports discussing interagency acquisitions. Unrestricted GAO reports can be accessed at http://www.gao.gov. Unrestricted DoD IG reports can be accessed at http://www.dodig.mil/audit/reports. Unrestricted Army reports can be accessed from .mil and gao.gov domains over the Internet at https://www.aaa.army.mil/. Unrestricted DOE IG reports can be accessed at http://www.ig.energy.gov/reports.htm. Unrestricted VA IG reports can be accessed at http://www.va.gov

GAO

GAO Report No. GAO-11-394T, "GAO's 2011 High Risk Series: An Update," February 17, 2011

GAO Report No. GAO-11-41, "NIST's Interagency Agreements and Workload Require Management Attention," October 20, 2010

GAO Report No. GAO-10-862T, "Contracting Strategies: Better Data and Management Needed to Leverage Value of Interagency and Enterprisewide Contracts," June 30, 2010

GAO Report No. GAO-10-367, "Contracting Strategies: Data and Oversight Problems Hamper Opportunities to Leverage Value of Interagency and Enterprisewide Contracts," April 29, 2010

GAO Report No. GAO-08-1063, "DoD Financial Management Improvements Are Needed In Antideficiency Act Controls and Investigations," September 26, 2008

DoD IG

DoD IG Report No. D-2011-021, "More DoD Oversight Needed for Purchases Made Through the Department of Energy," December 3, 2010

DoD IG Report No. D-2011-018, "FY 2008 and FY 2009 DoD Purchases Made Through the General Services Administration," November 30, 2010

DoD IG Report No. D-2009-064, "FY 2007 DoD Purchases Made Through the National Institutes of Health," March 24, 2009

DoD IG Report No. D-2009-043, "FY 2007 DoD Purchases Made Through the U.S. Department of Veterans Affairs," January 21, 2009

DoD IG Report No. D-2008-122, "Follow-up on DoD Purchases Made Through the Department of the Interior," August 18, 2008

DoD IG Report No. D-2008-082, "Summary Report on Potential Antideficiency Act Violations Resulting From DoD Purchases Made Through Non-DoD Agencies (FY 2004 Through FY 2007)," April 25, 2008

DoD IG Report No. D-2008-066, "FY 2006 and FY 2007 DoD Purchases Made Through the Department of the Interior," March 19, 2008

DoD IG Report No. D-2008-050, "Report on FY 2006 DoD Purchases Made Through the Department of the Treasury," February 11, 2008

DoD IG Report No. D-2008-036, "FY 2006 DoD Purchases Made Through the U.S. Department of Veterans Affairs," December 20, 2007

DoD IG Report No. D-2008-022, "FY 2006 DoD Purchases Made Through the National Institutes of Health," November 15, 2007

DoD IG Report No. D-2008-007, "Task Orders on the Air Force Network-Centric Solutions Contract," October 25, 2007

DoD IG Report No. D-2007-044, "FY 2005 DoD Purchases Made Through the Department of the Interior," January 16, 2007

DoD IG Report No. D-2007-042, "Potential Antideficiency Act Violations on DoD Purchases Made Through Non-DoD Agencies," January 2, 2007

Army

U.S. Army Audit Agency Report No. A-2009-0016-FFH, "Acquisition Made Using Military Interdepartmental Purchase Requests, U.S. Army Medical Command," November 17, 2008

U.S. Army Audit Agency Report No. A-2007-0096-FFH, "Proper Use of Non-DoD Contracts, U.S. Army Medical Command," March 22, 2007

DOE IG

DOE IG Report No. DOE/IG-0829, "Work for Others Performed by the Department of Energy for the Department of Defense," October 26, 2009

VA IG

VA IG Report No. 06-03540-24, "Audit of VA Purchases Made on Behalf of the Department of Defense," November 19, 2007

VA IG Report No. 04-03178-139, "Audit of VA Acquisitions for Other Government Agencies," May 5, 2006

Appendix C. DoD Purchases Reviewed

Contract and Order	Contract Value	Purchase Description	DoD Activity	Contract Vehicle Used
AQD-Herndon				
INN06PC10437 INN10PD18055	$4,991,841	Engineering support services related to completion and implementation support of a new C-130 wheel and brake system improvement Phase IV for the Applied Technologies for Landing Systems program	Material Support Division Hill Air Force Base, Utah	AQD-Herndon existing contract
INNG07DA18B INN09PD10716/008	2,032,535	Services for sustainment and optimization of all Cisco Systems, Inc. hardware	Lackland Air Force Base 67th Wing Lackland Air Force Base, Texas	NASA Solutions for Enterprise-Wide Procurement Contract
GS23F8006H INN10PB18421	955,291	Services related to the adolescent substance abuse counseling services program	Adolescent Substance Abuse Counseling Services, U.S. Air Force Multiple installations	GSA Federal supply schedule
GS35F4357D IND10PD18571	375,217	Technical support service support to the access control system hardware, software, and infrastructure	U.S. Southern Command, Miami, Florida	GSA Federal supply schedule
GS23F8006H INN10PB18423	231,731	Services related to the adolescent substance abuse counseling services program	Adolescent Substance Abuse Counseling Services, U.S. Marine Corps, Multiple installations	GSA Federal supply schedule
GS23F8006H IND10PD18691	218,860	Support services for "Facilitation of Defense Science Board Task Force Study on Predicting Violent Behavior"	Office of the Secretary of Defense Defense Science Board Pentagon	GSA Federal supply schedule
GS23F8006H INN10PD18350	216,688	Support services related to a project titled "Defense Science Board Task Force on the Assessment of Nuclear Treaty Monitoring and Verification Technologies"	Office of Secretary of Defense /Defense Science Board, Pentagon	GSA Federal supply schedule
GS23F8006H INN10PD18352	216,688	Support services related to a project titled "Defense Science Board Advisory Group on Defense Intelligence"	Office of Secretary of Defense /Defense Science Board, Pentagon	GSA Federal supply schedule
GS00F0013R IND10PD18556	10,000,000	Advisory/assistance support services for the Task Force for Business and Stability Operations in the Central Command area of operations in Afghanistan	DoD Task Force for Business and Stability Operations Arlington, Virginia	GSA Federal supply schedule

Contract and Order	Contract Value	Purchase Description	DoD Activity	Contract Vehicle Used
GS00F0013R IND10PD18556/001	9,987,716	Advisory/assistance support services for the task force for business and stability operations in the central command area of operations in Afghanistan	DoD Task Force for Business and Stability Operations Arlington, Virginia	GSA Federal supply schedule
INN06PC10439 INN10PD18104	182,000	Systems engineering and technical assistance services	National Security Space Office Pentagon	AQD-Herndon existing contract
GS23F9755H INN10PD18216	170,542	Analytical and technical support services	U.S. Air Force Directorate of Strategic Planning, Headquarters U.S. Air Force A8X, Pentagon	GSA Federal supply schedule
GS23F8006H INN10PD18224	154,792	Government site analytical support services supporting U.S. Air Force, Directorate of Strategic Planning, Long Range Plans Division	Air Force Directorate of Strategic Planning Headquarters U.S. Air Force A8X, Pentagon	GSA Federal supply schedule
W91QUZ09D0043 INN10PD18265	3,782,801	Bar coding hardware related to the Army's Installation Support Modules system	Army Installation Management Systems Fort Belvoir, Virginia	Existing DoD contract
W91QUZ06D0016 INN10PD18153	1,500,000	Help desk and network systems management support services	Department of the Army Installation Management Systems Fort Belvoir, Virginia	Existing DoD contract
W91QUZ06D0016 INN10PD18153/001	522,920	Support services related to helpdesk and network systems management support	Department of the Army Installation Management Systems Fort Belvoir, Virginia	Existing DoD contract
W91QUZ06D0016 INN10PD18153/003	50,000	Support services related to helpdesk and network systems management support	Department of the Army Installation Management Systems Fort Belvoir, Virginia	Existing DoD contract
GS35F4461G INN10PD18140	1,086,126	Technical support services for survey, system engineering, installation, upgrade, and integration of the Management Support System program	Department of the Army Installation Management Systems Fort Belvoir, Virginia	GSA Federal supply schedule
IND10PX18617	17,736	Citrix license update	Department of the Army Installation Management Systems Fort Belvoir, Virginia	AQD-Herndon new contract
W91QUZ07D0006 INN10PD18428	18,755	3 Dell R710 PowerEdge servers	Department of the Army Installation Management Systems Fort Belvoir, Virginia	Existing DoD contract
INN10PC18314	7,081,380	Ten 25K loaders	Naval Sea Systems Command Washington, D.C.	AQD-Herndon new contract

Contract and Order	Contract Value	Purchase Description	DoD Activity	Contract Vehicle Used
GS07F9392S INN10PD18425	213,469	903 compact life preservers	Naval Sea Systems Command, Washington, D.C.	GSA Federal supply schedule
DABL0103A1006 IND10PD18613	85,288	IBM software license renewal	Field Support Activity Navy (Chief of Naval Operations/Director Navy Staff) 1013 O Street, Washington, D.C.	Existing DoD contract
W91QUZ07D0004 INN09PD10053/014	2,274,824	Information technology services	National Guard Bureau 1411 Jefferson Davis Highway Arlington, Virginia	Existing DoD contract
W91QUZ07D0004 INN09PD10053/009	5,346,558	Information technology services	National Guard Bureau 111 South George Mason Drive Arlington, Virginia	Existing DoD contract
W91QUZ07D0004 INN09PD10053/011	300,128	Information technology services	National Guard Bureau 111 South George Mason Drive Arlington, Virginia	Existing DoD contract
W91QUZ07D0004 INN09PD10053/008	10,522,821	Information technology services	National Guard Bureau 111 South George Mason Drive Arlington, Virginia	Existing DoD contract
GS10F0189T INN10PD18229	956,277	National Guard Bureau independent verification and validation support	Army National Guard Bureau 111 South George Mason Drive Arlington, Virginia	GSA Federal supply schedule
AQD-Sierra Vista				
GS35F4357D INN10PD20046	11,714,234	Support services related to the Battle Command Training Capability Program	National Guard Bureau 111 South George Mason Drive Arlington, Virginia	GSA Federal supply schedule
GS35F5537H INN10PD20038	11,028,479	Information technology and professional services: Exportable combat training capability preparation, execution, and postexercise activities project	National Guard Bureau 111 South George Mason Drive Arlington, Virginia	GSA Federal supply schedule
IND10PC20016	1,528,785	Services related to a new human language technology research and development program called “Robust Automatic Transcription of Speech”	Defense Advanced Research Projects Agency, Comptroller 3701 North Fairfax Drive Arlington, Virginia	AQD-Sierra Vista new contract

Contract and Order	Contract Value	Purchase Description	DoD Activity	Contract Vehicle Used
IND10PC20019	249,954	Services related to innovative ideas to advance technology in the area of air platform, ground/sea vehicles, sensors, and space platforms	Defense Advanced Research Projects Agency, Comptroller 3701 North Fairfax Drive Arlington, Virginia	AQD-Sierra Vista existing contract
GS35F0340W IND10PD20049	4,355,607	Products and services in support of the U.S. Army 335th Theater Signal Command in Southwest Asia	Program Executive Office Enterprise Information Systems Product Management Area Processing Ctr. Fort Belvoir, Virginia	GSA Federal supply schedule
GS10F0083L IND10PD20053	526,358	Support services for the U.S. Army product manager area processing centers to assist in reviewing ongoing strategic initiatives and developing a supporting plan to drive transformation objectives	Program Executive Office Enterprise Information Systems Product Management Area Processing Ctr. Fort Belvoir, Virginia	GSA Federal supply schedule
GS23F0108J IND10PD20062	2,287,040	Support services to provide a wide range of planning, deployment and employment operations, logistics, maintenance, and sustainment support	Headquarters U.S. Army Pacific Bldg T 102, Stop 10 Fort Shafter, Hawaii	GSA Federal supply schedule
10PC20065	1,755,000	Support services for the move of two major Army Commands from current locations to Fort Bragg, North Carolina: U.S. Army Forces Command and U.S. Army Reserve Command	Network Enterprise Center 2175 Reilly Road, Stop A Fort Bragg, North Carolina	AQD-Sierra Vista new contract
GS23F0108J IND10PD20029	3,207,434	On-site support services in Government facilities at Fort Shafter, Hawaii, and support as required to U.S. Army Pacific Command units in Japan, Okinawa, and Alaska	CDR, United States Army Pacific, G6, Requirements Management Division 572 Palm Circle Drive, Bldg T-128 Fort Shafer, Hawaii	GSA Federal supply schedule
INDNBCHA090006 IND10PB20009	1,534,951	Services to support the intelligence community and warfighter with validated operational architectures that document the requirements and organization of the U.S. Army Military Intelligence community	United States Army Intelligence Center Fort Huachuca, Arizona	GSA Federal supply schedule blanket purchase agreement
INDNBCHA090006 IND10PB20014	1,459,861	Services related to follow-on efforts resulting from the 2009 and 2010 warfighter information capability assessment of information and intelligence collection, processing, analysis, dissemination, and integration with the combatant commander's information needs	United States Army Intelligence Center Fort Huachuca, Arizona	GSA Federal supply schedule blanket purchase agreement

Contract and Order	Contract Value	Purchase Description	DoD Activity	Contract Vehicle Used
INDNBCHA090006 IND10PB20008	1,361,338	On-site expertise for the Requirements Development Directorate, US Army Intelligence Center, Fort Huachuca, Arizona	United States Army Intelligence Center Fort Huachuca, Arizona	GSA Federal supply schedule blanket purchase agreement
INDNBCHA090003 IND10PB20005	927,672	On-site contractor expertise to facilitate combat development, implementation and intensive management of support to the distributed common ground system-A program	United States Army Intelligence Center Fort Huachuca, Arizona	GSA Federal supply schedule blanket purchase agreement
INDNBCHA090003 IND10PB20015	733,834	Services related to the personnel identification integrated capabilities development team, capabilities development/integration, and Training and Doctrine Command Capability Manager biometrics and forensics at Fort Huachuca, Arizona	United States Army Intelligence Center Fort Huachuca, Arizona	GSA Federal supply schedule blanket purchase agreement
INDNBCHA090006 IND10PB20012	309,424	Contractors will serve as subject matter experts on electronic warfare capabilities and develop specific requirements supporting the operational needs of the warfighter, the test/evaluation process, and the acquisition system	United States Army Intelligence Center Fort Huachuca, Arizona	GSA Federal supply schedule blanket purchase agreement
INDNBCHA090006 IND10PB20011	193,029	Services to enhance virtual interrogation capability	United States Army Intelligence Center Fort Huachuca, Arizona	GSA Federal supply schedule blanket purchase agreement
INDNBCHA090006 IND10PB20013	154,712	Subject matter experts to provide on-site contractor expertise for military intelligence requirements	United States Army Intelligence Center Fort Huachuca, Arizona	GSA Federal supply schedule blanket purchase agreement
NBCHA090006 IND10PB20007	154,712	Services to provide on-site contractor expertise for development, analysis and production of capability development documentation for technical intelligence and weapons intelligence teams	United States Army Intelligence Center Fort Huachuca, Arizona	GSA Federal supply schedule blanket purchase agreement
INDNBCHA090006 IND10PB20006	154,712	On-site contractor expertise for development analysis and production of integrated support to the U.S. Army Intelligence Center efforts to integrate intelligence operations with brigade Brigade Combat Team modernization	United States Army Intelligence Center Fort Huachuca, Arizona	GSA Federal supply schedule blanket purchase agreement
INDNBCHA090003 IND10PB20004	147,359	Services related to the immediate and timely retrieval, analysis, and recommendations on personnel and equipment data	United States Army Intelligence Center Fort Huachuca, Arizona	GSA Federal supply schedule blanket purchase agreement

Contract and Order	Contract Value	Purchase Description	DoD Activity	Contract Vehicle Used
GS35F0398V IND10PD20028	1,920,000	Information technology site manager support services for the U.S. Army Headquarters Medical Command standardization initiative which will provide and operate health care provider required IT applications	Headquarters U.S. Army Medical Command 2050 Worth Road, Suite 9 Fort Sam Houston, Texas	GSA Federal supply schedule
GS35F0261K IND10PD20076	189,066	Services for purpose of complying with the DoD information assurance certification and accreditation program	National Guard Bureau, Army Training Division Battle Command Training Center-Dodge 7105 North West 70th Avenue Camp Dodge, Johnston, Iowa	GSA Federal supply schedule
INDNBCHD080004 IND10PD20004	10,217,940	Services to coordinate, schedule, and conduct sexual harassment and assault prevention training worldwide	The Office of the Assistant Secretary of the Army, Manpower and Reserve Affairs, Pentagon	AQD-Sierra Vista existing contract
INDNBCHD080004 IND10PD20023	7,450,170	Services to inform young adults and those who influence them about the benefits of joining the Army	The Office of the Assistant Secretary of the Army, Manpower and Reserve Affairs, Pentagon	AQD-Sierra Vista existing contract
INDNBCHD080004 IND10PD20061	3,918,966	Analytical, management and advisory services related to civilian workforce transformation	The Office of the Assistant Secretary of the Army, Manpower and Reserve Affairs, Pentagon	AQD-Sierra Vista existing contract
INDNBCHD080004 IND10PD20063	552,350	Services to provide new Army executives an executive on boarding course that provides skills critical as a key member of the Army leadership team	The Office of the Assistant Secretary of the Army, Manpower and Reserve Affairs, Pentagon	AQD-Sierra Vista existing contract
GS23F8023H IND10PD20073	1,773,399	Services to provide support for a Web-based benefits and counseling information and support system for the Deputy Chief of Staff, G1, Human Resources Policy Directorate	The Office of the Assistant Secretary of the Army, Manpower and Reserve Affairs, Pentagon	GSA Federal supply schedule
INDNBCHP090077 Modification 01	148,996	Support services to maintain the technical support to staff e-Learning Solutions Group	National Defense University, Information Resource Management College Fort Lesley J. McNair Washington, D.C.	AQD-Sierra Vista existing contract / modification

Note: Amounts are rounded.

Appendix D. AQD-Herndon Contracting Problems

Contract	Order	Inadequate Price Reasonableness (Initial Award Only)	Inadequate Competition (Initial Award Only)	Inadequate Review of Contractor Cost Proposals (Services Only)	Inadequate Independent Government Cost Estimates (Services Only)	Product or Service
GS00F0013R	IND10PD18556	●		●	●	Service
GS00F0013R	IND10PD18556/001	Did not review	Did not review	Did not review	Did not review	Service
NNG07DA18B	INN09PD10716/008	Did not review	Did not review	Did not review	Did not review	Service
GS35F4357D	IND10PD18571				●	Service
DABL0103A1006	IND10PD18613			Did not review	Did not review	Product
GS23F8006H	IND10PD18691				●	Service
	IND10PX18617			Did not review	Did not review	Product
W91QUZ07D0004	INN09PD10053/008	Did not review	Did not review	Did not review	Did not review	Service
W91QUZ07D0004	INN09PD10053/009	Did not review	Did not review	Did not review	Did not review	Service
W91QUZ07D0004	INN09PD10053/011		Did not review	●	●	Service
W91QUZ07D0004	INN09PD10053/014	Did not review	Did not review	Did not review	Did not review	Service
GS23F8006H	INN10PB18421	●		●	●	Service
GS23F8006H	INN10PB18423	●		●	●	Service
	INN10PC18314			Did not review	Did not review	Product
INN06PC10437	INN10PD18055				●	Service
INN06PC10439	INN10PD18104		Did not review		●	Service
GS35F4461G	INN10PD18140	●	●	●	●	Service
W91QUZ06D0016	INN10PD18153				●	Service
W91QUZ06D0016	INN10PD18153/001	Did not review	Did not review	Did not review	Did not review	Service
W91QUZ06D0016	INN10PD18153/003	Did not review	Did not review	Did not review	Did not review	Service
GS23F9755H	INN10PD18216	●	●	●	●	Service
GS23F8006H	INN10PD18224	●	●	●	●	Service
GS10F0189T	INN10PD18229	●	●	●	●	Service

Contract	Order	Inadequate Price Reasonableness (Initial Award Only)	Inadequate Competition (Initial Award Only)	Inadequate Review of Contractor Cost Proposals (Services Only)	Inadequate Independent Government Cost Estimates (Services Only)	Product or Service
W91QUZ09D0043	INN10PD18265			Did not review	Did not review	Product
GS23F8006H	INN10PD18350	●			●	Service
GS23F8006H	INN10PD18352	●		●	●	Service
GS07F9392S	INN10PD18425		●	Did not review	Did not review	Product
W91QUZ07D0006	INN10PD18428			Did not review	Did not review	Product
Total		**9 of 21**	**5 of 19**	**9 of 15**	**15 of 15**	

Note: Blank spaces indicates contract actions that have been reviewed with no errors found.
● indicates contract actions that have been reviewed with errors found.
"Did not review" indicates contract actions that were not reviewed because they were either contract modifications or purchases of products.

Appendix E. AQD-Sierra Vista Contracting Problems

Contract	Order	Inadequate Price Reasonableness (Initial Award Only)	Inadequate Competition (Initial Award Only)	Inadequate Review of Contractor Cost Proposals (Services Only)	Inadequate Independent Government Cost Estimates (Services Only)	Product or Service
GS35F4357D	INN10PD20046	●		●	●	Service
GS35F0261K	IND10PD20076				●	Service
GS35F5537H	INN10PD20038	●		●	●	Service
GS35F0340W	IND10PD20049				●	Service
GS23F8023H	IND10PD20073	●		●	●	Service
	IND10PC20016	●		●	Not required	Service
INDNBCHA090003	IND10PB20005			●	●	Service
INDNBCHA090003	IND10PB20015			●	●	Service
INDNBCHD080004	IND10PD20063	●		●	●	Service
	IND10PC20019	●	Did not review	●	Not required	Service
INDNBCHA090006	IND10PB20013			●	●	Service
INDNBCHD080004	IND10PD20004	●		●	●	Service
INDNBCHD080004	IND10PD20023	●		●	●	Service
INDNBCHD080004	IND10PD20061	●		●	●	Service
GS35F0398V	IND10PD20028	●		●	●	Service
	IND10PC20065				●	Service
GS10F0083L	IND10PD20053	●		●	●	Service
INDNBCHA090006	IND10PB20009			●	●	Service
INDNBCHA090006	IND10PB20014	●		●	●	Service
INDNBCHA090006	IND10PB20008			●	●	Service
INDNBCHA090006	IND10PB20011	●		●	●	Service
INDNBCHA090006	IND10PB20007				●	Service
INDNBCHA090003	IND10PB20004			●	●	Service

Contract	Order	Inadequate Price Reasonableness (Initial Award Only)	Inadequate Competition (Initial Award Only)	Inadequate Review of Contractor Cost Proposals (Services Only)	Inadequate Independent Government Cost Estimates (Services Only)	Product or Service
GS23F0108J	IND10PD20029	●		●		Service
GS23F0108J	IND10PD20062	●		●		Service
INDNBCHA090006	IND10PB20012				●	Service
INDNBCHA090006	IND10PB20006			●	●	Service
INDNBCHP090077/001		Did not review	Did not review	Did not review	Did not review	Service
Total		**15 of 27**	**0 of 26**	**22 of 27**	**23 of 25**	

Note: Blank spaces indicates contract actions that have been reviewed with no errors found.
● indicates contract actions that have been reviewed with errors found.
"Did not review" indicates contract actions that were not reviewed because they were either contract modifications or purchases of products.

Appendix F. MIPRs That Were Not Specific

DOI Contract DoD MIPR	DoD Requesting Activity	Issues
AQD-Herndon		
IND10PD18556 1) HQ011702624	DoD Task Force for Business and Stability Operations Arlington, Virginia	1) Did not define requirements in detail
IND10PD18556 (Mod. 1*) 2) HQ011702688 3) HQ011702690	DoD Task Force for Business and Stability Operations Arlington, Virginia	2) Did not define requirements in detail 2) No period of performance 3) Did not define requirements in detail 3) No period of performance
IND10PD18571 4) MIPR0LO14C6040	U.S. Southern Command Miami, Florida	4) Did not define requirements in detail
IND10PD10053 (Mod. 11) 5) F9WFJS0110G001	National Guard Bureau 111 South George Mason Drive Arlington, Virginia	5) No period of performance
INN10PB18421 6) F1ATA10173G001 7) F2CFMD0097G001 8) F2CFMD0159G002	Adolescent Substance Abuse Counseling Services, Multiple installations	6) Did not define requirements in detail 6) No period of performance 7) No period of performance 8) No period of performance
INN10PD18153 (Mod. 3) 9) MIPR0CQ8AA0011 A1	Army Installation Management Systems Fort Belvoir, Virginia	9) No period of performance
INN10PD18229 10) MIPR0ANBCIS005	National Guard Bureau 111 South George Mason Drive Arlington, Virginia	10) Did not define requirements in detail
INN10PD18265 11) MIPR9MQ9TH0005 12) MIPR0GQ8AL0001 13) MIPR0GQ8AM0001 14) MIPR9MQ9CD0006	Department of the Army Installation Management Systems, Fort Belvoir, Virginia	11) No period of performance 12) No period of performance 13) No period of performance 14) No period of performance
INN10PD18224 15) F1AF1K005.01	U.S. Air Force Directorate of Strategic Planning, Headquarters U.S. Air Force A8X, Pentagon	15) Did not define requirements in detail
AQD-Sierra Vista		
IND10PB20007 16) MIPR0LDOIRE209	U.S. Army Intelligence Center Fort Huachuca, Arizona	16) Did not define requirements in detail
IND10PC20016 17) 10-Z996	Defense Advanced Research Projects Agency, Controller 3701 North Fairfax Drive Arlington, Virginia	17) Did not define requirements in detail 17) No period of performance
IND10PC20019 18) 10-C739	Defense Advanced Research Projects Agency, Controller 3701 N. Fairfax Drive Arlington, Virginia	18) Did not define requirements in detail 18) No period of performance
IND10PC20065 19) MIPR0MDIBSN553	Network Enterprise Center 2175 Reilly Road, Stop A Fort Bragg, North Carolina	19) Did not define requirements in detail
IND10PD20073 20) 10D1JW0013	The Office of the Assistant Secretary of the Army, Manpower and Reserve Affairs, Pentagon	20) Did not define requirements in detail 20) No period of performance

DOI Contract DoD MIPR	DoD Requesting Activity	Issues
IND10PD20028 21) MIPR0LH8ARD041	Headquarters U.S. ARMY Medical Command 2050 Worth Road, Suite 9 Fort Sam Houston, Texas	21) No period of performance
IND10PB20005 22) MIPR0LDOIRE214 23) MIPR0LDOIRE214 A1	U.S. Army Intelligence Center Fort Huachuca, Arizona	22) Did not define requirements in detail 23) Did not define requirements in detail
IND10PB20015 24) MIPR0LDOIRY218	United States Army Intelligence Center, Fort Huachuca, Arizona	24) Did not define requirements in detail
IND10PB20008 25) MIPR0LDOIRE212	United States Army Intelligence Center, Fort Huachuca, Arizona	25) Did not define requirements in detail
IND10PB20009 26) MIPR0LDOIRE206	United States Army Intelligence Center, Fort Huachuca, Arizona	26) Did not define requirements in detail
IND10PB20012 27) MIPR0LDOIRE208	United States Army Intelligence Center, Fort Huachuca, Arizona	27) Did not define requirements in detail
IND10PB20013 28) MIPR0LDOIRE210	United States Army Intelligence Center, Fort Huachuca, Arizona	28) Did not define requirements in detail
IND10PB20014 29) MIPR0LDOIRE207 30) MIPR0LDOIRE207 A1	United States Army Intelligence Center, Fort Huachuca, Arizona	29) Did not define requirements in detail 30) Did not define requirements in detail
IND10PD20004 31) MIPR10D1JA0007	Office of the Assistant Secretary of the Army, Manpower and Reserve Affairs Pentagon	31) No period of performance
IND10PD20023 32) MIPR10L1AM0008	The Office of the Assistant Secretary of the Army, Manpower and Reserve Affairs Pentagon	32) No period of performance
IND10PD20061 33) MIPR10D1AA0003 34) MIPR10D1AA0003-1 35) MIPR10D1AA0003-2	The Office of the Assistant Secretary of the Army, Manpower and Reserve Affairs Pentagon	33) No period of performance 34) No period of performance 35) No period of performance
IND10PD20063 36) MIPR10LKAA0020 37) MIPR10LKAA0020-1	The Office of the Assistant Secretary of the Army, Manpower and Reserve Affairs Pentagon	36) No period of performance 37) No period of performance
IND10PB20006 38) MIPR0LDOIRE211	United States Army Intelligence Center, Fort Huachuca, Arizona	38) Did not define requirements in detail

*Modification.

Department of the Interior Comments

United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, DC 20240

FEB 2 2012

Mr. Daniel R. Blair
Department of Defense Office of Inspector General
Office of the Deputy Inspector General for Auditing
4800 Mark Center Drive
Alexandria, VA 22350-1500

Dear Mr. Blair:

The Department of the Interior (Interior) appreciates the opportunity to provide an official response to the draft report titled "DoD's FY 2012 Purchases Made Through the Department of the Interior", dated January 6, 2012 (DOI Project No. ER-IN-NBC-0001-2011).

The Department of Defense (DoD) commenced a review of the potential Anti-Deficiency Act (ADA) violations identified in the referenced report within the required ten-day window. This review is ongoing, and Interior will work with DoD to ensure that any issues are corrected.

Interior concurs with the one recommendation disclosed in two parts within the report. In general, we promote the use of established sources (including contracts awarded by other agencies) where appropriate in order to maximize efficiency and to achieve economies of scale. However, effective communication between the acquisition office and the requesting activity is essential during the acquisition planning process. Therefore, in response to recommendation 1A Part A, Interior will deploy a management corrective action plan that will strengthen our process to inform DoD requesting activities of the intent to use contracts from other Federal agencies for DoD purchases. In response to recommendation 1A Part B, Interior will enhance price reasonableness determinations for contract actions awarded using competitive procedures when one offer is received. Enclosure 1 provides a Statement of Management Actions planned by Interior to implement the IG's recommendations. Each action lists the name of the responsible official and the target date for implementation.

Interior has also reviewed the internal control weaknesses and other findings identified in the report. In response to these findings, Interior will take action to strengthen existing internal controls over the acquisition process, for example, by providing additional training to acquisition staff regarding the bona fide needs rule and the specificity required on obligating documents. Interior will also work with DoD officials to ensure that all findings and recommendations in the report are implemented effectively.

Department of the Interior Comments

If you have any questions about this response, please contact [redacted]

Sincerely,

Amy Halloyan

Rhea Suh
Assistant Secretary
Policy, Management and Budget

Enclosure

cc: [redacted]

Department of the Interior Comments

Department of the Interior
Statement of Actions on the DoD's FY2012 Purchase Made through the Department of the Interior (DOI Project No. ER-IN-NBC-0001-2011)

To address the recommendations in the subject report, the Secretary of the Interior directs the National Business Center Director to accomplish the following management actions.

IG Recommendation A1:
We recommend that the Secretary of the Interior direct the National Business Center to instruct Acquisition Services Directorate-Herndon and Acquisition Services Directorate-Sierra Vista to:

a. Inform DoD requesting activities of their intent to use contracts from other Federal agencies for DoD purchases.

b. Better support price reasonableness determinations for contract actions awarded using competitive procedures where only one offer is received.

Interior Response to A1 Part A: The DOI Office of the Secretary, National Business Center (NBC) Acquisition Services Directorate (AQD) will strengthen our process to inform DoD requesting activities of the intent to use contracts from other Federal agencies for DoD purchases by requiring documentary evidence of DoD's review of the acquisition strategy.

Target Date: June 30, 2012

Responsible Official: William Archambeault, National Business Center, Acting Associate Director, Acquisition Services Directorate.

Interior Response to A1 Part B: The DOI Office of the Secretary, National Business Center (NBC) Acquisition Services Directorate (AQD) will enhance price reasonableness determinations for contract action awarded using competitive procedures when only one offer is received. AQD will implement policies and procedures to ensure that price reasonableness determinations are adequately supported and that competition is sought to the maximum extent practicable.

Target Date: June 30, 2012

Responsible Official: William Archambeault, National Business Center, Acting Associate Director, Acquisition Services Directorate.

Under Secretary of Defense for Acquisition, Technology, and Logistics Comments

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

ACQUISITION, TECHNOLOGY AND LOGISTICS

MAR 12 2012

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING, DoDIG

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS 3/13/12

SUBJECT: Response to DoDIG Draft Report on DoD's FY 2010 Purchases Made Through the Department of the Interior (Project No. D2011-D000CF-0034.00)

As requested, I am providing responses to the general content and recommendations contained in the subject report.

Recommendation:
We recommend that the Under Secretary of Defense for Acquisition, Technology and Logistics instruct DoD requesting activities to obtain approval from their Heads of Contracting at their respective contracting activities in situations when Acquisition Services Directorate-Herndon or Acquisition Services Directorate-Sierra Vista intend to use other Federal agencies' contracts to make purchases for DoD.

Response:
Concur. We share your concerns that the Department should be mindful of the fees paid to assisting agencies for their services and the use of their contract vehicles to meet DoD requirements. Please note that Defense Federal Acquisition Regulation Supplement (DFARS) 217.7802 requires DoD Components to establish and maintain procedures for reviewing and approving orders placed for supplies and services under non-DoD contracts, whether through direct acquisition or assisted acquisition. Included in these procedures is the requirement to assess the cost effectiveness of the approach, taking into account discounts and fees.

Recommendation:
Initiate a change to the Defense Federal Acquisition Regulation Supplement to include information contained in the November 24, 2010, and April 27, 2011, Under Secretary of Defense for Acquisition, Technology and Logistics memoranda related to improving competition in Defense procurements.

Response
Concur. The Department has generated multiple DFARS cases in support of the Better Buying Power initiative. Specifically Case 2011-D013 is directly related to improving competition in DoD procurements. It implements a DoD Better Buying Power initiative to address using competitive procedures in procurements in which only one offer is received. The Defense Acquisition Regulation Council is in the process of completing its review of public comments and preparing a final rule which is planned for release sometime in the April/May timeframe.

Please contact [redacted] if additional information is required.

for Richard Ginman
Director, Defense Procurement
and Acquisition Policy

Under Secretary of Defense (Comptroller)/Chief Financial Officer Comments

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

COMPTROLLER

FEB 9 2012

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR AUDITING, DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR GENERAL

SUBJECT: Response to Draft Audit Report, "DoD's FY 2010 Purchases Made Through the Department of the Interior" (DoD Project No. D2011-D000CF-0034.000)

This memorandum responds to recommendations made to the Under Secretary of Defense (Comptroller)/Chief Financial Officer in the subject Department of Defense Office of Inspector General (OIG) draft report. We concur with recommendations B.1.a and B.1.b. Detailed responses addressing the recommendations are attached.

Thank you for the opportunity to review and comment on the draft audit report. [redacted]

Mark E. Easton
Deputy Chief Financial Officer

Attachment:
As stated

Under Secretary of Defense (Comptroller)/Chief Financial Officer Comments

OFFICE OF THE UNDER SECRETARY OF DEFENSE (COMPTROLLER)
(OUSD(C)) RESPONSES TO RECOMMENDATIONS

DEPARTMENT OF DEFENSE (DOD) OFFICE OF INSPECTOR GENERAL (OIG)
DRAFT REPORT, "DOD'S FY 2010 PURCHASES MADE THROUGH THE DEPARTMENT OF THE INTERIOR"
(DOD PROJECT NO. D2011-D000CF-0034.000) and
(DOI PROJECT NO. ER-IN-NBC-0001-2011)

RECOMMENDATION B.1.a: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial officer: a. Update the DoD Financial Management Regulation to state that the bona fide needs rule and the flexibility provided by section 2410a, title 10, United States Code, applies equally to Economy Act and non-Economy Act orders. Specifically, the policy for Economy Act orders should be changed to match that for non-Economy Act orders, requiring severable services to begin during the funds' period of availability.

OUSD(C) RESPONSE B.1.a: The Office of the Deputy Chief Financial Officer (ODCFO) will update *DoD Financial Management Regulation* (DoDFMR) Volume 11A, Chapter 3, "Economy Act," and Chapter 18, "Non-Economy Act," to state that the bona fide needs rule and the flexibility provided by 10 U.S.C. § 2410(a) applies equally to Economy Act and non-Economy Act orders.

RECOMMENDATION B.1.b: We recommend that the Under Secretary of Defense (Comptroller)/Chief Financial officer: b. Instruct DoD Components to follow existing guidance on the need to be specific in defining requirements, including a clear description of the services or goods being purchased and a period of performance, when they prepare military interdepartmental purchase requests.

OUSD(C) RESPONSE B.1.b: The ODCFO will issue a policy memorandum to remind Components to adhere to existing guidance in DoDFMR Volume 11A, Chapter 3, Paragraph 030401, and Chapter 18, Paragraph 180203A.

Attachment

Department of the Army Comments

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

REPLY TO
ATTENTION OF

FEB 28 2012

MEMORANDUM THRU Auditor General, Department of the Army, 3101 Park Center Drive, Alexandria, Virginia 22302-1596

FOR Inspector General, Department of Defense, Defense Business Operations, 400 Army Navy Drive, Arlington, Virginia 22202-4704

SUBJECT: Department of Defense Inspector General Draft Report, Purchases Made Through the Department of the Interior (Project No. D2011-D000CF-0034.000)

1. We appreciate the opportunity to comment on Recommendation B-2 in the subject Report.

2. The draft report advises that Army should oversee the adjudication of suspected bona fide needs issues related to award of five contracts for severable services in Fiscal Year (FY) 2010. We are in the process of doing this. In response to the discussion draft, we issued memoranda on August 17, 2011 directing the appropriate commands to provide us with additional information on these contract actions and report any suspected violations to this office.

3. Our initial review of the Army National Guard contract indicates that the contract was funded correctly and was a bona fide need of FY 2010. Our review of the other contracts is ongoing. The remaining reviews will be completed in the next 90 days.

4. My point of contact for this report is [redacted]

John J. Argodale
Deputy Assistant Secretary of the Army
(Financial Operations)

U.S. Department of Defense
Office of the Inspector General
4800 Mark Center Drive
Suite 13F25-04
Alexandria, VA 22350-1500

U.S. Department of the Interior
Office of the Inspector General
MS4428 – MIB
1849 C Street, NW
Washington, DC 20240

This report is available online at: http://www.dodig.mil and also available at:
http://www.doioig.gov/report-database/reports