OFFICE OF THE INSPECTOR GENERAL

CONTROLS OVER U.S. ARMY FUNDS FOR THE ARMY GLOBAL COMMAND AND CONTROL SYSTEM

Report No. 95-141

March 9, 1995

Department of Defense

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Acronym

AGCCS	Army Global Command and Control System

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884

March 9, 1995

MEMORANDUM FOR ASSISTANT SECRETARY OF DEFENSE (COMMAND, CONTROL, COMMUNICATIONS, AND INTELLIGENCE)
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on Controls Over U.S. Army Funds for the Army Global Command and Control System (Report No. 95-141)

We are providing this report for your information and use. The report discusses the contract for the Army Global Command and Control System. Management comments on a draft of this report were considered in preparing the final report.

As a result of meetings with management after we issued the draft report, we revised the finding and deleted two draft report recommendations. Management's comments considered those changes to the draft report. The comments conformed to the requirements of DoD Directive 7650.3, and no further comments are required.

We appreciate the courtesies extended to the audit staff. If you have questions on this audit, please contact Ms. Mary Lu Ugone, Audit Program Director, at (703) 604-9529 (DSN 664-9529) or Ms. Cecelia Miggins, Audit Project Manager, at (703) 604-9542 (DSN 664-9542). The distribution of this report is listed in Appendix D. The audit team members are listed inside the back cover.

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 95-141 **March 9, 1995**
(Project No. 4RE-0071)

CONTROLS OVER U.S. ARMY FUNDS FOR THE ARMY GLOBAL COMMAND AND CONTROL SYSTEM

EXECUTIVE SUMMARY

Introduction. The Army Global Command and Control System, a component of the Global Command and Control System, provides communications at the strategic and theater levels. The Army Global Command and Control System will meet the requirements of and evolve from the Army Worldwide Military Command and Control System Information System, the Standard Theater Army Command and Control System, and the Combat Service Support Control System. A contract, valued at $15.2 million, was awarded on December 23, 1994, for the Army Global Command and Control System. The ceiling price for the contract and contract modifications is about $141.2 million.

Objective. The audit objective was to evaluate the adequacy of the procedures and controls over the U.S. Army funds for the contract for the Army Global Command and Control System to determine whether they will be used in accordance with applicable laws and regulations. A separate report will be issued that discusses the announced objective to evaluate Army funds for the Worldwide Military Command and Control System.

Audit Results. The proposed funding strategy for the Army Global Command and Control System contract did not comply with United States Code, title 31, section 1502(a), "the bona fide needs statute." As a result, the Army would have improperly used future year funds for a bona fide need for a prior fiscal year and placed the Government at risk for expenditures on an incomplete system. Additionally, the improper funding strategy may have caused funding adjustments that could have resulted in potential Antideficiency Act violations. Details are in Part II.

Internal Controls. We did not review the Army's internal management control program, because we limited the scope of the audit to the planned contract for the Army Global Command and Control System. We evaluated the Army's internal controls related to the contract award for the Army Global Command and Control System and found no material internal control weaknesses.

Potential Benefits of Audit. Implementation of the recommendations will ensure that the DoD complies with statutory funding requirements and will reduce the risk that the Government will spend $60.5 million for an incomplete system (see Appendix B).

Summary of Recommendations. We recommend that the Army revise and that the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) review and approve the acquisition funding strategy for the Army Global Command and Control System to ensure that the contract for the Army Global Command and Control System is in compliance with United States Code, title 31, section 1502(a).

Management Comments. In a joint response coordinated with the Vice Director of Command, Control, Communications, and Computers, U.S. Army, the Assistant

Secretary of Defense (Command, Control, Communications, and Intelligence) did not agree that all 10 capability packages comprising the Army Global Command and Control System must be funded in FY 1995 for the Army to be in compliance with United States Code, title 31, section 1502(a). However, management agreed to redefine applicable capability packages to include initial on-site user testing. Further, the Army agreed to restructure the Army Global Command and Control System contract and submit a revised acquisition strategy to the Major Automated Information System Review Council for approval. Part II contains a discussion of management comments, and the complete text of the comments is in Part IV.

Audit Response. After the draft report was issued, we met with representatives of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Program Manager, Army Global Command and Control System. As a result of several meetings, we revised the finding and deleted two recommendations in the draft report. We changed our position that all 10 capability packages must be funded with FY 1995 funds. Regarding the deleted recommendations, we accept management's alternative solution to restructure the capability packages and acquisition funding strategy to reflect complete product development and initial testing before Government acceptance of the capability packages. Although the Assistant Secretary nonconcurred with the finding, the planned actions meet the intent of the recommendations, and no additional comments are required.

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Part I - Introduction

Background

System Description. The Army Global Command and Control System (AGCCS), an interoperable component of the Global Command and Control System, provides communications at the strategic and theater levels. The objective of the AGCCS is to meet the requirements of and evolve from the Army Worldwide Military Command and Control System Information System, the Standard Theater Army Command and Control System, and the Combat Service Support Control System.

The Army Worldwide Military Command and Control System Information System supports the National Command Authority and connects Army tactical command and control systems with strategic command and control systems. The purpose of the Standard Theater Army Command and Control System is to support the communications requirements of the theater Army commander. The Combat Service Support Control System provides tactical-level command and control and information on logistics, medical, financial, personnel, and civil affairs.

Objectives

The audit objective was to evaluate the adequacy of the procedures and controls over Army funds for the AGCCS contract in order to determine whether funds will be used in accordance with applicable laws and regulations. A separate report will be issued that discusses the announced audit objective to evaluate controls over Army funds for the Worldwide Military Command and Control System.

Scope and Methodology

We reviewed the request for proposal, dated June 16, 1994, for the AGCCS contract. Also, we interviewed personnel from the AGCCS program office and the office of the Army Information Systems Selection and Acquisition Agency Deputy Chief Counsel. Additionally, we obtained assistance from the Office of General Counsel, Inspector General, DoD, on the applicability of United States Code, title 31, section 1502(a), to the acquisition funding strategy for AGCCS.

This economy and efficiency audit was performed from October through December 1994 in accordance with auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD. We did not rely on computer-processed data to achieve the audit objectives. Appendix C lists organizations visited or contacted during the audit.

Internal Controls

We did not review the Army's internal management control program, because we limited the scope of our audit to the AGCCS contract. We evaluated the Army's internal controls applicable to the contract award for the Army Global Command and Control System and found the controls to be adequate in that we identified no material internal control weaknesses.

Prior Audits and Other Reviews

There has been no prior audit coverage of the Army Global Command and Control System.

Part II - Finding and Recommendations

Funding for the Army Global Command and Control System

The Army's acquisition funding strategy for the Army Global Command and Control System (AGCCS) would have caused a material noncompliance with United States Code, title 31, section 1502(a), "the bona fide needs statute."

The noncompliance would have occurred because the Army developed and the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) approved an acquisition funding strategy based upon the severability of incremental capability packages that incorrectly funded the development packages in one year and the acceptance testing packages in another year.

As a result, the Army could have improperly used about $12.3 million in future year funds, and the Government could have been at risk for about $60.5 million for an incomplete system. Additionally, future year funding adjustments based on the improper strategy could have resulted in potential Antideficiency Act violations.

Background

Contract Award and Cost. The Army issued the AGCCS request for proposal on June 16, 1994, and proposals were received on August 11, 1994. The request for proposal provides for a contract award with a 5-year period of performance; cost-plus-award fee for development efforts; and a firm, fixed price for maintenance of existing systems. The AGCCS base year contract, valued at about $15.1 million, was projected for award on December 22, 1994. The AGCCS contract was awarded December 23, 1994, with a ceiling cost of $141.2 million.

Designation of the AGCCS as a Major Automated Information System. The AGCCS became a major automated information system because one of its major components, the Army Worldwide Military Command and Control System Information System, was designated a major automated information system subject to Major Automated Information System Review Council oversight. However, the AGCCS was not formally designated a major automated information system by the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence). Nonetheless, an October 6, 1994, memorandum from the Program Executive Officer, Command and Control Systems, states ". . . We recognize that the AGCCS system is subject to Office of the Secretary of Defense management oversight and must be reviewed by the Major Automated Information System Review Council."

DoD Policy for Major Automated Information Systems. Policy and procedures for the life-cycle management of major automated information

systems are in DoD Directive 8120.1, "Life-Cycle Management of Automated Information Systems," January 14, 1993, and DoD Instruction 8120.2, "Automated Information Systems Life-Cycle Management Process, Review, and Milestone Approval Procedures," January 14, 1993. DoD Directive 8120.1 states that it is DoD policy to tailor procurement procedures, including contract structure, to the selected funding strategy to acquire the system.

AGCCS Capability Packages. The AGCCS request for proposal states that the AGCCS consists of 10 capability packages. The AGCCS will be delivered in three blocks of incremental functionality over 59 months after contract award. Each block consists of specific capability packages. The relationship of the capability packages to total system functionality is shown in the table below. All 10 capability packages are required for the AGCCS to be fully operational.

AGCCS Incremental Functionality

Block	Capability Packages	Total System Functionality (Percent)
1	1 through 6	50
2	7 through 8	30
3	9 through 10	20
Total		**100**

Development, Testing, and Funding of Capability Packages

AGCCS Development and Testing. The AGCCS functionality will be developed in capability packages 1, 3, 5, 7, and 9. Capability packages 4, 6, 8, and 10 provide initial and final on-site user testing for capability packages 1 and 3, 5, 7, and 9, respectively.

Terms of the Contract. Section H.2. of the request for proposal states that the period of the contract will be from date of contract award through September 30, 1995. The request for proposal further states that the total duration of the contract, which includes the completion of all 10 capability packages, shall not exceed a total of 60 months from the date of contract award. The Army plans to issue modifications to the contract to fund capability packages 4 through 10 as future year requirements when funding becomes available.

Capability Package Funding. Section G.14. of the request for proposal states that the Government intends to fully fund each capability package by issuing a

contract modification before starting work on each package. Capability packages 1 and 3, valued at $13.9 million, will be fully funded at contract award. Capability packages 2 and 4 through 10, valued at about $46.6 million, will not be funded at contract award. Further, the request for proposal instructs the contractor not to begin work on the additional capability packages until a contract modification is issued to fund the work.

Fiscal Year Appropriation to Meet Bona Fide Needs. A fiscal year appropriation may be obligated only to meet a bona fide need arising in, or in some cases arising before but continuing to exist in, the fiscal year for which the appropriation was made.

The Army Information Systems Selection and Acquisition Agency Deputy Chief Counsel viewed capability packages 2 and 4 through 10 as bona fide needs of FYs 1996 through 1999. The Army Information Systems Selection and Acquisition Agency Deputy Chief Counsel stated that ". . . We viewed G.14. [section G.14], in conjunction with H.2. [section H.2], as indicating that each capability package is a separate, nonseverable task. Since they are bona fide needs of later years, they cannot be funded with current year funds."

We disagree with the Army's position that some of the capability packages are bona fide needs of future years. The AGCCS capability packages do not meet the definition of separate tasks. The bona fide need of the Army is to develop and implement a fully operational AGCCS--a need which the Army states will require all 10 capability packages. Proposed incremental funding of the AGCCS causes the Government to be faced with the dilemma of either abandoning a partially completed project or completing the project by not funding other priority projects. Accordingly, the Army's strategy to incrementally fund the capability packages over a 5-year period is improper and could put the Government at risk of spending $60.5 million for an incomplete system.

Additionally, the opinion of the Army Information Systems Selection and Acquisition Agency Deputy General Counsel is in conflict with the opinions of the Comptroller General. The Comptroller General stated that the determining factors for whether services are severable or entire are whether they represent a single undertaking to meet an immediate need, or whether the task can be separated into components that independently meet a separate need of the Government.

On the issue of funding, the Comptroller General stated that contracts that cannot be separated for performance by fiscal year may not be funded incrementally without statutory authority. Such contracts are chargeable to the current year appropriation. Appendix A contains excerpts of the Comptroller General's opinions.

Conclusion

The Department of the Army had adopted an acquisition funding strategy that did not comply with United States Code, title 31, section 1502(a), and may have resulted in potential Antideficiency Act violations. Further, we believe the acquisition strategy was faulty because it did not recognize development and testing as inseparable elements of the acquisition cycle. By separating development and testing, the Army had put the Government at risk for acquiring an untested system. The Government would have been at risk for an untested system if the Army was unable, for any reason, to fund the testing capability packages to complete the acquisition cycle.

Recommendations, Management Comments, and Audit Responses

Revised Finding and Deleted Recommendations. After the draft report was issued on December 19, 1994, we met with representatives of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) and the Program Manager, Army Global Command and Control System. During those meetings, we reached agreement that the Army had no method of accepting development capability packages without funding the associated initial testing capability packages. We then revised our position that all 10 capability packages must be funded with FY 1995 funds. Instead, we accepted management's proposal to fund initial on-site testing as part of associated development capability packages. We believe this solution will meet the intent of United States Code, title 31, section 1502(a); preclude a potential Antideficiency Act violation; and reduce the risk of acquiring an incomplete system.

As a result of management comments and additional audit review, we revised the Finding and deleted draft report Recommendations 1. and 2. Draft Recommendations 3. and 4. were renumbered 1. and 2. for the final report.

1. We recommend that the Program Manager for the Army Global Command and Control System revise the acquisition funding strategy for the Army Global Command and Control System to ensure that the contract for the Army Global Command and Control System is in compliance with United States Code, title 31, section 1502(a).

Management Comments. In a joint response with the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), the Army Vice Director of Information Systems for Command, Control, Communications, and Computers agreed to revise the acquisition strategy for the Army Global Command and Control System to ensure compliance with United States Code, title 31, section 1502(a). Further, the Vice Director agreed to submit the revised acquisition strategy to the Major Automated Information Systems

Review Council for approval. Also, the Vice Director will verify that the Army Global Command and Control Contract is restructured to reflect the revised acquisition strategy. The complete text of management comments is in Part IV of this report.

2. We recommend that the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) review and approve a revised acquisition funding strategy for the Army Global Command and Control System to ensure that the acquisition is in compliance with United States Code, title 31, section 1502(a).

Management Comments. The Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) did not agree that all 10 capability packages comprising the Army Global Command and Control System must be funded in FY 1995 to be in compliance with United States Code, title 31, section 1502(a). However, the Assistant Secretary did see a need for the Army to redefine the development capability packages to include initial on-site user testing, which was previously in separate capability packages. The Assistant Secretary stated that redefining the capability packages in this manner would avoid any possible problem with the bona fide needs issue as well as be consistent with Office of the Secretary of Defense policy to require both developmental and operational testing of a product before it is deployed.

Audit Response. Although the Assistant Secretary nonconcurred with the finding, the planned actions meet the intent of the recommendation.

Part III - Additional Information

Appendix A. Excerpts from Opinions by the United States Comptroller General

Excerpts are provided below from opinions by the Comptroller General that discuss severable tasks and funding for severable tasks.

Comptroller General Opinion B-241415, 1992

The determining factor for whether services are severable or entire is whether they represent a single undertaking designed to meet an immediate need for the agency. Contract type does not control the issue; rather the nature of the work being performed should be the initial focus of the analysis.

The inclusion of the Limitation of Funds clauses in a contract would prevent an Antideficiency Act violation. The difficulty, however, is that although such a clause limits the obligation initially incurred, it does not remedy the bona fide needs problems that necessarily arises when an agency attempts to charge subsequent year(s) appropriations for the needs of a prior year. Further, use of the clause will not free an agency from the future-year dilemma of either abandoning a partially completed project or completing the project at the cost of not funding other priority activities.

Comptroller General Opinion B-240264, 1994

A task is severable if it can be separated into components that independently meet a separate need of the government . . . . On the other hand, where the services provided constitute a specific, entire job with a defined end-product that cannot feasibly be subdivided for separate performance in each fiscal year, the task should be financed entirely out of the appropriation current at the time of award, notwithstanding that performance may extend into future fiscal years.

Appendix B. Summary of Potential Benefits Resulting from the Audit

Recommendation Reference	Description of Benefit	Type of Benefit
1.	Program Results. Provides for an acquisition funding strategy that complies with statutory requirements and reduces the risk of costly investment for the Government.	Nonmonetary.
2.	Program Results. Verifies a revised acquisition funding strategy that complies with statutory requirements and reduces the risk of costly investment for the Government.	Nonmonetary.

Appendix C. Organizations Visited or Contacted

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology, Washington, DC
Under Secretary of Defense (Comptroller)
  Director, Program Analysis and Evaluation, Washington, DC
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence), Washington, DC

Department of the Army

Army Worldwide Military Command and Control System Information System Program Office, Fort Belvoir, VA
U.S. Army Information Systems Selection and Acquisition Agency, Alexandria, VA

Other Defense Organizations

Defense Information Systems Agency, Arlington, VA

Appendix D. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
Under Secretary of Defense (Comptroller)
  Director, Program Analysis and Evaluation
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
Deputy Under Secretary of Defense (Acquisition Reform)
Assistant to the Secretary of Defense (Public Affairs)

Department of the Army

Secretary of the Army
Assistant Secretary of the Army (Financial Management)
Auditor General, Department of the Army

Department of the Navy

Secretary of the Navy
Assistant Secretary of the Navy (Financial Management)
Auditor General, Department of the Navy

Department of the Air Force

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

Defense Organization

Director, Defense Contract Audit Agency
Director, Defense Information Systems Agency
Director, Defense Logistics Agency
Director, National Security Agency
Inspector General, Central Imagery Office
Inspector General, Defense Information Systems Agency
Inspector General, National Security Agency
Director, Defense Logistics Studies Information Exchange

Non-Defense Federal Organizations

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

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

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

Part IV - Management Comments

Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) Comments

ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301-3040

February 22, 1995

COMMAND, CONTROL, COMMUNICATIONS AND INTELLIGENCE

MEMORANDUM FOR INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE

SUBJECT: Quick-Reaction Audit Report on Controls Over U.S. Army Funds for the Army Global Command and Control System (Project No. 4RE-0071)

I have reviewed the subject report and nonconcur with your finding that all ten Capability Packages (CP) composing the Army Global Command and Control System (AGCCS) must be funded in FY 95 for the Army to be in compliance with U.S.C., title 31, section 1502(a), "the bona fide needs statute." CPs 1, 2, and 3 are properly identified as bona fide needs for FY 95 by the Army.

However, after careful review, I do see a need to have the Army define the initial On-Site User Test (OSUT) applicable to CPs 3, 5, 7, and 9 as part of those CPs and fund each CP as a nonseverable task. My position is that by redefining the initial OSUT for CP 3 as part of CP 3, the Army will not only avoid any possible problem with the bona fide needs issue, but has the practical advantage of providing the Army with the necessary information to determine whether a CP is useable and functional. It is also consistent with OSD policy to require both developmental and operational testing of a product prior to fielding.

The Army has been apprised of my position regarding your audit. Army agrees to restructure the contract accordingly, and submit a revised acquisition strategy for approval. The revised acquisition strategy will not be required prior to the restructure implementation. My Deputy Assistant Secretary of Defense (Command, Control, Communications and Intelligence Acquisition) will be the approval authority for that strategy as the Acting MAISRC Chairman.

I consider this action closed pending notification to you that the contract has been restructured and funded accordingly. My point-of-contact for this action is LTC Von Richardson who is assigned to the office of my Deputy

Assistant Secretary of Defense for Command, Control, and Communications, telephone 697-6726.

Emmett Paige, Jr.

COORD:
David Borland
Vice DISC4
Office, Secretary of the Army

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This report was prepared by the Readiness and Operational Support Directorate, Office of the Assistant Inspector General for Auditing, Department of Defense

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