Audit Report

OFFICE OF THE INSPECTOR GENERAL

FUNCTIONAL TRANSFER OF NAVY BASE COMMUNICATIONS OFFICES

Report No. 97-154

June 11, 1997

Department of Defense

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Acronyms

BCO	Base Communications Office
CATS	Consolidated Area Telephone System
CNO	Chief of Naval Operations
NCTC	Naval Computer and Telecommunications Command
NCTS	Naval Computer and Telecommunications Station
SPAWAR	Space and Naval Warfare Systems Command

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

June 11, 1997

MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Audit Report on the Functional Transfer of Base Communications Offices (Report No. 97-154)

We are providing this report for review and comment. This report is the seventh in a series resulting from our audit of the Consolidation of Naval Activities Providing Telephone Service, now known as base communications offices.

DoD Directive 7650.3 requires that all audit recommendations be resolved promptly. The Navy did not provide comments on the draft of the report. Therefore, the Navy is requested to provide comments on this final report by July 11, 1997.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. Robert M. Murrell, Audit Program Director, at (703) 604-9428 (DSN 664-9428) or Mr. Patrick J. Nix, Audit Project Manager, at (703) 604-9457 (DSN 664-9457). See Appendix E for the report distribution. The audit team members are listed on the back cover.

David K. Steensma

David K. Steensma,
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 97-154
(Project No. 6RD-0030.03)

June 11, 1997

Functional Transfer of Navy Base Communications Offices

Executive Summary

Introduction. This report is the seventh in a series resulting from our audit of the Consolidation of Naval Activities Providing Telephone Service, now known as base communications offices. The other six reports discussed Navy communications management and base communications offices' consolidation efforts in the San Francisco, San Diego, Virginia Tidewater, and Hawaiian Islands areas.

On April 25, 1991, the Chief of Naval Operations directed the Naval Computer and Telecommunications Command to start actions to transfer the 100 base communications offices from various naval commands to the Naval Computer and Telecommunications Command. The Navy objectives were to establish a dedicated Navy advocate for intrabase communications services and management and to develop a broad-based field organization to directly support Navy intrabase communications requirements. The initiative will support the Navy goal of establishing a single management center at the base level that will provide fully integrated information services in support of both the fleet and the shore establishments. The Marine Corps base communications offices were not included in the Chief of Naval Operations initiative.

Objective. The overall audit objective was to evaluate the efficiency and effectiveness of the consolidation of base communications offices. Specifically, we evaluated how effectively the Naval Computer and Telecommunications Command executed mission requirements. We also evaluated how efficiently the Naval Computer and Telecommunications Command transferred base communications offices from various Navy commands into its claimancy. We also reviewed the applicable management control program as it related to the overall objective.

Audit Results. The Navy has not completed the functional transfer of base communications offices to centralized control under the Naval Computer and Telecommunications Command as directed by the Chief of Naval Operations, and the Navy retains a divided management structure for base communications. As a result, the Navy is not: effectively developing telecommunications configuration management plans; acquiring, maintaining, or using its telecommunications equipment, services, and facilities efficiently and economically; or attaining economies of scale (to fully reduce costs) available from consolidating its telecommunications resources and operations.

Summary of Recommendations. We recommend that the Secretary of the Navy consolidate all information management and information technology functions and associated resources into the Office of the Chief Information Officer of the Navy. Further, we recommend that the Chief of Naval Operations complete the consolidation of all Navy base communications offices under the Naval Computer and Telecommunications Command, and require all claimants to comply.

Management Comments. The Navy did not provide comments on the draft of this report. Therefore, we request that the Navy provide comments on this report by July 11, 1997.

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Part I - Audit Results

Audit Background

This report is the seventh in a series of reports resulting from our audit of the Consolidation of Naval Activities Providing Telephone Service, now known as base communications offices (BCOs). The other six reports discussed Navy communications management and BCO consolidation efforts in the San Francisco, San Diego, Virginia Tidewater, and Hawaiian Islands areas.

Consolidation Initiative. In December 1983, the Chief of Naval Operations (CNO) approved the transfer of responsibility for base communications facilities and services from the Naval Facilities Engineering Command to the Naval Computer and Telecommunications Command (NCTC), formerly the Naval Telecommunications Command.

On March 30, 1990, the Commander, NCTC, surveyed the BCOs to determine their current efficiency and effectiveness at satisfying Navy requirements. An analysis of the survey results indicated that the effectiveness of the current BCO organizations in providing efficient and cost-effective telephone service varied widely.

Therefore, on April 25, 1991, the CNO directed the NCTC to start actions to transfer the BCOs from various naval commands to the NCTC. To establish a centralized support for shore-based communications systems and services, the CNO directed that all BCO operations be consolidated under the NCTC. The NCTC mission is to plan, procure, implement, and manage telecommunications systems and facilities at Navy shore establishments.

In February 1996, the CNO reaffirmed its direction to transfer all Navy BCOs to the NCTC. The Navy objectives were to establish a dedicated Navy advocate for intrabase communications services and management and to develop a broad-based field organization to directly support Navy intrabase communications requirements. The initiative will support the Navy goal of establishing a single management center at the base level that would provide fully integrated information services in support of both fleet and shore establishments. The Marine Corps BCOs were not included in the CNO initiative.

The Navy plans to transfer functions related to the management, administration, engineering support, contracting, planning, ordering, procuring, accounting, and payment of telecommunications equipment and services of 100 Navy BCOs worldwide to 3 NCTC regional commands (Atlantic, Mediterranean, and Pacific Regions). Under the direction of NCTC, the regional commands will provide decentralized, fully responsive information transfer and management to serve the commanders in chief of the U.S. Atlantic Fleet; U.S. Navy Forces, Europe; and the U.S. Pacific Fleet.

Status of BCO Transfers. As of January 1997, the NCTC had assumed management responsibility for 62 of the 100 Navy BCOs. The major claimants that have not transferred their BCOs to the responsibility of the NCTC are listed in Appendix C, and the relevant portion of the Navy organizational structure is shown in Appendix D.

Audit Objectives

The overall audit objective was to evaluate the efficiency and effectiveness of the consolidation of BCOs. Specifically, we evaluated how effectively the NCTC executed mission requirements and how efficiently the NCTC transferred BCOs from various Navy commands into its claimancy. We reviewed the applicable management control program as it related to the overall objective. See Appendix A for a discussion of the audit scope and methodology and the results of the review of the management control program. Prior audits and other reviews are discussed in Appendix B.

Consolidating Navy Management of Base Communications

The Navy has not completed the functional transfer of BCOs to centralized control of the NCTC as directed by the CNO, and the Navy retains a divided management structure for base communications. The functional transfer was not successful because 11 Navy major claimants did not comply with the CNO-directed functional transfer to NCTC; and because oversight of the development, maintenance, and modernization of Navy base communications is divided between NCTC and the Space and Naval Warfare Systems Command (SPAWAR). Further, resolution of those problems was delayed because communications and information management functions were not consolidated under a Chief Information Officer. As a result, the Navy is not: effectively developing telecommunications configuration management plans; acquiring, maintaining, or using its telecommunications equipment, services, and facilities efficiently and economically; or attaining economies of scale (to fully reduce costs) available from consolidating its telecommunications resources and operations.

Chief Information Officer of the Navy

The Information Technology Management Reform Act of 1996 mandated that each executive agency designate a Chief Information Officer. The Chief Information Officer is responsible for:

> providing advice and other assistance to ensure that information technology is acquired and information resources are managed in a manner that implements the policies and procedures of the United States Code, and the priorities established by the head of the executive agency. Further, the Chief Information Officer is responsible for developing, maintaining, and facilitating the implementation of a sound and integrated information technology architecture and for promoting the effective and efficient design and operation of all major information resource management processes.

Further, Executive Order 13011, "Federal Information Technology," July 16, 1996, directs executive agencies to implement the Information Technology Reform Act of 1996. As of May 1997, the Department of Navy had not designated a Chief Information Officer.

Navy Base Communications Management

The management of base communications at shore installations is divided among many Navy organizations. Responsibilities for Navy BCOs continue to be divided between NCTC and 11 other major claimants. Further, responsibility

for developing, maintaining, and modernizing the Navy base communications infrastructure is divided between the NCTC and SPAWAR. The NCTC is responsible for the oversight of the administration, operation, and maintenance of existing base communications at Navy shore installations throughout the world; and SPAWAR is responsible for developing and modernizing the base communications infrastructure.

Consolidation Initiative

On March 30, 1990, the NCTC sent a questionnaire to the BCOs to determine the condition of the Navy base communications infrastructure. The Navy analysis of responses determined that the effectiveness of BCOs in providing efficient and cost-effective telecommunications services varied widely. The responsibility for the BCOs resided with various major claimants; and the varying priorities of major claimants responsible for the BCOs adversely affected the resources (funding and manpower) available for maintaining the base communications infrastructure. Consequently, the CNO directed the transfer of all Navy BCOs into the NCTC claimancy to develop a broad-based field organization that could efficiently and economically modernize Navy base communications systems and services. The NCTC was given the mission of performing central management of base-level communications within the Navy and was directed to execute the functional transfer of BCOs.

Functional Transfer Process. The NCTC developed a standardized process for use by its regional commands to accomplish the BCO functional transfers. In the process, a coordinated effort between losing and gaining organizations identifies the telecommunications assets, staffing, and resources of the BCO to be transferred. Functional transfer plans are drafted by the gaining organization based on data gathered during the concerted efforts and are sent to the losing organizations for preliminary approval and comment. The plans are then forwarded to the NCTC. The NCTC reviews the draft plans, mediates solutions for unresolved issues, and makes needed modifications to complete the plans. Next, the NCTC sends the plans to the major claimant of the losing organization for concurrence and signature. Upon concurrence and signature, NCTC forwards the approved plan to the CNO and the Navy Comptroller for resource transfers, organizational administrative changes, and approval signatures. The process is considered fully completed once the budget transfer has occurred.

Implementation of the Initiative. On April 25, 1991, the CNO directed NCTC to start actions to transfer BCOs from various Naval commands to NCTC. However, not all major claimants complied with that directive. Therefore, the CNO issued a followup message in February 1996 to reaffirm the direction issued in April 1991.

After 6 years (as of January 1997), the NCTC has successfully transferred only 62 of 100 Navy BCOs into the NCTC claimancy, because 11 major claimants still have not fully complied with the CNO directive. Of the remaining 38 BCOs that have not transferred, 18 were identified by NCTC officials as being

in the process of transferring. However, unspecified events had caused the transfers to be indefinitely delayed. The other 20 BCOs belong to naval commands that are refusing to participate in the functional transfer, and the NCTC considers the transfers to be on hold.

The audit team met with senior communications managers at several of those commands and discussed reasons why they did not participate in the consolidation initiative. They stated that their commands have made large investments to upgrade and modernize their communications infrastructure, and they are now reluctant to relinquish control of their BCOs to NCTC. The commands also stated they do not believe that NCTC is capable of providing the same quality of service at an equal or lower cost; and fear that turning over control of their BCOs will preclude further modernization of their communications infrastructure. Further, the commands stated that they want the NCTC to prepare business cases to prove that transferring their BCOs to the NCTC would result in cost-effective and efficient management. A list of the Naval commands that have not transferred their BCOs is in Appendix C, and the relevant portion of the Navy organizational structure is shown in Appendix D.

Responsibility for the Navy Base Communications Infrastructure

The responsibility for developing, maintaining, and modernizing the Navy base communications infrastructure is divided between two Navy organizations. The NCTC and SPAWAR share responsibility for performing configuration management. The NCTC is responsible for consolidating existing customer requirements, and SPAWAR is responsible for developing and modernizing the base communications infrastructure. However, neither could differentiate their responsibilities. Further, the CNO has not established respective command responsibilities, policies, and procedures to ensure effective, coordinated management of Navy telecommunications infrastructure, resulting in a lack of cooperation between the two organizations and confusion over responsibilities and means of interaction.

For example, in a March 3, 1997, response to Office of the Inspector General, DoD, Report No. 96-091, "Acquisition of Telecommunications Equipment and Services by the Naval Computer and Telecommunications Station, San Diego," March 29, 1996, the Navy stated that the Naval Computer and Telecommunications Station, San Diego, contracted with the Naval Command, Control, and Ocean Surveillance Center. An architecture and engineering team was to review and document user requirements and to develop a configuration plan for the telecommunications infrastructure. During its review, however, the team determined that engineering field activities (SPAWAR organizations) should develop the configuration management plan for the San Diego area, because they possessed the necessary engineering expertise. The Navy stated that the SPAWAR organizations were fee-for-service activities and that funding was not available within NCTC to support a configuration management plan project. Therefore, the Navy requested that it be relieved of having to develop

a configuration management plan that exploited opportunities to reduce costs. Previous audits by the Office of the Inspector General, Department of Defense, identified the lack of a telecommunications configuration management plan as a major problem at three regional commands (see Appendix B), and we believe the Navy's approach to the management of telecommunications needs improvement.

We believe the developing, maintaining, and modernizing of the communications infrastructure should not be separated. One task cannot be performed properly without the other being accomplished simultaneously. For example, to successfully consolidate users' requirements, one must incorporate newly developed technologies that expand the speed and amount of information that can be transferred into the communications infrastructure. Thus, the base communications infrastructure is modernized at the same time. Dividing those responsibilities creates a duplication or overlap of effort as well as incomplete and inconsistent configuration management.

Cost Reduction Opportunities

The Navy is prevented from fully exploiting opportunities to reduce Navy expenditures for telecommunications requirements until it fully implements the CNO initiative transferring all BCOs to one command structure, and consolidates the responsibility for developing, maintaining, and modernizing the Navy base communications infrastructure. As a result, the Navy cannot acquire, use, and maintain its telecommunications equipment, services, and facilities in the most economical and efficient manner.

By transferring all BCOs to one command structure and by consolidating all information management and information technology functions and associated resources, the Navy could realize cost reductions by eliminating the number of organizations involved in the management of base communications. CNO needs to finish the transfer of BCOs to one command structure. We believe that the new CIO in the Navy is the most appropriate activity to accomplish consolidation of information management and information technology functions. This would allow the Navy to reduce the resources and manpower used to manage, operate, and modernize its communications infrastructure, and standardize and eliminate duplicative administrative functions. Further, those two steps would allow the Navy to develop configuration plans for its highly populated geographical areas that consolidate user requirements, take full advantage of sharing resources, and ensure the economical use and interoperability of users' telecommunications assets.

Recommendations for Corrective Action

Revised Recommendations: We deleted draft report Recommendation 1 because the Navy was in the process of selecting a CIO and draft report Recommendation 2.c. because we do not want to delay procurements that can improve communications and information technology for the users. Accordingly, draft report Recommendations 2.a. and 2.b. were renumbered 1 and 2 for this final report.

1. We recommend that the Secretary of the Navy consolidate all information management and information technology functions and associated resources into the Office of the Chief Information Officer of the Navy.

2. We recommend that the Chief of Naval Operations initiate a time phased plan to complete the consolidation of all Navy base communications offices under the Naval Computer and Telecommunications Command; and require all claimants to comply.

Management Comments Required

The Navy did not provide comments on the draft of this report. Therefore, we request the Navy provide comments on this final report.

Part II - Additional Information

Appendix A. Audit Process

Scope and Methodology. We evaluated how efficiently and effectively the NCTC transferred the 100 Navy BCOs to NCTC claimancy. We reviewed guidance and assistance given by NCTC to its three regional commands (the Atlantic, Mediterranean, and Pacific Regions) for accomplishing the functional transfers. We interviewed officials from the organizations involved in managing base communications at Navy shore installations. Further, we evaluated how skillfully the NCTC conveyed to its three regional commands the steps to be taken to assume responsibility for and accomplishment of the tasks needed for the identification and validation of Navy telecommunications requirements, configuration planning and management, performance of cost analyses, and the ordering and procurement of telecommunications equipment and services. Finally, during our series of audits, we initiated a review of the proposed $2.9 billion indefinite delivery/indefinite quantity voice, video, and data contract. The request for proposal for the contract was issued on September 5, 1996, and the Navy is currently going through the source selection process. The Navy estimates that contract award will occur by July 1997. We suspended our efforts to review the proposed contract, because we concluded that the concept used to develop the proposal was appropriate.

Auditing Standards. This economy and efficiency audit was made from October 1996 through March 1997. The audit was performed in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. We included tests of management controls considered necessary. We did not use computer-processed data or statistical sampling procedures for this audit.

Contacts During the Audit. We visited or contacted individuals and organizations within the Navy. Further details are available upon request.

Management Control Program

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

Scope of Review of the Management Control Program. We reviewed the adequacy of the management controls over telecommunications assets within the Navy. Specifically, we reviewed the NCTC, the Naval Information Systems Management Center, SPAWAR, and CNO management controls over the identification and validation of telecommunications requirements, configuration planning and management, performance of cost analyses, and the ordering and procurement of telecommunications equipment and services. We also reviewed management's self-evaluations of those management controls.

Adequacy of Management Controls. We identified material management control weaknesses as defined by DoD Directive 5010.38, for NCTC, Naval Information Systems Management Center, SPAWAR, and the CNO. Management controls over telecommunications assets were insufficient to ensure that telecommunications equipment, services, and facilities were acquired and used efficiently and economically. If management implements the recommendations in this report, then the management of telecommunications assets will improve, management control issues will be resolved, and monetary benefits will result. We were unable to quantify the amount of monetary benefits that would result, because the amount is dependent on cost reductions resulting from reallocations, reconfigurations, and terminations of underutilized or unnecessary telecommunications equipment and services and the use of better ordering practices. A copy of the report will be provided to the senior officials responsible for management controls at the NCTC, the Naval Information Systems Management Center, SPAWAR, and the CNO.

Adequacy of Management's Self-Evaluation. NCTC officials identified aspects related to the management of communications resources as assessable units. However, NCTC did not conduct assessments of assessable units at the headquarters level. Further, NCTC did not submit an annual statement of assurance for FY 1996. The Naval Information Systems Management Center did not perform management control assessments for FY 1996. The SPAWAR and CNO did not identify the management of telecommunications assets as an assessable unit. Consequently, none of the organizations involved in the management of Navy telecommunications resources identified the material management control weaknesses identified by the audit.

Appendix B. Prior Audits and Other Reviews

Office of the Inspector General, DoD, Report No. 97-119, "Consolidation of Naval Activities Providing Telephone Service in the Pacific Region," April 4, 1997. The Naval Computer and Telecommunications Area Master Station (Eastern Pacific) did not maintain an accurate telecommunications assets inventory, validate user requirements, establish a configuration plan, or verify the accuracy of charges against ordering documents before certification. Further, the Naval Computer and Telecommunications Area Master Station Eastern Pacific and the Defense Finance and Accounting Service did not process telephone invoices in a timely manner. As a result, the Naval Computer and Telecommunications Area Master Station Eastern Pacific could not ensure the effective, efficient, and economical acquisition and use of telecommunications assets within the Hawaiian Islands. Further, the Naval Computer and Telecommunications Area Master Station Eastern Pacific could not ensure that payments made would be accurate and only for equipment and services that were received. Last, the Naval Computer and Telecommunications Area Master Station Eastern Pacific failed to pay telephone invoices in accordance with the Prompt Payment Act. We recommended that management maintain a telecommunications assets inventory, validate the requirements for existing telecommunications assets, identify and validate users' future requirements, and develop a telecommunications configuration plan based on validated future user requirements. We also recommended that management verify the validity of vendor charges against ordering documents and process its telephone invoices in a timely manner. The Navy concurred and implemented the recommended actions.

Office of the Inspector General, DoD, Report No. 97-094, "Consolidation of Naval Activities Providing Telephone Service-Atlantic Region," February 14, 1997. The Naval Computer and Telecommunications Area Master Station Atlantic neither validated the telecommunications requirements for five BCOs in the Virginia Tidewater area nor evaluated and identified the most economical methods for providing users' customer premise equipment. Consequently, the Navy has no assurance that funds have not been expended for equipment and services that are no longer needed or that equipment and services were acquired and used efficiently and economically. Further, the Navy also lacks assurance that continuing to lease and maintain old customer premise equipment is the most economical strategy for users. We recommended that management inventory and validate requirements for existing telecommunications assets and their associated maintenance contracts, identify and validate users' future requirements, and develop a telecommunications configuration plan based on validated future user requirements. We also recommended that management perform cost analyses to identify equipment leases that should be terminated and replaced in favor of purchased equipment.

The Navy generally concurred with the findings and recommendations with the exception of establishing a baseline of existing telecommunications equipment and services. The Navy surveyed the users to gather information concerning the validity of users' requirements for existing telecommunications equipment and

services and is analyzing the data received. The Navy also validated the requirements for existing maintenance contracts and is establishing a telecommunications configuration management plan, which will include a projection of maintenance cost for telecommunications equipment.

Office of the Inspector General, DoD, Report No. 96-091, "Acquisition of Telecommunications Equipment and Services by the Naval Computer and Telecommunications Station, San Diego," March 29, 1996. The NCTC and the Naval Computer and Telecommunications Station (NCTS), San Diego, had not taken appropriate actions needed to ensure valid requirements and accurate costs for the proposed acquisition of the Consolidated Area Telephone System (CATS) II prior to the release of the CATS II formal request for proposal. As designed, the draft request for proposal and potential contract go well beyond a follow-on maintenance contract. For FYs 1996 through 2001, an estimated $88.4 million would be put to better use by eliminating equipment, support services, software, and maintenance in excess of user telecommunications needs.

We recommended that management establish a baseline of and validate requirements for existing telecommunications equipment and services, identify the number of subscribers, determine proposed user requirements for future telecommunications equipment and services for each naval installation, assess the validity of proposed user requirements, and establish a telecommunications configuration management plan based on validated proposed user requirements. We also recommended that management project maintenance costs for telecommunications equipment and services that could be incurred under the CATS II proposal based on a validated telecommunications configuration management plan; review and approve the life-cycle management documentation and ensure that valid requirements and accurate proposed maintenance costs have been established for the CATS II proposal; and withhold release of the final request for proposal for the CATS II proposed contract until the Commander, NCTC, has reviewed and approved the life-cycle management documentation that validates requirements and the proposed maintenance costs for the CATS II. The Navy generally agreed with the finding and initiated corrective actions.

Office of the Inspector General, DoD, Report No. 96-077, "Consolidated Area Telephone System-San Diego," February 29, 1996. The Naval Facilities Engineering Command did not maintain a validated inventory of telecommunications assets obtained under the CATS contract and the NCTS, San Diego, was not prepared to effectively manage the current CATS I contract and future CATS II contract scheduled for transfer from the Navy Public Works Center, San Diego, to NCTS, San Diego, in October 1995. As a result, the Navy has no assurance that telecommunications assets are safeguarded against waste, loss, unauthorized use, or misappropriation and NCTS San Diego will be unable to effectively and successfully carry out the responsibilities for the CATS I and CATS II contracts. Additionally, the NCTS, San Diego, was not prepared to effectively manage the current CATS I contract and future CATS II contract scheduled for transfer from the Navy Public Works Center, San Diego, to NCTS, San Diego, in October 1995. Consequently, the NCTS, San Diego,

was unable to effectively carry out the responsibilities for the CAT I and CATS II contracts. The Navy concurred with the audit findings and initiated corrective actions.

Office of the Inspector General, DoD, Report No. 96-013, "Consolidated Area Telephone System-San Francisco," October 23, 1995. The Navy Public Works Center was maintaining the CATS contract without considering how base realignment and closure actions and future costs of base telecommunications maintenance requirements for CATS equipment would affect the need for the contract in the San Francisco Bay area. The Navy Public Works Center performed neither a market survey nor an economic analysis as required by DoD policy to consider other more cost-effective alternatives that could satisfy maintenance requirements for the CATS equipment. As a result, the Navy could spend up to $6.4 million on the current contract to maintain CATS equipment from 1995 through February 1999. Further, the Navy could not ensure that CATS customers will receive the most economical rates for telecommunication services. We recommended that the Navy assess equipment maintenance requirements; perform a market survey and an economic analysis on maintenance alternatives; and terminate the CATS contract for the convenience of the Government, if it is economically feasible. The Navy initiated corrective actions.

Office of the Inspector General, DoD, Report No. 96-011, "Certification and Payment Procedures at the Navy Computer and Telecommunications Station, San Diego," October 20, 1995. Telecommunications services for the Consolidated Area Telephone Systems, San Diego and San Francisco; the Naval Air Station Fallon, Nevada; and the Naval Construction Battalion Center, Port Hueneme, were transferring to NCTS San Diego in October 1995, even though NCTS San Diego did not have adequate procedures for certifying and paying telecommunications bills. Consequently, the Navy had no assurance that payments would be accurate or that the amounts disbursed would be for actual services rendered. In addition, NCTS San Diego had not paid bills in accordance with the Prompt Payment Act. The late payment charges paid to the local exchange carrier totaled about $121,780, and assessed late payment penalties for outstanding balances accruing since 1993, totaled about $60,430.

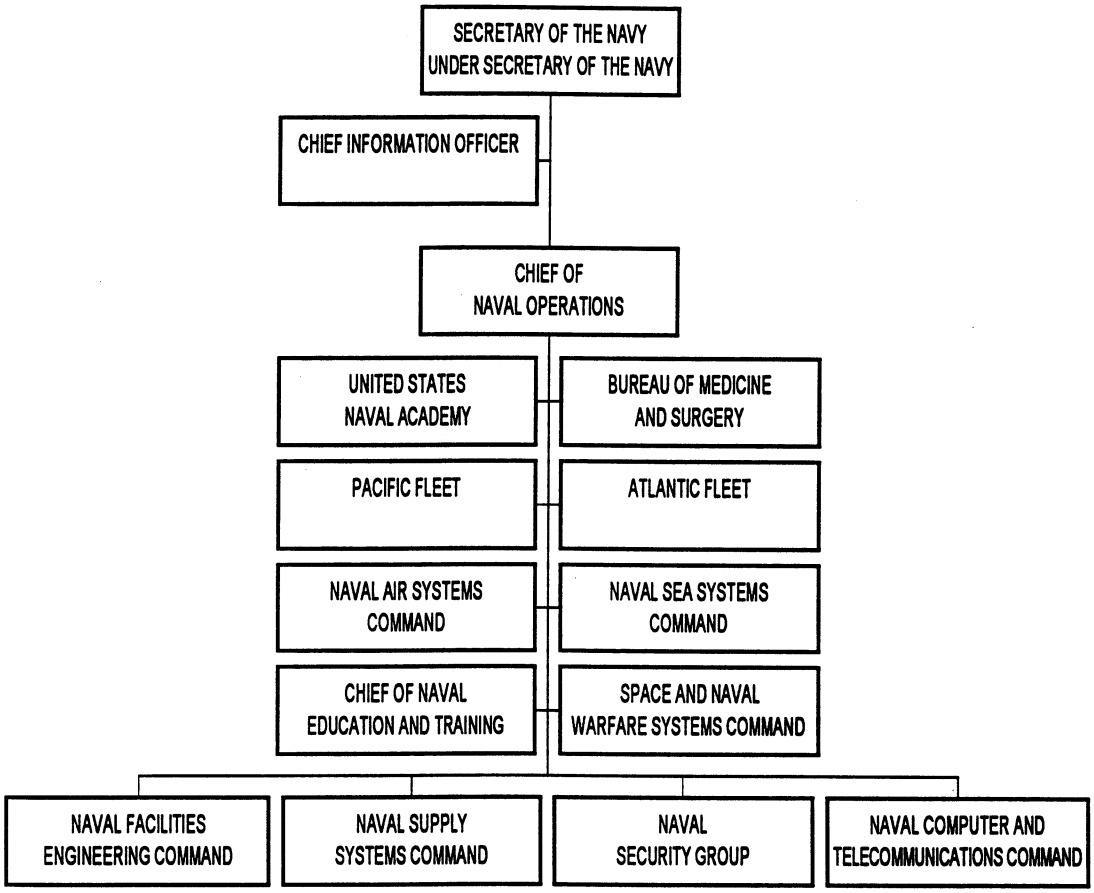
We recommended that the Navy delay the functional transfers until procedures for certifying bills for payment and inventory of equipment and services were established or propose an alternative solution; revise Navy guidance to include detailed procedures for the certification and payment of telecommunications bills and the establishment of an inventory data base for equipment and services; and request that the Auditor General, Department of the Navy, audit newly established procedures for processing telecommunications bills and the inventories of equipment and services at Navy organizations before the functional transfer to NCTS San Diego. Additionally, we recommended implementing interim procedures for proper certification and payment of vendor bills, resolving outstanding balances, developing inventory data bases, and reviewing and revalidating requirements for telecommunications equipment services at the functionally transferred activities.

The Navy concurred with the finding and recommendations, with the exception of delaying functional transfers scheduled for October 1, 1995. The Navy planned actions will correct the bill-paying procedural problems at NCTS San Diego. Further, several major Navy commands will participate in an Executive Steering Committee to address the efficiency and effectiveness of planned functional transfers. The Navy actions were responsive to the recommendations.

Appendix C. Major Claimants That Have Not Transferred Base Communications Offices to the Naval Computer and Telecommunications Command

United States Naval Academy
Commander in Chief, Pacific Fleet
Commander in Chief, Atlantic Fleet
Chief of Naval Education and Training
Commander, Naval Supply Systems Command
Bureau of Medicine and Surgery
Naval Sea Systems Command
Naval Air Systems Command
Commander, Space and Naval Warfare Systems Command
Commander, Naval Facilities Engineering Command
Commander, Naval Security Group

Appendix D. Navy Organizational Structure



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