

Audit

Report



ALLEGATIONS ON THE GULF STATES INITIATIVE PROGRAM

Report No. 98-198

September 9, 1998

Office of the Inspector General
Department of Defense

Office of the Inspector General, DoD

Report No. 98-198
(Project No. 8AD-8008)

September 9, 1998

Allegations on the Gulf States Initiative Program

Executive Summary

Introduction. This audit was performed in response to a complaint to the Defense Hotline regarding perceived violations of standard DoD management and contract authorization processes by the Gulf States Initiative Program Office. The Gulf States Initiative is a program designed to provide support to the states of Alabama, Georgia, Louisiana, and Mississippi in their efforts to combat drug trafficking and terrorism. The budget for the program has varied over the life of the program but has averaged about \$9 million per year over the last 3 years.

Audit Objective. The audit objective was to evaluate allegations related to the operations of the Gulf States Initiative Program.

Audit Results. One of the two allegations was substantiated and the other was partially substantiated. The General Services Administration awarded a sole-source contract task order to develop wireless communications technology without proper justification. Although the states served by the Gulf States Initiative have a requirement for that type of communications, the audit indicated that more than one company could have performed the work and that competition should have been used in awarding the task order. Also, a facility used as a counternarcotics intelligence center by law enforcement personnel of the state of Mississippi was not properly authorized before construction and was constructed without the use of funds from the required appropriation account. The improper obligation of funds for the construction of the facility in that manner created a potential violation of United States Code, title 31, section 1301, "The Antideficiency Act." The Mississippi facility was completed in early 1997 and is in use. In addition to the results of the allegations, the Gulf States Initiative planned to construct an addition to an Investigative Support Center in Louisiana without proper oversight.

Despite the problems identified, state law enforcement officials that the program serves are quite satisfied with its results. Although the Program Office provided high-quality service to the states, the Program Office needs to make changes to ensure that provision of that service is conducted in accordance with congressional and DoD direction while continuing to maintain the high-quality assistance that the state officials have come to expect. See Part I for details of the allegations and findings. See Appendix A for details of the review of the management control program.

Summary of Recommendations. We recommend management control oversight reviews and procedures; compliance with Federal Acquisition Regulation Part 17.5, "Interagency Acquisitions Under the Economy Act"; designating a primary contracting office; reporting the potential Antideficiency Act violation associated with the Mississippi facility; determining the final ownership of the Mississippi Counternarcotics

Intelligence Center; following the proper procedures to obtain the necessary authorization, funding, and oversight for the planned addition to the Louisiana Investigative Support Center; and consulting with the Deputy Assistant Secretary of Defense (Drug Enforcement Policy and Support) regarding planned counterdrug actions.

Management Comments. A draft of this report was issued on August 4, 1998. The Senior Civilian Official within the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) concurred with the findings and recommendations and stated that corrective action is underway. See Part III for the complete text of management comments.

Table of Contents

Executive Summary	i
Part I - Audit Results	
Introduction	2
Audit Background	2
Audit Objective	3
Summary of Allegations and Audit Results	3
Finding A. Communications Competition	4
Finding B. Facility Construction	9
Part II - Additional Information	
Appendix A. Audit Process	
Scope and Methodology	16
Management Control Program Review	17
Appendix B. Other Matters of Interest	18
Appendix C. Report Distribution	19
Part III - Management Comments	
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) Comments	22

Part I - Audit Results

Introduction

This audit was performed in response to a complaint to the Defense Hotline regarding perceived violations of standard DoD management and contract authorization processes by the Gulf States Initiative (GSI) Program Office.

Audit Background

Gulf States Initiative. Congress established the GSI in FY 1992 as the Gulf States Counterdrug Initiative. In FY 1998, Congress dropped the counterdrug designation and renamed the program as the Gulf States Initiative. The mission of GSI is to provide sustained command, control, communications, and computer network systems and facilities for intelligence analysis and data processing to state law enforcement departments in Alabama, Georgia, Louisiana, and Mississippi. GSI is also tasked to establish cooperative agreements and connectivity for local access to Federal task forces and task force databases as well as to increase the focus on illicit activities to include counterterrorism, counterdrug, organized crime, and international information sharing.

Support Services. To perform that mission, the GSI Program Office has provided the states with hardware and software as well as software training and network connectivity within the states. The GSI has provided Alabama, Louisiana, and Mississippi with state counternarcotics intelligence facilities and has maintained and supported those facilities. The facilities house the computer equipment and provide a central repository for state counterdrug intelligence information. To date, Georgia has not required a facility but has received computer support.

Organization Structure and Budget. The GSI is managed by the office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) (ASD[C³I]). The Program Office consists of a Director who works for ASD(C³I) and five support personnel who work for the Army Communications - Electronics Command (CECOM). The GSI uses the contracting services of CECOM, the General Services Administration, and the Intelligence Systems Support Office, which is an Air Force organization. The budget for the program has varied over the life of the program but has averaged about \$9 million per year over the last 3 years.

Unique Counterdrug Budget Process. Although most DoD funds are separated by Congress into various appropriation categories such as Operations and Maintenance; Procurement; and Research, Development, Test, and Evaluation, funds appropriated by Congress for counterdrug purposes are placed into a central transfer appropriation. After the overall Office of the Secretary of Defense counterdrug appropriation is passed by Congress, DoD requests from the Office of Management and Budget that the counterdrug central transfer appropriation be divided into the various appropriation accounts. That fund division is based on

the requests of DoD counterdrug programs and their projected needs for the year. After the Office of Management and Budget designates the funds into the various accounts, the DoD counterdrug programs must adhere to the rules associated with those accounts as to purpose and availability. Fund recipients must plan in advance to ensure that they request the correct appropriation account to preclude the need to go to Congress for a reprogramming action.

Audit Objective

The audit objective was to evaluate allegations related to the operations of the GSI Program. See Appendix A for a discussion of the audit scope, methodology, and review of the management control program.

Summary of Allegations and Audit Results

Allegation 1. The GSI Program Office unjustifiably awarded a sole-source research and development contract task order to a contractor with no expertise in the arena for wireless communications technology that already exists and that the program may not require. The task order was awarded to a contractor whose primary representative was a former employee of ASD(C³I).

Audit Results. The allegation was partially substantiated. Details of the substantiation of portions of the allegation and recommended corrective actions are included in Finding A of this report.

The General Services Administration awarded a contract task order to a company called Presidio, which sole-source subcontracted the task order with ECUTEL-PCS, LCC (ECUTEL). One of the principal officers of ECUTEL is a former employee of ASD(C³I). Before his representing ECUTEL to ASD(C³I), he requested and received a letter from the DoD Office of General Counsel stating that as long as he did not attempt to negotiate regarding the project that he previously managed, he would not be disqualified from representing ECUTEL. Because GSI was not the ASD(C³I) program with which he was previously associated, he could represent ECUTEL in matters regarding contracts between GSI and ECUTEL.

Allegation 2. DoD funds earmarked for the GSI Program have been used improperly to build a facility for the state of Mississippi.

Audit Results. The allegation was substantiated. Details of the substantiation of the allegation and recommended corrective actions are included in Finding B of this report.

Finding A. Communications Competition

The General Services Administration, at the request of the Gulf States Initiative Program Office, awarded a sole-source communications contract task order without proper justification. The improper action occurred because the GSI Program Office did not follow proper Federal Acquisition Regulation contracting procedures, and the GSI Program Office did not have adequate oversight. As a result of the award of the sole-source contract task order, the Government could incur excess costs.

Sole-Source Communications Contract Task Order

Wireless Telecommunications Contract Task Order. The wireless telecommunications contract task order, a modification to contract no. GS00K96SJD0452, is to provide systems and software enhancements, installation, integration, testing, implementation, and training to GSI users to receive and transmit multimedia over a wireless mobile two-way communications network. The system is expected to enable GSI users to cross wireless communications paths while obtaining the same service using multiple frequencies on one device. The ultimate goal of the task order is to provide law enforcement officers the ability to download data in their vehicles in a wireless environment.

Task Order Award. At the request of the GSI Program Office, the General Services Administration awarded the task order. The task order was awarded without competition as a subcontract to an existing indefinite-delivery indefinite-quantity contract. It was added as a task order to the existing contract on January 24, 1997. The task order is funded in the amount of \$1.04 million, which should provide enough funds to fully complete the contract by March 1999, according to the GSI Program Office.

Task Order Competition. The prime contractor, Presidio Corporation (Presidio), to whom the initial indefinite-delivery indefinite-quantity contract was awarded, performed none of the work associated with the task order, and at the suggestion of the General Services Administration, as prompted by the GSI Program Office, Presidio awarded the subcontract to ECUTEL. A senior executive within Presidio stated that when confronted by the General Services Administration with the tasking, Presidio determined that it had no in-house capability to perform the tasking associated with the contract. That same executive stated that Presidio did not perform a market survey before awarding the subcontract to ECUTEL. GSI Program Office personnel stated that they believed that Presidio had performed a market survey and determined that only ECUTEL was capable of performing the task. General Services Administration personnel stated that they believed that the GSI Program Office had performed a market survey that had determined that ECUTEL was the only company that could perform the task. The GSI Program Office had performed no such market survey. General Services Administration personnel did perform a preaward survey

Finding A. Communications Competition

that determined that ECUTEL is capable of performing the work associated with the task order; however, they made no determination that only ECUTEL can perform the work. Although the initial indefinite-delivery indefinite-quantity contract was awarded to Presidio with competition, Presidio had no capability to perform the tasking; therefore, Presidio only acted as a conduit to provide the tasking to ECUTEL, which circumvented competition requirements. Federal Acquisition Regulation Part 6, "Competition Requirements," states that if using other than full and open competition in awarding a contract, a contracting officer must document a justification for use of other than full and open competition. That justification should contain sufficient facts and rationale to demonstrate why full and open competition would not be possible in that particular situation and should include a description of the market research conducted. Because the prime contractor had no ability to perform the task, the task order should have been competitively awarded as a separate contract. Instead, the task order was awarded with no competition and with no justification documentation supporting the contention that only ECUTEL can perform the task.

Industry Capabilities. The GSI Program Office claims that the task order requires new developmental technology that could only be provided by ECUTEL. We conducted an internet search of companies within the telecommunications industry. The search showed the existence of at least two companies besides ECUTEL that appear to be able to satisfy the requirements of the contract task order that was awarded to ECUTEL. Our limited market research demonstrates that sufficient capability exists within the telecommunications industry to call into question the sole-source award of the contract to ECUTEL. The only documentation provided that states that the technology does not already exist is a statement to that effect from ECUTEL to the General Services Administration. The GSI Program Office was unable to provide any independent determination regarding the existence of the technology required by the task order. Because neither the GSI Program Office nor the General Services Administration made any effort to document any justification for the sole-source contract task-order award, and because limited market research showed potential competitors, the award of the sole-source contract task order to ECUTEL is questionable.

Funding Documentation Irregularities. Documents obtained from the General Services Administration conflict with documentation obtained from the GSI Program Office regarding the use of funds for the task order. GSI Program Office documents indicate that the task order was mostly funded from the Office of the Secretary of Defense Research, Development, Test, and Evaluation account. General Services Administration documentation states that the majority of funds for the task order came from the Office of the Secretary of Defense Operations and Maintenance account. No explanation exists for that discrepancy, and no documentation supports the blending of funds. No statement accompanied the military interdepartmental purchase requests that were used to transfer funds to the General Services Administration that would indicate the portion of the contract that may be developmental and the portion that is related to operations or maintenance. No justification is evident for the use of Research, Development, Test, and Evaluation funds on the contract.

Finding A. Communications Competition

Requirements Documentation. Inadequate documentation supports the requirements for the contract. Because the contract is intended to support state law enforcement requirements for wireless telecommunications capabilities, the GSI Program Office was asked to provide documentation showing the state's requirements. According to the GSI Program Office, no such documentation exists. The states never formally, in writing, requested the capability. Audit interviews with law enforcement personnel from two of the GSI participants, the Louisiana Investigative Support Section and the Mississippi Bureau of Narcotics, showed that the state law enforcement officials had verbally requested the capability during a conference that is periodically held to foster communication between state law enforcement representatives and the GSI Program Office. The law enforcement personnel were never asked to follow up the verbal request with written documentation that would document the exact needs of the states. Instead, the GSI Program Office generated a two-page requirements document and statement of work. The GSI Program Office requirements document is vague and without backup documentation from the state law enforcement officials. Documentation from the GSI Program Office does not make it readily apparent that the requirements for which a task order was awarded meet the needs of the states. However, through audit interviews with the state law enforcement officials, we determined that the task order, if provided as contracted, does appear to meet the requirements of the state law enforcement officials. Throughout the period of the performance of the task order, the GSI Program Office should involve the state law enforcement officials so that the end product meets the state law enforcement needs.

Economy Act Transfer

United States Code, title 31, section 1535, "The Economy Act," which is implemented in the Federal Acquisition Regulation, Part 17.5, "Interagency Acquisitions Under the Economy Act," allows a requiring agency to place an order for supplies or services with another agency under certain conditions. On February 8, 1994, the Secretary of Defense addressed criteria for the Economy Act in his memorandum entitled "Use of Orders Under the Economy Act," which emphasized the importance of the Economy Act. The Federal Acquisition Regulation implementation of the Economy Act requires the preparation of a determination and finding document, which states that the supplies or services cannot be provided as conveniently or cheaply by contracting directly with a private source and that the servicing agency has unique expertise, or ability not available within the DoD. Pursuant to Federal Acquisition Regulation Part 17.5, a DoD contracting officer must approve the determination and finding document. No such determination took place before using the General Services Administration to issue the wireless telecommunications task order, and the GSI Program Office did not have to use the General Services Administration for the action. In fact, the GSI Program Office does not have a designated contracting office that could sign the determination and finding document. By using the General Services Administration, the GSI Program Office incurred a 15-percent overhead charge in that the General Services Administration charges 8 percent of a contract's value for overhead, and Presidio charges an additional 7-percent

Finding A. Communications Competition

overhead charge for managing the subcontract with ECUTEL. A representative of the Defense Information Systems Agency who directs that organization's Counterdrug Integration Division stated that the Defense Information Systems Agency has the expertise to provide the services required under the contract. The GSI Program Office provided no justification for using the General Services Administration without first determining whether the services could have been provided within DoD.

Oversight by ASD(C³I)

The GSI Program Office is a subordinate organization within the Office of the ASD(C³I). A senior official with ASD(C³I) stated that ASD(C³I) never conducted a formal management control review of the GSI Program Office. A well-developed management control plan, as required by DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, would likely have included the GSI as a significant component worthy of periodic review. Had an internal evaluation of the GSI Program Office occurred, many of the errors noted in this report might have already been identified and corrected.

Conclusion

Law enforcement officials from the states served by GSI have been extremely pleased with the services provided by GSI. The officials speak highly of the capabilities that GSI provided, and they speak highly of the personnel within the GSI Program Office. While it is gratifying that the services of the GSI have been of great value, management of the GSI Program Office and its chain of command have made contracting mistakes that need to be corrected and not repeated.

Recommendations for Corrective Action

A. We recommend that the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence):

1. Institute management control reviews and procedures:

a. for full compliance with competition-in-contracting regulations so that the Gulf States Initiative Program may avoid further contract award or extensions that lack justification for sole-source award in the event that sole-source award is warranted.

b. for full documentation and justification of all requirements, to avoid contract award or extension without documented requirements, and

Finding A. Communications Competition

c. for examining the propriety of using Research, Development, Test, and Evaluation funds to avoid contract award or extension using funds from an inappropriate account.

2. Comply with Federal Acquisition Regulation Part 17.5, "Interagency Acquisitions Under the Economy Act," by justifying all orders of goods or services to be obtained from other agencies and by obtaining the approval of a contracting officer for each determination and finding for each such order.

3. Designate a primary contracting office for the Gulf States Initiative Program Office.

Management Comments

The Senior Civilian Official within the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) concurred with the finding and recommendations and is undertaking corrective action, including terminating the services of the General Services Administration.

Finding B. Facility Construction

The Gulf States Initiative Program Office improperly undertook construction of a facility with funding from the Operations and Maintenance account. The impropriety occurred because the GSI Program Office circumvented direction from contracting officials. As a result, the GSI Program Office may have violated United States Code, title 31, section 1301, "The Antideficiency Act."

Construction of Facilities

Mississippi Counternarcotics Intelligence Center. On September 3, 1996, contract no. DAAB1094-D-0503, already awarded to Management Technology International Corporation (MANTECH), was modified to add a firm-fixed-price lease to provide a counternarcotics intelligence center (CIC) for the Mississippi Bureau of Narcotics as part of DoD support through GSI. The contracting officer at the Army Communications-Electronics Command (CECOM) Contracting Activity understood that the contract modification was to be the lease of an existing facility and remodeling of that same facility to meet the needs of Mississippi law enforcement officials. In reality, the "lease" was used to construct a new building on a vacant lot that belonged to the state of Mississippi.

Lack of Construction Authorization. The GSI Program Office undertook construction of the Mississippi CIC without proper authorization. According to the DoD 7000.14-R, "Financial Management Regulation," Chapter 6, July 1996, and United States Code, title 10, section 2805, "Unspecified Minor Construction," minor construction requires advance approval by the Secretary concerned and requires notification to Congress. In this case, the Secretary concerned is the Secretary of Defense or his designee. The notification to Congress entails that the appropriate committees of Congress be provided with justification and estimated costs for the project. The congressional committees then have a 21-day period within which to reject the project. If no action is taken, at the end of the 21-day period, the project is deemed to be approved. No Secretary within DoD or designee was ever informed of the construction of the CIC, and no committees of Congress were ever informed of the construction. The FY 1996 DoD Appropriations Bill provided the GSI Program Office with \$2 million "to enhance efforts in Mississippi to bring those operations up to the level of those in Alabama and Louisiana." The GSI Program Office interpreted this passage as authorization to construct the Mississippi CIC; however, the congressional language never mentions construction.

Construction Oversight. United States Code, title 10, section 2851, "Supervision of Military Construction Projects," states that unless otherwise designated by the Secretary of Defense, the Army Corps of Engineers or the

Finding B. Facility Construction

Naval Facilities Engineering Command will oversee all military construction projects. Neither organization was consulted regarding the CIC construction; therefore, neither organization conducted construction oversight.

Use of Appropriated Funds. According to a July 26, 1994, written opinion from the DoD Office of General Counsel, within the category of funds appropriated for counterdrug purposes, \$1.5 million of funds from the counterdrug Office of the Secretary of Defense Operations and Maintenance account may be used for minor construction projects. Any amount to be spent above that threshold would no longer be considered a minor construction project and would therefore require the use of funds from the Military Construction appropriation. United States Code, title 31, section 1301, "The Antideficiency Act," states that "Appropriations shall be applied only to the objects for which appropriations were made except as otherwise provided by law." Because about \$2.8 million of Operations and Maintenance funds were used for the construction and because the law provided no exception for the project, the GSI Program Office appears to have violated the intent of the counterdrug Office of the Secretary of Defense Operations and Maintenance and Military Construction appropriations, which is potentially a violation of the Antideficiency Act.

CECOM Guidance Regarding Use of Funds for Construction. On February 22, 1996, the GSI Program Manager sent a letter to the Director of the CECOM Intelligence Materiel Management Center asking for the center's assistance in providing a new 50,000-square-foot facility for the Mississippi CIC. The GSI Program Office followed the letter with a meeting with CECOM personnel on March 13, 1996, requesting CECOM assistance in constructing the CIC. CECOM responded to the overtures in late March 1996 with separate letters furnished to GSI personnel from the Director of the CECOM Intelligence Material Management Center, the Chief of the CECOM Strategic Division, the CECOM Comptroller, and the CECOM Attorney Advisor. The reply letters are unanimous in stating that CECOM cannot support the construction. The letters also outline the requirement that the Army Corps of Engineers should oversee the construction and Congress should fund the construction through the Military Construction appropriation.

Adequacy of Market Survey. In response to the CECOM letters, the GSI Program Office decided to pursue with CECOM the prospect of having MANTECH lease an existing facility for the Mississippi CIC. The GSI Program Office claims to have conducted, with MANTECH personnel and Mississippi law enforcement personnel, a market survey that determined that MANTECH could not have leased any satisfactory existing facilities in that area of Jackson, Mississippi. No written documentation exists regarding the market survey. Interviews with personnel involved in the market survey established that some potential existing sites were rejected for weak or specious reasons. For example, one site was rejected because it lacked sufficient free parking even though sufficient pay parking did exist. Another site was rejected because it was in a prominent location in a shopping center, but a low-profile facility was stated to be desired for security reasons. While the desire for a low-profile facility would appear valid on the surface, the reality is that the CIC that was built uses prison inmates to perform light maintenance duty, and the facility

Finding B. Facility Construction

groundbreaking was attended by the state Lieutenant Governor and was covered by the local media. Those facts do not support a requirement for the facility to be low profile. After the inadequate, undocumented market survey was completed in June 1996, the GSI Program Office, in agreement with state law enforcement officials and personnel from the prime contractor, decided to pursue building a facility on land that could be provided free of charge by the state of Mississippi. State law enforcement officials were unaware of Federal restrictions on the building of facilities with Federal funds.

Disguise of Construction as a Lease. According to the CECOM Contracting Officer, the Contracting Officer's Representative within the GSI Program Office never informed him that the project was going to be a new construction. The Contracting Officer's Representative, who submitted the request for the "lease" to the Contracting Officer, has a responsibility to fully inform the Contracting Officer of all material facts that may affect contracting decisions. The Contracting Officer and his associates believed that the contract action was going to be the leasing and modification of an existing facility. Proceeding under that erroneous assumption, the Contracting Officer issued a delivery order for a lease with MANTECH as the prime contractor. MANTECH was charged with actually procuring the lease and contracting for the facility modification. Instead of leasing an existing facility, MANTECH, with the knowledge and encouragement of the GSI Program Office, proceeded to subcontract with a local Jackson, Mississippi, company for the construction of a new facility. The construction took place despite the clear letter statements of CECOM that CECOM could not participate in a construction. In response to this audit, CECOM replaced the Contracting Officer's Representative and issued guidance to the new Contracting Officer's Representative and to MANTECH regarding future lease and construction actions. To their credit, MANTECH awarded the Mississippi facility construction contract only after a competition among several competitors. The construction subcontract was handled as a lease between MANTECH and the subcontractor.

Ownership of CIC. The lease between MANTECH and the subcontractor was, in reality, a 2-year building purchase because the lease between MANTECH and the subcontractor only lasts 2 years, and at the end of the 2 years, MANTECH has the option of purchasing the building for \$10. The lease term is March 1997 through February 1999; therefore, in February 1999, MANTECH can purchase the CIC for \$10. MANTECH personnel stated to the audit team that MANTECH intends to assign the ownership of the CIC to either DoD or the state of Mississippi. MANTECH will make that assignment based on the direction of the CECOM Contracting Office and the GSI Program Office. Until this audit was conducted, neither the GSI Program Office nor the CECOM Contracting Office was aware of the purchase option. Had this audit not brought the situation to light, MANTECH could have purchased the CIC for \$10 and continued to lease it to DoD. As of the date of this report, the CIC facility is owned by the subcontractor, and the land upon which it was built is owned by the state of Mississippi.

Finding B. Facility Construction

Louisiana Investigative Support Center Addition

The FY 1998 DoD Appropriations Bill provides funds to the GSI Program Office for "improvements to existing processing and analysis centers." State law enforcement officials in Louisiana possess a 12,000-square-foot Investigative Support Center in which counterdrug intelligence analysis is performed. Louisiana state law enforcement officials asked the GSI Program Office to construct an 18,000-square-foot addition to the facility. The GSI Program Office asked the CECOM Contracting Office to perform the contracting to construct the addition. The addition is projected to cost about \$490,000. As stated earlier in this report, that type of minor construction project requires oversight by the Army Corps of Engineers or the Naval Facilities Engineering Command. No actions have taken place by the GSI Program Office to provide for the required engineering oversight. Were CECOM to proceed with the construction under those circumstances, CECOM and the GSI Program Office would be in violation of United States Code, title 10, section 2851.

Consultation With the Deputy Assistant Secretary of Defense (Drug Enforcement Policy and Support)

Most counterdrug oriented programs within DoD are overseen by the Deputy Assistant Secretary of Defense (Drug Enforcement Policy and Support) (DASD[DEPS]). Within DASD(DEPS) are legal personnel who are expertly familiar with the unique policies, procedures, and criteria that exist within the arena of counterdrug appropriations. Although GSI personnel provide periodic program briefings to DASD(DEPS) personnel, the GSI Program Office had not consulted with legal personnel within DASD(DEPS) before taking action. Had the GSI Program Office consulted with legal personnel from the DASD(DEPS), the situations noted in this report may not have occurred.

Summary

As previously stated, law enforcement officials from the states served by GSI have been extremely pleased with the services provided by GSI. Despite the high quality services provided by GSI, management of the GSI Program Office and its chain of command have made mistakes that need to be corrected or not repeated. A CIC was built without authorization and without the use of correct funds, which caused a potential violation of the Antideficiency Act. Without prompt action, the GSI Program Office is poised to repeat the mistakes associated with the Mississippi CIC as the GSI Program Office attempts to provide a planned addition to the Investigative Support Center in Louisiana.

Recommendations for Corrective Action

B. We recommend that the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence):

1. Request the Under Secretary of Defense (Comptroller) to initiate action to review and report a potential violation of sections of United States Code, title 31, section 1301, "The Antideficiency Act," associated with the construction of the Counternarcotics Intelligence Center in Mississippi within 10 days of the date of the draft report.

2. Determine the final ownership of the Mississippi Counternarcotics Intelligence Center.

3. Follow the established procedures to obtain the necessary authorization, funding, and construction oversight for the planned addition to the Louisiana Investigative Support Center.

4. Consult with the Deputy Assistant Secretary of Defense (Drug Enforcement Policy and Support) regarding planned counterdrug actions of the Gulf States Initiative Program to ensure that actions are in accordance with relevant counterdrug policies and procedures.

Management Comments

The Senior Civilian Official within the Office of the Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) concurred with the finding and recommendations and has initiated corrective actions to include evaluating future CECOM participation in the program.

Part II - Additional Information

Appendix A. Audit Process

Scope and Methodology

We reviewed documentation dated from 1992 through 1998 related to the GSI Program. The audit focused on allegations made to the Defense Hotline and included review of documents relating to all aspects of the contract award process. We did not use computer-processed data to conduct this audit.

DoD-Wide Corporate-Level Government Performance and Results Act Goals. In response to the Government Performance and Results Act, the Department of Defense has established 6 DoD-wide corporate-level performance objectives and 14 goals for meeting those objectives. This report pertains to achievement of the following objective and goal:

- **Objective:** Fundamentally reengineer the Department and achieve a 21st century infrastructure. **Goal:** Reduce costs while maintaining required military capabilities across all DoD mission areas. (DoD-6)

DoD Functional Area Reform Goals. Most major DoD functional areas have also established performance improvement reform objectives and goals. This report pertains to achievement of the following functional area objective and goal:

- **Financial Management Area. Objective:** Strengthen internal controls. **Goal:** Improve compliance with the Federal Manager's Financial Integrity Act. (FM-5.3)

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

Audit Type, Dates, and Standards. We performed this program audit from March through May 1998 in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD and the General Services Administration; state law enforcement officials from Louisiana and Mississippi; local law enforcement personnel from Fairfax County, Virginia; and contractor personnel from Presidio Corporation and MANTECH. We performed an internet search to identify relevant telecommunications companies. Further details are available upon request.

Summary of Prior Coverage. No audit coverage of the GSI Program has taken place in the last 5 years.

Management Control Program Review

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 those controls.

Scope of Review of Management Control Program. We included tests of management controls considered necessary. For the GSI Program, we reviewed the adequacy of various program office and supervisory management controls over the contract award, project approval process, and program execution. We reviewed management's self-evaluation of those controls.

Adequacy of Management Controls and Self-Evaluations. The audit identified a material weakness as defined by DoD Directive 5010.38. ASD(C³I) has never formally reviewed its GSI Program component. ASD(C³I) management controls were inadequate to ensure that contract awards are conducted in the fairest and most economical manner. Management controls are not adequate to ensure that projects undertaken are properly authorized or funded. Those control issues are considered material because the control weakness has resulted in potential violations and has weakened safeguards against fraud, waste, and abuse. Details of the management control weakness are in Finding A. Recommendation A.1. addresses the management control weakness. A copy of the report will be provided to the senior official in charge of management controls within ASD(C³I).

Appendix B. Other Matters of Interest

In 1993, the Gulf States Initiative paid for the construction of a 12,000-square-foot facility in Baton Rouge, Louisiana. The facility, known as the Louisiana Investigative Support Center, was provided to the state of Louisiana to serve Louisiana counterdrug law enforcement needs. Although no allegations related to the construction of the facility, the audit team examined the construction of the facility because the GSI Program Office cited the Louisiana construction as the precedent for the Mississippi construction. The facility was built using \$502,000 in funds from the Operations and Maintenance appropriation. Similar to the Mississippi facility, which is discussed in the finding of this report, the facility was built using a modification to an existing contract administered by CECOM. Since the amount of funds used was well below the threshold allowed for use of Operations and Maintenance funds for counterdrug related construction, it does not appear that this construction was in violation of the Antideficiency Act. However, the Louisiana facility appears to have been constructed without congressional notification, Secretary of Defense approval, and Army Corps of Engineers or Naval Facilities Engineering Command oversight. The audit team could not definitively determine whether the proper approvals were obtained or oversight provided because records were incomplete, and the personnel involved in the construction process are no longer employed by CECOM.

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Acquisition and Technology)
 Director, Defense Procurement
 Director, Defense Logistics Studies Information Exchange
Under Secretary of Defense (Comptroller)
 Deputy Chief Financial Officer
 Deputy Comptroller (Program/Budget)
 Director, Management Improvement
Assistant Secretary of Defense (Command, Control, Communications, and Intelligence)
 Director, Oversight and Special Technology
 Director, Gulf States Initiative
Assistant Secretary of Defense (Public Affairs)
Deputy Assistant Secretary of Defense (Drug Enforcement Policy and Support)
Special Assistant to the Secretary of Defense for Intelligence Policy

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)
Inspector General, Department of the Army
Deputy Chief of Staff, Intelligence
Commander, Army Communications – Electronics Command
Auditor General, Department of the Army

Department of the Navy

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

Department of the Air Force

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

Other Defense Organizations (cont'd)

Director, Defense Contract Audit Agency
Director, Defense Information Systems Agency
Director, Defense Logistics Agency
Director, National Security Agency
Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency
Inspector General, National Imagery and Mapping Agency

Non-Defense Organizations and Individuals

General Services Administration
Office of Management and Budget
Office of National Drug Control Policy
Technical Information Center, National Security and International Affairs Division,
General Accounting Office
Commander, Alabama Bureau of Investigations
Executive Assistant Director, Georgia Bureau of Investigation
Commander, Louisiana Investigative Support Section
Director, Mississippi Bureau of Narcotics

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 Subcommittee on Military Construction, Committee on Appropriations
Senate Committee on Armed Services
Senate Select Committee on Intelligence
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Military Construction, Committee on Appropriations
House Subcommittee on National Security, Committee on Appropriations
House Committee on Government Reform and Oversight
House Subcommittee on Government Management, Information, and Technology,
Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice,
Committee on Government Reform and Oversight
House Committee on National Security
House Subcommittee on Military Installations and Facilities, Committee on National
Security
House Permanent Select Committee on Intelligence

Part III - Management Comments

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



COMMAND, CONTROL,
COMMUNICATIONS, AND
INTELLIGENCE

OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE
6000 DEFENSE PENTAGON
WASHINGTON, DC 20301-6000

August 11, 1998

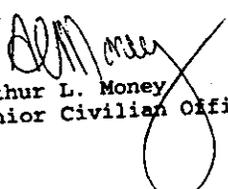
MEMORANDUM FOR INSPECTOR GENERAL

SUBJECT: Audit Report on Allegations on the Gulf States Initiative Program (Project No. 8AD-8008)

I concur with all recommendations and findings in the subject report. Actions are under way to implement the recommended changes.

In addition, the relationship between the General Services Administration and the Gulf States Initiative will be terminated at the end of this fiscal year and I have initiated an evaluation of future US Army CECOM participation in the program.

I wish to thank your staff for the professional manner in which they conducted this audit.


Arthur L. Money
Senior Civilian Official

Audit Team Members

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

Thomas F. Gimble
Robert K. West
Wayne B. Winkler
John A. Mitton