Audit Report

DEFENSE CONTRACT MANAGEMENT COMMAND SUPPORT TO SYSTEM ACQUISITION PROGRAM MANAGERS

Report Number 99-154 May 12, 1999

Office of the Inspector General
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Acronym

DCMC	Defense Contract Management Command

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

May 12, 1999

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND TECHNOLOGY
DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Audit Report on Defense Contract Management Command Support to System Acquisition Program Managers (Report No. 99-154)

We are providing this report for review and comment. This report is the second in a series of reports addressing the Defense Contract Management Command support of system acquisition program managers. Management comments on a draft report were considered in preparing this report.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. Although Defense Logistics Agency comments were responsive to all recommendations, management actions were incomplete on Recommendations A.1., A.2., and B.2. Therefore, we request that the Defense Logistics Agency provide additional comments on the three recommendations in response to the final report by July 12, 1999.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. John E. Meling at (703) 604-9091 (DSN 664-9091), email (jmeling@dodig.osd.mil) or Mr. Harold C. James at (703) 604-9093 (DSN 664-9093), email (hjames@dodig.osd.mil). See Appendix F for the report distribution. Audit team members are listed inside the back cover.

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Report No. 99-154 **May 12, 1999**
(Project No. 8AE-0025.01)

Defense Contract Management Command Support to System Acquisition Program Managers

Executive Summary

Introduction. This report is the second in a series of reports addressing the Defense Contract Management Command (DCMC) support to system acquisition program managers. The first report addressed the Cooperative Engagement Program Office use of DCMC resources. This report discusses the planning of contract administration office support to system acquisition program managers through the program integration process and the customer support outreach program.

Objectives. The primary audit objective was to evaluate contract administration office support to system acquisition program managers. We also reviewed the effectiveness of management controls applicable to the audit objective.

Results. The DCMC has maintained a high level of contract administration office support to system acquisition program managers through revising contract administration policies and procedures and through continuous monitoring of program office satisfaction. The results of DCMC surveys of system acquisition program managers and their staffs during FYs 1997 and 1998 indicated a continuing high level of satisfaction with DCMC contract administration support. Although DCMC provided effective contract administration office support to system acquisition program managers overall, it could improve implementation of procedures in the following two areas:

- Program support teams did not document that they reviewed 17 of the 34 memorandums of agreement annually as required at the 4 contract administration offices that we visited. As a result, the contract administration offices did not document that they had verified with the program managers that the 17 memorandums of agreement still clearly defined the roles and responsibilities needed to support current program acquisition strategies and that the agreements addressed the most current of the program manager's concerns (finding A).

- Program support teams did not define contract-specific surveillance responsibilities and procedures for 47 of the 48 program surveillance plans at the 4 contract administration offices as required. Also, program support teams did not document that they had reviewed and updated 12 of the 48 program surveillance plans in a timely manner. As a result, the program surveillance plans may not have been optimally effective in assisting program support teams to effectively and efficiently evaluate contractor systems and processes on 100 major acquisition system contracts (finding B).

The recommendations in this report, if implemented, will improve contract administration office support to system acquisition program managers.

Summary of Recommendations. We recommend revising Defense Logistics Agency Directive 5000.4, "Defense Contract Management Command One Book," to require DCMC East and West District offices to establish procedures for verifying annual reviews and updating memorandums of agreement; to require contract administration offices to coordinate and document annual reviews of memorandums of agreement; and to clarify distinctions between major and minor revisions of program integration support responsibilities. We further recommend revising the Directive to expand the availability of the template used to prepare the quality assurance functional surveillance plans to help prepare surveillance plans for other functional areas.

Management Comments. The Deputy Director, Defense Logistics Agency, implemented procedures to track whether contract administration offices annually reviewed and updated program surveillance plans, as needed. The Deputy Director stated that the contract administration offices would use the annual reviews of the program surveillance plans to determine the need to update memorandums of agreement. Although the report recommended that the East and West District Offices implement procedures to verify that the memorandums of agreement and program surveillance plans were annually reviewed and updated, as needed, the Deputy Director stated that he reserved the right to decide whether the Headquarters, the District Offices, or the individual contract administration offices would verify that the agreements and plans were reviewed and updated annually, as needed. The Deputy Director also revised procedures to clarify distinctions between major and minor revisions of program integration support responsibilities and expanded the availability of the template used for preparing the quality assurance functional surveillance plans. The Deputy Under Secretary of Defense (Acquisition Reform) disagreed with requiring DCMC to perform and coordinate annual reviews of memorandums of agreement and to provide a distinction between major and minor revisions to the memorandums of agreement and agreed with recommendations to improve procedures for preparing, reviewing, and updating program surveillance plans. A discussion of management comments is in the Findings section of the report, and the complete text is in the Management Comments section.

Audit Response. The comments from the Deputy Director, Defense Logistics Agency, were responsive. We request that the Deputy Director identify what level of the DCMC organization will be responsible for verifying that contract administration offices annually review and update program surveillance plans and memorandums of agreement, as needed, and explain how DCMC plans to provide direction to program integrators to review the sufficiency of memorandums of agreement as part of their annual review of program surveillance plans. We request additional comments by July 12, 1999.

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Background

This report discusses the contract administration support that the Defense Contract Management Command (DCMC) provided to major system acquisition program managers. The DCMC defined "program integration" as the process of providing program managers with insights concerning contractor program execution and performance and established program integration policy in Defense Logistics Agency Directive 5000.4, "Defense Contract Management Command One Book." The DCMC measures program manager satisfaction with program integration support through its Customer Support Outreach Program (Outreach Program). The DCMC provides contract administration support for more than 366,000 prime contracts worth more than $108 billion. In performing all contract administration functions required by the Federal Acquisition Regulation and the Defense Federal Acquisition Regulation Supplement, DCMC program integrators and program support teams provide program managers with insight on contractor program execution and performance throughout the life cycle of the program. The Executive Director for Program Integration manages program integration and customer support outreach efforts and functions under the Commander, Defense Contract Management Command.

Program Integration. The DCMC provides program integration support services to program managers through contract administration offices. Because the contract administration offices are located close to or in contractor facilities, their staffs are uniquely positioned to gather, analyze, and integrate information, and serve as an extension of the program office in providing the program manager with early insight on contractor program execution and performance. The DCMC uses memorandums of agreement with program managers to identify special areas, concerns, or issues that the program manager wants DCMC to pay particular attention to during contract performance. Defense Logistics Agency Directive 5000.4 requires contract administration offices to establish memorandums of agreement for all program-managed contracts. The contract administration office or the program manager can opt not to prepare a memorandum of agreement for programs other than major Defense acquisition programs. When a memorandum of agreement is not desired, the contract administration office must prepare a memorandum for the record outlining the rationale for the decision. Appendix B provides an overview of the program integration process.

Outreach Program. To enhance the program integration effort, DCMC established the Outreach Program to provide continuous surveys of customer satisfaction with program integration processes, products, and services. The Outreach Program also employs customer liaison representatives to assist buying activities by communicating and resolving problems throughout all levels of DCMC. Additionally, the DCMC Executive Director for Program Integration and the Deputy for Customer Support periodically visit customers, including buying activities, program executive officers, and program managers of major programs to obtain feedback and to discuss how to improve customer support.

The Outreach Program conducts customer surveys of all buying commands and system acquisition program managers and seeks to continually improve its processes and systems for satisfying customers. The DCMC receives feedback from monthly customer satisfaction telephone surveys, postcard trailer surveys, and service standard surveys, as well as from customer liaison representatives. Appendixes D and E provide overviews of the Outreach Program and customer feedback, respectively.

Objectives

The primary audit objective was to evaluate DCMC support to system acquisition program managers. Specifically, we determined whether contract administration offices adequately planned their support to system acquisition program managers through the program integration process and the Outreach Program. In addition, we evaluated the management control program as it related to the audit objective. This report is the second in a series on contract administration office support to program managers. The first report addressed the Cooperative Engagement Program Office use of Defense Contract Management Command resources. Appendix A discusses the scope and methodology used, as well as management controls and prior audit coverage.

A. Reviewing Memorandums of Agreement

While results of DCMC surveys of system acquisition program managers indicated an overall high level of satisfaction with the contract administration support, program support teams did not document that they annually reviewed memorandums of agreement with program managers to ensure that the agreements were current. Of the 34 memorandums of agreement at the 4 contract administration offices that we visited, the program support teams did not document that they performed annual reviews of 17 memorandums of agreement that supported contracts totaling $2.5 billion. The program support teams did not accomplish annual reviews because DCMC did not require the East and West District offices to establish follow-up, corrective action procedures to annually review and update memorandums of agreement, as needed. Additionally, DCMC did not require contract administration offices to coordinate annual reviews of memorandums of agreement with program offices and did not clearly define the differences between major and minor revisions of memorandums of agreement. As a result, contract administration offices did not verify with program offices that the 17 memorandums of agreement still clearly defined the roles and responsibilities needed to support program acquisition strategies and addressed program manager concerns.

DCMC Policy

Defense Logistics Agency Directive 5000.4, Chapter 5.1.4., "Program Integration," April 1998, requires program support teams at contract administration offices, in coordination with system acquisition program offices, to develop memorandums of agreement between the contract administration office and the program office. The Directive further requires the program support teams to describe the unique relationship between the contract administration office and program management; identify key personnel, reporting requirements, and coordination activities; and emphasize the priorities and responsibilities between the parties. At a minimum, the contract administration office is required to review the memorandums of agreement annually to ensure that they are current and that the contracts are active.

Annual Reviews of Memorandums of Agreement

Annual Reviews. Of the 34 memorandums of agreement at the 4 contract administration offices that we visited, the program support teams and corresponding program management staffs did not document that they performed annual reviews of 17 memorandums of agreement that supported

contracts totaling $2.5 billion. The following table shows the status of the 34 memorandums of agreement reviewed at the 4 contract administration offices visited:

Contract Administration Office	Memorandums of Agreement	Memorandums of Agreement Without Documentation of Annual Reviews	
		Number	Contract Value (billions)
Raytheon	21	11	$1.27
Lockheed Martin Sanders	3	1	.16
Northrop Grumman	4	2	.64
Clearwater	6	3	.50
Total	**34**	**17**	**$2.5**

Implementing Procedures

DCMC procedures did not require contract administration offices to document annual reviews of memorandums of agreement, as required, and to coordinate annual reviews of memorandums of agreement with program managers. Further, the procedures were not clear on when to prepare a new memorandum of agreement.

East and West District Office Procedures. DCMC did not require the East and West District offices to verify that contract administration offices annually reviewed and updated memorandums of agreement, as needed. Instead, DCMC used internal operational assessment teams at its Headquarters to determine whether contract administration offices were keeping memorandums of agreement current. Although the assessments prompted contract administration offices to update memorandums of agreement, the internal operational assessment teams visited individual contract administration offices only once every 3 years. The East and West District offices also need to establish follow-up, corrective action procedures to verify that contract administration offices annually review and update memorandums of agreement, as needed.

From November 1997 through March 1998, a DCMC process action team also examined contract administration office procedures for preparing and updating memorandums as part of a review of other contract administration offices. The process action team found that contract administration offices had not updated 43 memorandums of agreement within the last year and that program managers had not signed 35 memorandums of agreement. On July 27, 1998, as a result of the process action team's efforts, DCMC Headquarters issued Information Memorandum No. 98-227, which highlighted key program integration issues and concerns to the Commanders of the East and West Districts. The memorandum also informed East and West District Commanders that

memorandums of agreement should be updated annually and that the program manager should sign revised memorandums of agreement.

Major and Minor Changes. One contract administration office did not clearly understand procedures for updating memorandums of agreement. Defense Logistics Agency Directive 5000.4 states that memorandums of agreement should be updated as changes occur. "Minor" changes would require only coordination between program office and contract administration office staffs, and "major" changes would require negotiating and signing a new memorandum of agreement. The contract administration office was unsure of the distinction between "minor" and "major" changes.

Coordination with the Program Manager. Defense Logistics Agency Directive 5000.4 does not require the program support team to coordinate annual reviews of the memorandums of agreement with program offices, unless the program support team deems that changes are needed. Because the memorandums of agreement are bilateral agreements, both the program support teams and the program managers need to review memorandums of agreement annually to ensure they are current and that they support the program acquisition strategy.

Documenting Annual Reviews

Annual reviews of memorandums of agreement by program support teams help contract administration offices ensure that memorandums of agreement clearly define roles and responsibilities and document the most current concerns of the program manager, including areas of emphasis, communication procedures, and technical representative duties.

Roles and Responsibilities. Annual reviews of memorandums of agreement by program support teams help ensure that program support teams are assigned all contract administration roles and responsibilities that they are expected to perform for that stage of the acquisition. Of the 34 memorandums of agreement reviewed, only the Navy Cooperative Engagement Capability Program Office did not clearly assign surveillance roles to the program management office, the contract administration office, and the Navy's technical support agents. In addition to the 34 memorandums of agreement reviewed during this audit, a 1997 Inspector General, DoD, report on the Air Force Minuteman III Guidance Replacement Program also mentioned an unclear memorandum of agreement between the program office and the contract administration office.

Navy Cooperative Engagement Capability Program. Inspector General, DoD, Report No. 99-071, "Cooperative Engagement Capability Program Office Use of Defense Contract Management Command Resources," January 27, 1999, stated that the program office for the Navy Cooperative Engagement Capability Program and the Contract Administration Office Clearwater, Florida, did not clearly define the surveillance roles of the program management office, the contract administration office, and the technical support agents in the memorandum of agreement. Additionally, the memorandum of agreement did not provide for open communications between the organizations.

As a result, the contract administration office was not fully informed of actions affecting the program, which limited its ability to provide the contract administration support agreed to in the memorandum of agreement.

Air Force Minuteman III Guidance Replacement Program. Inspector General, DoD, Report No. 97-199, "The Minuteman III Guidance Replacement Program," July 29, 1997, stated that the memorandum of agreement between the Director, System Program Office, and the Commander, Defense Contract Management Command, Santa Ana Boeing, did not clearly define staff roles and responsibilities for participating in financial and baseline reviews, supporting integrated product teams, and providing monthly status reports to the program management office. Also, the contract administration office did not have access to the essential communication software used to coordinate program management issues.

In response to the two audit reports, the Military Departments and DCMC took appropriate corrective action.

Program Manager Concerns. Program support team's annual reviews of memorandums of agreement help ensure that the agreements address the most current concerns of the program manager, including areas of emphasis, communication procedures, and technical representative duties. Program managers work in a changing environment. Planned or unplanned changes may occur in contractor progress, availability of technical support resources, and budgeting; therefore, program managers' concerns and areas of emphasis may change.

Although the purpose of establishing a memorandum of agreement between the contract administration office and the system acquisition program manager is to ensure that the program manager receives full contract administration support needed to effectively manage his program, the program manager has other means of notifying the contract administration office of his requirements. The contract administration offices are required to submit monthly program status reports to the program manager that provides an overview of program progress. The contact administration offices should tailor the program status reports to address program management office issues as agreed to in the memorandum of agreement. If the program manager is dissatisfied with the information and support that the contract administration office provides, or if the concerns and areas of emphasis change, the program manager can call the contract administration office or notify the office via mail, using the postcard trailers that the contract administration offices regularly attach to their reports. However, for planning purposes, it is also necessary for the contract administration offices to keep the memorandums of agreement current so they can continually provide the program manager with support needed to manage the program on a real-time basis.

Conclusion

Without documented and coordinated annual reviews of memorandums of agreement, contract administration offices cannot be sure that program support

teams are used most effectively and efficiently to support program offices. The memorandums of agreement should accurately document the unique priorities, reporting requirements, and working relationships necessary for program support teams to provide effective program support. If memorandums of agreement do not accurately represent the program manager's needs and expectations, the program support teams may not fulfill needed program support activities. The memorandum of agreement is the basis for program and functional surveillance plans. Further, it helps program support teams and program management offices to significantly reduce duplicative efforts or misunderstanding roles and responsibilities, thereby maximizing use of the limited resources available at contract administration offices.

Management Comments on the Finding and Audit Response

Deputy Under Secretary of Defense (Acquisition Reform) Comments. The Deputy Under Secretary agreed with the finding except for what he termed as, "a conclusion that a program has suffered because of the finding." He stated that while the report documented many cases in which the program support teams did not follow the "Defense Management Command One Book" (Defense Logistics Agency Directive 5000.4) procedures, it did not document harm to any of the programs covered. He further stated that the examples in finding A appeared to be examples of other problems rather than the lack of annual review.

Audit Response. Although the finding did not document actual harm to individual programs, it documented the potential for harm because of limitations in contract management support provided for the Navy Cooperative Engagement Capability Program and the Air Force Minuteman III Guidance Replacement Program. The potential for program harm resulted from restrictive and unclear memorandums of agreement. The memorandums of agreement for these programs did not clearly define contract management responsibilities and did not provide for open communications between the contract administration office and the program management staff. Without clear definition of responsibilities and full communication, the contract administration offices were limited in their ability to provide the program managers with timely and effective reporting. At the completion of the audit survey, DCMC agreed that the survey results clearly showed corrective action was needed to ensure that contract administration offices supported program acquisition strategies and addressed program manager concerns through up-to-date memorandums of agreement. Accordingly, it was mutually agreed that it was unnecessary for the audit team to expend further audit effort at system acquisition program offices to document harm of the contract administration offices' not maintaining up-to-date memorandums of agreement.

Recommendations, Management Comments, and Audit Responses

A. We recommend that the Commander, Defense Contract Management Command, Defense Logistics Agency, revise Defense Logistics Agency Directive 5000.4, "Defense Contract Management Command One Book," to:

1. Require the East and West District offices to establish follow-up, corrective action procedures to verify that contract administration offices annually review and update memorandums of agreement, as needed.

Defense Logistics Agency Comments. The Deputy Director, Defense Logistics Agency, partially concurred, stating that the Defense Logistics Agency revised Directive 5000.4, Chapter 5.1.4., "Program Integration," in February 1999, and DCMC issued Tasking Memorandum 99-111 on February 8, 1999, to provide procedures for tracking the currency of memorandums of agreement. By the summer of 1999, the Deputy Director stated that the Automated Metrics System, a computer-based tool that DCMC uses to track Command-wide data, will add data fields to enable DCMC to track the currency and status of memorandums of agreement. Before the Automated Metrics System is updated, Tasking Memorandum 99-111 requires program integrators to enter status information relating to memorandums of agreement as separate, "free text" data in the Automated Metrics System, which DCMC Headquarters staff can then review. Although the report recommended that the East and West District offices implement the follow-up, corrective action procedures, the Deputy Director indicated that he reserved the right to decide whether the Headquarters, the Districts, or the contract administration offices would implement the follow-up, corrective action procedures.

Audit Response. The Defense Logistics Agency comments and revision of procedures to track and verify the contract administration offices' annual review and update of memorandums of agreement, as needed, were responsive to the intent of the recommendation. In response to the final report, we request that the Deputy Director specify which level of the DCMC organization will verify that memorandums of agreement will be reviewed annually and updated, as needed.

2. Require contract administration offices to coordinate and document annual reviews of memorandums of agreement with system acquisition program managers.

Defense Logistics Agency Comments. The Deputy Director concurred, stating that Defense Logistics Agency Directive 5000.4, Chapter 5.1.4., "Program Integration," was revised in February 1999 to clarify the procedures for maintaining program surveillance plans and indicated that program integrators would review the sufficiency of memorandums of agreement as part of their annual review of surveillance plans.

Audit Response. The Defense Logistics Agency comments were responsive to the intent of the recommendation. The Directive, as revised, requires program

integrators to coordinate annual reviews of program surveillance plans with system acquisition program managers. However, the revised Directive does not specifically state or require program integrators to review the sufficiency of memorandums of agreement as part of their annual review of program surveillance plans. In response to the final report, we request that the Defense Logistics Agency state how DCMC plans to provide direction to program integrators to review the sufficiency of memorandums of agreement as part of their annual review of program surveillance plans.

3. Define the distinctions between major revisions of program integration support responsibilities, which require negotiating and signing a new memorandum of agreement, and minor revisions of program integration support responsibilities, which only require coordination with the system acquisition program managers.

Defense Logistics Agency Comments. The Deputy Director concurred, stating that Defense Logistics Agency Directive 5000.4, Chapter 5.1.4., "Program Integration," was revised in February 1999 to clarify the difference between major and minor revisions to memorandums of agreement. The revised Directive defines major revisions as, "those directing a significant shift in the kind of DCMC support, or the investment of additional CAO (Contract Administration Office) resources."

Deputy Under Secretary of Defense (Acquisition Reform) Comments. The Deputy Under Secretary stated that he did not believe that memorandums of agreement required updates unless the program manager or the commander of the contract administration office changed or the surveillance plan annual review indicates a change. Further, he did not believe contract administration offices could compel program offices to coordinate on the annual review of the memorandums of agreement required by the Directive. He also did not believe that the Directive needed to distinguish between major and minor revisions because he was satisfied that common sense would prevail in enough cases to make the recommendation unwarranted.

Audit Response. With the exception of defining the distinctions between major and minor changes to memorandums of agreement, the Defense Logistics Agency's planned and implemented corrective actions addressed the Deputy Under Secretary's concerns with the audit recommendations. The Defense Logistics Agency indicated that DCMC will use the annual reviews of program surveillance plans that are coordinated with system acquisition program managers to determine when updates are necessary. We recommend distinguishing between major and minor changes to memorandums of agreement because contract administration office staffs indicated they were not sure what types of changes required a renegotiated memorandum of agreement rather than an annotated change to the memorandum of agreement.

B. Developing and Updating Surveillance Plans

Program support teams did not define contract-specific surveillance responsibilities and procedures for 47 of 48 program surveillance plans developed at the 4 contract administration offices we visited. Instead, the program support teams prepared generic surveillance plans that addressed general surveillance responsibilities and procedures that were applicable to all assigned contracts for a contractor. Further, the program support teams did not document that they performed annual reviews for 12 of 48 program surveillance plans, as required. These conditions occurred because program support teams did not comply with requirements for preparing and updating surveillance plans. Also, DCMC did not require the East and West District offices to verify that program support teams developed fully defined contract surveillance plans and responsibilities and reviewed them annually. As a result, the program surveillance plans may not have been optimally effective in assisting program support teams to evaluate contractor systems and processes on 100 major acquisition system contracts totaling $10.9 billion.

Surveillance Plan Policy

Defense Logistics Agency Directive 5000.4, Chapter 5.1.4., "Program Integration," April 1998, requires program integrators to develop a program surveillance plan for major systems when the contract administration office establishes a memorandum of agreement with the program management office. The Directive also requires program integrators to develop surveillance plans when the contract administration office uses a letter of delegation to task another contract administration office with performing surveillance on subcontracted critical system components. The program surveillance plan identifies how the program support team will implement the requirements of the memorandum of agreement. The Directive requires program support teams to prepare more detailed surveillance plans outlining how they will evaluate contractors' actions in specific functional areas, including engineering and quality assurance. The detailed surveillance plans, known as functional surveillance plans, are used to guide program support teams in accomplishing the program surveillance plan. The Directive also requires program integrators to coordinate the surveillance plans with the program office and the contractor and to manage the program support team's execution of the surveillance plan. The Directive requires program support teams to update the surveillance plans annually, at a minimum.

Significant revisions to Chapter 5.1.4. to help program support teams prepare more meaningful surveillance plans included requirements that program integrators prepare the following:

- program surveillance plans that "include" rather than "consider" such information as team members and program integrators and their roles and responsibilities, and a review schedule based on key events required for successful contract completion, and

- program and functional surveillance plans that are coordinated with the program office and the contractor, rather than just with the program support team members.

Chapter 5.1.4. replaced the June 1995 surveillance plan preparation requirements contained in Part IV, Chapter 8, "Program Integration," of the Directive. The June 1995 policy provided general guidance on the purpose, content, and responsibilities for developing the program surveillance plan. The June 1995 policy required program support teams to include important information on contract effort in the program surveillance plan but did not require the program support teams to define how they planned to implement the requirements outlined in the memorandum of agreement. For example, the policy required program support teams to include critical milestones, major risk areas, and indicators of success or problems in program surveillance plans; however, the policy required the program support team only to "consider" such factors as establishing roles and responsibilities of program support team members and providing a review schedule based on key events required for successful contract completion. The policy did not provide details on the contents of functional surveillance plans, stating only that, "Each functional member of the PST [program support team] will prepare a plan that details how they will evaluate the impact of the contractor's actions of successful program completion and contract compliance with the terms of the contract."

Developing Surveillance Plans

Defining Surveillance Responsibilities and Procedures. At the 4 contract administration offices visited, the program support teams did not define contract-specific surveillance responsibilities and procedures for 47 of 48 program surveillance plans. Instead, the teams developed generic surveillance plans that addressed general surveillance responsibilities and procedures applicable to all contracts for a contractor. The 47 plans contained general background information and standard language that did not focus on the surveillance requirements specified in the memorandums of agreement or in the Directive's requirements for developing program surveillance plans. The 47 plans supported program surveillance performed on 100 major acquisition system contracts totaling $10.9 billion.

The Directive requires program support teams to ensure that surveillance plans include the following:

- agreed-to milestones, which are tied to significant planned program events;
- a review schedule, based on key events required for successful contract completion;
- a list of program support team members, supporting program integrators, and their roles and responsibilities; and
- functional surveillance plans detailing how the program support teams will evaluate contractors' actions for successful program completion and contract compliance.

The June 1995 surveillance plan policy (Chapter 8) also required program support teams to ensure that surveillance plans included contract requirements, major risk areas, pacing events, indicators of success or problems, program office special interest items, and organization charts and points of contact. Chapter 8 required program support teams to "consider" guidelines for evaluating contractor progress, methods to identify actual or potential problems, and requirements for status and problem reports, analyses, and recommendations. However, neither Chapter 5.1.4. nor Chapter 8 provided program support teams with guidance on how to "consider" these additional elements in program surveillance plans.

Of the 48 program surveillance plans prepared from April 1993 through June 1998, 47 were general and did not completely address policy criteria contained in Chapter 8 and Chapter 5.1.4. For example, the October 1997 surveillance plan at Contract Administration Office Clearwater, Florida, for the Navy Cooperative Engagement Capability Program did not include major risk areas and program office special interest items. Also, the June 1998 program surveillance plan at Contract Administration Office Northrop Grumman Baltimore, Maryland, for the Air Force Space Based Infrared Radar System did not include a review schedule that was based on key events required for successful contract completion, or the roles and responsibilities for program support team members other than the program integrator. Appendix C summarizes the results of our review of the 48 program surveillance plans at the 4 contract administration offices.

In October 1996, an internal operations assessment team from DCMC Headquarters also reported that the Contract Administration Office Westinghouse Baltimore, Maryland (now Northrop Grumman Baltimore), used general background information and standard language in surveillance plans. The report included the following statement, "The surveillance plans used by the Operations Teams have tended to be static working documents and contain standard verbiage, not specific to individual programs."

This condition still existed at Northrop-Grumman Baltimore, although the contract administration office formulated a corrective action plan in 1997 to address the problem. Additionally, while the April 1998 version of Chapter 5.1.4. requires program support teams to coordinate all surveillance plans with the program management office and the contractor, all of the surveillance plans we reviewed, which were dated April 1998 or later, were either general in nature or did not satisfy the content requirements of the chapter.

Evolving Surveillance Plan Policy. Since November 1997, the DCMC has engaged in evolving clearer and more effective policy to provide better direction to contract administration offices on the purpose and content of program surveillance plans. The DCMC revised the June 1995 policy direction through issuing Chapter 5.1.4. in April 1998. Since April 1998, DCMC Headquarters staff has continued to work towards improving surveillance plan policy. In December 1998, DCMC completed a draft update to the April 1998 version of Chapter 5.1.4. and a new draft chapter on contractor risk management for inclusion in Defense Logistics Agency Directive 5000.4.

When they are included in Defense Logistics Agency Directive 5000.4., the draft update of Chapter 5.1.4. and the new draft chapter on risk management should help to strengthen the surveillance plan process and provide contract administration offices with clearer guidelines on formulating and using surveillance plans.

Program Integration. The DCMC draft update to program integration policy provides more specific guidance on what program support teams should include in surveillance plans. Specifically, the draft revision states that surveillance plans must address methodologies for requirements review, risk analysis, task identification and monitoring, and earned value management surveillance. The April 1998 version did not require the surveillance plans to address these methodologies. The revised draft version also provides more specific guidance for reviewing and updating existing surveillance plans. The April 1998 version required surveillance plans to be updated annually by the contract administration offices but did not state how to document updates. Additionally, if no significant changes occur during a year, program support teams should not have to update the plans. The revised draft version requires only annual reviews, with updates for major changes and pen and ink annotations for minor changes. The program integrator is required to annotate the surveillance plan annually to show that the plan has been reviewed.

Risk Management. The draft chapter, "Contractor Risk Management," December 1998, establishes DCMC risk management policy and methodology for documenting the extent of surveillance needed at specific contractor facilities. The draft chapter provides guidance on risk planning, risk assessment, and risk monitoring, and explains how program support teams can use these processes to formulate risk-based surveillance plans. In November 1998, DCMC finalized an operational requirements document entitled, "DCMC Integrated Surveillance Plan and Risk Assessment Methodology," which will provide program support teams an automated tool for assessing program risk and addressing identified program risk areas in tailored surveillance plans.

The draft DCMC guidance will help program support teams to better understand the processes for formulating, reviewing, and updating surveillance plans. DCMC can further increase the understanding of the purpose, required format, and content of the surveillance plans through expanding the availability of the March 1998 template that DCMC quality assurance personnel use for preparing quality assurance surveillance plans. The template is generic and, therefore, could be expanded for use by other program support team members to prepare surveillance plans for the other functional areas, such as engineering and software.

Updating Surveillance Plans

Program support teams did not document that they had reviewed and updated 12 of 48 program surveillance plans annually, as required. Program support teams did not document that they had reviewed the 12 plans for 14 months to 47 months. Appendix C summarizes the reviews and updates of program surveillance plans at the four contract administration offices.

The DCMC used internal operational assessment teams to verify that the program support teams developed and updated the program surveillance plans as required. Although the internal operational assessments did prompt contract administration offices to enhance and update program surveillance plans, the internal operational assessment teams reviewed individual contract administration offices only once every 3 years. The program support teams did not document that they were reviewing and updating program surveillance plans annually, even when the requirement was brought to their attention. Accordingly, a means for helping program support teams to prepare surveillance plans and update requirements is to revise Defense Logistics Agency Directive 5000.4 to require East and West District offices to establish follow-up, corrective action procedures to verify that program support teams are preparing and updating program surveillance plans, as needed.

Conclusion

Program support teams use program surveillance plans to implement a proactive approach to contract surveillance and to provide program managers with maximum information on the effectiveness and efficiency of contractor systems and processes. If the program surveillance plans are not current and well defined, the program integrator and the program support teams cannot provide the necessary effective and efficient analysis of contractor systems and processes. If developing and updating program surveillance plans becomes a low priority, "paper exercise" to program support teams, program surveillance plans will add little to the DCMC customer-service mission. Since November 1997, DCMC has worked diligently to clarify policy for reviewing and updating surveillance plans. Implementing the DCMC draft policy, along with clarifying and revising the policy and procedures discussed above, should help ensure that surveillance plans are optimally effective in assisting the program support team to effectively and efficiently evaluate contractor systems and processes.

Recommendations, Management Comments, and Audit Response

B. We recommend that the Commander, Defense Contract Management Command, Defense Logistics Agency, revise Defense Logistics Agency Directive 5000.4, "Defense Management Command One Book," to:

1. Refine the draft revision of Chapter 5.1.4., Program Integration, November 1998, for inclusion in Defense Logistics Agency Directive 5000.4, "Defense Contract Management Command One Book," to expand the availability of the template used to prepare the quality assurance functional surveillance plans to help assist other program support team members to prepare surveillance plans for their functional areas.

Defense Logistics Agency Comments. The Deputy Director, Defense Logistics Agency, concurred, stating that the DCMC is creating a guidebook for program integrators that will include templates, checklists, and expanded instructions on how to prepare effective surveillance plans. The Deputy Director stated that the guidebook is scheduled for completion in August 1999, and will be hyperlinked to Defense Logistics Directive 5000.4.

2. Require East and West District offices to establish follow-up, corrective action procedures to verify that program support teams prepare and update program surveillance plans, as needed.

Defense Logistics Agency Comments. The Deputy Director partially concurred, stating that the Defense Logistics Agency revised Directive 5000.4, Chapter 5.1.4., "Program Integration," in February 1999, and DCMC issued Tasking Memorandum 99-111 on February 8, 1999, to provide procedures for tracking the currency of program surveillance plans. By the summer of 1999, the Automated Metrics System will be updated to add data fields to enable DCMC to track the currency and status of program surveillance plans. Before the Automated Metrics System is updated, Tasking Memorandum 99-111 requires program integrators to enter status information relating to program surveillance plans as separate, "free text" data in the Automated Metrics System, which DCMC Headquarters staff can then review. Although the report recommended that the East and West District offices implement the follow-up, corrective action procedures, the Deputy Director indicated that he reserved the right to decide whether the Headquarters, the Districts, or the contract administration offices would implement the follow-up, corrective action procedures.

Deputy Under Secretary of Defense (Acquisition Reform) Comments. The Deputy Under Secretary agreed with the recommendations.

Audit Response. The Defense Logistics Agency comments and revision of procedures to track and verify the contract administration offices' annual review and update of program surveillance plans, as needed, were considered responsive to the intent of the recommendation. In response to the final report, we request that the Deputy Director specify which level of the DCMC organization will verify that program surveillance plans will be reviewed annually and updated, as needed.

Appendix A. Audit Process

Scope

We conducted the audit from March 1998 through February 1999 and reviewed documentation dated from June 1991 through December1998 at the DCMC Headquarters, East and West District offices, and four contract administration offices. Specifically, we examined memorandums of agreement, program surveillance plans, customer survey data, and contract administration reports.

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 these objectives. This report pertains to achievement of the following objectives and goals:

- **Objective:** Prepare now for an uncertain future. **Goal:** Pursue a focused modernization effort that maintains U.S. qualitative superiority in key warfighting capabilities. **(DoD-3)**

- **Objective:** Fundamentally reengineer DoD 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 objectives and goals:

- **Objective:** Delivering great service. **Goal:** Deliver new major defense systems to the users in 25 percent less time. **(ACQ-1.1)**

- **Objective:** Internal reinvention. **Goal:** Minimize cost growth in major Defense acquisition programs to no greater than 1 percent annually. **(ACQ-3.4)**

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 high-risk area.

Methodology

To evaluate contract administration office support to system acquisition program managers, we evaluated DCMC policies and procedures relating to program integration. We examined the timeliness and adequacy of the memorandums of agreement and the program surveillance plans that contract administration offices used to plan and execute contract administration support. We also

evaluated contract administration office reporting to program managers and DCMC processes for collection and response to program manager feedback on the effectiveness of contract administration support.

Auditing Standards. We conducted this program audit in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD, and accordingly included such tests of management controls as we deemed necessary.

Use of Computer-Processed Data. We did not rely on computer-processed data to perform this audit.

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

Management Control Program Review

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, requires DoD managers 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 Management Control Program. We limited our review of the DCMC management control program because DCMC established and implemented a management control and assessment process to meet the requirements of the policy and procedural directives referenced below:

- OMB Circular A-123, "Management Accountability and Control," June 25, 1995;
- DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996; and
- DoD Instruction 5010.40, "Management Control (MC) Program Procedures," August 28, 1996.

Part II, Chapter 9, Defense Logistics Agency Directive 5000.4, "Contract Management," requires managers and supervisors at all levels to:

- comply with the DoD Management Control Program and the DCMC management control and assessment process;
- establish management controls (where existing management controls are not adequate or when needed for local implementation);
- assess whether management controls are adequate, identify needed improvements, and take corresponding corrective action; and
- review material weaknesses referred from subordinate levels, and support or direct corrective actions as required.

Chapter 9 also requires the commanders of the contract administration offices and the District and the Headquarters directors to provide an annual report on the effectiveness of management controls (the Annual Statement of Assurance and Report of Material Weaknesses). Accordingly, we limited our review of management controls to those relating to program integration and customer outreach. We also reviewed the DCMC self-evaluation of management controls.

Adequacy of Management Controls. The DCMC management controls for providing contract administrative support to system acquisition program managers were adequate in that we did not identify any material management control weaknesses applicable to the overall audit objectives.

Summary of Prior Coverage

During the last 5 years, the Inspector General, DoD, issued three reports addressing the contract administration offices' support to program managers.

Inspector General, DoD, Report No. 99-071, "Cooperative Engagement Capability Program Office Use of Defense Contract Management Command Resources," January 27, 1999.

Inspector General, DoD, Report No. 97-199, "The Minuteman III Guidance Replacement Program," July 29, 1997.

Inspector General, DoD, Report No. 97-018, "The Patriot Advanced Capability - 3 Program," November 4, 1996.

Appendix B. Program Integration Process

DCMC uses the program integration process to provide the program offices with early support on contractor program execution and performance. Program integration support includes DCMC evaluation of the health of a program and the recommendations, if necessary, for corrective action. Program integration tasks include assigning the program integrator and program support team, developing agreements, appointing supporting program integrators, developing surveillance plans, executing surveillance plans, and reporting information. To encourage program managers to use contract administration office services, DoD Regulation 5000.2-R, "Mandatory Procedures for Major Defense Acquisition Programs and Major Automated Information System Acquisition Programs," March 23, 1998, requires that program managers make maximum use of the contract administration office personnel at contractor facilities. The Regulation further requires the program manager and contract administration office staffs to jointly develop and approve program support plans for all major Defense acquisition program contracts to ensure agreement on contract oversight needs and perspectives.

Assigning the Program Integrator and Program Support Team. The program integrator is the program office's focal point within the contract administration office. A program support team supports the program integrator. The functional representation on the program support team is dependent on the nature of the contract and specific program requirements. Team members may include administrative contract officers, cost analysts, engineers, industrial specialists, hardware and software quality assurance specialists, and earned value monitors staffed from the contract administration office.

Developing Agreements. The program integrator is responsible for developing, in coordination with the system acquisition manager, a memorandum of agreement that defines the relationship between the contract administration office and the program office. The agreement should not merely repeat requirements of the Federal Acquisition Regulation or the Defense Federal Acquisition Regulation, it should also be unique to the contract administration office and the program office. The agreement should identify requirements for contractor cost surveillance, schedule, and technical performance, and define the team's reporting requirements. If a memorandum of agreement is not desired, the program integrator should document the rationale in a memorandum for the record.

Appointing Supporting Program Integrators. The contract administration office may need to appoint a supporting program integrator and to establish an associated program support team at major subcontractors or remote prime locations. These officials ensure a timely and accurate flow of programmatic and technical information from the program integrator to the program office and the affected contract administration offices. The decision to establish a program support team information network should be based on customer needs and an internal assessment by the contract administration office responsible for monitoring the prime contractor.

Developing and Executing Surveillance Plans. The program support team develops and maintains a program surveillance plan for major systems and designated critical components or when a memorandum of agreement is established with the program office. The program integrator coordinates input from the team members covering all the functional areas. The program surveillance plan identifies how the team will implement the requirements of the memorandum of agreement. The program surveillance plan is comprised of the functional surveillance plans that individual program support team members prepare. The program and functional surveillance plans should be coordinated with the program office and the contractor, should contain agreed-to milestones that are tied to significant planned program events, and should include the milestones specified within the memorandum of agreement and the contract. The program support team, the program office, and, if appropriate, the contractor should perform a joint team assessment of process and program risk in developing the surveillance plans.

The program integrator executes the surveillance plans by managing the efforts of the team and resolving all program support issues. At a minimum, the program support teams update the surveillance plans annually, and more frequently if significant changes occur with the program or team.

Reporting Information. The program integrator is responsible for preparing and submitting periodic reports. The memorandum of agreement should address the frequency and content of program integrator reports to the program office. At a minimum, program integrators should prepare monthly program status reports for major Defense acquisition programs. The program integrator should consider input from support team members, contractor and program meetings, interviews with contractor personnel, and contractor data in preparing the reports. The reports provide an overview of the program status, and the program integrator should tailor them to address the program office issues in the memorandums of agreement.

Appendix C. Summary of Program Surveillance Plans Reviewed by Contract Administration Office

Contract Administration Office and Programs	Memorandum of Agreement[1]	Documented Date Surveillance Plan Last Reviewed	Plans Not Reviewed in the Last 12 Months As of June 1998[2]	Non-Compliant Surveillance Plan[3]
Raytheon				
April 1998 Policy				
AEGIS	June 1996	April 1998		X
AMRAAM	April 1998	April 1998		X
BAT-IR	February 1998	May 1998		X
CCS MK-2	Not Available	In Process	X	X
DASR	February 1997	April 1998		X
JSTARS	October 1996	April 1998		X
MILSTAR	February 1998	April 1998		X
PATRIOT	November 1997	May 1998		X
SM-2	November 1997	May 1998		X
SM-3	November 1997	May 1998		X
SMART-T	May 1996	April 1998		X
TRIDENT	August 1996	In Process	X	X
June 1995 Policy				
NSSN C3I	February 1998	February 1998		X
SUBHDR	January 1997	November 1997		
Policy Before June 1995[4]				
NESP	February 1997	April 1993	X	X
NMD GBR-P	June 1997	December 1994	X	X
THAAD	October 1997	December 1994	X	X

Contract Administration Office and Programs	Memorandum of Agreement[1]	Documented Date Surveillance Plan Last Reviewed	Plans Not Reviewed in the Last 12 Months As of June 1998[2]	Non-Compliant Surveillance Plan[3]
Lockheed Martin-Sanders				
April 1998 Policy				
AFMSS	February 1998	May 1998		X
ATIRCM/CMWS	April 1998	April 1998		X
June 1995 Policy				
IEWCS	July 1996	Undated		X
C-17A CIP	January 1998	August 1997		X
F-22	September 1996	September 1997		X
IDECM RFCM	May 1996	June 1997		X
LBHMMS	September 1996	June 1997		X
Northrop Grumman Baltimore				
April 1998 Policy				
SBIRS	May 1998	June 1998		X
June 1995 Policy				
AS/SQQ-89	January 1998	June 1996	X	X
AWACS RSIP	June 1996	February 1998		X
BAT-IR	June 1998	March 1998		X
COMANCHE	June 1992	March 1998		X
DMSP	April 1997	April 1996	X	X
F-16	November 1996	Undated		X
F-22	September 1996	July 1997		X
LBFCR	February 1998	March 1998		X
LBHMMS	June 1997	March 1998		X

Contract Administration Office and Programs	Memorandum of Agreement[1]	Documented Date Surveillance Plan Last Reviewed	Plans Not Reviewed in the Last 12 Months As of June 1998[2]	Non-Compliant Surveillance Plan[3]
Clearwater				
April 1998 Policy				
PAC-3	May 1998	No Plan		X
JAVELIN	May 1998	No Plan		X
SINCGARS	May 1998	May 1998		X
TRIDENT	April 1998	No Plan		X
V-22	May 1998	No Plan		X
June 1995 Policy				
AIM-9X	June 1997	No Plan		X
ATLAS/CINU	January 1997	February 1997	X	X
CEC	August 1997	October 1997		X
CMBRE	September 1996	September 1996	X	X
EGI	August 1997	No Plan		X
JSF	October 1997	No Plan		X
J-STARS	August 1996	No Plan	X	X
SBIRS	April 1997	No Plan	X	X
TITAN/CGCU	July 1997	February 1997	X	X
Total			**12**	**47**

[1]When the contract administration office was tasked to perform surveillance for a subcontract, the "Memorandum of Agreement Date" is the date of the letter of delegation.

[2]Programs marked with an "X" means that the program integrators at the contract administration offices had not documented that they had performed an annual review and update of the program surveillance plan as required in Defense Logistic Agency Directive 5000.4.

[3]Programs marked with an "X" means that program integrators at the contract administration offices did not develop an approved program surveillance plan, or the approved plan was general, or did not satisfy the content requirements in Defense Logistic Agency Directive 5000.4.

[4]These plans were not in accordance with the June 1995 or April 1998 requirements.

Acronyms:

AEGIS	Aegis Combat System
AFMSS	Air Force Mission Support System Program
AIM-9X	AIM-9X/Short Range Air-to-Air Missile
AMRAAM	Advanced Medium Range Air-To-Air Missile System
AN/SQQ-89	AN/SQQ-89 Anti-Submarine Warfare Combat System
ATLAS/CINU	Atlas Missile/Centaur Inertial Navigation Unit
ATIRCM/CMWS	Advanced Threat Infrared Countermeasure/Common Missile Warning System
AWACS RSIP	E-3 Airborne Warning and Control System Radar System Improvement Program
B1B	B1B Aircraft
BAT-IR	Brilliant Anti-Armor Submunition Program
C-17A CIP	C-17A Aircraft Core Integrator Processor Program
CMBRE	Common Munitions Built-In-Test Reprogramming Equipment
CCS MK-2	Combat Control System Mark 2
CEC	Cooperative Engagement Capability
COMANCHE	Comanche Helicopter
DASR	Digital Airport Surveillance Radar
DMSP	Defense Meteorological Satellite Program
EGI	Embedded Global Positioning System/Inertial Navigation System
F-16	F-16 Aircraft
F-22	F-22 Advanced Tactical Fighter
IDECM RFCM	Integrated Defensive Electronic Countermeasures Radio Frequency Countermeasures
IEWCS	Intelligence and Electronics Warfare Common Sensor System
JAVELIN	JAVELIN Anti-Tank Weapon System
JSF	Joint Strike Fighter
JSTARS	Joint Surveillance Target Attack Radar System
LBFCR	Longbow Fire Control Radar Program
LBHMMS	Longbow Hellfire Modular Missile System
MILSTAR	Military Strategic Tactical And Relay Program
NESP	Navy Extremely High Frequency Satellite Communications Program
NMD GBR-P	National Missile Defense Ground-Based Radar - Prototype
NSSMS	North Atlantic Treaty Organization Seasparrow Missile System
NSSN C3I	New Attack Submarine Command Control Communication and Intelligence
PAC-3	Phased Array Tracking to Intercept of Target Advanced Capability 3 Missile
PATRIOT	Phased Array Tracking Intercept of Target System
SBIR	Space Based Infrared Radar System
SINCGARS	Single Channel Ground and Airborne Radio System
SM-2	Standard Missile-2
SM-3	Standard Missile-3
SMART-T	Secure Mobile Reliable Tactical Terminal
SUBHDR	Submarine High Data Rate Program
THAAD	Theater High Altitude Area Defense System
TITAN/CGCU	Titan/Centaur Guidance Control Unit
TRIDENT	TRIDENT II Missile
V-22	V-22 Joint Services Advanced Vertical Lift Aircraft

Appendix D. Outreach Program

Defense Logistics Agency Directive 5000.4 states that it is DCMC policy to continually improve processes and systems for satisfying customer requirements, building loyalty and enhancing customer relationships, and maintaining a high degree of customer satisfaction with its products and services. The DCMC has effectively implemented this policy through the Customer Support Outreach Program (Outreach Program), which provides DCMC with regular feedback from customers such as program managers. The policies and procedures for the Outreach Program were reengineered in April 1998. Through the Outreach Program, the DCMC receives feedback information from monthly customer satisfaction telephone surveys, postcard trailer surveys, service standard surveys, and through the efforts of customer liaison representatives who work closely with buying commands. The DCMC also receives feedback from periodic visits of the Executive Director for Program Integration to customers. The results of DCMC surveys of system acquisition program managers and their staffs during FY 1998, summarized in Appendix E, indicated a high level of satisfaction with the contract administration support. The DCMC uses feedback from the survey efforts to measure success in meeting its performance metrics of "right time," "right price," "right advice," and overall customer service.

Customer Telephone Survey. The DCMC uses telephone surveys to gain input from customers on the quality of contract products, services, and information provided by the contract administration offices. Each month, the customer support teams at the East and West Districts select approximately 25 customers for the telephone survey. Customers include program managers, contracting officers, and acquisition personnel at inventory control points and buying activities. The telephone survey includes five questions asking customers to rate the contract administration office's performance in providing the right item, at the right time and price, and the right advice, and one question asking customers to share any particularly good experiences they had with the contract administration office.

Postcard Trailer Survey. The DCMC uses postcard trailer surveys to obtain customer input on the quality of key contract administration office products, such as program status reports and product quality deficiency report evaluations. The DCMC uses customer feedback to pinpoint specific areas of customer dissatisfaction with products. The postcard trailers ask customers about their satisfaction with timeliness, accuracy, completeness, and value added of status report products. Customer support teams at the East and West Districts enter customer feedback from the postcard trailer surveys into the Automated Metrics System database. If customer comments indicate dissatisfaction with services and products provided, the customer support teams notify the commander of the contract administration office involved and track the contact administration office efforts to resolve the problem.

Service Standards Survey. The DCMC uses the service standards survey to internally assess the responsiveness of contract administration offices in meeting customer requests for service or assistance. The customer service teams randomly conduct the service standards survey during normal business calls to contract administration offices. The survey measures the performance of the contract administration office based on the attributes of accessibility, interface quality, and delivery. Together, the customer support teams at the two districts perform a minimum of 20 service standard surveys of contract administration offices each month.

Customer Liaison Representatives. The DCMC uses customer liaison representatives, collocated with major program customers around the United States, to provide primary customer assistance to buying activities in communicating and interfacing with DCMC, district, and field offices. The 26 customer service representatives are the primary point for customer assistance at customer locations and, in this capacity, assist the buying activities by communicating and resolving problems throughout all levels of DCMC. Customer liaison representatives also assess customer satisfaction with DCMC services by identifying areas for improvement, recommending corrective actions, overseeing implementation of DCMC initiatives, and following up to measure effectiveness.

Visits to Customers. In addition to the customer outreach activities outlined above, the DCMC Executive Director for Program Integration and his Deputy for Customer Support periodically visit customers to obtain feedback and to discuss how DCMC could improve customer support. The visits allow the Executive Director to see how well contract administration offices are meeting the needs of the customers they support.

One Year Test. From October 1998 through March 1999, DCMC is running a 1-year test of the reengineered policies and procedures for the Outreach Program. DCMC will determine the need for further reengineering when the test period ends. We identified and discussed with DCMC staff areas where the reengineered policies and procedures could be refined.

Appendix E. Summary of Customer Feedback to the Defense Contract Management Command

Customer Telephone Survey. From October 1, 1997, through June 30, 1998, the East District customer support team made 172 survey calls to system acquisition program managers, deputy program managers, and administration contract officers asking them to rate DCMC performance in providing the right item, at the right time and price, and the right advice. The customer support team received 114 responses, resulting in an overall average rating of 5.4 out of a possible best rating of 6 (very satisfied). A summary of customer ratings of 5 or 6 (satisfied or very satisfied) and 4 or below (less than satisfied) follows:

	Ratings 5 or 6	Ratings 4 or Below	Total Responses*
Right item	101	13	114
Right time	99	15	114
Right price	55	9	64
Right advice	96	16	112

*Not all responses rated each performance category.

Postcard Trailers. From April 28 through June 30, 1998, DCMC received feedback from customer comments on 112 of 613 postcard trailers returned from customer products. Customers indicated complete or partial satisfaction, with no recommendations for improvement, on 108 of the 112 postcard trailers returned and dissatisfaction or recommendations for improvement on 4 of the postcard trailers returned. The DCMC received an overall average rating of 5.8 out of a possible best rating of 6 (very satisfied) from the 112 postcard trailers returned.

Service Standards. From October 1, 1997, through September 1, 1998, the customer support teams performed 147 service standard surveys. The contract administration office staffs met the service standards for accessibility, interface quality, and delivery more than 90 percent of the time.

Appendix F. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition and Technology
  Deputy Under Secretary of Defense (Acquisition Reform)
  Director, Defense Procurement
  Director, Defense Logistics Studies Information Exchange
Under Secretary of Defense (Comptroller)
  Deputy Chief Financial Officer
  Deputy Comptroller (Program/Budget)
Assistant Secretary of Defense (Public Affairs)

Department of the Army

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

Department of the Navy

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

Department of the Air Force

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

Other Defense Organizations

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency
  Commander, Defense Contract Management Command
  Commander, Defense Contract Management Command East
  Commander, Defense Contract Management Command West
Director, National Security Agency
  Inspector General, National Security Agency
Inspector General, Defense Intelligence Agency

Non-Defense Federal Organizations and Individuals

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

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Management, Information, and Technology, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform

Defense Logistics Agency Comments

DEFENSE LOGISTICS AGENCY
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IN REPLY
REFER TO DDAI

APR 20 1999

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL FOR AUDITING,
DEPARTMENT OF DEFENSE

SUBJECT: Draft Audit Report on Defense Contract Management Command Support to System Acquisition Program Managers (Project No. 8AE-0025.01)

This is in response to your February 26, 1999, request. If you have any questions, please contact Zora Henderson, (703) 767-6272.

Encl

SHEILA P. RAINES
Team Leader, Liaison and Policy
Internal Review Office

Federal Recycling Program Printed on Recycled Paper

APR 16 1999

SUBJECT: Draft Report on Defense Contract Management Command Support to System Acquisition Program Managers (Project No. 8AE-0025.01)

FINDING A: Reviewing Memorandums of Agreement. While results of DCMC surveys of system acquisition program managers indicated an overall high level of satisfaction with the contract administration support, program support teams did not document that they annually reviewed memorandums of agreement with program managers to ensure that the agreements were current. Of the 34 memorandums of agreements at the 4 contract administration offices that we visited, the program support teams did not document that they performed annual reviews of 17 memorandums of agreement that supported contracts totaling $2.5 billion. The program support teams did not accomplish annual reviews because DCMC did not require the East and West District offices to establish follow-up, corrective action procedures to annually review and update memorandums of agreement, as needed. Additionally, DCMC did not require contract administration offices to coordinate annual reviews of memorandums of agreement with program offices and did not clearly define the differences between major and minor revisions of memorandums of agreement. As a result, contract administration offices did not verify with program offices that the 17 memorandums of agreement still clearly defined the roles and responsibilities needed to support program acquisition strategies and addressed program manager concerns.

DLA COMMENTS: Concur

Recommendation A: We recommend that the Commander, Defense Contract Management Command, Defense Logistics Agency, revise Defense Logistics Agency Directive 5000.4, "Defense Management Command One Book," to:

1. Require the East and West District offices to establish follow-up, corrective action procedures to verify that contract administration offices annually review and update memorandums of agreements, as needed.

2. Require contract administration offices to coordinate and document annual reviews of memorandums of agreements with system acquisition program managers.

3 Define the distinctions between major revisions of program integration support responsibilities, which require negotiating and signing a new memorandum of agreement, and minor revisions of program integration support responsibilities, which only require coordination with the system acquisition program managers.

DLA Comments:

1. Partially Concur. DCMC recognizes the need for increased management controls to track the currency of the memorandums of agreement (MOAs), but retains the right to implement those procedures within DCMC wherever the Command feels appropriate, whether at DCMC, the District Offices, or the individual CAOs. DCMC has implemented changes that enable the Command, the Districts and the CAO Commanders to have visibility and oversight of program related documentation. The current One Book and DCMC Tasking Memorandum 99-111 dated 8 February 99, establish the procedures for tracking and updating MOAs. The Automated Metrics System (AMS) is the automation tool utilized by DCMC for tracking command wide data. The Operational Requirements Document for AMS V5.0 approved in August adds the additional fields to enable tracking of the currency and status of MOAs. As an interim solution, DCMC Tasking Memorandum 99-111 dated 8 February 99, requires the program integrators to enter the data into a free-text field that can then be examined. The fielding of AMS V5.0 in the summer of 1999 will obviate the need for the more resource intensive interim solution. Action is complete.
2 Concur. The February revision DLAD 5000.4 "One Book" clarified the procedures for maintaining Program Surveillance Plans. These plans will be reviewed and documented annually. The MOA will be reviewed for sufficiency as part of the review of the Surveillance Plan. Action is complete
3. Concur. The February revision DLAD 5000 4 "One Book" clarified the difference between major and minor revisions. Under Chapter 5.1.4, a major revision is defined as "those directing a significant shift in the kind of DCMC support, or the investment of DCMC resources". Action is complete.

Disposition: Action is considered complete.

FINDING B: Developing and Updating Surveillance Plans. Program support teams did not define contract-specific surveillance responsibilities and procedures for 47 of 48 program surveillance plans developed at the 4 contract administration offices we visited. Instead, the program support teams prepared generic surveillance plans that addressed general surveillance responsibilities and procedures that were applicable to all assigned contracts for a contractor. Further, the program support teams did not document that they performed annual reviews for 12 of 48 program surveillance plans, as required. These conditions occurred because program support teams did not comply with requirements for preparing and updating surveillance plans. Also, DCMC did not require the East and West District offices to verify that program support teams developed fully defined contract surveillance plans and responsibilities and reviewed them annually. As a result, the program surveillance plans may not have been optimally effective in assisting program support teams to evaluate contractor systems and processes on 100 major acquisition system contracts totaling $10.9 billion.

DLA Comments: Concur

Recommendation B: We recommend that the Commander, Defense Contract Management Command, Defense Logistics Agency, revise Defense Logistics Agency Directive 5000.4, "Defense Management Command One Book," to:

1. Refine the draft revision of Chapter 5.1.4., Program Integration, November 1998, for inclusion in Defense Logistics Agency Directive 5000.4, "Defense Contract Management Command One Book," to expand the availability of the template used to prepare the quality assurance functional surveillance plans to help assist other program support team members to prepare surveillance plans for their functional areas.

2. Require East and West District offices to establish follow-up, corrective action procedures to verify that program support teams prepare and update program surveillance plans, as needed.

DLA Comments:

1. Concur. DCMC is in the process of creating a guidebook for Program Integrators, which will be hyper-linked into DLAD 5000.4 One Book. Some elements of the guidebook include templates, checklists, and expanded instructions on how to prepare an effective surveillance plan. The guidebook is scheduled for completion in August 1999.
2. Partially Concur. DCMC recognizes the need for increased management controls to track the currency of the Surveillance plans, but retains the right to implement those procedures within DCMC wherever the Command feels appropriate, whether at DCMC, the District Offices, or the individual CAOs. DCMC has implemented changes that enable the Districts and CAO Commanders to readily have visibility into, and oversight of, program related documentation. The current One Book and DCMC Tasking Memorandum 99-111 dated 8 February 99, establish the procedures for tracking and updating Surveillance Plans. The Automated Metrics System (AMS) is the automation tool utilized by DCMC for tracking command wide data. The Operational Requirements Document for AMS V5.0 approved in August adds the additional fields to enable tracking of the currency and status of surveillance plans. As an interim solution, DCMC Tasking Memorandum 99-111 dated 8 February 99, requires the program integrators to enter the data into a free-text field that can then be examined. The fielding of AMS V5.0 in the summer of 1999 will obviate the need for the more resource intensive interim solution. Action is complete

Disposition: Action is ongoing. ECD: August 1999

Action Officer: LCDR Dennis Sacha, DCMC-PA, 767-6460
Review/Approval: Thomas Brunk, DCMC
Coordination: Zora Henderson, DDAI

DLA APPROVAL:

E.R. CHAMBERLIN APR 30 1999
Rear Admiral, SC, USN
Deputy Director

Deputy Under Secretary of Defense (Acquisition Reform) Comments

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ACQUISITION AND TECHNOLOGY

April 26, 1999

MEMORANDUM FOR DIRECTOR, ACQUISITION MANAGEMENT DIRECTORATE
OFFICE OF INSPECTOR GENERAL
ATTN: Mr. Thomas F. Gimble

SUBJECT: Response to Draft Inspector General Report, Project 8AE-0025.01

Thank you for the opportunity to respond to the Office of the Inspector General, DoD draft report, "Defense Contract Management Command Support to System Acquisition Program Managers" dated February 26, 1999; Project No. 8AE-0025.01.

I concur with the findings of the report except where you draw a conclusion that a program has suffered because of the finding. While the report documents that in many cases the program support teams did not follow "Defense Management Command One Book" procedures, it does not document harm to any of the programs covered.

I must non-concur with Recommendation A. The examples reported appear to be examples of other problems rather than a lack of annual review. It is my belief that MOAs are master documents between the signatory organizations and sometimes are difficult to negotiate. They should serve as the overarching document that enable the surveillance plans (which I agree should be reviewed annually) to be effectively implemented. When viewed from that prospective and if written properly, MOAs should not require an update unless the Program Manager or the Commander of the Contract Administration Office changes or the annual review of a surveillance plan indicates that something significant has changed. Further, I do not believe program offices can be compelled to coordinate on the annual review of the MOAs called for in the "Defense Contract Management Command One Book." It would be unreasonable to hold a contract administration office accountable because of a program office's lack of cooperation. I do not believe distinctions between major and minor revisions to the MOA need to be defined, as I am satisfied that common sense will prevail in enough cases to make the recommendation unwarranted. I recommend your recommendation be changed to:

We recommend that the Commander, Defense Contract Management Command, Defense Logistics Agency, revise the Defense Logistics Agency Directive 5000.4, "Defense Contract Management Command One Book", to:

1. Delete the requirement for annual reviews of memorandums of agreement (MOA). Place a reminder that the MOA must be updated and re-signed if any of the signatory's to the document change.

2. In the instructions for reviewing surveillance plans, add a note that the program integrator should consider whether changes to the surveillance plan

would impact the governing MOA and bring issues to the CAO commander's attention as required. (No documentation should be required to implement this recommendation.)

I concur with Recommendation B.

Stan Z. Soloway
Deputy Under Secretary of Defense
(Acquisition Reform)

Audit Team Members

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

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