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GAO

United States
General Accounting Office
Washington, D.C. 20548



149275

Information Management and
Technology Division

B-253031

April 28, 1993

The Honorable John Glenn
Chairman, Committee on
Governmental Affairs
United States Senate

Dear Mr. Chairman:

This letter responds to your September 11, 1992, request that we determine the status of the Department of Defense's replacement of the Defense Commercial Telecommunications Network (DCTN) contract, which expires in February 1996. This large and technically complex contract is valued at \$1 billion and provides long-distance communications services (voice, data, and video) throughout Defense. Because many of the details of Defense's proposed acquisition strategy are procurement sensitive, we are including only summary-level information, which is not considered sensitive, in this letter.

RESULTS IN BRIEF

Defense's schedule for replacing its current telecommunications contract before it expires in early 1996 is optimistic. In an attempt to speed up the acquisition process and increase competition, Defense has divided its requirements into multiple procurements. It is focusing first on domestic switched voice services. However, based on the length of time involved in comparable federal telecommunications contracts, it is optimistic that a replacement contract for this service can be awarded and fully operational before the current contract expires. In addition, Defense has yet to decide on an acquisition strategy for its remaining requirements--primarily point-to-point transmission of integrated voice, data, and video. This raises uncertainty about whether contracts for these services will be operational by 1996.

As a result, Defense may have to extend its current telecommunications contract on a sole-source basis. While

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doing so would enable telecommunications services to continue without interruption, it would also delay cost savings that could be gained from a competitively awarded replacement.

BACKGROUND

The Department of Defense, through its Defense Information Systems Agency, is managing the consolidation of about 100 independent service and agency communications networks into one integrated, common-user network, called the Defense Information Systems Network (DISN).¹ DISN is to become Defense's new worldwide, consolidated communications infrastructure to provide end-to-end information transfer. This infrastructure will provide integrated voice, data, video, and other telecommunications services to Defense departments and agency users.

In the short term--from now until the mid-1990s--DISN is focused on consolidating the different networks; in the long term, DISN will emphasize the replacement of older systems and expiring service contracts to ensure continuity of service and the incorporation of new technologies. The replacement of the current DCTN contract is a key part of the DISN long-term plan. The DCTN contract, with a life-cycle cost of \$1 billion over its 10-year span, provides communications services including switched voice, dedicated voice/data, and video teleconferencing to over 250 worldwide locations.

Defense originally had planned to award a single contract to replace the DCTN contract. By October 1992, however, Defense determined that using a single contractor would not result in full operational capability before the DCTN contract expires in 1996. Therefore, Defense changed its acquisition strategy by dividing its requirements and allowing multiple contracts for services, with integration to be provided through a support contractor. Defense believes this approach will get the replacement contracts operational more quickly and increase opportunities for competition and cost savings.

¹Specific networks that will be initially consolidated include the Defense Logistics Agency Corporate Network, the Air Force Integrated Network, the Navy Network, and the Defense Data Military Network.

SCHEDULE FOR REPLACING THE DCTN
CONTRACT IS OPTIMISTIC

Defense has established a plan to replace major portions of the DCTN contract by the time the current contract expires in February 1996. Under this plan, Defense will concentrate first on awarding a contract to cover the replacement of the continental U.S. portion of the switched voice services, including network management and military-unique features required to support command and control. Defense wants to award this to a single prime contractor with services from multiple subcontractors.

Defense plans to release the request for proposals (RFP) on July 9, 1993, and award the contract 16 months later on October 28, 1994. This schedule is designed to allow the winning contractor 16 months to reach full operational capability before the DCTN contract expires.

Defense Information Services Agency program management and contracting officials recognize that the time frames for the acquisition are tight. They would prefer to have 18-month windows, both from the RFP to award and from award to full operational capability. The officials nevertheless believe that the tight schedule is achievable, although they agreed that milestone delays or other problems, such as bid protests, would result in missing the February 1996 deadline.

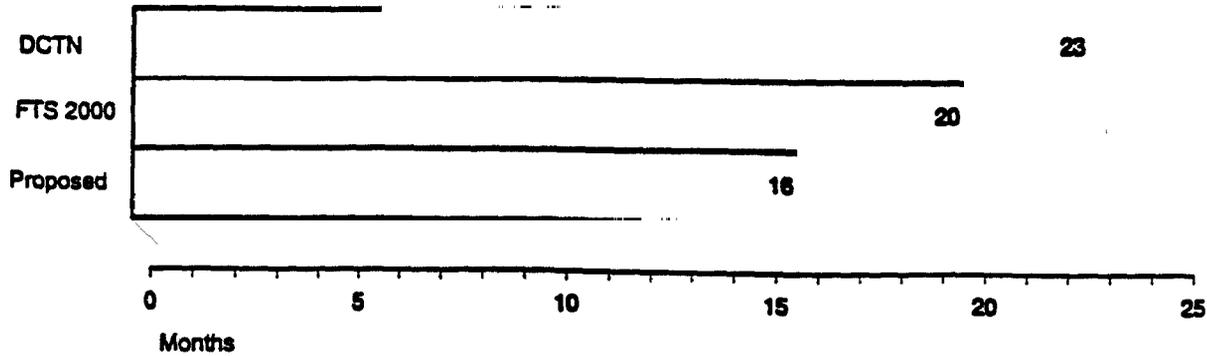
If the deadline is missed, these officials said they may need to extend the current DCTN contract on a sole-source basis in order to ensure continuity of service. A sole-source extension would delay cost savings anticipated with a competitive acquisition.

To assess whether the time frames are realistic, we compared time frames for two previous communications contracts--the current DCTN contract and the FTS 2000 contract--that are similar in complexity to those proposed for the switched voice acquisition. Defense officials agreed that these two contracts were appropriate models to compare with the proposed acquisition. For both of these contracts, we tracked the time elapsed from the RFP to contract award and from award to full operational capability and compared them to the proposed acquisition schedule.

We found that the scheduled time from the RFP to the planned contract award is 1) 7 months, about 30 percent

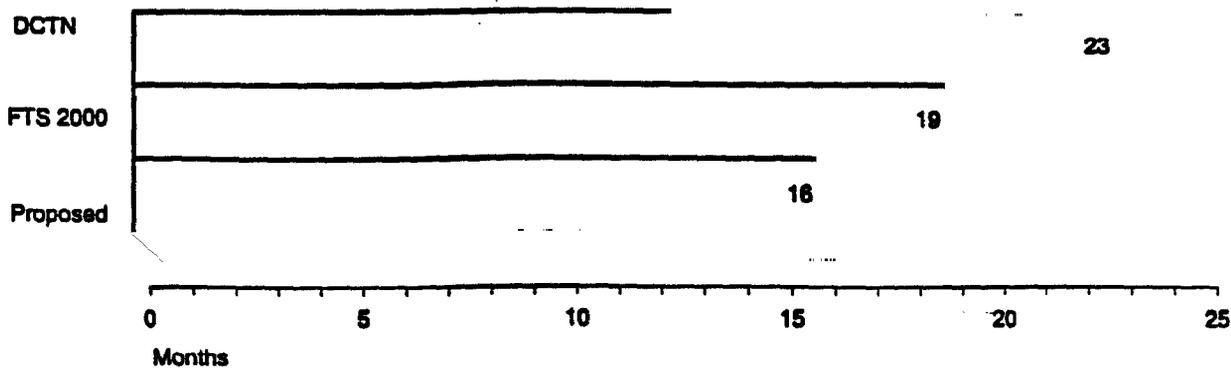
less than the actual time needed for the current DCTN contract award; and, 2) 4 months, or 20 percent less than the time needed for the FTS-2000 contract award (see fig. 1).

Figure 1: Comparison of Schedules From RFP To Award Between DCTN, FTS 2000, and the Proposed Acquisition



We also found that the planned schedule from contract award to full operational capability is 1) 7 months, about 30 percent less than the actual time needed for the current DCTN contract; and, 2) 3 months, about 16 percent less than the time needed for the FTS-2000 contract (see fig. 2).

Figure 2: Comparison of Schedules From Award to Full Operational Capability Between DCTN, FTS 2000, and the Proposed Acquisition



QUESTIONS REMAIN ON REPLACING OTHER PORTIONS OF THE DCTN CONTRACT

Defense has not yet finalized an acquisition strategy for the remaining portions of the DCTN contract, primarily the dedicated point-to-point transmission services to provide integrated data, voice, and video, as well as new requirements needed for DISN that are not part of the current DCTN contract.

Defense is currently considering several possible approaches, including (1) exercising options under the proposed contract for switched voice service, (2) ordering individual requirements competitively through the Defense Commercial Communications Office Bulletin Board system,² (3) independently contracting for these services, or (4) a combination of one or more of these approaches.

As with the switched voice acquisition strategy, Defense will be facing tight time constraints to provide these services by February 1996. Given the uncertainty of when Defense will finalize its acquisition strategy, it may have to extend the current sole-source contract, thus enabling operations to continue without interruption but also delaying any cost savings that may be gained.

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We performed our review primarily at Defense Information Systems Agency headquarters in Arlington, Virginia, and at the Defense Commercial Communications Office located at Scott Air Force Base, Illinois. We interviewed various program and contracting officials at both locations, and reviewed contracts, regulations, reports, and guidance for the current Defense Communication System and the planned Defense Information System Network. We also interviewed contracting officials at the General Services Administration, Washington, D.C., concerning the FTS-2000 contract and associated issues.

As requested by your office, we did not obtain official agency comments on a draft of this letter. However, we discussed its contents with DISA and Office of the

²The bulletin board is an electronic method of advertising contracting opportunities to industry. For example, it allows industry to obtain government telecommunications requirements and submit proposals electronically.

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Assistant Secretary of Defense (Command, Control, Communications, and Intelligence) officials, and have incorporated their comments where appropriate. As an overall comment, these officials believe that, despite the uncertainty and tight timeframes, they would not have to extend the current DCTN contract.

We conducted our review from October 1992 through March 1993 in accordance with generally accepted government auditing standards. As agreed with your office, unless you publicly announce the contents of this letter earlier, we plan no further distribution of it until 30 days from the date of this letter. At that time, we will send copies to the appropriate House and Senate committees; the Secretary of Defense; the Secretary of the Navy; the Secretary of the Air Force; the Secretary of the Army; the Director, Office of Management and Budget; and other interested parties. Copies will also be made available to others upon request. If you have any questions about this letter, please contact me at (202) 512-6240 or Joseph T. McDermott, Assistant Director, at (202) 512-6219.

Sincerely yours,



Samuel W. Bowlin
Director, Defense and Security
Information Systems

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