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The Honorable John Warner
Chairman
The Honorable Carl Levin
Ranking Minority Member
Committee on Armed Services
United States Senate

Subject: Contract Management: Selected DOD Consulting Services

The Senate Armed Services Committee's report accompanying the National Defense Authorization Act for Fiscal Year 2000 directed us to review Department of Defense (DOD) contracts for advisory and assistance services and other services.¹ In response to the mandate, and as agreed with committee staff, we reviewed 30 contracts associated with the largest fiscal year 1999 obligations for advisory and assistance and other services and described these services obtained by the Office of the Secretary of Defense; the Secretariats of the Air Force, the Navy, and the Army; and Headquarters, Defense Logistics Agency. About \$36 million was obligated for these contract services.

Enclosure 1 describes the services obtained and provides general information on each of the 30 contracts, including the contractor, amount obligated, the performance period funded by this amount, and examples of services provided.

AGENCY COMMENTS

DOD provided written comments and agreed with the information in this report. DOD's comments are reprinted in enclosure 2.

¹ As provided for in Office of Management and Budget Circular A-11, advisory and assistance services are (1) management and professional support services that provide for the efficient and effective management and operations of DOD organizations; (2) studies, analyses, and evaluations that provide analytical assessments of complex issues to improve policy development, decision-making, management, or administration; and (3) engineering and technical services that are necessary to maintain and operate fielded weapon systems, equipment, and components. Other services are defined as services that cannot be classified as either advisory and assistance services or any of the other service categories, including research and development contracts; operation and maintenance of facilities and equipment; purchases of goods and services from government accounts; medical care; and subsistence and support of persons.

Our scope and methodology are discussed in enclosure 3. We conducted our review from October 1999 through June 2000 in accordance with generally accepted government auditing standards.

We are sending copies to the Honorable William S. Cohen, Secretary of Defense; Lieutenant General Henry T. Glisson, Director, Defense Logistics Agency; the Honorable Louis Caldera, Secretary of the Army; the Honorable Richard Danzig, Secretary of the Navy; and the Honorable F. Whitten Peters, Secretary of the Air Force. We will also make copies available to others on request.

Please contact me at (202) 512-4841 or Ralph C. Dawn, Jr. at (202) 512-4544 if you or your staff have any questions. Major contributors to this report were Johana R. Ayers, Charles D. Groves, and Rosa M. Johnson.

Signed

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Associate Director
Defense Acquisition Issues

SELECTED ADVISORY AND ASSISTANCE
AND OTHER SUPPORT SERVICES

The table below lists the titles of the services obtained by the organizations included in our review.

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Transforming DOD Logistics Processes and Operations

Organization:	Deputy Under Secretary of Defense (Logistics)
Contractor:	Logistics Management Institute
Fiscal year 1999 obligation amount:	\$1,199,121
Performance period:	February 6, 1999, to August 31, 2000

The Deputy Under Secretary of Defense (Logistics) oversees a logistics infrastructure that consumes one-third of DOD's annual budget and employs nearly 40 percent of Defense personnel. Despite reductions throughout the 1990s, DOD regards its logistics infrastructure as too large and expensive in today's constrained budget environment. To assist in identifying ways to reduce logistics costs, the Deputy Under Secretary obtained consulting service support from the Logistics Management Institute. The institute has been providing contract services in support of this effort to the Deputy Under Secretary for many years.

The Logistics Management Institute's efforts under this contract cover eight areas, including logistics strategic planning, performance measurements, supply operations, joint maintenance, field-level maintenance, condition-based maintenance,¹ integration of commercial support with DOD's logistics system, and automatic identification technology (commonly known as bar coding). Examples of services being provided during the performance period include

- preparing a plan entitled "DOD Logistics Strategic Plan-21st Century Logistics" by assisting teams in developing goals and objectives, recommending new strategies, and drafting the plan;
- preparing a report entitled "Supply Chain Management: A Recommended Performance Measurement Scorecard" by researching measurements used by industry and DOD, selecting a measurement framework, and recommending performance measures for use by DOD;
- preparing a report entitled "Public-Private Partnerships for Depot-Level Maintenance" by identifying implemented, ongoing, and planned partnerships between the military services and commercial business; and
- conducting a 1999 DOD Maintenance Symposium by researching key areas of interest to joint-service maintenance communities, assessing major factors in each area, developing an agenda based on the assessments, and identifying subject matter experts to make presentations in each area at the symposium.

¹ Condition-based maintenance takes place when there is a deterioration or failure in equipment condition outside a fixed schedule or interval.

Science and Technology Program Strategic Planning

Organization:	Director of Defense Research and Engineering
Contractor:	Systems Planning Corporation
Fiscal year 1999 obligation amount:	\$952,732
Performance period:	April 30, 1999, to May 31, 2000

The Secretary of Defense is required to submit to Congress an annual science and technology plan that supports the development of future joint war-fighting capabilities.² To meet this requirement, the Director of Defense Research and Engineering prepares a series of plans, including the Joint Warfighting Science and Technology Plan. The plans are based on input from various science and technology panels made up of experts throughout the military services. To support these panels, contract services have been obtained from Systems Planning Corporation since 1996.

Systems Planning Corporation supported science and technology program strategic planning in a variety of ways. Examples of services provided during the performance period include

- supporting planning workshops to recommend changes to improve the strategic planning process and requirements for documentation;
- providing technical and editorial support for the science and technology panels that prepared year 2000 updates to strategic planning documents, including the Joint Warfighting Science and Technology Plan, the Defense Science and Technology Strategy, the Defense Technology Area Plans, and the Basic Research Plan; and
- conducting a pilot project to test an approach to identify limitations and shortfalls in meeting joint war-fighting capability objectives.

² P.L. 104-201.

Media Mix for National and Local Recruitment Advertising: A Cost Effectiveness Analysis

Organization:	Under Secretary of Defense (Personnel and Readiness)
Contractor:	RAND National Defense Research Institute
Fiscal year 1999 obligation amount:	\$800,000
Performance period:	October 1, 1998, to September 30, 1999

In fiscal year 1996, the Secretary of Defense initiated a comprehensive evaluation of DOD's advertising programs to recruit military personnel. To conduct this evaluation, the RAND National Defense Research Institute provided contractor support from 1996 through 1998 to (1) review previous research on advertising effectiveness, (2) review and analyze ongoing and prospective developments in the evolution of advertising techniques, and (3) develop a conceptual model design for evaluating advertising effectiveness. In fiscal year 1999, the last year of this contract, the contractor continued efforts begun in the previous years.

RAND developed cost-effectiveness measures to evaluate the current mix of advertising media for each service. In addition, RAND, assisted by two advertising consulting firms, reviewed components of the advertising program to recommend improvements. Examples of services provided during the performance period include

- conducting focus groups with recruiters and recent recruits to assess the prime motivations for enlistment, obtain their views on recruitment advertising, and develop recommendations for changes in the advertising program;
- interviewing officials on the research tools used by advertising agencies, recruitment development strategies, and the advantages of pooling advertising buys to increase market leverage; and
- preparing a briefing used by DOD to support, among other things, increased funding for recruitment advertising.

Research and Strategy for Obtaining Base Realignment and Closure Authority

Organization:	Deputy Under Secretary of Defense (Installations)
Contractor:	Technology Strategies and Alliances Corporation
Fiscal year 1999 obligation amount:	\$706,083
Performance period:	April 14, 1999, to July 30, 1999

In the late 1980s, changes in the national security environment resulted in a military infrastructure with more bases than DOD needed. To enable DOD to close unneeded bases, Congress enacted legislation that instituted base closures in 1988, 1991, 1993, and 1995. In conjunction with the President's fiscal year 2000 budget request, DOD submitted a legislative proposal asking for additional base closure authority in fiscal years 2001 and 2005. To prepare the legislative proposal, the Secretary organized a DOD team under the leadership of the Deputy Under Secretary of Defense (Installations).

To assist this team, contract services were obtained from Technology Strategies and Alliance Corporation beginning in April 1999 to analyze DOD's data and assess the legislative proposal. Examples of services provided during the performance period include

- preparing a briefing to justify additional base realignment and closure authorization and inform Congress and other interested parties;
- developing possible legislative options, such as the number and timing of base closure rounds, along with the advantages and disadvantages of each option;
- analyzing the impacts of previous base closure rounds on a state-by-state basis to identify significant issues; and
- preparing information to highlight past examples of benefits from closing unneeded bases and show that past closures have not adversely affected future mobilization efforts.

North Atlantic Treaty Organization's (NATO) and Other Countries' Defense Capabilities and Contributions

Organization:	Director (Program Analysis and Evaluation) and Under Secretary of Defense for Policy
Contractor:	General Research Corporation
Fiscal year 1999 obligation amount:	\$642,000
Performance period:	September 1, 1999, to August 31, 2000

To assess changes in the defense capabilities, forces, defense spending, and other contributions of U.S. allies, DOD obtained contract services to develop a database that accumulates information on NATO members, those countries that may be invited to join NATO, and other U.S. allies around the world. General Research Corporation has provided contract services to update the database and conduct defense capabilities analyses for the past 9 years.

The General Research Corporation analyzes data on defense capabilities and contributions, and DOD officials use this information to prepare reports and interact with Congress, NATO military and civilian staff personnel, NATO countries, and other countries. Examples of services being provided during the performance period include

- providing analyses and data that supported establishing the NATO Defense Capabilities Initiative, preparing the Secretary of Defense's report to Congress on the initiative, and assessing future NATO progress in implementing the initiative;³
- providing analyses and data used in preparing the Secretary of Defense's annual report to Congress on allied contributions to the common defense;⁴ and
- providing assessments of various countries' defense capabilities and contributions to be used by U.S. officials in dealing with Congress, NATO members, and other countries on a wide range of defense and regional security issues.

³ P. L. 106-65 section 1039 mandates a report on the implementation of the Defense Capability Initiative by NATO countries.

⁴ P. L. 105-261 title XII section 1233 mandates a report on national security bases to be used for forward deployment and burden-sharing relationships. Additionally, the report covers burden-sharing reporting requirements as set forth in P.L. 105-237 section 119.

Satellite Broadcasts on Acquisition Reform Issues

Organization:	Deputy Under Secretary of Defense (Acquisition Reform)
Contractor:	MTS Technologies Inc.
Fiscal year 1999 obligation amount:	\$1,285,348
Performance period:	April 2, 1999, to April 1, 2000

Following the acquisition policy changes of the early 1990s, DOD determined that satellite broadcasts on specific acquisition issues should be used to provide information to the acquisition workforce and other interested groups. To develop and produce these broadcasts, the Deputy Under Secretary of Defense (Acquisition Reform) obtained these services from MTS Technologies beginning in April 1999.

MTS Technologies developed and produced satellite broadcasts covering Acquisition Reform Week (used to promote new reform initiatives), System Acquisitions, A-76 Competitive Sourcing, and the Defense Reform Initiative Update. Examples of services provided during the performance period include

- working with acquisition reform officials to identify the issues and learning objectives and to develop the format and scripts for each broadcast;
- producing pre-broadcast videos and developing the graphics and other materials used in the broadcasts;
- arranging studio and satellite time for the broadcasts and publicizing the broadcasts;
- providing technical support by troubleshooting and correcting problems on the day of the broadcasts;
- tracking the number of individuals who view each broadcast; and
- making copies of each broadcast available to the government workforce and industry upon request.

Performance Measurement System for DOD's Military Acquisition Workforce

Organization:	Deputy Under Secretary of Defense (Acquisition Reform)
Contractor:	Logistics Management Institute
Fiscal year 1999 obligation amount:	\$999,816
Performance period:	January 27, 1999, to June 30, 2000

In 1997, the Office of the Secretary of Defense began a phased effort to review the system of incentives and personnel actions for encouraging excellence in the management of defense acquisition programs.⁵ The system was expected to relate incentives to performance and consider the extent to which performance contributes to the attainment of strategic goals as well as to the achievement of weapon system cost, schedule, and performance goals. Logistics Management Institute was awarded a contract to support this phased effort. Under the first phase, begun in fiscal year 1997, the institute conducted research on how existing incentives related to performance and what new incentive programs were being tested. Under the second phase, covering fiscal year 1998, the institute designed a statistical test for measuring program success and recommended an enhanced system of incentives.

Under the third phase of the effort, the Logistics Management Institute is exploring the development of a performance measurement system and the use of various incentives such as medals, savings bonds, and time off. Examples of services being provided during the performance period include

- developing an approach to link the performance measurement system to DOD's acquisition, technology, and logistics goals;
- testing the performance measurement approach on five major defense acquisition programs within the Naval Air Systems Command; and
- identifying incentives that can be used to reward military personnel within current statutes.

⁵ P. L. 103-355 section 5002 requires the Secretary of Defense to review the incentives for encouraging excellence in the management of defense acquisition programs.

Workforce Analyses, Acquisition Reform Newsletter, and Web Page

Organization:	Deputy Under Secretary of Defense (Acquisition Reform)
Contractor:	Systems Research and Applications International
Fiscal year 1999 obligation amount:	\$553,000
Performance period:	April 1, 1999, to December 31, 1999

The Deputy Under Secretary of Defense (Acquisition Reform) is responsible for ensuring that the acquisition workforce's education and training incorporates reform initiatives and for disseminating information on those initiatives to the workforce and private industry. To assist in accomplishing these responsibilities, the Deputy Under Secretary has obtained contract services from Systems Research and Applications International since 1996.

Systems Research and Applications International analyzed acquisition workforce issues and assisted in disseminating information on acquisition initiatives. Examples of services provided during the performance period include

- compiling and analyzing data for inclusion in a congressionally mandated report on the promotion rates of officers in the acquisition workforce compared with rates of officers outside the acquisition workforce;⁶
- analyzing demographic data on the acquisition workforce to develop job position categories and identify training needs; and
- writing and publishing a bimonthly acquisition reform newsletter, as well as designing and maintaining the acquisition reform web page.

⁶ P. L. 105-85 section 849(b) required DOD to assess for three years the extent to which each military department is complying with the requirement set forth in 10 USC 1731(b) to ensure that the qualifications of officers selected for an Acquisition Corps be such that those officers may be expected to achieve promotion parity with officers outside the Acquisition Corps. The intent of 10 USC 1731(b) is to ensure that the services select high-quality officers to perform acquisition duties.

Defense/Civil Military Integration: Strategy to Standardize DOD-wide Manufacturing Processes

Organization:	Deputy Under Secretary of Defense (Acquisition Reform)
Contractor:	The Analytic Science Corporation
Fiscal year 1999 obligation amount:	\$527,622
Performance period:	January 28, 1999, to January 28, 2000

In December 1995, the Secretary of Defense announced a policy to implement a single-process initiative to eliminate multiple management and manufacturing requirements across existing defense contracts at a given facility. This initiative allows contractors to use their most efficient business and manufacturing practices instead of government standards. The Analytic Science Corporation's services were obtained in January 1999 to support this initiative. The contractor has supported the Deputy Under Secretary on related initiatives since 1990.

Examples of services provided during the performance period include

- maintaining and updating data used to measure the progress in transitioning from government-unique manufacturing requirements to common standards and processes;
- providing briefings and reports based on field visits to industry and the military services to identify success stories and obstacles to implementation; and
- providing administrative support, including coordinating agendas, disseminating materials, facilitating meetings, and drafting minutes of the meetings.

Contribution-based Compensation and Appraisal System for DOD's Civilian Acquisition Workforce

Organization:	Deputy Under Secretary of Defense (Acquisition Reform)
Contractor:	Systems Research and Applications International
Fiscal year 1999 obligation amount:	\$505,000
Performance period:	April 13, 1999, to August 14, 2000

In 1996, DOD initiated the Acquisition Personnel Demonstration Project to enhance its ability to attract, retain, and motivate the civilian acquisition workforce.⁷ The demonstration project seeks to accomplish these goals by changing personnel management policies and establishing a stronger link between pay and performance. Between 1996 and 1998, DOD focused its efforts on designing the demonstration project, and it began implementing the project in early 1999 with contractor support.

As part of the implementation phase, Systems Research and Applications International developed the software used in conducting employee appraisals. Examples of services being provided during the performance period include

- designing, developing, and testing software for the Contribution-based Compensation and Appraisal System, which is accessible to authorized personnel through the web;
- developing a training plan and delivering training to supervisors and managers on how to use the software for conducting employee appraisals and setting employee expectations; and
- providing assistance in using the software during the first contribution-based appraisal and compensation cycle.

⁷ P. L. 104-106 section 4308, as amended by P. L. 105-85 section 845, encouraged DOD to conduct a demonstration project to improve the personnel management policies or procedures that apply to its civilian acquisition workforce.

Management Support for the Navy's Standard Procurement System

Organization:	Assistant Secretary of the Navy (Research, Development, and Acquisition)
Contractor:	PricewaterhouseCoopers LLP
Fiscal year 1999 obligation amount:	\$3,598,100
Performance period:	October 1, 1998, to September 30, 1999

The Standard Procurement System program is an ongoing DOD initiative intended to create a common operating environment for DOD's procurement community. The standard system is expected to centralize the management of numerous automated procurement systems performing similar functions. To support the planning, implementation, and documentation of the Standard Procurement System as it is installed at Navy sites, the Navy has obtained contract services from PricewaterhouseCoopers since 1997. Another contractor is responsible for initially deploying and providing technical support for the system (see p. 16).

PricewaterhouseCoopers assisted in developing, validating, and revising the Navy's Standard Procurement System strategy and project plan. Examples of services provided during the performance period include

- assisting in installing and implementing the Standard Procurement System at Navy sites;
- identifying, documenting, and tracking implementation, as well as performance and productivity measurements;
- assisting in training issues related to installing and implementing the Standard Procurement System at Navy sites; and
- drafting briefings and providing administrative support for conferences and meetings as required.

Installing the Standard Procurement System at Navy Sites

Organization:	Assistant Secretary of the Navy (Research, Development, and Acquisition)
Contractor:	American Management Systems
Fiscal year 1999 obligation amount:	\$2,058,000
Performance period:	May 7, 1999, to September 30, 1999

The Standard Procurement System program is an ongoing DOD initiative intended to create a common operating environment for DOD's procurement community. The standard system is expected to centralize the management of numerous automated procurement systems performing similar functions and to reduce maintenance costs for these systems. American Management System's proprietary software, entitled Procurement Desktop-Defense, was procured and will be used throughout DOD. To install the system at Navy sites, the Navy has contracted with American Management System since 1997. Another contractor is providing the overall management support associated with planning, implementing, and documenting the use of the system as it is installed throughout the Navy (see p. 15).

American Management Systems is installing the Standard Procurement System at Navy sites. Examples of services provided during the performance period include

- installing the Standard Procurement System at approximately 300 Navy sites and
- providing the Navy with advice, analysis, and technical assistance in support of the Navy-wide execution of the Standard Procurement System.

Revising the Navy's Acquisition Documents and Supporting the Navy's Single Process Initiative

Organization:	Assistant Secretary of the Navy (Research, Development, and Acquisition)
Contractor:	Parallax, Inc.
Fiscal year 1999 obligation amount:	\$737,000
Performance period:	December 10, 1998, to December 9, 1999

To keep up with changes in acquisition policy and other DOD and Navy acquisition reform efforts, the Assistant Secretary of the Navy (Research, Development, and Acquisition) obtained contract services from Parallax, Inc., which has provided acquisition policy and acquisition reform support to the Assistant Secretary since 1995.

Parallax, Inc. primarily supported the Assistant Secretary by revising documents to incorporate changes in acquisition policy and supporting the Single Process Initiative, a DOD-wide initiative that allows contractors to use their most efficient business and manufacturing practices instead of government standards. Examples of services provided during the performance period include

- coordinating inquiries and responses to potential changes in DOD and Secretary of the Navy acquisition instructions and regulations;
- providing support for the implementation and integration of the Single Process Initiative into the Navy, including assessing the Navy's progress in implementing the initiative and developing draft policies and recommendations to replace military specifications; and
- providing administrative support, including drafting presentation materials for participants attending conferences, maintaining training files for students attending acquisition courses, preparing correspondence, and providing customer liaison services.

Guide for Navy Weapon System Power Supplies and Engineering Analyses and Investigations

Organization:	Assistant Secretary of the Navy (Research, Development, and Acquisition)
Contractor:	EG&G Washington Analytical Services
Fiscal year 1999 obligation amount:	\$418,000
Performance period:	January 11, 1999, to January 10, 2000

For a number of years, the Assistant Secretary of the Navy (Research, Development, and Acquisition) has been pursuing initiatives to reduce the technical risk in the design, testing, and production of naval weapon systems. The Navy believes that one of the more critical components in today's combat weapon systems—power supply—is resurfacing as a growing risk. Other related concerns deal with engineering analyses or investigations of technical risks associated with naval weapons and their components. To assist the Assistant Secretary in assessing risk, the Navy obtained support from EG&G Washington Analytical Services beginning in 1998.

During the performance period, EG&G Washington Analytical Services spent the majority of its time developing a Navy power supply guide, with the remaining time spent on other technical and risk management support. Examples of services provided during the performance period include

- developing a Navy power supply guide, "More Power For the Dollar," for use by program managers in identifying and understanding alternative power supplies that can be used in Navy weapon systems and equipment;
- supporting the Naval Air Systems Command in its goal of institutionalizing risk management as a tool for ensuring success in developing weapon systems and equipment by developing a training course to deal with technical risks; and
- conducting independent risk assessments and engineering analyses of Navy weapon systems, including aircraft mishaps.

Strategic Planning for the Assistant Secretary of the Navy (Research, Development, and Acquisition)

Organization:	Assistant Secretary of the Navy (Research, Development, and Acquisition)
Contractor:	Information Spectrum Inc.
Fiscal year 1999 obligation amount:	\$306,000
Performance period:	December 4, 1998, to February 29, 2000

During fiscal year 1998, the Navy contracted with Information Spectrum Inc. to assess a 1996 strategic plan and develop recommendations for preparing a new strategic plan that identifies the mission, vision, and goals for the Assistant Secretary of the Navy for Research, Development, and Acquisition. Information Spectrum Inc. continued to provide contract support in 1999 to identify the strategies and measures of success to attain the goals set out in the plan.

Information Spectrum Inc. supported Navy personnel in creating a strategic plan and supported the implementation of the plan by Navy subordinate commands and activities. Examples of services provided during the performance period include

- guiding the creation and publication of the Naval Research, Development, and Acquisition Team 1999-2004 Strategic Plan by interviewing senior leaders to identify issues, presenting the findings to the Navy leadership, and building consensus on the measures to be used in evaluating the progress in reaching the plan's goals;
- preparing a 1999-2004 Strategic Plan Outreach Communications Plan to inform Navy organizations about the strategic plan by setting outreach objectives, scheduling outreach briefings, and preparing outreach briefing talking points; and
- planning a coordination meeting to link individual subordinate commands' strategic plans to the overall 1999-2004 strategic plan, including establishing the meeting's objectives, stressing the need for strategic plan coordination officers at subordinate commands, and preparing the agenda for the meeting.

Restructuring Headquarters Air Force Business Processes and Providing a 13,500-Square-foot Work Location

Organization:	Assistant Secretary of the Air Force (Acquisition)
Contractor:	DSD Laboratories, Inc.
Fiscal year 1999 obligation amount:	\$5,452,149
Performance period:	January 14, 1999, to January 13, 2001

Due to past and anticipated staff reductions at the headquarters level, the Air Force has initiated an effort, known as Headquarters Air Force 2002, to streamline its headquarters processes, cut costs, and improve the quality of its work. In January 1999, the Assistant Secretary of the Air Force (Acquisition) obtained the services of DSD Laboratories to evaluate various acquisition processes. On the basis of the results of DSD Laboratories' effort, Air Force Headquarters formed three process design teams to assess the operational requirements process, information technology support services, and administrative support services.

DSD Laboratories provided contract services in the initial planning efforts for restructuring Headquarters Air Force business processes. More specifically, it assisted the Assistant Secretary in streamlining the acquisition business processes. Due to a lack of suitable space at the Pentagon to accommodate design teams composed of government and industry representatives, DSD Laboratories leased a work location where design teams assessing headquarters and acquisition business processes could complete their work. Examples of services being provided during the performance period include

- briefing Air Force Headquarters leaders on various business processes that could be restructured and helping to select a qualified vendor to validate the processes to be redesigned;
- assisting Air Force Headquarters in redesigning acquisition processes and preparing monthly trend analyses of cost, schedule, and performance of major weapon systems; and
- providing a 13,500-square-foot work location with resources, such as a database of best practices to compare existing acquisition practices with those of the private and international sector.

Analyses and Technical Support for Weapon Related Programs

Organization:	Assistant Secretary of the Air Force (Acquisition)
Contractor:	Analytic Services Inc.
Fiscal year 1999 obligation amount:	\$5,008,200
Performance period:	January 1, 1999, to June 30, 2001

Historically, the Assistant Secretary (Acquisition) has contracted for research and analyses that have been used as the basis for decisions regarding Air Force weapon system acquisitions. The Assistant Secretary has obtained contract services to address concerns associated with defining weapon system operational requirements, analyzing proposed changes to improve weapon system capabilities, programming and budgeting for acquisition systems, and undertaking other activities to research, develop, and acquire weapon systems. Analytic Services Inc. has provided these services to the Assistant Secretary since 1991.

Analytic Services Inc. has provided contract services, such as conducting policy, program, budget, and technical analyses, and has made recommendations concerning weapon related programs. Examples of services being provided during the performance period include

- analyzing the impacts of operational requirements and system changes on the programming and budgeting of various weapon systems such as the Joint Surveillance Attack Radar System;
- analyzing and reporting on international cooperation and standardization of weapon systems, including the interoperability of weapon systems used by NATO member countries; and
- analyzing munitions export license applications and advising on the transfer of technologies to ensure that they are consistent with U.S. national security and foreign policy concerns.

Integrated Budget Documentation and Financial Execution Systems

Organization:	Assistant Secretary of the Air Force (Acquisition)
Contractor:	CMS Information Services Inc.
Fiscal year 1999 obligation amount:	\$2,050,000
Performance period:	April 1, 1999, to June 30, 2000

The Assistant Secretaries of the Air Force for Acquisition and Financial Management are trying to streamline and improve the budget documentation and financial execution of weapon system acquisition programs. Currently, various Air Force acquisition organizations use different formats in preparing budget documentation. Once the budget documents have been approved, these same Air Force organizations use different financial systems to execute or track funding allocated to the weapon system programs. CMS has been providing services to the Assistant Secretaries in support of these efforts since 1998.

Examples of services being provided by CMS Information Services during the performance period include

- installing the Investment Budget Documentation System, a prototype used in preparing budget documents to ensure that Air Force organizations present budget data using the same format and that the numbers balance;
- enhancing the Acquisition Funds Control System, an operational system designed to track the current funding status of three appropriations; and
- developing the concept of an integrated system, the Investment Budget and Execution System, to merge budget documentation and fund control information.

Business Process Improvements for Air Force Acquisition

Organization:	Assistant Secretary of the Air Force (Acquisition)
Contractor:	Systems Research and Applications International
Fiscal year 1999 obligation amount:	\$1,769,231
Performance period:	April 12, 1999, to March 31, 2001

Over the past few years, the Assistant Secretary (Acquisition) has been using contract services to redesign the way work is done to better support the organization's mission and reduce costs. After assessing the organization's mission, strategic goals, and customer needs, the redesign effort focused on business processes—the steps and procedures that govern how resources are used to meet the needs of particular customers. Systems Research and Applications International has been providing these contract services to support the Assistant Secretary since 1995.

Systems Research and Applications International is providing support in reviewing Air Force acquisition policy, identifying business process improvements, assessing the costs to acquire weapon systems, conducting workshops, and disseminating information on Air Force acquisition issues. These services are intended to promote collaboration and sharing of information among the acquisition community. Examples of services being provided during the performance period include

- briefing Air Force officials on the status of acquisition policy changes that have taken place and suggesting ways to incorporate the latest reforms;
- analyzing and reporting on the costs associated with producing, operating, maintaining, and disposing of weapon systems;
- arranging and conducting executive conferences to improve businesses processes, including identifying customers' needs and expectations for quality products; and
- researching and publishing newsletters about acquisition reform initiatives and maintaining a web site.

Alternative Approaches to Air Cargo Delivery

Organization:	Assistant Secretary of the Air Force (Acquisition)
Contractor:	DSD Laboratories, Inc.
Fiscal year 1999 obligation amount:	\$672,000
Performance period:	September 20, 1999, to September 19, 2000

The Secretary of the Air Force has been evaluating alternative approaches to air cargo delivery. To support this effort, DSD Laboratories' services were obtained by the Assistant Secretary (Acquisition) in September 1999 to conduct a study that evaluates the use of Air Force cargo aircraft for commercial use and the potential for leasing commercial aircraft for use by the military services. This study is being prepared in consultation with the Federal Aviation Administration, aircraft manufacturers, and the financial industry.

Examples of services being provided by DSD Laboratories during the performance period include

- analyzing the use of military cargo aircraft in a commercial environment, including the financial industry's acceptance of the concept and industry's ability to fund it;
- analyzing the possibility of the Air Force leasing commercial aircraft rather than producing its own military cargo aircraft; and
- validating the costs and identifying the obstacles to various alternatives such as certifying the C-17 military cargo aircraft for use by the commercial community.

Management Control Over Information System Acquisitions

Organization:	Secretary of the Army, Office of the Director of Information Systems for Command, Control, Communications, and Computers
Contractor:	MITRE Corporation ⁸
Fiscal year 1999 obligation amount:	\$1,227,600
Performance period:	October 1, 1998, to September 30, 1999

To prescribe the processes and standards for developing, managing, and using information technology systems, the Army has established the Army Enterprise Architecture. The architecture seeks to link the Army's information system acquisitions with military operational requirements, ensure the interoperability of those systems, and maintain standards by which the Army can evaluate and acquire new systems. The Army uses contract services to assist in maintaining overall management control of information system acquisitions, linking military operational requirements to concepts for information systems, translating these information system concepts into specific system requirements, and developing investment strategies to evaluate and acquire new information systems.

The MITRE Corporation primarily provides configuration management control assistance to the Army, while trying to ensure the interoperability of the information technology systems acquired by the Army. MITRE has been supporting the Army's architecture efforts since 1993. Examples of services provided during the performance period include

- providing configuration management and control to ensure military requirements are translated into specific information systems for use by various Army organizations;
- analyzing whether technical standards are used to ensure interoperability throughout DOD and with U.S. allies; and
- developing a database to track Y2K compliance of critical Army functions and missions such as the fire support needed during a military engagement.

⁸ The MITRE Corporation is a federally funded research and development center. Unlike a commercial contractor, MITRE accepts restrictions intended to allow DOD to maintain a special relationship with the center and to allow center staff access to sensitive government or contractor data.

Linking Military Operational Requirements to Information System Concepts

Organization:	Secretary of the Army, Office of the Director of Information Systems for Command, Control, Communications, and Computers
Contractor:	EER Systems Inc.
Fiscal year 1999 obligation amount:	\$1,148,450
Performance period:	June 21, 1999, to June 20, 2000

To prescribe the processes and standards for developing, managing, and using information technology systems, the Army has established the Army Enterprise Architecture. The architecture seeks to link the Army's information system acquisitions with military operational requirements, ensure the interoperability of those systems, and maintain standards by which the Army can evaluate and acquire new systems. The Army uses contract services to assist in maintaining overall management control of information system acquisitions, linking military operational requirements to concepts for information systems, translating these information system concepts into specific system requirements, and developing investment strategies to evaluate and acquire new information systems.

EER Systems is providing assistance to the Army by linking defined military operational requirements to concepts for information systems. EER Systems has been providing these services to the Army since 1997. Examples of services provided during the performance period include

- supporting a requirements definition program by developing, validating, and implementing information technology requirements for existing and future Army communications equipment for National Guard, Reserve, and Active Army units;
- supporting modeling and simulation efforts, such as for understanding the shortfall between the message traffic requirements for existing communication equipment and potential message traffic for future equipment; and
- developing products that depict graphical displays identifying information technology equipment types and locations for future Army organizations, especially the brigade combat team, which is a planned medium-sized Army organization that can be self-sustaining until larger Army organizations or forces arrive.

Translating Concepts for Information Systems Into Specific System Requirements

Organization:	Secretary of the Army, Office of the Director of Information Systems for Command, Control, Communications, and Computers
Contractor:	Booz, Allen, & Hamilton
Fiscal year 1999 obligation amount:	\$884,000
Performance period:	March 10, 1999, to March 31, 2000

To prescribe the processes and standards for developing, managing, and using information technology systems, the Army has established the Army Enterprise Architecture. The architecture seeks to link the Army's information system acquisitions with military operational requirements, ensure the interoperability of those systems, and maintain standards by which the Army can evaluate and acquire new systems. The Army uses contract services to assist in maintaining overall management control of information system acquisitions, linking military operational requirements to concepts for information systems, translating these information system concepts into specific system requirements, and developing investment strategies to evaluate and acquire new information systems.

Booz, Allen, & Hamilton develops analytical tools and maintains the Army System Architecture database that together assist the Army in translating concepts for military equipment and weapons into detailed system requirements. Booz, Allen, & Hamilton has been providing these services to the Army since 1996. Examples of services provided during the performance period include

- conducting research and development of software integration tools that aid in transforming conceptual information systems into detailed Army system architectures;
- ensuring that all Army concepts for information systems are entered in the database of various systems such as the First Digitized Force Systems Architecture;
- providing output from the Systems Architecture database in customized formats required by various Army customers; and
- ensuring integrity for information system data so that it can be used by various Army personnel working in different areas such as budget, engineering, and systems integration.

Computer-based Information Technology Training

Organization:	Secretary of the Army, Office of the Director of Information Systems for Command, Control, Communications, and Computers
Contractor:	SmartForce (Previously CBT Systems USA)
Fiscal year 1999 obligation amount:	\$772,000
Performance period:	September 30, 1999, to September 29, 2000

To provide Army personnel with computer-based information technology training, the Army's Office of the Director of Information Systems for Command, Control, Communications, and Computers obtained the services of CBT Systems USA, now known as SmartForce. SmartForce provided this service in the previous year.

Examples of services being provided by SmartForce during the performance period include

- providing over 1,000 training courses covering data communications, computer programming, networks, operating systems, and office programs for up to 200,000 Army civilian personnel and soldiers, including those in the National Guard and Reserves, through the worldwide web, local area networks, and CD-ROMs;
- providing more intensive information technology training for up to 355 Army personnel through computer-based courses that provide additional materials and mentoring from subject matter experts;
- tracking the courses accessed, the percentage of courses completed, and pass/fail rates for personnel who register for training; and
- providing help desk and software support to ensure that the courseware is properly installed.

Information System Acquisitions to Support Battlefield Communication Needs

Organization:	Secretary of the Army, Office of the Director of Information Systems for Command, Control, Communications, and Computers
Contractor:	Raytheon Systems
Fiscal year 1999 obligation amount:	\$260,000
Performance period:	July 29, 1999, to December 31, 1999

To prescribe the processes and standards for developing, managing, and using information technology systems, the Army has established the Army Enterprise Architecture. The architecture seeks to link the Army's information system acquisitions with military operational requirements, ensure the interoperability of those systems, and maintain standards by which the Army can evaluate and acquire new systems. The Army uses contract services to assist in maintaining overall management control of information system acquisitions, linking military operational requirements to concepts for information systems, translating these information system concepts into specific system requirements, and developing investment strategies to evaluate and acquire new information systems.

Raytheon provides detailed engineering analyses that assist the Army in allocating radios, computers, and other equipment among individual Army units so that communications can take place while these units are moving around on the battlefield. Raytheon has been providing these services to the Army since 1998. Examples of services provided during the performance period include

- conducting engineering analyses of radios, computers, and other communication equipment needed by mobile Army units;
- conducting detailed technical analyses to ensure that the mobile Army units can interact with fixed Army units such as air defense and artillery;
- preparing technical analyses for review boards on technical design tradeoffs and potential operational effects of equipment design changes; and
- developing a list of radios, computers, and other communication equipment that can be acquired for various mobile and fixed Army units positioned on the battlefield.

Improve the Quality of DLA's Financial Management

Organization:	Defense Logistics Agency
Contractor:	KPMG Peat Marwick
Fiscal year 1999 obligation amount:	\$763,258
Performance period:	August 6, 1999, to August 5, 2000

To comply with the requirements of the Chief Financial Officers Act of 1990⁹ and other initiatives, the DLA has an ongoing effort to improve its financial processes and reports. DLA has obtained the services of KPMG Peat Marwick to assist it in obtaining an unqualified audit opinion on its financial statements and to correct financial management deficiencies.

KPMG Peat Marwick has provided these services to DLA in prior years. Examples of services being provided during the performance period include

- compiling and reconciling financial data for monthly reports;
- developing a standardized process and format for submitting, producing, and presenting financial reports, including the annual Chief Financial Officer statement;
- independently reviewing financial statements to ensure that needed data is included, properly documented, and consistent; and
- analyzing financial operations and reporting processes, such as those related to data validation, and developing recommendations for improving those processes.

⁹ P.L. 101-576.

Develop a Vision and Organizational Structure for DLA in the New Millenium

Organization:	Defense Logistics Agency
Contractor:	KPMG Peat Marwick
Fiscal year 1999 obligation amount:	\$298,623
Performance period:	March 17, 1999, to July 14, 1999

In early 1999, DLA initiated a review of its organizational structure. DLA employee and management groups were charged with examining the current organizational structure in light of changes in the agency's missions, roles, and responsibilities; identifying opportunities to improve the agency's efficiency and effectiveness; and developing a new organizational structure and vision for the agency.

To support and facilitate the groups' efforts, DLA obtained the services of KPMG Peat Marwick beginning in March 1999. Examples of services provided during the performance period include

- developing processes such as a timeline and background materials to guide the various groups' meetings as they examined organizational alternatives;
- arranging seminars where industry leaders spoke with DLA officials on various aspects of reorganization;
- providing information on commercial best practices for use in the groups' deliberations;
- compiling and analyzing data on the different functions individuals performed throughout the agency; and
- assisting with administrative matters, including preparing and distributing the minutes of the groups' meetings.

Develop an Activity-based Cost Model for DLA's Corporate Administration

Organization:	Defense Logistics Agency
Contractor:	Vector Research Inc.
Fiscal year 1999 obligation amount:	\$200,000
Performance period:	March 9, 1999, to September 30, 2000

To focus management on continuous improvement, DLA is implementing an activity-based cost program, which maintains and processes data on a firm's activities and products.

To develop an activity-based cost model, DLA obtained the services of Vector Research Inc. beginning in March 1999. Examples of services being provided during the performance period include

- defining cost objectives and work tasks that involve labor costs for all organizational elements within DLA's Corporate Administration, including the identification of cost components for particularly complex tasks;
- developing, administering, and analyzing an automated labor survey instrument to identify work tasks that were being performed by DLA personnel within Corporate Administration;
- developing an initial activity-based costing model using an Excel spreadsheet format with a more complex model being developed and supported by a database consisting of both labor and nonlabor costs;
- facilitating the establishment of a program to develop performance measures and identify cost savings; and
- training DLA personnel, initially on the elements of activity-based costing, with future training planned to explain the development and operation of the final activity-based costing model.

Develop and Maintain DLA's Safety and Health Information Reporting System

Organization:	Defense Logistics Agency
Contractor:	Synergy Inc.
Fiscal year 1999 obligation amount:	\$97,672
Performance period:	December 21, 1998, to December 31, 1999

Under federal regulations, DLA, like all other federal agencies, is required to collect and evaluate occupational safety and health data.¹⁰ To fulfill this requirement, DLA uses its Safety and Health Information Reporting System. The reporting system, established in 1995, serves as a database for tracking work-related injuries and illnesses, as well as safety hazards and inspections. The database can be queried to produce trend analyses, performance measures, and other data.

To assist in the analyses and maintenance of the database, DLA acquired the services of Synergy Inc. beginning in December 1998. Examples of services provided during the performance period include

- querying the database to extract and analyze data to produce monthly, quarterly, and annual reports, as well as to provide data on an as-needed basis for management decisions;
- preparing the DLA Safety Management Plan, which incorporated the contractor's research on commercial best practices and performance measures for evaluating DLA's safety and health program performance;
- assisting field activities in carrying out their own queries of the database; and
- performing routine checks of the system to ensure the consistency and accuracy of data.

¹⁰ 29 CFR 1960 subpart I requires the collection and compilation by agencies of occupational safety and health data for proper evaluation and necessary corrective action.

Develop Improved DLA Procedures for Collecting and Reporting Hazardous Waste Disposal Information

Organization:	Defense Logistics Agency
Contractor:	Louis Berger and Associates, Inc.
Fiscal year 1999 obligation amount:	\$90,000
Performance period:	September 30, 1999, to June 30, 2000

In 1999, the DOD Inspector General conducted a DOD-wide audit of the costs, quantities, budget formulation, and review processes related to DOD hazardous waste disposal. The Inspector General recommended that DLA issue policy that specifies standard procedures for reporting budget estimates and data on progress toward meeting DOD's goal of reducing the amounts of hazardous waste disposal.

DLA contracted with Louis Berger and Associates beginning in September 1999 to develop improved standardized procedures for DLA subordinate organizations to report consistent and validated hazardous waste budget data and progress in meeting DOD's hazardous waste reduction goal. Examples of services being provided during the performance period include

- preparing a work plan containing things such as a list of detailed project objectives and planning assumptions;
- on the basis of six site visits, preparing a needs assessment report documenting what is needed for improved data collection and reporting of hazardous waste disposal within DLA;
- evaluating alternative data reporting systems by visiting organizations outside DLA such as the Naval Facilities Engineering Service Center; and
- recommending data collection and reporting procedures for hazardous waste budget estimates and hazardous and non-hazardous waste data reported to the Deputy Under Secretary of Defense (Environmental Security) within the Office of the Secretary of Defense.

AGENCY COMMENTS



ACQUISITION AND
TECHNOLOGY

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON DC 20301-3000

JUNE 19, 2000

DP/CPA

Mr. David E. Cooper
Associate Director, Defense Acquisition Issues
National Security and International Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Cooper:

This is the Department of Defense (DoD) response to the General Accounting Office (GAO) draft report, "CONTRACT MANAGEMENT: Selected DOD Consulting Services(GAO Code 707438/OSD Case 2035).

The DoD has reviewed the draft report and has no objection or comment. The Department appreciates the opportunity to comment on the draft.

Sincerely,

Deidre A. Lee
Director, Defense Procurement



SCOPE AND METHODOLOGY

Our objective was to describe the advisory and assistance and other services obtained by the Office of the Secretary of Defense; the Secretariats of the Air Force, the Navy, and the Army; and Headquarters, Defense Logistics Agency, with fiscal year 1999 obligations. At each of the five Department of Defense (DOD) organizations, we interviewed budget officials to identify how information on the advisory and assistance services and other services was accumulated and categorized. A selection of 30 contracts from fiscal year 1999 obligations for these services was taken from the 5 DOD organizations as discussed below. We then interviewed program officials and reviewed supporting documentation to obtain information on the services procured.

For the Office of the Secretary of Defense, we selected 10 contracts from the Office of the Secretary of Defense (Acquisition and Technology), the activity with the highest amount of obligations for advisory and assistance services and other services. On the basis of committee interest, we selected five contracts associated with the largest obligations by the Office of the Secretary of Defense's Study Program, which provides funding for contract advisory and assistance services by various staff offices, and the five contracts associated with the largest obligations for advisory and assistance and other services by the Deputy Under Secretary of Defense (Acquisition Reform).

For the Secretariats of the Air Force and the Army, we selected 10 contracts from the activities with the highest amount of obligations for advisory and assistance services and other services. We selected five contracts associated with the largest obligations for these services from the Office of the Assistant Secretary of the Air Force (Acquisition) and from the Army's Office of the Director of Information Systems for Command, Control, Communications, and Computers.

For the Secretary of the Navy, we selected five contracts from the Office of the Assistant Secretary of the Navy (Research, Development, and Acquisition), the activity with the highest amount of obligations for advisory and assistance services and other services. Because of Navy concerns that selecting the five largest obligations would cover only efforts to support the Standard Procurement System and paperless initiative, we selected the two largest obligations associated with the Standard Procurement System and the three largest obligations from other contract support services.

For Headquarters, Defense Logistics Agency, we selected five contracts associated with the largest obligations for advisory and assistance and other services.

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