

# Department of Defense

## Office of the Inspector General -- Audit

Contracts for Professional, Administrative, and Management Support Services -- Report No. D-2000-100 (PDF)

Date: March 10, 2000

To obtain copies of Office of the Assistant Inspector General for Auditing Reports, contact the Secondary Reports Distribution Unit of the Analysis, Planning and Technical Support Directorate at (703) 604-8937 or FAX (703) 604-8932.

The audit was initiated because of problems recently identified by previous audits and the increasing significance of contracts for services in the DoD.

From 1992 through 1999, DoD procurement of services increased from \$39.9 billion to \$51.8 billion. Procurement of goods during that same time period decreased from \$59.8 billion to \$53.5 billion. The largest sub-category of contracts for services was for professional, administrative, and management support services, valued at \$10.3 billion. Spending in this sub-category increased 54 percent between 1992 and 1999. Our review from this sub-category of 46 contracts valued at \$6.6 billion and 59 task orders (105 actions) valued at \$142 million included anticipated services of more than 104 million labor hours, which equate to 50,230 staff years.

The primary objective was to evaluate procurement procedures for professional, administrative, and management support services. We also evaluated the management control programs as they applied to the objective. See Appendix A for a discussion of the audit process and Appendix B for prior coverage related to the audit objective

The 15 contracting activities and program offices requesting the contracts for services did not adequately manage the award and administration of the 105 contracting actions. Every contract action had one or more of the following problems:

- non-use of prior history to define requirements (58 of 84 or 69 percent),
- inadequate Government cost estimates (81 of 105 or 77 percent),
- cursory technical reviews (60 of 105 or 57 percent),
- inadequate competition (63 of 105 or 60 percent),
- failure to award multiple-award contracts (7 of 38 or 18 percent),
- inadequate price negotiation memorandums (71 of 105 or 68 percent),
- inadequate contract surveillance (56 of 84 or 67 percent), and
- lack of cost control (21 of 84 or 25 percent).

As a result, cost-type contracts that placed a higher risk on the Government continued without question for the same services for inordinate lengths of time-39 years in one extreme case-and there were no performance measures in use to judge efficiency and effectiveness of the services rendered. DoD procurement system controls had material weaknesses. See Appendix A for

details of the review of the management control program.

We recommend that the Deputy Under Secretary of Defense (Acquisition Reform) develop training on planning and defining requirements for contracts for professional, administrative, and management support services; train contracting and program personnel in the award and administration of contracts for these services; and emphasize, in that training, the need to avoid the kinds of deficiencies noted in this report.

We recommend that Senior Acquisition Executives for the Army, Navy, and Air Force establish centers of excellence with trained and experienced personnel that can be used by acquisition personnel when procuring services, make all acquisition personnel aware of the problems identified in this report, and develop a time-phased plan with goals and performance measures to determine improvements in the acquisition of professional, administrative, and management support services. We also recommend converting repetitive, cost-reimbursable contracts or portions of contracts, to fixed-price; and converting contracts for services that exceed the statutory requirements to multiple-award contracts.

The Deputy Under Secretary of Defense (Acquisition Reform), and the Senior Acquisition Executive for the Air Force did not respond to the draft report issued on February 4, 2000. The Army concurred and stated that a number of improvements must be made in the award and administration of professional, administrative, and management support services. Furthermore, the Army notified its contracting offices of the problems identified in the report. The Navy concurred with the finding and most of the recommendations. Specifically, the Navy stated that it provided copies of the draft audit report to its contracting activities and would publicize the centers of excellence and encourage members of the Navy acquisition community to use them. The Navy also stated that it would evaluate its contracts and where appropriate, convert them to multiple-award contracts. Also, the Navy stated that work measures and guidance should be developed at the DoD level.

Although the Army concurred, it did not comment on each specific recommendation. The Navy also agreed with the report and provided detailed comments for all recommendations except three. The Navy did not specifically address recommendations to establish its own performance goals and measurements; to convert contracts, or parts of contracts to fixed-price over a 3 to 5 year period; and to review the assignment of contract surveillance work for contracts for services and adjust workload levels.

We request the Under Secretary of Defense (Acquisition Reform), and the Air Force provide comments to the final report. We also request that the Army and Navy Senior Acquisition Executives provide specific comments to each applicable recommendation. All comments should be provided by May 10, 2000.