
June 14, 2002



Acquisition

Allegations Concerning the
Defense Logistics Agency
Contract Action Reporting System
(D-2002-106)

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Acronyms

CAGE	Contractor and Government Entity
COR	Contracting Officer's Representative
DCARS	Defense Logistics Agency Contract Action Reporting System
DLA	Defense Logistics Agency
IG DoD	Inspector General of the Department of Defense
SAIC	Science Applications International Corporation



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

June 14, 2002

MEMORANDUM FOR DIRECTOR, DEFENSE LOGISTICS AGENCY

SUBJECT: Report on Allegations Concerning the Defense Logistics Agency Contract
Action Reporting System (Report No. D-2002-106)

We are providing this report for information and use. No written response to a draft of this report was required, and none was received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. For additional information on this report, please contact Mr. Nicholas E. Como at (703) 604-9215 (DSN 664-9215) (ncomo@dodig.osd.mil) or Mr. Terry L. McKinney at (703) 604-9288 (DSN 664-9288) (tmckinney@dodig.osd.mil). See Appendix C for the report distribution. The team members are listed inside the back cover.

David K. Steensma

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Acting Assistant Inspector General
for Auditing

Office of the Inspector General of the Department of Defense

Report No. D-2002-106
(Project No. D2002CF-0052)

June 14, 2002

Allegations Concerning the Defense Logistics Agency Contract Action Reporting System

Executive Summary

Who Should Read This Report and Why? Defense officials responsible for changes and upgrades to information technology systems should read this report because it addresses the need for proper acquisition planning and contract management.

Background. This audit was performed in response to allegations made to the Defense Hotline concerning the contract for modernization of the Defense Logistics Agency Contract Action Reporting System. The complainant alleged that the Defense Logistics Agency did not properly plan, execute, or manage the contract to re-host the Contract Action Reporting System from a mainframe computer to a mid-tier computer. The complainant also alleged that the contractor did not fulfill the performance obligations in accordance with the contract requirements.

The Defense Logistics Agency awarded a task order on an existing multiple award contract to Science Applications International Corporation on March 13, 1998, at a cost of \$333,137 for re-hosting the Contract Action Reporting System. The contract task was to modernize the Defense Logistics Agency system for capturing, validating, storing, and retrieving information relating to contract actions. The projected completion date for the contracted work was July 1998.

Results. The re-hosted system is currently operational and now more effective but the modernization effort could have been completed sooner and at a lower cost. The Defense Logistics Agency did not effectively plan and execute the upgrading of the Contract Action Reporting System. The Agency:

- was overly optimistic in its assessment of the contractor's abilities;
- improperly awarded the task orders to re-host the Contract Action Reporting System;
- expressed concerns about the re-host project, but did not address the concerns until problems were apparent; and
- performed little oversight of the contractor.

As a result, completion of the effort slipped by nearly 17 months and the final cost exceeded original estimates by about \$507,000. Because of the delay, the agency also had to upgrade the original mainframe software to make it Year 2000 compliant, which it originally intended to avoid, at a cost of about \$298,000. For details on the audit results, see the Finding section of the report.

The complainant raised 10 issues addressing performance and administration deficiencies with the Defense Logistics Agency Contract Action Reporting System contract. The results of our review substantiated 2 of the 10 allegations, partially substantiated 3 of the allegations, and did not substantiate 5 of the allegations. See Appendix B for a discussion of the specific issues raised by the complainant.

Management Comments. We provided a draft of this report to the Defense Logistics Agency on May 16, 2002, for review and comment. No written response to this report was required, and none was received. Therefore, we are publishing this report in final form.

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Background

Defense Hotline Allegations. We performed the audit in response to allegations made to the Defense Hotline concerning administrative and contractor nonperformance issues associated with the upgrading of the Defense Logistics Agency Contract Action Reporting System (DCARS). The complainant alleged that the Defense Logistics Agency (DLA) improperly planned, executed, and managed the contract to re-host DCARS from a mainframe to a mid-tier computer. The complainant also alleged that the contractor did not fulfill the performance obligations in accordance with the contract requirements. See Appendix B for a discussion of the specific allegations raised by the complainant and the results of our review.

Defense Logistics Agency Contract Action Reporting System. The DCARS application captured, stored, and reported contract information on the Individual Contracting Action Report (DD Form 350) for approximately 25 DLA activities distributed throughout the United States, Europe, and the Pacific. Currently, the system collects 93 different facts and statistics about each contract awarded by DLA over \$25,000. This information includes data such as contractor name, type of contract, amount of award, and date of award. DLA, the Office of the Secretary of Defense, and private industry use DCARS information. Approximately 550 users have logon access. Information in the system is maintained by month and fiscal year, and provides for up to 6 years of historical contract activity.

DCARS on the Mainframe Computer. The mainframe computer hosting DCARS was a batch processing system. The DCARS application captured input transactions from remote users' locations through a variety of telecommunication interfaces, including the DLA network, direct dial-up, and the Internet. Daily input transactions were accumulated and stored in a daily transaction file on a mainframe computer located at the Defense Megacenters, Columbus, Ohio. At the end of each business day, this file was processed, which included transaction editing, error reporting, and database updating.

DCARS on the Mid-Tier Computer. The mid-tier computer hosting DCARS has the capability to capture and validate input transactions in an on-line, real-time environment. The user workload associated with data entry was reduced through an improved distribution of DCARS functionality between client and server.

Platform Study - Re-Host DCARS Project. The DLA Systems Design Center conducted a study dated December 12, 1997, for the re-host project. The study stated that DCARS computer processing via a mainframe computer system was antiquated, unsupported, and incapable of valid operation in the Year 2000. The study also stated that "Changes in information technology and DLA requirements created the opportunity to investigate new, technically feasible and economically justifiable ways of satisfying DLA information needs through automated systems." The study concluded that re-hosting DCARS from a mainframe to a

mid-tier computer was compatible with forecasts of change in the DLA business environment and attendant information processing needs. The study clearly stated that DCARS urgently needed re-hosting from the mainframe computer for continued operations, and that the level of change required was significant.

Objectives

Our overall objective was to determine whether the Defense Hotline complaint had merit. Specifically, we assessed whether DLA executed effective contract planning and administration procedures and whether the contractor fulfilled its performance obligations, as stated in the contract. See Appendix A for a discussion of the audit scope and methodology.

Acquisition of the System Upgrade

DLA did not effectively plan and execute the re-host of the Contract Action Reporting System from a mainframe to a mid-tier computer. This occurred because DLA awarded the contract task order without properly researching, planning, and assessing past contractor performance. Also, DLA did not adequately monitor the contractor's progress. As a result, the project completion slipped from July 1998 to November 1999, and the final cost exceeded the original cost estimates by about \$507,000. Because of the delay, DLA also had to upgrade the mainframe application software for Year 2000 compliance, an upgrade DLA originally intended to avoid, at a cost of about \$298,000.

Upgrading DCARS

Re-Hosting DCARS. The December 1997 DLA study on the feasibility of modernizing DCARS concluded that it was cheaper and more efficient in the long term to remove the application from the mainframe computer and design a new application using current technology. The mainframe computer was at least 14 years old and was running a program containing outdated computer language. The study concluded DCARS should operate from a mid-tier computer, which would be interactive with its users.

Contract Award. DLA awarded task order 9, a time-and-material order on March 18, 1998. DLA awarded the task order, valued at \$333,137, on a sole-source basis to Science Applications International Corporation (SAIC) under an existing multiple-award contract. DLA selected SAIC as the prime contractor in order to have its subcontractor, NCI, Incorporated (NCI, Inc.), perform the re-hosting work. The re-host project was scheduled for completion by July 1998. The broadly written statement of work for this task order stated that the system must provide for the daily input, validation, retrieval, and storage of DLA contract actions on-line.

Criteria

Acquisition Planning. Federal Acquisition Regulation, Subpart 7.1, "Acquisition Plans," requires that agencies perform acquisition planning and conduct market research for all acquisitions. Such research includes matching contractor capabilities and past performance. Acquisition planners should address the requirements to specify needs, develop specifications, and solicit offers in such a manner as to promote and provide for full and open competition with due regard to the nature of supplies and services to be acquired.

Contract Surveillance. Federal Acquisition Regulation 16.601, "Time-and-Materials Contracts," states that this type of contract provides no positive profit

incentive to the contractor for cost control or labor efficiency. Therefore, appropriate Government surveillance of contractor performance is required to give reasonable assurance that efficient methods and effective cost controls are being used.

Contract Administration. Federal Acquisition Regulation 42.302, “Contract Administration Functions,” requires the contracting officer to perform the following administrative functions that apply to the contract to re-host DCARS from a mainframe to a mid-tier computer.

- Review and approve or disapprove the contractor’s requests for payments under the progress payments or performance-based payment clauses.
- Perform production support, surveillance, and status reporting, including timely reporting of potential and actual slippages in contract delivery schedules.
- Perform engineering surveillance to assess compliance with contractual terms for schedule, cost, and technical performance in the areas of design, development, and production.
- Evaluate for adequacy and perform surveillance of contractor engineering efforts and management systems that relate to design, development, production, engineering changes, subcontractors, tests, management of engineering resources, reliability and maintainability, data control systems, configuration management, and independent research and development.
- Review and evaluate for technical adequacy the contractor’s logistics support, maintenance, and modification programs.

Planning

Planning the Re-Host Project. DLA did not adequately plan the requirements or conduct research to determine what detailed work was required to re-host DCARS to a mid-tier computer. The only documentation found in the contract file relating to requirements documentation was the December 1997 DCARS study. However, the study only provided a general outline of the functional and technical requirements for the re-host project. It did not address the specific actions required to accomplish the contract requirements, such as researching how the validation files containing Contractor and Government Entity (CAGE) code data would interact with the mid-tier computer, or the feasibility of moving the CAGE code file from the mainframe to the mid-tier computer.

A DLA computer specialist assigned to DCARS stated in January 1998, before the contract was awarded, “We may have to view CAGEFILE [CAGE code file] and DCARS as two separate systems (which is how they function) and approach the problem from that perspective.” There was no indication that DLA management evaluated this alternative approach. In retrospect, this may have been a more

effective approach. Furthermore, we found no evidence of a blueprint being established when certain events should have occurred if the re-host was on schedule. This would have provided managers a mechanism to evaluate progress.

Contractor Selection. The noncompetitive selection of SAIC as the prime contractor was not adequately or accurately justified. DLA chose the prime contractor only on the basis of whom DLA wanted as the subcontractor and the availability of the multiple award schedule contract to quickly place the requirement on the contract. DLA did not review the past performance of the prime contractor or the subcontractor to determine if they had experience with this type of work. The contracting officer stated in the March 1998 sole-source justification for selecting SAIC, that the SAIC subcontractor, NCI, Inc., had unique knowledge of the mainframe computer. However, according to internal correspondence addressing the subcontractor selection as well as an admission by the subcontractor's project manager, NCI, Inc. did not have specific knowledge of the mainframe computer required to complete the re-host project. Also, DLA internal correspondence identified a different contractor that may have had knowledge of the mainframe computer integration and parallel processing and may have been capable to perform work needed for the re-host project. However, there was no indication or documentation that this alternate vendor was further considered. DLA should have considered all contractors on the multiple award contract for the re-host work, not just SAIC.

Contractor Performance

Missed Deadlines. The DLA Administrative Support Center awarded task order 9 on March 18, 1998, to re-host DCARS from a mainframe to a mid-tier computer at a cost of \$333,137 with the intention that NCI, Inc. would perform the entire effort. The application program for the re-host project was projected for completion by July 1998. By June 1998, the subcontractor could not obtain the necessary information required to complete the project. Therefore, on August 14, September 30, and October 20, 1998, DLA issued modification Nos. 3, 4, and 5 extending the period for completing performance on task order 9 from July 1998 to November 1998 and increasing the task order amount from \$333,137 to \$444,169. We could not measure the subcontractor's performance from July through November 1998 because the subcontractor did not prepare the in-process reviews during that time period.

In February 1999, DLA awarded task order 16 for \$396,315 to SAIC for ongoing operational, technical, and maintenance support of the DCARS application on the mid-tier computer for a period of 1 year. There is no evidence that DLA reassessed contractor performance prior to award of the task order. The total value of task orders 9 and 16 was \$840,484, of which SAIC received over \$77,000 for being the prime contractor.

DLA established a 2-month test period following completion of the re-host project to validate the mid-tier application and 1 year of parallel testing. This testing extended the completion date to November 1999. DLA later condensed the 2-month test period to 2 weeks in order to meet the November 1999 operational deadline. During the test period, DLA found 12 deficiencies with the DCARS application on the mid-tier computer and it became apparent that the operational date of the mid-tier computer would not be met.

Task order 16 required SAIC to correct the 12 deficiencies found during the 2-week test at no cost to the Government. SAIC and its subcontractor agreed to complete the work on these deficiencies prior to the start of other work on task order 16. No documentation exists to show whether SAIC corrected the deficiencies at no cost to the Government. Also, according to subcontractor and DLA personnel, the development work to re-host DCARS was still ongoing when DLA awarded task order 16 for maintenance support. The contractor work plan in the in-process review report, dated June 23, 1999, also indicates that the subcontractor was still developing DCARS on the mid-tier computer under task order 16. Task order 16 did not specify performing development work under the maintenance task order.

Dual Systems. The DCARS re-host project required DLA to operate both the mainframe and the mid-tier computer concurrently for parallel testing. DLA would then shut down the mainframe computer after all DCARS information was verified and deemed accurate in the mid-tier computer. However, SAIC and its subcontractor did not develop the DCARS application on the mid-tier computer until November 1999. Because of the delay in the development of DCARS on the mid-tier computer, the mainframe computer software remained operational and had to be made Year 2000 compliant. As a result, DLA upgraded the mainframe computer application at a cost of \$298,498. This cost could have been avoided had adequate planning and execution been accomplished.

During FY 2000, DLA maintained dual systems for testing purposes. DLA had to maintain dual systems a second year because the CAGE code file was too large and could not be transferred to the mid-tier computer. Had DLA researched the elements of the CAGE code file prior to awarding task order 9, DLA would have realized that the CAGE code file was too large to transfer. According to DLA, the mid-tier computer was fully operational and the CAGE code file was the only program operating on the mainframe computer. Dual systems were maintained until October 2001, when the Federal Acquisition Regulation Council eliminated the CAGE code file requirement (see Appendix B, Issue 5).

Contractor Oversight

Generally, contractor oversight was lacking. Little documentation existed to show that DLA exercised due care. Monthly progress reports were not always required, and we could not determine if DLA took any actions based on the reports received. Also, we found no evidence that DLA reviewed contractor billings for reasonableness prior to payment.

Monthly In-Process Reviews. A DLA March 18, 1997, memorandum appointed the Contracting Officer's Representative (COR) for task order 9 and stated that the COR was responsible for reviewing and approving all progress and financial reports. According to Federal Acquisition Regulation Part 42, Government surveillance of the contractor should include comparing progress reports from the monthly in-process reviews with the projected milestones and actual tests at certain stages to ensure that the contractor was making the required progress.

The prime contractor was required by the contract to provide monthly in-process reviews identifying progress towards meeting the projected milestones. However, the monthly in-process reviews from August 1998 through January 1999 could not be located. The subcontractor stated that DLA did not require the preparation of in-process reviews during this time, although DLA had modified the task order to extend the period of performance and increase its value. Therefore, performance was difficult to measure between August 1998 and January 1999 and an increase in the cost of the contract could not be justified. Furthermore, DLA did not provide adequate surveillance of the subcontractor during this time. No documentation existed in the contract file or the COR file explaining why the period of performance was extended or what work was required to be completed on the project.

Review of Invoices Submitted. According to the COR appointment memorandum, the COR was responsible for reviewing contractor invoices. We found no documentation to indicate that the COR reviewed the invoices when development work was performed. We could not determine whether excessive labor hours were applied to the task orders. The lack of surveillance by the COR may have resulted in erroneous payments to the subcontractor.

Prior Audit Coverage

Acquisition procedures for multiple award contracts were addressed in prior Inspector General of the Department of Defense (IG DoD) reports. In Report No. 99-116, "DoD Use of Multiple Award Task Order Contracts," April 2, 1999, we reported that contracting officers awarded task orders on multiple award contracts on a sole-source basis when they were required to provide all awardees a fair opportunity to be considered. We reviewed task order 9 during this audit as well as during the prior audit. We also reported that contracting officers awarded task orders without regard to price even though price was a factor in the selection of vendors for the initial multiple award contract. We

recommended that the Under Secretary of Defense (Acquisition and Technology) direct that multiple award contracts be used only in situations in which all contractors are capable of performing all work under the proposed contract and that task order selection should include price as a primary and substantial factor in selection. On September 30, 2001, we issued another report entitled "Multiple Award Contracts for Services," Report No. D-2001-189, that addressed directing contracts by sole-source awards, planning of contract requirements, and other problems discussed in this report. In the 2001 report, we recommended that all contractors that were part of a multiple award contract be given an opportunity to compete for the work. Subsequently, section 803 of the National Defense Authorization Act for Fiscal Year 2002 (Public Law 107-107) was enacted, which requires substantial changes in DoD policy, competition, and planning for purchasing services under multiple-award contracts. In addition, contracting personnel that were assigned to the development of the DCARS contract are either not currently employed with the Defense Logistics Agency or not assigned to contracting actions involving the contract. Accordingly, we are not making recommendations addressing additional policy, procedural changes, or personnel actions in this report.

Conclusion

The task order that DLA awarded noncompetitively on an existing multiple award contract for the re-hosting project was not adequately or accurately justified. DLA did not properly research, plan, and assess contractor past performance prior to award of the task order. DLA established an unrealistic milestone to have the mid-tier computer operational by the beginning of FY 1999. Had DLA conducted the proper research and performed the necessary acquisition planning, specific requirements could have been established and a reasonable deadline could have been met. As a result, DLA got its system much later than it should have and DLA paid more than it should have.

Appendix A. Audit Process

Scope

Work Performed. We reviewed issues raised in a Defense Hotline complaint alleging contractor nonperformance with an information technology contract for upgrading DCARS.

We visited functional and procurement personnel at Headquarters, DLA, as well as the subcontractor and the complainant. We met or contacted personnel at Headquarters, Washington Headquarters Services and at Headquarters, Naval Sea Systems Command (see Appendix B for clarification).

We analyzed two task orders and related modifications under one contract, valued at \$840,484, for the development and maintenance of the DCARS application on the mid-tier computer. We also analyzed contract documents, including information from the COR file, and correspondences between DLA, the subcontractor, and the complainant. The documents were dated between December 1997 and February 2002.

See Appendix B for the specific issues raised by the complainant and our conclusions.

Limitations to Scope. The scope of the audit was limited to the issues addressed in the Defense Hotline complaint. We did not review the DLA management control program for awarding contracts for services.

General Accounting Office High-Risk Areas. The General Accounting Office has identified several high-risk areas in the DoD. This report provides coverage of the DoD Systems Modernization high-risk area, as well as the DoD Contract Management high-risk area.

Methodology

Use of Computer-Processed Data. We did not rely on computer-processed data.

Audit Dates and Standards. We performed the audit from January 2002 through May 2002 in accordance with generally accepted government auditing standards except for the scope limitation discussed above.

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

Prior Coverage

During the last 5 years, the Inspector General of the Department of Defense has issued two reports relating to the contract for the Defense Logistics Agency Contract Action Reporting System.

Inspector General of the Department of Defense (IG DoD)

IG DoD Report No. D-2001-189, "Multiple Award Contracts for Services,"
September 30, 2001

IG DoD Report No. 99-116, "DoD Use of Multiple Award Task Order Contracts,"
April 2, 1999

Appendix B. Responses to Issues Raised in the Defense Hotline Complaint

Issue 1. Return on Investment

The complainant alleged that, “there was no return on investment, and in fact the costs are greater now than if almost any other approach had been taken.”

Audit Results. This issue was substantiated. DLA estimated that the DCARS application on the mid-tier computer would be developed by July 1998, at a total operational cost of \$1,029,300. The operational cost included nonrecurring and recurring costs. The nonrecurring costs included hardware, software, and labor costs to re-host DCARS, and the recurring costs included the operating system costs. The estimated recurring cost to operate the mid-tier computer was \$18,833. The estimated cost to operate the mainframe computer in FY 1999 was \$374,235. DLA estimated that the payback period to re-host DCARS from a mainframe to a mid-tier computer would be 2.03 years. However, the mid-tier computer was not operational until November 1999. The total cost to develop the mid-tier computer increased from \$1,029,300 to \$1,604,820. In addition, DLA awarded maintenance contracts in FYs 2000 and 2001 at a cost of \$484,714 and \$382,992, respectively.

Our analysis for re-hosting DCARS to a mid-tier computer showed negative savings of over \$2 million in the first 4 years of operation. Negative savings would continue if DLA awarded additional maintenance contracts for the mid-tier computer. Although there has not been a positive return on investment by re-hosting the mid-tier computer, the mid-tier computer is more efficient than the mainframe computer.

Issue 2. Duplicate Systems

The complainant alleged that:

“WHS [Washington Headquarters Services] uses the CAGE [code] transaction information to verify their database as well as the data from the Air Force. I do not believe that WHS will have access to the data if the [mainframe computer] system is shut down. This would mean that WHS would also have to take on the task of developing a duplicate system.

NAVSEA [Naval Sea Systems Command] does indeed use this data [CAGE codes] and has a current need for it. NAVSEA has looked at getting the raw data from the Defense Logistics Information Services (DLIS). They found however that the raw data is not in a useable format and that it would require the development of a new system.”

Audit Results. This issue was unsubstantiated. Washington Headquarters Services confirmed that the DCARS application on the mid-tier computer and the elimination of the CAGE code data from the mainframe computer were not hindrances to the efficiency of operations. Washington Headquarters Services had converted to the Data Universal Numbering System and found it more accurate for contract reporting. The Federal Acquisition Regulation has also been updated to implement the Data Universal Numbering System for contractor identification.

On March 31, 1998, the Director of Defense Procurement required domestic contractors to register in the Central Contractor Registration database in order to be eligible for contract awards after May 31, 1998. The database contained both the Data Universal Numbering System and CAGE codes. Washington Headquarters Services received updated Data Universal Numbering System numbers. The updates included linkage showing the ownership of companies, and, therefore, a “family tree” was established. If Washington Headquarters Services received a CAGE code that required verification, the information was available. The Naval Sea Systems Command used CAGE codes for contract identification reporting. However, the Command was currently planning to access the Central Contractor Registration database so it could implement the Data Universal Numbering System for contractor identification.

We concluded that the re-hosting of DCARS on the mid-tier computer and the subsequent elimination of the CAGE code data did not hinder the effectiveness and efficiency of contract reporting for the Washington Headquarters Services and the Naval Sea Systems Command.

Issue 3. Contractor Work Plan

The complainant alleged that, “there is no overall plan or work breakdown structure for completion.”

Audit Results. This issue was unsubstantiated. The prime contractor submitted a work plan to DLA during the April 1998 in-process review. In that work plan, the subcontractor stated that it had begun to review system requirements in March 1998, and would complete the work in June 1998. A second work plan was submitted to DLA on June 23, 1999, coinciding with the first maintenance task order. Although this work plan was classified as maintenance, certain elements indicated that development of the DCARS application on the mid-tier computer was still taking place. Although the project was not completed by the established milestone date, a work breakdown structure was submitted to DLA (see the Finding).

Issue 4. Requirements Documentation

The complainant alleged that, “there are no defined requirements.”

Audit Results. This issue was unsubstantiated. The platform study developed in December 1997 evaluated the technical, functional, and economic feasibility of re-hosting DCARS using Oracle Database Management. The study determined the requirements of the project. Although the requirements outlined in the study were vague in nature, a more modern, technological system, designed to meet DLA business needs, was outlined. The platform study used the DLA Information Resource Management strategy and the DLA Architecture Guidelines to provide guidance in evaluating alternate means to providing DCARS functionality. Functional requirements were established after reviewing the current DCARS application, along with the management strategy and architecture guide.

After reviewing the options presented in the study, DLA decided to re-host the DCARS application on the mid-tier computer. Re-hosting DCARS provided DLA with a migration path for a continual evolution of the system, consistent with current and future DLA vision and strategies.

Issue 5. Maintaining Concurrent Systems

The complainant alleged that, “for the last three and a half years, two systems had to be maintained at the same time.”

Audit Results. This issue was partially substantiated. From March 1998 to November 1999, DLA concurrently maintained the mainframe computer while the mid-tier computer was being developed. All DCARS information was entered on the mainframe computer at this time because it could not be entered on the mid-tier computer during development.

Once the development of the DCARS application on the mid-tier computer was complete, parallel processing with the mainframe computer was conducted. Therefore, for FY 2000, DLA maintained concurrent systems for testing purposes.

After the parallel testing was complete, the two systems ran concurrently for a second year because the CAGE code file was too large to be transferred over to the mid-tier computer. DLA confirmed that the CAGE code file was the only program operating on the mainframe computer.

In October 2001, the Federal Acquisition Regulation Council eliminated the CAGE code file requirement. DLA requested stopping CAGE code transmissions from the mainframe computer on December 20, 2001. Transmissions ceased effective January 6, 2002, and the mainframe computer was shut down, after only 2 years of running concurrently with the mid-tier computer (see the Finding).

Issue 6. Contractor Surveillance

The complainant alleged that, “the contractors are making little progress and are not being held to any completion projections.” The complainant further alleged that, “there is little or no documentation.”

We interpreted these allegations to mean that the Government was not providing adequate contractor surveillance over the contractor performing the re-host project.

Audit Results. This issue was partially substantiated. We reviewed the COR file and found minimal documentation related to the re-host project. There were only four invoices from the date the contract was awarded, March 1998, to when the mid-tier computer became fully operational. Furthermore, we could not locate in-process reviews between August 1998 and January 1999, the time period when the initial development contract was extended. In addition to lacking surveillance documentation, DLA did not document a justification for the extension of the re-host project.

DLA kept minimal documentation related to the re-host project. DLA did not monitor the completion projections on the project nor did it justify an extension to the period of performance (see the Finding).

Issue 7. Year 2000 Upgrade

The complainant alleged that, “the re-host project of course was not completed in time for Y2K [Year 2000] and those changes as well as the OS/390 had to be made to the existing legacy [mainframe computer] system.”

Audit Results. This issue was substantiated. When DLA made the decision to re-host DCARS, Year 2000 compliance for the mainframe computer application was not an issue. According to the original statement of work, parallel testing would be conducted during FY 1999 and the mainframe computer would be shutdown by FY 2000, after all information was verified and accurate for the mid-tier computer. Because of delays in the period of performance for the DCARS development contract, the mainframe (legacy) computer application had to be made Year 2000 compliant because the DCARS application on the mid-tier computer was not completed in time for parallel testing in FY 1999 (see the Finding).

A DLA Systems Design Center undated document entitled, “Justification for DCARS Migration to OS/390,” stated that, “All [DLA] applications residing on the mainframe [computer] system must be upgraded to the OS/390 operating system as a mandatory step in achieving Y2K [Year 2000] compliance.” The justification further stated that DLA could either re-host DCARS and remove it from the mainframe computer, or upgrade to the OS/390 operating system before other mainframe computer applications could be upgraded. When the period of performance for the mid-tier contract was extended, DLA requested that the mainframe (legacy) computer be upgraded to OS/390 to eliminate any possible impact on other mainframe computer migration schedules. The DLA service order identified the final cost for the mainframe computer upgrade to be \$298,498.

Issue 8. Replication of Reports

The complainant alleged that, “there are close to one hundred reports the contractors and customers originally identified that have not been completed in the three years of effort.”

Audit Results. This issue was unsubstantiated. The complainant provided a list with 60 report titles. The complainant felt that these reports should have been included in the mid-tier computer system. System users identified 33 of the 60 reports as available in the mid-tier computer. Fourteen of the 60 reports contained data no longer required or necessary for contractor reporting; 7 of the 60 were no longer used by DLA users or management; and 1 of the 60 was eliminated due to a low volume of use. DLA had no prior knowledge of the remaining five reports listed by the complainant.

The Discoverer feature of Oracle enabled users to generate ad hoc report queries, which they were unable to obtain from the mainframe computer. Using the ad hoc feature enabled users to specify any or all fields to be shown for a specific report. With the mainframe computer, when a report was requested, the user would not receive the information until the next business day. With the mid-tier computer, reports were generated in real time, allowing the users to immediately obtain their requested information.

The reports contained in the list provided by the complainant were either available on the mid-tier computer, available through an ad hoc query report, or were eliminated from use.

Issue 9. Required Training

The complainant alleged that, “it will not be possible for end users, with or without training, to replicate these programs” that operate the mid-tier computer.

Audit Results. This issue was unsubstantiated. The “programs” that operate the mid-tier computer are reports generated by using the Discoverer feature of Oracle. According to the DCARS customer representative at DLA, training for Oracle’s Discoverer feature was provided to the end users on an as-needed basis. Although many end users decided not to receive this training because of the system’s ease-of-use, when training was needed, the appropriate training arrangements were made.

DCARS users at DLA stated that the new system was easy to operate and that improvements have been made. We reviewed the Oracle Discoverer feature, the software that allows end users to access DCARS reports. Oracle stated that, “Anyone familiar with using a web browser can use Discoverer” because it “reduces the learning curve with an easy to use web interface.” Oracle also stated that, “Discoverer was designed specifically with the end user in mind and has a proven track record in ease- of-use.” DLA users can and have replicated the Oracle Discoverer software programs to operate the mid-tier computer with little or no training.

Issue 10. Mid-Tier Project Completion

The complainant alleged that DLA is:

“Continuing to employ and pay contractors who have not performed according to the original contract. They are purposely covering up the fact that the contractors are not performing, and are not competent to perform the work for which they have been contracted.”

The complainant alludes to the fact that DLA knew the mid-tier computer to be ineffective and a failure.

Further, the complainant alleged that the mid-tier project:

“that was projected for completion prior to the Year 2000, to this day (more than three years after its start) is still not complete. The project was originally projected for 90 days and has exceeded three years with no end in sight. When you consider the work still to be completed, I estimate generously that only one third of the system has been completed. And that part does not work properly.”

The complainant further stated that the contractors were making little progress and were not being held to any completion date(s).

Audit Results. This issue was partially substantiated. In March 1998, DLA awarded a contract to re-host DCARS on a mid-tier computer. The re-host project was scheduled for completion in July 1998, at a cost of \$333,137. This contract was extended to November 1998, at a cost of \$444,169. No evidence existed in the contract file documenting final acceptance of the mid-tier computer by DLA.

In February 1999, the contract was again extended for ongoing operational, technical, and maintenance support of the mid-tier computer for a period of 1 year. Although this contract was specifically for maintenance work, the subcontractor stated that additional development work was done. According to DLA, the DCARS re-host project was completed in November 1999. Again, no documentation existed in the contract file indicating the final acceptance for delivery of the new mid-tier computer.

To verify the completion date of the mid-tier computer, we reviewed numerous DLA internal memoranda. An e-mail message entitled “Final Review and Analysis of the DCARS Re-Host Software package” stated that the mid-tier application was tested in September and October 1998, but failed. A DLA message indicated that the mid-tier computer would move into production in September 1999, yet another message to all DLA users indicated that the new mid-tier computer would be deployed in October 1999. These messages indicated dates of completion well past the extension to the original period of performance of November 1998 (see the Finding).

Despite the extensions in the period of performance and the completion of development work under the maintenance contract, the mid-tier computer was completed in November 1999.

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense (Comptroller)
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Under Secretary of Defense for Acquisition, Technology, and Logistics

Department of the Army

Auditor General, Department of the Army

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy
Commander, Naval Sea Systems Command

Department of the Air Force

Assistant Secretary of the Air Force (Financial Management and Comptroller)
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Other Defense Organizations

Director, Defense Logistics Agency
Director, Washington Headquarters Services

Non-Defense Federal Organization

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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 Efficiency, Financial Management, and Intergovernmental Relations, Committee on Government Reform
House Subcommittee on National Security, Veterans Affairs, and International Relations, Committee on Government Reform
House Subcommittee on Technology and Procurement Policy, Committee on Government Reform

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