



United States Government Accountability Office
Washington, DC 20548

September 27, 2005

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

Subject: *Briefing on DOD's Report on Commercial Communications
Satellite Services Procurement Process*

The Department of Defense (DOD) submitted to the Congress on July 29, 2005 a report entitled *Defense Commercial Communications Satellite Services Procurement Process*.¹ In response to direction from your committee,² we reviewed DOD's report to determine the extent to which it addressed the seven recommendations contained in our December 2003 report³ on how DOD procures fixed commercial satellite bandwidth services.⁴ On September 2, 2005, we briefed the Committee on the results of our review. This letter summarizes and transmits that briefing. The full briefing, including our scope and methodology, is reprinted as appendix I. We conducted our review during August 2005 in accordance with generally accepted government auditing standards.

Background

DOD has for many years augmented its internally owned and operated satellite communications capability by leasing commercial fixed satellite services. Demand has been increasing in recent years, as the military has come to rely more heavily on commercial satellite communications to plan and support operations and as DOD moves toward a network-centric

¹DOD prepared the report in response to section 803 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005, Pub. L. No. 108-375, October 28, 2004.

²Senate Report No. 109-69, May 17, 2005.

³GAO, *Satellite Communications: Strategic Approach Needed for DOD's Procurement of Commercial Satellite Bandwidth*, [GAO-04-206](#) (Washington, D.C.: Dec 10, 2003).

⁴Bandwidth is the range of frequencies that can pass over a given transmission channel. Fixed satellite service refers to a radio communication service between fixed earth stations at specific locations by means of one or more satellites.

warfare environment. In our 2003 review, we found that although DOD was the largest single consumer of such services, it acquired its bandwidth on an as-needed basis, thereby missing significant opportunities to leverage its buying power to achieve considerable savings and more favorable terms and conditions. Additionally, DOD did not know exactly how much it was spending on commercial satellite services, nor did it know much about its service providers or whether customer needs were being satisfied. As a result, we made seven recommendations for developing a strategic management framework and improving the acquisition of fixed commercial satellite services. In commenting on a draft of the report in December 2003, DOD generally concurred with our recommendations. Section 803 required DOD to review potential procurement mechanisms and develop guidance to its buying agencies that addresses our seven recommendations.

Summary

Our analysis of DOD's report indicates that DOD either fully or partially addressed the seven recommendations from our December 2003 report. As indicated in table 1, DOD fully addressed our recommendation on the need to inventory users to determine existing and long-term requirements and our recommendation on improving the current funding structure. However, DOD did not address all elements of the remaining five recommendations, so they are identified as partially addressed.

Table 1: Summary of GAO’s Assessment on Whether DOD Addressed GAO’s Recommendations

Recommendation	Extent addressed
1. Inventory current and potential users of commercial bandwidth to determine existing and long term requirements.	Fully addressed
2. Identify and exploit consolidation opportunities for bandwidth requirements of combatant commanders, military services, and defense agencies	Partially addressed
3. Adopt, when appropriate, commonly used commercial practices, such as conducting spend analyses and negotiating pricing discounts based on overall DOD volume, to strengthen DOD’s position in acquiring bandwidth.	Partially addressed
4. Improve the current funding structure by considering new funding approaches, such as centralized funding of commercial bandwidth and seeking legislative authority for multiyear procurements.	Fully addressed
5. Develop performance metrics to assess user satisfaction with the timeliness, flexibility, quality, and cost in acquiring commercial satellite services.	Partially addressed
6. Strengthen DOD’s capacity to provide accurate and complete analyses of commercial bandwidth requirements, spending, and the capabilities of commercial satellite providers by enhancing core internal technical expertise and information systems.	Partially addressed
7. Assess, and implement as needed, changes to the key elements of the existing acquisition process—including requirements generation, solution development and evaluation, and contract vehicles—to facilitate a more strategic approach.	Partially addressed

Source: GAO analysis

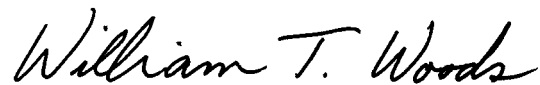
Agency Comments

We provided a draft of this letter and the attached briefing to DOD for comment. DOD indicated by email that it had no substantive issues with the documents and would not be submitting any official comments.

We are sending copies of this report to other interested congressional committees and Members, and to the Secretary of Defense. We will make copies available to others upon request. In addition, the report [will be available at no charge on the GAO Web site at http://www.gao.gov](http://www.gao.gov).

If you or your staff have any questions regarding this letter, please contact me at (202) 512-4841 or woodsw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last

page of the letter. GAO staff who made contributions to this letter were John Needham, Assistant Director; Gary Delaney; John Heere; and Jose Ramos.

A handwritten signature in black ink that reads "William T. Woods". The script is cursive and fluid, with the first letters of each word being capitalized and prominent.

William T. Woods, Director
Acquisition and Sourcing Management

Briefing Slides



Briefing to Staff of the Senate Armed Services Committee

Observations on the Department of Defense's Commercial Communications Satellite Services Report

September 2, 2005



Briefing Outline

- Introduction
- Objective, Scope, and Methodology
- Results
- Background
- Observations on DOD's Responses
- Appendix: DOD Commercial Satellite Communication Attributes

- For many years, DOD has leased commercial fixed satellite services to augment its internally owned and operated satellite communications capability.
- Our December 2003 report--*Satellite Communications: Strategic Approach Needed for DOD's Procurement of Commercial Satellite Bandwidth*--recommended that DOD develop and implement a strategic management framework for improving the approach for acquiring commercial satellite services, along with correcting specific oversight and management weaknesses.
- Section 803 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005 required DOD to
 - review all potential mechanisms for procuring commercial communications satellite services and provide guidance to the Director of the Defense Information Systems Agency and the Secretaries of the military departments on how such procurements should be conducted.
 - submit a report to Congress that included a discussion of the rationale for the guidance developed and how the guidance addresses the recommendations made in GAO's December 2003 report.
- The committee directed GAO to review DOD's report to the Congress to determine the extent the report addressed our recommendations.¹

¹Senate Report 109-69, (accompanying S.1042, National Defense Authorization Act for Fiscal Year 2006).



Objective, Scope, and Methodology

Our objective was to determine the extent that DOD's report - *Defense Commercial Communications Satellite Services Procurement Process* - addressed the recommendations contained in our December 2003 report *Satellite Communications: Strategic Approach Needed for DOD's Procurement of Commercial Satellite Bandwidth* (GAO-04-206).

To accomplish our objective:

- We analyzed DOD's report against the elements in each of the recommendations contained in our December 2003 report to determine the extent to which DOD addressed the recommendations. If DOD addressed all elements in a recommendation we determined that it was fully addressed; if DOD did not address all elements we determined that it was partially addressed.
- We analyzed DOD's December 2004 commercial satellite policy memorandum and action plan to understand the context for DOD's new approach for acquiring commercial satellite communication services.
- We analyzed the supporting cost-benefit analysis to determine extent of the options DOD considered in its analysis for acquiring fixed satellite services. We did not validate the results of the cost-benefit analysis.



Objective, Scope, and Methodology

- We analyzed the Commercial Satellite Communications Services Requirements Synopsis and interviewed DOD and Joint Staff officials to discuss the process used in developing the user requirements.
- We interviewed officials from the Office of the Assistant Secretary of Defense for Networks and Information Integration and the Defense Information Systems Agency (DISA) to ascertain their plans for implementing the recommendations contained in the DOD report.
- Our analysis does not address whether DOD's report fully complies with all requirements of Section 803 of the Ronald W. Reagan National Defense Authorization Act for Fiscal Year 2005.

We conducted our work at the Wireless Directorate of the Office of the Assistant Secretary of Defense for Networks and Information Integration, Washington, D.C., and the Defense Information Systems Agency, Falls Church, Virginia, in August 2005 in accordance with generally accepted government auditing standards.

DOD's report:

- fully addressed two of the seven recommendations in GAO's report,
- partially addressed five of the seven recommendations

- In our 2003 report we found that
 - DOD was the largest consumer of commercial fixed satellite services.
 - DOD was buying its satellite services on an as-needed basis, thereby missing significant opportunities to leverage its buying power and to achieve considerable savings as a result.
 - Some users viewed the process for acquiring commercial fixed satellite services as being too lengthy, particularly for time-critical military operations, and they believed that the cost was too high.
 - DOD did not know exactly how much it was spending on commercial satellite services, nor did it know much about its service providers or whether customer needs were really being satisfied.
 - Neither DOD or DISA was collecting forecasts of users' needs for commercial fixed satellite services, which is an important step toward optimizing DOD's spending.
 - GAO's recommendations to DOD focused on the need to develop and implement a strategic approach to acquire commercial satellite services, along with correcting specific oversight and management weaknesses.

Congress directed DOD, in Section 803, to include the following procurement mechanisms in its review:

1. procurement under indefinite delivery, indefinite quantity contracts of other departments and agencies of the Federal Government, including the Federal Technology Service of the General Services Administration.
2. procurement directly from commercial sources that are qualified as described in subsection (b) of Section 803, using full and open competition (as defined in section 4(6) of the Office of Federal Procurement Policy Act (41 U.S.C. 403(6))).
3. procurement by any other means that has been used by the Director of the Defense Information Systems Agency or the Secretary of a military department to enter into a contract for the procurement of commercial communications satellite services that is in force on the date of the enactment of this Act, including through commercial communications satellite service integrators and resellers.
4. procurement under the method used as of the date of the enactment of this Act, modified with streamlined processes to ensure increased efficiency and cost effectiveness.

Congress required DOD to submit a report that included the rationale for any guidance it developed and a discussion of how the guidance will address GAO's recommendations.

Actions taken by DOD:

- Issued in December 2004 a policy memorandum for the planning, acquisition, and management of commercial satellite communications fixed satellite services.
 - Prior studies from GAO's December 2003 report, the Joint Staff and others identified opportunities for improvements
- Published action plan for implementing new policy.
- Defined baseline requirements for commercial satellite communication services.
- Completed cost-benefit analysis.
- Submitted report to Congress on July 29, 2005.

DOD's Report to Congress:

- Defined how DOD was planning to implement a more strategic approach for the planning, acquisition, and management of commercial fixed satellite services.
- Included, in developing its new strategic approach for commercial fixed satellite services, the following four overarching elements:
 1. integrated planning;
 2. cost-effective acquisition and effective provisioning;
 3. integrated management of commercial and military operations; and
 4. alignment of commercial and military satellites and earth equipment.
- Reported that DOD reviewed potential mechanisms for future procurement of commercial satellite services, including the four options that Congress specified in Section 803 of the fiscal year 2005 defense authorization act, and concluded that two options (full and open competition and improved version of current contract) were viable.
- Discussed the recommendations made in our December 2003 report.

- Advised Congress of its intent to proceed with the following two-phased approach for procurement of commercial fixed satellite services:
 1. improve the effectiveness of the current process by incorporating changes to the DISA requirements and provisioning processes to improve responsiveness and aggregate bandwidth to reduce costs; and
 2. examine how best to craft a successor contract by obtaining input from the satellite industry, including small business, with potential issuance of a request for proposal for a new competitive procurement intended to meet the full range of warfighter requirements and enable cost savings through bandwidth aggregation and lessons learned.



Summary¹

GAO recommendations	Extent addressed
1. Inventory current and potential users of commercial bandwidth to determine existing and long-term requirements.	Fully Addressed
2. Identify and exploit consolidation opportunities for bandwidth requirements of combatant commanders, military services, and defense agencies.	Partially addressed
3. Adopting, when appropriate, commonly used commercial practices, such as conducting spend analyses and negotiating pricing discounts based on overall DOD volume, to strengthen DOD's position in acquiring bandwidth.	Partially addressed
4. Improving the current funding structure by considering new funding approaches, such as centralized funding of commercial bandwidth, and seeking legislative authority for multiyear procurements.	Fully addressed
5. Develop performance metrics to assess user satisfaction with the timeliness, flexibility, quality, and cost in acquiring commercial satellite services.	Partially Addressed
6. Strengthen DOD's capacity to provide accurate and complete analyses of commercial bandwidth requirements, spending, and the capabilities of commercial satellite providers by enhancing core internal technical expertise and information systems.	Partially Addressed
7. Assess, and implement as needed, changes to the key elements of the existing acquisition process—including requirements generation, solution development and evaluation, and contract vehicles—to facilitate a more strategic approach	Partially Addressed

¹GAO, *Satellite Communications: Strategic Approach Needed for DOD's Procurement of Commercial Satellite Bandwidth*, GAO-04-20 (Washington, D.C.: Dec 10, 2003).

First GAO Recommendation:

Inventory current and potential users of commercial bandwidth to determine existing and long term requirements.

DOD's reported actions

- Instituted a three-layer planning approach that defines long-term requirements, preposition capacity requirements for intermittent users, and surge requirements for crises.
- The Joint Staff has revised the current satellite communications requirements determination process, as it relates to Commercial Satellite Communications (SATCOM) fixed satellite services, to align with the three-layered approach.
- The Joint Staff will annually revalidate warfighter satellite communications requirements. This requires combatant commanders and the military services to review all requirements entered into the Satellite Data Base for currency, changes and revalidation.

GAO Observations

- DOD's reported actions fully address the recommendation. The three-layer planning approach coupled with the changes to the determination process and the annual revalidation of requirements should allow DOD to determine existing and long-term commercial satellite communications requirements.
- To establish an overall set of requirements DOD identified the warfighter's requirements by defining eight "attributes desired by the warfighter". These attributes are the criteria for assessing 10 options for acquiring commercial satellite communications as well for establishing and updating the three layers of requirements on an annual basis.

¹GAO, *Satellite Communications: Strategic Approach Needed for DOD's Procurement of Commercial Satellite Bandwidth*, GAO-04-206 (Washington, D.C.: Dec 10, 2003).

Second Recommendation¹

Second GAO Recommendation:

Identify and exploit consolidation opportunities for bandwidth requirements of combatant commanders, military services, and defense agencies.

DOD's reported actions

- DISA is evaluating the current commercial SATCOM leases to determine how to best aggregate bandwidth requirements.
- Analysis of the expiration dates of a number of current leases, when combined with knowledge of the mission supported in a particular area of responsibility could provide information about aggregating for future leases.
- This analysis will be performed against all current on-contract leases to determine future bandwidth aggregation opportunities.

GAO observations

- DOD's actions partially address the recommendation.
- DOD analyses of current SATCOM leases indicate potential savings when requirements are consolidated.
- DOD has taken steps to identify current requirements and has estimated future requirements for funding purposes.
- DOD's report, however, does not specify how future consolidation opportunities are to be exploited; for example, it does not describe the mechanism for translating newly categorized requirements into lower prices and favorable contract terms.

¹GAO, *Satellite Communications: Strategic Approach Needed for DOD's Procurement of Commercial Satellite Bandwidth*, GAO-04-206 (Washington, D.C.: Dec 10, 2003).

Third GAO Recommendation:

Adopting, when appropriate, commonly used commercial practices, such as conducting spend analyses and negotiating pricing discounts based on overall DOD volume, to strengthen DOD's position in acquiring bandwidth.

DOD's reported actions

- DISA tasked to conduct a cost/benefit analysis and to develop a comprehensive acquisition strategy to restructure the contracting method for commercial SATCOM.
- The commercial SATCOM policy directed users to include funds in their program objective memorandums consistent with the layered approach to communications requirements and their satellite database entries, and to be able to report on the total amount of funds budgeted.

GAO observations

- DOD actions partially address the recommendation by incorporating commercial practices into its requirements document.
- The cost/benefit analysis included commonly used commercial practices in the 10 procurement options evaluated as appropriate. However, a comprehensive acquisition strategy has not been finalized.
- DOD as part of its cost/benefit analysis has included some of the elements of a spend analysis. However, greater benefits could be obtained by doing a thorough spend analysis of awarded procurements and then using those results to exploit opportunities to leverage DOD's buying power in the future.

¹GAO, *Satellite Communications: Strategic Approach Needed for DOD's Procurement of Commercial Satellite Bandwidth*, GAO-04-206 (Washington, D.C.: Dec 10, 2003).

Fourth Recommendation¹

Fourth GAO Recommendation:

Improving the current funding structure by considering new funding approaches, such as centralized funding of commercial bandwidth, and seeking legislative authority for multiyear procurements.

DOD's reported actions

- Cost/benefit analysis evaluated contracting and commercial SATCOM bandwidth funding strategies used by other U.S. government organizations.
- Looked at multiyear contracts and found that multiyear contracts were only used in cases where the organization had funded the contract using funds appropriated specifically for these contracts. Only 10 percent of DOD funding fits this model. DOD plans to contract for bandwidth to support multiple year requirements using a Base year and negotiated option year contract structure.
- DOD concluded that that centralized funding of commercial bandwidth does not provide significant benefit over the current approach.

GAO observations

- DOD's report fully addresses the recommendation. Alternative funding strategies for acquiring commercial SATCOM services are evaluated.
- DOD considered centralized funding and multiyear procurement but decided to retain the current funding structure.
- DOD did improve the funding process to ensure that the military departments and defense agencies include funding for commercial SATCOM in developing their program proposals, known as the program objective memorandum.

¹GAO, *Satellite Communications: Strategic Approach Needed for DOD's Procurement of Commercial Satellite Bandwidth*, GAO-04-206 (Washington, D.C.: Dec 10, 2003).

Fifth GAO Recommendation:

Develop performance metrics to assess user satisfaction with the timeliness, flexibility, quality, and cost in acquiring commercial satellite services.

DOD's reported actions

- Policy memorandum and action plan directed DISA to develop performance metrics to assess user satisfaction.
- DISA will actively seek customer feedback through customer surveys to determine how well the process is working to satisfy their needs, and use the information to iterate process improvement activities.

GAO observations

- DOD has partially addressed the recommendation by developing metrics and a customer survey on service quality. However, DOD has not yet developed performance metrics on timeliness, flexibility, or cost. DOD plans to do so after validating the eight warfighter attributes.
- On timeliness, DOD is tracking the elapsed times from a request for service to when a task order is awarded. However, there are no standards, as of now, for assessing timeliness.

¹GAO, *Satellite Communications: Strategic Approach Needed for DOD's Procurement of Commercial Satellite Bandwidth*, GAO-04-206 (Washington, D.C.: Dec 10, 2003).

Sixth GAO Recommendation:

Strengthen DOD's capacity to provide accurate and complete analyses of commercial bandwidth requirements, spending, and the capabilities of commercial satellite providers by enhancing core internal technical expertise and information systems.

DOD's reported actions

- Revised process for defining user requirements to ensure accurate information on potential commercial bandwidth requirements. Plans to conduct annual reviews of planned versus actual bandwidth usage.
- Spending assessments to be enabled through budget process and acquisition strategy.
- DOD plans to institute a regular forum with industry to exchange information regarding DOD requirements, commercial system capabilities, and future technology needs and plans.

GAO observations

- DOD has partially addressed the recommendation. The revised SATCOM requirements determination process requires users to stratify requirements.
- DOD is modernizing the satellite database to allow better requirements analyses.
- DOD's report does not state how the budget process and acquisition strategy will yield better spending analyses.
- DOD's report does not state how internal expertise will be enhanced.
- DOD is collecting information from industry on its capabilities. Plans for an initial industry forum are in place.

¹GAO, *Satellite Communications: Strategic Approach Needed for DOD's Procurement of Commercial Satellite Bandwidth*, GAO-04-206 (Washington, D.C.: Dec 10, 2003).



Seventh Recommendation¹

Seventh GAO Recommendation:

Assess, and implement as needed, changes to the key elements of the existing acquisition process—including requirements generation, solution development and evaluation, and contract vehicles—to facilitate a more strategic approach

DOD's reported actions

- Policy memorandum/action plan outlines changes to acquisition and provisioning approach to obtain favorable terms and conditions and improve timely services.
- Planned improvements for provisioning, to include parallel provisioning activities, automated workforce management, user-friendly forms and input methods, and cost-focused and speedy action.
- Cost-benefit analysis considered 10 alternative acquisition options and DOD's report announced a two-phased acquisition approach.
- Assessment of warfighter needs included notional responsiveness timelines.

GAO observations

- DOD partially addresses the recommendation by completing the assessment part and proceeding with a two-phased implementation.
- Analysis of the 10 acquisition options used the eight attributes, as appropriate, desired by the warfighter for assessing the benefits of each option. Success of the option selected, however, will depend on realization of planned process improvements.
- A policy memorandum and action plan issued in December 2004 cover requirements planning, provisioning and acquisition, operations management, and alignment with military satellite programs.
- Implementation of planned improvements in the provisioning process should resolve many previous user complaints. Phase II acquisition strategy still needed.

¹GAO, *Satellite Communications: Strategic Approach Needed for DOD's Procurement of Commercial Satellite Bandwidth*, GAO-04-206 (Washington, D.C.: Dec 10, 2003).

DOD Commercial Satellite Communication Attributes

Capability	Summary description
Coverage	World-wide commercial FSS services including C-band, Ku-band, commercial Ka-band and commercial X-band from 70° N to 70° S
NetOps	Global situational awareness, circuit and equipment status and resolution management, radio frequency interference resolution management, operational configuration management, NetOps tools integration, information assurance, military satellite communications process integration, performance management, trend analysis
Flexibility, Optimization	"Re-grooming" space segment and earth terminal /teleport resources for spectral and price efficiencies
Capacity	Specific capacities to meet the respective commercial SATCOM service type
Protection	Areas include terrestrial physical security; cyber security; radio frequency interference incident management; personnel security; and operations management
OPSEC	Covertress, methods to protect sensitive information, number of organizations and staff that have access to critical information, etc.
Portability	Portability of bandwidth to different geographic regions
Responsiveness	Timeline to activate critical circuit needs, single point of contact, streamlined provisioning, support operational planning

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