



United States Department of the Interior

Office of Inspector General

Washington, D.C. 20240

July 16, 2004

Memorandum

To: Assistant Secretary for Policy, Management and Budget

From: Earl E. Devaney
Inspector General

Subject: Review of 12 Procurements Placed Under General Services
Administration Federal Supply Schedules 70 and 871 by the National
Business Center (Assignment No. W-EV-OSS-0075-2004)

At your request, we reviewed 12 procurements, valued at \$81.1 million, placed by the Department of the Interior's (DOI) National Business Center (NBC) on behalf of U.S. Army clients contracting for interrogation, intelligence, logistics, and security services under General Services Administration (GSA) Federal Supply Schedules. The Attachment to this memorandum presents a summary of these orders. We limited our review to determining whether the procurements for the two contractors cited in the Attachment were within the scope of the GSA schedules used.

RESULTS OF REVIEW

We found that procurements made under GSA schedules for Information Technology (No. 70) and Professional Engineering Services (No. 871) were outside the scope of work for these schedules. Our review of the 12 procurements found that 11 were outside the scope of work for these schedules. The procurements were placed by the Southwestern Branch of NBC's Acquisition Services Division, located in Fort Huachuca, Arizona. DOI personnel placed the procurements under existing GSA blanket purchase agreements for Schedules 70 and 871. Given the improper contracting method used, these 11 procurements should be terminated.

Based on our review, we determined that DOI's contract personnel had misused GSA's schedules. A preliminary review by GSA's Acquisition Policy Division and an internal review by NBC concluded the same. In addition, we note that NBC is working with GSA and the Department of the Defense to address this situation. GSA and NBC are also reviewing 10 other Department of Defense procurements to identify any contracting irregularities.

Given that corrective action is underway and that GSA's Acquisition Policy Division is examining other potential-problem procurements awarded by Fort Huachuca, we are terminating our review of procurement activities at this time. However, we plan

to open an investigation into the conduct of the individuals involved in these matters, and to include in our annual work plan an evaluation of the DOI's fee-for-service activities to assess management controls over, and the relative benefits to, the Department of performing these services.

BACKGROUND

GSA schedules establish government-wide contracts with commercial firms that permit government offices to order a wide assortment of commercially available goods and services directly from these firms. Schedule 70, Information Technology, provides for a wide spectrum of information technology solutions, including network service telecommunications and hard- and software purchases. The Code of Federal Regulations 48 CFR 2.101 defines Information Technology as:

Any equipment, or interconnected system(s) or subsystem(s) of equipment, that is used in the automatic acquisition, storage, manipulation, management, movement, control, display, switching, interchange, transmission or reception of data or information by the agency. . . . Information technology [also] includes computers, ancillary equipment, software, firmware and similar procedures, services (including support services), and related resources.

Information Technology services and products, however, do not include interrogation and intelligence. The use of Schedule 70 to obtain such services was therefore improper and outside the schedule's scope. Likewise Schedule 871 provides for a wide spectrum of professional engineering disciplines and engineering-related services needed to complete projects. This schedule covers electrical, mechanical, and chemical engineering services, but does not include computer engineering and information technology services or strategic debriefing, intelligence analyses, and other intelligence-related services cited in the order's statement of work. Accordingly, the use of Schedule 871 to obtain such services was improper and outside the schedule's scope.

TRANSACTIONS

NBC has issued several procurements for the Department of Defense through GSA Federal Supply Schedules and through separate contracts. Starting in 2003, NBC contracted for interrogation and other intelligence-related services for Iraq and the U.S. Navy Base at Guantanamo Bay, Cuba. These procurements involved primarily two contractors: Premier Technology Group (before acquisition by CACI) and ACS Defense, Inc. (before acquisition by Lockheed Martin).

Premier Technology Group/CACI Premier Technology Inc. On September 1, 1998, the Army Directorate of Contracting at Fort Huachuca, Arizona, awarded a blanket purchase agreement (DABT-63-98-A-0009) for information technology to Premier Technology Group. On January 14, 2001, the Directorate transferred the purchase agreement to NBC. NBC modified the agreement on January 26, 2001 to assign an NBC number (NBCHA010005) and in July 2003 to reflect CACI's acquisition of Premier Technology Group in May of that year. Subsequently, 81 delivery orders were issued to

CACI under the existing blanket purchase agreement, of which 11 (see Attachment) are of primary concern. Of the 11 orders issued (valued at \$66.2 million), 6 (Nos. 35, 36, 37, 38, 71, and 72—valued at \$52.1 million) were issued predominately for interrogation, intelligence, and security services in Iraq. Neither the GSA nor our review could find any existing schedule that provided for these services. Of the remaining five orders, four (Nos. 64, 67, 73, and 80—valued at \$12.9 million) were primarily for logistics services and should have been procured under GSA Schedule 874V (GSA Logistics Worldwide). Order 70 (valued at \$1.2 million) was properly procured under Schedule 70.

ACS Defense Inc./Lockheed Martin Corp. In November 2002, GSA’s Federal Technology Services, Region 6, used Schedule 70 to procure intelligence analysis and strategic debriefing services for the U.S. Navy at Guantanamo Bay from ACS Defense. In November 2003, ACS Defense was acquired by Lockheed Martin. In January 2004, GSA discovered the order during an internal review and directed that the order be terminated because it was improperly placed against Schedule 70. GSA also determined that none of its schedules provided for interrogation services. The Army subsequently asked NBC to acquire these services, and NBC issued an order for the services under GSA’s Professional Engineering Services Schedule 871. Reviews by GSA, NBC, and our office determined that these services were outside the scope of Schedule 871.

CONTRIBUTING FACTORS

Several factors have contributed to the out-of-scope issues identified for the 11 NBC procurements:

- (1) Lack of an effective system of policies, procedures, and process controls to ensure an equitable and competitive contracting environment that complies with acquisition laws and regulations and protects the public interest and resources,
- (2) Lack of monitoring and oversight by NBC management, and,
- (3) The inherent conflict in a fee-for-service operation, where procurement personnel in their eagerness to enhance organization revenues have found shortcuts to Federal procurement procedures and procured services for clients whose own agencies might not do so.

Without the checks and balances provided by effective internal controls, the “risk taking,” “out-of-box” thinking, and “one-stop shopping” advertised by NBC and encouraged by fee-for-service organizations can result in inappropriate procurements. Some or all of these factors have been noted in independent reviews of government procurements by the General Accounting Office, and GSA’s and DOD’s Inspectors General.

RECOMMENDATIONS

We are encouraged to learn that the Department of Defense, GSA, NBC, and the DOI's Office of Acquisition and Property Management are collaborating to correct the out-of-scope procurements and provide for continuation of needed services through appropriate contracting instruments. These agencies are also taking actions to help ensure that these types of procurement deficiencies do not occur in the future. In addition, however, we recommend that the Assistant Secretary for Policy, Management and Budget direct appropriate officials to:

1. Terminate all active orders and contracts with CACI and Lockheed Martin that are not within the scope of the GSA schedules cited as the basis for securing the services. In conjunction with this action, determine the appropriate organization and contracting instrument for continuing any services which are determined to be vital to the Army.

2. Revise the criteria for Alternative Management Control Review of acquisition functions to include a review of NBC procurements, whether made through GSA schedules or through other contracting instruments, to identify misuse or improper use of contracting authority.

3. Develop formal policies, procedures, and process controls to address the problems identified in our report and by GSA and other organizations to prevent the recurrence of these conditions.

4. Perform another Alternative Management Control Review of NBC acquisition functions under your office in 2005 to ensure that policy and procedure revisions were fully implemented and to determine whether additional changes are necessary.

Attachment

Attachment

SUMMARY OF ORDERS REVIEWED

Contractor	Order/ Contract ¹	Services To Be Provided	Our Assessment	Contract Value	Disbursements 6/04/04 ²
CACI	0035	Interrogation cell management and support.	Work is outside scope of Schedule 70.	\$19,915,407	\$8,878,659
CACI	0036	Screening cell management and support.	Work is outside scope of Schedule 70.	\$3,222,503	\$2,046,820
CACI	0037	Open-source intelligence cell support and analysis of news media.	Work is outside scope of Schedule 70.	\$1,254,367	\$711,297
CACI	0038	Special security office to assist, supervise, coordinate, and monitor all aspects of security.	Work is outside scope of Schedule 70.	\$998,117	\$449,045
CACI	0064	Provide and maintain operational property book team.	Work is primarily logistics and outside scope of Schedule 70, but allowable under Schedule 874V.	\$952,695	\$492,860
CACI	0067	Provide and maintain operational property book team.	Work is primarily logistics and outside scope of Schedule 70, but allowable under Schedule 874V.	\$6,191,315	\$3,842,870
CACI	0070	Provide Standard Army Management Information System technical and training support.	No Issue. Order is within the scope of Schedule 70.	\$1,189,100	\$401,415
CACI	0071	Human intelligence support teams.	Work is outside the scope of Schedule 70.	\$21,799,921	\$3,393,671
CACI	0072	Intelligence support staff.	Work is outside scope of Schedule 70.	\$4,895,478	\$1,353,941
CACI	0073	Establish and staff Command Automation Logistics Assistance Instructional Team.	Work is primarily logistics and outside scope of Schedule 70, but allowable under Schedule 874V.	\$1,822,240	\$602,531
CACI	0080	Provide and maintain operational property book team.	Work is primarily logistics and outside scope of Schedule 70, but allowable under Schedule 874V.	\$3,980,000	\$307,776
CACI Subtotal				\$66,221,143	\$22,480,885
ACS Defense, Inc. / Lockheed Martin	NBCHF 040147	Conduct and report on strategic debriefing / interrogations of detainees.	Work is outside scope of Schedule 871.	\$14,922,635	\$1,158,673 ³
Lockheed Martin Subtotal				\$14,922,635	\$1,158,673
Total				\$81,143,778	\$23,639,558

¹ All numbers cited are delivery order numbers except for ACS Defense, Inc./Lockheed Martin, which is a contract number.

² These amounts were provided by NBC staff at Fort. Huachuca and were not verified by our office.

³ This amount is as of 6/15/04. It was provided by NBC staff at Fort. Huachuca and was not verified by our office.