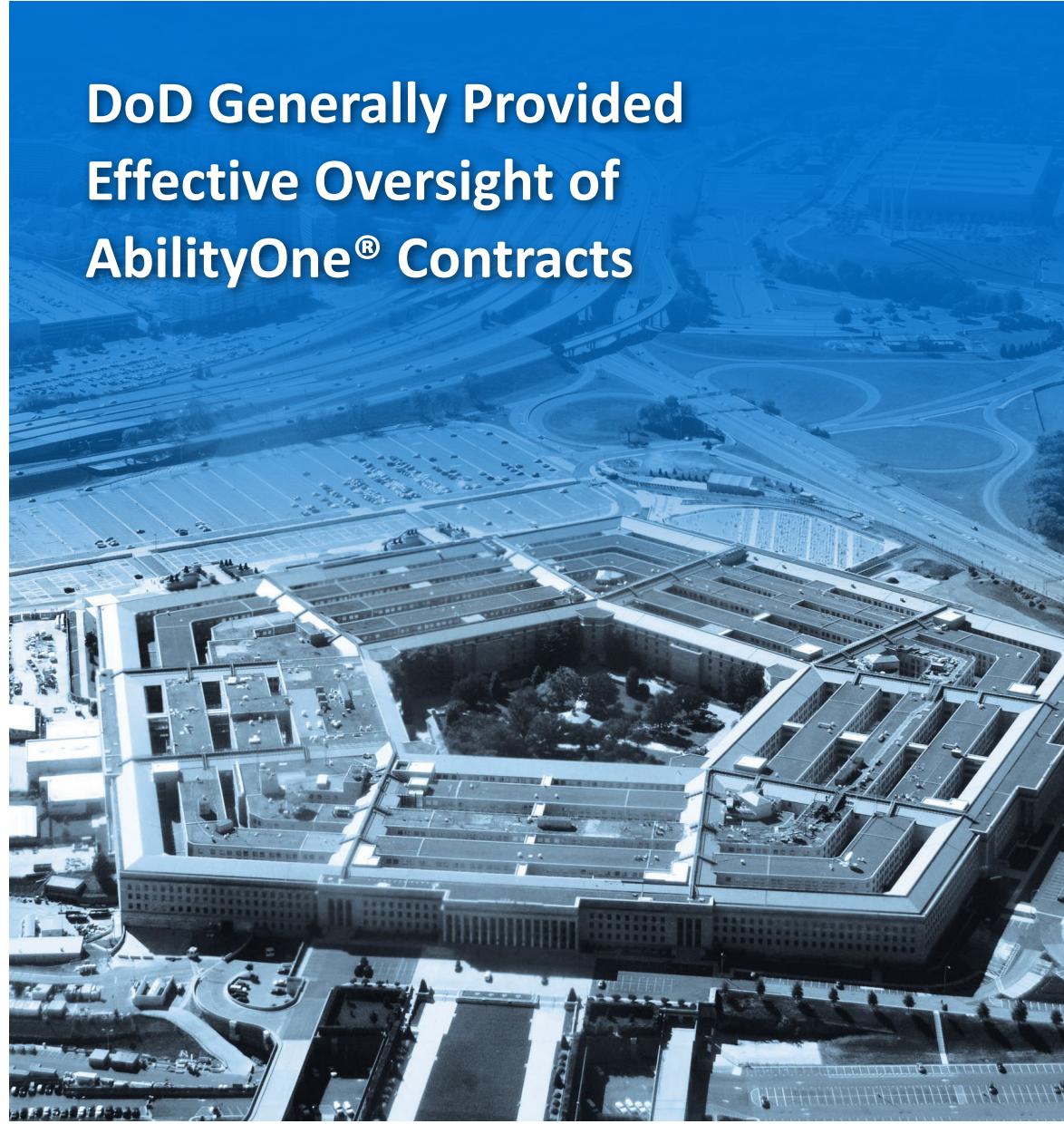




INSPECTOR GENERAL

U.S. Department of Defense

JUNE 17, 2016



DoD Generally Provided Effective Oversight of AbilityOne® Contracts

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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Results in Brief

DoD Generally Provided Effective Oversight of AbilityOne® Contracts

June 17, 2016

Objective

We determined whether DoD effectively provided oversight of AbilityOne® contracts. We conducted this audit in response to a request from the Senate Armed Services Committee. AbilityOne provides people who are blind or have significant disabilities with employment opportunities in the manufacture and delivery of products and services to the Federal Government. We reviewed a nonstatistical sample of 39 DoD contracts with AbilityOne contractors, valued at \$579.3 million (Federal Procurement Data System-Next Generation value), out of 203 contracts, valued at \$2.3 billion.

Finding

DoD generally provided effective oversight of 39 AbilityOne contracts valued at \$594.6 million (contract awarded value including options). For all 19 service contracts, valued at \$431.3 million, Army, Navy, and Air Force program and contracting personnel prepared quality assurance surveillance plans (QASPs) that met Federal Acquisition Regulation requirements. Further, contracting officer's representatives (CORs) were in general properly trained and designated, and in general they properly documented surveillance. However, one COR conducted surveillance based on customer complaints when the QASP stated the method of assessment was periodic surveillance. This occurred because the COR used a QASP created from a standard template

Finding (cont'd)

that was not updated for the type of contract used for this procurement. Another COR did not document or conduct surveillance in accordance with the QASP. The COR stated this occurred because the command did not have enough people to perform surveillance. Finally, one contracting officer did not prepare a letter designating the COR on one contract.

For 13 supply contracts, valued at \$135.9 million, of 20 supply contracts, Army and Defense Logistics Agency (DLA) contracting officers assigned quality assurance representatives who inspected and accepted the products procured. For the remaining seven contracts, valued at \$27.4 million, DLA contracting officers obtained a material receipt acknowledgement when DoD personnel received the supplies, in accordance with a DLA Directive. No DLA personnel, customers, or end users notified the contracting officers of any problems with the supplies for these contracts.

As a result, DoD received the services and supplies, procured in accordance with section 8504, title 41, United States Code, provided by nonprofit agencies that employed workers who are blind or have significant disabilities.

However, contracting officers at Army Contracting Command–Rock Island, Illinois; Air Combat Command Acquisition Management and Integration Center, Newport News, Virginia; and DLA Troop Support, Philadelphia, Pennsylvania, awarded three contracts, valued at \$37.9 million, including options, for services and supplies not on the Procurement List—the list of products and services, under the AbilityOne Program, that are required sources for the Government. This occurred because the contracting officers either relied on the central nonprofit agencies' direction or the previous procurement as evidence that the services and supplies were on the Procurement List. As a result, the contracting officer for DLA Troop Support Philadelphia should have followed the competition rules in Federal Acquisition Regulation Part 6 to potentially save funds on the supplies procured, valued at \$1.2 million.



Results in Brief

DoD Generally Provided Effective Oversight of AbilityOne® Contracts

Recommendations

We recommend that the Director, Defense Procurement and Acquisition Policy, issue a policy memorandum requiring DoD contracting officers to ensure all products and services procured under AbilityOne are on the AbilityOne Procurement List before contract award, update existing training to clearly define DoD contracting officers' roles and responsibilities when awarding contracts under AbilityOne, and require that all contracting personnel planning to procure under AbilityOne complete the updated AbilityOne training.

Management Comments and Our Response

Comments from the Director, Defense Procurement and Acquisition Policy, addressed the specifics of the recommendations, and no further comments are required. Please see the Recommendations Table on the next page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Director, Defense Procurement and Acquisition Policy		1.a, 1.b, and 1.c





**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

June 17, 2016

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
ASSISTANT SECRETARY OF THE AIR FORCE
(FINANCIAL MANAGEMENT AND COMPTROLLER)
DIRECTOR, DEFENSE LOGISTICS AGENCY
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: DoD Generally Provided Effective Oversight of AbilityOne® Contracts
(Report No. DODIG-2016-097)

We are providing this report for your information and use. We conducted this audit in response to a request from the Senate Armed Services Committee. DoD generally provided effective oversight of 39 AbilityOne contracts valued at \$594.6 million. However, contracting officers at Army Contracting Command–Rock Island, Illinois; Air Combat Command Acquisition Management and Integration Center, Newport News, Virginia; and Defense Logistics Agency Troop Support Philadelphia, Pennsylvania, awarded three contracts valued at \$37.9 million, including options, for services and supplies not on the AbilityOne Procurement List. The contracting officer for Defense Logistics Agency Troop Support Philadelphia should have followed the competition rules in Federal Acquisition Regulation Part 6, “Competition Requirements,” to potentially save DoD funds on the supplies procured, valued at \$1.2 million. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report when preparing the final report. Comments from the Director, Defense Procurement and Acquisition Policy, conformed to the requirements of DoD Directive 7650.3; therefore, we do not require additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9187 (DSN 664-9187).

A handwritten signature in blue ink, appearing to read "M. Roark", is positioned above the typed name.

Michael J. Roark
Assistant Inspector General
Contract Management and Payments

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Acronyms and Abbreviations

Introduction

Objective

We determined whether DoD effectively provided oversight of AbilityOne® contracts. See Appendix A for the scope and methodology and prior audit coverage related to the objective.

Background

We conducted this audit in response to a request from the Senate Armed Services Committee. In August 2015, senior leadership from the DoD Office of Inspector General met with the Senate Armed Services Committee staff in response to a July 2015 media report on the AbilityOne Program. The AbilityOne Program provides people who are blind or have significant disabilities with employment opportunities in the manufacture and delivery of products and services to the Federal Government.¹ We briefed the Senate Armed Services Committee staff on the audit in March 2016.

Committee for Purchase From People Who Are Blind or Severely Disabled

Section 8502, title 41, United States Code (41 U.S.C. § 8502 [2011]) established the Committee for Purchase From People Who Are Blind or Severely Disabled.² The Committee consists of 15 members appointed by the President, including but not limited to one officer or employee from the Department of Defense,³ Department of the Army, Department of the Navy, and Department of the Air Force.

41 U.S.C. § 8503 (2011) sets the duties and powers of the Committee. The Committee maintains and publishes a Procurement List in the Federal Register. The Committee also designates central nonprofit agencies to facilitate the distribution, by direct allocation, subcontract, or any other means, of Federal Government orders for products and services on the Procurement List to “qualified nonprofit agencies for the blind or qualified nonprofit agencies for other severely disabled.”

The Committee determines the fair market price of products and services on the Procurement List and occasionally revises its price determinations based on changing market conditions.

¹ <http://www.abilityone.gov/commission/mission.html>.

² The United States Code, the Code of Federal Regulations, and the Federal Acquisition Regulation all refer to the U.S. AbilityOne Commission as the “Committee for Purchase From People Who Are Blind or Severely Disabled, or “the Committee.” Therefore, in this report, regulations that refer to the “Committee” refer to the “U.S. AbilityOne Commission.”

³ The DoD appointee is from the Defense Logistics Agency.

41 U.S.C. § 8504 (2011) states that when procuring a product or service on the Procurement List, the Federal Government entity must procure the product or service from a qualified nonprofit agency for the blind or severely disabled, if the product or service is available within the period required by the entity.

According to the Federal Acquisition Regulation (FAR),⁴ the Committee is responsible for determining the supplies and services to be purchased by all Government entities from the AbilityOne participating nonprofit agencies, establishing prices for the supplies and services, and establishing rules and regulations to implement 41 U.S.C. § 8503 (2011).

Required Source: AbilityOne Procurement List

The FAR also requires that the Committee maintain a Procurement List⁵ of all supplies and services required to be purchased from AbilityOne participating nonprofit agencies.⁶ Therefore, under the AbilityOne Program, contracting officers must procure items from the AbilityOne Procurement List. Items on the Procurement List include products such as first aid kits, wood pallets and boxes, and services such as custodial and grounds maintenance.

Army, Navy, Air Force, and Defense Logistics Agency Contracts Reviewed

We queried Federal Procurement Data System-Next Generation (FPDS-NG)⁷ and found that from October 1, 2014, through August 11, 2015, DoD awarded 203 contracts⁸ valued at \$2.3 billion (including options) to AbilityOne contractors. We nonstatistically selected sites to review based on the number of contracts, dollar value, and the product or service code description. See the Table for the sites selected, number of contracts, dollar value, and whether the Government received supplies or services at each site. We nonstatistically selected 39 contracts, valued at \$579.3 million,⁹ to review. See Appendix A for the methodology of the FPDS-NG query and contract selection. See Appendix B for the 39 DoD AbilityOne contracts reviewed.

⁴ FAR 8.702, "Acquisition from Nonprofit Agencies Employing People Who Are Blind or Severely Disabled – General."

⁵ The Procurement List is publicly available at: <http://www.abilityone.gov/>.

⁶ FAR 8.703, "Procurement List."

⁷ FPDS-NG is a web-based tool that contracting personnel use to report contract actions.

⁸ DoD awarded 203 contracts above the simplified acquisition threshold of \$150,000.

⁹ This is the FPDS-NG contract value (including options).

Table. DoD AbilityOne Contracts by Site

Contract Breakdown				
Site	Number of Contracts	Contract Value (including options)	Supplies	Services
Department of the Army				
Army Contracting Command Rock Island, Illinois	6	\$6,579,373	5	1
Army Medical Command Fort Sam Houston, Texas	2	82,000,000	0	2
Subtotal Army	8	\$88,579,373	5	3
Department of the Navy				
Naval Facilities Engineering Command Atlantic, Norfolk, Virginia	1	\$113,998,887	0	1
Naval Facilities Engineering Command Mid-Atlantic, Norfolk, Virginia	4	59,495,877	0	4
Subtotal Navy	5	\$173,494,764	0	5
Department of the Air Force				
Air Combat Command Acquisition Management and Integration Center, Newport News, Virginia	2	\$30,246,739	0	2
Air Education and Training Command Joint Base San Antonio, Fort Sam Houston, Texas	1	986,623	0	1
Air Education and Training Command Joint Base San Antonio, Lackland, Texas	5	91,041,102	0	5
Air Education and Training Command Joint Base San Antonio, Randolph Air Force Base, Texas	2	19,816,423	0	2
Air Force Installation Contracting Agency San Antonio, Texas	1	33,526,174	0	1
Subtotal Air Force	11	\$175,617,061	0	11
Defense Logistics Agency				
Defense Logistics Agency Aviation Richmond, Virginia	7	\$54,052,816	7	0
Defense Logistics Agency Troop Support Philadelphia, Pennsylvania	8	102,869,338	8	0
Subtotal Defense Logistics Agency	15	\$156,922,154	15	0
Total	39	\$594,613,352	20	19

Review of Internal Controls

DoD Instruction 5010.40¹⁰ requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses related to Army, Air Force, and Defense Logistics Agency (DLA) contracting officers awarding three contracts for services and supplies not on the Procurement List. We will provide a copy of the report to the senior official responsible for internal controls at the Office of Defense Procurement and Acquisition Policy, Army, Air Force, and DLA.

¹⁰ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding

DoD Generally Provided Effective Oversight of AbilityOne® Contracts

DoD generally provided effective oversight of 39 AbilityOne contracts valued at \$594.6 million. For all 19 service contracts, valued at \$431.3 million, Army, Navy, and Air Force program and contracting personnel prepared quality assurance surveillance plans (QASPs) that met FAR requirements. Further, contracting officer's representatives (CORs) were in general properly trained and designated, and in general they properly documented surveillance. However, one COR did not conduct surveillance in accordance with the QASP for one contract. This occurred because the COR used a QASP created from a standard template that was not updated for the type of contract. The COR on another contract did not document or conduct surveillance in accordance with the QASP. The COR stated this occurred because the command did not have enough people to perform surveillance. Finally, one contracting officer did not prepare a designation letter for the COR on one contract, but the contracting officer was in the process of correcting the error.

For 13 supply contracts, valued at \$135.9 million, of 20 supply contracts, valued at \$163.3 million, Army and DLA contracting officers assigned quality assurance representatives (QARs) who inspected and accepted the products procured. For the remaining seven contracts, valued at \$27.4 million, DLA contracting officers obtained a material receipt acknowledgement when DoD personnel received the supplies, in accordance with a DLA Directive. No DLA personnel, customers, or end users notified the contracting officers of any problems with the supplies for these contracts.

As a result, DoD received the services and supplies, procured in accordance with 41 U.S.C. § 8504 (2011), provided by nonprofit agencies that employed workers who are blind or have significant disabilities.

However, contracting officers at Army Contracting Command–Rock Island, Air Combat Command Acquisition Management and Integration Center, and DLA Troop Support Philadelphia awarded three contracts valued at \$37.9 million, including options, for services and supplies not on the Procurement List. This occurred because the contracting officers either relied on the direction of

the central nonprofit agencies¹¹ or the previous procurement as evidence that the services and supplies were on the Procurement List. As a result, the contracting officer for DLA Troop Support Philadelphia should have followed the competition rules in FAR Part 6, "Competition Requirements," to potentially save DoD funds on the supplies procured, valued at \$1.2 million.¹²

The Army, Navy, and Air Force Generally Provided Effective Oversight of AbilityOne Service Contracts

For all 19 service contracts, valued at \$431.3 million, Army, Navy, and Air Force contracting personnel generally provided effective oversight.

For all 19 service contracts, valued at \$431.3 million, Army, Navy, and Air Force contracting personnel generally provided effective oversight. For all 19 service contracts, Army, Navy, and Air Force program and contracting personnel prepared QASPs that met FAR requirements. Further, CORs were in general properly trained and designated, and in general they properly documented surveillance; however, one COR did not conduct surveillance in accordance with the QASP for one contract. The COR on another contract did not document or conduct surveillance in accordance with the QASP. Finally, one contracting officer did not provide a COR designation letter for one service contract.

Army, Navy, and Air Force Program and Contracting Personnel Included All Work Requiring Surveillance and the Method of Surveillance in the QASP

Army, Navy, and Air Force program and contracting personnel prepared QASPs that met FAR requirements for all 19 service contracts. FAR 46.401¹³(a) (1) and (2) state:

Government contract quality assurance shall be performed at such times (including any stage of manufacture or performance of services) and places (including subcontractors' plants) as may be necessary to determine that the supplies or services conform to contract requirements. Quality assurance surveillance plans should be prepared in conjunction with the preparation of the statement of work. The plans should specify: (1) all work requiring surveillance; and (2) the method of surveillance.

¹¹ The central nonprofit agencies issued a direct order authorization to the contracting activity informing it that a product or service was under the AbilityOne Program as outlined in FAR 8.705-2, "Direct Order Process."

¹² For one contract, the item would have been sole sourced. For another contract, the item was on the Procurement List, but inadvertently dropped off. For the last contract, one of the items was added to the Procurement List 1 year later; however, another item should have been competed.

¹³ FAR Subpart 46.4 "Government Contracts Quality Assurance," 46.401, "General."

Program and contracting personnel included all work requiring surveillance and the method of surveillance in the QASP in accordance with the FAR. We compared the QASP and performance work statement for the 19 service contracts. In general, program and contracting personnel prepared QASPs that included the work requiring surveillance and the method for surveillance as required in the performance work statements for all 19 service contracts.

For all 19 service contracts, Army, Navy, and Air Force contracting officers designated the place where the Government reserved the right to perform surveillance in the contract. FAR 46.401(b) states, "Each contract shall designate the place or places where the Government reserves the right to perform quality assurance." Most service contracts stated the type of service procured and the location for performance.

Army, Navy, and Air Force Personnel Performed and Documented Inspections

The COR or other Government personnel performed and documented inspections in accordance with the FAR for 17 service contracts, valued at \$393.3 million, of 19 service contracts, valued at \$431.3 million. CORs at two DoD installations did not conduct surveillance in accordance with the QASP.¹⁴ FAR 46.401 (e) and (f) state, "Government inspection shall be performed by or under the direction or supervision of Government personnel and the Government inspection shall be documented." One Naval Facilities Engineering Command Mid-Atlantic COR conducted surveillance based on customer complaints; however, the QASP¹⁵ stated the method of assessment was periodic surveillance. This occurred because the COR used a QASP created from a standard template. Contracting personnel did not update the standard template to include the intended form or assessment of services. An Air Force Installation Contracting Agency COR did not follow the QASP or document surveillance. Instead, the COR e-mailed the contractor the errors found. The COR stated this occurred because the command did not have enough people to perform surveillance. We will not make a recommendation because this was not a systemic problem.

¹⁴ Contracts N40085-15-D-7500 and FA8052-15-C-0003.

¹⁵ Naval Facilities Engineering Command refers to QASPs as functional assessment plans.

For 18 contracts, valued at \$391.4 million, of 19 contracts, valued at \$431.3 million, Army, Navy, and Air Force CORs were properly trained and designated. For the remaining contract,¹⁶ the contracting officer did not provide a COR designation letter. The contracting officer explained that there were CORs for the contract; however, the contracting officer did not complete a COR designation letter. The contracting officer stated he was in the process of correcting the error. We will not make a recommendation because this was not a systemic problem.

As a result, for the 19 service contracts valued at \$431.3 million, DoD received the services, procured in accordance with 41 U.S.C. § 8504 (2011), provided by nonprofit agencies that employed workers who are blind or have significant disabilities.

Army and DLA Personnel Generally Provided Effective Oversight for AbilityOne Supply Contracts

For all 20 supply contracts, valued at \$163.3 million, Army and DLA contracting and quality assurance personnel generally provided effective oversight. For 19 supply contracts, valued at \$134.8 million, of the 20 supply contracts, valued at \$163.3 million, Army and DLA contracting officers determined a fair and reasonable price.

Army and DLA Contracting and Quality Assurance Personnel Provided Effective Oversight

For 13 contracts, valued at \$135.9 million, of the 20 contracts, valued at \$163.3 million, Army and DLA contracting officers assigned an Army or Defense Contract Management Agency QAR for inspection and acceptance of the products procured. The QARs provided effective oversight for the 13 contracts valued at \$135.9 million. Army and Defense Contract Management Agency QARs performed product reviews using a surveillance plan or equivalent documents such as inspection plans, checklists, or quality assurance letters of instruction. Army and Defense Contract Management Agency QARs also signed acceptance or receiving reports generally in the Invoicing, Receiving, Acceptance, and Property Transfer system.

¹⁶ Contract FA3047-15-D-0025.

For one DLA Aviation Richmond contract,¹⁷ valued at \$1 million, and six DLA Troop Support Philadelphia contracts,¹⁸ valued at \$26.4 million, the contracting officers did not assign QARs to perform inspection or acceptance on the products procured.¹⁹ The DLA contracting officers did not assign QARs because the default point for inspection and acceptance is at the destination, as outlined by DLA Directive 46.402 (S-90) when the requirements of FAR 46.402, “Contract Quality Assurance at Source,” do not apply. DLA personnel, the customers, or end users inspected and accepted the supplies. DLA contracting officers received a material receipt acknowledgement when the DLA personnel, the customers, or end users received the supplies. DLA contracting personnel stated there were no quality concerns on these contracts.

As a result, for the 20 supply contracts valued at \$163.3 million, DoD received the supplies, procured in accordance with 41 U.S.C. § 8504 (2011), provided by nonprofit agencies that employed workers who are blind or have significant disabilities.

Army and DLA Contracting Officers Generally Determined Fair and Reasonable Prices

For 19 supply contracts, valued at \$134.8 million, of the 20 supply contracts, valued at \$163.3 million, Army and DLA contracting officers determined a fair and reasonable price. Contracting officers performed price analysis, market research, relied on original price analysis when prices remained steady, or compared proposed prices to previous contract prices or commercial prices for similar products.

For one DLA Troop Support Philadelphia contract,²⁰ valued at \$28.5 million, the contracting officer performed limited price analysis with the information available but could not make a fair and reasonable price determination. However, the actions taken by contracting personnel met the intent of the DLA Directive 15.404-2(d), “Deficient proposals.” For this contract, fabric supplied solely by a foreign company made up 70 percent of the total product cost; the nonprofit agency cut and sewed the fabric into the final product. The contracting officer requested pricing assistance from the Defense Contract Audit Agency. However, the foreign company would not provide cost or pricing data to the Defense Contract Audit Agency, DLA, or the foreign government. Therefore, the contracting officer determined the proposed prices were the best obtainable prices and supportable based on

¹⁷ Contract SPE4A6-15-D-0095.

¹⁸ Contracts SPE2DS-15-D-N002; SPE8EG-15-D-0002; SPE2DS-15-D-N004; SPE2DS-15-M-N543; SPE2DS-15-M-N548; and SPE8EH-15-M-0408.

¹⁹ The products were hazardous material spill containment and cleanup equipment and material, first aid kits, garden hoses, and antifeash fireman hoods.

²⁰ Contract SPE1C1-15-D-N004.

market changes from the last award. Contracting personnel stated while there was not sufficient evidence to find the price fair and reasonable, there was also insufficient information to find that the prices were not fair and reasonable. Since the contracting officer could not obtain cost or pricing data, the contracting officer informed all management levels, including the head of the contracting activity, and documented the situation in the price negotiation memorandum. The head of the contracting activity also made an effort to secure cost or pricing data. We are not making a recommendation because this is not a systemic problem and contracting personnel met the intent of the DLA Directive requirements.

DoD Contracting Officers Generally Procured Services and Products on the AbilityOne Procurement List

For 18 service contracts, valued at \$408.5 million, of the 19 service contracts, valued at \$431.3 million, Army, Navy, and Air Force contracting officers awarded AbilityOne contracts for services on the Procurement List.

Army, Air Force, and DLA Troop Support Philadelphia contracting officers awarded three contracts, valued at \$37.9 million, for services and supplies not on the Procurement List.

For 18 supply contracts, valued at \$148.1 million, of the 20 supply contracts, valued at \$163.3 million, Army and DLA contracting officers awarded AbilityOne contracts for products on the Procurement List. However, Army, Air Force, and DLA Troop Support Philadelphia contracting officers awarded three contracts, valued at \$37.9 million, for services and supplies not on the Procurement List. We

recommend that the Director, Defense Procurement and Acquisition Policy, issue a policy memorandum requiring

DoD contracting officers to ensure all products or services procured under AbilityOne are on the Procurement List, update existing training to clearly define DoD contracting officers' roles and responsibilities when awarding contracts under AbilityOne, and require that all contracting personnel planning to procure under AbilityOne complete the updated AbilityOne training.

Army Contracting Officer Procured a Product Not on the AbilityOne Procurement List

For one Army Contracting Command–Rock Island contract,²¹ valued at \$5.2 million, the contracting officer procured one national stock number (NSN)²² for 30-millimeter tube and strap assemblies not on the Procurement List. Based on market research, the contracting officer determined the nonprofit agency was the only manufacturer

²¹ Contract W52P1J-15-D-0079.

²² NSN 1305-01-368-5538.

and commercial private sector producers did not manufacture the product. The contracting officer stated the previous procurement for the 30-mm tube and strap assemblies was under AbilityOne, so she searched the Procurement List. However, she did not find the item on the list. The contract specialist contacted a representative from the central nonprofit agency, who provided a point of contact at the AbilityOne participating nonprofit agency that produced the item. The contracting officer stated she relied on the direction of the central nonprofit agency in determining whether the item was on the Procurement List. Even though she relied on the central nonprofit agency's direction, she did not meet the intent of the requirements in FAR 6.302-5, "Authorized or Required by Statute," to award the 30-mm tube and strap assemblies under AbilityOne. She may have been able to use another FAR sole-source authority; however, the contracting officer did not prepare a justification for other than full and open competition to determine whether another sole-source authority applied as outlined in FAR Subpart 6.3, "Other Than Full and Open Competition."

Air Force Contracting Officer Procured Services Not on the AbilityOne Procurement List

For one Air Combat Command Acquisition Management and Integration Center contract,²³ valued at \$22.7 million, the contracting officer procured mail services not on the Procurement List. The contracting officer procured official mail and postal service center services that were on the Procurement List for various Air Force base locations; however, official mail center services at Seymour-Johnson Air Force Base, North Carolina, were not on the Procurement List. This occurred because the contracting officer relied on the previous procurement. The Air Force contracting officer stated he spoke to a central nonprofit agency representative who informed him that the services at Seymour-Johnson Air Force Base were unknowingly deleted from the Procurement List when the nonprofit agency providing the services changed. The Air Force administrative contracting officer stated the AbilityOne Commission and central nonprofit agency are updating the Procurement List to include official mail center services at Seymour-Johnson Air Force Base.

²³ Contract FA4890-15-C-0013.

DLA Contracting Officer Procured a Product Not on the AbilityOne Procurement List

For one DLA Troop Support Philadelphia contract,²⁴ valued at \$10 million, the contracting officer procured NSNs²⁵ for a first aid kit not on the Procurement List. However, the AbilityOne Commission determined before award that the joint first aid kit (JFAK), Air Force Version²⁶ was a variation of similar first aid kits already on the Procurement List and authorized the contracting officer to procure the JFAK, Air Force Version under the AbilityOne Program. One year after contract award, the AbilityOne Commission added the NSNs for the first aid kit to the Procurement List.

During contract performance, the customer reconfigured the JFAK, Air Force Version to include four variations, at different unit prices, with three of the four kits²⁷ assigned the same NSN:

- Reconfigured JFAK,
- JFAK without combat application tourniquet (C-A-T) tourniquets,²⁸
- JFAK without individual pouch and C-A-T carriers, and
- JFAK without C-A-T tourniquets, C-A-T carriers, and individual pouch.

In addition, from September through November 2015, the contracting officer procured the JFAK without C-A-T Tourniquet NSN through 18 delivery orders, valued at \$1.2 million, under the same contract. However, the contracting officer did not incorporate the NSN into the base contract and did not take steps to add the item to the Procurement List. The contracting officer's supervisor stated that rather than issuing a new contract, the contracting officer issued delivery orders because it was similar to what was already being procured. He also stated the contracting officer planned to issue a contract modification to add the NSN to the contract but the modification was not issued because of an administrative oversight. The contracting officer's supervisor stated he and the contracting officer did not check the Procurement List and did not know what the DLA protocol was for checking the Procurement List. He further stated he and the contracting officer relied on the Central Nonprofit Agency Direct Order Authorization, which stated

²⁴ Contract SPE2DS-15-D-N002.

²⁵ NSN 6545-01-632-0167, Joint First Aid Kits, U.S. Air Force Version; NSN 8465-01-633-7981, individual pouches; and NSN 8465-01-633-9717 combat application tourniquet (C-A-T) carrier.

²⁶ The initial JFAK, Air Force Version included an individual pouch, two C-A-T carriers, two C-A-T tourniquets and first aid components (gauze, airway pin, and bandages).

²⁷ NSN 6545-01-632-0167 was assigned to the reconfigured JFAK; JFAK without individual pouch and C-A-T carriers; and JFAK without C-A-T tourniquets, C-A-T carriers, and individual pouch.

²⁸ NSN 6545-01-643-8543.

to award the JFAK without C-A-T tourniquet NSN under the AbilityOne Program. Instead of procuring the NSN under the existing contract, the DLA Troop Support Philadelphia contracting officer could have potentially saved DoD funds by procuring the JFAK Air Force Version without C-A-T tourniquets by following the competition rules in FAR part 6.

Conclusion

Generally, DoD provided effective oversight of 39 AbilityOne contracts valued at \$594.6 million. For 19 supply contracts, valued at \$134.8 million, of the 20 supply contracts, valued at \$163.3 million, Army and DLA contracting officers determined a fair and reasonable price. For 36 contracts, valued at \$556.7 million, of the 39 contracts, valued at \$594.6 million, Army, Navy, Air Force, and DLA contracting officers awarded AbilityOne contracts for products and services on the Procurement List. However, DLA Troop Support Philadelphia contracting personnel should have followed the competition rules in FAR part 6 to potentially save DoD funds when procuring first aid kits valued at \$1.2 million.

Management Comments on the Finding and Our Response

Director, Defense Procurement and Acquisition Policy Comments

The Director stated that the draft report provided examples of contracts for products and services that were not on the AbilityOne Procurement List. She further stated that our report said that full and open competition “should” have been used in these cases, and she recommended changing our report language to “the contracting officer should have followed the competition rules in the Federal Acquisition Regulation part 6.”

Our Response

Based on comments on the finding from the Director, Defense Procurement and Acquisition Policy, we changed the phrase “used full and open competition” to “followed the competition rules in Federal Acquisition Regulation part 6” throughout the report.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Director, Defense Procurement and Acquisition Policy:

- a. **Issue a policy memorandum requiring DoD contracting officers to ensure all products and services procured under AbilityOne are on the AbilityOne Procurement List before contract award.**

Director, Defense Procurement and Acquisition Policy Comments

The Director agreed with the recommendation and will issue a memorandum to the contracting workforce to reiterate the requirements of the Federal Acquisition Regulation. This action will be completed by September 30, 2016.

Our Response

Comments from the Director, Defense Procurement and Acquisition Policy, addressed all specifics of the recommendation, and no further comments are required.

- b. **Update existing training to clearly define DoD contracting officers' roles and responsibilities when awarding contracts under AbilityOne.**

Director, Defense Procurement and Acquisition Policy Comments

The Director agreed with the recommendation and will coordinate with the Defense Acquisition University to update the Continuous Learning Module 023, "AbilityOne Contracting," to clarify the contracting officer roles and responsibilities when procuring goods and services from the AbilityOne Program. The request to the Defense Acquisition University will be completed by June 30, 2016.

Our Response

Comments from the Director, Defense Procurement and Acquisition Policy, addressed all specifics of the recommendation, and no further comments are required.

- c. Require that all contracting personnel planning to procure under AbilityOne complete the updated AbilityOne training.**

Director, Defense Procurement and Acquisition Policy Comments

The Director agreed with the recommendation and stated that once the Defense Acquisition University learning module is updated, a memorandum will be issued that directs the contracting workforce to complete Continuous Learning Module 023, "AbilityOne Contracting," when planning to use the AbilityOne Program.

Our Response

Comments from the Director, Defense Procurement and Acquisition Policy, addressed all specifics of the recommendation, and no further comments are required.

Appendix A

Scope and Methodology

We conducted this performance audit from September 2015 through May 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Universe and Sample Information

To address our audit objective, we queried FPDS-NG to determine the contract universe. We created an FPDS-NG ad hoc query to identify DoD-issued contract actions from October 1, 2014, through August 11, 2015. We used the FPDS-NG ad hoc report filters to include only actions where the contractor was an AbilityOne Program vendor. To review only contracts and not contract actions, we removed:

- contract modifications,
- contracts not issued in fiscal year 2015, and
- task or delivery orders.

We also removed contracts with a base value (including options) below the simplified acquisition threshold (\$150,000). Our FPDS-NG queries identified that DoD awarded 203 contracts valued at \$2.3 billion (including options) to AbilityOne contractors from October 1, 2014, through August 11, 2015.

When nonstatistically selecting sites to visit, we considered whether the product or service code description was for unique or common products or services,²⁹ the total number of contracts issued, the related total contract value (including options), and the proximity of the sites to each other. We selected a nonstatistical sample of 40 contracts valued at \$580 million to review at:

- Army Joint Munitions Command, Army Contracting Command–Rock Island, Illinois;
- Army Medical Command, Fort Sam Houston, Texas;
- Naval Sea Systems Command, Washington Navy Yard, Washington, D.C.;
- Naval Facilities Engineering Command Atlantic, Norfolk, Virginia;

²⁹ We considered unique items as products that appeared to be military related, such as ammunition or parachutes. We considered common items to be custodial services.

- Naval Facilities Engineering Command Mid-Atlantic, Norfolk, Virginia;
- Air Combat Command Acquisition Management and Integration Center, Newport News, Virginia;
- Air Education and Training Command, Joint Base San Antonio, Fort Sam Houston, Texas;
- Air Education and Training Command, Joint Base San Antonio, Randolph Air Force Base, Texas;
- Air Education and Training Command, Joint Base San Antonio, Lackland, Texas;
- Air Force Installation Contracting Agency, San Antonio, Texas;
- DLA Aviation Richmond, Virginia; and
- DLA Troop Support Philadelphia, Pennsylvania.

Of the 40 contracts valued at \$580 million that we nonstatistically selected for review, 1 Navy contract, valued at \$693,002, fell out of our audit scope because it was miscoded in FPDS-NG as being awarded to an AbilityOne contractor. The Naval Sea Systems Command contracting personnel stated this occurred because the contractor's address changed and FPDS-NG read the old address as an AbilityOne contractor. As a result, we reviewed 39 of the 203 contracts, valued at \$579.3 million, that we nonstatistically selected.

Review of Documentation and Interviews

We reviewed pertinent documentation including market research, central nonprofit agency allocation memorandums and direct order authorizations, performance work statements, COR designation letters, COR training certifications, QASPs, Price Negotiation Memorandums, documentation on Government surveillance and oversight, and price reasonableness determinations.

To obtain this documentation, we used the following, to include, but not limited to:

- Electronic Document Access Systems;
- Army Paperless Contract Files;
- Invoicing, Receiving, Acceptance, and Property Transfer system;
- Army Aviation and Missile Research Development and Engineering Center safe access file exchange;
- documents provided on CD; and
- hard copy contract files.

We evaluated the documentation obtained against applicable criteria including:

- FAR Part 6, “Competition Requirements;”
- FAR Part 8, “Required Sources of Supplies and Services;”
- FAR Part 46, “Quality Assurance;”
- DLA Directive Part 15, “Contracting by Negotiation;” and
- DLA Directive Part 46, “Quality Assurance.”

We also reviewed the U.S.C. for information on AbilityOne including:

- 41 U.S.C. § 8502 (2011),
- 41 U.S.C. § 8503 (2011), and
- 41 U.S.C. § 8504 (2011).

We interviewed contracting officers, CORs, QARs, and other DoD personnel to determine how they conducted oversight of AbilityOne contracts. We determined why an AbilityOne contractor was selected for the contract. For supply contracts, we determined how the contracting officer determined fair and reasonable pricing.

We met with the Senate Armed Services Committee staff in August 2015 before we announced the audit. We briefed the Senate Armed Services Committee staff on the audit in March 2016. We met with the AbilityOne Commission Chairperson and executive staff to receive a briefing on the program. We also met with personnel from the Civil Rights Division, U.S. Department of Justice, to discuss the audit. We provided the proposed draft report to AbilityOne Commission staff and Department of Justice personnel. We considered the AbilityOne Commission staff comments on the discussion draft of this report when preparing the draft report. The Department of Justice did not provide comments on the discussion draft.

Use of Computer-Processed Data

We did not use computer-processed data to perform this audit that supported our findings, conclusions, and recommendations.

Use of Technical Assistance

We received assistance from the Quantitative Methods Division at the DoD Office of Inspector General for determining a nonstatistical sample of contracts to review.

Prior Coverage

During the last 5 years, the Government Accountability Office issued one report discussing the AbilityOne Program. Unrestricted GAO reports can be accessed at <http://www.gao.gov>.

GAO

Report No. GAO-13-457, “Employing People with Blindness or Severe Disabilities: Enhanced Oversight of the AbilityOne® Program Needed,” May 2013

Appendix B

DoD AbilityOne Contracts Reviewed

This appendix lists the 39 Army, Navy, Air Force, and DLA AbilityOne contracts that we reviewed, issued from October 1, 2014, through August 11, 2015.

Contract		Contract Value (including options)	Product or Service Description
Army Contracting Command – Rock Island, Illinois			
1	W52P1J-15-D-0079	\$5,188,848	30-mm tube and strap assemblies
2	W52P1J-15-F-3005	391,333	M18 wood pallets and boxes
3	W52P1J-15-F-3006	391,333	M18 wood pallets and boxes
4	W52P1J-15-C-3000	233,184	tube, cardboard, grenade, 155-mm projectile
5	W52P1J-15-F-3007	200,767	M18 wood pallets and boxes
6	W52P1J-15-C-0050	173,907	custodial services
Subtotal		\$6,579,373	
Army Medical Command – Fort Sam Houston, Texas			
7	W81K04-15-D-0002	\$60,000,000	healthcare housekeeping
8	W81K04-15-D-0013	22,000,000	healthcare housekeeping
Subtotal		\$82,000,000	
Naval Facilities Engineering Command Atlantic, Norfolk, Virginia			
9	N62470-15-D-4009	\$113,998,887	base operating support services including security operations, facility investment, custodial, waste management, and environmental
Subtotal		\$113,998,887	
Naval Facilities Engineering Command Mid-Atlantic, Norfolk, Virginia			
10	N40085-15-D-0063	\$40,297,355	custodial services
11	N40085-15-D-0804	7,717,673	custodial services
12	N40085-15-D-6600	7,009,156	facility support services including facilities investment, custodial, pest control, waste management, grounds maintenance and landscaping, and pavement clearance
13	N40085-15-D-7500	4,471,692	base operating support services, including facility investment, custodial, solid waste, grounds, and pavement
Subtotal		\$59,495,877	

DoD AbilityOne Contracts Reviewed (cont'd)

Contract		Contract Value (including options)	Product or Service Description
Air Combat Command – Acquisition Management and Integration Center, Newport News, Virginia			
14	FA4890-15-C-0013	\$22,748,530	official mail/postal service center services
15	FA4890-15-C-0014	7,498,209	official mail/postal service center services
Subtotal		\$30,246,739	
Air Education and Training Command Joint Base San Antonio, Fort Sam Houston, Texas			
16	FA3016-15-D-0001	\$986,623	lead heavy/heavy equipment operators
Subtotal		\$986,623	
Air Education and Training Command Joint Base San Antonio, Lackland, Texas			
17	FA3047-15-D-0025	\$39,900,000	custodial services
18	FA3047-15-D-0022	34,500,000	ground maintenance services
19	FA3047-15-D-0020	8,867,000	grounds maintenance and tree trimming services
20	FA3047-15-C-0032	4,169,122	custodial services
21	FA3047-15-C-0031	3,604,980	custodial services
Subtotal		\$91,041,102	
Air Education and Training Command Joint Base San Antonio, Randolph Air Force Base, Texas			
22	FA3089-15-C-0001	\$14,665,939	administrative support
23	FA3089-15-C-0002	5,150,484	personnel administrative support services
Subtotal		\$19,816,423	
Air Force Installation Contracting Agency, San Antonio, Texas			
24	FA8052-15-C-0003	\$33,526,174	receipt and placement of medical and dental records
Subtotal		\$33,526,174	
Defense Logistics Agency Aviation, Richmond, Virginia			
25	SPE4A7-15-D-0036	\$45,081,000	tie down, cargo aircraft
26	SPE4A7-15-D-5804	6,500,000	foam segment, explosion
27	SPE4A6-15-D-0095 ¹	1,004,886	hazardous material spill containment and cleanup equipment material
28	SPE4A7-15-D-0145	666,131	window maintenance kit
29	SPE4A7-15-D-0130	394,505	parts kit, fuel tank

DoD AbilityOne Contracts Reviewed (cont'd)

Contract		Contract Value (including options)	Product or Service Description
30	SPE4A7-15-F-0011	256,294	parts kit, fuel tank
31	SPE4A7-15-D-5204	150,000	aircraft safety belt
Subtotal		\$54,052,816	
Defense Logistics Agency Troop Support, Philadelphia, Pennsylvania			
32	SPE8EG-15-D-0001	\$48,000,000	fire hose
33	SPE1C1-15-D-N004 ²	28,512,762	chemical protective coats and trousers
34	SPE2DS-15-D-N002	10,000,000	first aid kits
35	SPE8EG-15-D-0002	9,000,000	garden hose
36	SPE2DS-15-D-N004	6,353,600	first aid kits
37	SPE2DS-15-M-N543	648,081	first aid kits
38	SPE2DS-15-M-N548	180,295	first aid kits
39	SPE8EH-15-M-0408	174,600	antiflash hood, fireman
Subtotal		\$102,869,338	
Total		\$594,613,352	

¹ Base year contract value only. The option year unit prices were not incorporated in the contract because they will be determined when the option year is exercised.

² The DLA Troop Support Philadelphia contracting officer issued three delivery orders for 144,000 coats and trousers. However, on February 23, 2016, the contracting officer issued contract modification P00009, which terminated the contract and decreased the contract value by \$26.2 million. The value in the table shows the original contract value for the 144,000 coats and trousers.

Management Comments

Director, Defense Procurement and Acquisition Policy



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

MAY 27 2016

MEMORANDUM FOR PROGRAM DIRECTOR, CONTRACT MANAGEMENT AND
PAYMENTS, OFFICE OF THE INSPECTOR GENERAL

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS *NS 5/27/16*

SUBJECT: Response to DoDIG Draft Report "DoD Generally Provided Effective Oversight of AbilityOne Contracts," dated May 4, 2016, (Project No. D2015-D000CG-0257.000)

As requested, this provides responses to the recommendations contained in the subject draft report.

Recommendation 1a: The Office of the Inspector General recommends that the Director, Defense Procurement and Acquisition Policy (DPAP), Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics, issue a policy memorandum requiring DoD contracting officers to ensure all products and services procured under AbilityOne are on the AbilityOne Procurement List before contract award.

Response: Agree. The Director, DPAP, will issue a memorandum to the contracting workforce to reiterate the requirements of the Federal Acquisition Regulation (FAR). Specifically, the FAR requires that a product or service must be on the Procurement List when contracting with AbilityOne participating nonprofit agencies. This action will be completed by September 30, 2016.

Recommendation 1b: The Office of the Inspector General recommends that the Director, Defense Procurement and Acquisition Policy update existing training to clearly define DoD contracting officers' roles and responsibilities when awarding contracts under AbilityOne.

Response: Agree. The Director, DPAP, will coordinate with the Defense Acquisition University (DAU) to update the Continuous Learning Module (CLM) 023 "AbilityOne Contracting," to clarify the contracting officer roles and responsibilities when procuring goods and services from the AbilityOne Program. The request to DAU will be completed by June 30, 2016.

Recommendation 1c: The Office of the Inspector General recommends that the Director, Defense Procurement and Acquisition Policy require that all contracting personnel planning to procure under AbilityOne complete the updated AbilityOne training.

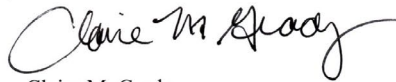
Response: Agree. Once the DAU learning asset is updated as stated in the response to recommendation 1b., the Director, DPAP, will issue a memorandum that directs the contracting workforce to complete CLM 023 "AbilityOne Contracting," when planning to utilize an AbilityOne contracting solution. Furthermore, the memorandum will recommend contracting

Director, Defense Procurement and Acquisition Policy (cont'd)

workforce members take the CLM to meet continuous learning requirements for the defense acquisition workforce as established in the Department of Defense Instruction 5000.66.

Additionally, I have the following comment for one of the findings. Specifically, the draft report provides examples of buying offices that contracted with AbilityOne nonprofit agencies for products and services that were not on the AbilityOne Procurement List, and further states that full and open competition "should" have been used to potentially save funds. However, contracting officials must follow the competition rules implemented in FAR Part 6 that include other types of competitive procedures besides full and open competition. Accordingly, wherever the finding in the draft report states the contracting officer should have used full and open competition, recommend the phrase be changed to "the contracting officer should have followed the competition rules in the Federal Acquisition Regulation Part 6."

My point of contact is [REDACTED] at [REDACTED] or [REDACTED].



Claire M. Grady
Director, Defense Procurement
and Acquisition Policy

Acronyms and Abbreviations

C-A-T	Combat Application Tourniquet
COR	Contracting Officer's Representative
DLA	Defense Logistics Agency
FAR	Federal Acquisition Regulation
FPDS-NG	Federal Procurement Data System–Next Generation
JFAK	Joint First Aid Kit
NSN	National Stock Number
QAR	Quality Assurance Representative
QASP	Quality Assurance Surveillance Plan
U.S.C.	United States Code



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