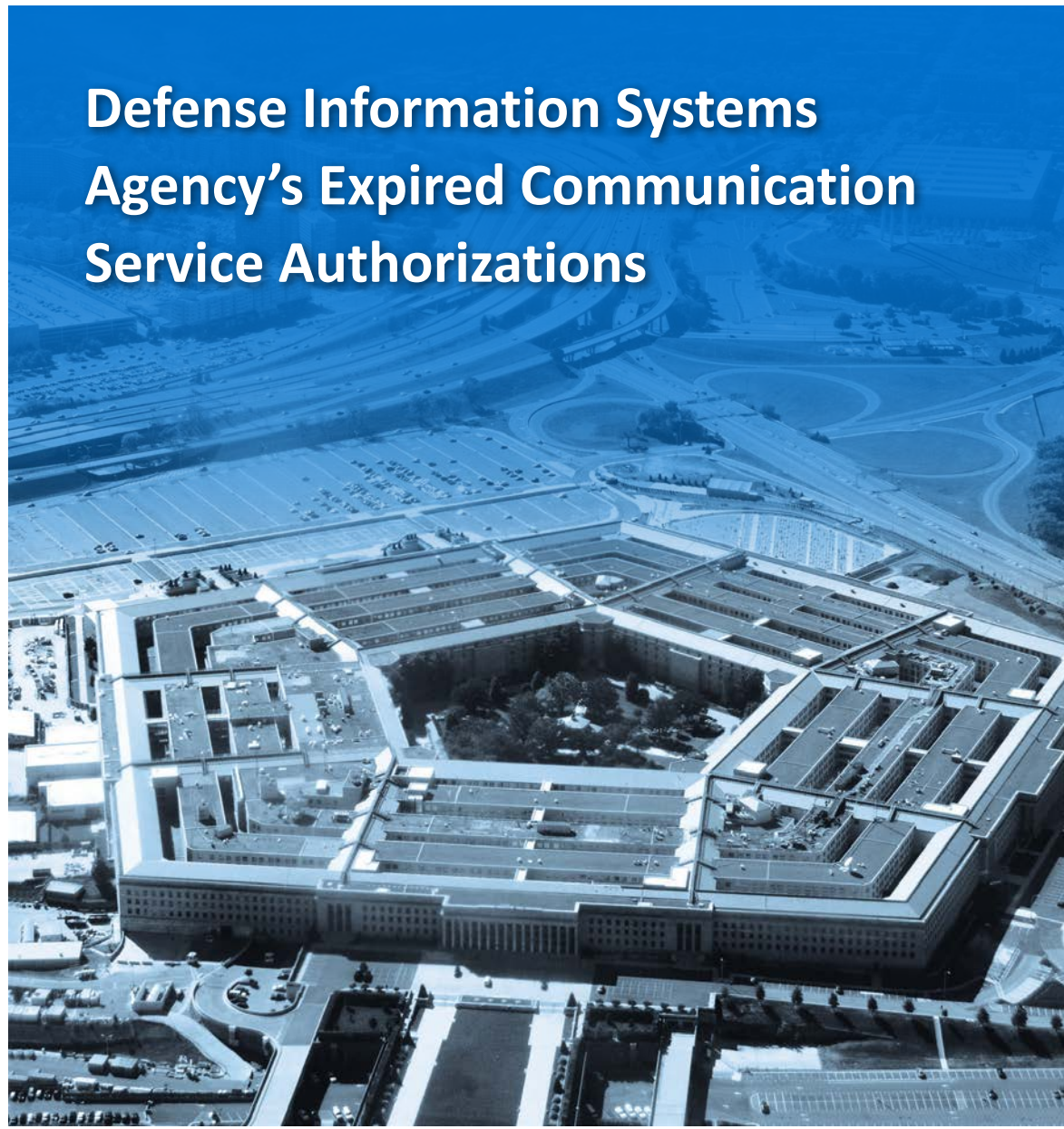




INSPECTOR GENERAL

U.S. Department of Defense

AUGUST 25, 2017



Defense Information Systems Agency's Expired Communication Service Authorizations

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Results in Brief

Defense Information Systems Agency's Expired Communication Service Authorizations

August 25, 2017

Objective

We determined whether the Defense Information Systems Agency (DISA) implemented adequate controls over communication service authorizations (CSAs). We reviewed 29 CSAs with a value of at least \$212.2 million.

The DISA is responsible for purchasing telecommunication services for the DoD. The Defense Information Technology Contracting Organization (DITCO), a component of DISA, provides the contracting support to acquire telecommunications services. These services are obtained under CSAs, which are contracts used solely for the acquisition of telecommunication services. Payments to vendors for those services are funded by the Defense Working Capital Fund.

Customers reimburse the Defense Working Capital Fund for services obtained under CSAs and DISA charges external customers a surcharge to recover overhead costs.

Findings

DITCO contracting personnel did not have adequate controls to effectively oversee 29 CSAs with a value of at least \$212.2 million. Specifically, DITCO contracting personnel:

- did not properly re-award 11 expired CSAs;
- did not discontinue, in a timely manner, 3 expired CSAs that were no longer needed by the customer;

Findings (cont'd)

- could not determine whether there was still a valid need for 13 expired CSAs;
- improperly extended the performance period of 1 expired CSA; and
- did not discontinue 2 expired CSAs when the services were transferred to another contract.

For 16 CSAs, DITCO contracting personnel did not maintain adequate contract files. In addition, for 19 CSAs, DISA's charges to the customer exceeded disbursements to the vendor and DITCO personnel did not return excess funds to the customers or remedy vendor underpayments in a timely manner.

These problems occurred because DITCO contracting personnel did not follow Federal and DoD regulations and internal guidance for awarding and administering contracts. Additionally, DITCO contracting personnel focused on awarding new service contracts and not managing and overseeing existing CSAs.

By allowing expired CSAs to continue after the performance period ended, DITCO contracting personnel did not ensure that a valid need still existed for the services provided by the CSA or that the DoD received the best value through competition. For example, the DoD continued to pay for services on one expired CSA for nearly five years after the military base closed. CSA customers were also left vulnerable to cost fluctuation, substantial price increases, and possible loss of services because a valid contract no longer existed. Consequently, the DoD made at least \$80.9 million in improper payments on expired CSAs, and \$3.3 million could have better supported the warfighter if funds were returned prior to expiration.



Results in Brief

Defense Information Systems Agency's Expired Communication Service Authorizations

Recommendations

We recommend that the Director, DISA, in coordination with the Director, Procurement Services Directorate, DITCO:

- Complete a comprehensive review of all expired CSAs, including services that may have transferred to another contract, to determine whether they should be discontinued or re-awarded and take appropriate action.
- Complete a comprehensive review of all soon-to-expire CSAs to determine whether they should be discontinued or re-awarded and take appropriate action.
- Develop and maintain a system to enable both Defense Information Systems Agency personnel and customers to track the status of CSAs.
- Develop standard operating procedures to ensure consistent oversight of communication services authorizations in accordance with Federal and DoD regulations.
- Determine whether payments on expired CSAs were improper. Report the results and initiate recovery actions, when appropriate, in accordance with the Improper Payments Elimination and Recovery Improvement Act.

We recommend that the Director, Procurement Services Directorate, DITCO:

- Institute procedures for all contracting personnel to monitor CSAs for instances when the amount paid by the customer consistently exceeds charges billed by the vendor and perform account reconciliation efforts in accordance with the "Desktop Procedures for the PL82 AP Validation Database."
- Revise "Desktop Procedures for the PL82 AP Validation Database" to require returning valid excess funds back to the customer and correcting vendor underpayments in a timely manner.

Recommendations (cont'd)

We recommend that the Acting DoD Chief Information Officer, in coordination with the Director, DISA, develop a long term strategy to address active, expiring, and expired CSAs, along with communication improvements between customers and contracting officers.

Management Comments and Our Response

The Vice Director, DISA, responding on behalf of the Director, DISA, agreed with our recommendations to review expired and soon-to-expire CSAs, implement system improvements, improve standard procedures, and determine whether payments on expired CSAs should be recovered. The Vice Director stated that DISA was aggressively working a comprehensive list of expired and soon-to-expire CSAs and had reduced the number of expired CSAs from 10,000 in 2012 to 986 as of July 2017.

The Vice Director stated that a new CSA management module will emphasize that contracting officers must discontinue services if they have not received a customer re-award request or justification. The Vice Director also stated that the module will enhance customer notifications, will provide customers with an expiration and suspense date for completing a review and revalidation of the requirements, and will be more convenient for its customers.

The Vice Director further stated that the CSA management module will be fielded in the second quarter of FY 2018 and that DISA will coordinate with the Office of General Counsel on recovering any identified improper payments. Therefore, Recommendations 1.a, 1.b, 1.c.1-4, 1.d.1-4, and 1.e are resolved but will remain open until we verify that the comprehensive review has been completed, the number of expired CSAs has been reduced, and that the module is operational and the improper payment review has been completed.



Results in Brief

Defense Information Systems Agency's Expired Communication Service Authorizations

Management Comments (cont'd)

The Director, Procurement Services Directorate, DITCO, agreed with our recommendations to improve procedures for its contracting personnel. The Director stated the revised procedures and new weekly billing reconciliation will identify excess funds and provide guidance on reviewing the accuracy of contract obligation amounts. Therefore, Recommendations 2.a and 2.b are resolved but remain open. We will close Recommendations 2.a and 2.b once we verify the procedures have been revised.

The Acting Principal Deputy, responding on behalf of the DoD Chief Information Officer (CIO), agreed and stated that the DoD CIO will continue coordinating with DISA and DITCO on validating CSAs and providing guidance to its customers. The Acting Principal Deputy stated that the DoD Chief Information Officer will partner with the Chairman, Joint Chiefs of Staff, and DoD Components to reinforce policy requiring customers to inform DISA of actions on reviewing, revalidating, and terminating services. Therefore, Recommendation 3 is resolved but will remain open until we verify the coordination efforts have occurred.

Please see the Recommendations Table on the next page.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
DoD Chief Information Officer		3	
Director, Defense Information Systems Agency		1.a, 1.b, 1.c.1-4, 1.d.1-4, 1.e	
Director, Procurement Services Directorate, Defense Information Technology Contracting Office		2.a, 2.b	

Please provide Management Comments by September 25, 2017.

Note: The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.



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

August 25, 2017

MEMORANDUM FOR DOD CHIEF INFORMATION OFFICER
DIRECTOR, DEFENSE INFORMATION SYSTEMS AGENCY
DIRECTOR, PROCUREMENT SERVICES DIRECTORATE,
DEFENSE INFORMATION TECHNOLOGY CONTRACTING OFFICE

SUBJECT: Defense Information Systems Agency's Expired Communication Service
Authorizations (Report No. DODIG-2017-113)

We are providing this report for review and comment. Defense Information Technology Contracting Organization contracting personnel did not have adequate controls to effectively oversee 29 communication service authorizations (CSAs), valued at \$212.2 million, and did not follow competition requirements. As a result, Defense Information Technology Contracting Organization contracting personnel did not ensure that a valid need existed and that the DoD received the best value by allowing CSAs to continue after the performance period ended without competition. Additionally, the DoD made at least \$80.9 million in improper payments on expired CSAs, and \$3.3 million could have better supported the warfighter. We conducted this audit in accordance with generally accepted government auditing standards.

We considered comments on a draft of this report when preparing the final report. Comments from the Acting Principal Deputy, DoD Chief Information Officer; Vice Director, Defense Information Systems Agency; and the Director, Procurement Services Directorate, addressed all aspects of the recommendations and conformed to DoD Instruction 7650.03 with the exception of commenting on the potential monetary benefits. Therefore, we request the Vice Director, Defense Information Systems Agency; and the Director, Procurement Services Directorate, provide comments on the potential monetary benefits by September 25, 2017.

Please send a PDF file containing your comments to aud_colu@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

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

A handwritten signature in black 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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Introduction

Objective

We determined whether the Defense Information Systems Agency (DISA) implemented adequate controls over communication service authorizations (CSAs). See Appendix A for a discussion of the scope and methodology related to the audit objective.

Background

Global Telecommunication Service Providers for DoD

One of DISA's key responsibilities is to purchase telecommunications and information technology products and services for the military using a variety of contract types. The Defense Information Technology Contracting Organization (DITCO) is part of DISA and is responsible for acquiring global telecommunication services for the DoD and other authorized Government agencies using the Inquiry/Quote/Order process. The Inquiry/Quote/Order process is a method for acquiring telecommunication services not available or unobtainable under an existing Indefinite Delivery contract.¹ The result of the Inquiry/Quote/Order process is a CSA, which is an order for telecommunications services incorporating a Basic Agreement that is a binding contractual obligation upon acceptance by the contractor. The Defense Federal Acquisition Regulation Supplement (DFARS) authorizes the use of CSAs.²

Telecommunication Services Included in the Defense Working Capital Fund

DISA operates the information services activity within the Defense Working Capital Fund (DWCF), which includes the telecommunications services and enterprise acquisition services component. The DWCF relies on revenue earned from providing information technology and telecommunications services and capabilities to finance specific operations. Customers order services from DISA and make payments to the DWCF when the services are received. DFAS pays the vendors for those services using DWCF funds, and DISA charges external customers a 2.5 percent standard contracting fee to recover its operating costs.

¹ Type of contract used to acquire services when the exact times and/or exact quantities are not known at time of contract award.

² Defense Federal Acquisition Regulation Supplement (DFARS) Part 239, "Acquisition of Information Technology," Subpart 239.74, "Telecommunications Services."

Contracting Officials' and Customer Responsibilities for Communication Service Authorizations

According to the Federal Acquisition Regulation (FAR), contracting officers have the authority to enter into, administer, or terminate contracts.³ Contracting officers are responsible for ensuring performance of all necessary actions for effective contracting and compliance with the terms of the contract, as well as safeguarding the United States' interests in contractual relationships. DITCO contracting personnel are required to award CSAs in accordance with the FAR and DFARS.⁴ DITCO contracting personnel process customer requests and administer the CSA for the life of the contract.

DISA guidance states that the CSA customer is the entity or organization that requests, uses, and pays for the service.⁵ The customer validates the mission requirements, approves funding, and verifies completeness of the services requested. DISA guidance further requires the customer to submit requests to re-award CSAs in sufficient time to replace services prior to the end of the contract. Service may be discontinued if the customer fails to do so.

Communication Service Authorizations Reviewed

DITCO contracting personnel stated that, as of September 2016, there were approximately 60,000 active CSAs. Of those, DITCO contracting personnel provided us with a universe of 1,077 expired CSAs as of September 2, 2016. An expired CSA is a CSA that continued beyond the expiration date. We reviewed 29 CSAs with expiration dates ranging from 1972 to 2016. The sample included 26 expired CSAs that were the highest dollar value, 1 CSA that was for service located at a base realignment and closure location, 1 CSA that was the oldest item in the universe, and 1 CSA that was not included in the provided universe that was modified after expiration to extend the performance period.

Review of Internal Controls

DoD Instruction 5010.40 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.⁶ We identified internal control weaknesses associated with contract oversight and administration of CSAs. DITCO did not have adequate controls in place to perform proper contract

³ Federal Acquisition Regulation (FAR), Part 1, "Federal Acquisition Regulation System," Subpart 1.6, "Career Development, Contracting Authority, and Responsibilities."

⁴ DFARS Part 239, "Acquisition of Information Technology," Subpart 239.74, "Telecommunications Services," Section 239.7407, "Type of Contract."

⁵ DISA Circular 310-130-1, "Communications Requirements," August 19, 2009.

⁶ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

administration or re-award CSAs prior to CSA expiration. In addition, DITCO did not comply with existing controls for managing CSA accounts and identifying and addressing instances where customer charges exceeded vendor disbursements. Furthermore, DITCO's lack of adequate controls allowed continued improper payments on expired CSAs. We will provide a copy of the report to the senior official responsible for internal controls in DISA and DITCO.

Finding

Controls Over Communication Service Authorizations Were Not Adequate

DITCO contracting personnel did not have adequate controls to effectively oversee 29 CSAs with a value of at least \$212.2 million. Specifically, DITCO contracting personnel:

- did not properly re-award 11 expired CSAs;
- did not discontinue, in a timely manner, 3 expired CSAs that were no longer needed by the customer;
- could not determine whether there was still a valid need for 13 expired CSAs;⁷
- improperly extended the performance period of 1 expired CSA; and
- did not discontinue 2 expired CSAs when the services were transferred to another contract.

For 16 CSAs, DITCO contracting personnel did not maintain adequate contract files. In addition, for 19 CSAs, DISA's charges to the customer exceeded disbursements to the vendor, and DITCO personnel did not return excess funds to the customers or remedy vendor underpayments in a timely manner.

These problems occurred because DITCO contracting personnel did not follow Federal and DoD regulations and internal guidance for awarding and administering contracts.^{8,9} Additionally, DITCO contracting personnel focused on awarding new service contracts and not managing and overseeing existing CSAs.

By allowing expired CSAs to continue beyond the end of the performance period, DITCO contracting personnel could not ensure that a valid need existed and that the DoD received the best value. For example, the DoD continued to pay for services on a CSA for nearly five years after the military base closed.¹⁰ CSA customers were also left vulnerable to cost fluctuations, substantial price increases, and possible loss of services because a valid contract no longer existed.

⁷ CSA QGSI 12 W 202614 was not discontinued in a timely manner and no customer was provided to verify a valid need; as such, it is counted for twice in our results.

⁸ Section 2304, title 10, United States Code, 2011, "Contracts: Competition Requirements;" FAR Part 6, "Competition Requirements;" FAR subpart 1.6; DFARS Part 239, "Acquisition of Information Technology," Subpart 239.74, "Telecommunications Services," Section 239.7405, "Delegated Authority for Telecommunications Resources;" and "Desktop Procedures for the PL82 AP Validation Database."

⁹ "Desktop Procedures for the PL82 AP Validation Database" provides DITCO contracting personnel an additional tool for managing, validating, and reconciling CSA accounts, including performing financial verification. Contracting personnel should use the AP validation database to the fullest extent possible to proactively manage CSA balances.

¹⁰ CSA LEVC97 W 81500 404.

Consequently, the DoD made at least \$80.9 million in improper payments on expired CSAs, and \$3.3 million could have better supported the warfighter if funds were returned prior to expiration.

DITCO Did Not Have Adequate Controls Over CSAs

DITCO contracting personnel did not have adequate controls to effectively oversee 29 CSAs. Specifically, DITCO contracting personnel did not properly re-award or discontinue 29 expired CSAs, with a value of at least \$212.2 million and, therefore, did not consider other potential competitive sources for the CSAs with a valid need. Instead, DITCO contracting personnel allowed expired CSAs to continue, without competition, after the performance period ended, resulting in non-compliance with Federal guidance on promoting full and open competition.¹¹ In each case, the contractor continued to be paid for services that potentially were not needed or could have been provided by another contractor at a lower cost. Additionally, DITCO contracting personnel did not maintain contract files in accordance with the FAR to show the complete history of the CSA, and they did not ensure that the customers were charged amounts consistent with vendor invoices. Furthermore, DITCO contracting personnel did not always return excess funds to customers during the same fiscal year that the funds were originally appropriated, which resulted in funds expiration and which potentially prevented customers from putting the funds to better use. See Appendix B for a list of the 29 expired CSAs.

DITCO Contracting Personnel Did Not Properly Re-Award CSAs

DITCO contracting personnel did not re-award 11 expired CSAs, valued at \$138.5 million, in a timely manner. According to DISA guidance, re-award is a method by which an existing or expired contract is re-competed or renewed with the existing contractor.¹² The guidance requires that customers submit requests to re-award existing and expired CSAs to DISA and that re-award actions must be completed in sufficient time to replace service prior to the end of the CSA. However, DITCO contracting personnel did not work with the customer to properly re-award CSAs prior to CSA expiration when the services were still needed.

For example, a CSA valued at \$2.5 million, expired August 1, 2009, but DITCO contracting personnel did not re-award the contract prior to expiration.¹³ A total of \$1.7 million in payments were processed between the time the contract expired on August 1, 2009, and September 30, 2016. Contracting officials stated that in December 2016 they were in the process of re-awarding the CSA because

¹¹ 10 U.S.C. § 2304 (2011) and FAR Part 6, "Competition Requirements," Subpart 6.1, "Full and Open Competition."

¹² DISA Circular 310-130-1.

¹³ CSA IPTT W 262873.

The CSA had been expired for more than 7 years and the monthly recurring cost had substantially increased.

the circuit identified in the contract no longer met mission requirements. However, at that time, the CSA had been expired for more than 7 years and the monthly recurring cost had substantially increased from \$8,675 at the time of award to \$18,079 in August 2016.

By not implementing adequate controls to ensure CSAs are re-awarded prior to CSA expiration, DITCO contracting personnel may not be providing the best value to the DoD if other vendors can provide the service at a lower price. DITCO contracting personnel should review all expired and soon-to-expire CSAs to determine whether they should be re-awarded and take appropriate action. Furthermore, DITCO contracting personnel should develop a system to track and validate the need for the service and send automatic alerts to the customer, prior to contract expiration, that require a response to either discontinue or re-award the service.

CSAs Continued for Services That Were No Longer Needed

DITCO contracting personnel did not properly discontinue three expired CSAs, valued at \$4.2 million, when the customer no longer required the service. Although Federal and internal guidance allows DITCO to discontinue the service, DITCO contracting personnel stated that they will not discontinue services without a discontinue request from the customer because DITCO personnel do not know if the service is critical.¹⁴ However, DITCO did not take sufficient action to work with the customers to validate the service and ensure that a re-award or disconnect request was submitted in a timely manner.

For example, a CSA valued at \$353,599 expired on December 17, 2008, but DITCO contracting personnel allowed the service to continue for more than 7 years past the CSA expiration date.¹⁵ The purpose of this CSA was to provide telephone service at Fort McPherson, Georgia. The Secretary of Defense recommended closure of Fort McPherson to the 2005 Defense Base Closure and Realignment Commission and Congress on May 13, 2005, and the base officially closed in September 2011. DITCO contracting personnel did not discontinue this CSA until October 20, 2016, after we notified them that the CSA provided service to a closed military base. Therefore, DITCO contracting personnel not only allowed the CSA to continue past the performance period, but did so for nearly 5 years after the base closed and service was no longer needed.

DITCO contracting personnel not only allowed the CSA to continue past the performance period, but did so for nearly 5 years after the base closed and service was no longer needed.

¹⁴ DISA Circular 310-130-1 and Chairman of the Joint Chiefs of Staff Instruction (CJCSI) 6211.02D, "Defense Information Systems Network (DISN) Responsibilities," January 24, 2012.

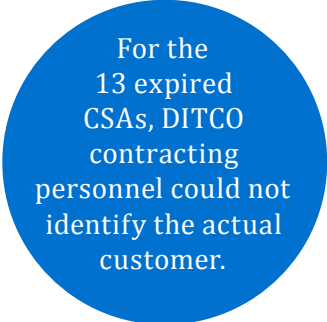
¹⁵ CSA LEVC97 W 81500 404.

DITCO contracting personnel made approximately \$215,753 in improper payments after this CSA expired, with \$166,219 in payments made after the base closed in September 2011.

While DITCO contracting personnel eventually discontinued this service, it was not until years after the performance period ended and service was no longer needed. Unless DITCO contracting personnel take timely action to process discontinuation requests, CSAs will continue past the performance period when services are no longer needed, and the customers will continue to spend money that could be put to better use.

DITCO Contracting Personnel Could Not Determine Whether a Valid Need Existed for CSAs That Continued Service After Expiration

DITCO contracting personnel could not determine whether a valid need existed for the continued service of 13 expired CSAs valued at \$58.9 million. DITCO contracting personnel rely on the customer to review invoices, review and revalidate the service, and inform DITCO if the service should be re-awarded or discontinued. Once expired, DITCO management sends manual e-mail notices to the customer points of contact every 4 to 6 months until the CSA is discontinued or re-awarded. However, DITCO contracting personnel did not maintain accurate contact information or interact with customers on a consistent basis throughout the CSA's performance period. As a result, the e-mail notices sent by DITCO did not always go to current points of contact. For the 13 expired CSAs, DITCO contracting personnel could not identify the actual customer. However, DITCO contracting personnel did not discontinue the service because they didn't know if the CSA was critical.



For the 13 expired CSAs, DITCO contracting personnel could not identify the actual customer.

Accordingly, we requested that DITCO contracting personnel provide the customer contact information for the CSAs in our sample so that we could verify whether a valid need still existed for services that continued past the expiration date. Of the 28 CSAs reviewed, DITCO contracting personnel initially provided the correct customer contact information for only 5 CSAs. We were able to obtain valid customer points of contact for another 10 CSAs; however, we were unable to identify the customer points of contact for the remaining 13 CSAs and could not determine whether a valid need for the services existed.

For 4 of the 13 expired CSAs where DISA was the customer requesting the service, DITCO contracting personnel provided a DISA contracted employee as the customer point of contact. This point of contact stated that he was not the customer for

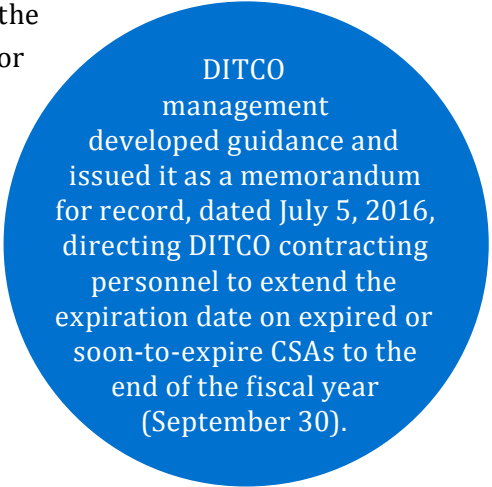
any CSA and primarily writes the requirements on behalf of the customer. While DITCO contracting personnel indicated correct customer points of contact are essential for properly discontinuing or re-awarding expired CSAs, they were unable to provide the proper points of contact for their own DISA contracted services.

DITCO management also stated that the current system, Integrated Defense Enterprise Acquisition System (IDEAS), sends automated messages throughout the year prior to the expiration, notifying the customer that a CSA is about to expire. However, those messages are only as effective as the customer point of contact information in the system.¹⁶ While the DoD is required to review and revalidate all requirements for telecommunications services, the tool used to perform this requirement was decommissioned by DISA in 2011. Unless DITCO contracting personnel take additional action to identify a customer and validate the need for these services, CSAs will continue past their expiration date and possibly indefinitely without competition. DITCO contracting personnel should develop a system accessible to the customer to track CSAs to include up-to-date customer points of contact, validate the need for the service, and send automatic alerts to the customer, prior to contract expiration, that require a response to either discontinue or re-award the service.

Improper Modification of a CSA

DITCO contracting personnel improperly modified one expired CSA, valued at \$386,719, to extend the performance period beyond the expiration date. Currently, DITCO contracting personnel award and administer contracts in IDEAS. IDEAS is programmed to automatically shut down payments when a CSA expires based on the expiration date listed on the vendor's contract. Once IDEAS removes funding for the CSA in the Contracting Online Procurement System, Defense Finance and Accounting Service no longer disburses the payment, which results in non-payments to the vendor and, ultimately, vendors may discontinue service.

To prevent a possible disconnect of service without the customer's knowledge, DITCO management developed guidance and issued it as a memorandum for record, dated July 5, 2016, directing DITCO contracting personnel to extend the expiration date on expired or soon-to-expire CSAs to the end of the fiscal year (September 30).



DITCO management developed guidance and issued it as a memorandum for record, dated July 5, 2016, directing DITCO contracting personnel to extend the expiration date on expired or soon-to-expire CSAs to the end of the fiscal year (September 30).

¹⁶ IDEAS is a web-based procurement tool permitting users to submit requirements. IDEAS is used to process those requirements into contract actions, award and administer those actions, distribute the required documents, and report the results.

However, the memorandum for record incorrectly justified the extension by stating that DFARS guidance allows CSAs to be extended for a period not to exceed 10 years. Additionally, as stated in the Procedure, Guidance, and Information, a CSA must have an expiration date and be competed in accordance with FAR and DFARS guidance.¹⁷ DITCO misinterpreted the DFARS guidance and allowed the CSAs to continue without competition by inappropriately extending the CSA period of performance. Specifically, the DFARS only allows a 10 year performance period if it is established at the time of contract award. The Office of the Under Secretary of Defense Acquisition, Technology, and Logistics, Defense Procurement and Acquisition Policy, the responsible office for all contracting and procurement policy matters in the DoD, agreed with our analysis that a CSA's performance period can only be up to 10 years if established at award.

We reviewed a CSA that expired on July 25, 2016, but was modified on July 27, 2016, to unilaterally extend the performance period to July 25, 2017.¹⁸ DITCO contracting personnel extended the performance period, citing the memorandum for record guidance, in order to add funding back to the CSA and prevent the possible loss of service. However, a CSA expires on the expiration date and extending the performance period after expiration without adequate justification or competition violates Federal and DoD regulations.¹⁹ Additionally, this modification violated the guidance provided in the memorandum for record by extending the performance period beyond September 30, 2016. The CSA was discontinued during our audit, effective January 19, 2017.

DITCO contracting personnel told the audit team that they did not maintain a listing of such modifications and, therefore, could not quantify the number of CSAs that they had modified after the expiration date. While we only reviewed one CSA that was modified after the expiration date, DITCO contracting personnel stated that the process to modify the performance period on expired or soon-to-expire CSAs has become standard practice within DITCO and impacts many more CSAs.

DITCO Did Not Discontinue CSAs After Awarding Another Contract

DITCO contracting personnel did not properly discontinue two CSAs, valued at \$13.8 million, after awarding another contract for the same services resulting in improper charges to the customer. Specifically, DITCO awarded a contract with an effective date of May 1, 2016, which included services originally provided under

¹⁷ DFARS Procedure, Guidance, and Information 239.74, "Telecommunication Services."

¹⁸ CSA SLLC 000003 EBM.

¹⁹ FAR subpart 6.1, DFARS subpart 239.74 and DFARS Procedure, Guidance, and Information 239.74.

DITCO contracting personnel did not discontinue the two previous CSAs or otherwise ensure that the customer was no longer charged the monthly recurring charge.

the two previous CSAs.²⁰ However, DITCO contracting personnel did not discontinue the two previous CSAs or otherwise ensure that the customer was no longer charged the monthly recurring charge. Consequently, DISA overcharged the customer \$1.2 million in monthly recurring charges and an additional \$30,188 in overhead fees for billing periods May 2016 through December 2016, resulting in excess funds paid into the DWCF. Table 1 shows the excess funds that DISA charged the customer for each CSA after the services transitioned to the new contract.

Table 1. Excess Funds Charged to Customers from May 2016 through December 2016

CSA Number	Charges (Customer to DWCF)	DISA Applied Overhead Fee*	Total
AT Q 20115 005	\$354,297	\$8,857	\$363,154
AT Q 09399 101	\$853,211	\$21,330	\$874,542
Total	\$1,207,508	\$30,187	\$1,237,696

* DISA charges external customers a 2.5 percent standard contracting fee to recover its operating costs.

Source: DoD OIG.

During the course of the audit, DITCO contracting personnel made the appropriate adjustments to return the excess funds back to the customer in January 2017. However, these actions occurred 8 months after the CSAs became inactive and the services transitioned to the new contract, which prevented the customer from potentially putting the expired funds to better use supporting the warfighter.

DITCO Contracting Personnel Did Not Maintain Adequate Contract Files

DITCO contracting personnel did not maintain adequate contract files in accordance with the FAR.²¹ Specifically, 16 CSA contract files reviewed did not contain documentation sufficient to constitute a complete history of the transaction. According to the FAR, contract files should document the basis for the acquisition and the award, the assignment of contract administration, and any subsequent actions taken by the contracting office. Additionally, contract files normally contain records such as the original contract or award, vendor quotes, award notice, support for the award decision, and support for price changes. For example,

²⁰ HC1013-16-C-0001.

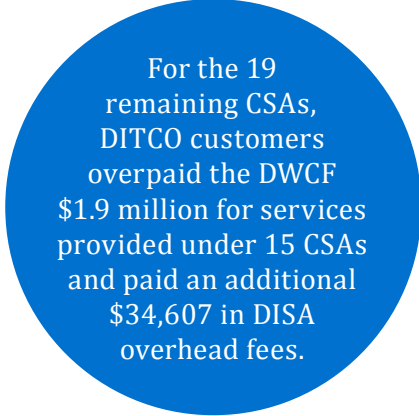
²¹ FAR Part 4, "Administrative Matters," Subpart 4.8, "Government Contract Files."

the contract file for a CSA that expired on July 20, 2006, did not contain the original CSA order, all vendor quotes, support for the award decision, or support for price changes.²² Without complete contract files, a complete history of the contracting action cannot be established to identify POCs, review communications, and determine the need of the service. DITCO contracting personnel should develop standard operating procedures to ensure consistent oversight of CSAs, which include contracting officer duties and responsibilities, and procedures for maintaining adequate contract files.

DITCO Contracting Personnel Did Not Resolve CSA Funding Issues in a Timely Manner

DITCO contracting personnel did not ensure that customers did not overpay the DWCF and that vendors received timely payments in accordance with the FAR and internal guidance for 19 of the 29 CSAs, valued at \$67.6 million.²³ Specifically, DITCO contracting personnel did not monitor CSAs and make adjustments accordingly when the funds charged to the customer exceeded disbursements to the vendor. DITCO contracting personnel also did not return the excess funds to customers or remedy vendor underpayments in a timely manner.

We compared customer charges and vendor disbursements for all 29 CSAs for FY 2012 through FY 2016 and requested that DITCO contracting personnel provide reasons for the differences identified. According to DITCO contracting personnel, for 10 of the CSAs reviewed, the customer charges did not match the disbursements because the vendor had not yet submitted invoices for recent bill periods. The data supported this rationale, and the differences should be resolved when the vendor submits invoices for the affected bill periods. For the 19 remaining CSAs, DITCO customers overpaid the DWCF \$1.9 million for services provided under 15 CSAs and paid an additional \$34,607 in DISA overhead fees. In addition, vendors did not receive timely payments totaling \$240,314 for services provided on four CSAs impacted by unpaid bill periods, incorrect vendor invoices, and tariff updates. Specifically, DITCO contracting personnel did not monitor the CSAs to identify instances where the amount charged to the customer exceeded disbursements to the vendor. This resulted in continued overpayments into the DWCF and higher overhead fees. For example, on a CSA that expired on September 7, 1999, the customer paid \$207,755 in excess of vendor disbursements between



For the 19 remaining CSAs, DITCO customers overpaid the DWCF \$1.9 million for services provided under 15 CSAs and paid an additional \$34,607 in DISA overhead fees.

²² CSA CTNE W 266018.

²³ FAR subpart 1.6 and "Desktop Procedures for the PL82 AP Validation Database."

FY 2012 and FY 2016, and paid an additional \$5,194 in overhead fees.²⁴ Although DITCO contracting personnel made corrections to the account to return the excess funds to the customer in FY 2017, most of those funds were expired, preventing the customer from putting the funds to better use. See Appendix C for a comparison of the charges and disbursements for each CSA from FY 2012 through FY 2016.

DITCO contracting personnel can make corrections to the accounts to return excess funds to the customers; however, if DITCO does not make the corrections within the same fiscal year that the funds were originally appropriated, the funds may no longer be available for the customers to put to better use. DITCO contracting personnel should monitor CSA accounts for instances when the amount a customer pays into the DWCF exceeds the amount disbursed to the vendor and return any overpaid funds to the customer in a timely manner.

DITCO Contracting Personnel Did Not Properly Follow Guidance or Perform Contract Oversight and Administration

DITCO contracting personnel did not establish and maintain adequate controls over CSAs. This occurred because they did not properly follow Federal and DoD regulations and internal guidance. Furthermore, DITCO did not develop and implement adequate standard operating procedures for performing the oversight and administration of CSAs. Additionally, DITCO contracting personnel stated that they focused on the award of new service contracts instead of the oversight and management of existing CSAs. As a result, the DoD made at least \$80.9 million in improper payments on the 29 expired CSAs as of FY 2016.

DITCO Contracting Personnel Did Not Follow Federal and DoD Regulations

DITCO contracting personnel did not follow the DFARS and corresponding Procedures, Guidance, and Information, which prescribes policy for procuring telecommunications service contracts.²⁵ Specifically, contracting officers may enter into a telecommunications service contract on a month-to-month basis or for any longer period or series of periods, not to exceed a total of 10 years. In addition, each CSA must include an expiration date and comply with FAR and DFARS requirements. However, DITCO contracting personnel allowed CSAs to continue past the expiration date.

²⁴ CSA OB P 941001.

²⁵ DFARS subpart 239.74; DFARS Procedure, Guidance, and Information 239.74.

DITCO contracting personnel stated that in their interpretation of the DFARS guidance, the expiration date on the CSA was only an estimated date and CSAs could continue for up to 10 years.

DITCO contracting personnel stated that in their interpretation of the DFARS guidance, the expiration date on the CSA was only an estimated date and CSAs could continue for up to 10 years.²⁶ We requested an official interpretation of the DFARS clause from the Office of the Under Secretary of Defense Acquisition, Technology, and Logistics, Defense Procurement and Acquisition Policy, as the responsible office for all contracting and procurement policy matters in the DoD. The Defense Procurement and Acquisition Policy office supports the following:²⁷

- a CSA's performance period can be up to 10 years, only if established at award;
- a CSA must contain an expiration date;
- a CSA that has an expiration date and performance period of less than 10 years expires on the expiration date noted on the CSA;
- a CSA must be competed in accordance with the FAR and DFARS so vendors are bidding on a specific performance period which will expire on the date established in the CSA;
- a vendor is no longer under contractual obligation once the CSA expires; and
- continuance of the CSA after expiration indicates non-compliance with competitive procedures in accordance with the FAR and DFARS, resulting in improper sole-source contracts that contain no justification.

Therefore, DITCO contracting personnel did not properly follow Federal and DoD regulations, which resulted in not properly discontinuing or re-awarding contracts as well as improperly extending expired CSAs. By allowing CSAs to continue past the performance period, DITCO contracting personnel may be in violation of competition requirements. The FAR prescribes policies and procedures to promote full and open competition in the acquisition process.²⁸ Other than full and open competition acquisition procedures are allowed when properly justified. However, extending a CSA beyond its expiration date is not an allowable justification and does not promote competition; DITCO contracting personnel did not consider competition from other sources when extending the expired CSAs.

²⁶ DFARS section 239.7405.

²⁷ DFARS subpart 239.74; DFARS Procedure, Guidance, and Information 239.74.

²⁸ FAR subpart 6.1.

DITCO contracting personnel allowed services to continue on 29 CSAs, past the expiration date, which violated contractual and legally applicable requirements and resulted in at least \$80.9 million in improper payments as of FY 2016.

Additionally, DITCO contracting personnel allowed services to continue on 29 CSAs, valued at \$212.2 million, past the expiration date, which violated contractual and legally applicable requirements and resulted in at least \$80.9 million in improper payments as of FY 2016.²⁹ See Appendix B for a list of the 29 expired CSAs, including the expiration date and the estimated amount of improper payments calculated for each CSA.

Office of Management and Budget guidance defines an improper payment as any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements.³⁰ According to the FAR and DoD regulations, each CSA had a contractual requirement to end when the contract period expired; however, DITCO contracting personnel allowed the CSAs to continue past the expiration dates.³¹ As a result, each payment made for services provided after the CSA expiration date was improper because the payment should not have been made under Federal, DoD, or contractual requirements. Without effective oversight and timely revalidation reviews to ensure that CSAs are either re-awarded or discontinued at the specified expiration date, the DoD may continue to make improper payments on expired CSAs. DITCO management should conduct a review to determine whether payments on expired CSAs were improper, and report the results and initiate recovery actions, when appropriate, in accordance with the Improper Payments Elimination and Recovery Improvement Act.

DITCO Controls Over CSA Funding Did Not Follow the FAR or Internal Guidance

DITCO contracting personnel did not perform contract administration in accordance with the FAR and did not appropriately manage the funding of CSAs in accordance with internal guidance.³² Specifically, DITCO contracting personnel did not use available tools to perform financial validation or verification and reconciliation of CSA accounts and did not proactively manage CSAs. As a result, DITCO contracting personnel did not identify instances when the funds charged

²⁹ DISA did not retain transaction data dating back to the earliest period of performance for all of the CSAs reviewed, so we could only verify payments available in the system. As a result, the total value of improper payments may be higher than the amount we were able to verify.

³⁰ Office of Management and Budget Memorandum, "Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments," October 20, 2014.

³¹ DFARS subpart 239.74; DFARS Procedure, Guidance, and Information 239.7407.

³² FAR subpart 1.6 and "Desktop Procedures for the PL82 AP Validation Database."

to the customer exceeded vendor disbursements and did not make necessary cost adjustments to ensure funds were returned to customers or paid to vendors in a timely manner. Additionally, by not ensuring that customers were only charged amounts commensurate with services received and not ensuring that vendors received timely payments, DITCO contracting personnel did not perform proper contract administration in accordance with the FAR.³³ According to DITCO management, contracting personnel were focused on awarding new contracts, rather than managing and overseeing existing CSAs.



According to DITCO management, contracting personnel were focused on awarding new contracts, rather than managing and overseeing existing CSAs.

Because of DITCO's lack of oversight and inadequate controls over managing the funding of CSAs and performing contract administration, customers paid \$1.9 million more into the DWCF than the cost of services received, as well as higher overhead costs. Additionally, customers missed opportunities to put these funds to better use to support the warfighter.

DITCO Contracting Personnel Did Not Maintain Adequate Standard Operating Procedures

DITCO contracting personnel did not develop or implement adequate standard operating procedures to ensure consistent oversight of CSAs. According to the FAR, contracting officers have authority to administer contracts, unless that authority is designated in writing to a contracting officer's representative.³⁴ However, DISA personnel stated that CSAs are typically small contracts and, as a result, are not assigned a contracting officer's representative. Therefore, DITCO contracting officers are required to perform the necessary oversight and administration for each CSA awarded.

The DITCO Acquisition Deskbook provides procedures for the streamlined acquisition of telecommunication services by DITCO's Procurement Services Directorate. However, the Acquisition Deskbook does not provide procedures for the oversight or administration of a CSA following the award. While not required, standard operating procedures are important reference tools and best practices for contracting personnel to ensure that oversight is effective and is conducted in accordance with applicable Federal and DoD regulations. DITCO should develop standard operating procedures to provide contracting personnel with detailed procedures for the oversight and administration of CSAs and ensure timely re-award and discontinue actions.

³³ FAR subpart 1.6.

³⁴ FAR subpart 1.6.

Management Actions Taken

The Procurement Services Executive and Director, DITCO, provided a summary of actions taken prior to and during the audit to reduce the number of expired CSAs from over 10,000 in 2012 to 1,077 in September 2016. Specifically, DITCO personnel established various working groups and forums, consisting of representatives from the Military Departments, Combatant Commands, and Defense Agencies. In 2015, DISA also established a team to review and revalidate commercial circuit leases and issued numerous memorandums notifying mission partners of expired and expiring CSAs. The Director also informed us that DISA is in the process of enhancing its customer interface tools that will provide customer access to CSA information via a web-based tool.

At the request of DISA, on March 20, 2017, the Acting DoD Chief Information Officer issued a memorandum requesting that all Military Departments and DoD agencies review and update their inventory of CSAs within 45 days. The Acting DoD Chief Information Officer also requested that each Military Department and DoD agency take appropriate action to terminate or renew any expired or expiring CSAs. While the memorandum addresses expired and soon to expire CSAs, it did not address the need to continually monitor CSAs. The Acting DoD Chief Information Officer, in coordination with DISA management, should develop a long term strategy to address active, expiring, and expired CSAs, along with communication improvements between customers and contracting officers. We agree that the process improvements made by DITCO and DISA are important, and we believe that implementing our recommendations will further strengthen the control weaknesses identified in this report.

Conclusion

Expired CSAs will continue, without competition, after the performance period ended until DITCO establishes adequate controls over the CSA process. If DITCO does not establish adequate controls, CSA customers are vulnerable to cost fluctuations, substantial price increases, and possible loss of services because a valid contract no longer exists. Additionally, DITCO did not ensure that the DoD received the best value for valid, required services and did not ensure that fair competition practices were being followed for the procurement of telecommunication services. As a result of inadequate controls over the CSA process, the DoD made at least \$80.9 million in improper payments on expired CSAs, and \$3.3 million could have better supported the warfighter if funds were returned prior to expiration. See Appendix D for details on potential monetary benefits.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Director, Defense Information Systems Agency, in coordination with the Director, Procurement Services Directorate, Defense Information Technology Contracting Office:

- a. **Complete a comprehensive review of all expired CSAs, including services that may have transferred to another contract, to determine whether they should be discontinued or re-awarded and take appropriate action.**

DISA Comments

The Vice Director, DISA, responding for the Director, DISA, agreed with the recommendation and stated that DISA has reduced the number of expired CSAs from 10,000 in 2012 to 986 as of July 2017. The Vice Director stated that DISA was aggressively developing a comprehensive list of expired and soon-to-expire CSAs to reduce the number of expired CSAs but does not have the insight to determine whether a CSA should be discontinued because some CSAs provide redundant services for mission critical operations.

Our Response

Comments from the Vice Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation once we verify that expired CSAs were either discontinued or re-awarded.

- b. **Complete a comprehensive review of all soon-to-expire CSAs to determine whether they should be discontinued or re-awarded and take appropriate action.**

DISA Comments

The Vice Director, DISA, responding for the Director, DISA, agreed with the recommendation and stated that the same processes discussed in recommendation 1.a will be used for expiring CSAs.

Our Response

Comments from the Vice Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify the decision to either discontinue or re-award soon-to-expire CSAs.

- c. **Develop and maintain a system to enable Defense Information Systems Agency personnel and customers to track the status of CSAs, to include the following:**
1. **Up-to-date communication service authorization points of contact for the customer or requirement owner and a circuit management representative for the service or agency requesting the service.**

DISA Comments

The Vice Director, DISA, responding for the Director, DISA, agreed with the recommendation and stated that DISA is adding a CSA management module to enhance status e-mail notifications sent to its customers. Customers will be able to update their point of contact information on a periodic basis. The new module will also allow DITCO to identify customers who do not periodically access the system and bring it to the attention of an executive-level mission partner responsible for a particular organization. The Vice Director stated the new management tool is funded and will be implemented in the second quarter of FY 2018.

Our Response

Comments from the Vice Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify the management tool has been fielded and is operational.

2. **An automated verification process that requires customer points of contact to confirm and update their contact information on a periodic basis, including the addition of a process to manually verify contact information in instances of customer non-response.**

DISA Comments

The Vice Director, DISA, responding for the Director, DISA, agreed with the recommendation and stated that the same processes discussed in recommendation 1.c.1 will be used for this recommendation.

Our Response

Comments from the Vice Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify the management tool has been fielded and is operational.

3. A module for customers or requirement owners to confirm the review and revalidation of requirements to support the bona fide need.

DISA Comments

The Vice Director, DISA, responding for the Director, DISA, agreed with the recommendation and stated that the DISA Storefront tool requires customers' Authorized Funding Official to validate the bona fide need of their telecommunication service requests. The Vice Director stated that DISA is taking additional steps to implement a new management tool that will enhance the customers' ability to review and revalidate their requirements. The Vice Director also stated that the task order for the new management tool was awarded in July 2017 and will be fielded in the second quarter of FY 2018.

Our Response

Comments from the Vice Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify the management tool has been fielded and is operational.

4. Automatic alerts to the customer at specific intervals prior to communication service authorization expiration which requires a customer response to discontinue or re-award the service.

DISA Comments

The Vice Director, DISA, responding for the Director, DISA, agreed with the recommendation and stated that customers are currently provided periodic status messages prior to the CSA expiration date. The Vice Director stated DISA is taking additional actions to implement a CSA management module that will provide customers with an expiration and suspense date for completing a review and revalidation of the requirements, and that the CSA management module will be more convenient for customers to determine the status of their CSAs. The Vice Director stated that the new management tool will be fielded in the second quarter of FY 2018.

Our Response

Comments from the Vice Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify the management tool has been fielded and is operational.

d. Develop standard operating procedures to ensure consistent oversight of communication services authorizations in accordance with Federal and DoD regulations, which includes the following:

1. Overall contracting officer duties and responsibilities.

DISA Comments

The Vice Director, DISA, responding for the Director, DISA, agreed with the recommendation and stated that DISA is taking action to modify existing procedures to emphasize that payments are not authorized or paid for services that occur after the end of the performance period.

Our Response

Comments from the Vice Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the procedures have been implemented.

2. Procedures for maintaining adequate contract files to constitute a complete history of the transaction.

DISA Comments

The Vice Director, DISA, responding for the Director, DISA, agreed with the recommendation and stated that DISA contracting staff are maintaining documents that will be added to the contract files pending correction of a system issue. The Vice Director also stated that self-inspections and independent procurement management reviews will ensure that the files are properly documented.

Our Response

Comments from the Vice Director addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the procedures for maintaining adequate contract files have been implemented.

3. Procedures for properly managing CSAs to ensure re-award or discontinue actions occur prior to expiration.

DISA Comments

The Vice Director, DISA, responding for the Director, DISA, agreed with the recommendation and stated that a new CSA management module will emphasize that contracting officers must discontinue services if they have not received a customer re-award request or justification.

Our Response

Comments from the Vice Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify the new CSA management module is operational.

- 4. Training requirements for contracting officers to ensure consistent oversight of CSAs and to ensure compliance with established standard operating procedures and DoD and Federal regulations.**

DISA Comments

The Vice Director, DISA, responding for the Director, DISA, agreed with the recommendation and stated that DISA will provide annual training focusing on expiring CSAs.

Our Response

Comments from the Vice Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify the training has occurred.

- e. Determine whether payments on expired CSAs were improper. Report the results and initiate recovery actions, when appropriate, in accordance with the Improper Payments Elimination and Recovery Improvement Act.**

DISA Comments

The Vice Director, DISA, responding for the Director, DISA, agreed with the recommendation and stated that DISA will coordinate with the Office of General Counsel on recovering any identified over-payments.

Our Response

Comments from the Vice Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that a review of the improper payments has been completed.

Recommendation 2

We recommend that the Director, Procurement Services Directorate, Defense Information Technology Contracting Office:

- a. Institute procedures to require all contracting personnel monitor CSAs for instances when the amount paid by the customer consistently exceeds charges billed by the vendor, and perform account reconciliation efforts in accordance with the “Desktop Procedures for the PL82 AP Validation Database.”**

DITCO Comments

The Director, Procurement Services Directorate, Defense Information Technology Contracting Office, agreed and stated that DITCO updated desktop procedures in February 2017 to include a weekly billing reconciliation.

Our Response

Comments from the Director, Procurement Services Directorate, Defense Information Technology Contracting Office, addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify that the procedures have been implemented.

- b. Revise the “Desktop Procedures for the PL82 AP Validation Database” to include procedures for returning valid excess funds back to the customer and correcting vendor underpayments in a timely manner.**

DITCO Comments

The Director, Procurement Services Directorate, Defense Information Technology Contracting Office, agreed and stated that revised desktop procedures and the weekly billing reconciliation will identify excess funds. The new procedures will provide guidance to review and confirm that contract obligations are accurate.

Our Response

Comments from the Director, Procurement Services Directorate, Defense Information Technology Contracting Office, addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify the procedures have been updated.

Recommendation 3

We recommend that the DoD Chief Information Officer, in coordination with the Director, Defense Information Systems Agency, develop a long term strategy to address active, expiring, and expired CSAs, along with communication improvements between customers and contracting officers.

DoD Chief Information Officer Comments

The Acting Principal Deputy, responding on behalf of the DoD Chief Information Officer, agreed and stated that the DoD CIO will continue coordinating with DISA and DITCO on validating CSAs and providing guidance to its customers. The Acting Principal Deputy stated that the DoD CIO will partner with the Chairman, Joint Chiefs of Staff, and DoD Components to reinforce policy requiring customers to inform DISA of actions on reviewing, revalidating, and terminating services.

Our Response

Comments from the Acting Principal Deputy addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify the DoD Chief Information Officer has taken action to coordinate with DISA; DITCO; the Chairman, Joint Chiefs of Staff; DoD Components; and customers to address active, expiring, and expired CSAs.

Appendix A

Scope and Methodology

We conducted this performance audit from August 2016 through August 2017 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.

Audit Universe

DITCO contracting personnel provided a universe of 1,077 CSAs that were expired as of September 2, 2016, and still had outgoing payments. We non-statistically sampled 29 expired DoD CSAs with expiration dates ranging from November 1972 to July 2016.³⁵ The sample included 26 of the highest dollar value CSAs, a CSA for service at a base realignment and closure location, the oldest CSA in the universe, and a CSA that was not included in the provided universe that was modified after expiration to extend the performance period. As a result, we reviewed a sample of 29 CSAs.

Review of CSA Documentation and Interviews

For 28 CSAs, we determined whether the CSA expired and whether the contracting officer contacted the customer to verify that the CSA requirement was still valid. We also attempted to contact the customer and funding points of contact provided by DITCO to identify whether a valid need existed and to identify whether DITCO maintained adequate points of contact for CSAs. Furthermore, we determined whether DITCO took appropriate action to re-award or discontinue the CSA in accordance with Federal and DoD regulations.³⁶

We obtained the contract files for each CSA and interviewed key personnel, including the CSA customers, assigned contracting officers, and designated funding officials. In some cases, we conducted the interview portion of our review by providing questionnaires electronically to key personnel. The questionnaires included unique sets of questions based on the customer, contracting officer, and funding official area of responsibility pertaining to the sample CSAs. We also interviewed officials from DISA, DITCO, the Defense Finance and Accounting Service, and Defense Procurement and Acquisition Policy.

³⁵ One CSA was associated with seven individual circuits and another with two individual circuits; therefore, these two CSAs appeared as nine separate items in the sample.

³⁶ 10 U.S.C. § 2304; FAR part 6; and DFARS section 239.7405.

We evaluated interview and questionnaire responses and contract documentation obtained against applicable criteria, including:

- Section 2304, Title 10, United States Code, “Contracts: Competition Requirements”
- Federal Acquisition Regulation Part 1, Subpart 1.6, “Career Development, Contracting Authority, and Responsibilities”
- Federal Acquisition Regulation Part 4, Subpart 4.8, “Government Contract Files”
- Federal Acquisition Regulation Part 6, “Competition Requirements”
- Defense Federal Acquisition Regulation Supplement Part 239, “Acquisition of Information Technology”
- Chairman of the Joint Chiefs of Staff Instruction 6211.02D, “Defense Information Systems Network (DISN) Responsibilities,” August 4, 2015
- DISA Circular 310-130-1, “Communications Requirements,” August 19, 2009
- Desktop Procedures for the PL82 AP Validation Database

Contract File Review

We reviewed the 28 CSA contract files to determine whether the documentation contained in the files was sufficient to constitute a complete history of the transaction in accordance with FAR subpart 4.8. While this part of the FAR lists many documents that may constitute a complete history, we reviewed the contract files for the existence of documentation, such as the original CSA order, vendor quotes, the award notice, documentation supporting the award decision, documentation supporting price changes, and documentation supporting the re-competition of the expired contract. We also used documentation from the contract files to verify the CSA number; determine the purpose of the CSA and identify criticality of service; and identify the agency that requested the service, requesting agency point of contact, contracting officer, recurring and non-recurring charges, award and expiration dates, and the dates of any modifications. We did not determine whether DITCO awarded the CSAs properly.

Review of the CSA with a Modified Performance Period

For one CSA, DITCO modified the performance period after the expiration date to extend the performance period. For this CSA, we reviewed an internal DITCO memorandum for record supporting the modification to determine whether DITCO modified the CSA in accordance with DFARS subpart 239.7405, “Delegated Authority for Telecommunications Resources.” We also obtained an interpretation of DFARS subpart 239.7405 from Defense Procurement and Acquisition Policy personnel to determine whether DITCO applied the guidance appropriately when modifying the CSA.

Improper Payment Calculation

We reviewed payment information obtained from the Defense Finance and Accounting Service and the Telecommunication Services Enterprise Acquisition Services Inventory and Billing Information system to determine whether payments made on the 29 CSAs were proper and in accordance with Office of Management and Budget Circular No. A-123, Appendix C, “Requirements for Effective Estimation and Remediation of Improper Payments,” October 20, 2014. To calculate the estimated amount of improper payments, we added all total payments made between the CSA expiration date and September 30, 2016. To be conservative, we used the first service period and corresponding payment occurring one full month after expiration as the starting point for the calculation. Due to the age of some CSAs, we were not able to obtain a complete history of payments for all CSAs and we could only calculate improper payments based on the payment data available. Therefore, the actual amount of improper payments may be higher.

CSA Funding Review

We analyzed customer charge and vendor disbursement data obtained from the Telecommunication Services Enterprise Acquisition Services Inventory and Billing Information system to determine whether customers paid more into the DWCF than the costs of services received for 29 CSAs between FY 2012 and FY 2016. We requested that DITCO contracting personnel provide reasons for the differences identified and we determined whether DITCO contracting personnel followed their internal guidance, “Desktop Procedures for the PL82 AP Validation Database,” pertaining to the management of CSA accounts.

Use of Computer-Processed Data

We used computer processed data obtained from four DISA systems: Contracting Online Procurement System, Financial Accounting and Budget System, Financial Accounting Management Information System–Telecommunications Services Enterprise Acquisition Services, and the Telecommunication Services Enterprise Acquisition Services Inventory and Billing Information system. We established the reliability of the data by reviewing key system processes, cross checking payment and disbursement transactions, verifying data to other systems, matching payments to vendor invoices, and reviewing the November 2016 DoD Financial Improvement and Audit Readiness status report to identify any known system control weaknesses.

Prior Coverage

No prior coverage has been conducted on CSAs during the last 5 years.

Appendix B

CSA Summary

This table provides a summary for each CSA reviewed, corresponding expiration date, whether customer contact information was provided, adequacy of the contract file, and estimated improper payments.

CSA Number	CSA Expiration Date(s)	DITCO Provided Customer Point of Contact	Customer Located	CSA Contract File Complied with FAR Part 4.8	Total Amount Paid on CSA	Total Estimated Improper Payments
AFGN W 000154	30-Jan-15	Yes	Yes	Yes	\$68,993,069	\$16,970,065
AFGN W 000155	6-Mar-15	Yes	Yes	Yes	\$52,078,436	\$12,931,394
PT 15 W 042351001	9-Jan-09	No	No	No	\$14,853,438	\$9,182,439
PT 54 W 042436001	16-Jan-06	No	No	No	\$12,228,904	\$9,935,234
AT Q 09399 101	10-Nov-15	No	Yes	Yes	\$7,364,562	\$606,229
AT Q 20115 005	13-May-08	Yes	Yes	No	\$6,465,167	\$4,447,357
AFGN W 000179	25-May-16	Yes	Yes	Yes	\$4,999,508	\$89,201
RET W 263071	23-Apr-12	No	No	No	\$4,193,628	\$1,582,022
CTNE W 266018	20-Jul-06	No	No	No	\$3,628,931	\$3,075,085
QGS112 W 202614 ¹	25-Aug-09 thru 4-Aug-10 and	No	No	No	\$3,611,471	\$1,412,420
	4-Aug-13 thru 20-Oct-16					
MCII W 00668	4-Jul-09	No	No	No	\$3,154,220	\$1,643,099
CORE W 40166	20-May-13	No	Yes	Yes	\$2,827,745	\$1,453,023
DB W 263099	19-Nov-12	No	No	Yes	\$2,826,659	\$1,123,239
SPCC W 001470	3-Dec-03	No	No	No	\$2,798,762	\$2,798,762
QGS115 W 377378	1-Apr-14	No	No	Yes	\$2,664,741	\$1,122,600

CSA Summary (cont'd)

CSA Number	CSA Expiration Date(s)	DITCO Provided Customer Point of Contact	Customer Located	CSA Contract File Complied with FAR Part 4.8	Total Amount Paid on CSA	Total Estimated Improper Payments
SW 26 Z 00068 314	15-Nov-07	No	No	No	\$2,585,943	\$1,930,674
IPTT W 262873	1-Aug-09	No	Yes	Yes	\$2,501,210	\$1,697,819
DB W 263111	19-Nov-12	No	No	Yes	\$2,471,463	\$983,512
LEVC W 980220	1-May-05	No	Yes	No	\$1,993,727	\$1,720,799
BCSI40 W 215434	6-Jun-08	No	No	Yes	\$1,956,758	\$1,476,676
SNVC W 630974	1-Oct-11	No	No	Yes	\$1,939,484	\$1,169,208
LEVC W 002613	31-Jul-08	Yes	Yes	No	\$1,586,104	\$1,276,670
OB P 941001	7-Sep-99	Yes	Yes	Yes	\$1,092,691	\$299,988
XOCI W 16263 NEI	23-Dec-10	No	Yes	No	\$981,732	\$562,644
SW 97 W 881911	14-Sep-06	No	Yes	No	\$884,276	\$735,183
SW 10 P 00180 ²	30-Nov-72 thru 11-Nov-76; 17-Dec-86 thru 1-Oct-92; and	No	Yes	No	\$514,997	\$241,613
	1-Oct 97 thru 23-May-12					
SLLC 000003 EBM ³	N/A	N/A	N/A	N/A	\$386,719	\$0
LEVC97 W 81500 404	17-Dec-08	No	Yes	No	\$353,599	\$215,753
SW 30 P 00126	1-Oct-94	No	Yes	No	\$261,301	\$261,301
Total					\$212,199,245	\$80,944,009

¹ DITCO could not determine whether there was still a valid need and it is included twice in the count. It was not discontinued in a timely manner and no customer was provided to verify a valid need.

² The data originally provided by DITCO contracting personnel included an expiration date of October 1992; however, when reviewing the CSA file we found that the CSA was re-awarded in 2012 and does not expire until May 2017. While the CSA is not currently expired, we determined that it expired three times throughout the life of the CSA and was not re-awarded in a timely manner all three times. As a result, we kept this CSA in our sample.

³ DITCO contracting personnel modified this CSA to extend the performance period. As a result, this CSA was only reviewed against an internal DITCO memorandum for record determining whether DITCO modified the CSA in accordance with DFARS section 239.7405. This CSA was not reviewed to determine whether there was a valid customer or for compliance with FAR subpart 4.8.

Source: DoD OIG.

Appendix C

Customer Charge and Vendor Disbursement Summary

This table shows a summary of customer charges and vendor disbursements, as well as overpayments to the DWCF and associated DISA overhead fees that accumulated from FY 2012 through FY 2016.

CSA Number	CSA Value	Charges (Customer to DWCF)	Disbursements (DWCF to Vendor)	Customer Overpayments to DWCF	DISA- Applied Overhead Fee ¹	Actual Customer Overpayments to DWCF ²	Actual DISA Overhead Fees ²
AFGN W 000154 ⁴	\$68,993,069	\$59,874,494	\$57,867,144	\$2,007,350	\$50,184	-	-
AFGN W 000155 ⁴	\$52,078,436	\$44,690,815	\$43,947,667	\$743,148	\$18,579	-	-
PT 15 W 042351001	\$14,853,438	\$6,138,534	\$5,998,214	\$140,320	N/A	\$140,320	N/A
PT 54 W 042436001	\$12,228,904	\$4,742,348	\$4,667,608	\$74,740	N/A	\$74,740	N/A
AT Q 09399 101	\$7,364,562	\$6,755,703	\$6,219,463	\$536,240	\$13,406	\$536,240 ⁷	\$13,406 ⁷
AT Q 20115 005	\$6,465,167	\$2,797,080	\$2,582,637	\$214,443	\$5,361	\$214,443 ⁷	\$5,361 ⁷
AFGN W 000179 ⁴	\$4,999,508	\$5,785,484	\$5,607,082	\$178,402	\$4,460	-	-
RET W 263071 ⁴	\$4,193,628	\$1,868,909	\$1,812,830	\$56,079	N/A	-	-
CTNE W 266018 ⁴	\$3,628,931	\$1,432,698	\$1,411,395	\$21,303	N/A	-	-
QGS112 W 202614	\$3,611,471	\$1,828,220	\$1,791,017	\$37,203	N/A	\$37,203	N/A
MCII W 00668	\$3,154,220	\$1,248,330	\$1,064,140	\$184,190	N/A	\$184,190	N/A
CORE W 40166 ³	\$2,827,745	\$2,235,468	\$2,198,211	\$37,257	\$931	\$37,257	\$931
DB W 263099 ⁴	\$2,826,659	\$1,507,485	\$1,461,876	\$45,609	N/A	-	-
SPCC W 001470 ³	\$2,798,762	\$1,187,906	\$1,127,487	\$60,419	\$1,510	\$60,419	\$1,510
QGS115 W 377378 ³	\$2,664,741	\$2,557,115	\$2,418,473	\$138,642	N/A	\$138,642	N/A
SW 26 Z 00068 314	\$2,585,943	\$1,353,957	\$1,211,074	\$142,883	\$3,572	\$142,883	\$3,572
IPTT W 262873 ⁴	\$2,501,210	\$1,174,728	\$1,120,892	\$53,836	\$1,346	-	-

Customer Charge and Vendor Disbursement Summary (cont'd)

CSA Number	CSA Value	Charges (Customer to DWCF)	Disbursements (DWCF to Vendor)	Customer Overpayments to DWCF	DISA- Applied Overhead Fee ¹	Actual Customer Overpayments to DWCF ²	Actual DISA Overhead Fees ²
DB W 263111 ⁴	\$2,471,463	\$1,373,603	\$1,332,280	\$41,323	N/A	-	-
LEVC W 980220	\$1,993,727	\$821,652	\$722,326	\$99,325	\$2,483	\$99,325	\$2,483
BCSI40 W 215434	\$1,956,758	\$913,348	\$900,422	\$12,926	N/A	\$12,926	N/A
SNVC W 630974 ⁴	\$1,939,484	\$1,275,511	\$1,254,254	\$21,256	N/A	-	-
LEVC W 002613	\$1,586,104	\$806,275	\$792,843	\$13,433	\$336	\$13,433	\$336
OB P 941001	\$1,092,691	\$406,892	\$199,137	\$207,755	\$5,194	\$207,755 ⁷	\$5,194 ⁷
XOCI W 16263 NEI ⁴	\$981,732	\$504,010	\$495,633	\$8,377	\$209	-	-
SW 97 W 881911	\$884,276	\$421,630	\$410,141	\$11,489	N/A	\$11,489	N/A
SW 10 P 00180	\$514,997	\$469,162	\$303,061	\$166,101	\$4,153	\$166,101 ⁷	\$4,153 ⁷
SLLC 000003EBM	\$386,719	\$407,937	\$386,719	\$21,217	N/A	\$21,217	N/A
LEVC97 W 81500 404	\$353,599	\$141,899	\$137,806	\$4,093	\$102	\$4,093	\$102
SW 30 P 00126 ³	\$261,301	\$142,528	\$138,532	\$3,996	\$100	\$3,996	\$100
Totals	\$212,199,245	\$154,863,721	\$149,580,364	\$5,283,355	\$111,926	\$2,106,672⁵	\$37,148⁶

Note: A dash indicates that there was no actual overpayment to the DWCF and no additional DISA overhead fees charged.

¹ DISA charges external customers a 2.5 percent standard contracting fee to recover its operating costs. We calculated the overhead fee in the Table above based on the difference between customer charges and vendor disbursements. This amount represents additional amounts DITCO should ensure are returned to the customer if excess funds charged are also deemed valid and returned.

² Customer overpayments and overhead fees not caused by delays in vendor invoicing.

³ For some CSAs, the overpayment identified is potentially owed to the vendor rather than the customer as a result of vendor underpayment for services provided and tariff updates. If the funds are, in fact, owed to the vendor, the overhead charges are appropriate and should not be returned to the customer.

⁴ We determined that overpayments related to the vendor not yet submitting invoices for recent bill periods were valid and would be resolved when the vendor submits the applicable invoices. Therefore, the overpayments and overhead fees associated with these CSAs were not counted in the final totals.

⁵ Of this amount, we determined that customers overpaid the DWCF \$1.87 million, and an additional \$0.2 million may be owed to vendors.

⁶ Of this amount, we determined that DISA charged customers an additional \$34,607 in overhead, while the remaining \$2,542 in overhead charges may be valid if funds are owed to vendors.

⁷ During the course of our audit, DITCO made the appropriate adjustments to return these funds back to the customer.

Source: DoD OIG.

Appendix D

Potential Monetary Benefits

Recommendations	Type of Benefit*	Amount of Benefit	Account
1.e	Questioned Costs	\$80.9 million	Multiple accounts will be impacted, across the services
1.a, 1.b, 1.c.3-4	Funds Put To Better Use	\$1.4 million	Multiple accounts will be impacted, across the services
2.a, 2.b	Funds Put To Better Use	\$1.9 million	Multiple accounts will be impacted, across the services

*Potential Monetary Benefits are Funds Put To Better Use or Questioned Costs.

Source: DoD OIG.

Management Comments

Defense Information System Agency Comments



DEFENSE INFORMATION SYSTEMS AGENCY
P. O. BOX 549
FORT MEADE, MARYLAND 20755-C549

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL (DODIG)

SUBJECT: Audit of Defense Information Systems Agency's (DISA) Expired Communication Service Authorizations – Project No, D2016-D000CL-0197.000

I would like to thank the DoD Inspector General (IG) for their work over several months on the Audit, and also for the professional and candid dialogue on the Audit recommendations. DISA has recognized the Department-level issue of expired Communication Service Authorizations (CSA) for several years and has been taking steps to address the issue, reducing the count of expired CSAs from over 10,000 in 2012 to 986 as of July 2017. We appreciate the IG's recognition in the report of many individual's efforts over several years to address this systemic issue. We know there is more work for the Department and DISA to complete.

DISA takes its role in providing telecommunications services to the warfighter very seriously. In the current environment, DISA goes to great lengths to support customer requirements, but as noted in the report communication is challenging due to lack of ability to enforce Chairman, Joint Chiefs of Staff (CJCS) policy. Processing unilateral CSA disconnect actions based on lack of customer response could have serious implications to the DoD mission. As such, DISA has and will continue to take great care not to take actions that place the warfighter at risk.

DISA does not have Directed Authority by which to direct actions to properly manage customer services, and to provide Enterprise level economies. For example, the report identifies a CSA at Ft McPherson, GA that remained active after closure of the installation as a result of the 2005 Base Closure and Realignment Commission. In this instance, the requiring activity did not provide DITCO a discontinue action to terminate the service that was no longer required and specifically funded the circuit annually. DITCO is not in a position to speculate on the use of circuit. In the interim, DISA will continue to work within its delegated authorities to support the warfighter.

DISA's approach is to address the ailment (program management of 60,000 circuits) and not just the symptoms (contracted services provided under expired CSAs). DISA is the telecommunications contracting service provider for the Department; however, each Military Department, Defense Agency and Activity, Combatant Command, and Joint Activity is responsible for their own telecommunication mission requirements and responsive program management. The CJCS Instruction, CJCSI 6211.02D, Defense Information Systems Network (DISN) Responsibilities, Enclosure D, sets responsibility to manage telecommunication requirements. Specifically, the customer shall:

- Maintain an inventory of all base telecommunication equipment and services;
- Review and revalidate all requirements; and

Defense Information System Agency Comments (cont'd)

DISA Memo, Audit of Defense Information Systems Agency's (DISA) Expired Communication Service Authorizations – Project No, D2016-D000CL-0197.000

- Terminate services that are uneconomical or no longer needed.

DISA continues to take actions to address expired CSAs that are managed by DISA. The DOD Chief Information Officer (CIO) will address the CJCSI's requirements with the Military Departments, Defense Agencies and Activities, Combatant Commands, and Joint Activities to proactively manage their telecommunication requirements (see DOD CIO memorandum in response to Recommendation 3).

Below are our responses to the Audit report Recommendation 1:

Recommendation 1: We recommend that the Director, Defense Information Systems Agency, in coordination with the Director, Procurement Services Directorate, Defense Information Technology Contracting Office:

Recommendation #1a: Complete a comprehensive review of all expired CSAs, including services that may have transferred to another contract, to determine whether they should be discontinued or re-awarded and take appropriate action.

Response #1a: Concur. DISA has taken the following actions: For the past several years, a comprehensive list of expired and soon to expire CSAs have been provided to customer points of contact by DITCO. These lists have played a large role in DITCO reducing the number of expired CSAs from approximately 10,000 in 2012 to 986 as of July 2017. While it has been difficult to contact some of the customers (as noted in the report), most customers were able to be contacted contributing to the approximate 89% reduction in expired CSAs. The expired CSA list has been a catalyst for customers to either validate a telecommunication requirement for re-award or to request the circuit be discontinued. As DITCO was actively working to reduce the number of expired CSAs for several years, DITCO's efforts became even more aggressive in early 2017 as evidenced by the DOD CIO memo signed on 20 March 2017. As recommended, DITCO has also reviewed the CSA lists to correct any oversights for telecommunication requirements that are met under another contract (i.e., to disconnect services). These occurrences have been / will be reviewed by the respective customer as they must independently validate all service changes. DITCO does not have the insight to independently determine if a CSA should be discontinued, as some CSAs specifically provide for redundant services for certain mission critical operations. We need to clarify one finding within the report, Appendix A, page 19, regarding a CSA that expired in November 1972 and under which services are still being provided. The CSA expired and the service has been re-awarded several times since 1972. **(Completed)**

Recommendation # 1b: Complete a comprehensive review of all soon-to-expire CSAs to determine whether they should be discontinued or re-awarded and take appropriate action.

Response # 1b: Concur. See response #1a above. The same process has been / will be used for expiring circuits. **(Completed)**

Defense Information System Agency Comments (cont'd)

DISA Memo, Audit of Defense Information Systems Agency's (DISA) Expired Communication Service Authorizations – Project No, D2016-D000CL-0197.000

Recommendation # 1c: Develop and maintain a system to enable Defense Information Systems Agency personnel and customers to track the status of CSAs, to include the following:

Recommendation # 1c.1: Up-to-date communication service authorization points of contact for the customer or requirement owner and a circuit management representative for the service or agency requesting the service.

Response # 1c.1: Concur. DISA is taking the following actions: An enhancement to our existing DISA Storefront tool to add the *CSA Management Module* is currently funded and on contract. This new capability is an enhancement of the systems-generated status e-mails that have been sent to customer since January 2013. This new web based capability will assist customers with situational awareness regarding the status of their existing CSAs. The customer will update their point of contact information on a periodic basis. DITCO will be able to identify mission partners who do not login on a periodic basis and bring it to the attention of an executive level mission partner liaison responsible for a particular organization. The CSA management tool is projected to be fielded for customer's use in the second quarter of fiscal year (FY) 2018. This increased situational awareness should assist the customer in meeting their circuit management responsibilities under CJCSI 6211.02D, and provide insight into the status of circuit actions. (Completion: Projected for 2nd Quarter, FY2018)

Recommendation # 1c.2: An automated verification process that requires customer points of contact to confirm and update their contact information on a periodic basis, including the addition of a process to manually verify contact information in instances of customer non-response.

Response # 1c.2: Concur. See response 1.c.1 above. (Completion: Projected for 2nd Quarter, FY2018)

Recommendation # 1c.3: A module for customers or requirement owners to confirm the review and revalidation of requirements to support the bonafide need.

Response # 1c.3: Concur, with Comment. The DISA Storefront tool's current functionality requires customer's Authorized Funding Officials to validate telecommunication requirements are a bona fide need of the appropriate fiscal year when Telecommunication Service Requests are submitted to the DITCO. DISA is taking the following additional actions: The new *CSA Management Tool* in DISA Storefront will provide an enhanced review and revalidation capability to assist the customers in meeting their circuit management responsibilities under CJCSI 6211.02D. The Task Order was awarded in July 2017, and the new capabilities will be fielded in the second quarter of FY 2018. (Completion: Projected for 2nd Quarter, FY2018)

Defense Information System Agency Comments (cont'd)

DISA Memo, Audit of Defense Information Systems Agency's (DISA) Expired Communication Service Authorizations – Project No, D2016-D000CL-0197.000

Recommendation # 1c.4: Automatic alerts to the customer at specific intervals, prior to communication service authorization expiration which requires a customer response to discontinue or re-award the service.

Response # 1c.4: Concur, with Comment. Customers are currently provided with Status of Acquisition Messages (SAM) at 12, 9, 6, 4, and 2 month intervals prior to the CSAs expiration date for all orders in our Telecommunications contract writing system. DISA is taking the following additional actions: The *CSA Management Module* will provide a suspense date as to when a circuit should be reviewed and revalidated, along with the CSA expiration date. Web based visual alerts via color coding will be incorporated into the CSA Module projected for fielding in the second quarter of FY2018. The *CSA Management Module* will make it even more convenient for customers to determine status of their existing CSAs and assist with their timely review and revalidation process. DITCO will be able to determine if a customer is not checking status of their CSAs regularly, and will reach out to a customer focal point to correct the situation. (Completion: Projected for 2nd Quarter, FY2018)

Recommendation # 1d: Develop standard operating procedures to ensure consistent oversight of communication services authorizations in accordance with Federal and DoD regulations, which includes the following:

Recommendation # 1d.1: Overall contracting officer duties and responsibilities.

Response #1d.1 Concur. DISA is taking the following actions: "The IQO Acquisition Deskbook" and "DITCO's Desktop Procedures for the PL82 AP Validation Database" will be modified to emphasize that vendors are not authorized nor paid for services that are provided beyond the period of performance on the CSA. (Completion: Projected for August 2017)

Recommendation # 1d.2 Procedures for maintaining adequate contract files to constitute a complete history of the transaction.

Response #1d.2 Concur, with Comment. DISA agrees with the importance of filing contract documentation in the contract file. DITCO self-inspections combined with independent Procurement Management Reviews (PMR) during the past several years have validated that contract files are sufficient and provide a good history of the applicable procurement. We do agree that some of the aged contract file documentation reviewed by the DoDIG was not organized in an optimal manner. The aged CSA files reviewed do not reflect the current state of contract documentation. DISA has experienced latency issues with the telecommunications contract writing system (IDEAS) at our OCONUS locations. This latency has impeded our ability to efficiently upload information into some official contract files. Contracting officers and contract specialists maintain documents which will be uploaded into IDEAS when the latency issues are corrected. DITCO self-inspections and independent PMRs will continue ensure proper contract file documentation. DITCO's transition to electronic contract files has greatly improved the ability to quickly locate a specific document. (Completion: N/A)

Defense Information System Agency Comments (cont'd)

DISA Memo, Audit of Defense Information Systems Agency's (DISA) Expired Communication Service Authorizations – Project No, D2016-D000CL-0197.000

Recommendation # 1d.3 Procedures for properly managing CSAs to ensure re-award or discontinue actions occur prior to expiration.


Response #1d.3 Concur. DISA is taking the following actions: In the past, DITCO has worked extensively with customers in an attempt to obtain a re-award requirement or a discontinue notice prior to the expiration of a CSA. Procedures will continue to provide for communication with mission partners regarding expiring CSAs and will utilize a new *CSA Management Module* in DISA Storefront. Procedures in the "IQO Acquisition Deskbook" and "DITCO's Desktop Procedures for the PL82 AP Validation Database" will emphasize that the contracting officer must cease the service in the absence of a re-award request or justification for continued services in accordance with procedures in the Federal Acquisition Regulation (FAR) and Defense FAR Supplement. (Completion: Projected for August 2017)

Recommendation # 1d.4 Training requirements for contracting officers to ensure consistent oversight of CSAs and to ensure compliance with established standard operating procedures and DoD and Federal regulations.

Response #1d.4 Concur. DISA is taking the following actions: Contracting Officers and Contract Specialists will be trained in person, at a minimum, on an annual basis regarding the content of the "IQO Acquisition Deskbook" and "DITCO's Desktop Procedures for the PL82 AP Validation Database" with special focus on CSAs that are nearing the end of their period of performance. The training will emphasize vendors are not authorized nor paid for services that are provided beyond the period of performance. Contracting Officers and Contract Specialists have been notified; formal training will be conducted in the first quarter of FY 2018. (Completion: Projected for 1st Quarter, FY18)

Recommendation # 1.e Determine whether payments on expired CSAs were improper. Report the results and initiate recovery actions, when appropriate, in accordance with the Improper Payments Elimination and Recovery Improvement Act.

Response # 1.e Concur. DISA will coordinate with our Office of General Counsel to determine if any payments against expired CSAs require recovery action in accordance with the Improper Payments Elimination and Recovery Improvement Act.


SARAH E. ZABEL
Major General, USAF
Vice Director

Defense Information System Agency Comments (cont'd)



DEFENSE INFORMATION SYSTEMS AGENCY
P. O. BOX 549
FORT MEADE, MARYLAND 20755-0549

JUL 21 2017

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL (DODIG)

SUBJECT: Audit of Defense Information Systems Agency's (DISA) Expired Communication Service Authorizations – Project No, D2016-D000CL-0197.000

Below is the response to the Audit report Recommendation #2:


Recommendation #2. We recommend that the Director, Procurement Services Directorate, Defense Information Technology Contracting Office:

Recommendation #2.a Institute procedures to require all contracting personnel monitor CSAs for instances when the amount paid by the customer consistently exceeds charges billed by the vendor, and perform account reconciliation efforts in accordance with the "Desktop Procedures for the PL82 AP Validation Database."

Response #2.a Concur. DISA is taking the following actions: In Feb of 2017, DITCO instituted weekly billing reconciliation efforts which require contracting officers and contract specialists to dedicate a specific time period to complete this important contract administrative account reconciliation function. This function was incorporated into the DITCO's Desktop Procedures for the PL82 AP Validation Database. (Completed: Feb 2017)

Recommendation #2.b Revise the "Desktop Procedures for the PL82 AP Validation Database" to include procedures for returning valid excess funds back to the customer and correcting vendor underpayments in a timely manner.

Response #2.b Concur. DISA is taking the following actions: The weekly billing reconciliation discussed in response to Recommendation 2a, above, will uncover any instances of excess funds. DITCO will revise the "Desktop Procedures for the PL82 AP Validation Database" to include procedures to review and confirm that contract obligations are recorded correctly. This review will ensure customers are billed correctly and mitigate the situation where a customer may be billed for an amount that exceeds a vendor's invoice. (Completion: Projected for August 2017)


DOUGLAS W. PACKARD
Procurement Services Executive
Director, Defense Information
Technology Contracting Organization

DoD Chief Information Office Comments



CHIEF INFORMATION OFFICER

DEPARTMENT OF DEFENSE
6000 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-6000

Mr. Michael J. Roark,
Assistant Inspector General, Contract Management and Payments,
DoD Inspector General,
4800 Mark Center Drive, Alexandria, VA 22350

AUG 15 2017

Dear Mr. Roark:

This is the Department of Defense (DoD) Chief Information Officer (CIO) response to the DoD Inspector General Report, Audit of Defense Information Systems Agency's Expired Communication Service Authorizations (Project No. D2016-D000CL-0197.000).

DoD IG RECOMMENDATION: We recommend that the Acting DoD Chief Information Officer, in coordination with the Director, Defense Information Systems Agency (DISA) develop a long term strategy to address active, expiring, and expired Communication Service Authorizations (CSAs), along with communication improvements between customers and contracting officers.

DoD CIO RESPONSE: DoD CIO concurs with the DoD IG recommendation.

The DoD CIO, in coordination with the Director DISA and Director Defense Information Technology Contracting Organization, will continue taking actions to validate CSAs and issue guidance to the Combatant Command/Service/Agency (CC/S/A) heads.

This issue will be worked in partnership with the Chairman Joint Chiefs of Staff (CJCS) and CC/S/A heads, to reinforce CJCS policy requiring DISA be informed of actions regarding the review, revalidation, or need to terminate services based on changes in organization and mission needs.

Sincerely,

A handwritten signature in blue ink, appearing to read "Tom Michelli".

Thomas P. Michelli
Acting Principal Deputy

Acronyms and Abbreviations

CSA	Communication Service Authorization
DFARS	Defense Federal Acquisition Regulation Supplement
DISA	Defense Information Systems Agency
DITCO	Defense Information Technology Contracting Organization
DWCF	Defense Working Capital Fund
FAR	Federal Acquisition Regulation
IDEAS	Integrated Defense Enterprise Acquisition System
USC	United States Code



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U.S. DEPARTMENT OF DEFENSE

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congressional@dodig.mil; 703.604.8324

Media Contact

public.affairs@dodig.mil; 703.604.8324

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4800 Mark Center Drive
Alexandria, Virginia 22350-1500
www.dodig.mil
Defense Hotline 1.800.424.9098

