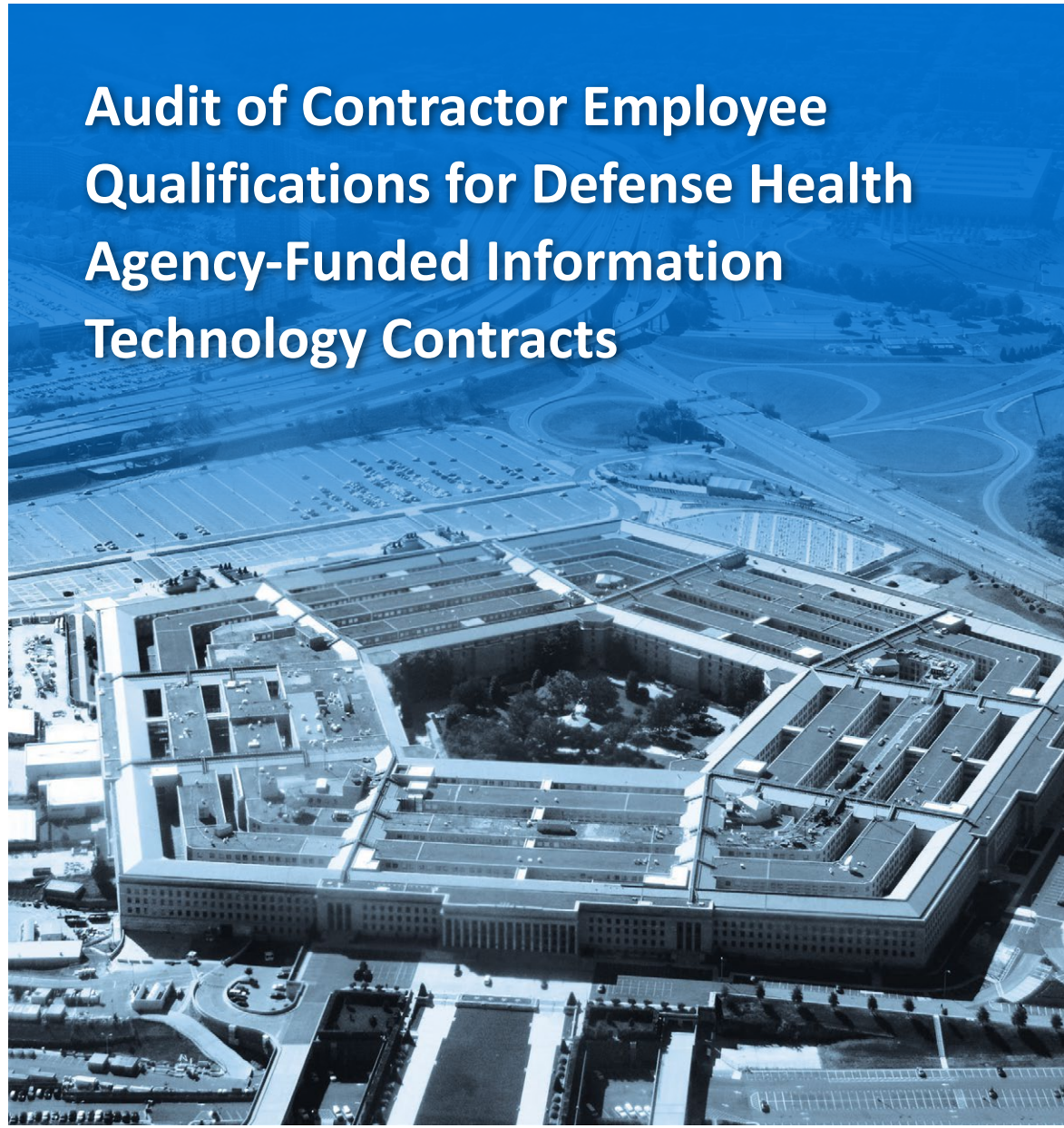




INSPECTOR GENERAL

U.S. Department of Defense

JUNE 15, 2020



Audit of Contractor Employee Qualifications for Defense Health Agency-Funded Information Technology Contracts

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





Results in Brief

Audit of Contractor Employee Qualifications for Defense Health Agency-Funded Information Technology Contracts

June 15, 2020

Objective

The objective of this audit was to determine whether contractor employees met the labor qualifications for Defense Health Agency (DHA) information technology (IT) and telecommunications contracts. See Appendix A for a discussion of the scope and methodology and prior audit coverage related to the objective.

Background

On December 21, 2018, the DoD Office of Inspector General received an allegation to the DoD Hotline that the contracting officer's representative (COR) for a DHA-funded IT service contract approved invoices for unqualified contractors. We were unable to determine whether the COR approved invoices for contractor employees who did not meet the minimum education or experience requirements because the contract identified in the complaint did not specify the minimum information assurance workforce requirements. Specifically, the contracting office did not follow DoD guidance that required the contract to specify the contractor category, level, and certification requirements. However, we reviewed other DHA-funded IT service contracts and determined whether employees met minimum contract requirements.

The DHA IT contracting office awards and administers contracts in support of health care-related IT services. However, when the DHA lacks in-house capacity to award a contract, it may outsource contracting for IT requirements to contracting offices,

Background (cont'd)

such as the U.S. Army Medical Research Acquisition Activity (USAMRAA) or other Government agencies. In other instances, the DHA may choose to outsource its IT requirements to agencies with in-house IT service capabilities, such as the Naval Information Warfare Center (NIWC) Atlantic. The NIWC Atlantic can then award contracts to supplement its in-house IT service capabilities.

Contracts can require that the labor categories for key and non-key personnel have minimum education, certification, and work experience requirements. Key personnel are essential to contract performance and must be approved by the contracting officer or COR. Key personnel positions can vary by contract and may include positions such as project managers, subject-matter experts, and program managers. Non-key personnel are necessary to complete the requirements of the contract but may be replaced without contracting officer or COR approval.

From April 2018 to March 2019, DoD contracting officers awarded 1,031 contracts, task orders, or modifications with award values totaling \$1 billion, for DHA-funded IT and telecommunications services. We reviewed a nonstatistical sample of nine contracts awarded by USAMRAA, NIWC Atlantic, and DHA contracting offices, with award values totaling \$155.1 million. We reviewed 383 key and non-key personnel from the contracts we selected.

Finding

We determined that 76 of 383 contractor employees we reviewed did not meet minimum labor qualifications required by DHA IT and telecommunications contracts. Specifically, DHA and NIWC Atlantic contracting officers approved 16 key personnel and contractors approved 60 non-key personnel who did not meet minimum labor qualifications. This occurred because the DHA and NIWC Atlantic contracting offices did not oversee reviews of key personnel performed by contracting officers, and did not review non-key personnel approved by the contractors.



Results in Brief

Audit of Contractor Employee Qualifications for Defense Health Agency-Funded Information Technology Contracts

Finding (cont'd)

In addition, the DHA contracting office could not demonstrate whether an additional 143 contractor employees met the minimum labor qualifications because the contracting office and contractor did not provide employee résumés to the audit team. This occurred because although the contract contained the appropriate Federal Acquisition Regulation clause requiring contractors to retain documentation, the contractor did not retain all employee résumés or certifications after the contract ended.

Finally, an additional four contractor employees may not have been qualified for key personnel positions in USAMRAA contract 0070 because the contracting officer did not make the minimum requirements specific enough for the audit team to determine whether the contractor employees were qualified for the key personnel positions. This occurred because the USAMRAA contracting office did not follow DoD guidance that required contracting officers to specify contractor category, level, and certification requirements in IT service contracts.

DHA, NIWC Atlantic, and USAMRAA contracting officers included labor categories and, often, minimum labor qualifications in their DHA-funded IT service contracts. The labor categories or minimum qualifications may have been necessary to meet the DHA's IT needs; however, Federal and DoD guidance discourage contracting officers from including labor categories and minimum labor qualifications to allow better contractor competition and allow contractors to propose the best qualified people. Although we identified 76 contractor employees who did not meet minimum labor qualifications, the CORs and contractor performance assessment reports did not note any problems with contractor performance or the DHA IT services provided.

As a result, the DHA and NIWC Atlantic contracting officers authorized approximately \$3.52 million in questioned costs, between April 2018 and March 2019,

for work performed by the 76 contractor employees who did not meet minimum qualifications. Furthermore, a DHA contracting officer may have authorized an additional \$5.3 million in questionable costs for 143 contractor employees whom we did not review because the contracting office did not provide résumés. We did not quantify potential improper payments for the four contractor employees that did not have specific requirements in the USAMRAA contract because the employees worked on a firm-fixed-price contract, which is paid based on contract deliverables and not based on individuals working on the contract. We identified a total of \$8.81 million in questioned costs. See Appendix B for potential monetary benefits.

Overall, contractor employees who did not have the required education or years of work experience were paid for IT services that support health-care delivery to over 9 million beneficiaries. While no performance or service problems were documented for the contracts we reviewed, having unqualified contractor employees on IT service contracts could disrupt health care for service members and their beneficiaries.

Recommendations

We made several recommendations to address our finding, including the recommendation that the contracting offices develop policy requiring the contracting officers to revalidate all key personnel annually, as well as review a sample of non-key personnel quarterly, to reduce the potential of improper payments. In addition, the contracting offices should develop an oversight program, requiring a higher-level reviewer to select a sample of key personnel approvals to ensure contracting officers are approving employees in accordance with contract requirements. Furthermore, we recommend that the contracting officers maintain documentation in the contract files that demonstrates their review and approval of initial and replacement contractor employees in key personnel positions.



Results in Brief

Audit of Contractor Employee Qualifications for Defense Health Agency-Funded Information Technology Contracts

Recommendations (cont'd)

Additionally, we recommend that the appropriate contracting officers or technical experts determine whether the contractor employees referenced in this report met the minimum labor qualifications specified in the contracts, and, if not, take appropriate corrective action, including recovering improper payments.

Management Comments and Our Response

The DHA Director agreed with all nine DHA recommendations, stating that the DHA has developed corrective action plans to address the recommendations. The Director plans to implement all the corrective action plans no later than December 31, 2020. The Director's comments resolve eight of the nine recommendations, but the recommendations will remain open. For the unresolved recommendation, the DHA Director agreed with the recommendation to develop policy for IT service contracts to require contracting officers to include a requirement in the quality assurance surveillance plan to review a sample of non-key personnel to determine whether the contractor personnel meet the labor categories specified in the contract. However, the Director's comments do not address quarterly reviews of non-key personnel.

The Procurement Insight Oversight Director in the Office of the Deputy Assistant Secretary of the Army (Procurement), responding for the USAMRAA Director, agreed with all three USAMRAA recommendations, stating that the USAMRAA plans to complete its corrective actions by August 31, 2020. The Procurement Insight Oversight Director's comments resolve two of the three recommendations, but the recommendations will remain open. For the unresolved

recommendation, the Procurement Insight Oversight Director agreed with the recommendation to develop policy that requires contracting officers to maintain documentation in the contract files that demonstrates their review and approval of initial and replacement contractor employees in key personnel positions. However, the corrective action to remind contracting officers of the Defense Federal Acquisition Regulation Supplement guidance for task orders issued under multiple-award indefinite-delivery indefinite-quantity service contracts would not adequately ensure that contracting officers are maintaining documentation for key personnel reviews and approvals for all contract types awarded by USAMRAA.

The Naval Information Warfare Systems Command Executive Director, responding for the NIWC Atlantic Executive Director, provided comments that resolved seven of the eight recommendations, but the recommendations will remain open. The Executive Director plans to complete the corrective actions by December 31, 2020. For the unresolved recommendation, the NIWC Atlantic Executive Director agreed with the recommendation to include an oversight program requiring a higher-level reviewer to sample key personnel approvals by including it as an item for evaluation in the FY 2021 Command Evaluation Plan; however, the Executive Director's comments do not adequately ensure implementation of an ongoing oversight program.

We request that the DHA Director, the USAMRAA Director, and the NIWC Atlantic Executive Director provide additional comments on the final report. Please see the Recommendations Table on the next page for the status of recommendations.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director, Defense Health Agency	1.f	1.a, 1.b, 1.c, 1.d, 1.e, 1.g, 1.h, 1.i	None
Director, U.S. Army Medical Research Acquisition Activity	2.a	2.b, 2.c	None
Executive Director, Naval Information Warfare Center– Atlantic	3.a	3.b, 3.c, 3.d, 3.e, 3.f, 3.g, 3.h	None

Please provide Management Comments by July 15, 2020.

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

June 15, 2020

MEMORANDUM FOR DIRECTOR, DEFENSE HEALTH AGENCY
AUDITOR GENERAL, DEPARTMENT OF THE NAVY
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit of Contractor Employee Qualifications for Defense Health Agency-Funded
Information Technology Contracts (Report No. DODIG-2020-091)

This final report provides the results of the DoD Office of Inspector General's audit. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

This report contains recommendations that are considered resolved and open. As described in the Recommendations, Management Comments, and Our Response section of this report, the open recommendations may be closed when we receive adequate documentation showing that all agreed-upon actions to implement the recommendations have been completed. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on these recommendations. Your response should be sent to either followup@dodig.mil if unclassified or rfunet@dodig.smil.mil if classified SECRET.

This report also contains recommendations that are considered unresolved because the DHA Director, Procurement Insight Oversight Director in the Office of the Deputy Assistant Secretary of the Army (Procurement), and the NIWC Atlantic Executive Director did not fully address some of the recommendations presented in the report. Therefore, as discussed in the Recommendations, Management Comments, and Our Response section of this report, these recommendations remain unresolved and open. We will track these recommendations until an agreement is reached on the actions to be taken to address the recommendations, and adequate documentation has been submitted showing that the agreed-upon action has been completed.

DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore, please provide us within 30 days your response concerning specific actions in process or alternative corrective actions proposed on the recommendations. Your response should be sent to audyorktown@dodig.mil.

If you have any questions, please contact me at [REDACTED].

A handwritten signature in cursive script, reading "Theresa S. Hull", is positioned above the typed name.

Theresa S. Hull
Assistant Inspector General for Audit
Acquisition, Contracting, and Sustainment

Contents

Introduction

Objective	1
Background	1
Review of Internal Controls	3

Finding. Contractor Employees on DHA-Funded Contracts Did Not Meet Minimum Labor Qualifications

Contractor Employees Did Not Meet Required Minimum Qualifications	5
Contracting Offices Did Not Oversee Key Personnel Reviews and Did Not Review Non-Key Personnel Approvals	9
Contractor Employees May Not Have Met Required Minimum Qualifications	13
DHA Contracting Office and Contractor Did Not Provide Qualification Documentation	13
Contractor Employees May Not Have Been Qualified for Key Personnel Positions	14
USAMRAA Contracting Office Did Not Specify Minimum Labor Qualifications in Contract Requirements	15
Contracting Offices Should Consider Not Including Labor Categories and Minimum Qualifications in IT Service Contracts	15
NIWC Atlantic and DHA Contracting Officers Authorized Questioned Costs and Services	16
Conclusion	18
Recommendations, Management Comments, and Our Response	18

Appendixes

Appendix A. Scope and Methodology	31
Use of Computer-Processed Data	34
Prior Coverage	35
Appendix B. Summary of Potential Monetary Benefits	36

Management Comments

Defense Health Agency	37
U.S. Army Medical Research Acquisition Activity	41
Naval Information Warfare Center Atlantic	44

Acronyms and Abbreviations	50
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Introduction

Objective

The objective of this audit was to determine whether contractor employees met the labor qualifications for Defense Health Agency (DHA) information technology (IT) and telecommunications contracts. See Appendix A for a discussion of the scope and methodology and prior audit coverage related to the objective.

Background

On December 21, 2018, the DoD Office of Inspector General (OIG) received an allegation to the DoD Hotline that the contracting officer's representative (COR) for a DHA-funded IT service contract approved invoices for unqualified contractors. Specifically, the complaint alleged that the COR transferred contractor employees from other existing DHA contracts to another contract, regardless of the labor categories listed on the contract. We were unable to determine whether the COR approved invoices for contractor employees that did not meet the minimum education or experience requirements in the contract because the contract identified in the complaint did not specify the minimum information assurance workforce requirements. Specifically, the contracting office did not follow DoD guidance that required the contract to specify the contractor category, level, and certification requirements.¹ However, we reviewed other DHA-funded IT service contracts to determine whether employees met minimum contract requirements.

DHA IT Functions

The DHA is responsible for implementing, managing, and sustaining IT capabilities that support the delivery of health care to over 9 million eligible beneficiaries. The IT systems managed by the DHA range from the Military Health System Genesis, the DHA's electronic health record, to TRICARE Online's secure messaging interface, which allows providers and patients to exchange secure messages. Among other functions, the DHA IT systems record patient care, provide near real-time global medical surveillance, track billions of dollars in health-care services annually, and support patient safety.

DoD Contracts and Task Orders for DHA IT and Telecommunications Services

The DHA IT contracting office awards and administers contracts in support of health care-related IT services. However, when the DHA lacks in-house capacity to award a contract, it may outsource the contracting for IT requirements

¹ DoD Manual 8570.01, "Information Assurance Workforce Improvement Program," December 19, 2005 incorporating Change 4, November 10, 2015).

to contracting offices, such as the U.S. Army Medical Research Acquisition Activity (USAMRAA), or other Government agencies. In other instances, the DHA may choose to outsource its IT requirements to agencies with in-house IT service capabilities, such as the Naval Information Warfare Center (NIWC) Atlantic. The NIWC Atlantic can then award contracts to supplement its in-house IT service capabilities, according to the Division Head for Defense Health IT at NIWC Atlantic. From April 2018 to March 2019, DoD contracting officers awarded 1,031 contracts, task orders, or modifications with a total awarded value of \$1 billion for DHA-funded IT and telecommunications services.

We nonstatistically selected nine contracts and task orders for DHA-funded IT services, awarded by USAMRAA, NIWC Atlantic, and DHA contracting offices. Contracting actions for the nine contracts we reviewed, issued between April 2018 to March 2019, had award values totaling \$155.1 million.² Of the nine contracts and task orders we reviewed, four were cost-type contracts and five were firm-fixed-price contracts. See Appendix A for the nine contracts and task orders we reviewed.

Key and Non-Key Personnel

Contracts can require that labor categories for key and non-key personnel have minimum education, certification, and work experience requirements. Key personnel are essential to contract performance, and, according to the contracts we reviewed, the key personnel must be approved by the contracting officer or COR. In addition, the approved key personnel may not be removed from the contract work or replaced without prior notification to the contracting officer or COR. Key personnel positions can vary by contract and may include positions such as project managers, subject-matter experts, and program managers. In addition, contracts can include non-key personnel necessary to complete the requirements of the contract. However, non-key personnel may be replaced without contracting officer or COR approval. We reviewed all key and non-key personnel for cost type contracts and all key personnel for firm-fixed-price contracts. We did not review key or non-key personnel in cases where the contracting office was unable to provide contractor résumés or the contract did not specify minimum labor qualification requirements.

² Contracting actions include initial contract awards, task orders issued off of delivery vehicle contracts, and contract modifications.

Review of Internal Controls

DoD guidance 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.³ We identified internal control weaknesses because the DHA and NIWC CORs did not review non-key personnel approved by the contractors, and approved 16 of 119 key personnel who did not meet the minimum labor qualification requirements identified in the contracts. In addition, the USAMRAA contracting office did not make the minimum labor qualifications specific enough in one of its contracts. We will provide a copy of the final report to the senior official responsible for internal controls in the DHA, the Army, and the Navy.

³ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding

Contractor Employees on DHA-Funded Contracts Did Not Meet Minimum Labor Qualifications

We determined that 76 of 383 contractor employees we reviewed did not meet minimum labor qualifications required by DHA IT and telecommunications contracts. Specifically, DHA and NIWC Atlantic contracting officers approved 16 key personnel and contractors approved 60 non-key personnel who did not meet minimum labor qualifications. This occurred because the DHA and NIWC Atlantic contracting offices did not oversee reviews of key personnel performed by contracting officers, and did not review non-key personnel approved by the contractors.

In addition, the DHA contracting office could not demonstrate whether an additional 143 contractor employees met the minimum labor qualifications for contract 0311 because the contracting office and contractor did not provide employee résumés to the audit team. This occurred because, although the contract contained the appropriate Federal Acquisition Regulation clause requiring contractors to retain documentation, the contractor did not retain all employee résumés and certifications after the contract ended.⁴

Finally, an additional four contractor employees in key personnel positions on the USAMRAA contract 0070 may not have been qualified. Specifically, the USAMRAA contracting office did not make the minimum requirements specific enough for the audit team to determine whether the contractor employees were qualified for the key personnel positions. This occurred because the USAMRAA contracting office did not follow DoD guidance that required the contract to specify contractor category, level, and certification requirements in IT service contracts.⁵

DHA, NIWC Atlantic, and USAMRAA contracting officers included labor categories and, often, minimum labor qualifications in their DHA-funded IT service contracts. The labor categories or minimum qualifications may have been necessary to meet the DHA's IT needs; however, Federal and DoD guidance discourage contracting officers from including labor categories and minimum labor qualifications to allow better contractor competition and allow contractors to propose the best qualified people.⁶

⁴ Federal Acquisition Regulation Part 52, "Solicitation Provisions and Contract Clauses," Subpart 52.2, "Text of Provisions and Clauses," Section 52.215-2, "Audit and Records-Negotiation."

⁵ DoD Manual 8570.01, "Information Assurance Workforce Improvement Program," December 19, 2005 (incorporating Change 4, November 10, 2015).

⁶ Federal Acquisition Regulation Part 39, "Acquisition of Information Technology," Subpart 39.1, "General," Section 39.104, "Information Technology Services." Office of the Under Secretary of Defense for Acquisition & Sustainment, "DoD COR Handbook," "Appendix B: Contract Planning and Source Selection," March 22, 2012.

As a result, the DHA and NIWC Atlantic contracting officers authorized approximately \$3.52 million in questioned costs, between April 2018 and March 2019, for work performed by the 76 contractor employees who did not meet minimum qualifications. Furthermore, a DHA contracting officer may have authorized an additional \$5.3 million in questioned costs for 143 of the 147 contractor employees that were not reviewed. We did not quantify potential improper payments for the four contractor employees that did not have specific requirements in the contracts because the employees worked on firm-fixed-price contracts, which are paid based on contract deliverables and not based on individuals working on the contract. We identified a total of \$8.81 million in questioned costs. See Appendix B for potential monetary benefits.

Overall, contractor employees who did not have the required education or years of work experience were paid for IT services that support health care delivery to over 9 million beneficiaries. While no performance or service problems were documented for the contracts we reviewed, having unqualified contractor employees on IT service contracts could disrupt health care for service members and their beneficiaries.

Contractor Employees Did Not Meet Required Minimum Qualifications

Based on documentation provided by the DHA, NIWC Atlantic, and USAMRAA contracting offices, 76 of 383 contractor employees did not meet minimum requirements specified

76 of 383 contractor employees did not meet minimum requirements specified in DHA IT-related contracts.

in DHA IT-related contracts. We reviewed the documentation provided by the contracting offices to determine if key and non-key personnel had the required education, years of work experience, or certifications to meet the minimum labor category requirements. Table 1 shows the number of key and non-key personnel we reviewed, and whether the employees met minimum qualification requirements. Overall, DHA and NIWC Atlantic contracting officers approved 16 key personnel and contractors approved 60 non-key personnel who did not meet minimum qualification requirements.

Table 1. Number of Contractor Employees Reviewed and Whether They Met Minimum Qualifications

Contract Reference No.*	Contract or Task Order Number	Key Personnel Reviewed	Key Personnel Who Did Not Meet Minimum Requirements	Non-Key Personnel Reviewed	Non-Key Personnel Who Did Not Meet Minimum Requirements	Total Key and Non-Key Personnel Who Did Not Meet Minimum Requirements	Total Contractor Employees Reviewed
DHA							
0087	HT0015-18-F-0087	2	0	N/A	N/A	0	2
0066	HT0015-18-F-0066	1	0	N/A	N/A	0	1
0001	HT0015-16-C-0001	5	0	N/A	N/A	0	5
0311	HT0014-18-F-0311	N/A	N/A	64	30	30	64
0022	HT0011-15-F-0022	5	3	0	0	3	5
NIWC Atlantic							
3100	N65236-17-F-3100	85	10	58	8	18	143
0143	N65236-19-F-0143	15	3	142	22	25	157
USAMRAA							
0068	W81XWH-19-C-0068	3	0	N/A	N/A	0	3
0070	W81XWH-17-F-0070	3	0	N/A	N/A	0	3
Total		119	16	264	60	76	383

Note: If contractors billed the Government for the same employee under more than one labor category, we reviewed and counted the employee for each labor category.

*We assigned each contract a shortened contract reference number for this report.

Source: The DoD OIG.

Key Personnel Did Not Meet Minimum Qualification Requirements

Of 119 key personnel we reviewed, the DHA and NIWC Atlantic contracting officers approved 16 key personnel who did not meet the minimum experience, education, or certification requirements. Of the six key personnel we reviewed on USAMRAA contracts, we did not identify any employees who did not meet minimum qualifications. Key personnel

positions are essential to contract performance and, based on the contracts we reviewed, must be approved by the contracting officer or COR. For example, for contract 0143, the contract required the project manager to have a minimum of 10 years of engineering experience

The contract required the project manager to have a minimum of 10 years of engineering experience.... However, the project manager had only approximately 5 years of relevant experience.

related to communication, computer, radar, or similar systems. However, the project manager had only approximately 5 years of relevant engineering experience. In another example, three of five key personnel did not meet the minimum experience required by contract 0022. Specifically, résumés for the three key personnel did not demonstrate that the employees had experience with Agile software development, as required by the contract.⁷ In addition, one of the three key personnel did not have the required 10 years of relevant experience with large complex systems. The employee's résumé cited only human resources support and technical writing positions for prior work experience.

In addition to not meeting experience requirements, some key personnel did not meet education requirements. For example, contract 3100 was awarded to provide health-care-related IT engineering support, as well as information assurance and system support services in support of consolidating the DoD's IT infrastructures into a single, shared model to support DoD health care. A subject-matter expert 4 position on this contract was required to have technical training in a relevant technical field. However, a subject-matter expert 4 contractor employee's résumé cited only education in criminal justice and a homeland security program, and did not list any relevant IT-related education or training. Furthermore, the position required 15 years of hands-on experience in certain areas, including medical systems, systems requirements, and operating system software. However, the contractor employee's résumé supported approximately 9 years of telecommunications or IT-related experience, with his remaining experience in emergency preparedness, search and rescue, special operations, and personal

⁷ Agile is an approach to software development focused on developing solutions through collaboration between cross-functional teams.

protection. When we requested additional support for the employee's qualifications, the contractor agreed that the employee did not possess the required qualifications and stated that the employee should be reclassified as a training specialist 2 position.⁸

Non-Key Personnel Did Not Meet Minimum Qualification Requirements

Of 264 non-key personnel we reviewed on DHA and NIWC contracts, contractors approved 60 non-key personnel who did not have the required number of years of relevant experience or meet the education or certification requirements.⁹

For example, a contractor employee on contract 0311 charged time as both a system server engineer, which required 3 to 5 years of relevant experience, and a help desk tier III technician, which required 4 to 6 years of experience in help-desk operations and a college degree. However, the employee's only relevant

The employee's only relevant work experience...was 1 year as a help-desk technician. The employee's other work experience included being a bartender...and a manager at a fast-food chain.

work experience listed on his résumé was 1 year as a help-desk technician. The employee's other work experience included being a bartender, contract specialist, distribution center clerk, sunglasses sales associate, and director of operations and

quality and a manager at a fast-food chain. Contract 0311 also required an advanced technology program manager position to have either a master's degree or a bachelor's degree with a Project Management Professional certification. However, the contractor employee's résumé did not cite any completed education or the required certification. In addition, when we requested additional support for both employees' qualifications, the contractor could not provide documentation to demonstrate that the employee met the education, experience, or certification requirements.

In addition, contract 3100 requires a training specialist 2 to have 7 years of direct training experience, or a bachelor's degree in education, English, or psychology, and to be working toward a training certification. However, one trainer's résumé cited only an associate's degree in computer technology, as well as another associate's degree in culinary art. The résumé did not list any teaching experience, except one task where the employee provided phishing campaigns to better train staff.

⁸ We reviewed the employee against the minimum qualifications for the new labor category provided by the contractor and determined that the key personnel met that labor qualifications. However, for the purposes of this report, the employee is still reported as "did not meet minimum qualifications" because we compared the employee to the labor category submitted in invoices billed to the Government.

⁹ We did not review non-key personnel on the USAMRAA contracts because they were firm-fixed-price contracts, which are paid based on contract deliverables and not based on individuals working on the contract.

When we requested additional support for how the contractor determined that employee met the education and experience requirements, the contractor explained how the employee met the requirement for 5 years of experience in specific task areas. However, the contractor did not explain how the employee met the requirement for 7 years of direct training experience, which is also required by the contract.

Furthermore, two employees on contract 0143 were billed as a subject-matter expert 5, a position that requires 18 years of hands-on experience. We determined that both employees had only approximately 8 years of experience. When we requested additional information from the contractor on how it determined the employees met the experience requirement, the contractor agreed that the employees did not meet the requirement and had only approximately 8 years of experience each. The contractor stated that the employees should be reclassified into the subject-matter expert 1 position, which requires only 8 years of experience.¹⁰

Contracting Offices Did Not Oversee Key Personnel Reviews and Did Not Review Non-Key Personnel Approvals

DHA and NIWC Atlantic contracting officers approved 16 key personnel and contractors approved 60 non-key personnel who did not meet requirements because the DHA and NIWC Atlantic contracting offices did not oversee key personnel reviews performed by contracting officers or CORs, and did not review non-key personnel approved by the contractors.

Contracting Offices Did Not Oversee Key Personnel Reviews

DHA and NIWC Atlantic contracting officers approved 16 key personnel who did not meet the minimum labor qualifications because the contracting offices did not oversee key personnel reviews. The contracts we reviewed required the contracting officer or COR to review and approve key

The contracts we reviewed required the contracting officer or COR to review and approve key personnel; however, the contracting offices did not oversee the contracting officer or COR key personnel approvals.

personnel; however, the contracting offices did not oversee the contracting officer or COR key personnel approvals. For example, the NIWC Atlantic COR for contract 0143 did not accurately validate the qualifications for three key

¹⁰ We reviewed the employees against the minimum qualifications for the new labor categories provided by the contractor and determined that the two non-key personnel met those labor qualifications. However, for the purposes of this report, the two employees are still reported as “did not meet minimum qualifications,” because we compared the employees to the labor categories submitted in invoices billed to the Government.

personnel. The contractor provided a cover sheet with each employee's résumé to the COR. The cover sheet summarized the employees' labor categories, minimum contract labor qualifications, and details from the employees' résumés that the contractor felt met the minimum requirements. However, when we reviewed the résumé details provided in the cover sheets with the employees' résumés, the employees' résumés did not demonstrate that the employees met the minimum qualifications outlined in the contract. However, the COR approved the three key personnel and the contracting officers did not review the COR's approval. When we requested additional information on the employees who did not meet the minimum qualifications, the contractors explained that they incorrectly applied labor categories for two of the key personnel and provided corrected labor category assignments during the audit.¹¹

For the third employee, the contractor provided the employee's résumé and highlighted the jobs the contractor felt met the minimum contract requirements. Although the employee had numerous years of overall experience, the contractor still did not provide supporting documentation to show that the employee had 4 years of experience demonstrating the ability to plan and lead a technical team in multiple, diverse engineering disciplines as required by the contract. The COR maintained that all three key personnel were qualified for the labor categories submitted to him for approval, but he did not provide justification or additional documentation to support his claim. However, the contractor agreed that two of the three key personnel did not meet the minimum qualifications for those labor categories.

In another example, a contracting officer on DHA contract 0022 agreed that the résumé for one employee designated as key personnel, a data federation engineer position, did not demonstrate that the employee was experienced with Agile software development as required by the contract. Overall, once the contracting officer or COR determined whether employees were qualified for key personnel positions, the DHA and NIWC Atlantic contracting offices did not require any higher-level approvals or oversight. DoD guidance emphasizes that it is vital to ensure that contractors provide quality services because of the critical reliance on contractor support and large expenditures involved.¹²

¹¹ We reviewed the employees against the minimum qualifications for the new labor categories provided by the contractor and determined that the two key personnel met those labor qualifications. However, for the purposes of this report, the two employees are still reported as "did not meet minimum qualifications" because we compared the employees to the labor categories submitted in invoices billed to the Government.

¹² Office of the Under Secretary of Defense for Acquisition & Sustainment, "DoD COR Handbook," "Foreword," March 22, 2012.

While the CORs did monitor contractor performance and did not identify any performance problems, adding oversight to key personnel approvals would help verify that contracting personnel approve qualified employees to ensure the

Adding oversight to key personnel approvals would help verify that contracting personnel approve qualified employees to ensure the Government receives the quality services it pays for.

Government receives the quality services it pays for. The DHA and NIWC Atlantic should develop an oversight program that requires a higher-level reviewer to select a sample of key personnel approvals on each contract to ensure contracting officers are approving employees in accordance with contract

requirements. In addition, the DHA and the NIWC Atlantic should require the appropriate contracting officers or technical experts to determine if the key personnel referenced in this report met the minimum labor qualifications specified in the contracts, and, if not, take appropriate corrective action, including replacing key personnel with qualified employees and recovering any improper payments.

Furthermore, the contracts and associated documents we reviewed, such as the performance work statement and quality assurance surveillance plan (QASP), did not require any periodic verification of the key personnel qualifications throughout the performance of the contract.¹³ Specifically, after the contracting officer or COR performs the initial review and approval of key personnel, the contracting officer or COR does not review the employee's qualifications throughout the remainder of the contract. Annually revalidating key personnel qualifications on IT service contracts, such as verifying training and certification expirations, could reduce improper payments to contractor employees who do not meet the minimum labor qualifications and ensure that the contractor employees supporting the DoD have the required skills and abilities. The DHA and NIWC Atlantic should develop policy for IT service contracts to require contracting officers to include a requirement in the QASP to revalidate all key personnel annually to determine whether the contractors meet the labor categories specified in the contract.

In addition, CORs responsible for DHA, NIWC Atlantic, and USAMRAA contracts did not document their reviews and approvals of key personnel in the contract files. Although the contracts we reviewed required the contracting officer or COR to review and approve

CORs responsible for DHA, NIWC Atlantic, and USAMRAA contracts did not document their reviews and approvals of key personnel in the contract files.

¹³ The performance work statement summarizes a description of the services the Government is requesting. The QASP is an important tool for the COR to monitor contractor performance to verify that the services received are consistent with contract requirements; the QASP also details how and when the Government will sample contractor performance.

all key personnel, the contracting officers and CORs did not document their reviews, and only had e-mails that were not contained in the contracting file to show they provided approval to the contractors. This occurred because although the contracts required the contracting officers or CORs to approve key personnel, neither the contract nor DHA, NIWC Atlantic, or USAMRAA policies required the CORs to maintain documentation demonstrating their reviews or approval in the contract files. Documenting key personnel reviews in the contract files would demonstrate that the contracting officers or CORs performed their required reviews and would provide documentation to support the approvals when there is turnover in contracting office personnel. For example, for contract 0022, the COR approved three key personnel who did not meet the minimum labor qualifications. However, both the COR and contracting officer that were initially assigned to the contract no longer worked at the DHA, and the new contracting officer could not provide justification for why the key personnel were approved. Therefore, to help ensure key personnel reviews and approvals are adequately performed and documented, the DHA, NIWC Atlantic, and USAMRAA should develop policy that requires their contracting officers to maintain documentation in the contract files that demonstrates the review and approval of initial and replacement contractor employees in key personnel positions.

Contracting Offices Did Not Review Non-Key Personnel Approvals

Contractors approved 60 non-key personnel who did not meet the minimum labor qualifications because the DHA and NIWC Atlantic contracting offices did not review non-key personnel approved by the contractors. The DHA and NIWC Atlantic contracting officers relied on the contractors to validate that the non-key personnel were qualified to accomplish the required work because the contracts and associated documents we reviewed, such as the performance work statement and QASP, included no requirements for the contracting office to review labor qualifications for non-key personnel. Although the contracting documents we reviewed did not require the contracting officer to review non-key personnel, the contracting officer is the primary Government official responsible for ensuring compliance with contractual requirements and we found 60 non-key personnel who we believe did not meet the minimum labor qualifications. Therefore, the DHA and NIWC Atlantic should require the appropriate contracting officers or technical experts to determine if the non-key personnel referenced in this report met the minimum labor qualifications specified in the contracts, and, if not, take appropriate corrective action, including recovering improper payments.

DoD guidance states that the COR should provide the contracting officer with documentation that identifies the contractor's compliance or noncompliance with the terms and conditions of the contract.¹⁴ Seven of nine contracts we reviewed established labor categories with specific education, experience, and certification qualifications that contractor employees must meet. While we understand that IT service contracts can include hundreds or more non-key personnel and reviewing all the non-key personnel would be excessive and burdensome for a contracting officer or COR, periodically validating some non-key personnel qualifications for IT service contracts could help ensure that the contractor employees supporting the DoD have the required skills and abilities and reduce improper payments to non-key personnel who do not meet the minimum labor qualifications. Therefore, the DHA and NIWC Atlantic should develop policy for IT service contracts to require contracting officers to include a requirement in the QASP to select a sample of non-key personnel quarterly to determine whether the contractor personnel meet the labor categories specified in the contract.

Contractor Employees May Not Have Met Required Minimum Qualifications

An additional 143 contractor employees may not have met the minimum labor qualifications on DHA-funded IT contracts. Specifically, the DHA contracting office could not demonstrate that the 143 contractor employees met minimum labor qualifications for contract 0311 because the DHA contracting office and contractor did not provide supporting documentation to the audit team.

DHA Contracting Office and Contractor Did Not Provide Qualification Documentation

The DHA contracting office could not demonstrate that 143 contractor employees met the minimum labor qualifications because the DHA contracting office and contractor did not provide supporting documentation to the audit team. This occurred because although contract 0311 contained the appropriate Federal Acquisition Regulation clause requiring contractors to retain documentation, the contractor did not retain qualification documentation, such as résumés or certifications after the contract ended.¹⁵ The DHA contracting office relies on its

¹⁴ Office of the Under Secretary of Defense for Acquisition & Sustainment, "DoD COR Handbook," "Foreword," March 22, 2012.

¹⁵ Federal Acquisition Regulation Part 52, "Solicitation Provisions and Contract Clauses," "Subpart 52.2," "Text of Provisions and Clauses," Section 52.215-2, "Audit and Records-Negotiation."

Personnel on contract 0311 stated that they did not maintain electronic copies of employees' résumés and no longer had the hard-copy résumés because the contract ended in July 2019.

contractors to review non-key personnel to determine whether employees can meet labor category requirements. However, personnel on contract 0311 stated that

they did not maintain electronic copies of employees' résumés and no longer had the hard-copy résumés because the contract ended in July 2019.

The Federal Acquisition Regulation requires that contractors make records available to satisfy audit requirements. In addition, the Federal Acquisition Regulation requires contractors to maintain contract documents for 3 years after final payment. These requirements are incorporated into contracts using Federal Acquisition Regulation clause 52.215-2, which the contracting officer included in contract 0311. Because the contract ended in July 2019, the contractor should have been able to provide qualification documentation when we requested résumé documentation in September 2019. Therefore, the DHA should require the contracting officer for contract 0311 to determine whether any action should be taken against the contractor for not complying with the Federal Acquisition Regulation clause 52.215-2 contained in the contract.

Contractor Employees May Not Have Been Qualified for Key Personnel Positions

An additional four contractor employees may not have been qualified for key personnel positions in USAMRAA contract 0070. Specifically, the USAMRAA contracting office did not make the minimum requirements specific enough for the audit team to determine whether the contractor employees were qualified for the key personnel positions. The USAMRAA contracting officer for contract 0070 assigned specific certifications, such as a Project Management Professional and Security+, for three key personnel positions in the contract. However, the contracting officer did not make the minimum labor requirements specific enough for the other four key personnel positions in the contract. For example, the contract required a web designer to be certified in accordance with DoD 8570.01-M, "Information Assurance Workforce Improvement Program." However, DoD 8570.01-M identifies several information assurance workforce categories, specialties, and levels and their specific requirements and the contract did not specify which workforce level requirements applied to the labor category.

USAMRAA Contracting Office Did Not Specify Minimum Labor Qualifications in Contract Requirements

The four contractor employees may not have been qualified for key personnel positions because the USAMRAA contracting office did not follow DoD guidance that requires contracting officers

The USAMRAA contracting office did not follow DoD guidance that requires contracting officers to specify contractor category, level, and certification requirements in IT service contracts.

to specify contractor category, level, and certification requirements in IT service contracts.¹⁶ DoD 8570.01-M, "Information Assurance Workforce Improvement Program," states that the contractor category, level, and certification requirements should be specified in the contract. According to the COR, the references to each specific information assurance workforce level were removed from the original performance work statement because of the complex nature of outlining each requirement and to avoid a greater risk of contract protest. Furthermore, the COR stated that the Government allowed the contractors to provide details on employees' qualifications during the technical proposal. However, without specifying the applicable information assurance category, specialty, or level that each contract labor category applies to, it is unclear how the COR determined that the key personnel met minimum qualifications. Therefore, USAMRAA should develop policy to require contracting officers on IT service contracts that require compliance with DoD 8570.01-M, "Information Assurance Workforce Improvement Program," to specify contractor category, level, and certification requirements in the contract.

Contracting Offices Should Consider Not Including Labor Categories and Minimum Qualifications in IT Service Contracts

DHA, NIWC Atlantic, and USAMRAA contracting officers included labor categories and, often, minimum labor qualifications in their DHA-funded IT service contracts. The Federal Acquisition Regulation states that contracts for IT services should not describe minimum experience or education requirements unless the contracting officer determines that the agency cannot meet its needs without that requirement.¹⁷ In addition, the DoD COR Handbook states that labor categories and education requirements should be avoided to allow contractors to propose the best people

¹⁶ DoD Manual 8570.01, "Information Assurance Workforce Improvement Program," December 19, 2005 (Incorporating Change 4, November 10, 2015).

¹⁷ Federal Acquisition Regulation Part 39, "Acquisition of Information Technology," Subpart 39.1, "General," Section 39.104, "Information Technology Services."

with the best skill sets.¹⁸ However, DHA, NIWC Atlantic, and USAMRAA contracting officers included labor categories for all key and most non-key personnel in all nine IT service contracts we reviewed. In addition, eight of the nine contracts included minimum education, experience, or certification requirements for the labor categories.

The labor categories or minimum labor qualifications may have been necessary to meet the DHA's IT needs; however, Federal and DoD guidance discourage contracting officers from including labor categories and minimum labor

The NIWC Atlantic and DHA CORs and contractor performance assessment reports did not note any problems with contractor performance or the DHA IT services provided.

qualifications to allow better contractor competition and allow contractors to propose the best qualified people. Although we identified 76 contractor employees who did not meet minimum labor qualifications, the NIWC Atlantic

and DHA CORs and contractor performance assessment reports did not note any problems with contractor performance or the DHA IT services provided. Therefore, DHA, NIWC Atlantic, and USAMRAA should reiterate to contracting officers that labor categories and minimum labor requirements should be avoided in IT service contracts or performance work statements unless the IT service cannot be provided without them.

NIWC Atlantic and DHA Contracting Officers Authorized Questioned Costs and Services

NIWC Atlantic and DHA contracting officers authorized approximately \$3.52 million in questioned costs for 76 key and non-key personnel who did not meet minimum labor qualification requirements. For example, a DHA contracting officer for contract 0311

NIWC Atlantic and DHA contracting officers authorized approximately \$3.52 million in questioned costs for 76 key and non-key personnel who did not meet minimum labor qualification requirements.

authorized approximately \$1.2 million for 30 contractor employees who did not meet minimum labor qualification requirements from August 2018 to March 2019. In addition, a NIWC Atlantic contracting officer approved approximately \$1.46 million in payments on contract 3100 for 18 contractor employees who did not meet minimum labor qualification requirements.

¹⁸ Office of the Under Secretary of Defense for Acquisition & Sustainment, "DoD COR Handbook," "Appendix B: Contract Planning and Source Selection," March 22, 2012.

DHA contracting officers authorized additional questioned costs for 143 contractor employees who may not have met minimum labor qualifications because the contracting offices and contractors did not provide qualification documentation.

Furthermore, DHA contracting officers authorized additional questioned costs for 143 contractor employees who may not have met minimum labor qualifications because the contracting offices and contractors did not provide qualification documentation. For example, in contract 0311, a DHA contracting officer authorized

approximately \$5.3 million from August 2018 to March 2019 for 143 personnel whose résumés the contractor and contracting office could not provide. Lastly, we did not quantify potential improper payments for the four contractor employees that did not have specific requirements in the contracts because the employees worked on firm-fixed-price contracts, which are paid based on contract deliverables and not based on individuals working on the contract. Table 2 shows the questioned costs authorized for contractor employees who did not meet, or may not have met, minimum labor qualifications.

Table 2. Questioned Costs Authorized for Contractor Employees Who Did Not Meet or May Not Have Met Minimum Labor Qualifications

Contract Number	Contractor Employees Who Did Not Meet		Contractor Employees Who May Not Have Met	
	Number of Personnel	Amount (in Millions)	Number of Personnel	Amount (in Millions)
DHA				
0311	30	\$1.23	143	\$5.3
0022	3	0.32	N/A	N/A
NIWC Atlantic				
3100	18	1.46	N/A	N/A
0143	25	0.5	N/A	N/A
Total	76	\$3.52	143	\$5.3

Note: Totals may not equal the actual sum because of rounding.

Source: The DoD OIG.

Public law defines improper payments as any payment that was made in an incorrect amount because of contractual requirements, or any payment to an ineligible recipient or for an ineligible service.¹⁹ In addition, DoD guidance requires DoD agencies that process payments to report improper payments to the Office of

¹⁹ Public Law 111-204, "Improper Payments Elimination and Recovery Act of 2010," July 22, 2010.

the Under Secretary of Defense (Comptroller)/Chief Financial Officer on an annual basis.²⁰ Therefore, if improper payments are identified during the contracting officers' reviews of the contractor employees, the DHA and NIWC Atlantic should report all improper payments to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer.

Conclusion

Overall, some contractor employees who worked on DHA IT service contracts did not meet minimum labor qualification requirements. The contractor employees supported DHA IT and telecommunications services, which are technical, and

Contractor employees who did not have the required education or years of work experience were paid for IT services that support health-care delivery to over 9 million beneficiaries.

therefore required technical training and years of relevant professional experience, as outlined in the requirements of the contracts we reviewed. Contractor employees who did not have the required education or years of work experience were paid for IT services that support health-care delivery to over 9 million

beneficiaries. While no performance or service problems were documented for the contracts we reviewed, having unqualified contractor employees on IT service contracts could disrupt health care for service members and their beneficiaries.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Director of the Defense Health Agency:

- a. **Develop an oversight program that requires a higher-level reviewer to select a sample of key personnel approvals to ensure contracting officers are approving employees in accordance with contract requirements.**

Defense Health Agency Comments

The DHA Director agreed with the recommendation, stating that the DHA will establish an oversight process to perform a higher-level review of a random sample of contracts quarterly. The DHA Director plans to complete this action by December 31, 2020.

²⁰ DoD Regulation 7000.14-R, "DoD Financial Management Regulation" (DoD FMR), volume 4, chapter 14.

Our Response

The Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the DHA provides documentation that details the oversight program ensuring contracting officers are appropriately approving contractor personnel.

- b. Require the appropriate contracting officers or technical experts to determine if the key personnel referenced in this report met the minimum labor qualifications specified in the contracts, and, if not, take appropriate corrective action, including replacing key personnel with qualified employees and recovering any improper payments.**

Defense Health Agency Comments

The DHA Director agreed with the recommendation, stating that the contracting officers will complete a determination and document the contract file and way forward regarding this recommendation. The DHA Director plans to complete these actions by December 31, 2020.

Our Response

The Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the DHA provides us with documentation of the completed key personnel reviews and any corrective actions taken for key personnel who did not meet the minimum labor qualifications specified in the contract.

- c. Develop policy for information technology service contracts to require contracting officers to include a requirement in the quality assurance surveillance plan to revalidate all key personnel annually to determine whether the contractors meet the labor categories specified in the contract.**

Defense Health Agency Comments

The DHA Director agreed with the recommendation, stating that the DHA will ensure that the quality assurance surveillance plan template, and related procurement policy, add the requirement to revalidate all key personnel annually to ensure that the contractor has met all the labor categories specified in the contract. The DHA Director plans to complete these actions by December 31, 2020.

Our Response

The Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the DHA provides us with the DHA's updated procurement policy and QASP template that includes the added key personnel requirement to support the recommended actions.

- d. Develop policy that requires the contracting officers to maintain documentation in the contract files that demonstrates their review and approval of initial and replacement contractor employees in key personnel positions.**

Defense Health Agency Comments

The DHA Director agreed with the recommendation, stating that the DHA will include the specific requirement in the existing DHA procurement policy. The DHA Director plans to complete the action by December 31, 2020.

Our Response

The Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the DHA provides its modified procurement policy requiring contracting officers to maintain documentation in the contract files to support these actions.

- e. Require the appropriate contracting officers or technical experts to determine if the non-key personnel referenced in this report met the minimum labor qualifications specified in the contracts, and, if not, take appropriate corrective action, including recovering improper payments.**

Defense Health Agency Comments

The DHA Director agreed with the recommendation, stating that contracting officers will complete a determination and document the contract file in accordance with this recommendation. The DHA Director plans to complete these actions by December 31, 2020.

Our Response

The Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the DHA provides us with documentation of the completed non-key personnel reviews and any corrective action taken for non-key personnel who did not meet the minimum labor requirements in the contract.

- f. Develop policy for information technology service contracts to require contracting officers to include a requirement in the quality assurance surveillance plan to review a sample of non-key personnel quarterly to determine whether the contractor personnel meet the labor categories specified in the contract.**

Defense Health Agency Comments

The DHA Director agreed with the recommendation, stating that the DHA will update its QASP template and procurement policy to add the requirement to revalidate all key personnel annually to ensure that the contractor has met all the labor categories specified in the contract. The DHA Director plans to complete these actions by December 31, 2020.

Our Response

The Director's comments did not address the specifics of the recommendation; therefore, the recommendation is unresolved. The Director stated that the DHA would revalidate all key personnel annually; however, this recommendation addresses non-key personnel, not key personnel. We request that the Director provide comments on the final report on actions that the DHA will take to review non-key personnel quarterly.

- g. Require the contracting officer for contract HT0014-18-F-0311 to determine whether any action should be taken against the contractor for not complying with Federal Acquisition Regulation clause 52.215-2 contained in the contract.**

Defense Health Agency Comments

The DHA Director agreed with the recommendation, stating that the contracting officer will complete a determination and document the file in accordance with the recommendation. The DHA Director plans to complete these actions by December 31, 2020.

Our Response

The Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the DHA provides us with the contracting officer's determination to address the recommendation.

- h. Reiterate to contracting officers that labor categories and minimum labor requirements should be avoided in the contracts or performance work statements unless the information technology service cannot be provided without them.**

Defense Health Agency Comments

The DHA Director agreed with the recommendation, stating that the DHA will reiterate the recommendation to contracting officers and revise the IT performance work statement template and related procurement policy to discourage use of minimum labor category requirements. The DHA Director plans to complete these actions by December 31, 2020.

Our Response

The Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the DHA provides us a copy of the revised IT performance work statement template and procurement policy to address the recommendation.

- i. Report all improper payments to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer.**

Defense Health Agency Comments

The DHA Director agreed with the recommendation, stating that if the contracting officers determine that improper payments were made, the DHA will report the findings to the Undersecretary of Defense (Comptroller)/Chief Financial Officer. The DHA Director plans to complete this action by June 30, 2020.

Our Response

The Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the DHA provides documentation of reported improper payments to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, or when the DHA provides the labor qualification reviews to support that the DHA did not authorize any improper payments.

Recommendation 2

We recommend that the Director of the U.S. Army Medical Research Acquisition Activity:

- a. Develop policy that requires their contracting officers to maintain documentation in the contract files that demonstrates their review and approval of initial and replacement contractor employees in key personnel positions.**

U.S. Army Medical Research Acquisition Activity Comments

The Procurement Insight Oversight Director in the Office of the Deputy Assistant Secretary of the Army (Procurement), responding for the USAMRAA Director, agreed with the recommendation, stating that USAMRAA will remind contracting officers of the Defense Federal Acquisition Regulation Supplement Procedures, Guidance, and Information (DFARS PGI) 216.505-70 policy. The Procurement Insight Oversight Director stated that this policy includes verification procedures within the quality assurance surveillance plans to ensure contractor personnel providing services meet qualification requirements identified for the labor categories specified in task orders and contracts. The Procurement Insight Oversight Director plans to complete this action by August 31, 2020.

Our Response

The Procurement Insight Oversight Director's comments did not address the specifics of the recommendation; therefore, the recommendation is unresolved. While we agree that DFARS PGI 216.505-70(3) includes verification procedures within the quality assurance surveillance plans to ensure contractor personnel providing services meet qualification requirements identified for the labor categories specified in task orders and contracts, the guidance applies only to task orders issued under multiple-award indefinite-delivery indefinite-quantity service contracts. Other service contracts awarded by USAMRAA, such as contract W81XWH-19-C-0068, would not be covered under this guidance. We request that the USAMRAA Director reconsider the Army's actions to address the recommendation and provide comments on the final report that address documentation for key personnel reviews and approvals for all contract types awarded by USAMRAA.

- b. Develop policy to require the contracting officers on information technology service contracts that require compliance with the Department of Defense Manual 8570.01, "Information Assurance Workforce Improvement Program," to specify contractor category, level, and certification requirements in the contract.**

U.S. Army Medical Research Acquisition Activity Comments

The Procurement Insight Oversight Director in the Office of the Deputy Assistant Secretary of the Army (Procurement), responding for the USAMRAA Director, agreed with the recommendation, stating that USAMRAA will remind contracting officers of the appropriate requiring activity and contracting officer responsibilities under DFARS 239.7102-3 and 239.7103(b) for acquisitions that include information assurance functional services for DoD information systems, or that require contractor personnel to access a DoD information system to perform contract duties. The Procurement Insight Oversight Director plans to complete this action by August 31, 2020.

Our Response

The Procurement Insight Oversight Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when USAMRAA provides documentation to show it has reminded its contracting officers of their responsibilities for acquisitions for information assurance functional services, or acquisitions that require contractor personnel to access DoD information systems, including specifying the contractor category, level, and certification requirements in accordance with DoD Manual 8570.01-M.

- c. Reiterate to contracting officers that labor categories and minimum labor requirements should be avoided in the contracts or performance work statements unless the information technology service cannot be provided without them.**

U.S. Army Medical Research Acquisition Activity Comments

The Procurement Insight Oversight Director in the Office of the Deputy Assistant Secretary of the Army (Procurement), responding for the USAMRAA Director, agreed with the recommendation, stating that the USAMRAA Director will reiterate to contracting staff through email and during the quarterly meeting of USAMRAA senior contracting officials and contracting officers that labor categories and minimum labor requirements should be avoided in the contracts or performance work statements unless the IT service cannot be provided without this information. The Procurement Insight Oversight Director plans to complete this action by August 31, 2020.

Our Response

The Procurement Insight Oversight Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when USAMRAA provides documentation to show it reminded its contracting staff that they should avoid using labor categories and minimum labor requirements in contracts, unless the IT service cannot be provided without that information.

Recommendation 3

We recommend that the Executive Director of the Naval Information Warfare Center Atlantic:

- a. Develop an oversight program that requires a higher-level reviewer to select a sample of key personnel approvals to ensure contracting officers are approving employees in accordance with contract requirements.**

Naval Information Warfare Center Atlantic Comments

The Naval Information Warfare Systems Command Executive Director, responding for the NIWC Atlantic Executive Director, agreed with the recommendation, stating that the NIWC Atlantic is coordinating with the NIWC Atlantic Inspector General Office to include an oversight program as an item for evaluation in the FY 2021 Command Evaluation Plan. The Executive Director plans to complete this action by December 31, 2020.

Our Response

The Executive Director's comments did not address the specifics of the recommendation; therefore, the recommendation is unresolved. Although the Executive Director agreed with the recommendation, the plan to include an oversight program as an item for evaluation in the FY 2021 Command Evaluation Plan within the NIWC Atlantic Inspector General Office does not adequately ensure implementation of a permanent oversight program. We request that the NIWC Atlantic Executive Director provide additional comments in response to the final report, identifying specific actions to develop an oversight program requiring a higher-level reviewer to select a sample of key personnel approvals to ensure contracting officers are approving employees in accordance with contract requirements.

- b. Require the appropriate contracting officers or technical experts to determine if the key personnel referenced in this report met the minimum labor qualifications specified in the contracts, and, if not, take appropriate corrective action, including replacing key personnel with qualified employees and recovering any improper payments.**

Naval Information Warfare Center Atlantic Comments

The Naval Information Warfare Systems Command Executive Director, responding for the NIWC Atlantic Executive Director, agreed with the recommendation, stating that the NIWC Atlantic is conducting reviews of the key personnel referenced in the report to determine whether they met the minimum labor qualifications. After this review, the NIWC Atlantic will determine the appropriate course of any corrective action necessary, including the replacement of key personnel and the recovery of any improper payments. The Executive Director plans for the NIWC Atlantic to complete its review by December 31, 2020.

Our Response

The Executive Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the NIWC Atlantic provides us with documentation of the completed key personnel reviews and any corrective actions taken for key personnel who did not meet the minimum labor qualifications in the contract.

- c. Develop policy for information technology service contracts to require contracting officers to include a requirement in the quality assurance surveillance plan to revalidate all key personnel annually to determine whether the contractors meet the labor categories specified in the contract.**

Naval Information Warfare Center Atlantic Comments

The Naval Information Warfare Systems Command Executive Director, responding for the NIWC Atlantic Executive Director, agreed with the recommendation, stating that the NIWC Atlantic will ensure contract personnel requirements are reviewed on an annual basis. Specifically, the Executive Director stated that the annual COR file review process is being updated to include a requirement for sampling of key personnel résumés to ensure compliance with contract requirements. The Executive Director plans for this action to be completed by December 31, 2020.

Our Response

The Executive Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the NIWC Atlantic provides us with a copy of the updated COR review process.

- d. Develop policy that requires their contracting officers to maintain documentation in the contract files that demonstrates their review and approval of initial and replacement contractor employees in key personnel positions.**

Naval Information Warfare Center Atlantic Comments

The Naval Information Warfare Systems Command Executive Director, responding for the NIWC Atlantic Executive Director, agreed with the recommendation, stating that the NIWC Atlantic is developing a standard process to review résumés of key personnel. As part of this process, the COR will maintain a file checklist for all key personnel positions. The checklist and the relevant contractor key personnel employee résumés will be included in the COR contract file. The Executive Director plans for this process to be completed by December 31, 2020.

Our Response

The Executive Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the NIWC Atlantic provides us with a copy of the policy containing its standard process for reviewing key personnel.

- e. Require the appropriate contracting officers or technical experts to determine if the non-key personnel referenced in this report met the minimum labor qualifications specified in the contracts, and, if not, take appropriate corrective action, including recovering improper payments.**

Naval Information Warfare Center Atlantic Comments

The Naval Information Warfare Systems Command Executive Director, responding for the NIWC Atlantic Executive Director, agreed with the recommendation, stating that the NIWC Atlantic is conducting reviews of the non-key personnel referenced in the report to determine whether they met the minimum labor qualifications. After this review, the NIWC Atlantic will determine the appropriate course of any corrective action necessary, including the replacement of non-key personnel and the recovery of any improper payments. The Executive Director plans for this review be completed by December 31, 2020.

Our Response

The Executive Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the NIWC Atlantic provides us with documentation of the completed non-key personnel reviews and any corrective action taken for non-key personnel who did not meet minimum labor qualifications in the contract.

- f. Develop policy for information technology service contracts to require contracting officers to include a requirement in the quality assurance surveillance plan to review a sample of non-key personnel quarterly to determine whether the contractor personnel meet the labor categories specified in the contract.**

Naval Information Warfare Center Atlantic Comments

The Naval Information Warfare Systems Command Executive Director, responding for the NIWC Atlantic Executive Director, partially agreed with the recommendation, stating that it is not the NIWC Atlantic's policy to require minimum qualifications for non-key personnel, and that the NIWC Atlantic concurs that reviews are not required by the contracting officer (as acknowledged in the report). However, the Executive Director stated that when non-key personnel requirements need to be included, the NIWC Atlantic will follow the procedures outlined in Recommendation 3.c and ensure compliance with contractual requirements by tailoring the QASP and Task Order Status Report accordingly. The Executive Director plans for this process to be completed by December 31, 2020.

Our Response

The Executive Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close this recommendation when the NIWC Atlantic provides documentation that the COR file review process has been updated to include a requirement for quarterly sampling of non-key personnel résumés, including tailoring the QASP and Task Order Status Report, to ensure compliance with non-key labor qualifications when the contract requires them.

- g. Reiterate to contracting officers that labor categories and minimum labor requirements should be avoided in the contracts or performance work statements unless the information technology service cannot be provided without them.**

Naval Information Warfare Center Atlantic Comments

The Naval Information Warfare Systems Command Executive Director, responding for the NIWC Atlantic Executive Director, agreed with the recommendation, stating that the NIWC Atlantic will issue a Policy Advisory Memorandum to all contracting and requirements personnel reiterating the need to scrutinize the necessity of labor categories and minimum qualification requirements in future service contracts unless the contracting officer determines the agency's needs cannot be met without those requirements. The Executive Director plans for the NIWC Atlantic to issue the memorandum by December 31, 2020.

Our Response

The Executive Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when NIWC Atlantic provides us with a copy of the issued memorandum.

- h. Report all improper payments to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer.**

Naval Information Warfare Center Atlantic Comments

The Naval Information Warfare Systems Command Executive Director, responding for the NIWC Atlantic Executive Director, agreed with the recommendation, stating that based on the results from the NIWC Atlantic's reviews in Recommendations 3.b and 3.e, the NIWC Atlantic will report all improper payments to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer. Additionally, the Executive Director stated that the NIWC Atlantic will determine the appropriate course of any corrective action necessary, including the replacement of key and non-key personnel with qualified employees and the recovery of any improper payments. The Executive Director plans for this review and subsequent corrective action to be completed by December 31, 2020.

Our Response

The Executive Director's comments addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation when the NIWC Atlantic provides documentation of reported improper payments to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, or when the NIWC Atlantic provides the labor qualification reviews to support that NIWC Atlantic did not authorize any improper payments.

Appendix A

Scope and Methodology

We conducted this performance audit from July 2019 through April 2020 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.

To determine whether contractor employees met the labor qualifications for Defense Health Agency IT and telecommunications contracts, we met with officials from the following organizations to identify roles and responsibilities and obtain contract documentation.

- Defense Pricing and Contracting, Office of the Under Secretary of Defense for Acquisition and Sustainment
- Defense Health Agency
- Naval Information Warfare Center Atlantic
- U.S. Army Medical Command
- U.S. Army Medical Research and Development Command
- U.S. Army Medical Research Acquisition Activity
- U.S. General Services Administration, Federal Acquisition Services
- 10 Defense contractors

We obtained a Federal Procurement Data System listing of DHA-funded contracts and task orders awarded by 13 contracting offices from April 2018 to March 2019. The universe included 1,031 contracts and task orders with an award value of \$1 billion. We nonstatistically selected a sample of nine contracts and task orders for IT and telecommunication services. The contracts and task orders had an award value of \$155.1 million. We nonstatistically selected the contracts to obtain a mix of the following:

- contracts awarded by different contracting offices,
- cost contracts,

- firm-fixed-price contracts,
- contracts, and
- task orders issued off indefinite delivery vehicles.

For the nine contracts we selected, we reviewed all key and non-key personnel for cost type contracts and all key personnel for firm-fixed-price contracts. We did not review key or non-key personnel in cases where the contracting office was unable to provide contractor résumés or the contract did not specify minimum labor qualification requirements.

We met with the contracting offices to discuss their verification of contractor and subcontractor employee qualifications. Specifically, we obtained the task orders, performance work statements, COR delegation memorandums, and the QASPs. Additionally, we requested invoices, names of contractor and subcontractor employees that performed the work, labor rates and hours, and a description of the services provided. Finally, we requested résumés and other documentation to determine whether the contractor or subcontractor employees met the labor qualifications to perform the work. The contractors or contracting offices provided the résumés and other documentation to support the invoices.

We reviewed 383 contractor and subcontractor employee résumés to determine if they met the qualifications specified in the task orders or base contracts. If contractors billed the Government for the same employee under more than one labor category, we reviewed and counted the employee for each labor category. We did not review the qualifications for 147 of the 530 employees because the DHA and USAMRAA contracting offices, and the contractors who were awarded the contracts we reviewed, did not provide the employees' qualification documentation, or the contract did not specify the necessary labor qualification requirements for key personnel. See Table 3 for the total number of contractor and subcontractor résumés reviewed by contract.

Table 3. Contractor and Subcontractor Employee Résumés Reviewed by Contract

Contract Number	Number of Personnel Not Reviewed*	Number of Key Personnel Reviewed	Number of Non-key Personnel Reviewed	Type of Contract
DHA				
0087	N/A	2	N/A	Firm Fixed Price
0066	N/A	1	N/A	Firm Fixed Price
0001	N/A	5	N/A	Firm Fixed Price
0311	143	N/A	64	Cost
0022	N/A	5	0	Cost
USAMRAA				
0070	4	3	N/A	Firm Fixed Price
0068	N/A	3	N/A	Firm Fixed Price
NIWC Atlantic				
3100	N/A	85	58	Cost
0143	N/A	15	142	Cost
Total	147	119	264	

* We did not review qualifications when no documentation was provided or requirements were not specified in the contract.

Source: The DoD OIG.

We verified whether the contractor and subcontractor employees' invoice charges were appropriate based on the employees' experience and established qualifications.

We reviewed the following Federal and DoD guidance related to improper payments, contracting officer and COR responsibilities, and information assurance workforce training and certifications.

- Public Law 111-204, "Improper Payments Elimination and Recovery Act of 2010," July 22, 2019
- Federal Acquisition Regulation Part 1, "Federal Acquisition Regulations System," Subpart 1.6, "Career Development, Contracting Authority, and Responsibilities," Section 1.602-2, "Responsibilities," November 12, 2019
- Federal Acquisition Regulation Part 4, "Administrative and Information Matters," Subpart 4.8, "Government Contract Files," Section 4.801, "General," November 12, 2019

- Federal Acquisition Regulation Part 4, “Administrative and Information Matters,” Subpart 4.8, “Government Contract Files,” Section 4.803, “Contents of Contract files, “ November 12, 2019
- Federal Acquisition Regulation Part 4, “Administrative and Information Matters,” Subpart 4.7, “Contractor Records Retention,” November 12, 2019
- DoD Instruction 5000.72, “DoD Standard for Contracting Officer’s Representative Certification,” August 31, 2018
- DoD Manual 8570.01, “Information Assurance Workforce Improvement Program,” November 10, 2015
- Office of the Under Secretary of Defense for Acquisition & Sustainment, “DoD COR Handbook,” March 22, 2012

The contractors reviewed and were provided the opportunity to comment on relevant portions of the draft report. Any comments provided were considered in preparing the final report.

Use of Computer-Processed Data

We used computer-processed data from the Federal Procurement Data System for contract information, as well as Wide Area Workflow and contractor-prepared Excel spreadsheets and invoices for the payments authorized. To assess the reliability of the contract data reported in Federal Procurement Data System for our nine sample contracts, we compared the Federal Procurement Data System data to the hard copy contracts provided by the contracting officials. For the payments authorized, we relied on contractor-prepared Excel spreadsheets and invoices to calculate charges at the employee level. For those spreadsheets and invoices, we compared the detailed hours or dollars reported in the contractor-prepared spreadsheets or invoices to the total hours or dollars reported in the Wide Area Workflow invoices to ensure amounts matched what the contracting officers approved. Based on our comparisons, we determined that the computer-processed data were sufficiently reliable for our purposes.

Prior Coverage

During the last 5 years, the DoD OIG issued one report discussing qualifications of employees performing on DoD-funded contracts. Unrestricted DoD OIG reports can be accessed at <https://www.dodig.mil/reports>.

DoD OIG

Report No. DODIG-2019-029, “DoD Task Orders Issued Under One Acquisition Solution for Integrated Services Contracts,” November 27, 2018

The DoD OIG determined whether the contractor employees met labor qualifications and whether the DoD was properly charged for task orders under the One Acquisition Solution for Integrated Services contracts. The DoD OIG found that the DoD was properly charged for 1,175 of 1,287 employees who met the labor category requirements. The DoD was improperly charged for 101 of 112 employees who did not meet the labor category requirements. In addition, the Air Force was unable to provide qualification documentation for 11 of 112 employees. Furthermore, the DoD was charged for 41 of 1,175 employees who met the One Acquisition Solution for Integrated Services base contract requirements but did not have relevant education and work experience. As a result, Army, Air Force, and Defense Advanced Research Projects Agency contracting officers authorized \$28 million of potential improper payments for incorrect contract costs. Additionally, contracting officers authorized \$574,162 of potential improper payments for employees who did not have qualification documentation. Finally, Army and Air Force contracting officers did not consider any potential impacts on the contracts’ requirements in terms of performance and price before authorizing \$6.8 million for employees without relevant education and work experience.

Appendix B

Summary of Potential Monetary Benefits

Recommendation	Type of Benefit*	Amount of Benefit	Account
1.b; 1.e; 3.b; and 3.e	Questioned Costs. Potential improper payments paid to the contractor for employees who did not meet labor categories.	\$3.52 million	HT0014-18-F-0311 HT0011-15-F-0022 N65236-17-F-3100 N65236-19-F-0143
1.g	Questioned Costs. Potential improper payments paid to the contractor for employees who may not have met labor categories.	\$5.3 million	HT0014-18-F-0311

* Potential monetary benefits are funds put to better use or questioned costs.

Management Comments

Defense Health Agency



DEFENSE HEALTH AGENCY
7700 ARLINGTON BOULEVARD, SUITE 5101
FALLS CHURCH, VIRGINIA 22042-5101

May 20, 2020

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: Audit of Contractor Employee Qualifications for Defense Health Agency – Funded
Information Technology Contracts (Project No D2019-D000AW-0180.000) dated
April 10, 2020

I have reviewed the Department of Defense Inspector General Audit Report recommendation 1 subparagraphs (a) through (h) (Attachment 1), and concur with the Deputy Assistant Director for Acquisition responses to each of the recommendations (Attachment 2). My point of contact is [REDACTED], Chief, Procurement Policy and Acquisition Systems and can be reached at [REDACTED] or by email [REDACTED].

PLACE, RONALD J.
JOSEPH [REDACTED]

RONALD J. PLACE
LTG, MC, USA
Director

Attachments:
As stated

Defense Health Agency (cont'd)

**DEPARTMENT OF DEFENSE INSPECTOR GENERAL DRAFT REPORT
UNDATED PROJECT NUMBER D2019-D000AW-0189.000**

**"Audit of Contractor Employee Qualifications for Defense Health Agency-Funded
Information Technology Contracts"**

Recommendation 1(a): Develop an oversight program that requires a higher-level reviewer to select a sample of key personnel approvals to ensure contracting officers are approving employees in accordance with contract requirements.

Defense Health Agency (DHA) Response: Concur

We will establish an oversight process where a designated higher-level review of a random sample of contracts occurs quarterly.

Estimated completion date is December 31, 2020.

Recommendation 1(b): Require the appropriate contracting officers or technical experts to determine if the key personnel referenced in this report met the minimum labor qualifications specified in the contracts, and, if not, take appropriate corrective action, including replacing key personnel with qualified employees and recovering any improper payments.

DHA Response: Concur

The contracting officers will complete a determination and document the contract file and way forward in regard to this recommendation.

Estimated completion date is December 31, 2020.

Recommendation 1(c): Develop policy for information technology service contracts to require contracting officers to include a requirement in the quality assurance surveillance plan to revalidate all key personnel annually to determine whether the contractors meet the labor categories specified in the contract.

DHA Response: Concur

We will update the DHA Quality Assurance Surveillance Plan (QASP) template and related procurement policy to add the requirement to revalidate all key personnel annually to ensure that the contractor has met all the labor categories specified in the contract.

Estimated completion date is December 31, 2020.

Recommendation 1(d): Develop policy that requires the contracting officers to maintain documentation in the contract files that demonstrates their review and approval of initial and replacement contractor employees in key personnel positions.

DHA Response: Concur

We will include this specific requirement as a modification to existing DHA procurement policy.

Defense Health Agency (cont'd)

Estimated completion date is December 31, 2020.

Recommendation 1(e): Require the appropriate contracting officers or technical experts to determine if the non-key personnel referenced in this report met the minimum labor qualifications specified in the contracts, and, if not, take appropriate corrective action, including recovering improper payments.

DHA Response: Concur

The contracting officers will complete a determination and document the contract file in accordance with this recommendation.

Estimated completion date is December 31, 2020.

Recommendation 1(f): Develop policy for information technology (IT) service contracts to require contracting officers to include a requirement in the quality assurance surveillance plan to review a sample of non-key personnel quarterly to determine whether the contractor personnel meet the labor categories specified in the contract.

DHA Response: Concur

We will update the DHA QASP template and related procurement policy to add the requirement to revalidate all key personnel annually to ensure that the contractor has met all the labor categories specified in the contract.

Estimated completion date is December 31, 2020.

Recommendation 1(g): Require the contracting officer for contract HT0014-18-F-0311 to determine whether any action should be taken against the contractor for not complying with Federal Acquisition Regulation clause 52-215-2 contained in the contract.

DHA Response: Concur

The contracting officer will complete a determination and document the file in accordance with this recommendation.

Estimated completion date is December 31, 2020.

Recommendation 1(h): Reiterate to contracting officers that labor categories and minimum labor requirements should be avoided in the contracts or performance work statements unless the information technology service cannot be provided without them.

DHA Response: Concur

We will reiterate this to contracting officers and revise the IT Performance Work Statement template and related procurement policy to discourage use of minimum labor category requirements.

Defense Health Agency (cont'd)

Estimated completion date is December 31, 2020.

Recommendation 1(i): Report all improper payments to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer.

DHA Response: Concur
If the contracting officer determines improper payments were made, DHA will report the findings to the Undersecretary of Defense (Comptroller)/Chief Financial Officer.

Estimated completion date is June 30, 2020.

U.S. Army Medical Research Acquisition Activity



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON, DC 20310-0103

SAAL-ZP

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL
(DoDIG), 4800 MARK CENTER DRIVE, ALEXANDRIA, VA 22350-1500

SUBJECT: DoDIG Draft Report: (FOUO) Contractor Employee Qualifications for
Defense Health Agency-Funded Information Technology Contracts (D2019AW-0180)

1. On behalf of the Assistant Secretary of the Army (Acquisition, Logistics and Technology), the Office of the Deputy Assistant Secretary of the Army (Procurement) reviewed the subject draft report and I am providing the official Army position on the subject report.

2. After reviewing the audit draft report, I concur with recommendations 2a, 2b, and 2c. The enclosure provides a detailed response to the report. The point of contact is [REDACTED]

COURTIS.JOHN Digitally signed by
.T. [REDACTED]

Encl

John T. Courtis
Procurement Insight Oversight Director
Office of the Deputy Assistant Secretary of the
Army (Procurement)

U.S. Army Medical Research Acquisition Activity (cont'd)

- 2 -

DEPARTMENT OF DEFENSE INSPECTOR GENERAL DRAFT
REPORT UNDATED PROJECT NUMBER D2019-DOOOAW-
0189.000

" Audit of Contractor Employee Qualifications for
Defense Health Agency-Funded Information
Technology Contracts"

Recommendation 2 (a): We recommend that the Director of the U.S. Army Medical Research Acquisition Activity develop policy that requires their contracting officers to maintain documentation in the contract files that demonstrates their review and approval of initial and replacement contractor employees in key personnel positions.

Army Response:

Concur. USAMRAA will remind contracting officers of the policy at DFARS PGI 216.505-70 regarding review and approval of initial and replacement contractor employees. The policy includes verification procedures within the quality assurance surveillance plans to ensure contractor personnel providing services meet qualification requirements identified for the labor categories specified in task orders and contracts.

Estimated completion date is 31 August 2020.

Recommendation 2 (b): We recommend that the Director of the U.S. Army Medical Research Acquisition Activity develop policy to require the contracting officers on information technology service contracts that require compliance with the Department of Defense Manual 8570.01, "Information Assurance Workforce Improvement Program," to specify contractor category, level, and certification requirements in the contract.

Army Response:

Concur. USAMRAA will remind contracting officers of the appropriate requiring activity and contracting officer responsibilities under DFARS 239.7102-3 and 239.7103(b) for acquisitions that include information assurance functional services for DoD information systems, or that require any appropriately cleared contractor personnel to access a DoD information system to perform contract duties.

Estimated completion date is 31 August 2020.

U.S. Army Medical Research Acquisition Activity (cont'd)

- 3 -

Recommendation 2 (c): We recommend that the Director of the U.S. Army Medical Research Acquisition Activity reiterate to contracting officers that labor categories and minimum labor requirements should be avoided in the contracts or performance work statements unless the information technology service cannot be provided without them.

Army Response:

Concur. The USAMRAA director will reiterate via email to all contracting staff and again during the quarterly Senior Contracting Official and Contracting Officer meeting in July 2020 that labor categories and minimum labor requirements should be avoided in the contracts or performance work statements unless the information technology service cannot be provided without this information.

Estimated completion date is 31 August 2020.

Observation - Page 10: "Overall, once the contracting officer or COR determined whether employees were qualified for key personnel positions, the DHA, NIWC Atlantic, and USAMRAA contracting offices did not require any higher-level approvals or oversight."

USAMRAA Response:

We believe USAMRAA was inadvertently included in this statement

Naval Information Warfare Center Atlantic



DEPARTMENT OF THE NAVY
NAVAL INFORMATION WARFARE SYSTEMS COMMAND
4301 PACIFIC HIGHWAY
SAN DIEGO, CA 92110-3127

7502
Ser 014/275
14 May 20

FIRST ENDORSEMENT on NIWC Atlantic ltr 7500 Ser 01/01265 of 30 Apr 20

From: Commander, Naval Information Warfare Systems Command
To: Inspector General, Department of Defense, Program Director for Audit Acquisition,
Contracting, and Sustainment

Subj: DEPARTMENT OF DEFENSE INSPECTOR GENERAL DRAFT REPORT ON
AUDIT OF CONTRACTOR EMPLOYEE QUALIFICATIONS FOR DEFENSE
HEALTH AGENCY-FUNDED INFORMATION TECHNOLOGY CONTRACTS,
DATED 10 APRIL 2020 (PROJECT NO. D2019-D000AW-0180-000)

1. Forwarded with concurrence.

2. Questions concerning this correspondence may be directed to [REDACTED]
[REDACTED]


Patrick M. Sullivan
Executive Director

Copy to:
NIWC Atlantic

Naval Information Warfare Center Atlantic (cont'd)



DEPARTMENT OF THE NAVY
NAVAL INFORMATION WARFARE CENTER ATLANTIC
P.O. BOX 190022
NORTH CHARLESTON, SC 29419-9022

IN REPLY REFER TO:
7500
Ser 01/01265

From: Executive Director, Naval Information Warfare Center Atlantic
To: Program Director for Audit Acquisition, Contracting, and Sustainment, Department of
Defense Inspector General
Via: Commander, Naval Information Warfare Systems Command

Subj: DEPARTMENT OF DEFENSE INSPECTOR GENERAL (DODIG) DRAFT AUDIT
REPORT ON CONTRACTOR EMPLOYEE QUALIFICATIONS FOR DEFENSE
HEALTH AGENCY – FUNDED INFORMATION TECHNOLOGY CONTRACTS
D2019-D000AW-0180 10 APR 2020

Ref: (a) DoDIG e-mail of 10 Apr 2020

Encl: (1) NIWC Atlantic Response to Recommendations from the DoDIG Draft
Audit Report

1. Reference (a) forwarded the subject draft report for review and comment. We concur with Recommendations 3a through 3h of subject report. Enclosure (1) contains our response.
2. The report does not contain material that is "For Official Use Only."
3. Our point of contact for this matter is [REDACTED]

REDDY.PETER.CHRIS
TOPHER [REDACTED]
PETER C. REDDY

Naval Information Warfare Center Atlantic (cont'd)

**Naval Information Warfare Center Atlantic
Response to Department of Defense Inspector General Draft Report D2019-D000AW-0180
“Audit of Contractor Employee Qualifications for Defense Health
Agency-Funded Information Technology Contracts”**

The Department of Defense Inspector General Draft Audit Report D2000AW-0180 (*hereinafter*, report) included Recommendations 3a–3h for the Naval Information Warfare Center (NIWC) Atlantic’s consideration. NIWC Atlantic agrees with all recommendations contained within the report and in each instance provides a description of its planned course of actions:

Recommendation 3a. Develop an oversight program requiring a higher-level reviewer to select a sample of key personnel approvals to ensure contracting officers are approving employees in accordance with contract requirements.

NIWC Atlantic Response: Concur

NIWC Atlantic will coordinate with the NIWC Atlantic Inspector General Office to include the recommended oversight program as an item for evaluation in the FY2021 Command Evaluation Plan.

The estimated completion date is FY21 Q1.

Recommendation 3b. Require the appropriate contracting officers or technical experts to determine if the key personnel referenced in this report met the minimum labor qualifications specified in the contracts, and, if not, take appropriate corrective action, including replacing key personnel with qualified employees and recovering any improper payments.

NIWC Atlantic Response: Concur

NIWC Atlantic is in the process of conducting in-depth reviews of those key/non key personnel referenced in the report to determine whether they met the minimum labor qualifications (*i.e.*, minimum experience, education or certification requirements) specified in task orders N65236-17-F-3100 and N65236-19-F-0143, respectively. Based on the results from this review, NIWC Atlantic will determine the appropriate course of any corrective action necessary including the replacement of key/non-key personnel with qualified employees and the recovery of any improper payments in accordance with FAR 31.205-15 (Fines, Penalties, and Mischarging Costs).

The estimated completion date is FY21 Q1.

Recommendation 3c. Develop policy for information technology service contracts to require contracting officers to include a requirement in the quality assurance surveillance plan to revalidate all key personnel annually to determine whether the contractors meet the labor categories specified in the contract.

NIWC Atlantic Response: Concur

Enclosure (1)

Naval Information Warfare Center Atlantic (cont'd)

NIWC Atlantic concurs with the recommendation to ensure contract personnel requirements are reviewed on an annual basis. The current quality assurance surveillance plan (QASP) template includes an element for management of key personnel and requires the contracting officer's representative (COR) to review and maintain a log of all key personnel throughout task order performance. All service task orders include a tailored QASP as well as a requirement for the contractor to submit a Contracting Performance Assessment Reporting System (CPARS) Draft Approval Document (CDAD) and a Task Order Status Report (TOSR). The CDAD addresses each element of the QASP including management of key personnel, and the TOSR includes a staffing plan and personnel listing. The staffing plan identifies employee information including names, hours charged and resume approvals for key personnel. The personnel listing includes the labor categories, rates, and hours per employee. All of these documents (CDAD, TOSR staffing plan and personnel listing) are reviewed by the COR and validated in the Contracting Officer annual COR file review. The annual COR file review process is being updated to include a requirement for sampling of key personnel resumes to ensure compliance with contract requirements.

The estimated completion date is FY21 Q1.

Recommendation 3d. Develop policy requiring their contracting officers to maintain documentation in the contract files demonstrating their review and approval of initial and replacement contractor employees in key personnel positions.

NIWC Atlantic Response: Concur

NIWC Atlantic is developing a standard process to review resumes of key personnel. As part of this process, the COR will maintain a file checklist for all key personnel positions. The checklist and the relevant contractor key personnel employee resumes will be included in the COR contract file.

The estimated completion date is FY21 Q1.

Recommendation 3e. Require the appropriate contracting officers or technical experts to determine if the non-key personnel referenced in this report met the minimum labor qualifications specified in the contracts, and, if not, take appropriate corrective action, including recovering improper payments.

NIWC Atlantic Response: Concur

NIWC Atlantic is in the process of conducting in-depth reviews of those key/non key personnel referenced in the report to determine whether they met the minimum labor qualifications (*i.e.*, minimum experience, education or certification requirements) specified in task orders N65236-17-F-3100 and N65236-19-F-0143, respectively. Based on the results from this review, NIWC Atlantic will determine the appropriate course of any corrective action necessary including the replacement of key/non-key personnel with qualified employees and the recovery of any

Naval Information Warfare Center Atlantic (cont'd)

improper payments in accordance with FAR 31.205-15 (Fines, Penalties, and Mischarging Costs).

The estimated completion date is FY21 Q1.

Recommendation 3f. Develop policy for information technology service contracts to require contracting officers to include a requirement in the quality assurance surveillance plan to review a sample of non-key personnel quarterly to determine whether the contractor personnel meet the labor categories specified in the contract.

NIWC Atlantic Response: Partially Concur

In regards to the review of non-key personnel, it is not NIWC Atlantic's policy to require personnel requirements for non-key personnel in its contracts and concurs such review is not required by the contracting officer (as acknowledged in the report). In the rare event non-key personnel requirements need to be included, NIWC Atlantic will follow the procedures as outlined in Recommendation 3c above and ensure compliance with contractual requirements by tailoring the QASP and TOSR accordingly.

The estimated completion date is FY21 Q1.

Recommendation 3g. Reiterate to contracting officers that labor categories and minimum labor requirements should be avoided in the contracts or performance work statements unless the information technology service cannot be provided without them.

NIWC Atlantic Response: Concur

NIWC Atlantic will issue a Policy Advisory Memorandum to all contracting and requirements personnel reiterating the need to scrutinize the necessity of labor categories and minimum qualification requirements in future service contracts unless the contracting officer determines the agency's needs cannot be met without those requirements.

The estimated complete date is FY21 Q1.

Recommendation 3h. Report all improper payments to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer.

NIWC Atlantic Response: Concur

NIWC Atlantic is in the process of conducting in-depth reviews of those key/non key personnel referenced in the report to determine whether they met the minimum labor qualifications (*i.e.*, minimum experience, education or certification requirements) specified in task orders N65236-17-F-3100 and N65236-19-F-0143, respectively. Based on the results from this review, NIWC

Naval Information Warfare Center Atlantic (cont'd)

Atlantic will report all improper payments to the Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer as required by DoD Regulation 7000.14-R, "DoD Financial Management Regulation" DoD FMR), volume 4, chapter 14. Further, NIWC Atlantic will determine the appropriate course of any corrective action necessary including the replacement of key/non-key personnel with qualified employees and the recovery of any improper payments in accordance with FAR 31.205-15 (Fines, Penalties, and Mischarging Costs).

The estimated completion date is FY21 Q1.

Acronyms and Abbreviations

COR	Contracting Officer's Representative
DHA	Defense Health Agency
IT	Information Technology
NIWC	Naval Information Warfare Center
QASP	Quality Assurance Surveillance Plan
USAMRAA	U.S. Army Medical Research Acquisition Activity

Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

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