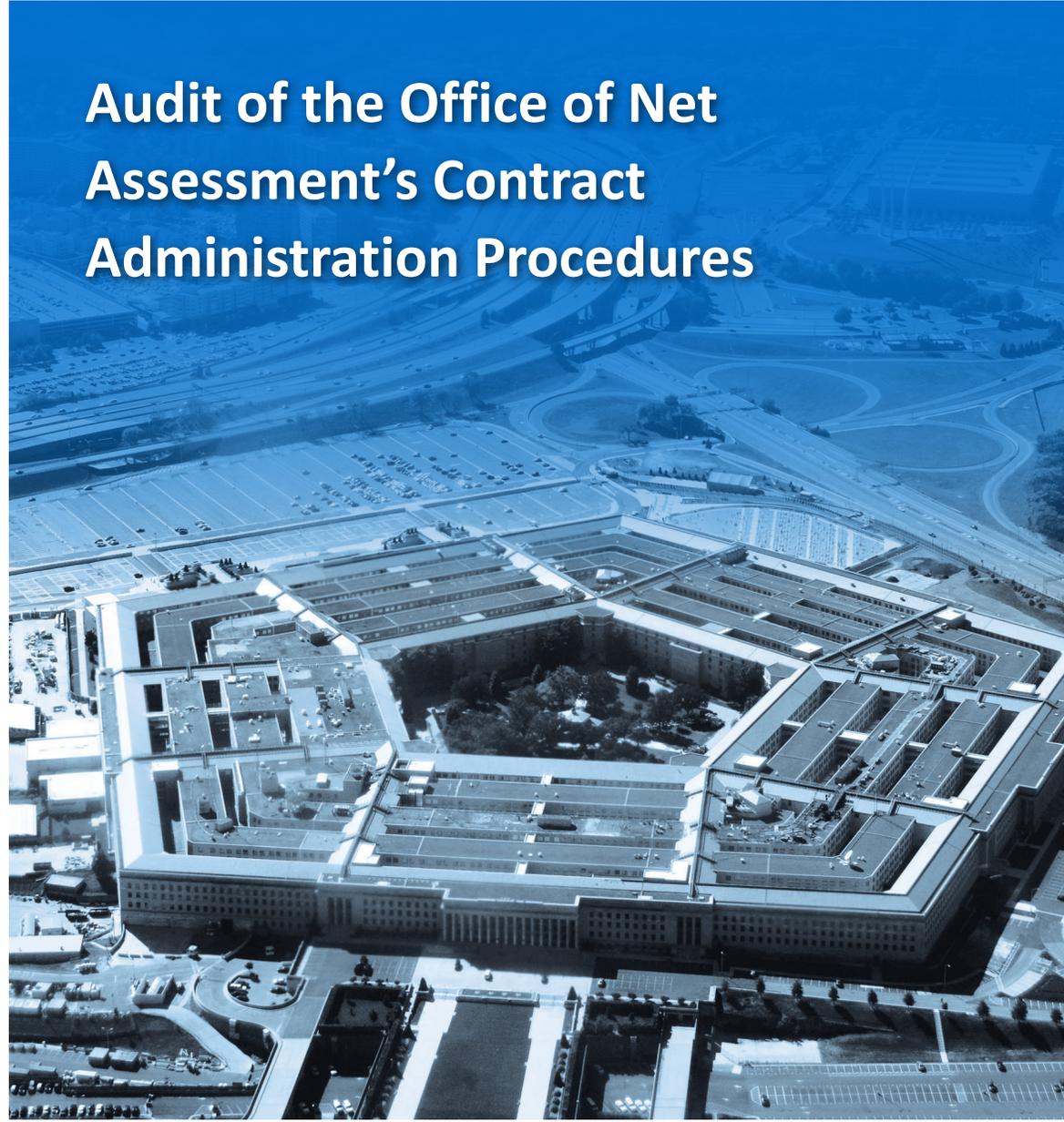




INSPECTOR GENERAL

U.S. Department of Defense

JANUARY 25, 2022



Audit of the Office of Net Assessment's Contract Administration Procedures

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE





Results in Brief

Audit of the Office of Net Assessment's Contract Administration Procedures

January 25, 2022

Objective

The objective of this audit was to determine whether the Washington Headquarters Services and DoD Office of Net Assessment's (ONA) personnel administered ONA contracts in compliance with applicable Federal and DoD policies.

Background

The ONA develops long-term assessments of trends, risks, opportunities, and future prospects of U.S. military capabilities and provides these assessments to the Secretary of Defense and Deputy Secretary of Defense.

The ONA uses Broad Agency Announcements (BAA) and traditional acquisition practices to obtain the necessary research to develop ONA products. A BAA is a notice from the Government requesting scientific or research proposals from the public concerning areas of interest that may lead to contracts. On behalf of the ONA, the Washington Headquarters Services Acquisition Directorate (WHS/AD) awards contracts and serves as the contracting officer, and between FY 2016 and the first quarter FY 2021 awarded 92 contracts, valued at \$35.4 million. From the 92 contracts, we generated a nonstatistical sample and randomly selected 23 contracts, valued at \$13.5 million, to review during this audit.

In 2019, the DoD OIG reviewed the ONA's contracting practices for contracts with Professor Stefan Halper and identified weaknesses in ONA contracting practices. Specifically, the DoD OIG identified incomplete contracting files, limited procedures to ensure the contractor

Background (cont'd)

performed work in accordance with the contract, and incomplete records for contractor travel. Based on DoD OIG recommendations, the ONA Director agreed to implement additional contracting procedures, including issuing the 2019 BAA Standard Operating Procedure, which identifies duties and responsibilities of ONA acquisition personnel in regards to the development, execution, and management of the ONA BAA process, and provides guidance to the ONA acquisition team.

Finding

We found that WHS/AD and ONA acquisition personnel did not administer contracts in accordance with Federal, DoD, and WHS internal regulations and policies. WHS/AD acquisition personnel did not:

- designate contracting officer's representatives (COR) within 14 days of contract award or after the initial COR was terminated, or retain and execute COR duties in the absence of a COR,
- award contracts and exercise option periods within agreed-upon timeframes,
- use required contract modification forms to issue contract modifications,
- coordinate with the ONA to establish surveillance measures in quality assurance surveillance plans,
- conduct adequate annual reviews of COR files, or
- assign a contracting officer with the appropriate security clearance for an ONA contract that required access to classified material.

In addition, ONA acquisition personnel inappropriately performed COR duties without a COR designation letter from the contracting officer for 20 contracts. Further, as identified in a previous DoD OIG review of ONA, WHS/AD and ONA acquisition personnel did not maintain complete contract files, including pre-award and contract administration documentation.

This occurred because WHS/AD and ONA acquisition personnel did not execute their responsibilities when awarding and administering contracts. In addition, WHS/AD



Results in Brief

Audit of the Office of Net Assessment's Contract Administration Procedures

Finding (cont'd)

policy personnel reviewed a limited number of WHS/AD contracting officer files between 2018 and 2020 and did not identify deficiencies, such as untimely COR designations and ONA CORs inappropriately delegating responsibilities.

The lack of adequate contract administration and oversight by WHS/AD and ONA acquisition personnel resulted in WHS/AD and ONA acquisition personnel inappropriately approving invoices for payment in Wide Area Workflow, totaling \$9.8 million. In addition, without established and documented surveillance measures for ONA service contracts, ONA may not have received all services outlined in contractor's statements of work. Further, due to WHS/AD delays in awarding contracts and exercising contract option periods, the ONA was at an increased risk of not executing \$4.6 million of its FY 2021 budget.

Management Actions

During our audit, WHS/AD and ONA personnel took action to develop QASPs on the two contracts that did not previously have QASPs, to designate CORs on the contracts in our sample that did not have CORs assigned, to assign a contracting officer with the appropriate security clearance to the contract that required access to classified material, and to establish recurring meetings between the contracting officers and CORs.

Recommendations

We recommended that the WHS/AD Director and the ONA Director coordinate to update policy that ensures recurring meetings between contracting officers and CORs for all ONA contracts. Furthermore, the WHS/AD Director should review all active ONA contracts to ensure the designation of COR responsibilities. In addition, the Director should provide WHS/AD contracting officer's refresher training to address deficiencies related to COR appointments, contract surveillance, COR file review requirements

and procedures, and proper issuance of contract modifications and direct an Internal Procurement Management Review of ONA contracts to ensure compliance with Federal, DoD, and WHS regulations.

The ONA Director should require that ONA CORs maintain complete record of the contract, including documenting correspondence with the contractor, and implement a process to verify that the CORs completed all requirements outlined in COR designation letters.

Management Comments on the Recommendations and Our Response

The WHS/AD Director agreed with all four recommendations. The Director's comments addressed three of the recommendations and partially addressed the recommendation to enforce internal policy to designate a COR within 14 days of awarding future ONA contracts. We consider one recommendation closed, two resolved but will remain open, and one unresolved. We will close the two resolved recommendations once the WHS/AD Director provides documentation and we verify the information that the WHS/AD Director provides fully addresses the recommendations.

The ONA Director agreed with all three recommendations. Comments from the Director addressed the recommendations; therefore, one recommendation is closed and the remaining two recommendations are resolved but will remain open. We will close these two recommendations once the ONA Director provides documentation and we verify the information that the ONA Director provides fully addresses the recommendations.

Please see the Recommendations Table on the next page for the status of recommendations.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director, Washington Headquarters Services/ Acquisition Directorate	A.2.a	A.2.b, A.2.c	A.1
Director, Office of Net Assessment		A.3.a, A.3.b	A.1

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**

January 25, 2022

MEMORANDUM FOR DIRECTOR, WASHINGTON HEADQUARTERS SERVICES
DIRECTOR, OFFICE OF NET ASSESSMENT

SUBJECT: Audit of the Office of Net Assessment's Contract Administration Procedures
(Report No. DODIG-2022-057)

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.

The Washington Headquarters Services Acquisition Director agreed with all four recommendations. As a result of management comments, one recommendation is considered unresolved, one recommendation is considered closed, and two recommendations are considered resolved but will remain open. The Office of Net Assessment Director agreed with all three recommendations. As a result of management comments, one recommendation is considered closed and two of the recommendations are considered resolved but will remain open.

As described in the Recommendations, Management Comments, and Our Response section of this report, we will close the recommendations when you provide us documentation showing that all agreed-upon actions to implement the recommendations are completed. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on the recommendations. Send your response to either followup@dodig.mil if unclassified or rfunet@dodig.smil.mil if classified SECRET.

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

A handwritten signature in black ink, appearing to read "T A W A", is positioned above the typed name and title.

Timothy Wimette
Deputy Assistant Inspector General
for Audit
Acquisition, Contracting, and Sustainment

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Introduction

Objective

The objective of this audit was to determine whether the Washington Headquarters Services and the DoD Office of Net Assessment's (ONA) personnel administered ONA contracts in compliance with Federal and DoD policies.

Background

The ONA develops long-term assessments of trends, risks, opportunities, and future prospects of U.S. military capabilities and provides these assessments to the Secretary of Defense and Deputy Secretary of Defense.

From data gathered internally and through research contracts, the ONA produces a variety of products, including highly classified net assessments. The highly classified assessments, which can take several years to develop, provide strategic-level management insights to the Secretary of Defense and other DoD leaders. Assessments may focus on specific theaters, regions, functions, mission areas, major weapons categories, and doctrine, as well as on demographic, economic, and political developments that may affect the power and strategies of nations. The ONA produces other assessments including historical analysis, long-term planning, and speculative work about the possibility of military conflict in the future.

Contracting Roles and Responsibilities

The Washington Headquarters Services (WHS) and the ONA have roles and responsibilities for awarding and administering the ONA contracts. The WHS Acquisition Directorate (AD) serves as the contracting office and appoints a contracting officer who awards and administers ONA contracts and designates ONA acquisition personnel to act as the contracting officer's representative (COR). The contracting officer is the primary Government official responsible for ensuring compliance with the terms of the contract and has oversight responsibilities for the contract. Further, the contracting officer may rely on an appointed COR to support administration and surveillance of contractor performance. The COR is a Government representative with limited authority to provide technical direction, clarification, and guidance with respect to existing specifications and statements of work as established in the contract. In addition, the COR monitors the progress and quality of contractor performance for payment purposes.

Washington Headquarters Services

The WHS supports the ONA by awarding research contracts, which the ONA uses to develop products. The WHS serves as the operational arm of the Office of the Secretary of Defense and its components, providing facility management, centralized contracting, and procurement services. The WHS/AD is the single enterprise contracting office providing acquisition services to all Office of the Secretary of Defense Components. The WHS/AD procures a wide range of supplies and services, valued at more than a billion dollars annually. The WHS/AD awards contracts and serves as the contracting officer for the ONA.

Office of Net Assessment

The ONA's mission is to conduct and sponsor analyses that compare the standing trends and future prospects of U.S. and foreign military capability and potential. The ONA acquires research products and administrative services through three acquisition methods.¹ The ONA provides guidance and feedback to WHS/AD to develop Broad Agency Announcements (BAA). Once a BAA is issued, vendors submit proposals to WHS/AD related to specific research topics that include future naval warfare, space, sustainment of current areas of U.S. advantage, war games, and machine intelligence supporting the ONA's mission.² In addition, WHS/AD, in coordination with the ONA, uses traditional acquisition practices, such as sole source and small business set asides, to obtain administrative services and additional research for the ONA. The WHS/AD designates ONA acquisition personnel as the COR for contracts procured through the BAA and traditional contracting methods.

Contracting Processes

Between FY 2016 and the first quarter of FY 2021, the WHS/AD awarded 92 contracts, totaling \$35.4 million, using BAAs and traditional acquisition methods to advance the ONA's research and provide administrative support to the ONA office. Of those 92 contracts, the WHS/AD awarded 88 contracts, valued at \$27.1 million, through BAAs and 4 contracts, valued at \$8.2 million, through traditional contracting methods.³

¹ The ONA uses BAAs, traditional acquisition practices, and Federally Funded Research and Development Centers to obtain research products. However, the ONA is not responsible for the contract administration of Federally Funded Research and Development Centers' contracts. As a result, Federally Funded Research and Development Centers' contracts are not included in the scope of this audit.

² Machine intelligence refers to machine learning, automated reasoning, human-computer interaction, and robotics.

³ BAA and traditional contract totals do not equal the sum of contracts awarded because of rounding.

Broad Agency Announcements

Agencies use BAAs to fulfill requirements for scientific studies and experimentation directed toward advancing state-of-the-art research and technologies or increasing knowledge and understanding rather than focusing on a specific system or hardware solution. The Federal Acquisition Regulation (FAR) describes a BAA as a notice from the Government requesting scientific or research proposals from the public concerning areas of interest that may lead to contracts.⁴

WHS/AD acquisition personnel, in coordination with the ONA Research Director and ONA acquisition personnel, develop a BAA based on FAR requirements and overall ONA research needs. Once developed, the WHS/AD posts the BAA to the Government-wide point of entry for the ONA for a 5-year period. During this 5-year period, vendors submit proposals to the WHS/AD, and the WHS/AD provides the proposals to the ONA in batches five times a year.

ONA acquisition and technical personnel evaluate all proposals and make recommendations to the WHS/AD on which proposals to negotiate for contract award. The ONA assigns two to three ONA civilian and military advisors to review each proposal against the criteria established in the BAA.⁵ The ONA Acquisition and Financial Advisor makes a formal recommendation to the WHS/AD to award contracts for specific proposals based on the evaluation by the ONA civilian and military advisors, as well as a review board consisting of the ONA Director, ONA Research Director, and ONA acquisition personnel. Unlike traditional contracting, in which the statement of work is developed by the DoD, under BAAs, the proposal submitted by the contractor is the basis for the contract's statement of work. When a BAA contract is awarded, the WHS/AD contracting officers should delegate contract administration responsibilities to the ONA by designating ONA acquisition personnel as CORs.

Traditional Contracting Methods

Between FY 2016 and the first quarter of FY 2021, WHS/AD awarded three traditional ONA contracts through the Small Business Administration and one traditional contract as a sole-source direct award. The FAR states that for acquisitions of supplies or services above the simplified acquisition

⁴ FAR Part 35, "Research and Development Contracting," Section 35.016, "Broad Agency Announcement," authorizes the use of BAAs and establishes requirements for awarding contracts through a BAA solicitation.

⁵ The ONA assigns three civilian and military advisors for proposals more than \$1 million.

threshold, which was \$150,000 in FY 2016 and increased to \$250,000 in August 2020, the contracting officer must first consider the small business socioeconomic contracting programs before considering a small business set aside.⁶

The Defense Federal Acquisitions Regulation Supplement (DFARS) states that agencies may enter into contracts for studies, analyses, or consulting services without providing full and open competition when a civilian official of the DoD, whose appointment has been confirmed by the Senate, determines the award to be in the interest of national defense.⁷

Contract Administration

The FAR states that the contracting officer is responsible for contract administration, but may delegate duties to a COR.⁸ The WHS/AD delegates contract administration responsibilities to ONA acquisition personnel through a COR designation letter and assigns the COR the following responsibilities.

- Perform inspection and acceptance for the Government, assuring performance and delivery are in accordance with contract requirements, terms, and conditions.
- Report, in writing, to the contracting officer any performance issues or delays by the contractor.
- Maintain a COR file of records that is readily available for review by the contracting officer.

Federal Acquisition Regulation

The FAR requires contracting officers to appoint a COR in writing for all contracts and orders other than firm-fixed-price contracts, and for firm-fixed-price contracts and orders, as appropriate, unless the contracting officer retains and executes the COR duties. The COR must also maintain a contract file for each assigned contract.⁹ In addition, the FAR states that the head of each office performing contracting, contract administration, or paying functions shall establish files containing the records of all contractual actions. The FAR further states that the documentation

⁶ Small business socioeconomic contracting programs include small disadvantaged businesses; small businesses in historically underutilized business zones; service-disabled, veteran-owned small businesses; and woman-owned small businesses. A small business set-aside is the reserving of an acquisition exclusively for small business participation. FAR Part 19, "Small Business Programs," Section 19.203, "Relationship among small business programs."

⁷ DFARS Part 206, Competition Requirements, Section 206.302-1, "Only one responsible source and no other supplies or services will satisfy agency requirements."

⁸ FAR Part 1, "Federal Acquisition Regulations System, Section 1.602-2, "Responsibilities."

⁹ FAR 1.602-2(d). FAR 1.604, "Contracting Officer's Representative."

in the files should be sufficient to constitute a complete history of the transaction, to provide a complete background as a basis for informed decisions at each step in the acquisition process.¹⁰

The FAR requires the agency head to clearly define the requirements for services and adequate performance, ensuring that contractor performance meets the agency's requirements.¹¹ Part of ensuring that contractor performance meets the agency's requirements is performing adequate surveillance of the contract. The FAR states a quality assurance surveillance plan (QASP) should be prepared in coordination with the statement of work and should identify all work requiring surveillance and the type of surveillance to be performed.¹²

Defense Federal Acquisition Regulation Supplement

The DFARS states that a COR assists in the technical monitoring and administration of contracts. Unless an exemption applies, the contracting officer must designate a COR for all service contracts, including both firm-fixed-price and other-than-firm-fixed-price, and surveillance activities performed by the COR should be tailored to the dollar value and complexity of the contract. The DFARS requires that CORs maintain an electronic contract file for each contract assigned, and that the files include a copy of the designation letter and a record of actions taken in accordance with the authority delegated to the COR.¹³ In addition, the DFARS requires contracting officers to prepare QASPs in conjunction with the statement of work for service contracts and the QASPs should be tailored to the specific services acquired by the contract.¹⁴

Congressional Interest in the ONA

In January 2019, Senator Charles Grassley requested that the DoD OIG review the ONA's contracting practices related to four contracts awarded to Professor Stefan Halper. As a result, in 2019, the DoD OIG conducted a review and identified weaknesses within the ONA's contracting practices, including incomplete contracting files, limited procedures to ensure the contractor performed their

¹⁰ FAR Part 4, "Administrative and Information Matters," Section 4.8, "Government Contract Files," Section 4.801 "General."

¹¹ FAR Part 37, "Service Contracting," Section 37.5, "Management Oversight of Service Contracts."

¹² FAR Part 46, "Quality Assurance," Section 46.4 "Government Contract Quality Assurance."

¹³ DFARS PGI Part 201, "Federal Acquisition Regulations," Section 201.602 "Contracting Officers."

¹⁴ DFARS Part 237, "Service Contracting," Section 237.172, "Service Contracts Surveillance."

work in accordance with the contract requirements, and incomplete records to support contractor travel payments.¹⁵ The DoD OIG recommended the following to the ONA Director:

1. Require that the contracting file constitute a complete record and include documentation required in Subpart 4.8 of the FAR, such as signed copies of the contract and COR nomination letters.
2. Require the COR to maintain a record of all communication with the contractors throughout the life of the contracts.
3. Require COR oversight to validate the contractor performed their work in accordance with the statement of work by implementing measures of support for people interviewed and that the interview related to the contracted research effort; and justification of travel and that the travel related to the contracted effort.
4. Implement a process to verify that the COR completed all requirements outlined in the COR nomination letter.
5. Require the contractor to submit travel receipts before approving travel-related invoices.

The ONA Director agreed to implement procedures to improve the ONA contracting practices, including issuing the 2019 BAA Standard Operating Procedure (SOP). The purpose of the SOP is to identify duties and responsibilities of ONA acquisition personnel regarding the development, execution, and management of the ONA BAA process, and provide guidance to the ONA acquisition team.¹⁶

The 2019 BAA SOP contained sections on BAA Publication, the Research and Studies Review Process, Pre-Award Process, Contract Award, and Post-Award Contract Management. Significant procedural improvements, identified in the 2019 BAA SOP, included updates to the COR File Checklist, as well as a requirement to maintain copies of COR Appointment Letters.¹⁷ The 2019 BAA SOP also included a new ONA requirement to maintain a travel review checklist, so that the COR can ensure that travel is justified and paid for consistent with FAR requirements

¹⁵ DoD OIG Project Number D2019-D000AX-0104, "Research Project on DoD Office of Net Assessment Contract Management," June 27, 2019.

¹⁶ Office of Net Assessment, "Broad Agency Announcement Standard Operating Procedures," October 31, 2019.

¹⁷ The WHS/AD Acquisition Directorate Acquisition Policy Form 201-604-5 "COR File Index," December 2015, is a checklist that is intended to ensure the COR is including contract documentation such as general correspondence between the COR and contractor and the COR designation and termination letters in the contract file.

and that contractors coordinate with acquisition personnel on travel changes. See Appendix A for prior audit coverage and a summary of the June 2019 DoD OIG memorandum on the ONA's contracts with Professor Stefan Halper.¹⁸

In December 2020, Senator Grassley wrote a letter to the DoD Inspector General in response to the announcement of the Evaluation of the Office of Net Assessment.¹⁹ Senator Grassley requested that the DoD OIG answer questions and perform analysis related to the ONA's mission, which included the following requests for analysis related to the ONA's contracting practices.

- A description and assessment of the extent to which the ONA has failed to comply with laws and regulations in contracting for research projects during the 5-year period ending on September 30, 2020.
- An assessment to determine whether all supporting documentation for ONA's contracting conforms with the Statement of Work agreed to between the contractors and DoD during the 5-year period ending on September 30, 2020.
- The steps the ONA must take to ensure that all contract documents are collected and recorded as required by all relevant law and regulation.²⁰

Office of Net Assessment Contracts Reviewed and Sample

To answer our audit objective, we obtained and reviewed a sample of contracts awarded by the WHS/AD between October 1, 2015, and December 31, 2020, in which the ONA was responsible for contract administration. The WHS/AD awarded, for the ONA, 92 contracts, valued at \$35.4 million, between October 1, 2015, and December 31, 2020. With assistance from the DoD OIG Quantitative Methods Division, we generated a nonstatistical sample and randomly selected 23 contracts, valued at \$13.5 million, to review. Our sample included:

- 9 BAA contracts awarded before the 2019 BAA SOP was issued,
- 10 BAA contracts awarded after the 2019 BAA SOP was issued, and
- 4 traditional contracts.²¹

¹⁸ DoD OIG Project Number D2019-D000AX-0104, "Research Project on DoD Office of Net Assessment Contract Management," June 27, 2019.

¹⁹ DoD OIG Project D2021-DEVOSA-0011.000.

²⁰ DoD OIG Project D2021-DEVOSA-0011.000 addressed six additional questions from Senator Grassley's December 2020 letter to the DoD Inspector General.

²¹ ONA traditional contracts are typically service contracts that directly engage time and effort of a contractor, whose primary purpose is to perform an identifiable task rather than to furnish an end item. However, one of the four traditional contracts that we reviewed was not a service contract and provided an end item, such as a deliverable.

See Table 1 for the number of ONA contracts identified for the universe and the audit sample. See Appendix A for a discussion on the scope and methodology used in this audit. See Appendix B for a list of the contracts we sampled and reviewed.

Table 1. Audit Contract verse and Sample

	ONA Contracts Identified	ONA Contract Sample	ONA Contract Sample Value (in Millions)
ONA BAA Contracts Awarded Before 2019 BAA SOP	67	9	\$3.1
ONA BAA Contracts Awarded After 2019 BAA SOP	21	10	2.2
Traditional Contracts	4	4	8.2
Total	92	23	\$13.5

Source: The DoD OIG.

Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.²²

We identified internal control weaknesses in the WHS/AD and ONA contract administration. Specifically, WHS/AD acquisition personnel did not designate CORs within 14 days of contract award or after the initial COR was terminated, or retain and execute COR duties in the absence of a COR; properly award contracts and exercise option periods; issue contract modifications through a SF 30; coordinate with the ONA to establish surveillance measures in quality assurance surveillance plans; review COR files annually; or assign a contracting officer with the appropriate security clearance for an ONA contract that required access to classified material.²³ In addition, ONA acquisition personnel performed COR duties without a COR designation letter from the contracting officer for 20 contracts. Further, WHS/AD and ONA acquisition personnel did not maintain complete contract files, including pre-award and contract administration documentation.

We will provide a copy of the final report to the senior official responsible for internal controls in the WHS/AD and the ONA.

²² DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

²³ SF 30 "Amendment of Solicitation/ Modification of Contract," November 2016.

Finding

WHS/AD and ONA Acquisition Personnel Did Not Administer Contracts in Accordance With Policies

WHS/AD and ONA acquisition personnel did not administer contracts in accordance with Federal, DoD, and WHS internal regulations and policies. WHS/AD acquisition personnel did not:

- designate CORs within 14 days of contract award or after the initial COR was terminated, or retain and execute COR duties in the absence of a COR,
- award contracts and exercise option periods within established timeframes,
- use required contract modification forms to issue contract modifications,
- coordinate with the ONA to establish surveillance measures in QASPs,
- conduct adequate annual reviews of COR files, and
- assign a contracting officer with the appropriate security clearance for one ONA contract that required access to classified material.

In addition, ONA acquisition personnel inappropriately performed COR duties without a COR designation letter from the contracting officer for 20 contracts we reviewed. Further, as identified in a previous DoD OIG review of the ONA, WHS/AD, and ONA acquisition personnel did not maintain complete contract files, including pre-award and contract administration documentation.

This occurred because WHS/AD and ONA acquisition personnel did not execute their responsibilities when awarding and administering contracts. In addition, WHS/AD policy personnel reviewed a limited number of WHS/AD contracting officer files between 2018 and 2020 and did not identify deficiencies during their reviews, such as untimely COR designations and ONA CORs inappropriately delegating responsibilities.

The lack of adequate contract administration and oversight by WHS/AD and ONA acquisition personnel resulted in WHS/AD and ONA acquisition personnel inappropriately approving invoices for payment in Wide Area Workflow (WAWF)

totaling \$9.8 million for the 20 contracts we reviewed.²⁴ In addition, without established and documented surveillance measures on ONA service contracts, ONA personnel cannot verify whether they received all services outlined in the contractor's statements of work. Further, due to WHS/AD delays in awarding contracts and exercising contract option periods, the ONA was at an increased risk of under executing its FY 2021 budget by \$4.6 million.

WHS/AD Acquisition Personnel Did Not Properly Administer ONA Contracts

WHS/AD acquisition personnel did not properly administer ONA contracts in compliance with Federal, DoD, and WHS internal regulations and policies. The FAR states that contracting officers are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interest of the Government in contractual relationships.²⁵ However, the WHS/AD contracting officers did not designate CORs within the required 14 days of contract award, award contracts and exercise option periods within established timeframes, appropriately issue contract modifications, establish surveillance measures for service contracts, or adequately review COR files annually. Furthermore, WHS/AD acquisition personnel did not ensure a contracting officer had the appropriate security clearance to provide oversight of a contract requiring access to classified material.

COR Designations

WHS/AD contracting officers did not designate CORs within 14 days of contract award or after the termination of the initial COR, or retain and execute COR duties in the absence of a designated COR. The FAR requires the contracting officer to retain and execute COR duties unless the contracting officer designates a COR in writing.²⁶ Further, the WHS/AD internal policy states that the contracting officer shall track the COR appointment and either approve, reject, or cancel the appointment in the Joint Appointment Module within 14 days of contract award.²⁷ WHS/AD internal policy identifies the COR designation as a key internal control that increases Government monitoring of contracts and reduces the risk of receiving incorrect supplies or services.

²⁴ Wide Area Work Flow is a secure web-based system for electronic invoicing, receipt, and acceptance.

²⁵ FAR 1.602-2.

²⁶ FAR 1.602-2(d).

²⁷ The Joint Appointment Module is a web-based application designed to improve management of official appointments. All COR nomination and appointment functions are made in the Joint Appointment Module.

WHS/AD contracting officers took an average of 278 days to designate a COR or did not appoint a new COR within 14 days of terminating the previous COR on all 23 contracts reviewed.²⁸ For example, for one contract, the WHS/AD contracting officer terminated the original ONA COR on July 20, 2020, and did not designate a new COR, despite additional oversight work required to administer the contract.²⁹ During the periods without a WHS/AD-designated COR, ONA acquisition personnel, who were trained and qualified to be CORs, provided oversight of all 23 contracts we reviewed, despite not being designated as CORs. See Table 2 for the 23 contracts we reviewed and the number of days without a COR designation letter.

WHS/AD contracting officers took an average of 278 days to designate a COR or did not appoint a new COR within 14 days of terminating the previous COR on all 23 contracts reviewed.

Table 2. ONA Contracts Without a Timely COR Designation

Contract Number	Days without a COR Designation Letter	Contract Number	Days Without a COR Designation Letter
HQ0034-17-C-0017	296	HQ0034-20-P-0082	224
HQ0034-17-C-0059	547	HQ0034-20-P-0083	131
HQ0034-17-P-0060	540	HQ0034-20-P-0084	218
HQ0034-17-C-0070	363	HQ0034-20-P-0085	217
HQ0034-17-C-0091	371	HQ0034-20-P-0093	202
HQ0034-18-C-0066	225	HQ0034-20-P-0100	196
HQ0034-18-C-0070	535	HQ0034-20-P-0103	190
HQ0034-18-C-0107	369	HQ0034-20-C-0110	97
HQ0034-18-C-0133	74	HQ0034-20-P-0116	180
HQ0034-19-C-0120	413	HQ0034-20-P-0161	141
HQ0034-19-C-0142	371	HQ0034-20-P-0162	139
HQ0034-19-C-0149	355		

Note: The number of days without a COR designation letter was calculated using the signature date on COR designation letters. In the absence of a COR designation letter, the team used July 07, 2021, as the cut-off date for calculating the number of days without a COR designation for active contracts in our sample.

Source: The DoD OIG.

²⁸ The average number of days to designate a COR was calculated using the signature date on COR designation letters. In the absence of a COR designation letter, the team used July 07, 2021, as the cut-off date for calculating the number of days without a COR designation for active contracts in which a COR was not designated.

²⁹ Contract HQ0034-18-C-0066.

Awarding Contracts and Exercising Contract Option Periods

WHS/AD contracting officers did not award contracts and exercise contract option periods timely, risking the ONA's ability to comply with statutory requirements. DoD Components are statutorily limited from obligating more than 20 percent of the 1-year appropriations during the last 2 months of the fiscal year.³⁰ As a result, only 20 percent of the ONA's budget, or about \$3.4 million, can be obligated in the last 2 months of the fiscal year.

WHS/AD acquisition personnel stated that the standard time for awarding ONA contracts and exercising options is 30 to 45 days after the ONA provides the contracting officer all required documentation. However, as of July 7, 2021, the ONA was waiting on the WHS/AD contracting officer to process 20 contracting actions, totaling \$4.6 million (27 percent), of the ONA's annual budget with an average of 59 days outstanding since the request. Specifically, of the 20 contract actions, 14 contract awards were between 28 and 86 days outstanding, and 6 requests to exercise contract option periods were between 14 and 84 days outstanding. For one contract in our sample, on April 22, 2021, the ONA COR requested the WHS/AD contracting officer execute the option year, totaling \$201,312.³¹ However, it was not until the ONA COR contacted WHS/AD senior leaders on July 2, 2021, 71 days after the initial request and 4 days before the contract's period of performance expired, that the WHS/AD contracting officer took action to exercise the contract option period.

The ONA relies on WHS/AD contracting officers to award contracts and exercise option periods to fulfill the ONA's mission and comply with statutory requirements for funding execution.

The ONA relies on WHS/AD contracting officers to award contracts and exercise option periods to fulfill the ONA's mission and comply with statutory requirements for funding execution. On July 29 and July 30, 2021, WHS/AD contracting officers executed the final three outstanding contracting actions,

totaling \$615,499, resulting in ONA executing 80 percent of its FY 2021 budget. While the ONA complied with statutory requirements and did not experience a loss of FY 2021 funds, WHS/AD contracting officers risked the ONA's ability to execute 80 percent of its \$17 million FY 2021 budget and the ONA risked losing unobligated funds that exceed 20 percent of the budget in the last 2 months of the fiscal year.

³⁰ DoD 7000.14-R, Volume 6A "Reporting Policy," Chapter 4 "Appropriation and Fund Status Reports," July 2020, states that each year the DOD Appropriations Act requires a certification that not more than 20 percent of the appropriations in that act, which are limited for obligation during the current fiscal year, will be obligated during the last 2 months of the fiscal year.

³¹ Contract HQ0034-20-P-0100.

Contract Modifications

WHS/AD contracting officers did not issue contract modifications using a SF 30, “Amendment of Solicitation/Modification of Contract,” for 3 of 23 contracts we reviewed as required by Federal regulations. The FAR requires the contracting officer to modify the contract in writing using the SF 30.³² However, WHS/AD contracting officers used e-mails or memorandums for record (MFRs) to modify contracts instead of the SF 30 when changing contract terms.

For example, when modifying the terms of a contract, the WHS/AD contracting officer used an MFR to approve a 6-month, no-cost extension for Option Year 1 deliverables.³³ Despite the WHS/AD MFR stating the 6-month, no-cost extension did not extend the period of performance for Option Year 1, the MFR changed the final day of the period of performance from September 15, 2020, to March 15, 2021. WHS/AD contracting officers stated that they issued an MFR instead of an SF 30 because the MFR was faster to execute and they did not consider this a change to the contract.

In another example, the WHS/AD contracting officer modified a contract through an e-mail.³⁴ The contract’s statement of work required the contractor to provide security support services to the ONA, identified the contractor’s place of performance as the ONA office, and prohibited telework.³⁵ On March 20, 2020, in response to the coronavirus disease–2019 (COVID-19) pandemic, the Office of Management and Budget (OMB) issued guidance that stated agencies were required to work with contractors to evaluate and maximize telework usage whenever possible, and agencies should modify contracts that did not currently allow for telework.³⁶ However, on March 16, 2020, before official Federal guidance, the WHS/AD contracting officer used an e-mail, instead of an SF 30, to authorize the contractor to telework during the COVID-19 pandemic. Further, the WHS/AD contracting officer did not issue an SF 30 after the receipt of guidance to modify contracts to maximize telework usage. The WHS/AD contracting officer stated that he did not issue the SF 30 because he believed the e-mail was sufficient documentation and authorizing telework did not change the terms of the contract.

³² FAR Part 53, “Forms,” Section 53.243 “Contract Modifications (SF 30).”

³³ Contract HQ0034-18-C-0070.

³⁴ Contract HQ0034-19-C-0142.

³⁵ Telework is a work arrangement that allows an employee to perform work, during any part of regular, paid hours, at an approved alternative worksite (for example, home or telework center).

³⁶ Office of Management and Budget Memo, “Managing Federal Contract Performance Issues Associated with the Novel Coronavirus (COVID-19),” March 20, 2020.

WHS/AD Policy personnel acknowledged that contracting officers should use the SF 30 for any contract modifications, including changes to deliverable dates and the contractor's place of performance. WHS/AD Policy personnel further stated that MFRs are often used to document the basis of the contract action, and it would be irregular to have a stand-alone MFR without its corresponding SF 30. The FAR requires SF 30s to formalize all contract changes, but when WHS/AD used e-mails and MFRs in place of SF 30s, WHS/AD made changes to the contract that were not formally binding to the contractor.³⁷

Quality Assurance Surveillance Plans

WHS/AD acquisition personnel did not coordinate with the ONA to establish surveillance measures, such as a QASP, for two of the four ONA service contracts.³⁸ The DFARS requires the contracting officer develop a QASP for all service contracts and tailor the QASP to the specific contract requirements.³⁹ The FAR states that a QASP should be prepared in coordination with the statement of work, and it

WHS/AD contracting officers did not include QASPs in two service contracts, for security services and administrative support, valued at \$4.1 million.

should identify all work requiring surveillance, including the type of surveillance to be performed.⁴⁰ However, WHS/AD contracting officers did not include QASPs in two service contracts, for security services and administrative support, valued at \$4.1 million.

WHS/AD contracting officers awarded a contract for security support services at the ONA, but they did not include a QASP in the contract or any quality measures to monitor the contractor's performance.⁴¹ The contract required key contracted personnel to manage daily office operations; manage the security of Sensitive Compartmented Information programs; and act as the Information Security Officer, Communications Security Officer, and Operations Security Officer. However, the ONA COR did not have a basis to assess and rate the contractor's performance without measurable performance standards set within the contract.

Furthermore, another service contract established performance standards within the contract; however, the standards did not cover all contract requirements and were not measurable.⁴² The statement of work required the contractor to

³⁷ FAR 53.243.

³⁸ A QASP is a tool that establishes methods to measure and verify that the Government is receiving the performance agreed to in the contract.

³⁹ DFARS 237.172(a).

⁴⁰ FAR 46.401(a).

⁴¹ Contract HQ0034-19-C-0142.

⁴² Contract HQ0034-19-C-0120.

provide facilities, logistical, management, and administrative support services for various ONA-sponsored events. In addition, the contractor was required to provide various reports to support the ONA-sponsored events. The performance standards in the contract included accuracy, clarity, specifications validating, file editing, formatting, and timeliness for written products. While these included performance standards might have been useful to help ensure that the contractor accomplished those specific aspects of the written deliverables, the contract did not include a QASP or the necessary details to measure the contractor's performance.

WHS/AD and ONA acquisition personnel acknowledged that the FAR requires a QASP for service contracts. The WHS/AD contracting officer could not provide an explanation to why QASPs were not included in these ONA contracts because the preceding contracting officer awarded the contracts and was no longer with WHS/AD. Despite the lack of surveillance measures, ONA acquisition personnel stated that they oversaw the security support services contract through day-to-day interactions with key contract personnel and the facilities, logistical, management, and administrative support services contract through monthly status reports. However, neither of these surveillance methods provided documented measurable performance of the contractor's work. WHS/AD and ONA personnel took action during our audit to develop QASPs for contracts HQ0034-19-C-0120 and HQ0034-19-C-0142; therefore, we did not make a recommendation. See "Management Actions Taken" section of the report for more information.

Annual Reviews of COR Files

WHS/AD contracting officers did not adequately review COR files annually as required by the WHS internal policy. The WHS/AD Contract Administration Plan identifies contracting officer reviews of COR files as a key internal control for overseeing the ONA COR, to reduce the risk of noncompliance with Federal and DoD regulations. Neither the WHS/AD contracting officer or ONA COR files included documentation of a COR file review for 12 of the 23 contracts we reviewed. For the remaining 11 contracts in our sample, the WHS/AD contracting officer provided evidence of COR file reviews; however, the contracting officer's reviews did not identify non-compliance with Federal and DoD regulations, such as identifying individuals who were not designated as CORs inappropriately accepting deliverables and approving invoices for payment in WAWF.⁴³

⁴³ Our review was based on the 2019 ONA BAA SOP; however, it was updated by ONA in December 2020 to state ONA acquisition personnel will review invoices to confirm all contractual requirements were met in accordance with the contract and use the invoice checklist prior to approving invoices for payment.

The WHS/AD contracting officer did not maintain evidence of the annual COR file review for 12 contracts awarded between January 23, 2017, and September 30, 2019. The current WHS/AD contracting officer stated that contracts awarded prior to FY 2020 were not reviewed because the current ONA COR was not designated on those contracts.

In January 2021 the WHS/AD contracting officer reviewed the COR files for all ONA contracts awarded in FY 2020, including 11 contracts in our sample. The WHS/AD contracting officer's COR file reviews identified that the ONA needed to implement an updated COR file checklist but did not identify instances of non-compliance with Federal and DoD regulations. For example, the COR file review for an FY 2020 contract did not identify that ONA acquisition personnel who were not designated as the COR inappropriately accepted deliverables and approved invoices, totaling \$165,949.⁴⁴ The FAR states that a contracting officer must designate a COR in writing that documents the COR's responsibilities, to include the authority to accept deliverables and approve invoices.⁴⁵ In addition, the contracting officer did not document, in the COR file review, that the COR file was missing the required documentation outlined in the COR designation letter, such as meeting minutes and correspondence with the contractor.

Oversight of Classified Work

The WHS/AD contracting officer did not have the appropriate security clearance to provide oversight of one ONA contract that had a classified statement of work in our sample.⁴⁶ The FAR states that contracting officers are responsible for ensuring compliance with the terms of the contract and safeguarding the interest of the Government in contractual relationships.⁴⁷ Furthermore, DoD policy states that only personnel with the appropriate security clearance and who have a valid need to know can access classified information.⁴⁸ While the WHS/AD contracting officers had a need to know, the contracting officer did not have the appropriate security clearance to view classified documentation to ensure the contractor complied with the terms of the contract. In addition, WHS/AD acquisition personnel stated that they relied on ONA personnel to store and gain access to classified ONA documents because the WHS/AD office space did not have the capacity to store or electronically view classified documents.

⁴⁴ Contract HQ0034-20-P-0085.

⁴⁵ FAR 1.602-2(d) and (d)(7)(i).
DoD Instruction 5000.72, "DoD Standard for Contracting Officer's Representative Certification," March 26, 2015, (Incorporating Change 2, November 06, 2020), Enclosure 6.

⁴⁶ The DoD OIG sample only included one contract that required access to classified material, Contract HQ0034-17-C-0017.

⁴⁷ FAR 1.602-2.

⁴⁸ DODM 5200.01 Vol 1, "DoD Information Security Program: Overview, Classification, and Declassification," February 24, 2012 Incorporating Change 2, July 28, 2020.

The WHS/AD contracting officer did not have access to key contract documents, including the contract's statement of work. Without the appropriate security clearance, the WHS/AD contracting officer could not access

The WHS/AD contracting officer did not have access to key contract documents, including the contract's statement of work.

the documentation to maintain a complete contract file, perform annual COR file reviews, or routinely review the COR's oversight of this contract. WHS/AD acquisition personnel stated that they were in the process of obtaining a security clearance for the WHS/AD contracting officer on ONA contracts to allow the contracting officer to access classified documents at the ONA. However, as of August 2021, WHS/AD did not have a contracting officer with the appropriate security clearance to review and provide oversight of an ONA contract requiring access to classified material. WHS/AD acquisition personnel took action during our audit to assign a contracting officer with the appropriate security clearance to the contract that required access to classified material; therefore, we did not make a recommendation. See "Management Actions Taken" section of the report for more information.

ONA Acquisition Personnel Inappropriately Performed COR Responsibilities Without a COR Delegation

ONA acquisition personnel inappropriately performed COR responsibilities without a COR delegation and therefore, did not comply with Federal and DoD requirements on 20 contracts we reviewed. As a result, ONA acquisition personnel inappropriately approved 118 invoices, valued at \$9.1 million, for payment. The FAR states that COR designation letters should describe COR responsibilities, such as approving invoices, accepting deliverables, and communicating with the contracting officer and the contractor to resolve issues.⁴⁹ In addition, DoD Instruction 5000.72, and the designation letters issued to the CORs by WHS/AD, prohibit the designated COR from re-delegating COR responsibilities. ONA CORs delegated their responsibility to accept deliverables, approve invoices, and act as the liaison between the Government and contractor by allowing other ONA acquisition personnel, not delegated as CORs, to perform these functions.

In the absence of a designated COR, ONA acquisition personnel inappropriately approved 54 invoices on 19 contracts, totaling \$3.9 million. For example, on one contract, four different ONA acquisition personnel approved nine invoices, totaling \$294,217, because the WHS/AD contracting officer did not designate a

⁴⁹ FAR 1.604(a).

DoD Instruction 5000.72.

COR on the contract for 413 days.⁵⁰ ONA acquisition personnel acknowledged that only designated CORs could accept deliverables and approve invoices for payment in WAWF. In the absence of a designated COR and because the WHS/AD contracting officer did not accept COR responsibilities, ONA acquisition personnel stated that they had to perform these duties to maintain contractor performance and to ensure timely payment to the contractor. See Appendix B for the ONA contracts we reviewed.

The ONA COR assigned some COR responsibilities to ensure contractors were paid and that the ONA's research mission could continue.

When the WHS/AD contracting officer designated a COR on 10 contracts that we reviewed, the ONA CORs re-delegated their authority to other ONA acquisition personnel to approve 64 invoices, totaling \$5.2 million. However, the

ONA COR designation letters stated that the COR had the authority to inspect and accept invoices in accordance with the terms of the contract. The COR designation letters further stated that the COR could not re-delegate, re-designate, or transfer COR authority. When a COR was designated for one contract, four different ONA acquisition personnel approved invoices without being designated as a COR or alternate COR by the WHS/AD contracting officer.⁵¹ The ONA COR stated that while not designated a COR on all contracts, she was responsible for providing oversight on all ONA contracts, and due to this workload, she assigned some COR responsibilities to ensure contractors were paid and that the ONA's research mission could continue. See Appendix B for the ONA contracts we reviewed.

In addition, on 3 of the 23 contracts we reviewed, the ONA CORs delegated the authority to act as a liaison between the Government and contractor. The DoD COR Handbook states that CORs are the "eyes and ears" of the contracting officer and are a liaison between the Government and contractor when executing surveillance responsibilities. The COR designation letter authorized the ONA COR to act as a liaison between the prime contractor and the Government and states that those authorities cannot be delegated. Once designated, a COR ensures the contractor is not receiving conflicting information and allows the COR to properly oversee contractor performance. However, on all three contracts, the ONA Research Director communicated directly with the contractor without involving the COR. The Research Director stated that he only involved the COR when discussions with the contractor included topics related to the contract administration. The ONA COR stated that because she was the only person responsible for oversight on all ONA contracts,

⁵⁰ Contract HQ0034-19-C-0120.

⁵¹ Contract HQ0034-19-C-0142.

it was not possible to attend every meeting and conversation with contractors. Without knowledge of communication between ONA personnel and the contractor, the COR could not adequately perform contractor surveillance.

The WHS/AD and ONA Did Not Maintain Complete Contract or COR Files

WHS/AD and ONA acquisition personnel did not comply with Federal and DoD requirements to maintain complete contract files, including maintaining signed contracts and modifications, source-selection memorandums, award decision memorandums, correspondence with the contractor, and supporting documentation for contractor submitted invoices. The FAR requires each office performing contracting, contract administration, and paying functions to establish contract files that are sufficient to constitute a complete history of contract actions.⁵² Furthermore, the COR designation letter requires the COR to maintain a contract file that includes all correspondence with the contractor and copies of all contractor data submitted. See Table 3 for a summary of missing contract documentation in the WHS/AD contract files and the ONA COR files.

Table 3. WHS/AD and ONA Missing Contract Documentation

Missing Contract Documents	Signed Contracts and Modifications	Pre-Award Memorandums ¹	Contractor Correspondence	Support for Contractor Invoices
WHS/AD Contract Files	8	9	10	N/A ²
ONA COR Files, Before 2019 SOP	7	2	9	5
ONA COR Files, After 2019 SOP	1	0	11	0

¹ WHS/AD contracting officers are to maintain the Award Decision Memorandums, while ONA CORs are to maintain the Source Selection Memorandums.

² Not Applicable for WHS/AD Contract Files.

Source: The DoD OIG.

WHS/AD Did Not Maintain Complete Contract Files

WHS/AD acquisition personnel did not maintain contract files in accordance with Federal and DoD policies. WHS/AD contract files did not include signed contracts and modifications, award decision memorandums, or contractor correspondence.⁵³

⁵² FAR 4.801(a) and (b).

⁵³ WHS/AD contract officers use the source selection memorandum to support awarding the contract, and ONA uses the source selection memorandum to provide the technical proposal evaluation and the cost proposal evaluation.

The award decision memorandum is a pre-award document that should include the contract number, contract type, contract period of performance, technical evaluation summary, price analysis, price determination, and a conclusion that states an award will or will not be made.

For example, for two contracts, the WHS/AD contracting officer did not maintain the award decision memorandum or a signed version of the contract in the contract files.⁵⁴ See Appendix B for the individual contracts with missing documentation.

The ONA Did Not Maintain Complete COR Files

ONA acquisition personnel did not maintain the COR files in accordance with Federal and DoD policies and the COR designation letter. ONA acquisition personnel created the 2019 BAA SOP in response to the DoD OIG memorandum, dated June 27, 2019. The DoD OIG memorandum recommended that the ONA require the contracting file to constitute a complete record and include documentation required by the FAR, such as signed copies of the contract, and all records of communication with the contractor.⁵⁵ The 2019 BAA SOP required contracting documentation be maintained in the COR files, which WHS/AD contracting officers were responsible for annually reviewing for validity and completeness. We reviewed 12 contracts issued before the 2019 BAA SOP and 11 contracts issued after the SOP.

Of the 12 contracts awarded before the 2019 BAA SOP, ONA COR files did not include signed contracts and modifications, source-selection memorandums, correspondence with the contractor, or supporting documentation for contractor submitted invoices. For example, the COR files for five contracts did not contain supporting documentation for contractor submitted invoices.⁵⁶ Without maintaining supporting documentation for contractor submitted invoices, the ONA COR did not comply with the FAR.⁵⁷ See Appendix B for the individual contracts with missing documentation.

Of the 11 contracts awarded after the 2019 BAA SOP, ONA COR files were generally complete and showed improvements since the implementation of the SOP. However, all 11 contracts did not include all correspondence with the contractor in accordance with the 2019 BAA SOP, the COR designation letter, or the recommendation from the previous DoD OIG memorandum. The 2019 BAA SOP requires that the COR maintain any correspondence between the ONA and the contractor either electronically or in the hardcopy file.⁵⁸ The COR designation

⁵⁴ Contracts HQ0034-17-C-0070 and HQ0034-17-P-0060.

⁵⁵ DoD Office of Inspector General, Memorandum for Director, Office of Net Assessment, Research Project on DoD Office of Net Assessment Contract Management (Project No. D2019-D000AX-104.000), June 27, 2019.

⁵⁶ Contracts HQ0034-17-C-0059, HQ0034-17-C-0070, HQ0034-18-C-0070, HQ0034-18-C-0107, and HQ0034-18-C-0133.

⁵⁷ FAR Part 31, "Contract Cost Principles and Procedures," Section 31.205-46, "Travel Costs" defines contractor's allowable expenses for travel.

FAR 4.801(b).

⁵⁸ Our review was based on the 2019 ONA BAA SOP; however, it was updated by ONA in December 2020, to state that any communication and/or correspondence between the ONA acquisition team and the contractor will be stored in the COR File.

letters state that the COR is responsible for maintaining contract files that includes all correspondence between the COR and the contractor. Further, the designation letters, under section 3, state that a copy of all documentation and correspondence

ONA did not comply with Federal requirements for maintaining a contract file that contains a complete history of the contract with support for actions taken.

shall be furnished to the contracting officer and all other interested government parties having a need to know. In addition, the ONA did not comply with Federal requirements for maintaining a contract file that contains a complete history of the contract with support for actions taken. Specifically, according to the FAR, documentation in the contract files provides background as a basis for informed decisions at each step in the acquisition process and supports actions taken during the life of the contract.⁵⁹ For example, for one contract, the contractor called for a meeting to present eight potential historical cases to allow the ONA to select four cases for the contractor to conduct research.⁶⁰ However, the COR file did not maintain the correspondence documenting the decision from the meeting despite the contractor performing the work on the four selected topics. The ONA COR stated that not every meeting with the contractor is documented, only those that resulted in changes to contract. Additionally, the ONA CORs were not invited or able to attend all contractor meetings. The ONA COR further stated that the ONA was working to break a trend of contractors contacting the ONA Research Director directly rather than corresponding with the ONA COR.

The WHS/AD Did Not Execute Responsibilities

WHS/AD acquisition personnel did not execute their responsibilities when awarding and administering the ONA contracts. The FAR states that contracting officers are authorized to enter into and administer contracts.⁶¹ Further, the FAR states that contracting officers are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships.⁶² However, the WHS/AD contracting officers did not comply with WHS internal policy or execute their responsibilities to hold periodic status meetings with the ONA COR. In addition, WHS/AD Policy personnel did not execute their responsibilities to perform adequate internal oversight of WHS/AD contracting officers.

⁵⁹ FAR 4.801(b)(1) and (2).

⁶⁰ Contract HQ0034-20-P-0103.

⁶¹ FAR Part 2, "Definitions of Words and Terms," Section 2.101, "Definitions."

⁶² FAR 1.602-2.

WHS/AD Contracting Officers Did Not Comply With Federal, DoD, and WHS Internal Policies

WHS/AD acquisition personnel did not execute their responsibilities when awarding and administering contracts in accordance with Federal, DoD, and WHS internal regulations and policies. Many of the issues identified throughout the report are addressed by requirements in these regulations and policies that the WHS/AD acquisition personnel did not follow. For example, the FAR requires the use of SF 30s to document contract modifications in writing. However, instead of using an SF 30, WHS/AD contracting officers used e-mails and MFRs to document changes to contracts for 3 of 23 contracts reviewed. Further, the WHS/AD contracting officer stated that executing modifications for every contract change would be administratively burdensome.

In another example, the WHS/AD internal policy implemented a FAR requirement that required the contracting officers to designate a COR in writing, and further required that the contracting officer either approve, reject, or cancel a COR nomination within 14 days of contract award. However, the contracting officers did not appoint a COR within 14 days of contract award or after the initial COR was terminated on all 23 contracts we reviewed. The WHS/AD contracting officers acknowledged the designation requirement. Further, the WHS/AD contracting officer stated that ONA CORs were not designated timely due to the transition from hardcopy COR designations to the electronic Joint Appointment Module and the WHS/AD workload at fiscal year-end. Therefore, the WHS/AD Director should review all active ONA contracts to ensure a ONA COR is designated or the WHS/AD contracting officer has accepted COR responsibilities and enforce WHS/AD internal policy to designate a COR within 14 days of future ONA contracts.

On October 7, 2020, the DoD OIG published Report No. DODIG-2021-001, which identified that WHS/AD contracting officers did not execute their responsibilities when awarding and administering contracts and task orders in accordance with Federal, DoD, and WHS internal regulations and policies.⁶³ In response to DoD OIG recommendations, the WHS/AD Director stated that he would implement additional procedures and develop a contract administration training session based on the report findings, which would be mandatory for all WHS/AD staff. On November 6, 2020, the Director issued a contract administrative policy and implemented a contract administration plan designed to improve COR appointments, contract surveillance, and COR file review requirements and procedures. However, the Director did not provide evidence that all WHS/AD contracting officers, including contracting officers responsible for ONA contracts, received the training. Therefore, the WHS/AD Director should provide WHS/AD

⁶³ Report No. DODIG-2021-001, "Audit of the Solicitation, Award, and Administration of Washington Headquarters Services and Task Orders for Office of Small Business Programs," October 7, 2020.

contracting officers with refresher training that includes, at a minimum, COR appointment, contract surveillance, COR file review requirements and procedures, and proper issuance of contract modifications.

WHS/AD Contracting Officers Did Not Maintain Communication with CORs

WHS/AD contracting officers did not execute their responsibilities to hold periodic status meetings with the ONA COR. WHS internal policy states that contracting officers must periodically meet with CORs to ensure acceptable contractor performance and discuss other contract administration matters. The ONA CORs took responsibility for organizing periodic meetings with the WHS/AD contracting officer. The ONA COR stated that the purpose of the meetings were to track and provide opportunity to discuss any outstanding items such as contract award, status of modifications, or other general contract concerns. However, WHS/AD acquisition personnel stated that they stopped attending the meetings due to time constraints and other responsibilities, which caused significant delays in contract award or modification execution. Because the ONA COR was not seeing improvements in WHS/AD contract administration as a result of the meetings, in March 2021 the ONA COR stopped meeting with the WHS/AD contracting officer.

In July 2021, during the course of this audit, the WHS/AD and the ONA resumed weekly meetings with the focus on ensuring 80 percent of the ONA's FY 2021 budget was executed before August 1, 2021. However, as discussed earlier in the report, there were several administrative issues that could have been resolved with effective communication between the contracting officer and the COR, including delegating CORs and awarding and administering contracts within established timeframes. Therefore, the WHS/AD Director and the ONA Director should coordinate to update policy requiring recurring meetings to ensure open communication and timely response to the ONA acquisition needs.

WHS/AD Contracting Officers Lacked Internal Oversight

WHS/AD acquisition personnel did not perform oversight on all ONA contracts in accordance with WHS/AD internal policy. The WHS/AD Internal Procurement Management Review (IPMR) serves as an evaluation of internal controls on WHS/AD acquisitions.⁶⁴ The WHS/AD Policy personnel are responsible for managing and monitoring the quality of WHS/AD work products and coordinating the IPMRs.

WHS/AD acquisition personnel did not perform oversight on all ONA contracts in accordance with WHS/AD internal policy.

⁶⁴ IPMR is a supplement to the Defense Contract Management Agency's triennial review, in which WHS/AD conducts internal reviews on contracts to identify contract deficiencies.

WHS/AD Policy personnel stated that when initiating an IPMR, they randomly selected 30 to 40 contracts with contract values of more than \$7 million. Furthermore, after a complete review, WHS/AD Policy personnel stated an internal report is issued identifying general findings and recommendations with a list of specific deficiencies. WHS/AD Policy personnel provided evidence that four ONA contracts were reviewed in IPMRs between FY 2018 and FY 2020. While most ONA contracts did not meet the \$7 million threshold required to be included in an IPMR, WHS/AD Policy personnel stated that in order to obtain enough contracts in their sample, they occasionally selected contracts under the threshold.

WHS/AD Policy personnel found that three of the four ONA contracts reviewed during the IPMRs had deficiencies, including deficiencies identified in this report. For example, WHS/AD Policy personnel found that three of the four contracts did not have documentation or had incomplete or inaccurate documentation in the contract file. As stated earlier in the report, we found that WHS/AD contracting officers did not maintain a complete contract file for 14 of the 23 contracts reviewed. In addition to incomplete files, we found deficiencies with all 23 contracts in the audit sample, an indicator of systemic weaknesses with WHS/AD contracting officer's administration of ONA contracts.

The IPMR, if properly performed, is an effective internal control that can identify issues and take timely corrective action. However, the effectiveness of the IPMR for ONA contracts was negatively impacted by the WHS/AD \$7 million threshold for selecting contracts, and the inadequacy of the reviews. Because we found deficiencies in all 23 contracts reviewed, the WHS/AD Director should direct an IPMR of ONA contracts administered by WHS/AD to ensure compliance with all Federal, DoD, and WHS regulations.

ONA CORs Did Not Execute Responsibilities

ONA acquisition personnel did not execute their responsibilities when administering contracts as required by the FAR and COR designation letters. Many of the issues identified with ONA CORs throughout the report are addressed in the FAR and the COR designation letters. For example, the FAR and COR designation letters require ONA CORs to maintain a complete COR file, including documented communication with contractor.⁶⁵ Furthermore, the FAR states that designation letters must specify the extent of the COR's authority to act on behalf

⁶⁵ FAR 4.801(a) and (b).

of the contracting officer and that this authority cannot be delegated.⁶⁶ However, ONA management and ONA CORs authorized ONA acquisition personnel without COR authority to act for the contracting officer.

The June 2019 DoD OIG ONA memorandum identified similar issues, including the lack of complete COR files and ONA CORs not executing all responsibilities of COR designation letters. In July 2019, the ONA Director stated that he would take corrective action to address all five recommendations from the 2019 review. The Director also stated that he would implement an ONA BAA SOP, add procedures for deliverable reviews, update the COR file index, and add a statement that contractors must comply with FAR 31.205-46, "Travel Cost," to all newly awarded contracts.

After the 2019 DoD OIG memorandum, ONA acquisition personnel made improvements by maintaining more of the required COR file documentation, documenting reviews of deliverables, and including the statement on FAR 31-205-46 in all FY 2020 contracts we reviewed. However, as discussed earlier in the report, the ONA did not maintain a complete COR file, including a record of all communication with the contractor, and did not comply with all requirements of the COR designation letter. While the ONA made improvements, additional work is needed for ONA acquisition personnel to fully:

- require that the contracting file constitute a complete record and include documentation required in FAR, Subpart 4.8, such as signed copies of the contract and COR nomination letters;
- require the COR to maintain a record of all communication with the contractors throughout the life of the contracts; and
- implement a process to verify that the COR completed all requirements outlined in the COR nomination letter.

Therefore, the ONA Director should take additional action to ensure CORs maintain a complete contract file, including documented correspondence between the COR and contractor, and that the COR complies with all requirements of the COR designation letter.

⁶⁶ FAR 1.602-2 and 1.602(d)(7)(i) and (iv).

The ONA Inappropriately Approved Invoices for Payment and May Not Have Received all Services

The lack of adequate contract administration and oversight by WHS/AD and ONA acquisition personnel resulted in ONA and WHS/AD acquisition personnel inappropriately approving invoices for payment, totaling \$9.8 million.⁶⁷

The lack of adequate contract administration and oversight resulted in ONA and WHS/AD acquisition personnel inappropriately approving invoices for payment, totaling \$9.8 million.

ONA acquisition personnel inappropriately accepted deliverables and approved invoices for payment due to untimely COR designations by WHS/AD contracting officers and because ONA CORs inappropriately delegated their responsibilities.

Furthermore, without established and documented surveillance measures on ONA service contracts, the ONA acquisition personnel cannot verify whether they received services, valued at \$4.1 million, in accordance with the statement of work.⁶⁸ For example, the statement of work on one service contract we reviewed requires the contractor to act as the operations security officer for the ONA.⁶⁹ The statement of work includes providing the overall climate of operations security awareness in the ONA, as well as identifying critical information and applying countermeasures to protect the critical information. However, the ONA did not have documented surveillance of the contractor to show that the contractor was performing all requirements of the contract.

The WHS/AD Put ONA's FY 2021 Budget at Risk

The WHS/AD put the ONA at an increased risk of not executing its full FY 2021 budget and not receiving all services outlined in contractor's statements of work. The WHS/AD contracting officer's delay in executing \$4.6 million in ONA contract actions risked the ONA's ability to obtain the research projects needed to fulfill the ONA's mission and risked future ONA budgets not being fully funded by Congress. Until WHS/AD acquisition personnel comply with all Federal, DoD, and WHS regulations and policies, the ONA is at an increased risk of missing opportunities to award research contracts and exercise option periods, impacting their ability to provide long-term comparative assessments to the Secretary of Defense and Deputy Secretary of Defense.

⁶⁷ The \$9.8 million includes the \$9.1 million in inappropriately approved invoices because ONA acquisition personnel inappropriately performed COR responsibilities, and an additional \$0.7 million in inappropriately approved invoices. For the \$0.7 million, we identified six contracts where ONA acquisition personnel approved invoices without supporting documentation or unidentified WHS/AD acquisition personnel approved invoices.

⁶⁸ Contracts HQ0034-19-C-0142 and HQ0034-19-C-0120.

⁶⁹ Contract HQ0034-19-C-0142.

Management Actions Taken

During our audit, WHS/AD and ONA personnel took action to develop QASPs on the two contracts that did not previously have QASPs, designate CORs on the contracts in our sample that did not have CORs assigned, assign a contracting officer with the appropriate security clearance to the contract that required access to classified material, and established recurring meetings between the contracting officers and CORs.

WHS/AD acquisition personnel coordinated with the ONA to establish QASPs for the two ONA service contracts. WHS/AD acquisition personnel stated that the QASPs for the two contracts have been added to the Joint Appointment Module and the contract file. In addition, WHS/AD issued modifications for both contracts ensuring the newly developed QASPs were incorporated into the two contracts. Based on the management actions taken, we did not make a recommendation to establish surveillance measures in QASPs for contracts HQ0034-19-C-0120 and HQ0034-19-C-0142.

The WHS/AD contracting officer designated an ONA COR and an alternate COR for all active ONA contracts in our sample. WHS/AD acquisition personnel stated that with the appointments of a COR and an alternate COR, oversight will improve and eliminate the issue of unauthorized re-delegation. Further, WHS/AD acquisition personnel stated that the COR designation letters used to appoint the COR in the Joint Appointment Module specifically state that this authority is not re-delegable and cannot be re-delegated or transferred. Although the WHS/AD contracting officer took action on the contracts in our sample, we recommend that the WHS/AD Director review all active ONA contracts to ensure they have a designated COR or the contracting officer retains the COR responsibilities and enforce WHS/AD internal policy to designate a COR within 14 days of future ONA contracts.

Furthermore, the WHS/AD issued a contract modification to appoint a contracting officer that had the appropriate security clearance to provide oversight to an ONA contract requiring access to classified material. Based on management actions taken, we did not make a recommendation to the WHS/AD Director to assign a contracting officer with the appropriate security clearance to ensure compliance with the terms of the contract and safeguard the interest of the Government.

Finally, the WHS/AD acquisition personnel stated that in July 2021, the WHS/AD and the ONA began weekly meetings to discuss existing and future procurement actions that allow for constant flow of information and to discuss contract performance and any outstanding administrative actions. Although the WHS/AD and the ONA took management actions, we recommend that the WHS/AD Director and ONA Director coordinate to update policy requiring recurring

meetings between contracting officers and CORs for all ONA contracts to ensure compliance with Federal, DoD, and WHS regulations and to address outstanding administrative items.

Recommendations, Management Comments, and Our Response

Both the WHS/AD Director and the ONA Director provided management comments to the finding. The WHS/AD Director commented on three sections of the finding. The ONA Director commented on the finding, noting three factual inaccuracies, five general inaccuracies, and seven requests to clarify the written report.

Summaries of WHS/AD and ONA management comments on the finding and our responses are in Appendix C.

Recommendation A.1

We recommend that the Director of Washington Headquarters Services/Acquisition Directorate and the Director of the Office of Net Assessment coordinate to update policy requiring recurring meetings between contracting officers and contracting officer representatives for all Office of Net Assessment contracts to ensure compliance with Federal, DoD, and Washington Headquarters Services regulations and to address outstanding administrative items.

Washington Headquarters Services Acquisition Directorate and Office of Net Assessment Comments

Both the WHS/AD Director and the ONA Director agreed with the recommendation. The WHS/AD Director agreed with the recommendation, stating WHS/AD and ONA have coordinated to ensure compliance with the WHS Contract Administration Plan, requiring the contracting officer to hold periodic status meetings with the COR, at least quarterly, to ensure acceptable contractor performance and to discuss other contract administration matters. Further, the ONA Director agreed with the recommendation, stating that trained and qualified ONA acquisition personnel who are designated as CORs and alternate CORs remain receptive to contracting officer communication and all meetings hosted by WHS/AD.

Our Response

Comments from the WHS/AD and ONA Directors addressed the specifics of the recommendation; therefore, the recommendation is closed. In July 2021, WHS/AD and ONA acquisition personnel began weekly meetings to discuss existing and future procurement actions, contract performance, and outstanding administrative actions. The WHS/AD Director provided a memorandum, signed by both the

WHS/AD and the ONA Research Directors, which states the WHS/AD and ONA team reinstated monthly status meetings to manage the lifecycle of the contract from acquisition planning through closeout. Therefore, we closed the recommendation.

Recommendation A.2

We recommend that the Director of Washington Headquarters Services/Acquisition Directorate:

- a. Review all active Office of Net Assessment contracts to ensure a contracting officer has designated a contracting officer representative or retained the contracting officer representative responsibilities. In addition, enforce Washington Headquarters Services internal policy to designate a contracting officer representative within 14 days of awarding future Office of Net Assessment contracts.**

Washington Headquarters Services Acquisition Directorate Comments

The WHS/AD Director agreed with the recommendation, stating that WHS/AD acquisition personnel conducted a review and all active contracts have a COR appointed. In addition, the Director stated that WHS/AD acquisition personnel verified that CORs for all active ONA contracts have been appointed in the Joint Appointment Module. The Director also stated that WHS/AD implemented monthly reviews to ensure all contracts have COR appointments, if applicable.

Our Response

Comments from the Director partially addressed the specifics of the recommendation; therefore, this recommendation is unresolved. Conducting a review of all active ONA contracts to ensure CORs have been designated meets the intent for part of the recommendation; however, we request that the Director clarify whether WHS/AD intends to enforce internal policy to designate a COR within 14 days of awarding future ONA contracts and to explain how it will monitor compliance going forward.

- b. Provide Washington Headquarters Services/Acquisition Directorate contracting officer’s refresher training that includes at minimum contracting officer representative appointment, contract surveillance, contracting officer representative file review requirements and procedures, and proper issuance of contract modifications.**

Washington Headquarters Services Acquisition Directorate Comments

The WHS Director agreed with the recommendation and provided a copy of the WHS/AD training plan for FY 2022. The WHS/AD training plan consists of contract administration training courses for acquisition personnel scheduled from October 2021 through July 2022. The WHS/AD training plan also contains course information for completed training courses.

Our Response

Comments from the WHS/AD Director addressed the recommendation; therefore, the recommendation is resolved but will remain open. The WHS/AD training plan consists of contract administration training courses that address the minimum requirements in our recommendation. We will close this recommendation after the WHS/AD Director provides the training course documentation, and we verify WHS/AD contracting officers completed the refresher training that includes, at a minimum, contracting officer’s representative appointment, contract surveillance, contracting officer representative file review requirements and procedures, and proper issuance of contract modifications.

- c. Direct an Internal Procurement Management Review of Office of Net Assessment contracts administered by his office to ensure compliance with all Federal, DoD, and Washington Headquarters Services regulations.**

Washington Headquarters Services Acquisition Directorate Comments

The WHS/AD Director agreed with the recommendation, stating that an Internal Procurement Management review of the ONA contracts is scheduled for the second quarter of 2022.

Our Response

Comments from the Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the WHS/AD provides the results of the Internal Procurement Management review of the ONA contracts, and we verify completion of the Internal Procurement Management review, and any actions initiated and completed based on the outcome of the review.

Recommendation A.3

We recommend that the Director of the Office of Net Assessment:

- a. Require that the contracting officer representative file constitutes a complete record and include documents required in the Federal Acquisition Regulation, Subpart 4.8, such as documented communication with the contract(s) throughout the life of the contract, and contracting officer designation letters.**

Office of Net Assessment Comments

The ONA Director agreed with the recommendation, stating that ONA will maintain COR files documenting the source, negotiation, and resolution of any contract changes resulting in or from contractor correspondence, in accordance with FAR, Subpart 4.8. The ONA Director also stated that ONA would further improve internal processes to meet the requirements in the 2019 BAA SOP. Finally, the Director stated that ONA would take additional actions to ensure CORs maintain a complete contract file that is in accordance with FAR. Additionally, the Director stated ONA will implement the above measures, to include in an ongoing update to the ONA BAA SOP.

Our Response

Comments from the Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once we verify the information the ONA Director provides fully addresses the recommendation for CORs to maintain complete records in accordance with FAR 4.8, to include obtaining and reviewing the updated ONA BAA SOP.

- b. Implement a process to verify that contracting officer representatives complete all requirements outlined in the contracting officer representative designation letter, including ensuring contracting officer representatives do not delegate their authorities.**

Office of Net Assessment Comments

The ONA Director agreed with the recommendation, stating that the ONA will take additional action to ensure that the COR complies with all requirements of the COR designation letter. The ONA Director also stated that the ONA will implement those measures immediately.

Our Response

Comments from the Director addressed the specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once the Director provides documentation and we verify the actions that the Director takes fully implement measures to ensure that CORs complete all requirements outlined in the COR designation letter.

Appendix A

Scope and Methodology

We conducted this performance audit from January 2021 through October 2021 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.

Nonstatistical Sample Selection of ONA Contracts

We reviewed the WHS/AD list of contracts awarded for the ONA. We used the contract list provided by WHS/AD and the ONA budget documentation to identify a complete universe of contracts awarded from October 1, 2015, through December 31, 2020. We determined that the WHS/AD awarded 92 contracts for the ONA, valued at \$35.4 million. We selected a nonstatistical sample of 23 contracts awarded between FY 2016 and FY 2021, valued at \$13.5 million. See Table 4 for number of ONA contracts identified and sample size.

Table 4. Audit Contract Universe and Sample

	ONA Contracts Identified	ONA Contract Sample	ONA Contract Sample Value (in Millions)
ONA BAA Contracts Awarded Before 2019 BAA SOP	67	9	\$3.1
ONA BAA Contracts Awarded After 2019 BAA SOP	21	10	2.2
Traditional Contracts	4	4	8.2
Total	92	23	\$13.5

Source: The DoD OIG.

Interviews and Documentation

To determine whether the contract administration of the ONA contracts complied with Federal and DoD policies, we interviewed WHS/AD and ONA acquisition personnel to understand their roles and responsibilities for the award and administration of the ONA contracts. Further, we interviewed these personnel to understand their contracting procedures. We also interviewed WHS/AD Policy personnel to understand the WHS/AD contract policies and procedures. Additionally, we obtained and reviewed the WHS/AD contracting officer contract files and the ONA COR files for the 23 contracts in the audit sample.

To evaluate WHS/AD and ONA contract administration, we reviewed and analyzed the following criteria.

- FAR Parts 1, 2, 4, 19, 31, 32, 35, 37, 46, and 53
- DFARS Parts 206 and 237
- DFARS PGI Part 201
- DoD Instruction 5000.72
- DoD COR Handbook, March 22, 2012
- ONA BAA SOP, October 31, 2019
- ONA BAA SOP, December 15, 2020
- WHS/AD Acquisition Policy, July 15, 2020

Internal Control Assessment and Compliance

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. In particular, we assessed the control environment, control activities, information and communication, and controls over monitoring-related internal control components and underlying principles significant to determining whether the WHS/AD and the ONA acquisition personnel administered ONA contracts in compliance with Federal and DoD policies. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

Use of Computer-Processed Data

We used computer-processed data to perform this audit. Specifically, we used the beta.SAM.gov website to identify contracts to include in our scope of audit and received computer-processed data from the WHS/AD acquisition personnel.⁷⁰ During the audit, we determined that the data provided did not contain a complete record of contracts awarded by WHS/AD and administered by the ONA. Therefore, we relied on additional supporting documentation in the WHS/AD and ONA contract files and testimonial evidence to determine the universe of contracts.

Because the information contained in beta.SAM.gov was incomplete, we did not rely on the computer-processed data as evidence or support for findings and conclusions. Based on testimonial evidence, source documentation, and WHS/AD and ONA contract files, we determined that the data we obtained from beta.SAM.gov was sufficiently reliable for the purpose of this report.

⁷⁰ The System for Award Management (beta.SAM.gov) is an official website of the U.S. Government that maintains the contract data report providing detailed information on awarded contracts.

Use of Technical Assistance

We received assistance from the DoD OIG Quantitative Methods Division to assist with selection of the nonstatistical sample of contracts that the WHS/AD awarded for the ONA. Quantitative Methods Division personnel reviewed and provided guidance for our sampling methodology.

Prior Coverage

During the last 5 years, the DoD OIG issued one report discussing WHS/AD contract administration and one memorandum discussing ONA contract management. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

DoD OIG

Report No. DODIG-2021-001, “Audit of the Solicitation, Award, and Administration of Washington Headquarters Services Contract and Task Orders for Office of Small Business Programs,” October 7, 2020.

The DoD OIG determined that for the contract for Market Research Center and Workforce Development, WHS/AD contracting officials and the Office of Small Business Programs officials did not establish clear and complete performance requirements and measurable performance standards or clearly establish security requirements for information technology and contractor personnel, before awarding the task orders. In addition, WHS/AD contracting officials and Office of Small Business Programs officials did not properly administer the task orders. As a result, the DoD may not have received all services in accordance with requirements for contract HQ0034-14-D-0026, task orders 1 and 3, and task order HQ0034-18-F-0574, valued at \$60 million.

Memorandum on DoD Office of Net Assessment Contract Management (Project No. 2019-D000AX-0104.000), June 27, 2019.

The DoD OIG determined that under all four contracts reviewed, the ONA CORs did not require Professor Halper to submit justification or obtain prior approval before traveling. In addition, the CORs did not require Professor Halper to submit any evidence that he interviewed personnel cited in his proposals and statements of work. Furthermore, on two of the four contracts, Professor Halper did not have receipts to support reimbursement for his travel expenses. ONA personnel stated that they did not require contractors to provide justification for travel or evidence of the work performed while traveling. ONA personnel also stated that they did not document any communication with the contractor related to travel. ONA personnel stated that they did not compare deliverables to the statement of work to verify

that the contractor interviewed personnel outlined in the statement of work. Furthermore, ONA personnel stated that they only recently began holding in-process reviews and documenting contractor performance but was not done for all contractors. See <https://www.dodig.mil/reports.html/Article/2390701/review-of-dod-office-of-net-assessment-contract-management/> for full memorandum.

Appendix B

ONA Contracts Reviewed

Contract Number	Contract Award Date	Total Inappropriately Approved Invoices ⁵	ONA Inappropriately Approved Invoices ⁵	Complete WHS Contract File	Complete ONA Contract File	Designation of a COR as Soon as Practicable ¹	Days Without COR Designation	Issuance of Modification Other Than SF 30	WHS Annual Review of COR File
HQ003418C0107 ⁷	9/25/2018	\$420,456	\$208,734	No	No	No	369	No	No
HQ003418C0133 ⁷	9/28/2018	344,764	164,832	No	No	No	74	No	No
HQ003418C0066	7/18/2018	144,972	144,972	No	No	No	225	No	No
HQ003417C0070 ⁷	7/27/2017	128,382	103,622	No	No	No	363 ²	No	No
HQ003418C0070 ⁷	7/23/2018	232,716	212,038	No	No	No	535	Yes	No
HQ003417C0091	9/18/2017	334,196	334,196	No	No	No	371 ²	No	No
HQ003419C0149	9/30/2019	242,392	242,392	No	No	No	355	N/A ³	No
HQ003417C0059 ⁷	7/24/2017	320,738	318,898	No	No	No	547	No	No
HQ003417P0060	7/31/2017	347,500	347,500	No	No	No	540	No	No
HQ003420P0103	7/8/2020	46,200	46,200	No	No	No	190	No	Yes
HQ003420P0085	6/16/2020	165,949	165,949	No	No	No	217	No	Yes
HQ003420P0082	6/9/2020	60,000	60,000	Yes	No	No	224	No	Yes
HQ003420P0161	9/23/2020	N/A ⁴	N/A ⁴	Yes	No	No	141	N/A ³	Yes
HQ003420P0162	9/25/2020	N/A ⁴	N/A ⁴	Yes	No	No	139	N/A ³	Yes
HQ003420P0093	7/1/2020	41,363	41,363	Yes	No	No	202	No	Yes
HQ003420P0083	6/13/2020	80,600	80,600	Yes	No	No	131	No	Yes
HQ003420P0084	6/15/2020	32,650	32,650	Yes	No	No	218	No	Yes
HQ003420P0116	7/23/2020	97,500	97,500	Yes	No	No	180	No	Yes
HQ003420P0100	7/2/2020	56,500	56,500	Yes	No	No	196	N/A ³	Yes

ONA Contracts Reviewed (cont'd)

Contract Number	Contract Award Date	Total Inappropriately Approved Invoices ⁵	ONA Inappropriately Approved Invoices ⁵	Complete WHS Contract File	Complete ONA Contract File	Designation of a COR as Soon as Practicable ¹	Days Without COR Designation	Issuance of Modification Other Than SF 30	WHS Annual Review of COR File
HQ003419C0120	7/31/2019	504,514	504,514	No	No	No	413	Yes	No
HQ003419C0142	9/13/2019	242,219	242,219	No	No	No	371	Yes	No
HQ003420C0110	7/23/2020	N/A ⁴	N/A ⁴	Yes	No	No	97	N/A ³	Yes
HQ003417C0017 ⁷	1/23/2017	5,951,856	5,678,923	No	No	No	296	No	No
Totals		\$9,795,466⁵	\$9,083,602⁵	Yes – 9	Yes – 0	Yes – 0	278⁶	Yes – 3	Yes – 11
				No – 14	No – 23	No – 23		No – 15	No – 12
				N/A – 0	N/A – 0	N/A – 0		N/A³ – 5	N/A – 0

¹ This column represents whether WHS/AD designated a COR within 14 days of contract award or after the initial COR was terminated.

² COR was never designated in writing. Number represents days from contract award to final invoice payment.

³ A modification had not been issued for this contract.

⁴ ONA has not received any invoices for payments from the contractor.

⁵ Mathematical differences due to rounding.

⁶ Average number of days without COR designation.

⁷ These contracts included inappropriately approved invoices for payment without supporting documentation or were approved by unidentified WHS/AD acquisition personnel.

Source: The DoD OIG.

Appendix C

Management Comments on the Finding and Our Response

Washington Headquarters Services Acquisition Directorate Comments

The WHS/AD Director provided comments on the finding. For the full text of the WHS/AD comments, see WHS/AD Management Comments section of the report.

WHS/AD Director Comments on Designation of CORs

The WHS/AD Director agreed with the report statement “WHS/AD acquisition personnel did not designate CORs within 14 days of contract award or after the initial COR was terminated, or retain and execute COR duties in the absence of a COR.” The WHS/AD Director stated that WHS/AD acknowledges there were delays in appointing CORs for the contracts reviewed.

The Director explained that CORs were formally appointed in the Joint Appointment Module for 15 of 23 contracts reviewed by the DoD OIG; however, the remaining 8 contracts have expired with 7 contracts closed out and 1 in the contract closeout process. The Director stated that as of July 2021, all ONA contracts have a COR appointment in the Joint Appointment Module. In addition, the Director stated that at the time of contract award, 20 of 23 ONA contracts identified trained CORs using a local WHS/AD and/or the Wide Area Workflow Payment Instructions contract clause. Further, the Director stated that while the CORs did not receive a COR appointment letter nor were they assigned in the Joint Appointment Module, all identified CORs met the required COR qualifications and received the required COR training. The Director added that WHS has taken action to ensure CORs are properly appointed in the Joint Appointment Module. Finally, according to the Director, as of October 1, 2020, the WHS/AD was conducting monthly reviews of all new contract actions, which include ONA awards focusing on COR appointments and contract file maintenance.

Our Response

We acknowledge the WHS/AD Director’s comments. We maintain that WHS/AD acquisition personnel did not designate CORs within 14 days of contract award or after the initial COR was terminated as required by Federal, DoD, and WHS internal regulations and policies; or retain and execute COR duties in the absence of a designated COR. The FAR requires the contracting officer to retain and

execute COR duties unless the contracting officer designates a COR in writing.⁷¹ Further, the FAR requires the contracting officer to designate and authorize a COR in writing, and specify the COR's authority and limitations, the period covered, note that the authority is not able to be re-delegated, and that the COR may be personally liable for unauthorized acts.⁷² Although we acknowledge that contracts reviewed in our sample included a local WHS/AD and/or the Wide Area Workflow Payment Instructions contract clause, the use of a local WHS/AD or the Wide Area Workflow Payment Instructions contract clause does not create an exemption for the designation of a COR to be in writing in accordance with Federal regulations. For example, for one contract, the WHS/AD contracting officer terminated the original COR, and did not designate a new COR, despite additional oversight work required to administer the contract.⁷³ Therefore, during the periods without a WHS/AD-designated COR, ONA acquisition personnel, who were trained to be CORs, provided oversight of all 23 contracts we reviewed, despite not being designated as a COR.

WHS/AD Director Comments on Award Contracts and Exercise Option Periods

The WHS/AD Director disagreed with the report statement, "WHS/AD acquisition personnel did not award contracts and exercise option periods within agreed upon timeframes." The Director provided greater context to the statement made in the report, "WHS/AD acquisition personnel stated that the standard time for awarding ONA contracts and exercising options is 30 to 45 days after the ONA provides the contracting officer all required documentation."

The Director explained that the 45 days for BAA awards is a customer target and WHS/AD strives to meet this goal, and stated that ONA has experienced no gap in contracting services or loss of funding due to under-executing. The Director added that there are several factors that drive the acquisition timeline, including, but not limited to, volume of incoming actions, complexity of requirements, and maturity of vendors doing business with the Government. Further, the Director stated that ONA generally submits several requirement packages that are to be awarded simultaneously. The Director stated that in FY 2021, WHS/AD has awarded 44 funded actions in an average of 53 days, where all options were exercised timely to allow continuous contract performance. The Director added that every option is specific and unique and when options change the terms of the original contract, additional time is needed to exercise the option.

⁷¹ FAR 1.602-2.

⁷² FAR 1.602(d)(7).

⁷³ Contract HQ0034-18-C-0066.

Our Response

We acknowledge the WHS/AD Director's comments. We maintain that WHS/AD acquisition personnel did not award contracts and exercise option periods within the standard time of 30-45 days, as stated in the report. WHS/AD acquisition personnel took an average of 59 days to address ONA contract actions. For example, 14 contracts took between 28 and 86 days to be awarded and 6 requests to exercise contract option periods took between 14 to 84 days. As stated in the report, it was not until the ONA COR contacted WHS/AD senior leadership after the initial request and a few days before a contract's period of performance expired, that the WHS/AD contracting officer took action to exercise the contract option period. Further, while the ONA complied with statutory requirements and did not experience a loss of FY 2021 funds, WHS/AD contracting officers risked the ONA's ability to execute 80 percent of its FY 2021 budget.

WHS/AD Director Comments on Conducting Adequate Annual Reviews

The WHS/AD Director partially agreed with the report statement "WHS/AD acquisition personnel did not conduct adequate annual reviews of COR files." The Director stated that WHS/AD is enforcing the COR file review requirement. In addition, the Director stated that as demonstrated in Appendix B of the DoD OIG's report, COR file reviews were performed for the 11 contracts selected from FY 2020. The Director added that the COR file reviews will continue to improve in frequency and quality throughout the organization and be driven through a combination of training and compliance reviews.

Our Response

We acknowledge the Director's comments. We maintain that WHS/AD acquisition personnel did not conduct adequate annual reviews of COR files. As stated in the report, neither the WHS/AD contracting officer or ONA COR files included documentation of a COR file review for 12 of the 23 contracts we reviewed. For the remaining 11 contracts in our sample, the WHS/AD contracting officer provided evidence of COR file reviews. However, the report states that the contracting officer's reviews did not identify non-compliance with Federal and DoD regulations, such as identifying individuals who were not designated as CORs inappropriately accepting deliverables and approving invoices for payment in WAWF. In addition, the contracting officer did not document, in the COR file review, that the COR file was missing the required documentation outlined in the COR designation letter, such as meeting minutes and correspondence with the contractor. We commend

the Director for stating that COR file reviews will continue in frequency and quality, and that continued improvements will be accomplished through training and compliance reviews.

WHS/AD Director Comments on Maintaining Contract Files

The WHS/AD Director partially agreed with the report statement, “WHS/AD acquisition personnel did not maintain contract files in accordance with Federal and DoD policies.” The Director stated that WHS/AD fully implemented an approved records management system in 2018 and included compliance language in performance plans in FY 2020, which led to improved contract files. The Director added that the DoD OIG report states the DoD OIG determined 11 contracts files awarded during FY 2020 were complete. Further, the Director stated that over the past 18 months, WHS/AD implemented a number of contract administration initiatives not covered in the DoD OIG’s review. The Director also explained that the initiatives include dedicated weekly time for contract administration, independent review of contract files for new awards, contract administration training for CORs and contracting specialists, formulation of the records management team, and continued communications from leadership.

Our Response

We acknowledge the Director’s comments. We maintain that WHS/AD acquisition personnel did not maintain contract files in accordance with Federal and DoD policies. The FAR requires each office performing contracting, contract administration, and paying functions to establish contract files that are sufficient to constitute a complete history of contract actions.⁷⁴ As stated in the report, WHS/AD contract files did not include signed contracts and modifications, award decision memorandums, or contractor correspondence. We commend the Director for stating that WHS/AD has implemented contract administration initiatives leading to improvements in the contract files.

Office of Net Assessment Comments

The ONA Director provided comments on the finding. For the full text of the Office of Net Assessment comments, see the ONA Management Comments section of the report.

⁷⁴ FAR 4.801(a) and (b).

ONA Director Comments on ONA Acquisition Personnel

The ONA Director stated that in all circumstances, the ONA ensured that only trained and qualified personnel acted as the COR and alternate COR. The Director requested an update to the report language to reflect that “trained and qualified ONA acquisition personnel performed COR duties while awaiting a COR designation letter...”

Our Response

We agree with the Director’s comments. Therefore, we revised the report to identify ONA acquisition personnel as trained and qualified. However, the FAR requires contracting officers to appoint a COR in writing for all contracts and orders other than firm-fixed-price contracts, and for firm-fixed-price contracts and orders, as appropriate, unless the contracting officer retains and executes the COR duties.⁷⁵ As stated in the report, ONA CORs delegated their responsibilities by allowing other ONA acquisition personnel, not delegated as CORs, to perform COR functions.

ONA Director Comments on Contracting Roles and Responsibilities

The ONA Director requested clarification in the language of the background to further emphasize the contracting roles and responsibilities. The Director requested the report include information found in Report No. DODIG-2021-001, “Audit of the Solicitation, Award, and Administration of Washington Headquarters Services Contract and Task Orders for Office of Small Business Programs,” October 7, 2020. For full text of information to be included, see Management Comments section of the report.

Our Response

We agree with the Director’s comments. Therefore, we revised the report to clarify the roles and responsibilities of the WHS/AD and the ONA acquisition personnel in awarding and administering ONA contracts.

ONA Director Comments on Congressional Interest

The ONA Director requested clarification to footnote 17. The Director stated that the DoD OIG should refer to the WHS/AD Acquisition Directorate Acquisition Policy Form 201-604-5 COR File Index (December 2015) to validate checklist requirements for general correspondence.

⁷⁵ FAR 1.602-2(d).

Our Response

We acknowledge the Director's comments. The footnote identifies required contract documentation that the COR file should include such as general correspondence between the COR and contractor. We revised the footnote to state "WHS/AD Acquisition Directorate Acquisition Policy Form 201-604-5 COR File Index, December 2015, is a checklist that is intended to ensure the COR is including contract documentation such as general correspondence between the COR and contractor and the COR designation and termination letters in the contract file."

ONA Director Comments on the Finding

The ONA Director requested clarification to the finding title. The Director stated that the ONA requests revision of the header to read, "Finding: WHS/AD and ONA Did Not in Every Case Administer Contracts in Accordance With Policies."

Our Response

We acknowledge the Director's comments. WHS/AD and ONA acquisition personnel did not administer contracts in accordance with Federal, DoD, and WHS internal regulations and policies. Many issues identified throughout the report regarding WHS/AD acquisition personnel and ONA CORs are addressed by requirements in Federal regulations, internal policies, and COR designation letters. Specifically, as discussed in the report, the ONA did not maintain complete COR files, including a record of all communication with the contractor, and did not comply with all requirements in the COR designation letter. We acknowledge that the ONA has made improvements and implemented recommendations as a result of the 2019 DoD OIG memorandum; however, additional work is needed to fully implement those previous recommendations and recommendations found in this report. Based on our results in Appendix B, we identified issues with all 23 contracts reviewed. Therefore, we did not revise the report's finding title.

ONA Director Comments on Delegation of COR Responsibilities

The ONA Director stated that the ONA did not improperly delegate COR responsibilities. The Director explained that the ONA acquisition personnel submitted official self-nomination requests for COR and alternate COR designations in the formal appointment system and notified the WHS/AD contracting officers of the requests on multiple occasions. In addition, the Director stated that the ONA received verbal and written authorization from the WHS/AD contracting officers delegating COR responsibilities to ONA acquisition personnel and acted on that direction while awaiting written delegation from the contracting officer in the appointment system. The Director added that trained and qualified ONA

acquisition personnel performed COR and alternate COR duties while awaiting designation letters. Further, the Director stated that WHS/AD personnel acknowledged that they failed to formally appoint the COR and alternate COR in a timely manner and are aware WHS/AD personnel directed the COR and alternate COR to perform COR duties while learning how to navigate the COR appointment module. In addition, the Director stated that WHS/AD personnel acknowledged that they notified the ONA COR that WHS/AD would not issue any COR designations letters for contracts awarded prior to FY 2020. Finally, the ONA Director stated that he understands that the WHS/AD contracting office did not provide a formal COR designation letter; however, if the Director stated that had the ONA waited for designation letters, the ONA's research program would have halted.

The Director also requested that the report be revised to reflect that trained and qualified ONA acquisition personnel performed COR and alternate COR duties while awaiting a written designation letter from the contracting officer. Further, the Director requested that the report statement, "she was responsible for providing oversight on all ONA contracts, and due to this workload, she assigned some COR responsibilities..." be revised to reflect that the COR and alternate COR are the trained and qualified ONA acquisition personnel responsible for oversight on all ONA BAA and traditional contracts. The COR and alternate COR performed these duties while awaiting written designation letters from the contracting officer.

Our Response

We acknowledge the Director's comments. We maintain that the ONA acquisition personnel inappropriately performed COR responsibilities without a COR delegation letter and therefore, did not comply with Federal and DoD requirements on 20 contracts we reviewed. The FAR requires contracting officers to appoint a COR in writing for all contracts and orders other than firm-fixed-price contracts, and for firm-fixed-price contracts and orders, as appropriate, unless the contracting officer retains and executes the COR duties.⁷⁶ The FAR also states that COR designation letters should describe COR responsibilities, such as accepting deliverables and communicating with the contracting officer and the contractor to resolve issues.⁷⁷ Further, the COR designation letters state that the COR cannot re-delegate, re-designate, or transfer COR authority. As stated in the report, ONA acquisition personnel acknowledged that only designated CORs could perform duties of the COR such as accept deliverables and approve invoices for payment in WAWF. However, the ONA COR stated while not designated as the COR in writing, she was responsible for providing oversight on all ONA contracts and she assigned

⁷⁶ FAR 1.602-2(d).

⁷⁷ FAR 1.604(a) and DoD Instruction 5000.72.

some COR responsibilities to ensure contractors were paid and that the ONA's research mission could continue. Therefore, we did not revise the report to reflect the ONA COR and alternate COR are individuals responsible for oversight on all ONA BAA and traditional contracts and were the ONA acquisition personnel who performed the COR duties while awaiting a written designation letter.

We revised the report to reflect that during the periods without a WHS/AD designated COR, ONA acquisition personnel, who were trained and qualified to be CORs, provided oversight of all 23 contracts we reviewed. However, the FAR requires the contracting officer to designate and authorize a COR in writing, and specify the COR's authority and limitations, the period covered, note that the authority is not able to be re-delegated, and that the COR may be personally liable for unauthorized acts.⁷⁸ Because only a written COR designation letter gives the authority to perform COR responsibilities, we did not revise the report to reflect that the COR and alternate COR are the trained and qualified ONA acquisition personnel responsible for oversight on all ONA BAA and traditional contracts.

ONA Director Comments on Inappropriately Approved Invoices

The ONA Director stated that the report has a factual inaccuracy regarding WHS/AD and ONA acquisition personnel inappropriately approving invoices for payment in WAWF. The Director stated that the payment official role in WAWF does not belong to ONA acquisition personnel, but to WHS/AD acquisition personnel. The Director stated that in accordance with the COR designation letter, ONA performs the role of a service acceptor and approver, by certifying that services have been received and were accepted.

The Director requested that the report reflect the difference between approving payments and certifying that services have been received and were accepted; and that qualified and trained ONA acquisition personnel performed inspection and acceptance for the Government while awaiting a written designation letter from the contracting officer. Further, the Director requested that the report statement, "ONA CORs delegated their responsibility to accept deliverables, approve invoices..." be revised to remove the language "approve invoices." In addition, the Director requested that the report language be revised to remove "approval" or "payment" of invoices.

⁷⁸ FAR 1.602(d)(7).

Our Response

We acknowledge the Director's comments. According to COR designation letters, ONA CORs are responsible for inspecting and accepting goods and services. As stated in the report, in the absence of a designated COR and because the WHS/AD contracting officer did not accept COR responsibilities, ONA acquisition personnel stated that they had to perform these duties [accept invoices in WAWF] to maintain contractor performance and to ensure timely payment to the contractor. Therefore, the acceptance of invoices in WAWF allows for the invoices to process for payment. In addition, our review was based on the 2019 ONA BAA SOP; however, both the 2019 and updated December 2020 ONA BAA SOPs state that ONA acquisition personnel should review invoices to confirm that all contractual requirements were met in accordance with the contract and use the invoice checklist prior to approving invoices for payment. Therefore, ONA personnel have the responsibility of approving invoices for payment on ONA BAA contracts. As a result, we did not revise the report to reflect a difference in approving payment versus certifying that services have been received and did not remove the terms "approval" or "payment" of invoices.

We revised the report to identify ONA acquisition personnel as trained and qualified. However, the FAR requires contracting officers to appoint a COR in writing for all contracts and orders other than firm-fixed-price contracts, and for firm-fixed-price contracts and orders, as appropriate, unless the contracting officer retains and executes the COR duties.⁷⁹ In addition, the FAR also states that COR designation letters should describe COR responsibilities, such as accepting deliverables and communicating with the contracting officer and the contractor to resolve issues.⁸⁰ As stated in the report, ONA CORs delegated their responsibilities by allowing other ONA acquisition personnel, not delegated as CORs, to perform COR functions.

ONA Director Comments on Complete Contract File

The ONA Director stated the report contained a general inaccuracy that the WHS/AD and the ONA did not maintain complete contract or COR files. The Director stated that under section 4g of the COR designation letters, it states, "Correspondence between you and the contractor;" however, ONA cannot locate any SOP or regulation that specifies complete correspondence or all correspondence. The Director stated that the WHS/AD contracting officers stated it is not their expectation to keep all correspondence with the contractor. Further, neither the FAR nor the SOP states "complete correspondence" or "all correspondence."

⁷⁹ FAR 1.602-2(d).

⁸⁰ FAR 1.604(a) and DoD Instruction 5000.72.

The Director added that when the WHS/AD contracting officer completed the annual review of all FY 2020 COR files, the WHS/AD contracting officer did not find any issues or concerns with contractor correspondence.

Additionally, the Director requested that the DoD OIG delete the reference to the BAA SOP and COR designation letter as requiring all correspondence. The Director requested that the words “any” and “all” be deleted from report statements regarding correspondence with the contractor. The Director also requested that the DoD OIG remove the report statement, “Specifically, according to the FAR, correspondence with the contractor provides background as a basis for informed decisions at each step in the acquisition process and supports actions taken during the life of the contract,” since there is no mention of correspondence in the FAR citation.

Our Response

We acknowledge the Director’s comments. ONA acquisition personnel did not maintain the COR files in accordance with Federal and DoD policies and the COR designation letter. The FAR requires each office performing contracting, contract administration, and paying functions to establish contract files that are sufficient to constitute a complete history of contract actions.⁸¹ Further, the FAR states that documentation in the contract files should provide background as a basis for informed decisions at each step in the acquisition process and support actions taken during the life of the contract.⁸² In addition, our review was based on the 2019 ONA BAA SOP; however, the updated December 2020 ONA BAA SOP requires that the COR maintain any correspondence between the ONA acquisition team and contractor, either electronically or in the hardcopy file. The COR designation letter states that the COR is responsible for maintaining contract files that includes all correspondence between the COR and the contractor. Specifically, COR designation letters state as a matter of practice, the COR should prepare mfrs of all meetings, trips, and telephone conversations relating to the contract. Further, section 3 of the designation letter also states, a copy of all documentation and correspondence shall be furnished to the contracting officer and all other interested government parties having a need to know. As stated in an example in the report, the COR file did not maintain the correspondence documenting a decision made in a meeting with a contractor regarding the ONA’s research topic selection. The COR file did not contain documentation that provided a complete background and support for actions taken during the life of the contract in accordance with the FAR.

⁸¹ FAR 4.801(a) and (b).

⁸² FAR 4.801(b)(1) and (2).

Additionally, as stated in the report, the WHS/AD contracting officer's COR file reviews identified that the ONA needed to implement an updated COR file checklist but did not identify instances of non-compliance with Federal and DoD regulations. For example, as stated in the report, the contracting officer did not document, in the COR file review, that the COR file was missing the required documentation outlined in the COR designation letter, such as meeting minutes and correspondence with the contractor. Therefore, we maintain that WHS/AD contracting officers did not adequately review COR files annually as required by the WHS internal policy.

We did not revise the report to remove the words "all" or "any" with regard to correspondence. Based on the Director's comments regarding the FAR citation, we revised the report to state, "the ONA did not comply with Federal requirements for maintaining a contract file that contains a complete history of the contract with support for actions taken." Further, we revised the report to state, "Specifically, according to the FAR, the documentation in the contract files provide background as a basis for informed decisions at each step in the acquisition process and supports actions taken during the life of the contract."

ONA Director Comments on FY 2021 Budget at Risk

The ONA Director stated that the body of the report states, "Until WHS/AD and ONA acquisition personnel comply with all Federal, DoD, and WHS regulations and policies..." the ONA did not subject itself to the risk discussed in the report. The Director requested that the reference to the ONA be deleted.

Our Response

We agree with the Director's comment. Therefore, we revised the report to clarify that the ONA did not put its FY 2021 budget at risk for under execution.

Management Comments

Washington Headquarters Services Acquisition Directorate



ACQUISITION
DIRECTORATE

DEPARTMENT OF DEFENSE
WASHINGTON HEADQUARTERS SERVICES
1155 DEFENSE PENTAGON
WASHINGTON, DC 20301-1155



November 15, 2021

██████████
Program Director for Audit Acquisition, Contracting and Sustainment
US Department of Defense Office of Inspector General
4800 Mark Center Drive
Alexandria, Va. 22350-1500

Dear ██████████,

I am in receipt of the Department of Defense **Office of Inspector General's (DoD OIG's) Draft Report No. Project No. DODIG-2021-001 entitled "Audit of the Office of Net Assessment's Contract Administration Procedures (Project No. D2021-D000AU-0067.000)**, dated October 15, 2021. The Washington Headquarters Services, Acquisition Directorate (WHS/AD) appreciates the opportunity to address and recommend close out on the requested recommendations identified under A.1, A.2.a, A.2.b and A.2.c in the referenced report.

Recommendations	WHS/AD Deliverables	Status
A.1. We recommend that the Director of Washington Headquarters Services/ Acquisition Directorate and the Director of the Office of Net Assessment coordinate to update policy requiring recurring meetings between contracting officers and contracting officer representatives for all Office of Net Assessment contracts to ensure compliance with Federal, DoD, and Washington Headquarters Services regulations and to address outstanding administrative items.	Letter signed between WHS/AD and ONA.	Concur: Completed and attached.
A.2.a. Review all active Office of Net Assessment contracts to ensure a contracting officer has designated a contracting officer representative or retained the contracting officer representative responsibilities. In addition, enforce Washington Headquarters Services internal policy to designate a contracting officer representative within 14 days of awarding future Office of Net Assessment contracts.	Review conducted and all active contracts have COR's appointed. WHS/AD implemented monthly reviews to ensure all contracts have COR appointments, if applicable.	Concur

Washington Headquarters Services Acquisition Directorate (cont'd)

<p>A.2.b. Provide Washington Headquarters Services/Acquisition Directorate contracting officer's refresher training that includes at minimum contracting officer representative appointment, contract surveillance, contracting officer representative file review requirements and procedures, and proper issuance of contract modification.</p>	<p>The WHS/AD Training Plan is attached.</p>	<p>Concur</p>
<p>A.2.c. Direct an Internal Procurement Management Review of Office of Net Assessment contracts administered by his office to ensure compliance with all Federal, DoD, and Washington Headquarters Services regulations.</p>	<p>Internal Procurement Management Review of Office of Net Assessment – scheduled 2nd Quarter 2022.</p>	<p>Concur</p>

Thank you for the opportunity to respond to the draft report recommendations, WHS/AD is committed to complying with all statutes, regulations and strengthening its internal controls to ensure full compliance with the OIG's recommendations. In addition, we are requesting the attached comments be considered for the final report. The assigned point of contact for this topic is [REDACTED] Enterprise Acquisition Policy and Strategic Initiative. [REDACTED] can be reached at [REDACTED] or cell phone [REDACTED].

Thank you for providing WHS/AD the opportunity to provide artifacts to support the closure for the draft report.

Respectfully,

SANDERS.DAVID [REDACTED]
 [REDACTED]
 David D. Sanders
 Director

Attachments:

1. WHS/AD Letter addressing recommendation A.1.
2. WHS/AD to provide greater context to the OIG report (Project No. D2021-D000AU-0067.000)
3. WHS/AD FY22 Acquisition Training Program

Washington Headquarters Services Acquisition Directorate (cont'd)

AD Summary Response to DoD IG Draft Report Project No. D2021-D000AU-0067.000

Washington Headquarters Services, Acquisition Directorate (WHS/AD) provides the below responses to the DoD IG Draft Report Project No. D2021-D000AU-0067.000.

WHS/AD includes responses to three of the findings and resultant content. WHS/AD accepts the recommendations and will continue to apply current instruction and tools that are commensurate with DoDIG recommendations; and will implement instructions, training, and tools in response to DoDIG recommendations.

No.	Report Finding(s)	Page(s)	Official Proposed AD Response
1	WHS/AD acquisition personnel did not: <ul style="list-style-type: none"> designate contracting officer's representatives (COR) within 14 days of contract award or after the initial COR was terminated, or retain and execute COR duties in the absence of a COR 	16 -18; 29 - 30; 34, 35	<p>Concur:</p> <p>To provide greater context to the OIG report, WHS/AD provides the following: WHS/AD acknowledges there were delays in appointing CORs for the contracts reviewed. CORs have formally been appointed in the Joint Application Module (JAM) for 15 of 23 contracts reviewed by the OIG. The remaining 8 contracts have expired with 7 closed out and 1 in the closeout process. All ONA contracts have a COR appointment in the Joint Appointment Module (JAM) as of July 31, 2021.</p> <p>At time of contract award, 20 of the 23 ONA contracts identified trained CORs, using a local contract clause (252.201-9000 WHS/AD LOCAL CLAUSE) and/or the Wide Area Work Flow clause (DFARS 252.232-7006 WIDE AREA WORKFLOW PAYMENT INSTRUCTIONS (DEC 2018)).</p> <p>While the CORs did not receive a COR appointment letter nor were they assigned in JAM, all identified CORs met the required COR qualifications and received the required COR training. For example, Contract No. HQ003420P0161 specifically identifies a COR that completed the required COR qualifications for the role. WHS has taken action to ensure CORs are properly appointed in JAM. As of October 1, 2020, AD conducts monthly reviews of all new contract actions, which includes ONA awards. These reviews focus on COR appointments and contract file maintenance.</p>
2.	WHS/AD acquisition personnel did not: <ul style="list-style-type: none"> award contracts and exercise option periods within agreed-upon timeframes, 	16-20	<p>Non Concur:</p> <p>To provide greater context to the OIG report, WHS/AD provides the following: On page 12 of the discussion report, the OIG provides data highlighting the number of days' actions were in WHS/AD for processing, comparing with the notional timeline of 30 days for options and 45 days for BAA awards. The 45 days for BAA awards is a customer target and WHS/AD strives to meet this goal. ONA has experienced no gap in</p>

Washington Headquarters Services Acquisition Directorate (cont'd)

AD Summary Response to DoD IG Draft Report Project No. D2021-D000AU-0067.000

			<p>contracting services or loss of funding due to under-executing. There are several factors that drive the acquisition timeline, including, but not limited to, volume of incoming actions, complexity of requirements, and maturity of vendors doing business with the Government.</p> <p>ONA generally submits several requirement packages that are to be awarded simultaneously. For example, WHS/AD received 5 ONA projects in June 2021 and these actions were worked in parallel. Each vendor proposal is evaluated, negotiated, and awarded separately. These contracts were awarded in an average of 37 days from submission to contract award, surpassing the customer's 45 day award target for BAAs. So far in FY 2021, WHS/AD has awarded 44 funded actions in an average of 53 days. Further, all options were exercised timely to allow continuous contract performance. Every option is specific and unique. When options change the terms of the original contract, additional time is needed to exercise the option. ONA and the Department did not experience any gaps in service or harm to the mission.</p> <p>ONA has never loss funding due to under-executing contract dollars. WHS/AD has its highest transaction volume during the 80/20 and EOY time periods. WHS/AD works closely with the WHS Financial Management Directorate (FMD) to ensure financial benchmarks are met.</p>
3.	<p>WHS/AD acquisition personnel did not:</p> <ul style="list-style-type: none"> • conduct adequate annual reviews of COR files, 	17, 23	<p>Partially Concur:</p> <p>To provide greater context to the OIG report, WHS/AD provides the following:</p> <p>WHS/AD is enforcing the COR File Review requirement. As demonstrated in Appendix B of OIG's draft report, COR file reviews were performed for the 11 contracts selected from FY2020. COR file reviews will continue to improve in frequency and quality throughout the organization. The improvements will be driven through a combination of training and compliance reviews.</p>
4.	<p>WHS/AD acquisition personnel did not maintain contract files in accordance with Federal and DoD policies.</p>	27	<p>Partially Concur:</p> <p>To provide greater context to the OIG report, WHS/AD provides the following:</p> <p>WHS/AD fully implemented an approved records management system in 2018 and included compliance language in performance plans in FY 2020. This has led to improved contract files. In the OIG draft report, there were</p>

Washington Headquarters Services Acquisition Directorate (cont'd)

AD Summary Response to DoD IG Draft Report Project No. D2021-D000AU-0067.000

			<p>11 FY 2020 files reviewed. All of these files were determined to be complete by the OIG.</p> <p>This review covered periods before WHS/AD implemented a number of contract administration initiatives over the past 18 months. These initiatives include dedicated weekly time for contract administration, independent review of contract files for new awards, contract administration training for CORs and Contracting Specialists, formulation of records management team and continued communications from leadership.</p>
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Washington Headquarters Services Acquisition Directorate (cont'd)



ACQUISITION
DIRECTORATE

DEPARTMENT OF DEFENSE
WASHINGTON HEADQUARTERS SERVICES
4800 MARK CENTER DRIVE
ALEXANDRIA, VA 22350-2900



██████████
Program Director for Audit Acquisition, Contracting and Sustainment
US Department of Defense Office of Inspector General
4800 Mark Center Drive
Alexandria, Va. 22350-1500

Dear ██████████,

In response to DoD IG Draft Report Project No. D2021-D000AU-0067.000 recommendation A.1, Washington Headquarters Services Acquisition Directorate (WHS/AD) and Office of Net Assessment (ONA) have coordinated to ensure compliance with WHS Contract Administration Plan, which requires the Contracting Officer to hold periodic status meetings with the COR (at least quarterly) to ensure acceptable Contractor performance and discuss other contract administration matters.

The WHS/AD and ONA team have reinstated monthly status meetings to manage the contract lifecycle from acquisition planning to contract closeout.

Signatures:

SANDERS.DAVID.
DELANO ██████████
Mr. David D. Sanders
WHS/Acquisition Directorate
Director

MAY.ANDREW
.D. ██████████
Dr. Andrew D. May
Office of Net Assessment
Research Director

Attachments:

(1) WHS Contract Administration Plan

Office of Net Assessment

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DIRECTOR OF
NET ASSESSMENT

OFFICE OF THE SECRETARY OF DEFENSE
1920 DEFENSE PENTAGON
WASHINGTON, D.C. 20301-1920

November 16, 2021

MEMORANDUM FOR THE ASSISTANT INSPECTOR GENERAL FOR AUDIT

SUBJECT: (U) Response to the Final Draft for DoDIG Audit of the Office of Net Assessment

(U) I write to provide my office's response to the final draft for DoDIG Project Number D2021-D000AU-0067.000. I understand that this response will be attached to the final report.

(U) Attachment 1 documents ONA's review of the final draft, noting three factual inaccuracies, five general inaccuracies, and seven requests to clarify the written report (see Attachment 1). Absent changes to the report that address these inaccuracies or without the suggested clarifications, the reader will be given the erroneous impression that ONA is underperforming or misperforming. ONA notes that it has nearly tripled the staff associated with compliance measures since 2019. ONA also notes the final report does not detail proactive changes in compliance efforts of all kinds since 2015 and provides Attachment 2 for a partial list.

(U) Attachment 3 responds to the recommendations of the DoDIG Audit. ONA is in general agreement with the recommendations of the report.

(U) ONA has consistently prioritized mission execution in the face of adverse circumstances outside of its control.

(U) ONA notes that it received verbal and email direction from its WHS/AD Contracting Officer to perform duties aligned with Contracting Officer's Representative (COR) and Alternate Contracting Officer's Representative (ACOR) authority. ONA personnel acted on that direction while awaiting written delegation from the Contracting Officer in the appointment system. In addition, the WHS/AD Contracting Officer completed the required annual review of *all* FY20 COR files on 25 Jan 2021 and marked "no" when asked if the COR improperly re-delegated his/her authority to another person (see Attachment 4, ADAP Form 201-604-6 COR File Review Checklist (FY20)).

(U) In all circumstances, ONA ensured that only trained and qualified personnel acted as the COR and ACOR.

(U) ONA acquisition personnel submitted official self-nomination requests for COR and ACOR designations in the formal appointment system and notified the WHS/AD Contracting Officers of these requests on multiple occasions. WHS/AD Contracting Officers took an average of 278 days to designate a COR or did not appoint a new COR within 14 days of terminating the previous COR on all 23 contracts reviewed.



Office of Net Assessment (cont'd)

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While ONA understands that the contracting office did not provide a formal COR designation letter, if ONA had waited for the designation letter, ONA's research program would have halted. Further, ONA generally contracts with small vendors who likely would have suffered financial harm if not paid, resulting in unnecessary reputational damage to the Department and increasing the likelihood of contract dispute, expensive litigation, or more extended and expensive future contract negotiation. Further, ONA and the Department could have been deprived the necessary skill and insight of these specialized vendors. Additionally, ONA would have failed to execute its budget, resulting in out-year loss of buying power and depriving the Director, the Deputy Secretary and the Secretary of Defense of research insights at a time when the threat of major power war is growing.

(U) ONA appreciates the DoDIG's observation that "ONA COR files were generally complete and showed improvements since the implementation of the 2019 SOP". The WHS/AD Contracting Officer for ONA completed the required annual review of *all* FY20 COR files on 25 Jan 2021 and did not find any issues or concerns with contractor correspondence (see Attachment 4, ADAP Form 201-604-6 COR File Review Checklist (FY20)).

(U) ONA notes that the WHS/AD Contracting Officer has designated all 23 contracts reviewed as Type A contracts which are defined as "low performance risk, lack of technical or administrative complexity, no identifiable risk factors, and limited requirement for technical expertise." See DoDI 5000.72, DoD Standard for Contracting Officer's Representative (COR) Certification.

(U) Based on the Contracting Officer's review of the FY20 COR files and DoD's characterization of risk for Type A contracts, ONA believes the intent of Federal Acquisition Regulation 4.801(b) is met under its current practice of the 2019 BAA SOP.

(U) ONA appreciates the opportunity to review the draft and to provide our observations and concerns. We welcomed the public spiritedness and professionalism of the audit team.



James H. Baker
Director

Attachment:

1. (U) Review of factual and general inaccuracies and requests for clarification
2. (U) A Partial Listing of Additional ONA Internal Compliance Measures since 2015
3. (U) Response to DoDIG Recommendations
4. (U) ADAP Form 201-604-6 COR File Review Checklist (FY20) - Signed

Office of Net Assessment (cont'd)

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(U) Attachment 1. (U) Review of factual and general inaccuracies and requests for clarification.

(U) The Office of Net Assessment (ONA) submits the following summary and rationale for the general and factual inaccuracies contained in the final draft for DoDIG Project Number D2021-D000AU-0067.000.

(U) Request for clarification, Finding, p. i.

(U) ONA requests an update to the language in paragraph 2 (p. i) to state

“In addition, qualified and trained ONA acquisition personnel performed COR duties while awaiting a COR designation letter from the contracting officer for 20 contracts.”

(U) This language will be consistent with the language on p. 8 of the report, in the second to the last sentence.

(U) Request for clarification, Contracting Roles & Responsibilities, p. 1.

(U) ONA requests clarification in the language in the first paragraph to further emphasize contracting roles and responsibilities. The paragraph should convey the following facts and theme:

“The WHS Acquisition Directorate (AD) serves as the contracting office and appoints a Contracting Officer who awards and administers ONA contracts and designates ONA acquisition personnel to act as the contracting officer’s representatives. The contracting officer is the only Government official with the authority to enter into, administer, or terminate contracts and make related determinations and findings. The contracting officer must ensure that all requirements of law, executive orders, regulations, and all other applicable procedures, including clearances and approvals, have been met before contracts are entered into. The contracting officer is the primary Government official responsible for ensuring compliance with the terms of the contract. Further, the contracting officer is responsible for the oversight responsibilities of the contract, but may rely on an appointed COR to support their administration and surveillance of contractor performance. The COR is a government representative with limited authority to provide technical direction, clarification, and guidance with respect to existing specifications and statements of work as established in the contract. The COR monitors the progress and quality of contractor performance for payment purposes. The COR also promptly reports contractor performance discrepancies and suggests corrective actions to the contracting officer for resolution.” Much of the suggestion above comes directly from pp. 6-7 of DoDIG Report No. DODIG2021001 dated Oct 7, 2020 “Audit of the Solicitation, Award, and Administration of Washington Headquarters Services Contract and Task Orders for Office of Small Business Programs”.

(U) Request for clarification, Congressional Interest in the ONA, pp. 5-7.

Office of Net Assessment (cont'd)

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(U) On p. 6, footnote 17 currently states “The COR File Checklist includes documentation of important correspondence between the COR and contractor.” ONA requests that the IG reference WHS/AD ADAP Form 201-604-5 COR File Index (DEC 2015) to validate the checklist specifically states “GENERAL CORRESPONDENCE As Required”. ONA further requests the addition of language in the report to state that the COR checklist states “GENERAL CORRESPONDENCE As Required”.

(U) Request for clarification, Finding: WHS/AD and ONA Acquisition Personnel Did Not Administer Contracts in Accordance With Policies, p.9.

(U) ONA requests revision of this header to read: “Finding: WHS/AD and (U) ONA requests revision of this header to read: “Finding: WHS/AD and ONA Did Not In Every Case Administer Contracts in Accordance With Policies.”

(U) Request for clarification. ONA requests an update to the language in paragraph 2 to state “In addition, trained and qualified ONA acquisition personnel performed COR and ACOR duties while awaiting a designation letter from the contracting officer for 20 contracts.”

(U) This language will be consistent with the IG language on page 8, second to the last sentence.

(U) General inaccuracy. Finding: WHS/AD and ONA Acquisition Personnel Did Not Administer Contracts in Accordance With Policies, section/theme.

(U) ONA did not *improperly* delegate COR responsibilities. ONA acquisition personnel submitted official self-nomination requests for COR and ACOR designations in the formal appointment system and notified the WHS/AD Contracting Officers of these requests on multiple occasions. WHS/AD Contracting Officers authorized and verbally delegated COR and ACOR responsibilities. Trained and qualified ONA acquisition personnel performed COR and ACOR duties while awaiting designation letters. WHS/AD acknowledged that WHS/AD failed to formally appoint the COR and ACOR in a timely manner and are aware WHS/AD directed the COR and ACOR to perform COR duties while learning how to navigate the COR appointment module in PIEE/JAM. The WHS/AD Contracting Officer completed the required annual review of *all* FY20 COR files on 25 Jan 2021 and marked “no” when asked if the COR improperly re-delegated his/her authority to another person. WHS/AD acknowledges that they informed the current COR that WHS/AD would not be issuing COR designation letters for any contracts awarded prior to FY20.

(U) Factual inaccuracy, p. 9.

(U) The report states, “resulted in WHS/AD and ONA acquisition personnel inappropriately approving invoices for payment in Wide Area Workflow (WAWF)”. The Payment Official role in WAWF does not belong to ONA acquisition personnel. This role belongs to WHS/AD.

Office of Net Assessment (cont'd)

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(U) There is nothing explicitly stated in ONA's current COR designation letter to authorize payment of invoices. The language in the COR letter specifically states: "Perform inspection and acceptance for the Government assuring performance/delivery is in accordance with contract/order requirements, terms and conditions. If applicable, ensure the hours worked by the contractor are the hours billed in the contractor's invoice." ONA performs the following role in WAWF: a "Service Acceptor and Approver" role, inspecting and accepting goods/services. When the COR signs the invoice, he/she is certifying that services have been received and were accepted" - verbatim.

(U) ONA requests that the report reflect the differentiation of roles between "approving payments" and "certifying that services have been received and were accepted". ONA requests that the report language reflect that qualified, trained ONA acquisition personnel performed inspection and acceptance for the Government while awaiting a written designation letter from the Contracting Officer.

(U) General inaccuracy, ONA Acquisition Personnel Inappropriately Delegated COR Responsibilities, p. 17.

(U) ONA requests an update to the language in paragraph 1 to state

"Trained and qualified ONA acquisition personnel performed COR and ACOR duties while awaiting a designation letter from the contracting officer..."

(U) ONA acquisition personnel submitted official self-nomination requests for COR and ACOR designations in the formal appointment system and notified the WHS/AD Contracting Officers of these requests on multiple occasions. WHS/AD Contracting Officers authorized and verbally delegated COR and ACOR responsibilities. Trained and qualified ONA acquisition personnel performed COR and ACOR duties while awaiting designation letters. WHS/AD acknowledged that WHS/AD failed to formally appoint the COR and ACOR in a timely manner and are aware WHS/AD directed the COR and ACOR to perform COR duties while learning how to navigate the COR appointment module in PIEE/JAM. The WHS/AD Contracting Officer completed the required annual review of *all* FY20 COR files on 25 Jan 2021 and marked "no" when asked if the COR improperly re-delegated his/her authority to another person. WHS/AD acknowledges that they informed the current COR that WHS/AD would not be issuing COR designation letters for any contracts awarded prior to FY20.

(U) Factual inaccuracy, p. 17.

(U) The first paragraph on p. 17 states "ONA acquisition personnel inappropriately approved 188 invoices...for payment." The Payment Official role belongs to WHS/AD, not ONA acquisition personnel.

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(U) There is nothing explicitly stated in ONA's current COR designation letters to authorize payment of invoices. The language in the current COR designation letters specifically states: "Perform inspection and acceptance for the Government assuring performance/delivery is in accordance with contract/order requirements, terms and conditions. If applicable, ensure the hours worked by the contractor are the hours billed in the contractor's invoice."

(U) ONA performs the following role in WAWF: a "Service Acceptor and Approver" role, inspecting and accepting goods/services. When the COR signs the invoice, he/she is certifying that services have been received and were accepted" - verbatim. ONA requests that the report reflect the differentiation of roles between "approving payments" and "certifying that services have been received and were accepted". Request the report language reflect that trained and qualified ONA acquisition personnel performed inspection and acceptance for the Government while awaiting a designation letter from the Contracting Officer.

(U) Request for clarification, p. 17.

(U) The last sentence on p. 17 states "ONA CORs delegated their responsibility to accept deliverables, approve invoices...". ONA notes that there is no authority to approve invoices in the current ONA COR designation letters issued from 30 October 2020 to present. ONA requests removal of the verbiage "approve invoices".

(U) Request for clarification, p. 17.

(U) ONA requests revision of report language to remove "approval" or "payment" of invoices as this is not an ONA function. Request language to state that trained and qualified ONA acquisition personnel performed inspection and acceptance for the Government while awaiting a written designation letter from the Contracting Officer.

(U) General inaccuracy, p. 17.

(U) Regarding the discussion on p. 17 of "ONA CORs re-delegated their authority," ONA acquisition personnel submitted official self-nomination requests for COR and ACOR designations in the formal appointment system and notified the WHS/AD Contracting Officers of these requests on multiple occasions. WHS/AD Contracting Officers authorized and verbally delegated COR and ACOR responsibilities. Trained and qualified ONA acquisition personnel performed COR and ACOR duties while awaiting designation letters. WHS/AD acknowledged that WHS/AD failed to formally appoint the COR and ACOR in a timely manner and are aware WHS/AD directed the COR and ACOR to perform COR duties while learning how to navigate the COR appointment module in PIEE/JAM. The WHS/AD Contracting Officer completed the required annual review of *all* FY20 COR files on 25 Jan 2021 and marked "no" when asked if the COR improperly re-delegated his/her authority to another person. ONA requests that report language be updated to reflect that trained and qualified ONA acquisition personnel performed COR and ACOR duties while awaiting a written designation letter from the Contracting Officer.

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(U) Regarding the discussion on p. 18 stating that the ONA COR "(she) was responsible for providing oversight on all ONA contracts, and due to this workload, she assigned some COR responsibilities," ONA requests that the report language be revised to reflect that the COR and the ACOR are the individuals responsible for oversight on all ONA BAA and traditional contracts and that trained and qualified ONA acquisition personnel performed COR and ACOR duties while awaiting a written designation letter from the Contracting Officer.

(U) General inaccuracy, The WHS/AD and ONA Did Not Maintain Complete Contract or COR Files, pp. 18-20.

(U) On p. 18, the report states "the COR designation letter requires the COR to maintain a contract file that includes *all* correspondence with the contractor and copies of all contractor data submitted." However, the current COR designation letters state "Correspondence between you and the contractor". In addition, the WHS/AD ADAP Form 201-604-5 COR File Index (DEC 2015) states "GENERAL CORRESPONDENCE As Required". ONA cannot locate any SOP or regulation that specifies "complete correspondence" or "all correspondence".

(U) WHS/AD Contracting Officers expressed that it is not their expectation for the COR to keep *every* single piece of correspondence with the contractor. The FAR does not state "complete correspondence", the ONA SOP does not state "complete correspondence", WHS/AD's own COR checklist states "general correspondence (as required)". Request consideration from the IG that ONA maintained general correspondence, as required, per the COR checklist file.

(U) The WHS/AD Contracting Officer for ONA completed the required annual review of all FY20 COR files on 25 Jan 2021 and did not find any issues or concerns with contractor correspondence.

(U) On p. 20, the report states "However, all 11 contracts did not include *all* correspondence with the contractor in accordance with the 2019 BAA SOP, the COR designation letter..." The SOP does not require *all* correspondence, only "General Correspondence (As Required)". The COR designation letter also does not specify *all*. ONA requests deletion of reference to the BAA SOP and COR designation letter as requiring *ALL* correspondence.

(U) On p. 20, the report states "The 2019 BAA SOP requires that the COR maintain *any* correspondence..." The SOP does not state the word *any*. ONA requests deletion of the word "any."

(U) On p. 20, the report states "The COR designation letters state that the COR is responsible for maintaining contract files that includes all correspondence between the COR and the contractor." Under section 4g of the COR designation letter, which discusses the requirement to maintain a contract file, the exact verbiage is "Correspondence between you and the contractor". It does not state *all*. ONA requests deletion of the word "all."

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(U) On p. 20, the report states “Specifically, according to the FAR, correspondence with the contractor provides background as a basis for informed decisions at each step in the acquisition process and supports actions taken during the life of the contract.” However, there is no mention of “correspondence” in that FAR citation. ONA requests removal of that sentence as there is no specific FAR requirement for complete correspondence.

(U) General inaccuracy, p. 25.

(U) The report states “The lack of adequate contract administration and oversight by WHS/AD and ONA acquisition personnel resulted in ONA and WHS/AD acquisition personnel inappropriately approving invoices for payment, totaling \$9.8 million, ONA acquisition personnel inappropriately accepted deliverables and approved invoices for payment...” The Payment Official role in WAWF does not belong to ONA acquisition personnel. This role belongs to WHS/AD.

(U) There is nothing explicitly stated in ONA’s current COR designation letter to authorize payment of invoices. The language in the COR letter specifically states: “Perform inspection and acceptance for the Government assuring performance/delivery is in accordance with contract/order requirements, terms and conditions. If applicable, ensure the hours worked by the contractor are the hours billed in the contractor’s invoice.”

(U) ONA performs the following role in WAWF: a “Service Acceptor and Approver” role, inspecting and accepting goods/services. When the COR signs the invoice, he/she is certifying that services have been received and were accepted” - verbatim.

(U) ONA requests that the report reflect the differentiation of roles between “approving payments” and “certifying that services have been received and were accepted”. Request the report language reflect that qualified, trained ONA acquisition personnel performed inspection and acceptance for the Government while awaiting a written designation letter from the Contracting Officer.

(U) Factual inaccuracy, The WHS/AD Put ONA’s FY 2021 Budget at Risk, p. 25.

(U) On p. 25, the report states “Until WHS/AD and ONA acquisition personnel comply with all Federal, DoD, and WHS regulations and policies...” Reference to ONA should be deleted as ONA did not subject itself to this risk.

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Attachment 2: A Partial Listing of Additional ONA Internal Compliance Measures since 2015

- 1. Management controls.** ONA has increased the degree of overall rigor in its management practices since 2015. ONA holds annual all hands to increase team cohesion and understanding of the organization's direction. ONA holds daily meetings of its leadership team. ONA instituted a battle rhythm that connects the contract management, research management, and distribution management functions, including review and status of each of these areas. All of these measures represent increased management attention, which adds increased overhead and opportunity costs to the research program. ONA leadership has consistently received the highest possible rating for leadership and management on annual fitness reports across multiple Administrations.
- 2. Research management.** ONA has added increased structure to its research agenda since 2015. ONA has authored several memoranda assessing the prospects and future of the research agenda and ways to improve its oversight. ONA has put in place a taxonomy of ONA net assessment product types, articulated broad areas of internal research focus, established routine progress reviews for high risk or new entrants under commissioned work, and attends in process workshops and wargames to provide direction and improve study outcomes. ONA has written guidance for internal research, including tasks and suspenses. ONA also holds In Progress Reviews of analysts' work. All of these measures represent increased management attention, which adds overhead and opportunity costs to the research program. Other US agencies (including DOS, DNI, DHS, DEA, USAF, USMC, and the Joint Staff) and foreign governments (including Japan, India and the UK) as well as NATO seek out ONA to emulate its best practices in research management.
- 3. Contract management.** ONA has increased the degree of rigor in its contract management processes since 2015. ONA has established a Standard Operating Procedure for its Broad Agency Announcement, routinely documented financial, spending and other resource decisions, established monthly reviews of the acquisition program, and increased the number of acquisition/finance staff. ONA has hired external detailed personnel to improve administrative responsibilities and expertise, established more thorough contracting officer representative folders and added kick off meetings for research programs. All of these measures represent increased management attention, which adds increased overhead and opportunity costs to the contract research program. An external, non-statistical review of our contract documentation found 98%+ compliance with contract management procedures. ONA passes the annual internal service/acquisition review based on known, observed, expert and superior performance.
- 4. Distribution/impact management.** ONA has increased the rigor in the distribution of its intellectual property since 2015. ONA has tracked every report distributed to principal leaders. ONA has developed a database to track deliverable receipt. ONA has instituted a formal method of monitoring network health and synchronizing senior leaders' interests with

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on-going and previous ONA internal and external work. ONA has provided reading lists for senior leaders and their staffs, book and media selections. ONA routinely interacts or interviews four-star or higher-ranking individuals throughout the U.S. government to ascertain and meet their intellectual or analytic requirements. All of these measures represent increased management attention, which adds increased overhead and opportunity costs. ONA has distributed thousands of its reports to hundreds of senior leaders and their staffs, and briefs its work in senior leader decision forums.

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(U) Attachment 3. (U) Response to DoDIG Recommendations

(U) Recommendations. The Office of Net Assessment (ONA) submits the following responses to the recommendations published in the Final Draft for DoDIG Project Number D2021-D000AU-0067.000.

(U) Recommendation A.I. Agree.

(U) Trained and qualified ONA acquisition personnel who are designated as CORs and ACORs remain receptive to Contracting Officer communications and all meetings hosted by WHS/AD. ONA will implement in coordination with WHS/AD within 60 days of receipt of the Final Report.

(U) Recommendation A.3a. Agree, with comments.

(U) ONA will maintain COR files documenting the source, negotiation, and resolution of any contract change resulting in or from contractor correspondence, thereby meeting Federal Acquisition Regulation, Subpart 4.8. ONA will further improve internal processes to meet the 2019 BAA SOP as currently practiced. ONA will take additional actions to ensure CORs maintain a complete contract file that is in accordance with FAR. ONA will implement these measures, including an ongoing update to the ONA BAA SOP, immediately.

(U) Recommendation A.3b. Agree, with comments.

(U) ONA will take additional action to ensure that the COR complies with all requirements of the COR designation letter. ONA will implement these measures immediately.

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(U) Attachment 4. (U) ADAP Form 201-604-6 COR File Review Checklist

ADAP FORM 201-604-6 COR FILE REVIEW CHECKLIST

Contracting Officer's Representative (COR)		COR Organization
██████████		Office of Net Assessment
Contract/BPA Number	Description	Last Modification Number
FY20 Contract Awards	Review of all Contract Awards in FY20	
File Basics		
Is the COR maintaining a separate file for each contract with all components stored in one place?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Comments:
Is the file neat, organized, and clearly indexed to enable ready access to pertinent records?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	Comments:
Is the COR utilizing the latest version of ADAP Form 201-604-5 COR File Index?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Comments: Please add the appropriate index to all files.
If the file is large and requires additional folders, is each folder numbered? (E.g., Volume 1 of 3)	<input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> N/A	Comments:
File Contents		
Are all the required items on the COR File Index present and of satisfactory quality? Validate that items marked "N/A" are truly not applicable.	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Comments: The COR should update files with appropriate index.

ADAP FORM 201-604-6 COR FILE REVIEW CHECKLIST (DEC 2015)

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COR File Review

[REDACTED] ONA FY20 Contracts]

Overall	
Is there any evidence the COR improperly re-delegated his/her authority to another person?	<input type="checkbox"/> Yes Comments: <input checked="" type="checkbox"/> No
Is there evidence the COR improperly changed the contract terms and conditions (to include pricing)?	<input type="checkbox"/> Yes Comments: <input checked="" type="checkbox"/> No
Is there any evidence the COR exceeded his/her delegated authority?	<input type="checkbox"/> Yes Comments: <input checked="" type="checkbox"/> No
Is the COR's training up-to-date? (i.e., annual ethics for OGE 450 filers; annual Combatting Tracking in Persons; for Type A contracts, minimum of 8 hours of refresher training every 3 years; for Type B/C contracts, minimum of 16 hours of refresher training every 3 years.)	<input checked="" type="checkbox"/> Yes Comments: <input type="checkbox"/> No
Additional comments:	

Signatures		
COR:	[REDACTED]	Date: Jan 25, 2021
Contract Specialist	[REDACTED]	Date:
CO Recommendation		
Does the COR need to perform any corrective actions? By when?	Please add the appropriate file index to all contract files by February 26, 2020.	
Recommendation: <i>The CO shall explicitly state whether (1) the COR is performing adequately and may continue to act in this role, or (2) the COR is not performing adequately and his/her appointment will be terminated.</i>		
Contracting Officer Signature:	[REDACTED]	Date: Jan 25, 2021

Upon completion of this form, a copy shall be sent to the COR and his/her supervisor and uploaded to the COR Tracking (CORT) Tool. The COR shall include this form in his/her COR file while the supervisor shall utilize this information in the COR's annual performance appraisal.

ADAP FORM 201-604-6 COR FILE REVIEW CHECKLIST (DEC 2015)

Acronyms and Abbreviations

BAA	Broad Agency Announcement
COR	Contracting Officer's Representative
DFARS	Defense Federal Acquisition Regulation Supplement
FAR	Federal Acquisition Regulation
IPMR	Internal Procurement Management Review
MFR	Memorandum For Record
ONA	Office of Net Assessment
QASP	Quality Assurance Surveillance Plan
SOP	Standard Operating Procedures
WAWF	Wide Area Workflow
WHS	Washington Headquarters Services
WHS/AD	Washington Headquarters Services/Acquisition Directorate



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