



Audit Report



OIG-08-040

CAPITAL INVESTMENTS: Treasury Foreign Intelligence Network Project Experienced Delays and Project Management Weaknesses

July 25, 2008

Office of
Inspector General

Department of the Treasury

Contents

Audit Report	1
Background	2
Findings and Recommendations	4
TFIN Modernization Segment 2B Missed its Target Completion Date	4
Recommendation	5
Documentation for the TFIN Project Was Inadequate.....	6
Recommendations.....	10
Written Justification for Sole Source TFIN Contract Did Not Conform With FAR Requirements.....	11
Recommendation	13

Appendices

Appendix 1: Objectives, Scope, and Methodology	15
Appendix 2: Management Comments	17
Appendix 3: Major Contributors	25
Appendix 4: Report Distribution.....	26

Tables

Table 1: TFIN Phases/Segments and Deliverables	3
Table 2: FAR 6.303-2(a) Requirements	11

Abbreviations

CIO	Chief Information Officer
FAR	Federal Acquisition Regulation
OCIO	Office of Chief Information Officer
OIA	Office of Intelligence and Analysis
OIG	Office of Inspector General
OMB	Office of Management and Budget
TFIN	Treasury Foreign Intelligence Network

This Page Intentionally Left Blank.

*The Department of the Treasury
Office of Inspector General*

July 25, 2008

Janice B. Gardner
Assistant Secretary for Intelligence and Analysis

Michael D. Duffy
Deputy Assistant Secretary for Information Systems and
Chief Information Officer

Thomas Sharpe
Senior Procurement Executive

This report presents the results of our audit of the Treasury Foreign Intelligence Network (TFIN) stabilization and modernization project. The Department of the Treasury initiated the project to stabilize the TFIN system and upgrade its intelligence and analytical applications for use by the Office of Intelligence and Analysis (OIA). Our audit objectives were to determine whether (1) sound project management principles were followed in executing the project, (2) procurement requirements were adhered to in the acquisition of contract support, and (3) the business case for the project was based on appropriate and supportable assumptions. As part of our work, we reviewed project milestones to determine if the work was progressing on schedule. We performed our fieldwork from November 2006 through March 2008. Appendix 1 contains a more detailed description of our objectives, scope, and methodology.

In brief, we found that although Treasury did not meet the planned September 30, 2007, timeline for completing segment 2B of the TFIN modernization project – enhanced analyst tool set – the work was progressing. The estimated completion date for segment 2B was pushed back several times and as of the end of our fieldwork in March 2008, no date had been established for the completion of

this segment. Our discussions with the Assistant Secretary for Intelligence and Analysis – the TFIN business owner, the Treasury Chief Information Officer (CIO), and TFIN pilot program users indicated that barring any unforeseen complications, the revamped system was expected to provide the necessary applications for OIA to accomplish its work and mission. As a subsequent event, in a memorandum dated May 21, 2008, the Assistant Secretary and the CIO informed us that segment 2B was completed and deployed on April 17, 2008. Additionally, analysts have been trained and have begun using the system.

We also found that documentation for the project was inadequate to demonstrate sound project management principles were followed, and for one TFIN-related contract in the amount of \$440,000, Treasury did not conform to the Federal Acquisition Regulation (FAR) sole source justification requirements.

We are making four recommendations in this report. In a written response received by us on July 3, 2008, management generally concurred with the recommendations and provided comments for certain matters discussed in the report. Management's corrective actions and other comments are summarized in the Findings and Recommendations section and the complete response is provided as appendix 2.

Background

The purpose of TFIN is to help Treasury analysts and others provide meaningful intelligence to senior Treasury management and to other agencies within the intelligence community. TFIN users include analysts, watch officers, requirements officers, security officers, and system administrators. Users conduct activities over the TFIN system to meet the requirements of executive orders, laws, policies, and regulations. TFIN was originally designed to accommodate approximately 30 users. However, because of Treasury's expanding role in the fight against terrorism, the number of TFIN users has risen significantly. As of February 2008, TFIN had approximately 130 users.

At the time the TFIN project was initiated in October 2004, the TFIN environment was unstable and hampered the abilities of Treasury to meet its mission goals. TFIN was using antiquated hardware and software which needed replacing. The TFIN system upgrade was intended to accommodate additional users and enhance its security and stability. A network redesign was also needed to enable TFIN to take advantage of new technologies and capabilities and improve Treasury's ability to exchange information with others in the intelligence community.

To allow TFIN users to efficiently identify messages with relevant content, the TFIN project needed to address the labor-intensive, manual process for locating and manipulating data; enhance the limited tool sets available to analysts; improve the quality of service; and increase collaboration capabilities. The TFIN stabilization and modernization process is expected to resolve these concerns.

The revamping of the TFIN system was divided into a two-phased approach with the work performed by different contractors. Phase 2 was further subdivided into several segments for the modernization initiative. Table 1 lists the various project phases and segments.

Table 1: TFIN Phases/Segments and Deliverables

Phases/Segments	Deliverables
1	Stabilization of the TFIN System
2	Modernization of the TFIN System
2A	Analyst Tool Set – Initial Operating Capability
2B	Enhanced Analyst Tool Set
2C	Interface Upgrade – Defense Messaging System
2D	Continuity of Operations/Redundant Equipment Suite and Services Site Installation
2E	Continuity of Operations/Redundant Equipment Suite and Services Site – Final Operating Capability
2F	Analyst Growth and Refresh
Operations and Maintenance	Program Support Integration Support

Source: Treasury records

When the decision was made in 2004 to stabilize and modernize TFIN, there were no appropriated funds for the project. To begin the project, the Treasury Executive Office for Asset Forfeiture and the Working Capital Fund provided the financial resources. In 2006, Treasury received funds from the Department-wide Systems and Capital Investments Program, the Treasury Executive Office for Asset Forfeiture, the Counterterrorism Fund, and direct appropriations. The original schedule specified September 2009 as the completion date for all phases.

In 2006, Treasury and the Office of Management and Budget (OMB) agreed on an accelerated funding schedule. This resulted in a 2007 budget request for sufficient funding to complete the modernization phase in the second quarter of fiscal year 2008. Treasury's fiscal year 2007 appropriation included the requested funding for the TFIN project. The total funding for the project was approximately \$37 million. As of September 2007, obligated funds totaled approximately \$30 million.

Findings and Recommendations

Finding 1 TFIN Modernization Segment 2B Missed Its Target Completion Date

The TFIN stabilization segment was completed in April 2006, and segment 2A of the modernization phase was completed in December 2006. Segment 2B, the enhanced analyst tool set, was originally estimated to be completed by September 2007. This date was not met and as of the end of our fieldwork on March 17, 2008, a new date had not been established.

During our fieldwork, Treasury personnel, including the Assistant Secretary for Intelligence and Analysis and the Treasury CIO, informed us that the system was experiencing technical difficulties. Treasury asked contractors to address this matter. The Assistant Secretary stated that she wanted a 1- week problem-free period before she considered segment 2B to be successfully completed and the system ready to be rolled out to all users. The Assistant Secretary and the Treasury CIO worked closely to review the status of the system on an ongoing basis.

To test the functionality of segment 2B, a multi-disciplinary team of analysts was assembled to pilot the new tool set. We asked for a written plan for this pilot, but were told by the Office of the CIO (OCIO) and OIA personnel that such a document did not exist. We asked for and received a list of 12 OIA analysts assigned to the pilot. We interviewed 6 of these analysts, the Treasury CIO, and the Assistant Secretary. According to the TFIN pilot program users, the system was performing effectively, was providing users with information and access to information necessary to perform their jobs, and was generally an improvement over the previously used system. One user, however, did note that he was satisfied with the previously existing tools. We were given conflicting information as to when the pilot was started. According to OIA and OCIO officials, the pilot program began in December 2007; some of the users stated that they had been piloting the new program for a longer period which extended from 1 to 2 years.

As a subsequent event, we received a memorandum dated May 21, 2008, from the Assistant Secretary and the CIO who reported that segment 2B was deployed on April 17, 2008. According to the memorandum, with the completion of this segment, TFIN provides enhanced workflow capabilities enabling Treasury analysts to quickly produce actionable intelligence products for Treasury and other intelligence community members. Additionally, analysts have been trained and have begun using the system.

Recommendation

We recommend that the Assistant Secretary for Intelligence and Analysis and the Treasury CIO continue working toward a successful completion of the remaining segments of the TFIN modernization project.

Management Response

Management noted that since the inception of the TFIN modernization effort, OCIO has worked closely with OIA to develop and deploy TFIN system improvements. OCIO will continue to

collaborate with OIA and work towards a successful completion of all remaining segments of TFIN.

With respect to the pilot program, OCIO employed a practice of testing the TFIN software using an independent group of testers as segments of ASSET¹ functionality was developed but before ASSET was deployed to a broader user base. Originally, TFIN software developers worked with one individual in OIA as the user representative. After the initial delivery of TFIN in December 2006, OCIO and OIA management agreed to expand the user group to include users from each OIA analytical “office” to participate in the subsequent iterative development of the application.

OIG Comment

Management’s planned action is responsive to the intent of our recommendation.

Finding 2 Documentation for the TFIN Project Was Inadequate

It was unclear whether sound project management principles were followed for the TFIN project because the documentation needed to make such a determination was either not provided or was lacking in substance.

Treasury assigns responsibilities for the use of an information system life cycle management methodology to develop, acquire, and maintain information systems in Treasury Directive 84-01, *Information System Life Cycle*. The Treasury Directive also authorized the issuance of the *Information System Life Cycle Manual*, which contains the methodology.² The manual provides Treasury bureau project managers charged with developing systems with standardized modules, methodologies, and guidelines for implementing a structured and consistent approach to information technology project development. The manual requires bureaus and offices without standardized methodologies to utilize the manual for the management of their systems’ life cycles. The manual divides the process into six phases consisting of the

¹ ASSET is the analyst tool set developed during Segment 2A and enhanced during Segment 2B.

² The manual was issued as Treasury Department Publication 84-01.

requirements identification and analysis, project planning, development and testing, implementation, operation, and termination/disposition. The first two areas, requirements identification and analysis and the project planning phases include many preparatory activities expected to be associated with the initiation of a major information technology project such as performing a needs analysis and developing a business case. Also, the manual contains an information system life cycle model and appendices with information for developing a project plan, a planning checklist, and a planning review template.

According to A Guide to the Project Management Body of Knowledge, project planning processes should include scope planning, scope definition, risk management planning, activity definition, activity sequencing, activity duration estimating, schedule development, resource planning, cost estimating, cost budgeting, project plan development, quality planning, organizational planning, staff acquisition, procurement planning, solicitation planning, communications planning, risk identification, qualitative risk analysis, quantitative risk analysis, and risk response planning.³

To determine whether sound program management principles were followed in executing the TFIN project, we sought to review project planning documents and information supporting the various project tasks. However, when we requested such documentation, it was either not provided or was inadequate. Several examples follow.

Planning phase. When we requested planning documents, we received several e-mails between a former Treasury CIO and the Assistant Secretary for Intelligence and Analysis. The e-mails did not describe Treasury planning efforts. Rather, they addressed specific activities to be performed and meetings to be held by project contractors who had already been selected for the project. There was little indication that OCIO had established or implemented any formal process to determine the work needed to correct the system's deficiencies, funding to get the work done, or any procurement efforts to get the work performed. The project

³ Project Management Institute, *A Guide to the Project Management Body of Knowledge* (2000 Edition).

was undertaken, temporary funding was secured, and contracts were let with little documentation of planning.

We also looked at the Treasury budget justification from 2004 forward for planning information. The first budget year when substantive information was available was the 2007 budget request. In the request, Treasury identified that the project was its top priority and the stabilization and modernization was critical to Treasury's expanding financial intelligence and national security missions. The request also stated that the project was necessary to address the existing system's stability, ensure adequate cyber security capabilities, and bring the operating system and related security measures into line with the rest of the intelligence community.

While we do not question the need for the project, we were unable, due to the limited availability of planning documentation, to evaluate how Treasury determined that its approach provided the best method to stabilize or modernize the system or that the selected contractors were the best sources for the required services.

Delays during stabilization and modernization phases. The program manager told us that OCIO encountered problems obtaining clearances for some of the contractors, thereby delaying the contractors from gaining access to perform their work. We discussed this issue with OCIO management and OIA's Special Security Officer who was responsible for verifying information necessary for the proper clearances. According to the Special Security Officer, OCIO generally placed its requests at the last minute which did not allow sufficient time for processing to permit contractors' access on the requested dates. The program manager told us that there was no documentation supporting the dates the requests for clearances were made or any correspondence between OCIO and OIA concerning the clearances. In addition, despite the importance of contractor access to begin work, there was no documentation of any efforts to resolve clearance issues with OIA. In the absence of documentation, we were unable to determine who was responsible for the delays in obtaining the clearances and the ultimate cost of the delays.

Other delays. Several examples of differences between OCIO and contracting personnel were cited as having caused delays in various phases of the TFIN project, but these issues were not documented by OCIO. According to one contractor, Treasury did not

- procure equipment for design and integration,
- implement connectivity as requested,
- provide service maintenance agreements,
- provide adequate power and air conditioning for the stabilization efforts, or
- provide adequate facilities or alternative sites.

The program manager did not dispute these events; however, he was unable to provide any documentation of OCIO acknowledgement of the problems or efforts to remedy the situations. Because of the lack of documentation, we were unable to determine what problems, if any, the delays caused from a cost perspective.

Pilot program. As discussed in our first finding, the segment 2B pilot program was initiated and operated without a written implementation plan indicating specifics such as the work to be done, time frames, milestones, decision points, resource allocations, or training. When we interviewed the TFIN pilot users, some of them informed us that they were involved with the pilot program for over a year. In an e-mail from the program manager identifying the TFIN pilot users, he listed several users who were with the pilot program from its inception, including one that left the program in September 2007. Additionally, no specific objectives for the pilot program were noted. The program manager also informed us that there was no formal evaluation process to determine the efficiency and effectiveness of the new system other than the users informing the development team of any problems or concerns.

For future information technology projects, key decisions and events need to be documented. Such documentation can help management address the causes of schedule slippages and other system development issues that may arise.

Recommendations

We recommend that the Treasury CIO do the following:

1. Work with business owners to ensure that planning efforts are appropriate and adequately documented at the outset of a major investment project.

Management Response

Management agreed that, moving forward, OCIO will work closely with OIA to effectively coordinate planning, deployment, and operational management efforts. Additionally, further focus and emphasis have been applied to documenting TFIN modernization planning and management activities.

2. Ensure that all key planning and decision documents for major IT acquisitions are retained in a manner to be readily available for management or external audit review.

Management Response

Management responded that the TFIN program management office has been directed to implement procedures to ensure that all necessary documentation is developed timely as the project proceeds into subsequent phases.

The response noted that the Department did have an extensive set of documentation related to the planning, development, and deployment and provided with its response, a listing of documents provided for our review. Management did acknowledge that some documentation was absent.

With respect to possible delays caused by security clearance processing, the response noted that contrary to contractual requirements, contractor personnel assigned to the TFIN project did not possess valid background investigations and had other clearance-related issues that required additional processing time for the contractor to resolve. According to management,

contractors were actually cleared for the project more quickly than the industry standard.

OIG Comment

Regarding these two recommendations, management is responsive as they apply to TFIN. Management should ensure that these actions are taken for all major acquisitions, not just TFIN.

Finding 3

Written Justification for Sole Source TFIN Contract Did Not Conform With FAR Requirements

During our review of the TFIN contract files, we noted that the memorandum to justify the use of a particular contractor for a \$440,000 contract to complete the certification and accreditation work on the TFIN project did not contain 10 of the 12 items required by FAR for contracting without full and open competition.⁴ FAR Part 6 addresses competition requirements for federal contracting. Subpart 6.3 prescribes policies and procedures, and identifies the statutory authorities, for contracting without providing for full and open competition. Subpart 6.303-2(a) lists 12 specific information items that must be included in justifications written to support the use of these authorities. These required items are shown in table 2, along with our assessment of whether each was present in the justification.

Table 2: FAR 6.303-2(a) Requirements

Requirement	Documented in justification
Identification of the agency, contracting activity, and specific identification of the document as a "Justification for other than full and open competition"	No
Nature and/or description of the action	Yes

⁴ Funding for the contract was divided between the TFIN project and the Treasury Secure Data Network project. The Treasury Secure Data Network system is another Treasury intelligence system. Certification is a process whereby a comprehensive evaluation of the technical and nontechnical security features of an information technology system and other safeguards meets a set of specified security requirements. Accreditation is a formal declaration that an information technology system is approved to operate in a particular security mode using a prescribed set of safeguards at an acceptable level of risk. The entire information system is evaluated when a certification and accreditation is performed.

Requirement	Documented in justification
Description of supplies or services required (including the estimated value)	Yes
Identification of the law permitting other than full and open competition	No
Demonstration that the proposed contractor's unique qualifications or the nature of the acquisition requires use of this law	No
Description of efforts made to ensure that offers are solicited from as many potential sources as practicable	No
Determination that the anticipated cost to the federal government will be fair and reasonable	No
Description of the market research conducted with results or the reason market research was not conducted	No
Other facts supporting the use of other than full and open competition	No
List of the sources that expressed an interest in the acquisition	No
Statement of any actions the agency may take to remove or overcome any barriers to competition before any subsequent acquisition for the supplies or services are required	No
Contracting officer certification that the justification is accurate and complete	No

Source: OIG analysis of the FAR.

Other omissions included non-conformance of FAR Subpart 6.304 which requires the signature of the approving authority on a justification for other than full and open competition. The justification in the contract file was not signed. Also, OCIO should have provided two other required documents that were not in the file – a statement of work and the justification for the requisition.

According to the Director of Treasury's Procurement Services Division, the justification may have been written by a contracting officer who subsequently retired. There was no way to determine with certainty who authored the document since it was not signed.⁵ The justification was brief and only addressed the nature/description of the action being approved and the description of the services required to meet the agency's needs, including an

⁵ FAR 6.304 requires the signature of the approving authority on a justification for other than full and open competition.

estimated value of the work to be performed. The other 10 elements were not addressed.

The contract file contained a statement indicating that personnel in the Departmental Offices determined that the selected contractor should perform the work “to provide continuity of service for these critical functions.” We believe that the reasoning for the justification was weak due to the omission of 10 critical factors required by the FAR.

The Director of the Procurement Services Division told us that since this was a new task, continuity of service was not a supportable rationale, and there was no reason why the contract should have been awarded without competition.

Because of the lack of documentation, we could not determine if Treasury received the best value for this contract.

Recommendation

We recommend that the Senior Procurement Executive ensure that contracting officers are reminded to properly justify and document procurements that are made on a basis other than full and open competition in accordance with the Federal Acquisition Regulation.

Management Response

Management responded that internal policy is being developed to require the cognizant branch chiefs (or other designated officials) to review and approve sole source contracts prior to award. Revised contract checklists are being included in contract files to facilitate documentation and compliance with applicable FAR and Department of Treasury Acquisition Regulation requirements. Also, all Procurement Services Division personnel are required to attend training on various courses, including source selection procedures. Furthermore, the Senior Procurement Executive will remind all bureau chief procurement officers of their accountability to ensure all Treasury contracting officers follow and comply with FAR and the Department of Treasury Acquisition Regulation procedures regarding sole source contract actions.

OIG Comment

Management's planned actions, if implemented as described, are responsive to the intent of our recommendation. Management will need to establish an expected implementation date for its planned actions for recording in the Department's Joint Audit Management Enterprise System.

* * * * *

I would like to extend my appreciation for the cooperation and courtesies extended to my staff during the review. If you have any questions, please contact me at (202) 927-5400 or Michael J. Maloney, Director, at (202) 927-6512.

Marla A. Freedman
Assistant Inspector General for Audit

Our audit, which was included in the Office of Inspector General's (OIG) Annual Plan for Fiscal Year 2007, had the following objectives:

1. To determine if sound program management principles were followed in executing the project.
2. To determine if procurement requirements were adhered to in the acquisition of contract support.
3. To determine if the business case for the project was based on appropriate and supportable assumptions.

To accomplish these objectives, we performed the following functions:

1. We reviewed applicable policies, circulars, directives, and other materials, including
 - *A Guide to the Project Management Body of Knowledge;*
 - Office of Management and Budget Memorandum 04-19, *IT Project Manager Qualification Guidance;*
 - OMB Circular A-11, *Preparation, Submission, and Execution of the Budget;*
 - Office of the Procurement Executive Bulletin No. 06-04R1, *High Impact Acquisitions and Contract Management Reviews;*
 - Federal Enterprise Architecture Consolidated Reference Document v2.1;
 - Federal Acquisition Regulation;
 - Treasury Directive 84-01, *Information System Life Cycle;* and
 - Treasury Department Publication 84-01.
2. We interviewed individuals from the Office of Intelligence and Analysis, including the Assistant Secretary, the Office of the Chief Information Officer, including the CIO, and the Procurement Services Division, including the Senior Procurement Executive.
3. We interviewed the contractors that performed work on the stabilization and modernization phases of the TFIN project.

4. We reviewed project documentation provided by OCIO and the Procurement Services Division.
5. We interviewed users selected for the TFIN pilot program that used the modernized system during phase 2 of the project.

We performed our fieldwork at the Office of the Chief Information Officer, the Office of Intelligence and Analysis, and the Procurement Services Division in Washington, D.C., from November 2006 through March 2008. We conducted this performance audit in accordance with generally accepted government auditing standards.

Appendix 2
Management Comments



DEPARTMENT OF THE TREASURY
WASHINGTON, D.C.

ASSISTANT SECRETARY

MEMORANDUM FOR MARLA A. FREEDMAN
ASSISTANT INSPECTOR GENERAL FOR AUDIT

FROM: Janice B. Gardner
Assistant Secretary for Intelligence and Analysis //

Michael D. Duffy
Deputy Assistant Secretary for Information Systems /
and Chief Information Officer

Thomas Sharpe
Senior Procurement Executive

SUBJECT: Discussion Draft Report – *TFIN Stabilization and Modernization Project Anticipated to Meet Needs But Has Been Delayed and Project Management Weaknesses Exist – June 2, 2008*

Signatures removed.

Management Response to Discussion Draft Audit Report – TFIN Stabilization and Modernization Project Anticipated to Meet Needs But Has Been Delayed and Project Management Weaknesses Exist – June 2, 2008

FINDING 1 – TFIN Modernization Segment 2B Missed Its Target Completion Date

Recommendation: We recommend that the Assistant Secretary for Intelligence and Analysis and the Treasury CIO continue working toward a successful completion of the remaining segments of the TFIN modernization project.

Treasury Response: Since the inception of the TFIN modernization effort, the OCIO has worked closely with OIA to develop and deploy TFIN system improvements. As a result of this collaboration, and as noted in the Audit Report, on April 17, 2008, TFIN's segment 2B, the intelligence analysis application, called ASSET, was deployed. The application provides enhanced workflow capabilities enabling Treasury analysts to quickly produce actionable intelligence products for the Treasury Department and other Intelligence Community members. Analysts have been trained and have begun to use the system. The OCIO will continue to collaborate with OIA and work towards a successful completion of all remaining segments of TFIN.

This text now appears on page 5.

Comment regarding page 4-5 paragraph that referred to the pilot program. Specifically, "...According to OIA and OCIO officials, the pilot program began in December 2007; some of

the interviewed users stated that they had been piloting the new program for a longer period which extended from 1 to 2 years.”

Treasury Response: The OCIO employed a practice of testing the TFIN software using an independent group of testers as segments of the ASSET functionality was developed, but before ASSET was deployed to a broader user base. This practice is a key part of the Software Quality Assurance (SQA) process employed by the OCIO for the TFIN program. It should be noted that this is a common methodology in use for application development in private industry and the Government.

Originally, TFIN software developers worked with one individual in the OIA as the user representative. After the initial delivery of TFIN in December 2006, OCIO and OIA management agreed to expand the user group to include users from each OIA analytical “office” to participate in the subsequent iterative development of the application.

FINDING 2 – Documentation for the TFIN Project Was Inadequate

Recommendation: We recommend that the Treasury CIO do the following:

- 1. Work with business owners to ensure that planning efforts are appropriate and adequately documented at the outset of a major investment project.**

Treasury Response: Moving forward, the OCIO will continue to work closely with OIA to effectively coordinate planning, deployment, and operational management efforts. Further, additional focus and emphasis have been applied to documenting the TFIN modernization planning and management activities.

- 2. Ensure that all key planning and decision documents for major IT acquisitions are retained in a manner to be readily available for management and external audit review.**

Treasury Response: Although the Department has an extensive set of documentation related to the planning, development, and deployment of the TFIN modernization program (see attached listing), the Treasury CIO did find that some documentation was absent. The TFIN program management office (PMO) has been directed to implement procedures to ensure all necessary documentation is developed timely as the project proceeds into subsequent phases.

- 3. Comment regarding page 7 paragraph “Delays during stabilization and modernization phases” which refers to possible delays caused by security clearance processing.**

Treasury Response: This paragraph concerned possible delays in obtaining security clearances for TFIN contractors. Per the project Statement of Work, dated December 1, 2006, paragraph 4.1, **Mandatory Requirements:** Contract staff must hold “current personnel security clearances immediately upon contract award” and the contractor “shall maintain its ability to fully comply with these mandatory requirements throughout the duration of this contract.” Affirmation was provided by British Aerospace Engineering (BAE) in both their TFIN Managed Service

This text now
appears on page 8.

Appendix 2 Management Comments

Proposal, dated January 9, 2007, and the BAE TFIN Oral Presentation, dated February 28, 2007. Despite this, contractors were assigned to the TFIN project that did not possess in-scope (valid) background investigations and had other clearance-related issues that required additional processing time for the contracting company to resolve. Contractors were actually cleared for the project more quickly than the industry standard.

FINDING 3 – Written Justification for Sole Source TFIN Contract Did Not Conform with FAR Requirements

Recommendation: We recommend that the Senior Procurement Executive ensure that contracting officers are reminded to properly justify and document procurements that are made on a basis other than full and open competition in accordance with the Federal Acquisition Regulation.

Treasury Response: Requisition 06PR-SMT-064 was submitted to Procurement Services Division (PSD) and included the following language:

“Under clin 015 of the HQ IT SEAT management contract, add funding to cover costs for network stabilization for the TFIN Certification & Accreditation project. (Funding is for three labor categories: Senior engineer; journeyman Engineer and Senior Analyst.”

A proposal was received from BAE (current Departmental Offices managed IT provider) and a delivery order was awarded to provide the services using Task Order DO-99-0535 under the General Services Administration Contract Number GSOOT98ALD0011.

PSD has internal procedures, conforming with Federal Acquisition Regulation (FAR) and the Department of Treasury Acquisition Regulation (DTAR) requirements, to process sole source actions. It is unknown how or why this action was awarded without following proper procedures. (Both the Contracting Officer and the cognizant Branch Chief retired in FY 2007 and are therefore unavailable to support their actions).

To ensure that all future sole source contract actions are properly documented and approved, internal policy is being developed to require the cognizant Branch Chiefs (or other designated officials) to review and approve sole source contract actions prior to award. Revised contract checklists are being included in contract files to facilitate documentation and compliance with applicable FAR and DTAR requirements. In addition, all PSD personnel are being required to attend training on various courses, including source selection procedures. Finally, the Senior Procurement Executive will issue a reminder to all Bureau Chief Procurement Officers of their accountability to ensure all Treasury contracting officers follow and comply with FAR and DTAR procedures for documentation, review and approval of sole source contract actions.

Attachment

TFIN OCIO-OIG Documentation

Documentation Provided on the Following Dates:

- **November 20, 2006**
 1. Technical Overview
 - a. CONOPS 05/25/05
 - b. System Resource Document (SRD) First Draft – 03/11/2005
 - c. TFIN Overview of Redesign Efforts 04/2005
 - d. TFIN Program Statement of Work 05/01/2006
 - e. TFIN Program Overview and Governance Document 10/18/2006
 2. Project Management Meeting
 - a. Project Management Meeting Notes (05/03/06 to PRESENT)
 3. Steering Committee/Advisory Board
 - a. Memo to Steering Committee
 - b. Steering Committee Minutes (08/17/2005 to PRESENT)
 4. Executive Committee Meetings
 - a. TFIN Executive Committee Meeting and PDR Briefing 10/06/2005
 - b. Treasury Foreign Intelligence Network (TFIN) Status 11/30/2005
 - c. TFIN Assistant Secretary for Management 06/08/2006
 - d. TFIN Executive Committee Meeting and Status Briefing 06/22/2006
 - e. TFIN Executive Meeting Notes 6/22/2006
 - f. TFIN Executive Committee Meeting and Status Briefing 09/21/2006
 - g. TFIN Executive Meeting Notes 9/21/2006
 5. Executive Memos
 - a. Treasury Clearance Sheet – U/S Terrorism & Financial Crimes 02/17/2006
 - b. Memo for U/S Terrorism and Financial Crimes 02/17/2006
 - c. Memo for Randy Sim Legal Counsel 02/17/2006
 - d. Memo of Agreement and Interagency Agreement Signature(s) Request 06PA0076
 - e. Memo for Recommendation to Executive Board 05/26/2005
 - f. Request for FY 06 Forfeitures Funds 06/01/2005
 6. OMB Briefings
 - a. High Level Overview of Key DSCIP Initiatives for OMB
 - b. TFIN OMB Status Briefing 05/01/2006
 - c. Draft Responses to OMB Question on TFIN Spend Plan
 7. Congress Documentation
 - a. TFIN House Appropriations Briefing 03/22/2006
 - b. TFIN House Appropriations Briefing 10/18/2006
 - c. TFIN Brief to House Intelligence Committee
 8. TFIN Schedule
 - a. TFIN FY 06-FY 07 Accelerated Plan 01/10/2006
 - b. TFIN Original Schedule (Phase 2A – IOC 8/7)
 - c. TFIN Schedule Rebaselined (Phase 2A – IOC 8/31)
 - d. TFIN 2nd Rebaselined (Phase 2A – IOC 12/22)
 9. Financial Mgmt/Capital Planning
 - a. TFIN Spend Plan and Funding Source Briefing 10/26/2005
 - b. DRAFT Cost Analysis of the TFIN Spending Plan & Budget
 - c. Exhibit 300 for DME/Mixed (BY2008) – 11/12/2005
 - d. Exhibit 300 (Baseline Change Request BY 2008) – 10/18/2006
 - e. Control: Major Form/ TFIN – 10/20/2006
 - f. Change in Discretionary Access Controls 01/05/2006
 10. Acquisition
 - a. TFIN Acquisition Plan 10/26/2005
 - b. TFIN Acquisition Plan 11/18/2005
 - c. TFIN Acquisition Plan Technical Document 11/18/2005
 - d. TFIN Acquisition Plan 02/09/06
 11. Stabilization
 - a. Network Stabilization C&A Documentation Update 11/09/2006
 - b. Technical Proposal – Network Stabilization – BAE
 - c. Additional Stabilization Staff – Update 10/18/2005
 - d. Revised Stabilization C&A ROM
 - e. Submittal Network Stabilization C&A – BAE
 - f. Price Proposals for TFIN Stabilization C7A Documentation
 - g. Network Stabilization Project Schedule Assessment
 - h. Network Stabilization TFIN IATO Decision Paper

Appendix 2 Management Comments

12. Certification and Accreditation (C&A)
 - a. Memo for TFIN C&A – Determination for Exceptions to DCID 6/3 – 12/15/2005
 - b. Network Stabilization – Testable Items Recommendation 01/1/2006
 13. Preliminary Design Review (PDR)
 - a. PRR Review Brief 09/28/2005
 14. System Requirements Review (SRR)
 - a. TFIN Executive Meeting Briefing sponsored by I2S 05/19/2005
 15. Critical Design Review (CDR)
 - a. List of TFIN Critical Design Review Documents on Classified Network
 - b. TFIN Phase 2A Critical Design Review Pre-Brief Sign Off 01/26/2006
 16. I2S
 - a. MOA between Department of Treasury and CIA, DS/ISC/APPS/I2S 05-i2S-ZT-0001
 - b. Financial Reports i2s (Hours and dollars per activity)
 - c. Voucher for Transfers Between Appropriations and/or Funds 6316-06 01/24/2006
 - d. TFIN Retrieval Ware SharePoint Integration Demo
 - e. Interagency Agreement Number: 06PA0076
 - f. Weekly Status Reports -- 01/17/05 - 03/25/05
 17. BAE
 - a. Lessons Learned Network Stabilizations Version 2.0 -- 05/12/2006
 - b. TFIN Stabilization Lessons Learned Executive Briefing -- 05/16/2006
 - c. Change in Discretionary Access Controls 01/05/2006
 18. NetSec
 - a. TIPSS -- 3 Task Order No. 0002 Contract No. TIRNO-06-00025 Work Request No. FY07 (2G3)
- **January 11, 2007**
 1. 1/10/07 Meeting materials about a possible TFIN-NIP violation
 - **January 17, 2007**
 1. TFIN Procurements
 - **February 1, 2007**
 1. CONOPS
 2. SRD
 3. O&M SOW
 4. TFIN Financial Summary
 5. Overview of Redesign Efforts
 - **February 6, 2007**
 1. TFIN Procurement listing (second time providing)
 2. Overview briefing for OIG
 - **February 7, 2007**
 1. provided follow-up about:
 - o who had lead in developing Conops, SRD, PDR
 - o who performed this tasks prior to i2S
 - **February 15, 2007**
 1. Provided TFIN Procurement listing for 2nd time
 2. Information on who compiled E-300
 3. Rationale behind accelerating schedule (originally discussed in meeting)
 4. September 15, 2006 High Risk Report (2nd time)
 5. Treasury EVM Policy (2nd time)
 6. ACIO for Telecommunications EVM Procedures (2nd time)
 7. TFIN EVM (2nd time)
 8. TFIN Financial (2nd time)
 9. Confirmation of DSCIP funds being three year funds
 10. Provided reference point about amount of the appropriation amount
 11. Rationale for not doing a justification and determination was done for the 1st option year
 12. Clarification about who makes final decisions on the TFIN project through the IAA
 13. Verified the acceptance criteria and penalty for late CNC deliverables
 14. Provided information about i2S strategy for creating planning documents
 15. Clarification about prelim work Treasury conducted prior to technical documentation being created
 16. Provided reference point about i2S costs, planning information

Appendix 2 Management Comments

- **February 21, 2007**
 1. Provided clarification on the data in the High Risk reports
 2. Provided 4 EVM documents for second time
 3. Communicated who compiled the TFIN E-300
- **February 26, 2007**
 1. Weekly Status Reports June 30, 2006-February 16, 2007
 2. TFIN CPIC Data Q1/06-Q1/07
 3. Clarification of FY 2007 funded amount
- **March 5, 2007**
 1. TFIN CPIC Data Q2/06 (2nd time), Q3/06 (2nd time), Q1/07
- **March 9, 2007**
 1. i2S Planning Documents
 2. Original i2S Spend Plan
 3. Project Spend Plan for Accelerated Scheduled
 4. Financial Summaries with Monthly EVM roll-up
 5. Stabilization Proposal
- **March 20, 2007**
 1. Updated Procurement documentation for BAE, BAH, CNC, General Dynamics
 2. TFIN documents between Ira and Janice
- **March 27, 2007**
 1. 13 i2S decisional emails between Ira and Janice
 2. Updated TFIN procurement listing
 3. TFIN CPIC procedures provided to GAO
- **April 12, 2007**
 1. Update on the upcoming CDR
- **April 13, 2007**
 1. Information about FY 2005 funds used for TFIN, and email from Janice announcing approval for TEOAF funds for TFIN
 2. Information about the FY 2006 E-300
 3. POC for the TFIN EVM Summary
 4. Budget POC for TFIN project
 5. June 22, 2006 TFIN Steering Committee Meeting Minutes
- **April 17, 2007**
 1. Original stabilization completion date
 2. FY 2006 Budget in Brief which explains break-out of TFIN funding sources
- **April 19, 2007**
 1. Weekly Status Reports from February 16, 2007-current
 2. Project Managers Meeting Summaries from November 2, 2006-current
 3. Information about the re-naming Steering and the last Advisory Committee Meeting
 4. Update about Executive Committee Meeting
 5. Information about Vault 9 move
 6. February 2, 2005 BAE Technical Proposal
- **May 7, 2007**
 1. CPIC Documentation provided to GAO on March 27, 2007
 2. Schedule
 - a. TFIN FY 06-FY 07 Accelerated Plan 01/10/2006
 - b. TFIN Original Schedule (Phase 2A – IOC 8/7)
 - c. TFIN Schedule Rebaselined (Phase 2A – IOC 8/31)
 - d. TFIN 2nd Rebaselined (Phase 2A – IOC 12/22)
 3. 10/26/05 Acquisition Plan (2nd time provided)
 4. Clarification of FY 2007 funded amount (2nd time provided)

Appendix 2 Management Comments

- **May 16, 2007**
 1. Follow-up responses to TFIN CPIC Data
- **May 21, 2007**
 1. TFIN PM Meeting Minutes-9/14/06 & 9/28/06
 2. DSCIP CR Distribution
- **June 19, 2007**
 1. TFIN Budget POCs for
 - a. DSCIP
 - b. Asset Forfeiture Fund
 - c. Counter Terrorism Fund
 - d. Working Capital Fund
- **June 22, 2007**
 1. TFIN Risk Management Plan (GAO)
- **July 25, 2007**
 1. TFIN Expense Vouchers
- **July 30, 2007**
 1. Acquisition Plan (3rd time provided)
 2. O&M SOW
- **August 13, 2007**
 1. i2S presentation of tools
 2. May 24, 2007 Executive Board Briefing-
 3. iLab Demo
 4. Network Stabilization Project Schedule Assessment
- **November 11, 2007**
 1. Status of Phase 2B DRR
- **November 21, 2007**
 1. Status of DRR issues--Email
 2. Steering Committee minutes (11/6/07)
 3. DRR-ORR Action Items (10/30/07)
- **December 4, 2007**
 1. Completion of DRR and ORR--Email
- **December 7, 2007**
 1. Definitions of DRR and ORR--Email
- **December 10, 2007**
 1. Number of requirements--Email
- **December 21, 2007**
 1. Completion of Phase 2B milestones (ORR and ATO)--Email
- **January 28, 2008**
 1. Project Management Qualifications--Email
- **February 5, 2008**
 1. Information about pilot user group--Email
- **February 13, 2008**
 1. Status of TFIN user training--Email
- **February 29, 2008**
 1. Number of TFIN accounts--Email
 2. information on discussions with OIA on roll-out--Email

Appendix 2 Management Comments

- **March 9, 2008**
 1. Clarification about classification of TFIN in E-300 prior to 2005
- **March 10, 2008**
 1. TFIN Status Weekly Briefings to OIA (2/22/08, 2/29/08, 3/7/08) –Report
- **April 29, 2008**
 1. Announcement of Phase 2B IOC
 2. Confirmation that the allocated and budget amounts in September 2007 do not have a significant difference

Appendix 3
Major Contributors

Michael J. Maloney, Director, Fiscal Service Audit
Leslye K. Burgess, Audit Manager
Andras O. Schneider, Auditor
Jaideep Mathai, Referencer

Department of the Treasury

Under Secretary for Terrorism and Financial Intelligence
Assistant Secretary for Intelligence and Analysis
Assistant Secretary for Management and Chief Financial Officer
Deputy Assistant Secretary for Information Systems and Chief
Information Officer
Senior Procurement Executive Officer
Office of Accounting and Internal Control
Office of Strategic Planning and Performance Management

Office of Management and Budget

Office of Inspector General Budget Examiner