



ACQUISITION,
TECHNOLOGY
AND LOGISTICS

OFFICE OF THE UNDER SECRETARY OF DEFENSE

3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

July 26, 2004

DPAP/P

MEMORANDUM FOR ACTING UNDER SECRETARY OF DEFENSE FOR
ACQUISITION, TECHNOLOGY AND LOGISTICS

SUBJECT; **Annual Statement** Required **under the Federal Managers' Financial Integrity**
Act (FMFIA) of 1982

I recognize the importance of management controls and have taken the necessary steps to ensure a conscientious and thorough evaluation of management controls for the Office of Defense Procurement and Acquisition Policy (DPAP). The results indicate that DPAP's system of internal **accounting and administrative** control, **in effect** during the fiscal year ending **September 30, 2004, provides reasonable assurance, with** the exception **of** the systemic weaknesses noted, that management controls are in place, operating effectively, and being used. Furthermore, DPAP achieved the FMFIA objectives **within** the limits described in TAB A. TAB A also provides information on how DPAP conducted the evaluation and cites any deficiencies found in the process.

The evaluation did not identify any material weakness, but it did identify systemic **weaknesses**, At TAB C-1 is a **list of systemic weaknesses**, including **those requiring** correction and those corrected. At TAB C-2 is an individual narrative for each uncorrected systemic weakness. At TAB C-3 is an individual narrative for the systemic weakness corrected during the current period. My point of contact is **Mr. Gary Blasser** at (703) 695-7197.

Deidre A. Lee
Director, Defense Procurement
and Acquisition Policy

Attachments:
As stated

cc:
Director, ARA



TAD A

DESCRIPTION OF THE CONCEPT OF REASONABLE ASSURANCE AND HOW THE EVALUATION WAS CONDUCTED BY THE OFFICE OF THE DIRECTOR, DEFENSE PROCUREMENT AND ACQUISITION POLICY

Senior management of the Office of the Director, Defense Procurement and Acquisition Policy (DPAP) evaluated the system of internal accounting and administrative control, in effect during the fiscal year ending September 30, 2004, in accordance with the guidance in Office of Management and Budget (OMB) Circular No. A-123 (Revised), "Management Accountability and Control," dated June 21, 1995, as implemented by DoD Directive 5010.38, "Management Control Program," dated August 26, 1996, and DoD Instruction 5010.40, "Management Control Program Procedures," dated August 28, 1996. The OMB guidelines were issued in consultation with the Comptroller General of the United States, as required by the "Federal Managers' Financial Integrity Act of 1982." Included is an evaluation of whether the system of internal accounting and administrative control for DPAP is in compliance with standards prescribed by the Comptroller General.

The objectives of the system of internal accounting and administrative control of DPAP are to provide reasonable assurance that:

- The obligations and costs are in compliance with applicable laws;
- Funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation; and
- Revenues and expenditures applicable to agency operations are properly recorded and accounted for to permit the preparation of reliable accounting, financial and statistical reports and to maintain accountability over the assets.

The evaluation of Management Controls (MC) extends to every responsibility and activity undertaken by DPAP and applies to financial, administrative and operational controls. Furthermore, the concept of reasonable assurance recognizes that (1) the cost of management controls should not exceed the benefits expected to be derived; and (2) the benefits include reducing the risk associated with failing to achieve the stated objectives. Moreover, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, congressional restrictions, and other factors. Finally, projection of any system evaluation to future periods is subject to risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate. Therefore, this statement of reasonable assurance is provided within the limits of the preceding description.

DPAP performed the evaluation in accordance with the guidelines identified above. The results indicate that the system of internal accounting and administrative control of DPAP in effect during the fiscal year that ended September 30, 2004, taken as a whole, complies with the requirement to provide reasonable assurance that the above mentioned objectives were achieved. This position on reasonable assurance is within the limits described in the preceding paragraph.

Description of How Evaluation Was Conducted

Within the Office of the Secretary of Defense, DPAP performs the Management Control (MC) functions in the procurement and acquisition policy areas. DPAP took steps to institutionalize the program by taking effective action to address issues arising under it. DPAP performed an annual Vulnerability Assessment and responded to numerous alternative MC evaluations (e.g., GAO reports and reviews, DoD-IG reports and reviews, Congressional reviews and hearings, and other reports). DPAP's MC program employs IG findings, audit agency findings, component inspections, GAO reports and reviews, and reviews of functional proponent proposals submitted through the DoD MC program.

DPAP oversees a Procurement Management Review (PMR) program for the Defense Agencies and other OSD components, excluding the Defense Logistics Agency. A team led by the Defense Contract Management Agency conducts the reviews. The team members are experienced contracting professionals provided by the military departments, defense agencies, other OSD components, and occasionally other federal departments. Team members are generally at the GS 13-15 level. The reviews cover a broad range of procurement issues, including the adequacy of local policies and procedures, acquisition planning, source selection procedures and competition performance, pricing, post award functions, overall management of the contracting function, and its interrelationship with other organizational elements. In addition, topics of special interest, such as task order contracting or contract off-loading, can be given to the PMR teams for special emphasis in their reviews. The reviews are conducted on a three to four-year cycle, with interim monitoring of implementation of recommendations.

Section 25(d) of the Office of Federal Procurement Policy Act, 41 U.S.C.421(d) requires the Secretary of Defense to approve all regulations relating to DoD procurement before they become effective. This authority to exercise approval was delegated to the Director of Defense Procurement on April 10, 1991, Part 201 of the Defense Federal Acquisition Regulation Supplement (DFARS) establishes a system of controls for issuing the DFARS.

The DFARS provides that the Director, DPAP, approves all policies, procedures, clauses, or forms that (1) have a significant effect beyond the internal operating procedures of the agency; or (2) have a significant cost or administrative impact on contractors or offerors. In addition, the Director, DPAP, approves certain individual and class deviations from the Federal Acquisition Regulation (FAR) and the DFARS. The DFARS requires each department and agency to develop, and upon approval by the Director, DPAP, implement, maintain, and comply with a plan for controlling the use of clauses other than those standard clauses prescribed in the FAR or DFARS. Within DPAP, the Defense Acquisition Regulations Directorate tracks department/agency clauses, and, in conjunction with other DPAP directorates, reviews the clauses and makes recommendations to the Director, DPAP, for approval. The DoD system for controlling nonstandard clauses is working. Each Military Department and Defense Agency has an approved plan covering how it controls the use of nonstandard clauses.

DPAP enhanced DoD's rule making process by implementing an open process on the web and initiating significant process, regulatory and technology changes. The public can

submit and view comments on proposed revisions to the DFARS, thereby, enhancing public participation in the rulemaking process and providing visibility into industry and other public comments. The website provides a summary and a "line in/line out" version of proposed interim and final DFARS changes published in the Federal Register so the changes are easier to understand. DPAP also holds public meetings on significant proposed regulations to obtain inputs from industry, various industry associations, American Bar Association, and public accounting firm representatives. This process ensures that DPAP fully understands each organization's concerns and the potential consequences of proposed regulations, and thus is able to make any revisions needed to ensure the issuance of fair and balanced regulations.

DPAP undertook a major effort to reduce unnecessary regulation in the DFARS by 40%. DPAP identified over 700 changes to the DFARS, opened 80 DFARS cases to initiate the changes and began publishing proposed changes for public comment. DPAP created a companion resource to the DFARS known as DFARS Procedures, Guidance and Information which will serve as a tool for non-regulatory procedures and guidance that do not have a significant impact on the public. This tool will help foster rapid changes to internal DoD procedures and provide increased flexibility to contracting officers in meeting mandatory DoD policies in support of the warfighter.

To improve efficiency, reduce resources, expand training opportunities and further enhance transparency, DPAP undertook a competitive initiative to integrate commercial software applications into DoD's DFARS acquisition rulemaking process. DPAP selected two potential solutions as part of a down-select strategy to select a single small business to implement a capability that will bring collaboration, search-engine, publication and management tools into the DFARS process. DPAP received OMB concurrence to move forward with the capability as a model for Module 3 of the Federal e-Rulemaking initiative. The eventual contract will allow expansion of the capabilities to include the Federal Acquisition Regulation rulemaking process. DPAP expects to make the final selection in September 2004. Additionally, DPAP supports the Government wide e-Rulemaking initiative, serves as the DoD member of the e-Rulemaking Executive Steering Group and includes the e-Rulemaking website in Federal Register notices as an option for submission of public comments.

DPAP issues new policy guidance if any material weakness in the contracting area is considered to be widespread and correctable through a policy change. DPAP also issues new policy guidance as the result of any DoDIG report of a management weakness.

The Director, DPAP, effectively uses her monthly Interdepartmental Staff meetings with her Military Department, Defense Logistics Agency, Defense Contract Management Agency, Defense Finance and Accounting Service, and Defense Contract Audit Agency counterparts to persuasively explain and gain department-wide support for evolving contracting policies and procedures and to explore systemic problem areas. The Director, DPAP, briefs representatives of various industry associations on current procurement initiatives on a regular basis. On an exception basis, representatives advise the Director, DPAP, of potential weaknesses.

DPAP reviews the acquisition strategy and accompanying contract/business strategy for Defense Acquisition Board and other sensitive programs that come under USD(AT&L)

oversight. This process assures that those contracts comply with DoD policy on such matters as streamlining, risk sharing, and schedule realism.

As the Acquisition Domain owner under the Business Management Modernization Program (BMMP), DPAP is responsible for review and guidance of acquisition information technology (IT) investments for the Department of Defense. As such, to ensure appropriate management control of IT investments, the Director, DPAP, established a governance process and governing body to assess, evaluate, and make decisions regarding the most prudent courses of action with regard to acquisition information technology. Additionally, a compliance process was instituted to evaluate IT solutions for alignment with DPAP, as well as, BMMP, Comptroller, and Network Infrastructure and Integration (NII) requirements. This institutionalization of process control ultimately serves as the effective management control process for DPAP.

Systemic Weakness Disclosure

<u>Systemic Weakness</u>	<u>Reference Page No.</u>
1. <u>Proper Use of Non-DoD Contracts</u> – Reports by the Inspector General of the Department of Defense (DoD) and General Services Administration (GSA) respectively revealed cases where non-DoD contracting vehicles have been used improperly to procure services and/or supplies for DoD needs. The estimated completion date is 2 nd Qtr, FY2006.	<u>C-2-1</u>
2. <u>BMMP Technical Approach and Domain Support</u> . – A recent GAO report indicates two factors are hindering the Business Management Modernization Program in its efforts to transform and modernize the Department's business and financial processes and systems (1) the technical approach to creating enterprise architecture and reengineering business processes is <i>flawed</i> , and (2) leadership is inadequate. The estimated correction date is 4 th Qtr, FY2005.	<u>C-2-3</u>
3. <u>DoD Charge Card Program Management</u> - Audit reports provide evidence of failures of the internal control systems designed to mitigate the inherent risk of abuse or misuse of charge cards. The estimated correction date is 4 th Qtr, FY2005 (OUSD(AT&L) for Charge Cards. (Travel Cards is a separate action by OUSD(C).)	<u>C-2-5</u>
4. <u>DoD Services Contracting</u> - Numerous Office of Inspector General reports were issued which identify various Pre- and Post-Award issues that are not being adequately addressed on procurements for services. Completed this period. (OUSD(AT&L))	<u>C-3-1</u>

MATERIAL WEAKNESSES/CORRECTIVE ACTIONS

TAB B

This section presents management control **weakness** information in three subset tabs:

- A listing of the titles of all uncorrected and corrected material weaknesses as of the conclusion of the current period along with projected correction dates (TAB B-1).

NOT APPLICABLE

- Narratives for the uncorrected material weaknesses identified in the summary listing (TAB B-2).

NOT APPLICABLE

- Narratives for all material **weaknesses** corrected during the current period (TAB B-3).

NOT APPLICABLE

SYSTEMIC WEAKNESSES/CORRECTIVE ACTIONS

TAB C

This section presents management control weakness information in three subset tabs:

- A listing of the titles of all uncorrected and corrected systemic weaknesses as of the conclusion of the current period along with projected correction dates (TAB C-1).
- Narratives for the uncorrected systemic weaknesses identified in the summary listing (TAB C-2).
- Narratives for all systemic weaknesses corrected during the current period (TAB C-3).

TAB C-1

LISTS OF UNCORRECTED AND CORRECTED SYSTEMIC WEAKNESSES

Uncorrected Weaknesses Identified During the Period

Title	Targeted Correction Date (Quarter and Fiscal Year)	Page #
Category: Procurement		
Proper Use of Non-DoD Contracts for Supplies and Services	2 nd Qtr FY 2006	TAB C-2-1
BMMP Technical Approach and and Domain Support	4 th Qtr FY 2005	TAB C-2-3

Uncorrected Weaknesses Identified During Prior Periods

Title	<u>Correction Qtr & FY Date</u>			Page #
	Year First Reported	Per Last Annual Statement	Per This Annual Statement	
Category: Procurement				
DoD Charge Card Program Management	FY 2002	4 th Qtr FY 2004	4 th Qtr FY 2005	TAB C-2-5

Corrected Weaknesses Identified During All Periods

Title	Year First Reported	Page #
Category: Procurement		
DoD Service Contracting	FY 2002	TAB C-3-1

TAB C-2

**UNCORRECTED SYSTEMIC WEAKNESS
STATUS OF CORRECTIVE ACTIONS**

Uncorrected Weaknesses Identified During the Current Period

Title: Proper Use of Non-DoD Contracts

Description of Issue	Recent reports by the Inspector General of the Department of Defense (DoD) and General Services Administration (GSA) respectively have revealed cases where non-DoD contracting vehicles have been used improperly to procure services and/or supplies for DoD needs. GSA IG attributes the problems to GSA's ineffective system of internal management controls, GSA personnel accommodating customer's preferences, and an emphasis on revenue growth. DoD notes a management control problem of its own, i.e., the need for a more disciplined processes for properly purchasing supplies and services, by or on behalf of DoD, under non-DoD contracts to meet the needs of DoD.					
Functional Category	Procurement					
Component	OSD					
Pace of Corrective Action	<u>Year Identified:</u>		FY 2004			
	<u>Original Targeted Correction Date:</u>		2 nd Qtr, FY 2006			
	<u>Targeted Correction Date in Last Report:</u>		Not Applicable			
	<u>Current Target Date:</u>		2 nd Qtr, FY 2006			
Reason for Change in Date(s)	Not Applicable					
Component/Appropriation/Account Number	<u>Title</u>		<u>Appropriation(s)</u>			
	Not Applicable					
	(\$000s)					
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Cost-To-Complete</u>	<u>Total</u>
	\$	\$	\$	\$	\$	\$
Validation Indicator Results Indicators	Assess the adequacy of implementation of recent policy guidance on the "Proper use of non-DoD Contracts" by Military Departments and Defense Agencies.					
	OSD, Military Departments, and Defense Agencies will assess the compliance of contracting activities with the policy guidance concerning the proper use of non-DoD contracts.					
Source Document	<ul style="list-style-type: none"> • GSA IG Report A020144/T/5/Z04002, January 8, 2004, "Audit of Federal Technology Service's Client Support Centers" • DoD IG Memorandum to Director, DPAP, January 15, 2004, Subject: Audit of Federal Technology Support Centers. • USD(AT&L) Policy, "Proper Use of Non-DoD Contracts", (expected July 2004 - effective October 1, 2004) 					

Progress to Date

DoD has taken a very aggressive approach to combat the systemic problem of improper use of non-DoD contract vehicles:

- Created new policy which establishes internal review procedures for any procurement of services or supplies greater than the simplified acquisition threshold when using non-DoD contract vehicles (July 2004)
- Commenced collaboration with GSA on the "Get It Right" Campaign (July 2004)

Major Milestones

A. Completed Milestones:

<u>Date</u>	<u>Milestone</u>
4 th Qtr FY 2004	DoD policy memorandum issued by Acting USD(AT&L) effective October 1, 2004.

B. Planned Milestones for 2004:

<u>Date</u>	<u>Milestone</u>
4 th Qtr FY 2004	Develop training with Defense Acquisition University (DAU) and GSA.
4 th Qtr FY 2004	Conduct outreach programs with assisting civilian agencies.

C. Planned Milestones for FY 2005:

<u>Date</u>	<u>Milestone</u>
1 st Qtr FY 2005	Issue interim DFARS rule.
1 st Qtr FY 2005	Workforce training commences.
3 rd Qtr FY 2005	Reports on DoD use of non-DoD contracts from assisting civilian agencies commence

D. Planned Milestones for Beyond FY 2005:

2 nd Qtr FY 2006	OSD, Military Departments, and Defense Agencies will complete a compliance review regarding implementation of the policy regarding proper use of non-DoD contracts.
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TAD C-2

UNCORRECTED SYSTEMIC WEAKNESS
STATUS OF CORRECTIVE ACTIONS

Uncorrected Weaknesses Identified During the Current Period

Title: BMMP Technical Approach and Domain Support

Description of Issue Two factors are hindering the Business Management Modernization Program in its efforts to transform and modernize the Department's business and financial processes and systems (1) the technical approach to creating enterprise architecture and reengineering business processes is flawed, and (2) leadership is inadequate.

Technical Approach:

BMMP's technical approach is backwards. BMMP and Domains are expending considerable resources reviewing current-state rules and requirements to select future-state systems, rather than using future-state business processes as the basis for deriving system requirements. To date, BMMP has spent over three months using 12-20 personnel daily to review approximately 49,000 of 200,000 source lines of rules and requirements that cannot be mapped directly to how the Department will achieve an unqualified audit opinion.

BMMP is attempting to support the OUSD(C) goal of an Unqualified Audit by 2007. The current timeline demands that the financially relevant components of the architecture be completed by the summer of 2004. This leaves insufficient time to develop and vet a detailed future-state business process, which would serve as the basis for deriving system requirements of the future-state general ledger system, for the Department

RMMP has not communicated the end-to-end modernization approach to the Domains and Services. Domains have been unable to effectively support BMMP because taskers are routinely ad hoc and they are not reflected on a master project plan. RMMP and Domains are expending significant personnel resources to support deliverables with no clear benefit or objective.

Leadership:

Department and BMMP leadership are not adequately collaborating in BMMP in program management. As a result, a cross-domain enterprise strategy is not driving modernization, and the current bottom-up approach cannot be strategically aligned. Workgroups and teams are not staffed by personnel with the necessary backgrounds to achieve success. Output in many cases is therefore suspect.

Functional Category Comptroller and/or Resource Management

Component OSD

Pace of Corrective Action Year Identified: FY 2004
Original Targeted Correction Date: 4th Qtr, FY 2005
Targeted Correction Date in Last Report: Not Applicable
Current Target Date: 4th Qtr, FY 2005

Reason for Change in Date(s) Not Applicable

Component/ Appropriation / Account Number	Title		<u>Appropriation(s)</u>			<u>Total</u> \$								
	<u>FY 2004</u> \$	<u>FY 2005</u> \$	<u>FY 2006</u> \$	<u>FY 2007</u> \$	<u>Cost-To-Complete</u> \$									
Validation Indicator	Title: Not Applicable (\$000s) Two sources of validation will be used to assess results. <ol style="list-style-type: none"> 1. Government Accountability Office follow-on reports should reflect improvement in resource use 2. Independent review from competent external activities should assess the effective use of resources between BMMP and Domains. 													
Results Indicators	<ol style="list-style-type: none"> 1. BMMP's timeline for architecture development should change to account for future-state requirements versus current-state. 2. BMMP leadership must communicate a comprehensive technical approach and project plan to Department senior leaders, DO/IT, and all stakeholders that addresses process, data, systems architectures, transition plan and portfolio management so that there is no confusion among BMMP, Domain, and Service and Component personnel. 3. BMMP workgroups and teams should consist of the most qualified and competent personnel available for each subject addressed. 													
Source Document	<ul style="list-style-type: none"> • GAO, Report GAO-04-615, April 2004, "DoD Business Systems Modernization, Billions Continue to be Invested with Inadequate Management Oversight and Accountability" 													
Progress to Date	Not Applicable													
Major Milestones	A. Completed Milestones: Not Applicable B. Planned Milestones for FY 2005: <table border="1"> <thead> <tr> <th>Date</th> <th>Milestone</th> </tr> </thead> <tbody> <tr> <td>1st Qtr FY 2005</td> <td>Align architecture approach with standard practices. Specifically, allow sufficient time to develop and vet future business processes for the Domains and Enterprise that can be used to derive requirements for future systems.</td> </tr> <tr> <td>1st Qtr FY 2005</td> <td>BMMP leadership must communicate a comprehensive technical approach and project plan to Department senior leaders DO/IT and all stakeholders that addresses process, data, and systems architectures, transition plan, and portfolio management. Any concerns related to the technical approach must be resolved, and the plan agreed to. Once confirmed, BMMP and the Domains must jointly execute according to plan.</td> </tr> <tr> <td>1st Qtr FY2005 thereafter</td> <td>Senior Department, Domain, and Component Leadership must be actively engaged, and their recommendations acted upon, in the development of the enterprise strategy that will drive the modernization effort and then remain actively involved in the management and oversight of the modernization program.</td> </tr> </tbody> </table> C. Planned Milestones for Beyond FY 2005: Not Applicable						Date	Milestone	1 st Qtr FY 2005	Align architecture approach with standard practices. Specifically, allow sufficient time to develop and vet future business processes for the Domains and Enterprise that can be used to derive requirements for future systems.	1 st Qtr FY 2005	BMMP leadership must communicate a comprehensive technical approach and project plan to Department senior leaders DO/IT and all stakeholders that addresses process, data, and systems architectures, transition plan, and portfolio management. Any concerns related to the technical approach must be resolved, and the plan agreed to. Once confirmed, BMMP and the Domains must jointly execute according to plan.	1 st Qtr FY2005 thereafter	Senior Department, Domain, and Component Leadership must be actively engaged, and their recommendations acted upon, in the development of the enterprise strategy that will drive the modernization effort and then remain actively involved in the management and oversight of the modernization program.
Date	Milestone													
1 st Qtr FY 2005	Align architecture approach with standard practices. Specifically, allow sufficient time to develop and vet future business processes for the Domains and Enterprise that can be used to derive requirements for future systems.													
1 st Qtr FY 2005	BMMP leadership must communicate a comprehensive technical approach and project plan to Department senior leaders DO/IT and all stakeholders that addresses process, data, and systems architectures, transition plan, and portfolio management. Any concerns related to the technical approach must be resolved, and the plan agreed to. Once confirmed, BMMP and the Domains must jointly execute according to plan.													
1 st Qtr FY2005 thereafter	Senior Department, Domain, and Component Leadership must be actively engaged, and their recommendations acted upon, in the development of the enterprise strategy that will drive the modernization effort and then remain actively involved in the management and oversight of the modernization program.													

TAB C-2

**UNCORRECTED SYSTEMIC WEAKNESS
STATUS OF CORRECTIVE: ACTIONS**

Uncorrected Weaknesses Identified During Prior Periods

Title: DoD Charge Card Program Management

Description of Issue Audit reports of the purchase card program over fiscal years 2001 and 2002 provide evidence of failures of the internal control systems (particularly in the area of compliance) designed to mitigate the inherent risk of abuse or misuse of purchase cards. The audits revealed incidences of misuse, abuse, and fraud that are caused by inadequate command emphasis and poorly enforced internal controls.

Functional Category Procurement

Component OSD

Pace of Corrective Action

<u>Year Identified:</u>	FY 2002
<u>Original Targeted Correction Date:</u>	4 th Qtr, FY 2003
<u>Targeted Correction Date in Last Report:</u>	4 th Qtr, FY 2004
<u>Current Target Date:</u>	4 th Qtr, FY 2005

Reason for Change in Date(s) We are working with industry and DoD, IG to develop strategies for data mining techniques. Of the four open actions (from the original 26): Three are common to purchase cards and travel cards. One is unique to the purchase cards. Coordination with a number of other parties is required, such as personnel and bargaining units.

Component/ Appropriation /Account Number	<u>Title</u>		<u>Appropriation(s)</u>			
	USD(AT&L) to provide 813 .		(\$000s)			
	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>Cost-To-Complete</u>	<u>Total</u>
	\$0	\$500K	\$300K	\$300K	\$	\$1.1M

Estimated annual maintenance costs each year to update indicators and functionality of around \$50K.

Validation Indicator The effectiveness of the corrective actions will be validated when all corrective actions identified in Management Initiative Decision 904 related to purchase cards or general management have been completed. To date only four of the 26 purchase card MID904 actions are still open. Note: MID904 carried forward the remaining unexecuted recommendations from the DoD Charge Card Task Force report, and it established a number of additional corrective actions not previously identified.

Results Indicators The implementation of a Defense Federal Acquisition Regulation Supplement change to provide greater emphasis on command responsibilities regarding the purchase card program; completion of a field test and implementation of data mining algorithms to identify post-fact questionable transactions; DoD-wide implementation of on-line billing review, approval, and certification; and development and implementation of a purchase card authorization/authentication capability to address systemic weaknesses identified during data mining.

Source Document

Various DoDIG and GAO audit reports.

Progress to Date

The Department has **taken** aggressive action to correct weakness in purchase card internal controls including:

- Cancellation of unnecessary cards and reducing workloads on billing officials so that they can *perform* timely *and* complete reviews of all card transactions.
- Development of a comprehensive purchase card concept of operations (ConOps) that the Components use as a guide to oversee their programs.
- Completion of initial field tests of a centralized data mining tool to detect fraudulent, wasteful and abusive card transactions (*focused on examination and disposition of questionable purchase card transactions flagged by IG/DFAS fraud indicators*).
- Implementation of new disciplinary guidelines specifically targeted to card misuse. In conjunction with the Department of Justice, aggressive prosecution of known fraud cases.

Major Milestones

A Completed Milestones:

<u>Date</u>	<u>Milestone</u>
Ongoing	Cancellation of unnecessary cards and tailoring spending limits to historical buying patterns.
Ongoing	Increase awareness concerning usage of charge cards through training forums. For example, this was discussed at the DoD Procurement Conference, May 2004.
3 rd Qtr FY2004	Establishment of methods to ensure cards are collected <i>from</i> departing civilians and service members.
4 th Qtr FY2004	Development of enhanced training materials.
4 th Qtr FY2004	Issuance of an overarching directive on purchase card roles and responsibilities within DoD.

B Planned Milestones for FY 2005:

<u>Date</u>	<u>Milestone</u>
1 st Qtr FY2005	Implementation of a self-certification process <i>to</i> assess the creditworthiness of prospective cardholders (at all 1,400 local union bargaining units).
1 st Qtr FY2005	Issuance of omnibus Charge Card Guidebook, including governing laws and regulations and more salient business rules for purchase, travel, fleet, and air cards.
4 th Qtr FY2005	Use of on-line statement review, approval and certification.
4 th Q FY2005	Availability of an enhanced centralized data mining tool to detect fraudulent , <i>wasteful</i> and <i>abusive</i> card transactions
4 th Q FY2005	Independent verification of fraud detection process

C. Planned Milestones for Beyond FY 2005:

<u>Date</u>	<u>Milestone</u>
Not Applicable	

TAD C-3
SYSTEMIC WEAKNESS CORRECTED THIS PERIOD

Identified During Prior Periods

Title: DoD Services Contracting

<i>Description of Issue</i>	The Office of Inspector General issued numerous reports which identify various Pre and Post Award issues that were not being addressed on procurement of services.	
<i>Functional Category</i>	Procurement	
<i>Component</i>	OSD	
<i>Pace of Corrective Action</i>	<u>Year Identified:</u>	FY 2002
	<u>Original Targeted Correction Date:</u>	4 th Qtr, FY 2003
	<u>Targeted Correction Date in Last Report:</u>	4 th Qtr, FY 2004
	<u>Current Target Date:</u>	4 th Qtr, FY 2004
<i>Reason for Change in Date(s)</i>	Not Applicable	
<i>Validation Indicator</i>	Military Departments must implement new USD(A1&L) policy requiring acquisition plans for procurement of services. DoD will verify that this has occurred through the use of on-site verification, audits, and management controls.	
<i>Results Indicators</i>	Each military department has an OSD approved process to review and approve acquisition plans for all services procured by that military department.	
<i>Source Document</i>	Various DoDIG and GAO audit reports.	
<i>Progress to Date</i>	As shown in the chart below all major milestones have been <i>completed</i> .	

**Major
Milestones**

Date	Completed Milestone
1 st Qtr FY2003	Revise DFARS to implement sec. 803 of the National Defense Authorization Act for FY2002 (Pub. L. 107-107), requiring competition in the purchase of services greater than \$100,000 under multiple award contracts (multiple award schedule program under GSA and multiple award indefinite-quantity (task and delivery) order contracts). DFARS 216.505-70, "Orders for services under multiple award contracts," was incorporated into the DFARS on October 25, 2002.
3 rd Qtr FY2003	DoD institutes a policy governing the management and oversight of the acquisition of services. USD(AT&L) issued policy memorandum on May 31, 2002 and in DoDD 5000.112, published on May 12, 2003.
3 rd Qtr FY2003	Require an acquisition strategy to be developed and approved for each acquisition of services, and require funding actions and business arrangements to be executed in accordance with the approved acquisition strategy. Included in the USD(AT&L) policy memorandum and in DoDD 5000.1/2 published on May 12, 2003.
3 rd Qtr FY2003	Require metrics for cost, schedule and performance to be established for each service acquisition, and for the appropriate Decision Authority to assess progress against the metrics, Included in the USD(AT&L) policy memorandum and in DoDD 5000.1/2 published on May 12, 2003.
1 st Qtr FY2004	Review Military Departments' implementation of these requirements All the Military Departments have approved implementation plans.
3 rd Qtr FY2004	Increase awareness in the area of services contracting through training forums. Acquisition of Services will be addressed at a breakout session at the DoD Procurement Conference for 2004. Done in May 2004.