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Additional Information and Copies

The Department of Defense Office of the Deputy Inspector General for Auditing, Acquisition and Contract Management prepared this report. If you have questions or would like to obtain additional copies of the draft report, contact Ms. Jacqueline L. Wiccarver at (703) 604-9077 (DSN 664-9077) or Mr. Sean A. Davis at (703) 604-9049 (DSN 664-9049).

Suggestions for Audits

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ODIG-AUD (ATTN: Audit Suggestions)
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Acronyms

BISA	Biometric Identification System for Access
C-E LCMC	Communications Electronics Life Cycle Management Command
CSC	Computer Sciences Corporation
DFARS	Defense Federal Acquisition Regulation Supplement
FAR	Federal Acquisition Regulation
I3	Ideal Innovations Incorporated
STI	Sensor Technologies Incorporated
S3	Strategic Services Sourcing



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

March 18, 2008

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Report on Defense Hotline Allegations Concerning the Biometric
Identification System for Access Omnibus Contract (Report No. D-2008-
064)

We are providing this report for your information and use. No written response to this report was required and none was received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the staff. Questions should be directed to Ms. Jacqueline L. Wicecarver at (703) 604-9077 (DSN 664-9077) or Mr. Sean A. Davis at (703) 604-9049 (DSN 664-9049). See Appendix B for the report distribution. The team members are listed inside the back cover.

A handwritten signature in black ink, appearing to read "Bruce A. Burton", is positioned above the printed name.

Bruce A. Burton
Deputy Assistant Inspector General
Acquisition and Contract Management

Department of Defense Office of Inspector General

Report No. D-2008-064

March 18, 2008

(Project No. D2007-D000AS-0157.000)

Defense Hotline Allegations Concerning the Biometric Identification System for Access Omnibus Contract

Executive Summary

Who Should Read This Report and Why? Contracting personnel involved with the Biometric Identification System for Access (BISA) should read this report because it provides an assessment of whether fair opportunity was given to the contractors who competed for a task order on the BISA omnibus contract.

Background. According to the Strategic Services Sourcing (S3) performance work statement, the purpose of the BISA is to provide a biometric base access control system that can operate in a hostile environment. The DoD Biometrics Program Manager within the Program Executive Office-Enterprise Information Systems is responsible for the BISA.

We conducted this audit in response to multiple allegations made by three complainants to the Defense Hotline regarding the award of the BISA omnibus contract under the Army's S3 contract vehicle. We also reviewed whether source selection procedures complied with Federal and DoD policy. The complainants' allegations follow.

Complainant 1 stated that Ideal Innovations Incorporated (I3) had access to information not available to all vendors; I3 employees helped develop the requirements; and the contracting officer failed to comply with Federal Acquisition Regulation Part 15.506, "Postaward Debriefing of Offerors," which requires a debrief to an offeror. The task order was awarded to Sensor Technologies, Inc. (STI), with a bid of \$563 million while the Computer Sciences Corporation (CSC) bid was \$250 million, and data were provided on the U.S. Army Communications Electronics Life Cycle Management Command Web site that indicated the contract would cost between \$270 million and \$340 million.

Complainant 2 stated that 10 percent of employees from STI supported the Biometrics Program Manager, the original independent Government cost estimate was adjusted to accommodate the STI bid, the S3 contracting vehicle does not allow debriefs for losing offerors, I3 employees had exclusive access to sensitive contract labor rate data, and I3 and Northrop Grumman employees had access to acquisition sensitive meetings.

Complainant 3 stated that there were firewall problems and insider relationships within the program management office.

Results. The audit team did not substantiate the allegations from Complainant 1. Complainant 1 was unable to provide any documentation to support the allegations; according to a Communications Electronics Life Cycle Management Command memorandum, I3 employees did not write the requirements or have a conflict of interest by having exclusive access to acquisition sensitive data, and an informal post-award

debrief was held. The audit team determined, after reviewing the technical evaluations, cost proposals, and the source selection documentation, that all of the bidding contractors were given a fair opportunity to compete. The Joint Urgent Operational Needs Statement briefing slides posted on the U.S. Army Communications Electronics Life Cycle Management Command Web site indicated that the contract would cost between \$270 million and \$340 million. However, the briefing included a statement at the beginning that specifically stated not to use the figures as a basis for anything and that the briefing had not been updated to reflect subsequent changes to the Government's funding strategy.

We also did not substantiate the allegations from Complainant 2. No documentation was discovered substantiating that 10 percent of STI's employees directly supported the Biometrics Program Manager. The Biometrics Program Manager stated that the independent Government cost estimate was updated; however, based on her statement we could not validate that it was adjusted to accommodate the STI bid. According to a Communications Electronics Life Cycle Management Command memorandum, I3 employees did not have access to acquisition sensitive data.

In addition, the audit team did not substantiate the allegations from Complainant 3. There was no documentation provided that validated I3 had insider relationships within the program management office, that I3 employees had access to sensitive information, or that there were firewall problems. Additionally, the Communications Electronics Life Cycle Management Command legal department determined that no conflict of interest existed relating to CSC's and I3's ability to compete on the follow-on contract because Federal Acquisition Regulation Part 9.505-2(a)(3) does not prohibit a contractor from bidding on a subsequent effort for technology they have designed or developed.

Management Comments. We provided a draft of this report on January 25, 2008. No written response to this report was required and none was received. Therefore, we are publishing this report in final form.

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Background

We performed this audit in response to three separate allegations made to the Defense Hotline concerning the acquisition of the Biometric Identification System for Access (BISA) omnibus indefinite-delivery, indefinite-quantity contract under the Army's Strategic Services Sourcing (S3) contract vehicle. According to the BISA S3 performance work statement, the purpose of BISA is to provide biometric base access control that can operate in a hostile environment. The DoD Biometrics Program Manager within the Program Executive Office-Enterprise Information Systems is responsible for the BISA.

Objective

Our overall audit objective was to review the allegations made to the Defense Hotline concerning the acquisition of the BISA omnibus contract under the Army's S3 contract vehicle. Specifically, we determined whether the allegations had merit and whether source selection procedures were conducted in compliance with Federal and DoD policy. See Appendix A for a discussion of the scope and methodology and the Finding section for a discussion of the allegations.

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," January 4, 2006, states that internal controls are the organization, policies, and procedures that help program and financial managers to achieve results and safeguard the integrity of their programs.

This report is provided in response to allegations made to the Defense Hotline. The scope of the report is limited to those specific allegations. Accordingly, a review of the managers' internal control program was not performed.

BISA S3 Task Order Allegations

The allegations submitted to the Defense Hotline concerning the award of the BISA omnibus contract under the Army's S3 contract vehicle generally stated that not all contractors were provided access to all information, some contractors or staff had insider information about the ongoing business activities, and the award process did not comply with Federal Acquisition Regulation (FAR) requirements. We did not substantiate these allegations because the three complainants could not provide documentation to support their claims, and we did not find evidence to support the allegations. We did not find documentation that identified the contract award process was inappropriately administered; we determined that proper source selection procedures were followed. As a result, the task order was awarded with fair opportunity.

Fair Opportunity and Best Value Policies

Federal Acquisition Regulation. FAR Part 16.505(b), "Ordering," states that for "orders under multiple award contracts . . . the contracting officer must provide each awardee a fair opportunity to be considered for each order exceeding \$3,000 issued under multiple delivery-order contracts or multiple task-order contracts."

FAR Part 2.101, "Definitions," defines best value as "the expected outcome of an acquisition that, in the Government's estimation, provides the greatest overall benefit in response to the requirement."

Complainants' Allegations

Three complainants submitted multiple allegations to the Defense Hotline regarding the award of the BISA S3 task order. These allegations generally stated that not all contractors were provided access to all information, some contractors or staff had insider information about the ongoing business activities, and the award process did not comply with FAR requirements. All of the complainants believed the BISA S3 task order was awarded unfairly to Sensor Technologies, Inc. (STI). STI won the award with a bid of \$563,409,366 while the incumbent Computer Sciences Corporation (CSC) bid \$250,077,662. The following is a summary of the allegations and our results for each.

Complainant 1 had five allegations and stated that:

1. Ideal Innovations Incorporated (I3) had access to information not available to all vendors because I3 employees were overseeing the daily activities of the BISA badging contract.
2. I3 contractors helped develop the requirements and initiate potential solutions for the BISA contract.

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3. The contracting officer failed to comply with FAR Part 15.506, which requires an offeror to be debriefed and furnished the basis for the selection decision and contract award upon written request within 3 days of contract award notification.
 4. The S3 task order was awarded to STI for \$563 million, whose bid was more than twice the \$250 million that CSC bid.
 5. Prior to the final award date, the Source Selection Authority provided data on the U.S. Army Communications Electronics Life Cycle Management Command (C-E LCMC) Web site that indicated that the contract would cost between \$270 million and \$340 million.

Audit Results. We did not substantiate the allegations. Complainant 1 was unable to provide any documentation to support the allegations, and according to a C-E LCMC memorandum, I3 employees did not write the requirements or have exclusive access to acquisition sensitive data. A C-E LCMC memorandum response to the allegation states that I3 did not develop the requirements, they did not have exclusive access to information not available to all bidders, nor did they serve as Government employees.

The C-E LCMC contracting officer told the audit team that C-E LCMC held an informal post-award debrief with CSC, the prime contractor on the S3 contract, and the Program Executive Office for Enterprise Information Systems in which they discussed CSC's proposal and C-E LCMC's technical evaluation of the proposal. The contracting officer provided the audit team with e-mails and notes from the informal post-award debrief. According to its notes, C-E LCMC held an informal post-award debrief via teleconference on January 19, 2007. CSC was given feedback from the contracting officer and the Biometrics Program Manager on some of the reasons why they were not awarded the BISA S3 task order. The C-E LCMC task order ombudsman told us that the complainant, a subcontractor to CSC, was not allowed to attend the informal post-award debrief because he did not have privity. CSC is the prime contractor who competed for the task order; therefore, it had privileges that the complainant, as a subcontractor, did not have. The C-E LCMC contracting officer told us that the contracting office has to obtain permission from the prime contractor before they can speak with the subcontractor. The C-E LCMC task order ombudsman also provided the audit team with an e-mail from a contracts manager at CSC that showed that CSC understood the weaknesses in its proposal and it considered the task order award issue closed.

The FAR does not require post-award debriefs for the award of task orders. FAR Part 15.506 mentions that post-award debriefs are given to an offeror for a contract award; however, it does not mention debriefs occurring for a task order award. The C-E LCMC contracting officer told the audit team that debriefs are usually not provided for task or delivery order awards but this was an exception. CSC requested the debrief because of the magnitude of the S3 proposal and was aware that the debrief was a special circumstance.

According to officials at the Army Program Executive Office for Enterprise Information Systems, the C-E LCMC posted on its Web site the Joint Urgent

Operational Needs Statement briefing slides so that all of the contractors would have access to the same information that was unintentionally disclosed by the Biometrics Fusion Center. According to Complainant 1, information was included in the slides that indicated the contract would cost between \$270 million and \$340 million. However, the briefing included a statement at the beginning that specifically stated not to use the figures as a basis for anything and that the briefing had not been updated to reflect subsequent changes to the Government's funding strategy.

Complainant 2 had four allegations and stated that:

1. Approximately 10 percent of employees from STI, who won the contract, directly supported the Biometrics Program Manager.
2. The original independent Government cost estimate was adjusted to accommodate the higher STI bid.
3. The S3 contract vehicle did not allow for debriefs or protests for the losing offerors.
4. I3 and Northrop Grumman had access to acquisition sensitive meetings without adequate firewall protection.

Audit Results. We did not substantiate the allegations. No documentation was discovered that substantiated the claim that 10 percent of STI's employees directly supported the Biometrics Program Manager.

Although we determined that the independent Government cost estimate was adjusted, we could not validate that the adjustment was made to accommodate STI's higher bid. The Biometrics Program Manager stated that the independent Government cost estimate was updated by the program management office because it was determined that some important requirements were unintentionally left out. The program manager realized there had been some disconnects due to policy changes and program direction and that the final performance work statement, which included changes in site requirements, had not been received by the preparer of the independent Government cost estimate. According to the selection decision document for the BISA task order, because of the wide variety of proposals received, an outside expert team was brought in to re-evaluate the independent Government cost estimate. The C-E LCMC contracting officer determined that fair opportunity was provided to all of the competing contractors. This document also states that based on the analysis done of the proposals, the C-E LCMC contracting officer decided that the STI proposal represented the best overall value to the Government. An informal post-award debrief was held and the losing contractor was satisfied and replied in an e-mail that it considered the issue involving the award of the BISA S3 task order closed. We found no evidence that I3 had access to sensitive meetings or was provided sensitive contract labor rate data.

Complainant 3 had two allegations and stated that:

There were firewall problems and insider relationships within the program management office.

Audit Results. We did not substantiate the allegations. Complainant 3 could not provide documentation that proved that there were insider relationships within the program management office involving I3 employees or that there were firewall problems. Additionally, the C-E LCMC legal department determined that no conflict of interest existed relating to CSC's and I3's ability to compete on the follow-on contract because FAR Subpart 9.505-2(a)(3) does not prohibit a contractor from bidding on a subsequent effort for technology they have designed or developed. We did not identify documentation that showed that I3 employees had access to sensitive information.

Source Selection Process

After reviewing the technical evaluations, cost proposals, and the source selection documentation, we determined that the bidding contractors were given a fair opportunity to compete as required for multiple award contracts in FAR Part 16.505. The C-E LCMC contracting officer and the selection board determined that the overall risk for successful completion within the time and cost for CSC's proposal was too high; therefore, it was not selected for the award. The contracting officer stated in the selection decision memorandum that STI's proposal was the best value for the Government, and it involved the least amount of risk when compared with the other competing contractors.

We did not substantiate the allegations made by the three complainants to the Defense Hotline. We determined the task order was awarded with fair opportunity; therefore, we made no recommendations.

Appendix A. Scope and Methodology

We conducted this audit from March 2007 through October 2007 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.

The scope of this audit was limited to a review of the allegations made to the Defense Hotline concerning the BISA omnibus contract. Specifically, we determined whether the source selection procedures were conducted in compliance with Federal and DoD policy.

We interviewed and obtained documentation from the Biometrics Program Manager, the Communications Electronics Life Cycle Management Command (C-E LCMC) contracting officers and task order ombudsman, the Army Audit Agency, a representative at the Biometrics Fusion Center, and an individual who was involved with the original BISA contract and with developing one of the proposals for the Strategic Services Sourcing (S3) task order. The audit team also spoke with the two known complainants.

We obtained information for the audit through meetings and e-mails with the personnel above. We reviewed and analyzed laws, policies, guidance, and documentation dated from March 2005 through February 2007. Specifically we reviewed and compared:

- FAR Subpart 15.1, "Source Selection Processes and Techniques," November 22, 2006; FAR Subpart 16.505(b), "Orders under multiple award contracts," February 12, 2007; FAR Subpart 2.101, "Definitions," February 12, 2007; Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 216.5, "Indefinite-Delivery Contracts," Subsection 216.505-70, "Orders under multiple award contracts," March 21, 2006; Technical Evaluation Form, signed December 19, 2006; Memorandum for Record, "Selection Decision Document, Contract W15P7-06-D-E403/Task Order 0009," December 21, 2006; and Joint Urgent Operational Needs Briefing for the Joint Rapid Acquisition Cell, June 1, 2006, for source selection requirements and for compliance with the requirements.
- FAR Subpart 33.1, "Protests," September 28, 2006, for task order disputes requirements.
- FAR Subpart 15.5, "Preaward, Award, and Postaward Notifications, Protests, and Mistakes," March 2005, for contractor briefings requirements.
- FAR Subpart 15.4, "Contract Pricing," November 22, 2006; and DFARS Subpart 215.4, "Contract Pricing," December 1, 2006, for contract pricing requirements.

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- FAR Part 43, “Contract Modifications,” March 2005; FAR Subpart 2.101, “Definitions,” February 12, 2007; DFARS Subpart 217.74, “Un definitized Contract Actions,” May 12, 2006; Strategic Services Sourcing performance work statement, solicitation number W15P7T-05-R-E401, July 12, 2005, for task order modification requirements.
 - FAR Subpart 7.5, “Inherently Governmental Functions,” May 19, 2006; and DFARS Subpart 207.5, “Inherently Governmental Functions,” March 21, 2006, for determination of inherently governmental functions.
 - FAR Subpart 4.8, “Government Contract Files,” November 22, 2006; and DFARS Subpart 204.8, “Contract Files,” September 8, 2006, for contract file components requirements.

The scope of the audit was limited to a review of the allegations to the Defense Hotline concerning the acquisition of the BISA omnibus contract under the Army’s S3 contract vehicle.

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit.

Use of Technical Assistance. We did not use any technical assistance to perform this audit.

Government Accountability Office High-Risk Area. The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the “DoD Contract Management” and “Establishing Appropriate and Effective Information-Sharing Mechanisms to Improve Homeland Security” high-risk areas.

Prior Coverage

No prior coverage has been conducted on the BISA omnibus contract during the last 5 years.

Appendix B. Report Distribution

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Under Secretary of Defense for Acquisition, Technology, and Logistics
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Deputy Chief Financial Officer
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Department of the Army

Auditor General, Department of the Army
Program Executive Officer, Enterprise Information Systems
Program Manager, DoD Biometrics
Director, Communications-Electronics Life Cycle Management Command Acquisition Center

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Committee on Oversight and Government Reform
House Subcommittee on National Security and Foreign Affairs,
Committee on Oversight and Government Reform

Team Members

The Department of Defense Office of the Deputy Inspector General for Auditing, Acquisition and Contract Management prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

Richard B. Jolliffe
Bruce A. Burton
Jacqueline L. Wicecarver
Sean A. Davis
Susan H. Bachle
Adam J. McLaurin
Sherry A. Nuckolls
Meredith H. Johnson



Inspector General Department of Defense

