



NATIONAL RECONNAISSANCE OFFICE

OFFICE OF INSPECTOR GENERAL

FINAL REPORT

AUDIT OF THE NATIONAL RECONNAISSANCE OFFICE MANAGEMENT OF THE SILVER EAGLE CONTRACT

PROJECT NUMBER 2014-003 A

29 September 2015

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Approved for Release: 2017/01/13 C05095470

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NATIONAL RECONNAISSANCE OFFICE

Office of Inspector General

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Chantilly, VA 20151-1715



29 September 2015

MEMORANDUM FOR DIRECTOR, COMMUNICATIONS SYSTEMS DIRECTORATE
DIRECTOR, OFFICE OF CONTRACTS
DIRECTOR, OFFICE OF SECURITY AND COUNTERINTELLIGENCE

SUBJECT: (U) Final Report: Audit of the National Reconnaissance
Office Management of the Silver Eagle Contract
(Project Number 2014-003 A)

(U) The National Reconnaissance Office (NRO) Office of Inspector General (OIG) final report on the *Audit of the NRO Management of the Silver Eagle Contract* is attached. I am providing this report for your information and implementation of the recommendations. I appreciate the responses to the draft report. We will continue to work with you to ensure your remediation plan meets the intent of the findings and recommendations.

(U//~~FOUO~~) I also appreciate the courtesies extended to my staff during this audit. Please direct any questions you may have regarding this audit to me at [redacted] (secure) or to the Assistant Inspector General for Audits at [redacted] (secure). Direct any questions regarding corrective action reporting to the OIG Follow-up Administrator, at [redacted] (secure).

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Acting Inspector General

Attachment:

(U) Final Audit Report
(Project Number 2014-003 A)
(U//~~FOUO~~)

cc:
DNRO
PDDNRO
DDNRO

SUBJECT: (U) Final Report: Audit of the National Reconnaissance
Office Management of the Silver Eagle Contract
(Project Number 2014-003 A)

OIG [redacted] 29 Sep 15

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EXECUTIVE SUMMARY

(U) Audit of the NRO Management of the Silver Eagle Contract



(U) To view the full report, including the scope, methodology, results, and management comments, go to <https://corpstaff.svc.nro.ic.gov/oig>

(U) Why the OIG Did This Audit

(U//~~FOUO~~) The Silver Eagle contract provides vital enterprise Information Technology (IT) support for government-owned network systems and equipment at over [REDACTED]

[REDACTED] The approved Silver Eagle performance objectives are to (b)(3)

- improve performance and customer service;
- control costs;
- incorporate cutting edge information technology and telecommunications technologies; and
- adjust resources due to efficiencies and changing requirements.

(U//~~FOUO~~) When the NRO migrated to Silver Eagle in 2011, NRO management requested the closure of the remaining open recommendations from the OIG 2007 audit report of the Patriot contract. In closing the recommendations, the OIG notified NRO management of the obligation to conduct follow up on the implementation of the recommendations through an audit of the Silver Eagle contract.

(U//~~FOUO~~) The objective of this audit was to assess whether the NRO is overseeing and verifying the Silver Eagle contractor's performance of IT enterprise services in accordance with contract requirements. During our audit planning work, the OIG could not trace the Silver Eagle Statement of Work acquisition objectives to contract requirements. Therefore, the OIG determined that the Silver Eagle acquisition strategy merited a more comprehensive assessment of the contract requirements and the oversight and verification of contractor performance.

(U) What the OIG Found

(U//~~FOUO~~) Overall, the OIG found that the NRO provides only limited oversight and verification in determining that the Silver Eagle contractor performance is meeting intended telecommunications and IT responsibilities. The NRO needs to define the Silver Eagle performance objectives in terms of contract requirements and contract oversight processes. Specifically, the NRO acquisition planning and Silver Eagle contract oversight processes did not include

- implementing an acquisition strategy that defined and traced the performance objectives to contract performance and oversight requirements;
- engaging stakeholders in defining the requirements and quality standards to include measuring customer satisfaction; and
- valid Firm Fixed Priced (FFP) baselines, the methodology for verifying FFP receipt of goods and services, or establishing the basis for FFP payments.

(U//~~FOUO~~) Consequently, the NRO may not achieve the approved contract objectives to improve performance and customer service, control costs, incorporate "cutting edge" IT telecommunications technologies, and adjust resources due to efficiencies and changing requirements on future IT services efforts.

(U) What the OIG Recommends

(U//~~FOUO~~) The OIG recommends that the NRO assess the Silver Eagle contract to ensure the current contract requirements align to approved performance objectives, improve future IT enterprise services, and measure and report contract progress in meeting or exceeding performance objectives and stakeholder expectations. In addition, the OIG recommends that the NRO implement an oversight and contract payment plan that ensures accountability and proper payments for contractor performance. Find a complete list of recommendations in APPENDIX A.

(U) Management Comments

(U) The Director, Communications Systems Directorate (COMM) reviewed a draft of this report and concurred with the findings and recommendations presented. The Director, COMM plans to meet the intent of the recommendations. Prior to the issuance of this final report, Director, COMM took actions that closed four recommendations. As part of our follow-up process, we will monitor the status of the corrective action plans for the remaining recommendations through full implementation. Complete copies of the management comments can be found in APPENDIX F.

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**(U) NATIONAL RECONNAISSANCE OFFICE
OFFICE OF INSPECTOR GENERAL**

**(U//~~FOUO~~) Audit of the National Reconnaissance Office Management
of the Silver Eagle Contract (Project Number 2014-003 A)**

(U) INTRODUCTION

(U//~~FOUO~~) The National Reconnaissance Office (NRO) Office of Inspector General (OIG) performed an audit of the NRO Management of the Silver Eagle contract. The Silver Eagle contract provides vital enterprise Information Technology (IT) support for government-owned network systems and equipment at over [redacted] at a [redacted]. The objective of this audit was to assess whether the NRO is overseeing and verifying the contractor's performance of IT enterprise services in accordance with contract requirements.

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(U//~~FOUO~~) When the NRO migrated to Silver Eagle in 2011, NRO management requested the closure of the remaining open recommendations from the OIG 2007 audit report of the predecessor contract to Silver Eagle. In closing the recommendations, the OIG notified NRO management of the obligation to conduct follow-up on the implementation of the recommendations through an audit of the Silver Eagle contract.

(U) BACKGROUND

(U) Responsibility for NRO Telecommunications and IT Services

(U//~~FOUO~~) During the acquisition planning for Silver Eagle in 2010, the Mission Operations Directorate, [redacted] (MOD [redacted]) was responsible for providing secure, reliable telecommunications and IT services to the Intelligence Community (IC) and Department of Defense (DoD). Early in fiscal year 2014, the responsibility transferred from MOD [redacted] to the Communications Systems Directorate (COMM). For the purposes of this report, we will refer to the acquisition office when the audit addresses work performed by either MOD or COMM.

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(U) Brief History of NRO Acquisition Governance and the Silver Eagle Strategy

(U//~~FOUO~~) In June 2010, the Director of the NRO established the Acquisition Strategy Panel (ASP), chaired by the Principal Deputy Director of the NRO, to review and ensure acquisition strategies and plans were fully coordinated across the NRO to support organizational goals. The Silver Eagle acquisition strategy was one of the first NRO acquisitions presented to the ASP. When MOD [redacted] presented Silver Eagle to the ASP in August and October 2010,

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the NRO had not issued any formal instructions or guidance for the ASP.¹ After responding to several panel directed actions resulting from the August 2010 ASP, for example, the action to reduce the government baseline by ten percent below the budget, MOD [] received ASP approval in October 2010 to proceed with acquiring contractor services on a commercial firm-fixed-price (FFP) performance-based approach to support its mission responsibilities. According to the ASP-approved acquisition strategy, the Silver Eagle contractor's performance would be subject to performance-based² service level agreements (SLAs) incorporated into the Award Fee Plan at contract award. The plan included using performance-based SLAs as an objective element in the subjective award fee evaluation process. SLAs describe the IT service, document service level³ targets, and specify responsibilities of the contractor (IT service provider) and the Government.

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(U//~~FOUO~~) Since the ASP approval of Silver Eagle, the NRO has transitioned its acquisition governance from ASP to the Acquisition Strategy Council (ASC), overseen by the Director, NRO and issued policy. The ASC is one of the NRO's key elements in its governance process to ensure acquisitions support NRO strategic goals, Director of National Intelligence (DNI) and DoD efficiency and affordability initiatives, and coordination with NRO stakeholders.

(U//~~FOUO~~) In 2013, the NRO introduced enterprise portfolio management for all NRO service acquisitions to its governance process. For service acquisitions, the Director, NRO, delegates decision authority to the NRO Senior Manager or NRO Deputy Senior Manager for Services. This new management approach for service acquisitions focuses on applying strategic and enterprise planning, and defined performance metrics. The scope of Silver Eagle now falls under the NRO's service acquisition governance process.

(U) Silver Eagle Contract Details and Provisions

(U//~~FOUO~~) The NRO competitively awarded Silver Eagle to General Dynamics Information Technology (GDIT), in July 2011, to provide enterprise IT and telecommunication services support to the IC and DoD. GDIT assumed full responsibility for the program from the Enterprise IT contract predecessor, Harris Information Technology Services, on 16 January 2012 at the completion of an agreed to transition period that commenced on 15 August 2011.

(U//~~FOUO~~) Under the Silver Eagle contract, GDIT is responsible for monitoring the network, providing routine maintenance, and providing first responder troubleshooting and repair of the NRO IT and Telecommunications.⁴ The broad range of IT service responsibilities include, but are not limited to,:

- Centralized Service Center Support
- Network Management and Operations

¹ (U//~~FOUO~~) The NRO issued instructions for the Acquisition Strategy Council (ASC) in late 2011. The NRO governance process transitioned from the ASP to the ASC, after the ASP approved the Silver Eagle acquisition planning.

² (U) According to Federal Acquisition Regulation, performance-based acquisitions emphasize results rather than how the contractor should perform the work.

³ (U) Service levels should represent the NRO stakeholder needs according to the Information Technology Infrastructure Library best practices.

⁴ (U) Definition for echelon one (E1) work activities.

- Secure and Non-secure Telephony, Conferencing, and Facsimile Support
- Mission Conferencing: Support Compunetix Conferencing Equipment
- Video Services and Video Teleconferencing Support
- Compartmented Network Administration, Video and Voice
- Desktop Hardware and Application Services/Support (Unclassified, Secret, Sensitive Compartment Information (SCI))
- Portable Electronic Devices
- Network Connectivity
- Messaging Support
- Communications Equipment Rooms
- Secure Telephone Equipment (STE) Support
- Data Storage/Back-up
- Configuration Management
- Continuity of Operations
- Communications Security

(U//~~FOUO~~) In addition, the contractor's services include some support for engineering of new and upgraded services and modification of the existing baseline capabilities.⁵ GDIT has primary responsibility for adjudicating all user requests pertaining to NRO Domains. These domains include four systems (e.g., the NRO Management Information System (NMIS)), and seven networks (e.g., the Government Wide Area Network (GWAN)). For this audit, we have defined stakeholders as any individual that requires Silver Eagle contract services.

(U//~~FOUO~~) Silver Eagle is a commercial, FFP, award fee, labor hour type contract. As detailed in the contract line item number (CLIN) structure for the Silver Eagle contract in Appendix B, FFP is used to acquire standard services and labor hours for non-standard services. The contract consists of a three-year base period and five, one-year options. During the audit, COMM exercised the first one-year option period for baseline services. Before exercising the next contract options or re-competing the requirements, the NRO has the opportunity to address or negotiate changes to the contract requirements.

(U) Firm-Fixed-Price Contracts

(U//~~FOUO~~) According to the Federal Acquisition Regulation (FAR), when a contractor accepts an FFP type scope, the contractor agrees to the maximum risk and full responsibility for all costs and resulting profit or loss associated with that contract and SLA scope. On an FFP contract, the government's payment is based on the results the contractor achieved and not the effort expended. Next, when the government acquires services on a commercial FFP basis, the government expects the contractor to correct or replace the non-conforming supplies or services, without additional cost to the government. Lastly, the FAR's quality assurance standards require the contracting officer (CO) to obtain an equitable price reduction or other consideration when critical or major nonconformance occurs on an FFP contract.⁶ These

⁵ (U) NRO definition for echelon two (E2) work activities.

⁶ (U) Equitable adjustments can also be required for minor nonconformance services when the contractor will achieve greater savings due to the nonconformance.

standards for services indicate that the CO can identify up front the value of individual work requirements for use in determining an equitable adjustment for nonconforming FFP services.

(U) SCOPE AND METHODOLOGY

(U//~~FOUO~~) The scope of this audit and report covers the NRO's approval of the Silver Eagle acquisition planning and strategy as it relates to contract requirements verification and contract oversight. During our audit planning work, the OIG determined that the Silver Eagle acquisition strategy merited a closer look to help assess the contract requirements, and overseeing and verifying contractor performance. The OIG modified the audit scope accordingly.

(U//~~FOUO~~) The OIG performed this audit from December 2013 to March 2015 in accordance with *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain sufficient and appropriate evidence that provides a reasonable basis for the findings and conclusions based on our audit objectives. The OIG assessed the internal controls deemed significant within the context of the audit objectives. The OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective. Any information system data used by the auditors or included in this report for informational purposes was not audited, and is not significant to the audit findings.

(U//~~FOUO~~) To accomplish the audit, the OIG assessed the NRO's implementation of the acquisition governance framework for Silver Eagle, and the consistency of the ASP-approved acquisition strategy with the contract requirements and contract implementation. The OIG reviewed and documented relevant laws and regulations, and NRO guidance, policies, and procedures pertaining to our audit objective. We also reviewed acquisition and customer satisfaction IT best practices.⁷

(U//~~FOUO~~) The OIG evaluated whether the NRO established and implemented a plan to achieve the approved Silver Eagle performance objectives and contract requirements. This included evaluating the government oversight and acceptance of FFP requirements, contractor's compliance with DoD 8570.01-*M Information Assurance Workforce Improvement Program* commercial certification requirements for individuals performing information assurance (IA) requirements, and assessing the potential Silver Eagle insider threat by testing and analyzing the NRO's monitoring and polygraphing of privileged users consistent with the Statement of Work (SOW).

(U//~~FOUO~~) The OIG also analyzed the acquisition office's effectiveness in using its oversight mechanisms to oversee and verify Silver Eagle contract performance. The oversight mechanisms evaluated included the award fee determinations, the contractor's service-level agreement performance and reporting; contractor's delivery of the tool suite, and

⁷ (U) Kevin Forsberg, Ph.D., Hal Mooz, and Howard Cotterman, *Visualizing Project Management*, (John Wiley & Sons, Inc., 1996), p. 105 paragraph 3. Kathy Schwalbe, *Information Technology Project Management*, Thomson Course Technology, 4th Edition, 2006), p 293, paragraph 2; Alison Cartlidge, Ashley Hanna, Colin Rudd, Ivor Macfarlane, John Windebank, Stuart, Rance, *The IT Infrastructure Library: An Introductory Overview of ITIL V3*, (The UK Chapter of the itSMF), page 12, paragraphs 1 and 2.

training and reference manuals; and review and approval of Silver Eagle vouchers and invoices. Appendix C provides further details on the audit scope and methodology.

(U) PRIOR COVERAGE

(U//~~FOUO~~) *Audit of the National Reconnaissance Office Management of the Patriot Program (Project No. 2006-008A)*, dated 8 June 2007. In this audit, the OIG reported significant performance challenges the NRO experienced. The OIG made several recommendations to improve the contract, and performance oversight of the contract. Appendix D details the Patriot audit recommendations.

(U) AUDIT RESULTS

(U//~~FOUO~~) Overall, the OIG found that the NRO has not established the level of oversight and verification required to determine that the Silver Eagle contractor performance is meeting intended telecommunications and IT responsibilities. The NRO has yet to define the Silver Eagle performance objectives in terms of contract requirements and contract oversight processes. For this report, acquisition planning includes the ASP oversight and approval of the Silver Eagle acquisition plan's performance objectives and stakeholder involvement. Contract oversight processes for the report consist of contractor accountability for FFP requirements, award fee determinations, contract performance and payment verification, and monitoring of [redacted] privileged user accounts. Specifically, the NRO acquisition planning and contract oversight processes did not include

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- implementing an acquisition strategy that defined and traced the performance objectives to contract performance and oversight requirements;
- engaging stakeholders in defining the requirements and quality standards to include measuring customer satisfaction; and
- establishing the basis for FFP payments, valid FFP baselines, or methodology for verifying FFP receipt of goods and services.

(U//~~FOUO~~) Consequently, the NRO may fall short in achieving the ASP-approved contract objectives to improve performance, customer service, and control costs; to incorporate "cutting edge" IT and telecommunications technologies; and to adjust resources due to efficiencies and changing requirements.

(U//~~FOUO~~) The OIG also found that some improvement opportunities exist that could benefit the NRO when acquiring services on a commercial FFP basis and when using [redacted]. Therefore, the OIG has addressed our assessment and suggestions for acquiring services on a commercial FFP basis in the final section of the report under Other Audit Matters, and issued a Letter of Concern to the Office of Security and Counterintelligence (OS&CI) regarding the use [redacted]

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~~(U//FOUO)~~ *The NRO Silver Eagle Acquisition Strategy lacked key elements.*

~~(U//FOUO)~~ In approving the Silver Eagle acquisition plan, the NRO ASP did not ensure that the acquisition directorate had defined baseline requirements and an oversight approach to determine, measure, and report progress compared to the approved Silver Eagle performance objectives. The Silver Eagle acquisition objectives included

- improving performance and customer service;
- controlling costs;⁸
- incorporating cutting edge information technology and telecommunications technologies; and
- adjusting resources due to efficiencies and changing requirements.

~~(U//FOUO)~~ In addition, the NRO ASP did not confirm that the acquisition organization had obtained stakeholder input to determine Silver Eagle contract requirements and quality standards. Such input would provide management a baseline to measure improvements to the contractor's customer service. Without engaging the stakeholders, the NRO is challenged in validating improvements in customer service.

~~(U//FOUO)~~ **The NRO lacked assurances that the Silver Eagle strategic guidance was followed.** Within the NRO's acquisition governance framework, the ASP is responsible for assessing the acquisition strategy and providing strategic guidance to the acquisition directorate. Yet, the NRO applied no provisions to verify whether the acquisition directorate implemented and followed ASP strategic guidance for the Silver Eagle acquisition. The NRO's Silver Eagle acquisition strategy brief to the ASP and other acquisition documentation reviewed as part of this audit did not define nor trace measurable requirements to the performance objectives.

~~(U//FOUO)~~ For example, for the performance objective "improve performance," the acquisition documentation does not define the existing baseline for what Silver Eagle performance the NRO plans to improve; does not provide an objective goal that establishes when the NRO will know performance has improved; nor does it state how the acquisition directorate will measure and report progress toward improving performance.

~~(U//FOUO)~~ Given the worldwide scope and the [] investment the NRO has made in the Silver Eagle acquisition, the NRO needs to determine the contract's achievements toward the approved performance objectives. In addition, the NRO needs to recognize when corrective actions or performance improvements are warranted. Hence, the NRO would benefit from a reassessment of the Silver Eagle under the current services policy to ensure that the current contract requirements align with the approved performance objectives.

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⁸ ~~(U//FOUO)~~ Our assessment primarily focused on the first two objective areas to improve performance and customer service and allow the government to control costs. However, the finding applies to all of the performance objectives.

(U) Recommendation #1 for the Director, COMM:

(U//~~FOUO~~) Consistent with the tenants of the NRO's Services Acquisition policy, assess the Silver Eagle contract to ensure that the current contract requirements align with the performance objectives as intended. Document the benefits and challenges of revising the current contract requirements. At a minimum, future services acquisitions should

- define each approved objective in measurable terms;
- define the current baseline performance level and performance goals;
- trace the approved performance objectives to the contract requirements (e.g. award fee criteria and service level agreements); and
- detail the provisions for measuring and reporting progress consistent with the approved performance objectives.

(U//~~FOUO~~) **Management Response:** Director, COMM concurred with the recommendation. Since the Silver Eagle contract is in its fifth year and will be transitioning to future services acquisitions, COMM will consider this recommendation and ensure the objectives as outlined above are addressed by the future contracts. Estimated completion date is 30 November 2015.

(U//~~FOUO~~) **The NRO excluded IT and telecommunications stakeholders in the Silver Eagle acquisition planning.** The OIG found that the Silver Eagle acquisition strategy did not include stakeholder input as part of the acquisition planning process. According to the Silver Eagle acquisition officials, they did not ask stakeholders to identify their needs for the IT and telecommunications services baseline requirements. Instead, the acquisition office conducted an internal review and validation of the existing NRO baseline requirements based on the predecessor contract, Patriot. However, the Patriot contract also excluded stakeholder input from the acquisition planning and implementation processes.⁹ According to acquisition and customer satisfaction IT best practices, acquisition officials should involve stakeholders in developing requirements and quality standards to ensure that their needs are satisfied. The COMM Deputy Director indicated the DNRO deferred to the acquisition directorate to determine requirements on behalf of the Silver Eagle customers. The program office response indicated that NRO stakeholders were indirectly involved. However, the acquisition office could not provide information supporting an evaluation of stakeholder needs when formulating the Silver Eagle baseline and quality assurance SLAs. Without stakeholder input in determining the NRO IT and telecommunications service standards, the NRO is limited in its ability to assess the Silver Eagle performance in meeting objectives to improve stakeholder satisfaction. The NRO would benefit from input from the Silver Eagle stakeholders in identifying IT requirements and priorities, and setting the customer satisfaction baseline for upcoming contract options or future replacement contracts.

⁹ (U) *Final Audit Report: NRO Management of the Patriot Program*, dated 8 June 2007.

(U) Recommendation #2 for the Director, COMM:

(U//~~FOUO~~) Consistent with the NRO's Service Acquisition policy and procedures, solicit, assess, and incorporate stakeholder requirements and priorities into the Silver Eagle baseline or replacement contract.

(U//~~FOUO~~) **Management Response:** Director, COMM concurred with the recommendation and requested closure. In preparing for the future services acquisitions—Transformers framework—, COMM briefed several customer engagement forums, the Ds and Os, and the Acquisition Strategy Council. COMM will continue customer engagement through the future services contract award.

(U//~~FOUO~~) **OIG Response:** OIG will keep recommendation #2 open pending receipt of documentation from COMM demonstrating the collection and incorporation of stakeholders' requirements and priorities into the Transformers framework. Based on our discussions, by 13 October 2015, COMM will provide an updated remediation plan that details the actions planned and an estimated completion date.

(U//~~FOUO~~) **COMM is not monitoring stakeholder satisfaction with Silver Eagle performance and costs.** The OIG found that Silver Eagle has made little progress in implementing a customer satisfaction metric that considers stakeholder concerns with contractor performance. In the prior audit of the Silver Eagle predecessor contract, Patriot, the OIG reported on similar conditions. Specifically, although the customer satisfaction SLA measures the resolution of an IT or telecommunication problem, the metric does not consider the customer's feedback on the cause of the problem or the time taken to resolve the problem. Acquisition and customer satisfaction IT best practices dictate that the customer establishes the level of service requirements, priorities, and quality standards. During our assessment, stakeholders expressed their ongoing concerns with COMM's failure to deal with Silver Eagle contract performance and cost issues. The NRO stakeholders also reported that the Silver Eagle contract requirements and quality standards did not represent their priorities. The stakeholders' concerns included

- the number and duration of outages that creates an inability to perform priority tasks or results in work stoppages;
- the lack of technician responsiveness or time required to address service tickets/questions;
- the premature closing of service tickets and an unwillingness to reopen the same ticket in lieu of issuing a new one;
- the cost for items that stakeholders consider standard baseline requirements such as dual monitors; and
- the payment for annual O&M costs for non-baseline commercial items that would be replaced vice repaired such as monitors or additional printers.

(U//~~FOUO~~) The stakeholder concerns demonstrate a need for COMM to assess the Silver Eagle contractor in meeting the approved performance objective to improve customer service.

Better inclusion of stakeholder feedback on the Silver Eagle contract performance and costs would assist in evaluating contactor performance and customer satisfaction.

(U//) Recommendation #3 for the Director, COMM:

(U//~~FOUO~~) Modify the Silver Eagle customer satisfaction SLA metric to consider NRO stakeholder input on the quality of service received under the Silver Eagle contract.

(U//~~FOUO~~) **Management Response:** Director, COMM concurred with the recommendation and requested closure. COMM described Silver Eagle contractor assessment activities to measure customer satisfaction and COMM's [redacted] Annual Survey. In addition, COMM discussed its recently completed Ds and Os Front Office Refresh Project that resulted in refreshing approximately [redacted] workstations. (b)(3)

(U//~~FOUO~~) **OIG Response:** OIG will keep recommendation #3 open pending receipt of revisions to the current customer satisfaction SLA metrics, documentation of Silver Eagle stakeholders' concurrence that the current customer satisfaction SLA metrics adequately measure their satisfaction with the service, or demonstration that the future Transformer acquisition will incorporate customer input on the appropriate customer satisfaction metrics. Based on our discussions, by 13 October 2015, COMM will provide an updated remediation plan that details the actions planned and estimated completion date. (b)(3)

(U//~~FOUO~~) COMM needs to improve oversight of contract performance and contractor accountability.

(U//~~FOUO~~) The OIG found that COMM should improve the oversight and accountability of the Silver Eagle contractor performance. Specifically, the acquisition office has rewarded the contractor simply based on its effort rather than for achieving or exceeding the contract requirements. Further, COMM has made contract payments without a valid baseline, payment schedule, or verification of basis of contract costs claimed. As a result, the NRO lacks the assurance that it has received services commensurate with payments made, and held the contractor accountable for FFP performance. The NRO improvement in these oversight areas should result in greater contractor accountability and incentivizing the contractor to meet or exceed requirements. The following subsections detail opportunities for improving the Silver Eagle oversight.

(U//~~FOUO~~) COMM needs to hold the contractor accountable for FFP requirements.

The OIG found that COMM had not ensured proper performance of the Silver Eagle requirements and had not taken action with the contractor to remedy the shortfalls. According to the FAR, when the government acquires services on an FFP basis, the government expects the contractor to correct its non-performance, without additional cost to the government. COMM took no action to obtain a price adjustment for the contractor's failure to deliver some SLA assessments for ten months. For example, the contractor did not deliver the monthly FFP SLA requirements originally contracted for a 24-hour by seven days per week availability of "server

and network devices” that was later modified to enterprise system maintenance and monitoring availability. Without the SLA reporting, COMM cannot determine whether the contractor has delivered the required level of service. The ASP approved the use of FFP performance-based SLAs to acquire Silver Eagle commercial IT services, but the acquisition office did not include in the contract a remedy for non-performance of this SLA or any other FFP requirement. Regardless of whether the contract includes a defined means to hold the contractor accountable for FFP requirements, the CO has an obligation to seek remedy for FFP requirements not received. However, the OIG could not verify that COMM held the contractor accountable for the ten-month performance shortfall to include through an equitable adjustment or in award fee determinations.¹⁰

(U//~~FOUO~~) In another example, COMM had not held the Silver Eagle contractor accountable for its employees meeting commercial certification requirements under DoD 8570.01-M, *Information Assurance Workforce Improvement Program*. Although the Silver Eagle SOW requires contract employees to meet certification requirements within six months of performing information assurance functions, COMM did not ensure the contractor delivered on this FFP requirement, nor did it seek a remedy from the contractor for non-compliance with the requirement. Based on the COMM data on the total number of contractor employees performing information assurance (IA) functions, the OIG assessed that the NRO may have overpaid the contractor. Nearly [REDACTED] contract employees performing IA functions did not comply with the certification requirement within six months of assuming IA functions as required by the SOW. Further, [REDACTED] contract employees did not meet the certification requirement for at least two years, and at least one additional person performed IA functions for three years without the certification. Therefore, the NRO has paid the contractor for services that are non-compliant with the SOW. (b)(3)

(U//~~FOUO~~) In addition, the OIG noted that the Silver Eagle CO has incorporated the new mandatory NRO Acquisition Manual (NAM) clause containing the certification requirement into the contract. The more stringent certification requires all contractor personnel performing IA functions under an NRO contract to have the proper and current IA certifications immediately (instead of the six-month grace period) in accordance with NRO Directive 50-5, *Information Assurance Workforce Enhancement Program*, and DoD 8570.01-M. However, COMM has not incorporated the DoD 8570.01-M requirements into the Silver Eagle SOW. Without clear and consistent certification requirements between the SOW and contract, the contractor could claim they still have a six-month grace period to fulfill the IA certification requirements when they bring on replacement personnel or to meet new requirements.

(U//~~FOUO~~) COMM is responsible for ensuring the Silver Eagle contractor’s proper performance of FFP requirements. Improved, rigorous contract oversight would ensure the NRO receives the required services or an equitable adjustment.

¹⁰ (U//~~FOUO~~) The lack of reporting could stem back to contract award, which was outside the scope of the testing period.

(U) Recommendation #4 for the Director, COMM in coordination with Director, Office of Contracts:

- A. (U//~~FOUO~~) Develop and implement oversight activities that ensure accountability for FFP and performance-based requirements.
- B. (U//~~FOUO~~) Assess whether an equitable adjustment is required for the Silver Eagle contractor's performance shortfall for FFP and performance-based requirements.

(U//~~FOUO~~) Management Response: Director, COMM concurred with the recommendation. COMM will reassess its oversight activities to ensure accountability for FFP and performance requirements. Should deficiencies be found, COMM would submit revisions or changes to the FDO and contracting officer for consideration. Estimated completion date is 31 July 2016.

(U) Recommendation #5 for the Director, COMM in coordination with Director, Office of Contracts:

- (U//~~FOUO~~) Revise the Silver Eagle SOW to require all contractor personnel performing IA functions to have the proper and current IA certifications in accordance with ND 50-5 and DoD 8570.1-M.

(U//~~FOUO~~) Management Response: Director, COMM concurred with the recommendation and requested closure. COMM modified the Silver Eagle SOW to ensure ND 50-5 and DoD 8570.1-M requirements are consistent across the entire contract. The government and contractor have agreed to the SOW changes.

(U//~~FOUO~~) OIG Response: The OIG has considered COMM's response and closed this recommendation.

(U//~~FOUO~~) FDO award fee decisions reward Silver Eagle contractor efforts instead of achieving or exceeding contract requirements. The OIG found that Fee Determination Officials (FDOs) have consistently determined the contractor's overall performance above satisfactory, despite the contractor's failure to meet specific contract requirements in the areas of property management, contractor personnel resources and skills, SLAs, and technical deliverables. The Silver Eagle Award Fee Plan indicates the award fee¹¹ is to provide the contractor a monetary incentive to perform better than satisfactory to obtain additional profit beyond the profit already included in the contractor prices.

(U//~~FOUO~~) The OIG reviewed three six-month award fee periods beginning 1 October 2012 and ending 31 March 2014.¹² The OIG found that the FDO and the acquisition office did not adhere to the Silver Eagle Award Fee Plan. For example, in award fee period four,

¹¹ (U) Appendix E details the contract award fee available and earned through 30 September 2014.

¹² (U) Covers award fee periods three through five.

the FDO and acquisition office did not establish support for a "satisfactory"¹³ rating in the property management area, which was assessed up from an "unsatisfactory" rating in award fee period three. The briefing slide¹⁴ for property management includes deficiencies, no strengths, and states, "A large amount of effort, communication, and updated Silver Eagle process are needed to remedy several issues across the enterprise." Deficiencies include concerns with the contractor's property management of COMM [redacted] bench stock and sparing level that contributed to an accumulation of excess equipment; the contractor's need for accurate and current property records; and the contractor's lack of adherence to current approved property management processes. Furthermore, the FDO and acquisition office did not support how they offset the property management deficiencies to warrant the recommended satisfactory rating.

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(U//~~FOUO~~) For the next award fee period (period five), the FDO determined the contractor's performance in the area of property management was "unsatisfactory," and noted numerous performance deficiencies. Period five was the third consecutive award period in which the FDO specified property management as an area for improvement and continued concern. Consequently, the contractor's failure to meet property management requirements challenges the NRO's ability to account for IT and telecommunications assets.

(U//~~FOUO~~) In addition to property management, the FDO also departed from the Award Fee Plan by rewarding the contractor for effort undertaken instead of achievement or exceeding contract requirements in personnel,¹⁵ SLA performance, and technical deliverables. For the three consecutive periods assessed, the FDO rated the contractor's performance for personnel as satisfactory even though the contractor did not meet all personnel skill and certification requirements. For SLA performance, the FDO was rating the contractor's performance as excellent or good in meeting the requirements, which is not consistent with the FDO statements that the contractor's status reports for SLAs contain incorrect information. Similarly, the award fee assessment for the technical deliverable has regularly identified quality concerns with the SLA information and that the contractor lacks a verifiable and accurate process for the metrics.

¹³ (U//~~FOUO~~) As defined, by the NRO in the Silver Eagle Award Fee Plan and award fee determination briefings, a satisfactory performance rating signifies that "deficiencies exist but are offset by areas of exceptional performance."

¹⁴ (U//~~FOUO~~) Award Fee Period 4, Evaluation: Management Performance, Sub-factor 7: Property management states, "Silver Eagle placed emphasis on this key focus area, working with the Government to jointly identify issues and mitigation strategies. Progress was made, albeit slow as this is a complex environment."

¹⁵ (U//~~FOUO~~) The award fee Personnel subfactor for

- Period 3 indicates, although staffing level has shown recent improvement, specific areas and instances of poor performance in this category remains, including the inability to meet all shift manning requirement and personnel qualifications.
- Period 4 indicates, manning for the overall program remains good, yet the contractor continues to have an inability to meet minimum shift manning requirements, personnel qualifications, training, and certification requirements.
- Period 5 states, "manning showed improvement over the course of the award fee period resulting in a satisfactory rating.... Government expects continued improvement and 100% manningmoving forward." The brief also states, after months of hard work, the contractor finally achieved 8570.01-M compliance.

Rewarding the contractor's performance effort rather than incentivizing the contractor to meet or exceed requirements has occurred because the FDOs had not

- followed the NAM that states that award fees for service contracts shall start at zero percent and increase in value as the contractor meets or exceeds performance expectations when accomplishing contract requirements;
- complied with the NAM that states, "unsatisfactory contractor performance must not be rewarded through award fee earnings;" and
- followed their Award Fee Plan that states the award fee will
 - incentivize the contractor to improve contract performance and exceed contract objectives,
 - provide the contractor a monetary incentive to perform better than satisfactory to obtain additional profit beyond the contractors' already fully burdened labor rates that include profit.

~~(U//FOUO)~~ To date, the NRO has awarded the Silver Eagle contractor nearly [redacted] percent of the available award fee.¹⁶ This fee is in addition to profit the NRO already paid as part of the contract structure without achieving the approved performance objectives. By not holding the contractor accountable for meeting or exceeding requirements through the award fee process, the NRO is sending an incorrect message on contractor performance. The NRO is paying for and rewarding the contractor with additional profit for substandard performance rather than seeking to motivate the contractor to improve performance.

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~~(U//FOUO)~~ COMM has the responsibility to ensure that it obtains the greatest value for its fund expenditures in supporting the NRO's IT and telecommunications mission responsibilities. Therefore, COMM needs to follow its acquisition strategy and award fee plan of motivating and rewarding the contractor for meeting or exceeding contract performance and must discontinue rewarding the contractor based on effort.

~~(U)~~ Recommendation #6 for the Director, COMM in coordination with Director, Office of Contracts:

~~(U//FOUO)~~ Ensure that the Silver Eagle award fee determinations are consistent with the NAM and Award Fee Plan.

~~(U//FOUO)~~ **Management Response:** Director, COMM concurred with the recommendation and requested closure. COMM has stabilized the FDO position and award fee monitoring to be consistent with the NAM and Award Fee Plan.

~~(U//FOUO)~~ **OIG Response:** The OIG has considered COMM's response and assessed a subsequent award fee determination document. The OIG acknowledges COMM's explanation of the award fee procedures, the complexity in determining contractor accountability under the Silver Eagle contract, and COMM's actions to achieve uniformity to enhance the contractor's

¹⁶ ~~(U//FOUO)~~ The total award fee pool available for the life of the contract including options is roughly [redacted]. As of period five, the NRO determined the contractor earned approximately [redacted] of the available allocation of over [redacted].

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performance across the 19 award fee subfactors. For future services acquisitions, COMM would benefit from an acquisition strategy and award fee plan that provides the government the flexibility to modify the emphasis of critical performance areas for motivating and rewarding the contractor for meeting or exceeding requirements. The OIG has closed this recommendation.

~~(U//FOUO)~~ **Payments made without a basis for payment.** The OIG found that the NRO has paid [] to the contractor for FFP services without establishing a commercial-based delivery payment plan in the contract and without defining a methodology to verify receipt of services for five CLINs. Payments include the service center, a tool suite, enterprise operations support, government site standard services, and program management. For some of these FFP CLINs, COMM is paying for services without a valid baseline to measure achievement that would necessitate payment. According to the FAR, FFP contract payments are based on results achieved and not effort expended. Without a valid requirement baseline to establish a FFP and criteria for payment of FFP CLINs, the NRO has no assurance it is receiving supplies or services valued commensurate with the invoiced amounts or payments made.

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~~(U//FOUO)~~ When the OIG sought to establish the basis for payment for two FFP CLINs, the CO and the contracting officer's technical representative (COTR) stated that COMM did not have a validated baseline to support the Service Center or the Government Site Standard Services CLINs. According to the contract, the Service Center CLIN supports over [] user accounts for a total price of approximately []. The Government Site Standard Services CLINs supports more than [] equipment for the base period plus one option period at a total price over []. The contract states, "baseline measurement will occur annually on the first business day of March...Any +/-3% change to the baseline quantity will initiate a discussion for potential price renegotiation of the CLIN 0001." However, the baseline has not changed since contract award. These acquisition officials performed an informal assessment for the Service Center CLIN baseline in April 2014, and found a discrepancy in the number of active and inactive user accounts. The actual number was approximately [] rather than the over [] user accounts on which the total fixed price is based. According to the current CO, the NRO approved and paid the invoices because the invoices were consistent with an FFP payment schedule that the contractor e-mailed to the CO, which is not part of the Silver Eagle contract. Hence, the NRO is paying for services under these two CLINs although a valid baseline and basis or methodology for verifying acceptance of services has not been established.

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~~(U//FOUO)~~ The OIG also found that the NRO has not specified a baseline measure of numbers of users or pieces of equipment to support a payment plan for two other FFP CLINs. The NRO has not established a payment plan for the Enterprise Operations Support CLIN with an FFP of approximately [] with a quantity of two for an unspecified description, and the Program Management CLIN that has an FFP of over [] for a quantity of one for an unspecified description. The CO and COTR stated that their basis for paying these CLINs was the monthly Business Management Reviews and Program Management Reviews, award fee input for the contractor, weekly meetings with the contractor, and an updated payment schedule provided by the contractor via e-mail that has no basis in the contract. By approving invoices

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¹⁷ (U) The CO and COTR have also stated that they are working toward capturing the required data for the CLIN 0001 and 0003 baselines.

without a baseline or basis for payment, the NRO is paying for services without verification they were received.

(U//~~FOUO~~) Further, the OIG found that the NRO made premature interim payments for the delivery of a service-enhancing, commercial off-the-shelf FFP tool suite, valued at [REDACTED] without specifying the payment financing terms and before accepting full operational capability (FOC) of the suite and certification and accreditation of the system. According to FAR 32.202-1 *Policy* (a), the contractor is responsible for providing all resources needed for contract performance and financing. The FAR also states that if the market research indicates a common practice or the need for commercial financing, such as interim payments, the CO should specify payment terms provided in the Request for Proposal (RFP), Instructions to Offerors, and in the contract. If payment terms are not stated in the RFP, the CO is required to include FAR 52.232-31, *Invitation to Propose Financing Terms*, in the RFP, and the contract should include FAR 52.232-29, *Terms for Financing of Purchases of Commercial Items*. Notwithstanding including FAR 52.232-29 into the contract, the clause lacks specific detail on payment terms. The acquisition office did not provide any information warranting interim payments, whether the IT service market requires buyer financing as a commercial practice, or how such financing occurs in the commercial market place. According to the CO, the NRO has not provided commercial financing. Instead, the CO stated that the tool suite payments were based on [REDACTED] of the annual contract value for the CLIN. Still, the contract does not specify those terms, and the Silver Eagle contractor's vouchers did not include supporting data to indicate the basis of the interim payments. Furthermore, full payment for the tool suite occurred nearly a year before FOC, which conflicts with the contract documentation that indicates acceptance of the tool suite is FOC. Additionally, COMM continues to identify quality shortfalls with the SLA information obtained from the tool suite delivery, and cites the contractor's lack of a verifiable and accurate process for determining and reporting performance metrics. Without a valid baseline and a valid and verifiable basis of payment, the NRO does not have the assurance that it has properly paid for Silver Eagle services and tools. In addition, the OIG found other examples of areas for internal control improvements to the contract baseline and payment process oversight.

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(U//~~FOUO~~) **Need for a Valid FFP Baseline.** The OIG found recurring transfers of [REDACTED] different fixed-price (FP) CLINs indicating COMM lacks clarity of stakeholder requirements and a valid FP baseline. So far, COMM has modified the contract four times to transfer funding and scope from a FP labor hour Tail Site and Other Operating Location Support CLIN to a FFP Government Site Standard Services CLIN. According to the acquisition documentation, the first change clarified the charging methodology between the two CLINs, addressing an imbalance between the actual contractor work and funding, and the other changes realigned labor hours based on projections or actuals. The government accepted the contractor's proposed pricing and labor hour reductions for these transfers. However, the CO did not document the price analysis to demonstrate the government obtained the labor required before transferring funds to a FFP CLIN. Additionally, there was no assurance that the transfers did not provide the contractor increased profit. Furthermore, when the CO exercised the first two options, the CO's written determination states "exercising the option is the most advantageous method to fulfill the need, price, and other factors considered based on comparing the competitively selected prices with GSA labor rates." However, the determination does not

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provide any details on the pricing comparison, nor address the prior funding transfers, the reduction in labor hour requirements, or expected changes to the two CLINs. In June 2014, the CO exercised the latest option without the FAR-required written determination that the option's requirement fulfills an existing Government need and the rationale for the option is the most advantageous method to fulfill the government's need, price, and other factors. Without establishing a valid FFP baseline, the NRO will likely continue to be required to make administrative adjustments to these CLINs and risks overpaying for Silver Eagle services.

(U//~~FOUO~~) More frequent contractor billing increases NRO and contractor administrative costs. The OIG found that COMM is making payments on the Silver Eagle contract as frequently as every nine to ten calendar days. The Silver Eagle contract contains FAR contract clause 52.232-29, *Terms for Financing of Purchases of Commercial Items*, which limits the NRO to making financing payments once per month. Still, the CO and contract modification state that the CO authorized the contractor to bill twice monthly to increase funding execution for services. The OIG review of the Silver Eagle contractor billing and COMM payment of invoices showed that the NRO was paying up to three times per month. The emphasis on execution of funds rather than paying for validated requirements results in increased contractor and NRO administrative costs without any tangible benefit.

(U) Recommendation #7 for the Director, COMM in coordination with Director, Office of Contracts:

- A. (U//~~FOUO~~) At a minimum, validate the requirement baselines, contract pricing, and payment terms detailed in the findings above for CLINs 0001, 0002, 0003, 0005, and 0007. Payment terms should detail the basis for payment and the method of verification the CO will use for payment.
- B. (U//~~FOUO~~) Assess whether an equitable adjustment is warranted for the Silver Eagle contractor's inability to deliver the full scope on CLINs 0001, 0002, 0003, 0005, 0007, and 0010.

(U//~~FOUO~~) Management Response: Director, COMM concurred with the recommendation. COMM is working on a new Data Item Description that will provide additional detail on a portion of CLINs 0001 and 0003. COMM will validate other CLINs of concern. COMM will provide additional detail concerning the monitoring controls to determine whether equitable adjustment can be made. Estimated completion date is 31 October 2015.

(U//~~FOUO~~) COMM could not explain fluctuations in PED services pricing. The OIG found that Silver Eagle contractor vouchers for domestic portable electronic devices (PEDs) did not explain fluctuations in the monthly services prices. Depending on the device, the monthly price escalated in the contract's second year from approximately [redacted] to a high of [redacted]. In the third year, the price of most service devices decreased between [redacted] and [redacted] per unit. For the next four years, the price per unit escalated gradually, and then dropped below the first year's price per unit in the last two periods of performance. In exercising the option for the second year of PED services, the CO's written determination and finding, and memorandum for the record do not provide any detail pricing comparison information or

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rationale for the significant price increases in year two. Although requested, COMM did not provide cost or price analysis that supports the fluctuation in the pricing.

(U) Recommendation #8 for the Director, COMM in coordination with Director, Office of Contracts:

- A. (~~U//FOUO~~) Assess and document the price reasonableness for CLIN 0006 PED service pricing for year two.
- B. (~~U//FOUO~~) Assess whether an equitable adjustment is warranted for CLIN 0006 PED service pricing for year two.

(U//~~FOUO~~) Management Response: Director, COMM concurred with the recommendation. COMM will reassess PED services pricing for year two and provide the information required. Estimated completion data is 31 October 2015.

(U//~~FOUO~~) OIG Response: The OIG reviewed COMM's assessment of the PED services pricing for year two that COMM submitted following the management response. COMM's assessment states that the equipment replenishment supports the price increase for year two. The OIG has closed this recommendation.

(U) Recommendation #9 for the Director, COMM in coordination with Director, Office of Contracts:

(~~U//FOUO~~) Assess ODC vouchers, including vouchers 11031, 11032, and 11034, and supporting information to determine and document whether an overpayment exists and the merit of obtaining reimbursement.

(U//~~FOUO~~) Management Response: Director, COMM concurred with the recommendation and requested closure. COMM conducted a reassessment of invoices 11031, 11032, and 11034, and determined that the invoices are free of error, each claim is allowable, and no overpayment was made.

(U//~~FOUO~~) OIG Response: The OIG considered the additional invoice support provided by COMM, and determined that COMM has resolved the questioned costs, and the current process is sufficient to address the risk of improper payments. Continued monitoring by the COTR and CO is critical to ensure accurate voucher review and payments. The OIG has closed this recommendation.

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(U) OTHER AUDIT MATTERS

(U//~~FOUO~~) Improving NRO's Acquisition of Commercial Services.

(U//~~FOUO~~) The OIG assessment of Silver Eagle and other NRO commercial contracting activities¹⁸ noted that the NRO acquisition workforce has experienced challenges with having an understanding of what service or product they are acquiring that is available in the commercial market place, and how the commercial market place would acquire, contract, and pay for similar commercial requirements on a FFP basis. Considering the FAR states the government prefers to acquire services on a commercial basis, the NRO would benefit from increased emphasis in educating the acquisition workforce on commercial acquisitions best practices. Training should highlight best practices to include surveying the market place to establish procedures for verifying and paying for commercial services and supplies.

¹⁸ (U//~~FOUO~~) Transformers Project Number 2012-009 J, Report dated 11 February 2014 and IT services Project Number 2012-001 A Report dated 30 September 2013

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(U) APPENDIX A: SUMMARY OF AUDIT RECOMMENDATIONS

(U) Recommendation #1 for the Director, COMM:

(U//~~FOUO~~) Consistent with the tenants of the NRO's Services Acquisition policy, assess the Silver Eagle contract to ensure that the current contract requirements align with the performance objectives as intended. Document the benefits and challenges of revising the current contract requirements. At a minimum, future services acquisitions should

- define each approved objective in measurable terms;
- define the current baseline performance level and performance goals;
- trace the approved performance objectives to the contract requirements (e.g. award fee criteria and service level agreements); and
- detail the provisions for measuring and reporting progress consistent with the approved performance objectives.

(U) Recommendation #2 for the Director, COMM:

(U//~~FOUO~~) Consistent with the NRO's Service Acquisition policy and procedures, solicit, assess, and incorporate stakeholder requirements and priorities into the Silver Eagle baseline or replacement contract.

(U) Recommendation #3 for the Director, COMM:

(U//~~FOUO~~) Modify the Silver Eagle customer satisfaction SLA metric to consider NRO stakeholder input on the quality of service received under the Silver Eagle contract.

(U) Recommendation #4 for the Director, COMM in coordination with the Director, Office of Contracts:

- A. (U//~~FOUO~~) Develop and implement oversight activities that ensure accountability for FFP and performance-based requirements.
- B. (U//~~FOUO~~) Assess whether an equitable adjustment is required for the Silver Eagle contractor's performance shortfall for FFP and performance-based requirements.

(U) Recommendation #5 for the Director, COMM in coordination with the Director, Office of Contracts:

(U//~~FOUO~~) Revise the Silver Eagle SOW to require all contractor personnel performing IA functions to have the proper and current IA certifications in accordance with ND 50-5 and DoD 8570.1-M.

(U) Recommendation #6 for the Director, COMM in coordination with Director, Office of Contracts:

(U//~~FOUO~~) Ensure that the Silver Eagle award fee determinations are consistent with the NAM and Award Fee Plan.

(U) Recommendation #7 for the Director, COMM in coordination with the Director, Office of Contracts:

- A. (U//~~FOUO~~) At a minimum, validate the requirement baselines, contract pricing, and payment terms for CLINs 0001, 0002, 0003, 0005, and 0007. Payment terms should detail the basis for payment and the method of verification the CO will use for payment.
- B. (U//~~FOUO~~) Assess whether an equitable adjustment is warranted for the Silver Eagle contractor's inability to deliver the full scope on CLINs 0001, 0002, 0003, 0005, 0007, and 0010.

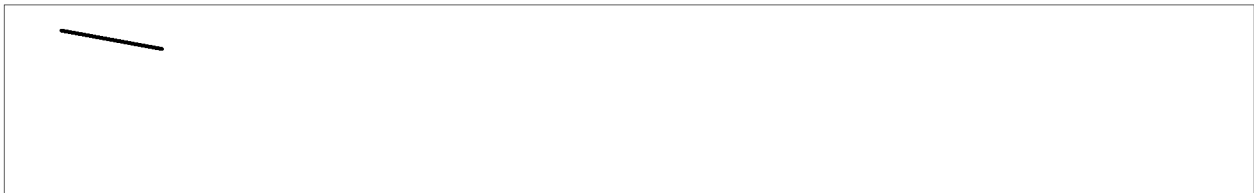
(U) Recommendation #8 for the Director, COMM in coordination with the Director, Office of Contracts:

- A. (U//~~FOUO~~) Assess and document the price reasonableness for CLIN 0006 PED service pricing for year two.
- B. (U//~~FOUO~~) Assess whether an equitable adjustment is warranted for CLIN 0006 PED service pricing for year two.

(U) Recommendation #9 for the Director, COMM in coordination with the Director, Office of Contracts:

(U//~~FOUO~~) Assess ODC vouchers, including vouchers 11031, 11032, and 11034 and supporting information to determine and document whether an overpayment exists and the merit of obtaining reimbursement.

(U) Recommendation #10 for the Director, COMM in coordination with the Director, OS&CI:



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(U) APPENDIX B: CONTRACT VALUE AND PRICED OPTIONS

(U//~~FOUO~~) Silver Eagle is a commercial, firm-fixed-price (FFP), award fee, Fixed-Price Labor Hour (LH) type contract. For Silver Eagle, FFP is used to acquire standard services and labor hour for non-standard services. Table 1 details the current contract line item numbers (CLIN), their description, contract type, and value, excluding options not yet exercised.

Table 1: (U) Contract Line Item Number Structure

CLIN	DESCRIPTION	TYPE	VALUE	CLIN	DESCRIPTION	TYPE	VALUE
0001	Service Center	FFP		0008	Incoming Transition	LH	
0002		FFP		0009	Outgoing Transition	LH	
0003	Government Site Standard Services	FFP		0010	Service Enhancing Tool Suite Integration	FFP	
0004	Government Site Non-Standard Services	Labor hour (LH)		0011	Other Direct Costs (ODCs)	CR	
0005	Tail Site and Other Operating Location Support	LH		0012	Award Fee	FFP	
0006	Portable Electronic Devices (PEDs) Support <input type="text"/>	FFP		0013	Patriot Enterprise Management System Operations & Maintenance (PEMS O&M)	LH	
0007	Program Management	FFP		0014	Portable Electronic Devices (PED) Support International	Cost	
	Subtotal				Total		

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(U//~~FOUO~~) Table 2 details the total price of the options by CLIN.

Table 2: (U) Total Available Price Options on the Silver Eagle Contract

CLIN	DESCRIPTION	TYPE	VALUE	CLIN	DESCRIPTION	TYPE	VALUE
0001	Service Center	FFP		0008	Incoming Transition	LH	
0002		FFP		0009	Outgoing Transition	LH	
0003	Government Site Standard Services	FFP		0010	Service Enhancing Tool Suite Integration	FFP	
0004	Government Site Non-Standard Services	LH		0011	Other Direct Costs (ODCs)	CR	
0005	Tail Site and Other Operating Location Support	LH		0012	Award Fee	FFP	
0006	Portable Electronic Devices (PEDs) Support <input type="text"/>	FFP		0013	Patriot Enterprise Management System Operations & Maintenance (PEMS O&M)	LH	
0007	Program Management	FFP		0014	Portable Electronic Devices (PED) Support M- International	Cost	
	Subtotal				Total		

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(U) APPENDIX C: SCOPE AND METHODOLOGY

(U//~~FOUO~~) The Office of the Inspector General (OIG) performed this audit from December 2013 to November 2014 in accordance with *Generally Accepted Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that the OIG support its work with sufficient, appropriate evidence that provides a reasonable basis for the findings and conclusions based on our audit objectives. The OIG assessed the internal controls deemed significant within the context of the audit objectives. During the audit planning work, the OIG noted that the acquisition strategy and structure of the Silver Eagle contract merited a closer look to addresses the National Reconnaissance Office's (NRO's) acquisition oversight process of the Silver Eagle acquisition planning, acquisition strategy, and contract implementation. Any information system data used by the auditors or included in this report for informational purposes was not audited, and is not significant to the audit findings.

(U//~~FOUO~~) To accomplish the audit, the OIG reviewed and documented relevant acquisition and IT laws and regulations, and NRO guidance, policies, and procedures. The OIG assessed whether the NRO governance implementation of the Silver Eagle acquisition included tracing the Acquisition Panel (ASP)-approved acquisition strategy for Silver Eagle through to contract implementation. This included evaluating the contractor's compliance with the Statement of Work (SOW) and Department of Defense 8570.01-M, "Commercial Certification" requirements for individuals performing information assurance requirements, and assessing the potential Silver Eagle insider threat by testing and analyzing the NRO's monitoring and polygraphing of privileged users consistent with the SOW.

(U//~~FOUO~~) The OIG analyzed the Office of Contracts Compliance Review Reports and its recommendations for the Silver Eagle request for proposal and contract recommendations to determine implementation. The OIG assessed the implementation of the NRO's Silver Eagle Government Quality Concept document, and the Silver Eagle contract. The contract assessment included evaluating the NRO's oversight and contractor compliance with elements of the SOW, Award Fee Plan, payment terms, contractor's labor hours, and portable electronic device pricing, Work Breakdown Structure, Contract Data Requirements List (CDRL), and Data Item Descriptions.

(U//~~FOUO~~) The OIG analyzed the NRO and the acquisition office's effectiveness in using its oversight mechanisms to oversee and verify Silver Eagle contract performance. The oversight mechanisms applied to the Silver Eagle included the Award Fee determinations, the contractor's service level reporting; contractor's delivery of the tool suite, and training and reference manual; and review and approval of Silver Eagle vouchers and invoices.

(U//~~FOUO~~) The OIG evaluated the Communications Systems Directorate's (COMM's) Award Fee determinations for three six-month periods covering eighteen months of contract performance from 1 October 2012 through 31 March 2014; and the acquisition office's assessment of the General Dynamics Information Technology, Incorporated (GDIT) Service Level Agreement (SLA) contract reporting from 1 October 2012 through 30 November 2013 within the award fee process. The OIG evaluated the government's acceptance and payment for the delivery of the GDIT's CDRL 0010, the Tool Suite Design Description and Tool, and the GDIT Tool Training and Reference Manual.

(U//~~FOUO~~) To determine the scope of the policies, procedures, and processes GDIT implemented, the OIG assessed additional oversight mechanisms. Included in the OIG assessment were the contractor's delivery and government acceptance of CDRLs. The CDRLs consisted of the Program Management Plan, Program Security Management Plan, Configuration Management Plan, Communication Plan, Quality Control Plan, Organizational Conflict of Interest Plan, and Innovation Report, Program Monthly Review briefs, and the Business Monthly Review briefs for October and November 2013. The OIG also assessed GDIT's Asset Inventory Report dated 17 September 2013, and GDIT's Monthly Procurement Reports dated September and October 2013.

(U//~~FOUO~~) To determine the effectiveness of the NRO's review and approval of Silver Eagle vouchers and invoices, the OIG used a non-statistical sampling approach. The sample included one voucher or invoice and payment for each of the active Silver Eagle CLINs 0001, 0002, 0003, 0004, 0005, 0006, 0007, 0011, 0014 for the period 1 July 2013 to 30 June 2014. The total universe for this period and these CLINs consists of 101 vouchers or invoices. In evaluating the vouchers and invoices, the OIG compared the pertinent contract payment terms, contractor's labor hours and portable electronic device pricing to the applicable invoice. For CLIN 0010, the firm-fixed-price tool suite, the OIG evaluated 11 of 27 vouchers and payments. This sample included selecting the first voucher, skipping the second voucher, selecting the third voucher, skipping the fourth and fifth vouchers, selecting the sixth voucher, skipping the seventh voucher, selecting the eighth voucher, and continuing the same pattern for the remaining vouchers the OIG reviewed.¹⁹ The OIG did not use the results of a non-statistical sample to project our conclusion on the universe of payment vouchers. Still, the sample items represent the universe, and therefore provide a sufficient basis of validity to support our related audit findings and conclusions. The OIG also assessed the completeness and validity of the invoice data.

¹⁹ (U//~~FOUO~~) The sample for CLIN 0010 consisted of eleven vouchers, voucher numbers 10001, 10003, 10006, 10008, 10011, 10013, 10016, 10018, 10021, 10023, and 10026.

(U) APPENDIX D: PATRIOT AUDIT RECOMMENDATIONS

(U) In 2007, the NRO OIG issued a report on the Silver Eagle predecessor contract entitled *Audit of the National Reconnaissance Office Management of the Patriot Program (Project No. 2006-008A)*, dated 8 June 2007. In this audit, the OIG reported significant performance challenges the NRO experienced. Table 1 provides details the recommendations and their closure dates.

Table 1: (U) Audit of the NRO Management of the Patriot Program dated 8 June 2007

Patriot Recommendations	Closed
#1a: Identify the NRO Information and Communications Technology (ICT) operational baseline and clearly define the Patriot contract baselines and scope for performance based and LOE.	25-Mar-11
#1b: Document and incorporate the baselines and scope changes into the Patriot contract.	25-Mar-11
#1c: Develop an accelerated plan to improve NRO ICT support by <ul style="list-style-type: none"> • eliciting proactive COMM senior management participation and commitment to Information Technology Infrastructure Library (ITIL), performance based and Patriot success, • ensuring resources to implement and complete customer SLAs and service catalog, and • establishing a schedule with milestones. 	25-Mar-11
#2a: Accelerate the customer outreach program to validate customer requirements and satisfaction.	2-Jun-10
#2b: Keep users apprised of performance standards and planned Patriot changes including costs that will impact the customer.	2-Jun-10
#3: Conduct periodic reviews of SLAs to ensure currency and validity in accordance with the contract.	22-Jul-09
#4a: Ensure the contractor implements the approved property plan to attain an approved property system.	17-Nov-11*
#4b: Hold the contractor accountable for required inventories or have the contractor provide consideration to the government for inventories not completed.	5-Jan-08
#5: For future contracts, ensure that contractor property systems and plans are approved prior to transferring property responsibility to the contractor.	30-Nov-07
#6a: Formally communicate to customers a schedule for requested services and educate them about the factors that impact the timeliness of responses to their requests.	20-Nov-09
#6b: Survey customers one year from implementation to determine if the new COMM governance process is satisfying the intended timeliness and requirements status needed.	20-Nov-09
#7: Hold Harris Technical Services Corporation (HTSC) accountable to provide the skilled personnel they indicate are required to meet the contract requirements through the award fee process or other means.	20-Nov-09
#8: Require the contractor to provide and implement an action plan to achieve and sustain accurate invoicing and Contract Funds Status Report.	17-Nov-11*
#9: Address audit delays with Defense Contract Audit Agency Management.	27-Jul-07
#10a: Ensure HTSC expedites an effective tool capability to support COMM ICT ITIL and performance based business objectives.	20-Nov-09
#10b: Ensure all contract changes are formally tracked and consideration documented.	20-Nov-09
#11: Obtain equitable consideration for delayed Patriot Enterprise Management System capability.	22-Jul-09
#12: Ensure NRO Management Information Systems ecommendations are implemented on a timely basis.	20-Nov-09
*Recommendations closed because of the Patriot contract migration to the Silver Eagle contract.	

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(U) APPENDIX E: SILVER EAGLE AWARD FEE SUMMARY

(U) Table 1 details the Silver Eagle contract award fee available and earned through 30 September 2014.²⁰

Table 1: (U) Award Fee Summary

Award Fee Period		Available Award Fee Pool	Overall Percentage Awarded	Awarded
1	15 Aug 2011- 31 Mar 2012			
2	1 Apr 2012 - 30 Sep 2012			
3	1 Oct 2012 - 31 Mar 2013			
4	1 Apr 2013 - 30 Sep 2013			
5	1 Oct 2013 - 31 Mar 2014			
6	1 Apr 2014 - 30 Sep 2014			
Total				

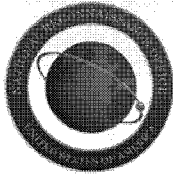
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²⁰ (U) Silver Eagle contract modification 60, attachment 3, Award Fee Plan

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(U) APPENDIX F: MANAGEMENT COMMENTS



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NATIONAL RECONNAISSANCE OFFICE
14675 Lee Road
Chantilly, VA 20151-1715

21 August 2015

MEMORANDUM FOR INSPECTOR GENERAL

SUBJECT: (U) Draft Audit of the National Reconnaissance Office
Management of the Silver Eagle Contract (Project Number
2014-003 A)

REFERENCE: (U) "Draft Audit of the NRO Management of the Silver
Eagle Contract" (Project Number 2014-003 A),
6 May 2015

(U) Thank you for the opportunity to review and comment on the subject draft report. The Communications Systems Directorate (COMM) provides the following addendum to the management comments signed on 1 July 2015, based on Office of the Inspector General (OIG) revisions of the recommendations and further discussions.

~~(U//FOUO)~~ Recommendation #1 for the Director: Consistent with the tenants of the NRO's Services Acquisition policy, assess the Silver Eagle contract to ensure that the current contract requirements align with the performance objectives as intended. Document the benefits and challenges of revising the current contract requirements. At a minimum, future services acquisitions should

- a. define each approved objective in measurable terms,
- b. define the current baseline performance level and performance goals,
- c. trace the approved performance objectives to the contract requirements (e.g. award fee criteria and service level agreements), and
- d. detail the provisions for measuring and reporting progress consistent with the approved performance objectives.

~~(U//FOUO)~~ Status: Open. COMM will assess the Silver Eagle contract to ensure that the current contract requirements align with the intent of the government acquisition as presented in the Application Service Provider (ASP) briefing on 19 August 2010. Since the Silver Eagle contract is in the fifth year (second option year) of the contract and will be soon transitioning to the future services acquisitions, COMM does not intend to change the requirements currently on contract. For future services acquisitions, COMM will take this recommendation into account and ensure the objectives as outlined above are addressed by contracts. Estimated completion date: 30 November 2015.

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SUBJECT: (U) Draft Audit of the National Reconnaissance Office
Management of the Silver Eagle Contract (Project Number
2014-003 A)

(U//~~FOUO~~) Recommendation #2 for the Director, COMM: Consistent with the NRO's Service Acquisition policy and procedures, solicit, assess, and incorporate stakeholder requirements and priorities into the Silver Eagle baseline or replacement contract.

(U//~~FOUO~~) Status: Recommend Closure. Regarding the future services acquisitions, COMM briefed the Transformers framework at several customer engagement forums, including the Directorates and Offices (Ds and Os), the Information Technology Executive Council, the National Reconnaissance Office (NRO) Corporate Process (where it was approved), and NRO site commanders. In addition, COMM briefed the individual Transformers acquisitions to the Ds and Os as well as multiple Acquisition Strategy Councils. COMM will continue customer engagement up to and through contract award for each of the Transformers contracts. COMM can provide additional documentation upon request and signing of Non-Disclosure Agreements.

(U//~~FOUO~~) Recommendation #3 for the Director, COMM: Establish a Silver Eagle customer satisfaction SLA metric that considers NRO stakeholder input on the quality of service received under the Silver Eagle contract.

(U//~~FOUO~~) Status: Recommend Closure. The Silver Eagle contract includes 36 total Service Level Agreements (SLAs), 19 of which regard Customer Support Functions. Of these 19 SLAs, there are 2 specific SLAs that directly measure customer satisfaction: 2.4.1 Customer Satisfaction as Rated in Surveys after Ticket Resolution; and, 2.4.2 Customer Satisfaction as Rated in the [redacted] Annual Survey. These SLAs are tracked by the government and the contractor is held accountable by the award fee process if the SLAs are not met. For example, the Silver Eagle contractor has received a 94 percent favorable rating out of [redacted] surveys for the month of April 2015, as well as a 94-95 percent favorable rating for the previous 3 months. COMM has provided additional detail of these SLAs and surveys to the OIG. In addition to these SLAs, COMM recently completed a project to visit the Ds and Os front offices in order to ensure customer satisfaction of enterprise Information Technology services. All of the NRO front office Ds and Os were evaluated and approximately [redacted] workstations were refreshed during this project.

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(U) Recommendation #4 for the Director, COMM in coordination with the Director, Office of Contracts:

- a. (U//~~FOUO~~) Develop and implement oversight activities that ensure accountability for FFP and performance based requirements.

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SUBJECT: (U) Draft Audit of the National Reconnaissance Office
Management of the Silver Eagle Contract (Project Number
2014-003 A)

b. (U//~~FOUO~~) Assess whether an equitable adjustment is required for the Silver Eagle contractor's performance shortfall for FFP and performance based requirements.

(U//~~FOUO~~) Status: Open. COMM holds the contractor accountable for Firm Fixed Price (FFP) requirements in a number of ways, including: daily, weekly and monthly interactions with the contractor; Data Item Descriptions (DIDs)/Contract Data Requirements Lists (CDRLs); SLAs/Key Performance Indicators (KPIs); and, quarterly inputs from Government Points of Contact (GPOCs) across the NRO enterprise. However, the Silver Eagle contract does not have a Performance Work Statement or a Statement of Objectives and is therefore not a performance-based contract. The SLAs provide data for the government to evaluate the contractor's performance as an indicator under the FFP contract and the Award Fee process. As documented in the attached remediation plan, COMM will reassess its oversight activities to ensure accountability for FFP and performance requirements. Should deficiencies be found, COMM will submit revisions or changes to the Fee Determining Official (FDO) and Contract Officer for consideration. Estimated completion date is 31 July 2016.

(U//~~FOUO~~) Recommendation #5 for the Director, COMM in coordination with the Director, OC: Revise the Silver Eagle SOW to require all contractor personnel performing IA functions to have the proper and current IA certifications in accordance with ND 50-5 and DoD 8570.1-M.

(U//~~FOUO~~) Status: Recommend Closure. COMM has modified the Silver Eagle Statement of Work (SOW) to ensure NRO Directive (ND) 50-5 and Department of Defense 8570.1-M requirements are consistent across the entire contract. SOW changes have been agreed upon by both the government and the contractor. The updated SOW has been provided to the OIG.

(U//~~FOUO~~) Recommendation #6 for the Director, COMM in coordination with Director, OC: Ensure that the Silver Eagle award fee determinations are consistent with the NAM and Award Fee Plan.

(U//~~FOUO~~) Status: Recommend Closure. The FDO award fee decisions are consistent with the NRO Acquisition Manual (NAM) and the Award Fee Plan. The Silver Eagle Award Fee Plan is a "zero-up" approach as required in the NAM for services contracts. COMM receives roughly 500 award fee comments each period from across the enterprise and evaluates every comment. There are 19 award fee sub-factors that are considered in the aggregate, which roll up to 4 major award fee factors. "Unsatisfactory ratings" have not been rewarded via award fee, and the contractor is held accountable where applicable. Historically, the Silver Eagle contract award fee has ranged from 82

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SUBJECT: (U) Draft Audit of the National Reconnaissance Office
Management of the Silver Eagle Contract (Project Number
2014-003 A)

to 97.5 percent overall, and the contractor has received both "unsatisfactory" and "satisfactory" ratings in several sub-factors. However, these ratings have occurred in areas where other sub-factors offset that particular rating since they roll up to the major factors. Additionally, the Silver Eagle Award Fee Plan is more strict than most contracts in that the contractor must receive an overall rating of "Good" (80 percent) or higher in order to receive an award fee payment, otherwise the contractor receives "zero award fee" for that period.

(U) Recommendation #7 for the Director, COMM in coordination with the Director, OC:

- a. (U//~~FOUO~~) At a minimum, validate the requirement baselines, contract pricing, and payment terms detailed in the findings above for CLINs 0001, 0002, 0003, 0005, and 0007. Payment terms should detail the basis for payment and the method of verification the CO will use for payment.
- b. (U//~~FOUO~~) Assess whether an equitable adjustment is warranted for the Silver Eagle contractor's inability to deliver the full scope on CLINs 0001, 0002, 0003, 0005, 0007, and 0010.

(U//~~FOUO~~) Status: Open. In addition to daily, weekly, and monthly interactions with the contractor, COMM uses many different items as basis for payments: DIDs/CDRLs; SLAs/KPI; and quarterly inputs from GPOCs across the NRO enterprise. The FFP baseline, especially in the areas of hardware and user accounts constantly fluctuates. Trigger points have been in place since inception of the contract for this reason. COMM is currently working on a new DID that will provide additional detail on a portion of Contract Line-Item Numbers (CLINs) 0001 and 0003. COMM will also validate the other CLINs of concern. However, according to the contract, once the contractor performs the service in question, the government has 60 days to determine whether the service is deemed unacceptable. After 60 days the service is deemed acceptable and an equitable adjustment cannot be made. Estimated completion date is 31 October 2015.

(U) Recommendation #8 for the Director, COMM in coordination with the Director, OC:

- a. (U//~~FOUO~~) Assess and document the price reasonableness for CLIN 0006 PED service pricing for year two.
- b. (U//~~FOUO~~) Assess whether an equitable adjustment is warranted for CLIN 0006 PED service pricing for year two.

(U//~~FOUO~~) Status: Open. The NRO Acquisition Center of Excellence has the original government assessment for price

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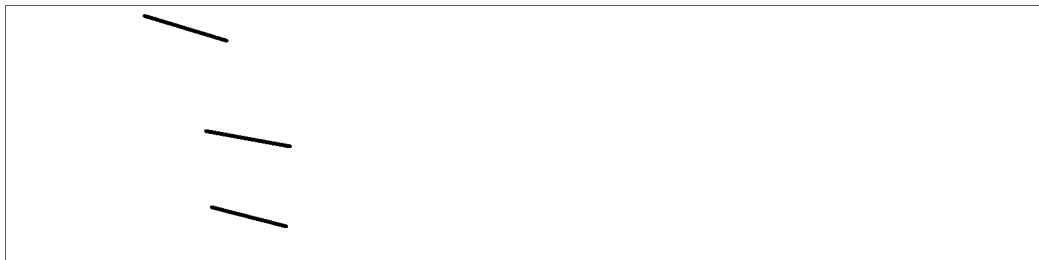
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SUBJECT: (U) Draft Audit of the National Reconnaissance Office
Management of the Silver Eagle Contract (Project Number
2014-003 A)

reasonableness since it was accomplished during source selection, as mentioned in our 8 October 2014 e-mail response to the OIG. The fluctuations in Portable Electronic Devices (PEDs) services pricing in year two was due to the increased cost of domestic PEDs being used internationally, and the number of PEDs activated in any given month. COMM identified this issue and conducted a cleanup of PEDs services and the cost of PEDs therefore decreased overall. The International PEDs were moved to a separate CLIN 0014 and became Cost Reimbursable, and the domestic PEDs were changed to a flat-rate plan, where applicable. The number of PEDs activated in a given month is documented in CDRL A012 Business Management Reviews and verified using the NRO Enterprise Tool Suite. COMM will reassess PED services pricing for year two and provide the information required. Estimated completion date is 31 October 2015.

~~(U//FOUO)~~ Recommendation #9 for the Director, COMM in coordination with the Director, OC: Assess vouchers 11032, 11031, and 11034 and supporting information to determine and document whether an overpayment exists and the merit of obtaining reimbursement.

~~(U//FOUO)~~ Status: Recommend Closure. COMM has reviewed travel invoices 11031, 11032, and 11034, and determined that the invoices are free of error, each claim is allowable per the Joint Federal Travel Regulations (JFTR) and no overpayment was made. COMM obtained all applicable documentation, including the Standard Form 1034, invoice summation, invoice back-up detail, and receipts. COMM verified that all the information on each document matched exactly; verified that the correct period of performance on the invoice coincides with the appropriate CLINs billed; verified that each travel request was approved by the Contracting Officer/Contracting Officers Technical Representative (CO/COTR) and the approval date was prior to the travel start date; verified that each travel cost was allowable per the JFTR; verified that each travel cost was billed within the appropriate CLIN matching when the travel occurred and approved by a CO/COTR; and, verified that appropriate notes were provided for any explanation required. All documentation for these invoices in question can be made available by request. COMM has provided the OIG with additional detail on the Silver Eagle contract invoice review process.



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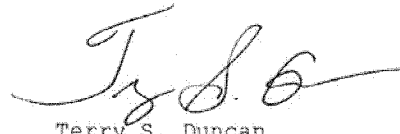
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SUBJECT: (U) Draft Audit of the National Reconnaissance Office
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(U//~~FOUO~~) Status: Open. COMM is aware of multiple findings within the Privileged User program. Part "a" of this finding will concurrently close when COMM resolves Recommendations #1 and #2 of the Audit of the Management Information Systems Privileged Users (Project 2010-007 A) of 2010. For part "b" of this recommendation, the following is a joint statement from COMM and the Office of Security and Counterintelligence (OS&CI): COMM will work to ensure individuals assigned to privileged user roles are identified to OS&CI upon assignment. OS&CI prioritizes the NRO polygraph testing population for high risk personnel, including users when identified. Estimated completion date is 30 June 2016.

(U) Contact [] COMM, Acting Director, []
[] Staff at secure [] with any
questions.



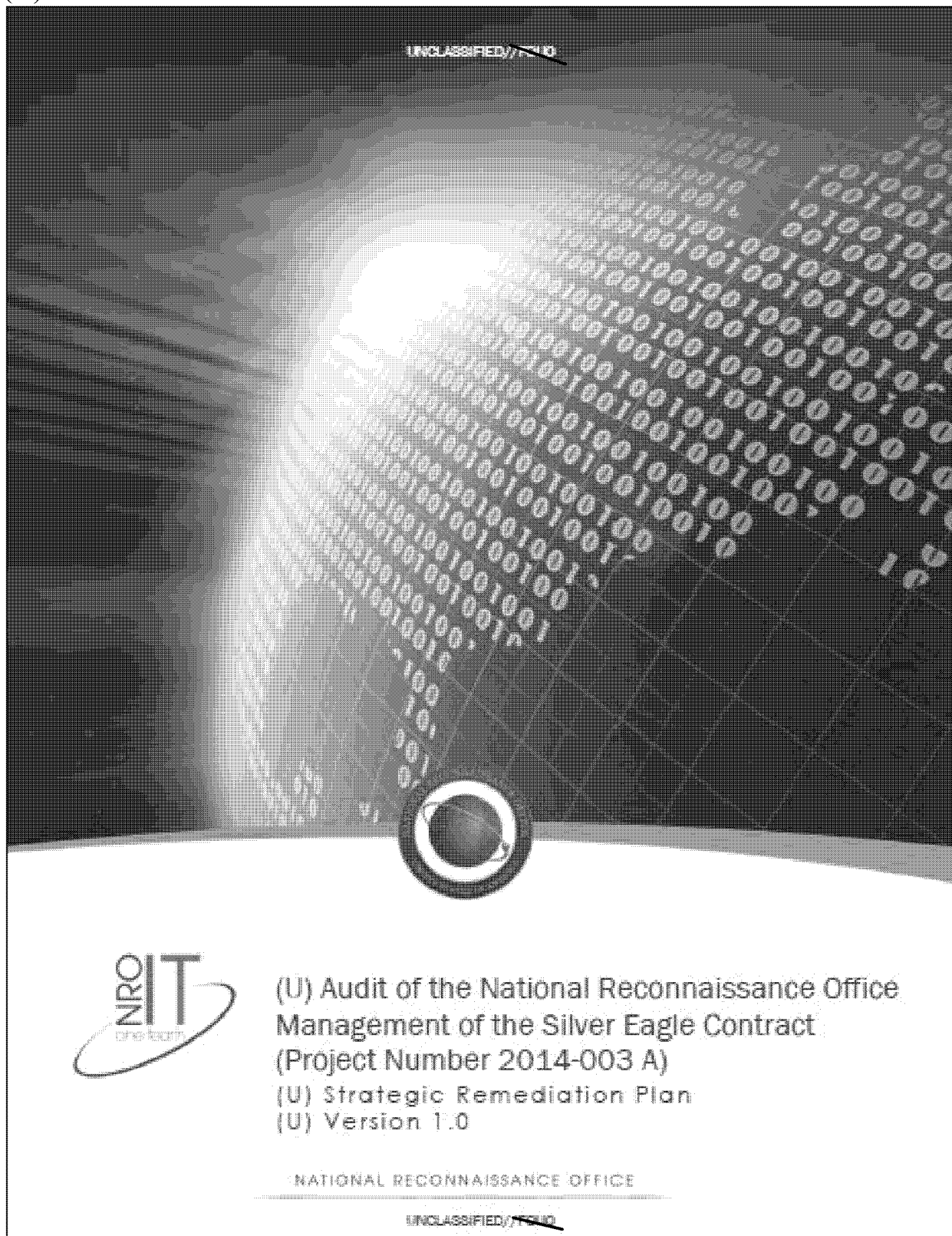
Terry S. Duncan
Director, Communications Systems
Directorate

Attachment:
(U) Strategic Remediation Plan
Silver Eagle Contract (U//~~FOUO~~)

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(U) Attachment



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Audit of Silver Eagle Contract Remediation Plan

Contents

(U) Recommendation #1 for the Director, Communications Systems Directorate (COMM):	1
(U// FOUO) Consistent with the tenets of the National Reconnaissance Office (NRO)'s Services Acquisition policy, assess the Silver Eagle contract to ensure that the current contract requirements align with the performance objectives as intended. Document the benefits and challenges of revising the current contract requirements. At a minimum, future services acquisitions should	1
• define each approved objective in measurable terms,	1
• define the current baseline performance level and performance goals,	1
• trace the approved performance objectives to the contract requirements (e.g. award fee criteria and service level agreements), and	1
• detail the provisions for measuring and reporting progress consistent with the approved performance objectives.	1
(U) Recommendation #4 for the Director, COMM in coordination with Director, Office of Contracts (OC):	2
A. (U// FOUO) Develop and implement oversight activities that ensure accountability for Firm Fixed Price (FFP) and performance based requirements.	2
B. (U// FOUO) Assess whether an equitable adjustment is required for the Silver Eagle contractor's performance shortfall for FFP and performance based requirements.	2
(U) Recommendation #7 for the Director, COMM in coordination with Director, OC:	3
A. (U// FOUO) At a minimum, validate the requirement baselines, contract pricing, and payment terms detailed in the findings above for CLINs 0001, 0002, 0003, 0005, and 0007. Payment terms should detail the basis for payment and the method of verification the OC will use for payment.	3
B. (U// FOUO) Assess whether an equitable adjustment is warranted for the Silver Eagle contractor's inability to deliver the full scope on CLINs 0001, 0002, 0003, 0005, 0007, and 0010.	3
(U) Recommendation #8 for the Director, COMM in coordination with Director, OC:	4
A. (U// FOUO) Assess and document the price reasonableness for CLIN 0008 Portable Electronic Device (PED) service pricing for year two.	4
B. (U// FOUO) Assess whether an equitable adjustment is warranted for CLIN 0008 PED service pricing for year two.	4
(U) Recommendation #10 for the Director, COMM in coordination with the Director, Office of Security and Counterintelligence (OS&CI):	5



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Audit of Silver Eagle Contract Remediation Plan

(U) Recommendation #1 for the Director, Communications Systems Directorate (COMM):

(U//~~FOUO~~) Consistent with the tenants of the National Reconnaissance Office (NRO)'s Services Acquisition policy, assess the Silver Eagle (SE) contract to ensure that the current contract requirements align with the performance objectives as intended. Document the benefits and challenges of revising the current contract requirements. At a minimum, future services acquisitions should

- define each approved objective in measurable terms,
- define the current baseline performance level and performance goals,
- trace the approved performance objectives to the contract requirements (e.g. award fee criteria and service level agreements), and
- detail the provisions for measuring and reporting progress consistent with the approved performance objectives.

(U) Action Owner or Point of Contact (POC): [redacted] Silver Eagle Contracting Officer
Technical Representative (COTR) in coordination with COMM, [redacted]
[redacted] Leadership and COMM Contracts

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Milestone Dates	Planned Activity
31 Oct 15	(U) COMM will review the NRO services acquisition policy and NRO Acquisition Manual (NAM) in order to determine if the Silver Eagle contract met the intent of the government acquisition as presented and approved in the ASP briefing on 18 August 2010. After reviewing the acquisition policy and NAM, COMM will also review the SE contract requirements, Statement of Work (SOW), Data Item Descriptions (DIDs)/Contract Data Requirements List (CDRLs), Service Level Agreements (SLAs)/Key Performance Indicators (KPIs) and Award Fee Plan in order to ensure that the current contract requirements align with the approved Application Service Provider (ASP) briefing referenced.
30 Nov 15	(U) If any contract requirements are deficient, COMM will document the shortfall or lessons learned and share them with other COMM Information Technology acquisition teams for their research, consideration and projected contract activity.
Dependencies(D)/Risks(R)/Mitigations(M)/Issues(I)	
I - (U) Since the Silver Eagle contract is in the fifth year (second option year) of the contract and will be soon transitioning to the future services acquisitions, COMM does not intend to change the requirements currently on the SE contract. Risks and current funding make any contract modifications cost prohibitive.	
M - (U) For the future services acquisitions, COMM will take this recommendation into account and ensure the objectives as outlined above are met in the future.	

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Audit of Silver Eagle Contract Remediation Plan

(U) Recommendation #4 for the Director, COMM in coordination with Director, Office of Contracts (OC):

A. (U//~~FOUO~~) Develop and implement oversight activities that ensure accountability for FFP and performance based requirements.

B. (U//~~FOUO~~) Assess whether an equitable adjustment is required for the Silver Eagle contractor's performance shortfall for FFP and performance based requirements.

(U) Action Owner or POC: [redacted] Silver Eagle COTR in coordination with COMM [redacted]
Leadership and COMM Contracts

Milestone Dates	Planned Activity
30 Sep 15	(U) Reassess Silver Eagle oversight activities that ensure accountability for FFP and performance requirements. The following steps will need to be taken in order for COMM to reassess the DIDs/CDRLs, SLAs/KPIs, quarterly inputs from Government POCs across the enterprise and Award Fee determination process that ensure accountability for FFP and performance requirements. COMM will review the DIDs/CDRLs, SLAs/KPIs and Award Fee Plan that are related to FFP and its performance indicators.
30 Oct 15	(U) If any contractual performance requirements/data points are deficient, COMM will submit revisions or changes to the Fee Determining Official (FDO) for consideration. Upon input and concurrence by the FDO, any required changes to any of the documents will be forwarded to the CO for review and implementation.
31 Dec 15	(U) The CO will verify and validate the changes are consistent with the contract, NAM and FAR. If the CO concurs with the changes, the CO will forward the changes to the Contractor as addition/revisions to any DID/CDRL, SLAs or update the Government Award Fee Plan as required.
31 Mar 16	(U) The Contractor will review and provide revisions/comments, concurrence or non-concurrence to the proposed changes/additions. When all parties have agreed upon the proposed changes/additions to the documents, the DID/CDRL and SLAs/KPIs or the Gov't award fee changed on the next modification of the contract. COMM will closely monitor the revisions, modifications to the DIDs/SLAs or Award Fee for 90 days to ensure any changes are effective in holding the contractor accountable for FFP and its performance on the contract.
31 Jul 16	(U) COMM will again reassess its oversight activities to ensure accountability for FFP and performance requirements based on its Award Fee determination criteria and SLAs are meeting the desired results of the contract based on the changes.
Dependencies(D)/Risks(R)/Mitigations(M)/Issues(I)	
I - (U) DIDs, CDRLs and SLAs revisions/changes require substantial interaction and agreements between the Government and the Contractor. The Contractor could technically disagree with the changes with an impending cost being imposed on the Government for higher level of service and or a change that causes a scope increase to the FFP elements of the contract. The Government will have to get buy in from the contractor when making changes to these types of documents. This does not however, apply to the Award Fee Plan, Attachment 3 that can be modified by the CO at any time without Contractor concurrence.	
D - (U) The Government and the Contractor must have mutual agreement making any changes/revision, and or additions to DIDs, CDRLs and SLAs that are related to the FFP elements of the contract. COMM recommends that if any changes are warranted in the Award Fee Plan that these changes apply prior to the start of the performance on the upcoming award fee period.	

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Audit of Silver Eagle Contract Remediation Plan

(U) Recommendation #7 for the Director, COMM in coordination with Director, OC:

A. (U//~~FOUO~~) At a minimum, validate the requirement baselines, contract pricing, and payment terms detailed in the findings above for CLINs 0001, 0002, 0003, 0005, and 0007. Payment terms should detail the basis for payment and the method of verification the CO will use for payment.

B. (U//~~FOUO~~) Assess whether an equitable adjustment is warranted for the Silver Eagle contractor's inability to deliver the full scope on Contract Line Item Numbers (CLINs) 0001, 0002, 0003, 0005, 0007, and 0010.

(U) Action Owner or POC: Silver Eagle COTR in coordination with
Leadership and COMM Contracts

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Milestone Dates	Planned Activity
31 Oct 15	(U) COMM will investigate and validate the initial source selection material and basic contract containing the baseline requirements, the contract price accepted, and payment terms for CLINs 0001, 0002, 0003, 0005, and 0007 if available. COMM will also investigate the payment terms and conditions that detail the basis for payment and the method to verify the services provided by Contractor have been accepted. If any contract terms, conditions or services were not met based on COMM analysis, COMM will notify the CO for resolution.
30 Sep 15	(U) COMM will closely review the SOW sections, 3.1, 3.2, 3.3, 3.5, and 3.7 to ensure all statements have been performed by the Contractor. If any contractual requirements are not performed by the contractor, COMM will submit a technical evaluation to the CO for REA consideration.
Dependencies(D)/Risks(R)/Mitigations(M)/Issues(I)	
I - (U) Concerning equitable adjustment on the contract, unless otherwise specified in the contract, the Government will accept or reject services and materials at the place of delivery as promptly as practicable after delivery, and they will be presumed accepted 60 days after the date of delivery, unless accepted earlier according to the contract terms and conditions. Since some of the questions or concerns are well past the 60 day time frame an equitable adjustment is highly unlikely.	

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Audit of Silver Eagle Contract Remediation Plan

(U) Recommendation #8 for the Director, COMM in coordination with Director, OC:

A. (U//~~FSUO~~) Assess and document the price reasonableness for CLIN 0006 PED service pricing for year two.

B. (U//~~FSUO~~) Assess whether an equitable adjustment is warranted for CLIN 0006 PED service pricing for year two.

(U) Action Owner or POC: Silver Eagle COTR in coordination with
Leadership and COMM Contracts

(b)(3)

Milestone Dates	Planned Activity
31 Aug 15	(U) COMM will investigate, and validate the initial source selection material, contract billing and quantities billed per device containing the price reasonableness for CLIN 0006 PED service pricing for year two, if available. COMM will analyze and ensure the Gov't is receiving best value on the contract. A technical evaluation will be submitted to the CO for consideration.
31 Oct 15	(U) COMM will also assess whether an equitable adjustment is warranted for CLIN 0006 PED service pricing for year two. If any contract terms, conditions or services were not met based on COMM analysis, COMM will notify the CO for resolution for possible equitable adjustment.
Dependencies(D)/Risks(R)/Mitigations(M)/Issues(I)	
I - (U) Concerning equitable adjustment on the contract, unless otherwise specified in the contract, the Government will accept or reject services and materials at the place of delivery as promptly as practicable after delivery, and they will be presumed accepted 60 days after the date of delivery, unless accepted earlier according to the contract terms and conditions. Since period two is well past the 60 day time frame an equitable adjustment is highly unlikely.	

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Audit of Silver Eagle Contract Remediation Plan

(U) Recommendation #10 for the Director, COMM in coordination with the Director, Office of Security and Counterintelligence (OS&CI):



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