UNITED STATES

GENERAL ACCOUNTING OFFICE

UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

MAR 2 1 1973

Lieutenant General Wallace H. Robinson, Jr.
Director
Defense Supply Agency

Dear General Robinson:

On August 6, 1969, the Department of Defense (DOD) submitted the design of the Defense Supply Agency's (DSA) Mechanization of Contract Administration Services (MOCAS II) system to our Office for review as an accounting system requiring Comptroller General approval. Because of the relationship of MOCAS II to DOD's Military Standard Contract Administration Procedures (MILSCAP), the principles and standards of MILSCAP were submitted to our Office for review and approval on December 9, 1969.

Our review has shown that neither of these systems is an accounting system. MILSCAP is basically a set of standardized procedures and data elements to be used as a basis for communicating contract administration information among DOD components. MOCAS II is DSA's internal mechanized system to be used by the Defense Contract Administration Services Regions (DCASRs) in support of MILSCAP. The design of systems such as these does not require approval by the Comptroller General. We are therefore terminating our review of MILSCAP and MOCAS II and are returning to the Office of the Secretary of Defense the documentation submitted to us for review and approval.

The purpose of this letter is to advise you of the observations made during our review of the MILSCAP and MOCAS II systems. Our review has shown that:

--Some military installations are unable to meet the MILSCAP time standard established for transmitting contract abstract data.

--Some DCASRs will be unable to process MOCAS II data daily.

--The contract abstracting function for contracts administered by DSA's Defense Contract Administration Services (DCAS) will be performed by both procurement activities and DCASRs.

[Review of Defense Supply Agency's Mechanization of Contract Administration Services]

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More specific information on these areas is included in the enclosure to this letter. We have discussed these areas, as well as other observations made during our review, with representatives of the Systems Engineering Division, Office of Plans and Management, DCAS Headquarters, and the Accounting and Finance Division, Comptroller, DSA Headquarters.

Because of the problems relating to MILSCAP and MOCAS II noted during our review, we are sending a copy of this letter to the Auditor General, DSA, for his information. A copy is also being sent to the Assistant Secretary of Defense (Comptroller).

The courtesy and cooperation extended to our staff during this review has been appreciated.

Sincerely yours,

(s) D. L. Scantlebury

D. L. Scantlebury
Director

Enclosure

OBSERVATIONS MADE BY THE

GENERAL ACCOUNTING OFFICE (GAO)

DURING REVIEW OF THE MILSCAP AND MOCAS II SYSTEMS

The following presents information relating to observations made by GAO during a review of the Military Standard Contract Administration Procedures (MILSCAP) and the Mechanization of Contract Administration Services (MOCAS II) systems at the locations shown on page 7.

SOME MILITARY INSTALLATIONS ARE UNABLE TO MEET MILSCAP CONTRACT ABSTRACT TRANSMISSION TIME STANDARD

MILSCAP provides procedures for the preparation of key contract elements, such as administrative and delivery data, for interchange among Department of Defense components in the form of contract abstracts. The MILSCAP manual provides that contract abstracts are to be transmitted by procurement activities to contract abstract recipient automatic data processing (ADP) points within 2 working days after contract execution.

The Defense Supply Agency's Defense Contract Administration Services Regions (DCASRs) will receive contract abstract data for Defense Contract Administration Services (DCAS) administered contracts. Contract abstracts transmitted to the DCASRs will be used in the MOCAS II system.

During the MILSCAP live data test conducted between September 15 and December 15, 1972, some procurement activities were unable to meet the 2-day standard for transmitting contract abstracts to DCASR,

Boston. For example, the Navy's Ships Parts Control Center (SPCC), Mechanicsburg, Pennsylvania, transmitted contract abstracts to the DCASR once each week. Because of limited computer time available at SPCC and at other Navy Inventory Control Points, it is unlikely that contract abstract data will be transmitted by these locations more frequently upon implementation of MILSCAP or soon thereafter. We were advised at the Air Force's Ogden Air Materiel Area, Ogden, Utah, that about 5 days were required to transmit contract abstract data.

During the MILSCAP live data test some hard copy contracts were received at DCASR, Boston, before the electronically transmitted contract abstracts were received. DCAS does not presently know what an appropriate time standard would be for receiving contract abstracts. The exact impact on the MOCAS II system caused by delays in receiving contract abstracts will not be known until the system is implemented. However, delays in receiving contract abstract data for the MOCAS II system could:

--Cause rejection of contractor shipment information and contractor invoice data that enters the MOCAS II system before contract abstract data enters.

--Contribute to lost discounts when neither abstracts nor hard copy contracts have been received by DCASRs within the discount period of invoices.

--Cause manual input of contract data by DCASRs based on available hard copy contracts when invoices must be paid within a discount period but contract abstract data has not entered the system.

Contract data necessary for MOCAS IB -- the contract payment system presently used at DCASRs -- is based on receipt of hard copy contracts

at the DCASRs. Therefore, the potential problems associated with delays in receiving contract abstracts relate to the MOCAS II system only. Any reduction under MOCAS II in the time elapsed before contract data is available at the DCASRs would be an improvement over the present system.

We believe that contract abstract data may not be needed by DCASRs within 2 days of contract execution. However, if contract abstracts are to be provided by procurement activities, a time standard should be established for transmitting this data that is (1) based on actual need for the data, (2) achievable by the activities providing the data, and (3) stringent enough to avoid the situations indicated above.

SOME DCASRs WILL BE UNABLE TO PROCESS MOCAS II DATA DAILY

MILSCAP prescribes time standards for processing all MILSCAP-related documents. For example, daily contract payment notices (CPNs) are to be transmitted to military accounting activities within 3 days of contract payment. Similarly, acceptance alerts (AAs) and shipment/performance notices (SPNs) are to be transmitted to recipients within 1 day of receipt of shipment notice from the contractor.

During the live data test, MOCAS II in operation at DCASR, Boston, was unable to meet the prescribed time standards for processing CPNs, SPNs, and other MILSCAP data. Because MOCAS II will be run on sequential ADP equipment (rather than on random access equipment), upon implementation of the system the larger DCASRs may not be able to

process one complete cycle of transactions per day. The live data test indicated that the present ADP equipment at larger DCASRs is capable of processing only three complete cycles of transactions per week. Capability of ADP equipment configurations at smaller DCASRs to process MOCAS II data is presently being studied by DCAS.

Processing three cycles per week, rather than five, could have a significant effect on the data and service that MOCAS II is intended to provide. In addition to delay in the intended timeliness of providing financial and management information to the military installations that use the system, as indicated above, thrice weekly processing could result in:

--Increased lost discounts.

--Delay in processing contractor invoices (resulting in delay in paying contractors).

--Impaired timeliness and usability of replies to inquiries to the system.

--Inability to meet some progress payment deadlines.

--Classification of delivered items as delinquent on status of delivery reports if shipment data has not entered the system.

--Receipt of follow-up requests for data from user activities before the system is able to reply to original requests for data.

A study prepared by DCAS indicated that processing thrice weekly would result in data rejects, inquiries, and some documents taking at least 1 day longer to process under MOCAS II than under MOCAS IB. The study pointed out, however, that MOCAS II would provide a better

data base and greater control over data than the MOCAS IB system. We were advised, also, that financial and management data may be received by procurement and accounting activities faster under MOCAS II than under MOCAS IB.

We believe that, before MOCAS II is implemented at all DCASRs, a thorough evaluation should be made to determine whether processing thrice weekly adequately provides the data and service intended.

CONTRACT ABSTRACTING FUNCTION PERFORMED
BY BOTH PROCUREMENT ACTIVITIES AND DCASRs

MILSCAP provides that procurement activities are responsible for preparing MILSCAP data in the form of contract abstracts for transmission to designated recipients. MOCAS II provides that, upon receipt of hard copy contracts administered by DCAS, the DCASRs will abstract certain additional non-MILSCAP data needed to administer contracts. The DCASRs will also abstract, in their entirety, contracts initiated by some installations as well as certain specific types of contracts.

The purpose of contract abstracting by procurement activities is to give contract administration offices information on contracts in advance of receipt of hard copy contracts. Also, this procedure enables procurement activities to enter needed MILSCAP data, including contract obligation data, into their internal systems at the time of abstract.

The DCASRs will review all hard copy contracts upon receipt to identify supplemental data needed for MOCAS II. Contractor invoices

will not be paid until the additional data enters the system. However, shipment data received from contractors can enter the system before the supplemental data is abstracted.

We believe that, for DCAS administered contracts, it would be appropriate for procurement activities to abstract to DCASRs only a minimum of MILSCAP data needed for advance planning and control purposes. (This would include obligation data needed by the procurement activities and the DCASRs.) All other data needed for MOCAS II might then be abstracted by the DCASRs based on hard copy contracts with the DCASRs transmitting to the Services data needed for their internal systems.

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Regarding MILSCAP time standards generally, we believe that revisions of the presently established standards may be appropriate. Such revisions should be based on a demonstrated need by the users to receive various data within particular time frames. However, the objective of MILSCAP of speeding the flow of contract data may be impaired if the time standards are inordinately increased.

LOCATIONS WHERE REVIEW WORK
WAS PERFORMED

Defense Supply Agency

    Defense Contract Administration Services Region,
      Cleveland, Ohio

    Defense Contract Administration Services Region,
      Boston, Massachusetts

    Defense Construction Supply Center,
      Columbus, Ohio

    Data Systems Automation Office,
      Columbus, Ohio

    Defense Supply Agency Headquarters
      Alexandria, Virginia

Army

    Army Mobility Equipment Command,
      St. Louis, Missouri

Navy

    Ships Parts Control Center,
      Mechanicsburg, Pennsylvania

    Navy Regional Finance Center,
      Norfolk, Virginia

Air Force

    Ogden Air Materiel Area,
      Ogden, Utah

    Space and Missiles Systems Organization,
      El Segundo, California

    Air Force Accounting and Finance Center,
      Denver, Colorado

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