

**LOGISTICS CIVIL AUGMENTATION
PROGRAM TASK ORDERS 130 AND
151: PROGRAM MANAGEMENT,
REIMBURSEMENT, AND TRANSITION**

**SIGIR-08-002
OCTOBER 30, 2007**

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SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

October 30, 2007

MEMORANDUM FOR COMMANDING GENERAL, U.S. ARMY SUSTAINMENT
COMMAND
COMMANDER, DEFENSE CONTRACT MANAGEMENT
AGENCY
MANAGEMENT COUNSELOR, U.S. EMBASSY-IRAQ
COMMANDER, JOINT AREA SUPPORT GROUP – CENTRAL

SUBJECT: Logistics Civil Augmentation Program Task Orders 130 and 151: Program
Management, Reimbursement, and Transition (SIGIR-08-002)

We are providing this audit report for your information and use. This review of Logistics Civil Augmentation Program (LOGCAP) Task Orders 130 and 151 issued to Kellogg Brown & Root Services Inc. is another in a series of audits SIGIR has completed on this contract. It follows up a previous review to determine whether the support provided under LOGCAP Task Order 130 was reasonable, efficient, and cost effective. This review focuses on steps taken to address management issues identified in our previous report, reimbursements for services provided under the contract, and transitioning the contract from a contingency contract to a more competitive contract in future embassy operations. Our work was completed at the request of the Office of the Chief of Mission, U.S. Embassy-Iraq.

In preparing the final report we considered written and verbal comments from the U.S. Embassy-Iraq, the Joint Area Support Group-Central, and the Defense Contract Management Agency. Written responses received are included in the Management Comments and Audit Response section of this report.

We appreciate the courtesies extended to the staff. For additional information on this report, please contact Mr. Walt Keays (walt.keays@iraq.centcom.mil / 703-343-7921) or Mr. Glenn D. Furbish (glenn.furbish@sigir.mil / 703-428-1058). For the report distribution, see Appendix C.

Stuart W. Bowen, Jr.
Inspector General

cc: See Distribution

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Logistics Civil Augmentation Program Task Orders 130 and 151: Program Management, Reimbursement, and Transition

SIGIR-08-002

October 30, 2007

Executive Summary

Introduction

Established in 1985, the Logistics Civil Augmentation Program (LOGCAP) is a U.S. Department of the Army (Army) program that preplans for the use of global corporate resources in support of worldwide contingency operations. In the event that U.S. forces deploy, contractor support is available to commanders as an option. The LOGCAP objectives are twofold:

- Provide combat support and combat service support augmentation to both combatant and component commanders, primarily during contingency and other operations (including reconstitution and replenishment) within reasonable cost.
- Facilitate the management and physical responsibility to support deployment, site preparation, set preparation, module operations and maintenance, redeployment, and transportation requirements for the force provider.

Examples of the types of support available include supply operations, laundry and bath, food service, sanitation, billeting, maintenance, fuel services, transportation, and power generation and distribution. LOGCAP has been used to support U.S. forces in operations in Somalia, Haiti, and Bosnia, and is currently being used in Afghanistan, Kuwait, and Iraq. LOGCAP support is also sometimes authorized for other U.S. military services, coalition forces, other government agencies, and nongovernmental organizations.

Awarded on December 14, 2001, the LOGCAP contract (DAAA09-02-D-0007) comprises a series of task orders that commit both the contractor to provide support services and the government to pay for those services. Task orders under this contract can be either fixed price or cost-reimbursable. In Iraq, the total cost of all 149 task orders issued under the LOGCAP contract as of March 4, 2007, is approximately \$22.5 billion.

The focus of this review is LOGCAP Task Order 130 and Task Order 151, which were awarded on April 27, 2006 and June 6, 2007 respectively, to Kellogg, Brown and Root Services Inc. (KBR) to provide services necessary to support, operate, and maintain the Chief of Mission (COM) and Multi-National Force-Iraq staffs located at the U.S. Embassy-Iraq, and at other Chief of Mission sites within Iraq located in Baghdad, Basra, Al Hillah and Kirkuk. Task Order 130 has an estimated value of about \$283 million and expired on June 6, 2007. Task Order 151, the successor to Task Order 130, was awarded for a one year period with an estimated cost of \$200 million. These task orders are a continuation of services previously awarded under Task Orders

100 and 44, which were awarded on November 5, 2004, and March 6, 2003, respectively. Because these task orders provided support to both the Department of Defense (DoD) and Department of State (DoS) missions in Iraq, DoD and DoS agreed that the reimbursement of costs associated with these task orders would be shared 60% by DoS and 40% by DoD. The total cost of these four task orders is approximately \$1.5 billion dollars.

The primary government offices involved with the operation of Task Orders 130 and 151 in Iraq are:

- The DoS Embassy Management Office headed by the Counselor for Management Affairs, U.S. Embassy-Iraq, which is responsible for the day-to-day support of Chief of Mission operations in Iraq.
- The DoD Joint Area Support Group–Central (JASG-C), located in the International Zone, which is the military component of the Multi-National Force–Iraq that provides administrative and logistical services and coordinates military support to the U.S. Mission–Iraq.
- The Baghdad office of the Defense Contract Management Agency (DCMA) which provides on-site monitoring of the contractor.
- The U.S. Army Sustainment Command, which is responsible for administration of the LOGCAP program. The Procuring Contracting Officer, the LOGCAP Program Manager, and the Logistical Support Element Office (established in Iraq to help customers with LOGCAP requirements) are assigned to this command.
- The Defense Contract Audit Agency, which provides its expertise in reviewing the contractor’s financial management system and ensuring that costs claimed by the contractor are reasonable, allowable, and allocable.

The Army’s LOGCAP contract is a contingency umbrella contract that is considered “a contract of last resort” for customers because of the potential additional costs associated with this type of contract. Contingency contracts are primarily designed for areas where emerging requirements are the norm, rapid response is required, and/or conditions are such that normal sustainment type contracts are not competitively available. Under contingency contracts the government typically assumes the financial risk with the use of cost-plus award fee contracts. Once a condition stabilizes and a reasonable determination can be made as to the quantity and type of contract work that will be required to support a mission, customers should transition out of contingency contracts into a more normal cost-effective contract.

Our prior work identified the need for improvements in clarifying contractor standards and government oversight responsibilities for the LOGCAP task orders in Iraq to ensure that services were accomplished in an efficient and effective manner and that appropriate internal controls existed for protection of government resources. Our prior work also noted concerns over reimbursement issues related to the contract.

Objectives

This review follows one we previously performed to determine whether the support provided under LOGCAP Task Order 130 was reasonable, efficient, and cost effective. This review includes Task Order 130 and its successor, Task Order 151. Our reporting objectives specifically address whether: (1) progress has been made in addressing contract management issues that we previously identified, and actions still needed; (2) reimbursement issues involving costs related to, but not part of, Task Orders 130 and 151 are properly addressed; and (3) plans are being considered to transition from a contingency contract to a more competitive contract mechanism in the future.

Results

The U.S. government agencies involved in the management of Task Orders 130 and 151 have made major improvements in oversight since our prior report on the LOGCAP contract. In particular: (i) the Army Sustainment Command has clarified contractor standards and government oversight responsibilities, (ii) DCMA has implemented an independent Quality Assurance program, (iii) both JASG-C and DoS support DCMA by providing Contracting Officers Technical Representatives (COTRs) to assist DCMA in its contractor oversight mission, (iv) DoS has clarified dining facility food service cost standards that KBR is expected to adhere to, (v) aggressive action has been taken by both JASG-C and DoS to ensure that billeting operations are properly administered and billeting records reflect accurate data and (v) DoS now recognizes that KBR's billeting operations its employees are subject to government oversight.

The contractor, KBR, has also made significant improvements in its operations compared to conditions noted in our prior report. KBR has improved (i) the accuracy of fuel information as well as controls over its International Zone fuel operations, (ii) its efforts to control food costs, and (iii) its administration of billeting and the accuracy of billeting information. Problems, however, still remain in ensuring that dining facility food costs are within established standards and that fuel reports properly reflect the amounts issued to KBR by the Army.

While progress has been made in ensuring appropriate reimbursement between DoD and DoS, problems were still noted in ensuring accurate billing for and reimbursements of both fuel and subsistence (food) utilized for Task Orders 130 and 151. In addition, as of September 30, 2007, the U.S. Embassy-Iraq had not sought reimbursement from non-U.S. organizations who receive life support services under Task Order 151, which became effective June 6, 2007.

DoS has transitioned to its own contract for maintenance services at the new Embassy Compound, but will continue to rely upon the Army's LOGCAP contingency contract for most services until the current situation in Iraq becomes more favorable for "peacetime" contractor operations.

Recommendations

We recommend that the Commander, Defense Contract Management Agency:

1. Work with KBR to implement appropriate procedures to ensure that fuel received from the Camp Victory fuel depot is properly recorded based upon official government issue/receipt documents, and that procedures for resolving discrepancies regarding fuel deliveries are implemented.
2. Continue to require KBR to report the amount of commercial fuel received in the remarks section of the *Monthly Bulk Petroleum Accounting Summary* form so that MNF-I can differentiate between the amounts of military and commercial fuel received when preparing fuel reimbursement billings. (Initial action was taken during the audit on this recommendation.)
3. Continue to work with the Army and U.S. Embassy-Iraq to develop and implement an appropriate billing procedure for Army reimbursement billings to DoS for subsistence costs. (Initial action was taken during the audit on this recommendation.)

We recommend that the Counselor for Management Affairs, U.S. Embassy-Iraq:

4. After appropriate notification to the non-U.S. organizations involved, initiate billings to the organizations to recover cost of life support provided under Task Order 151 for their personnel billeted within the Embassy housing compound.
5. Work with DCMA and the Army to develop and implement an appropriate billing procedure so that DoS can reimburse the Army for dining facility subsistence costs.
6. When security conditions within Iraq allow, consider transitioning the U.S. Embassy-Iraq's life support contract from LOGCAP to a DoS contract.

Management Comments and Audit Response

We received written comments on a draft of this report from the DoS Management Counselor's Office, and DCMA, which are included in the Management Comments section of this report. The DoS Management Counselor concurred with our recommendations and stated that the Embassy was taking action to address each recommendation. DCMA concurred with our first two recommendations, but did not concur with the third recommendation. According to DCMA it has neither the authority nor administrative control to develop and implement reimbursement procedures between DoS and DoD. We recognize that DCMA does not have the authority to develop the reimbursement billing procedures. In recognition of that fact, our recommendation calls for DCMA to work with both the Army and DoS (which DCMA has done during this audit). Therefore, we made no change to our draft recommendation. JASG-C provided technical comments that we included in the report as appropriate.

Introduction

Background

The Logistics Civil Augmentation Program (LOGCAP) is a Department of the Army program that preplans for the use of global corporate resources in support of worldwide contingency operations. In the event that U.S. forces deploy, contractor support is then available to commanders as an option. The LOGCAP objectives are twofold:

- Provide combat support and combat service support augmentation to both combatant and component commanders, primarily during contingency and other operations (including reconstitution and replenishment) within reasonable cost.
- Facilitate the management and physical responsibility to support deployment, site preparation, set preparation, module operations and maintenance, redeployment, and transportation requirements for the force provider.

Examples of the type of support available include supply operations, laundry and bath, food service, sanitation, billeting, maintenance, fuel services, transportation, and power generation and distribution. LOGCAP has been used to support U.S. forces in operations in Somalia, Haiti, and Bosnia, and is currently being used in Afghanistan, Kuwait, and Iraq. The use of LOGCAP to support U.S. troops in Iraq is the largest effort in the history of LOGCAP.

In addition, LOGCAP support is authorized for other U.S. military services, coalition forces, other government agencies, and nongovernmental organizations. The basic contract requires the contractor, unless indicated otherwise, to adhere to functional Army regulations and to gather operational performance data required by regulations or the contract's required list of deliverables.

On December 14, 2001, the Army awarded LOGCAP contract DAAA09-02-D-0007 to Brown & Root Services, a division of Kellogg Brown & Root Inc. The contract was issued for a base year (December 14, 2001 to December 13, 2002) with nine option years. The official name of the contractor was changed on December 14, 2003, by modification P00007, to Kellogg Brown & Root Services Inc. (KBR). The overall contract was awarded as a cost-plus, award-fee contract under which KBR earns a 1% base fee and up to a 2% award fee. Specific services under the LOGCAP contract are awarded through the issuance of task orders. Task orders under this contract can be either fixed price or cost-reimbursable.

The focus of this review is LOGCAP Task Orders 130 and 151, which were awarded on April 27, 2006 and June 6, 2007 respectively, to provide services necessary to support, operate, and maintain the Chief of Mission (COM) and Multi-National Force-Iraq staffs located at the U.S. Embassy-Iraq, and at other COM sites located in Baghdad, Basra, Al Hilla, and Kirkuk. Task Order 130 has an estimated value of about \$283 million and expired on June 6, 2007. Task Order 151, the successor to Task Order 130, was awarded for a one year period with an estimated cost of \$200 million. Task orders 130 and 151 continue services previously awarded under Task Orders 100 and 44, which were awarded on November 5, 2004, and March 6, 2003, respectively. Because these task orders provide support to both the Department of Defense (DoD) and

Department of State (DoS) missions in Iraq, the departments agreed that the reimbursement of costs associated with these task orders would be shared 60% by DoS and 40% by DoD. The total cost associated with these four task orders is approximately \$1.5 billion dollars, as shown in Table 1.

Table 1—LOGCAP Estimated Task Order Support Costs as of September 10, 2007

Task Order	Performance Dates	Total (millions)*
44	03/06/2003-10/07/2004	\$ 579.0
100	10/08/2004-04/07/2006	\$ 440.2
130	04/08/2006-06/06/2007	\$ 282.9
151	06/07/2007-06/05/2008	\$ 200.1
TOTAL		\$1, 502.2

Source: Costs identified within the contract task orders and associated modifications. These costs do not necessarily reflect actual costs incurred or paid.

The government offices involved with the LOGCAP contract and Task Orders 130 and 151 in Iraq are:

- The Army’s Office of the Deputy Chief of Staff, G-4 (Logistics), is both the Army and Joint Staff proponent for LOGCAP.
- Army service component commands¹ and other LOGCAP-supported customers and their respective commanders are responsible for determining requirements and providing detailed statements of work for services performed under LOGCAP.
- The U.S. Army Materiel Command, as the executive agent for the program, implements overall policy, guidance, and direction.
- The U.S. Army Sustainment Command at Rock Island, Illinois, a subordinate command of the U.S. Army Materiel Command, is the contracting agent for the program and awards, manages, and executes the LOGCAP contract through a duly appointed Procuring Contracting Officer. The Procuring Contracting Officer (PCO) delegated Administrative Contracting Officer (ACO) duties to the Defense Contract Management Agency (DCMA), a DoD proponent for contract administrative services. The U.S. Army Sustainment Command also established a logistics support element at each approved LOGCAP site to coordinate and monitor LOGCAP requirements during a contingency mission.

¹ There are nine Army Service Component Commands, comprised primarily of operational organizations, serving as the Army component for a combatant commander. Specifically: U.S. Army Europe, U.S. Army Central, U.S. Army North, U.S. Army South, U.S. Army Pacific, U.S. Army Special Operations Command, Military Surface Deployment and Distribution Command, U.S. Army Space and Missile Defense Command/Army Strategic Command, and Eighth U.S. Army.

- DCMA Central Iraq, under DCMA Iraq/Afghanistan, provides contingency contract administration services in direct support of LOGCAP. DCMA-I/A is delegated responsibility for contract administration, property administration, quality assurance, and surveillance oversight over the LOGCAP contractor, KBR,
- The DoS Embassy Management Office, headed by the Counselor for Management Affairs, U.S. Embassy–Iraq, is responsible for the day-to-day support of COM operations in Iraq. The DoS has assigned a contracting officer’s representative (COR) to Task Orders 130 and 151.
- The DoD Joint Area Support Group–Central (JASG-C), located in the International Zone, is the military component of the Multi-National Force–Iraq that provides administrative and logistical services and coordinates military support to the U.S. Mission–Iraq.
- The Defense Contract Audit Agency provides its expertise in reviewing the contractor’s financial management system and ensuring that costs claimed by the contractor are reasonable, allowable, and allocable.

This report is part of a series of reports SIGIR has published on the use of the LOGCAP contract in Iraq. On October 26, 2006, we issued an interim report, *Inappropriate Use of Proprietary Data Markings by the Logistics Augmentation Program (LOGCAP) Contractor*, (SIGIR-06-035), which discussed KBR’s practice of routinely marking information provided to the government as “KBR Proprietary Data” and KBR’s initial refusal to provide data we requested in its native electronic format. On June 26, 2007, we issued a report, *Logistics Civil Augmentation Program Task Order 130: Requirements Validation, Government Oversight, and Contractor Performance* (SIGIR-07-001), which discussed the contractor’s performance and government oversight of contractor’s performance in the areas of (i) fuel operations, (ii) food service operations, (iii) billeting, and (iv) morale, welfare, and recreation support. The report identified a need for improvements in clarifying contractor standards and government oversight responsibilities for the LOGCAP task orders in Iraq to ensure that services were accomplished in an efficient and effective manner and that appropriate internal controls existed for protection of government resources. SIGIR also noted concerns the with lack of reimbursement procedures for costs related to, but not part of, the LOGCAP contract, and stated that these concerns would be addressed in a future SIGIR audit.

Objectives

This review follows one we previously performed to determine whether the support provided under LOGCAP Task Order 130 was reasonable, efficient, and cost effective, and looks at the successor to Task Order 130, Task Order 151. Our reporting objectives specifically address whether: (1) progress has been made in addressing contract management issues we previously identified, and actions still needed; (2) reimbursement issues involving costs related to, but not part of, Task Orders 130 and 151 are properly addressed; and (3) plans are being considered to transition from a contingency contract to a more competitive contract mechanism in the future.

For a discussion of the review’s scope and methodology, and summary of prior coverage, see *Appendix A*. For the acronyms, see *Appendix B*. For the report distribution, see *Appendix C*. For a list of the review team members, see *Appendix D*.

Government and Contractor Actions to Address Previously Identified Management Issues

The U.S. government agencies involved in the management of Task Orders 130 and 151 have made major improvements in their oversight since our prior review of the LOGCAP contract. In particular: (i) the Army Sustainment Command has clarified contractor standards and government oversight responsibilities, (ii) DCMA has implemented an independent Quality Assurance program, (iii) both JASG-C and DoS support DCMA by providing Contracting Officers Technical Representatives (COTRs) to assist DCMA in its contractor oversight mission, (iv) DoS has clarified dining facility food service cost standards that KBR is expected to adhere to, (v) aggressive action has been taken by both JASG-C and DoS to ensure that billeting operations are properly administered and billeting records reflect accurate data, and (v) DoS now recognizes that KBR's own billeting operations are subject to government oversight.

The contractor, KBR, has also made significant improvements in its operations when compared to conditions noted in our prior report. KBR has (i) improved the accuracy of fuel information as well as controls over its International Zone fuel operations, (ii) increased its efforts to control food costs, and (iii) improved its administration of billeting and the accuracy of billeting information. However, there are still areas that need management attention, such as KBR fuel reports that do not always reflect the amounts reported as issued to KBR by the Army, and dining facility food costs that are not always maintained within established standards.

Government Actions Taken To Improve Management Oversight

Army Sustainment Command

Our prior review noted that confusion existed regarding the role and responsibility of the U.S. government in the oversight of KBR's own billeting operations because contractual language in this area was vague. The Procuring Contracting Officer at the U.S. Army Sustainment Command, at SIGIR's recommendation added language to the Scope of Work for Task Order 151 that clarified this issue. Our prior review also noted that, as reported in SIGIR's interim report, KBR inappropriately marked reports and data provided to the government as contractor protected proprietary data when such data was clearly not proprietary and that KBR refused to provide SIGIR requested data in its native electronic format. The Procuring Contracting Officer added specific language to the LOGCAP contract that addressed these issues.

Defense Contract Management Agency

Our prior review noted DCMA oversight of KBR operations in the areas of fuel, food service, and billeting operations, while adequate to ensure that delivery of services was accomplished, was not adequate to ensure (i) that services were accomplished in an efficient and effective manner and (ii) that appropriate internal controls existed for protection of government resources. Our review specifically noted that DCMA

- Did not perform independent, in-depth, quality assurance oversight of contractor operations

- Quality assurance results were reported on KBR signed forms, which were annotated as KBR proprietary data
- Had not requested functional representatives, in the form of COTRs, from either JASG-C or U.S. Embassy-Iraq to help assist with its oversight responsibilities
- Did not monitor dining facilities subsistence costs and as such took no actions when the Dining Facilities Financial Summary Reports showed that contractor operated dining facilities consistently exceeded established subsistence cost tolerance levels
- Was not aware of significant control problems that existed within the contractor's fuel operations and errors that existed within the contractor's fuel database
- Was not aware of inaccurate information within the contractor's billeting database

DCMA has taken appropriate corrective actions on the issues noted in our prior review. Specifically, DCMA

- Has initiated a comprehensive schedule of aggressive, in-depth, independent, quality assurance reviews of contractor operations
- Now reports the results of its quality assurance reviews on its own government reports
- Has appointed and effectively utilizes functional representatives from both the JASG-C and the U.S. Embassy-Iraq as COTRs to assist in the oversight of KBR's operations
- Now monitors the status of dining facilities subsistence (food) costs, and includes the status of KBR efforts to control those costs so as to stay within cost tolerance levels as a briefing element to the monthly KBR Program Evaluation Board.
- Has worked with the contractor to ensure that appropriate controls are in place and implemented over fuel operations and that information within the contractor's fuel database is accurate
- Has worked with the contractor in coordination with JASG-C and U.S. Embassy-Iraq to ensure that that billeting data is verified and accurate

Joint Area Support Group – Central (JASG-C)

Our prior review indicated the need for improved contract oversight by the Joint Area Support Group-Central. It found that:

- Initially, JASG-C's role in oversight was limited and no JASG-C personnel were appointed as COTRs to assist DCMA in monitoring the contractor's performance. However, JASG-C appointed COTRs during the review
- JASG-C was not involved in contract oversight functions required by regulation, such as the requirement for military personnel to conduct a headcount in the dining facilities
- Initially, JASG-C had little involvement with ensuring that billeting standards were adhered to and that MNF-I personnel housed within the Embassy compound were identified on the KBR billeting database. However, during the review JASG-C, in

coordination with U.S. Embassy-Iraq, initiated a validation process to ensure that the billeting database was accurate.

Our current review shows significant improvement in JASG-C oversight role, in that:

- As of September 15, 2007, 15 personnel from JASG-C were appointed as COTRs to assist DCMA with contractor oversight responsibilities
- Starting in September 2007, JASG-C assigned military personnel to conduct headcounts in the Palace Dining Facility
- JASG-C, in coordination with the U.S. Embassy-Iraq, now requires all MNF-I personnel housed within the Embassy compound to verify their status each quarter with the KBR billeting office to ensure that the accuracy of billeting data

U.S. Embassy-Iraq

Our prior review noted that improvements were needed in the U.S. Embassy's oversight of contractor operations. It found that:

- While the U.S. Embassy-Iraq appointed a COTR to serve as an interface between DoS and the contractor, no other U.S. Embassy-Iraq COTRs were appointed to assist in the oversight of the contractor. However, during our prior review DCMA appointed a COTR to assist the Embassy.
- The U.S. Embassy-Iraq housing officer had no oversight of KBR's own billeting operations
- The U.S. Embassy-Iraq did not actively enforce billeting standards and ensure that Chief of Mission personnel housed in the Embassy compound were properly identified on the KBR billeting database. However, during our review U.S. Embassy-Iraq, in coordination with JASG-C, initiated a validation process to ensure that the billeting database was accurate.)
- The U.S. Embassy-Iraq was not aware of, and had no oversight over, the cost of subsistence in the dining facilities. In addition, the U.S. Embassy-Iraq had not established subsistence cost standards for KBR to adhere to, even though management personnel within DCMA and KBR told us that the U.S. Embassy-Iraq expected KBR to provide a higher standard of meals than that established within the Army's Basic Daily Food Allowance (BDFA)

Our current review shows significant improvement in the U.S. Embassy-Iraq oversight in that:

- As of September 15, 2007, five personnel from U.S. Embassy-Iraq have been appointed as COTRs to assist DCMA with oversight of contractor operations
- The U.S. Embassy-Iraq housing office is now aware that the U.S. Embassy has the option of overseeing, monitoring, and utilizing for government needs, if required, billets operated by KBR for their own employees

- The U.S. Embassy-Iraq, in coordination with JASG-C, now requires all personnel housed in the Embassy compound to verify their billeting status with the KBR billeting office each quarter
- The U.S. Embassy-Iraq is now aware of the need to control subsistence costs within the dining facilities. On May 28, 2007, it issued a memorandum establishing a “plate cost” of \$20 per person per day as the standard KBR is expected to meet for meals served within the Place Dining Facility. This standard became effective June 1, 2007.

Contractor Actions Taken and Opportunities for Further Improvement

Our prior review noted problems in KBR’s operations including inaccurate data in its reports and databases, inefficient operations, and lack of basic internal controls in its fuel, food service, and billeting operations. While our current review notes significant improvements in KBR operations, we identified areas in both fuel and food service operations in which additional improvements are needed.

Fuel Operations

Our prior review noted that many basic internal controls routine to the operation of retail fuel operations in KBR’s International Zone fuel operations were not being used. This includes the use of totalizers, calibrated meters, anti-pilferage seals, strapping charts and gauge sticks, and receipt documents. In addition, the prior review noted numerous errors and a lack of data integrity controls in KBR’s fuel management database.

Our current review shows that KBR has significantly improved the fuel controls by:

- Installing and using new calibrated meters to measure fuel receipts and issues
- Recording and using totalizer amounts from fuel meters
- Utilizing anti-pilferage seals on all tanker trucks when fuel is transported
- Obtaining signed receipt documents upon issue of fuel by the military
- Redesigning the fuel database to add data integrity controls with automatic error reporting messages
- Working with DCMA to provide scientifically engineered and updated strapping charts for fuel tanks. (A problem identified by KBR apparently still exists with the accuracy of strapping charts for four KBR tankers, which KBR is working to correct)
- Performing both gauge and meter measurement of fuel upon receipt at the International Zone fuel point
- Adding an accountant position at the International Zone fuel point to maintain and ensure the accuracy of fuel data reports

In spite of these improvements, one area of concern remains. KBR tanker trucks travel from the International Zone to the fuel depot at Camp Victory to obtain fuel from the military. At Camp

Victory, the fuel issued to the trucks is measured and a camp representative signs a DA Form 2765-1, *Request for Issue or Turn In* showing the amount issued. The KBR driver also signs the form acknowledging receipt. However, while KBR now receives and maintains fuel receipt paperwork from the military at Camp Victory, it does not always record in its records the amount of fuel shown as issued by the military in its official fuel daily receipt document, DA Form 3643, *Daily Issues of Petroleum Products* and in its official monthly fuel inventory report, DA Form 4702-R (*Monthly Bulk Petroleum Accounting Summary*), which is provided to the U.S. government. Instead, KBR usually records the amount of fuel received based upon its own meter recorded amounts upon transfer of the fuel from the pick-up tankers to the fuel storage tanks within the International Zone fuel site.

KBR explained that it records the meter fuel amounts received, rather than the amounts shown on the Camp Victory DA Form 2765-1 receipt documents because it believes that the meter amounts are a more reliable and accurate measurement of the fuel that it received and must account for. KBR also explained that it only meters diesel (DF2 type) fuel and not MoGas type fuel upon receipt. In addition, if a fuel tanker carrying DF2 type fuel returns from Camp Victory too late in the day, KBR does not always meter the fuel amount received, but instead accepts and records the military fuel issue amount shown on the DA Form 2765-1 in its fuel receipt records.

To determine if there is a disparity between the military receipts and KBR's records, we conducted an examination of all fuel receipts maintained by KBR for July 2007. In July KBR's fuel records (based on the metered amounts) show that 1,259,285 gallons of DF2 fuel was received from the military at Camp Victory. Military records (DA Form 2765-1) in KBR's backup files show that 1,271,216 gallons of DF2 type fuel was received – a difference of 11,931 gallons.

SIGIR believes that the amounts recorded on the DA Form 2765-1 should be the official record of fuel issued to KBR. This amount should be recorded on the official government daily and monthly fuel receipt reports. Recording some amounts based on meter measurements, and other amounts based upon the DA Form 2765-1, creates an inconsistent accounting practice. KBR should record the amount shown as issued per the DA Form 2765-1 in the official fuel receipt records, DA Form 3643 (*Daily Issues of Petroleum Products*) and DA Form 4702-R (*Monthly Bulk Petroleum Accounting Summary*).

KBR could maintain an electronic record of the officially recorded amounts and the metered amounts it recorded upon delivery at the IZ fuel site to capture the total monthly difference between its meter results and Army issue amounts. This amount could then be used by KBR in conducting research if monthly inventories exceed tolerance (maximum allowable gain or loss) levels. In addition, KBR should consider reporting differences greater than one-half of one percent (00.5%) as shipping discrepancies under the provisions of AR 710-2.

In an attempt to obtain an independent record of the amount of fuel the military issued to KBR during fiscal year 2007, we requested—from military officials responsible for the Camp Victory fuel operation—a record of the summary of amounts of fuel issued each month from October 2006 to July 2007. As of October 3, 2007, we had not received the requested information. The fuel information presented in this report is therefore based solely upon the information obtained

from KBR fuel records retained within the International Zone, and has not been verified with the fuel issue records at Camp Victory.

In written comments on a draft of this report, JASG-C suggested that SIGIR recommend appointment of a contractor appointed Terminal Manager and a government Property Administrator for fuel. However, the requirement to appoint a Terminal Manager for fuel applies only when the fuel is capitalized under the Defense Energy Support Center (DESC)—the fuel discussed in this report is not capitalized. The issue of whether or not the fuel should be capitalized under DESC and the appointment of a Property Administrator for fuel are systemic issues that need to be addressed throughout the Iraq theater of operations and are beyond the scope of this audit. These issues should be addressed as part of a comprehensive audit of fuel operations in Iraq—such an audit is outside the scope of SIGIR’s audit authority. (SIGIR did, as a result of problems noted in our prior review, recommend to the Iraq Inspector General Council in February 2007 that a separate review be considered of fuel operations at Camp Victory. We continue to believe that such a review is needed.)

Food Service Operations

KBR has taken actions to reduce the costs of meals served in the dining facilities, but needs to continue to apply cost saving measures to meet subsistence cost standards authorized by the Army’s Basic Daily Food Allowance (BDFA) or DoS’ meal allowance for the Palace Dining Facility.

Our prior review disclosed that neither the government nor KBR was overseeing/ managing dining facility subsistence costs to remain within the subsistence cost standards required by AR 30-22, the Food Service Program, dated May 10, 2005. AR 30-22 is the regulation KBR is required to follow. Based upon this standard, our prior review noted that KBR exceed subsistence costs standards by approximately \$4.5 million for fiscal year 2006.

Our current review shows that the government now monitors the subsistence costs in the dining facilities and includes subsistence cost status as a briefing item during Program Evaluation Board meetings. In addition, the U.S. Embassy-Iraq requested, and DCMA issued, a memorandum establishing a “plate cost” of \$20 per person per day as the standard to which KBR is expected to adhere to in planning and serving meals within the Palace Dining Facility effective as of June 1, 2007.

Among the actions KBR told us they had taken to reduce meal costs and remain with subsistence cost standards were the following:

- More reliance on the Army’s 21-day menu plus
- Lobster will be served once every 21 days instead of every Sunday
- Pasta served on the short order line to reduce costs
- Use of more leftovers during the midnight meal to reduce costs
- Better portion control through training servers to serve recommended portion and requiring customers to specifically request larger portions rather than automatically serving larger portions

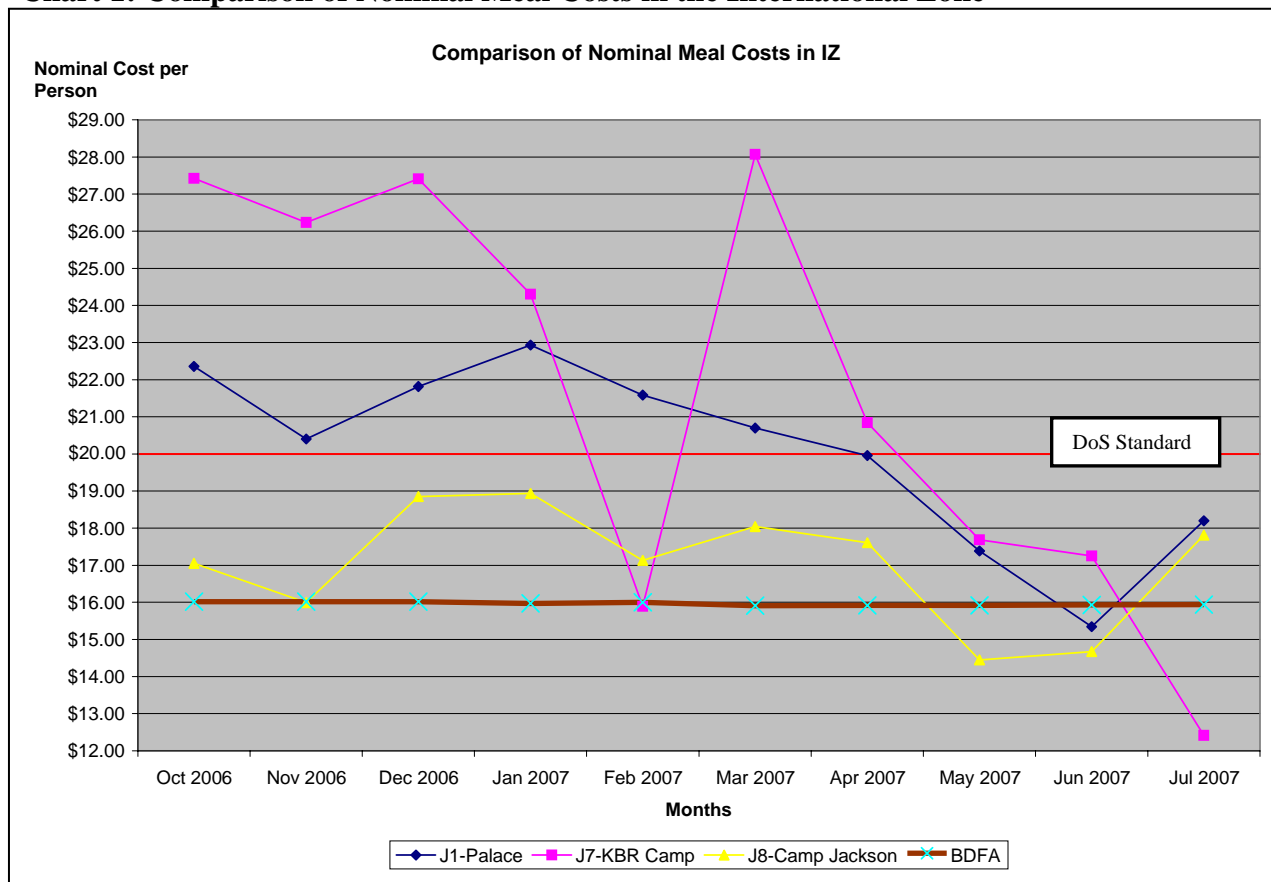
- Increased control over customers removing subsistence from dining facility by
- Headcounter maintaining control over to-go boxes and requiring customers to sign for more than two boxes
- Prohibiting customers from carrying backpacks or large bags into the dining facility that could be used to carry out food items
- Using military headcount checkers who have more authority to enforce take-out rules in the Palace dining facility starting September 1, 2007

These actions have reduced the costs of meals and brought KBR subsistence costs for the Palace dining facility below the State Department's meal allowance for the months of June and July 2007. As reflected in chart 1, however, KBR needs to take additional cost control measures to ensure that subsistence costs for the other dining facilities in the International Zone are within the Army's Basic Daily Food Allowance (BDFA).

The chart below shows the KBR meal cost (based on a nominal meal computation²) for fiscal year 2007 through July 2007.

² The number of "nominal meals" is determined by taking the dining facility headcounts for each type of meal served (breakfast, lunch, dinner, and midnight meal) and applying the appropriate monetary allowance percentage (20% for breakfast and 40% each for lunch, dinner, and midnight meal) to determine the equivalent number of full single daily meals served. The nominal meal cost is determined by dividing the actual monthly subsistence costs by the number "nominal meals" served during the month.

Chart 1: Comparison of Nominal Meal Costs in the International Zone



Source: SIGIR, based on analysis of headcount and cost data in KBR produced Monthly DFAC Status Reports (revised) for the months of Oct 2006 – July 2007.

As shown in chart 1, KBR’s nominal meal costs for the Palace dining facility steadily declined from January 2007 to June 2007 and remained at or under the DoS authorized \$20 cost per person per day since March 2007. For most of the fiscal year, however, the meal costs for both the KBR Camp Hope dining facility and the Camp Jackson dining facility exceeded the authorized BDFFA, indicating that KBR has additional work to do to meet authorized subsistence cost standards. The large variance in meal costs for the KBR Camp Hope dining facility between February 2007 and March 2007 is, in SIGIR’s opinion, most likely the result of an inventory error rather than an actual reflection of the cost for each of the two months.

Billeting Operations

KBR has taken actions to update the billeting database and ensure the accuracy of information in billeting reports provided to the U.S. government.

Our prior review noted that the billeting database was inaccurate and did not properly reflect the current status of persons residing within the Embassy housing compound. This condition has now been corrected. KBR has fully supported and worked with both JASG-C and U.S. Embassy-Iraq in conducting quarterly verifications of personnel housed in the Embassy housing areas. KBR has appropriately updated its billeting database based on the verification results and has provided status reports of the verification results to the government.

Improvements Needed in the Management of Reimbursements

Our review identified several reimbursement issues related to but not part of Task Orders 130 and 151. The issues involve three main types of reimbursements:

- From DoS to DoD for fuel received from the military by KBR.
- From DoS to the Army for the cost of food consumed in the dining facilities.
- To DoS and DoD for the costs of fuel and lodging received by personnel of foreign embassies and the United Nations.

Reimbursements are an issue outside the direct management of the LOGCAP contract but one, nevertheless, indirectly related to it.

Actions Creating the Need for Reimbursements

Reimbursements for Fuel KBR Received From the Military

When the costing for Task Order 130 was initially developed, it was assumed that KBR would receive its fuel from commercial vendors. Under this assumption, the cost of the fuel purchased by KBR to support Task Order 130 (and later Task Order 151) operations would be part of the overall Task Order contract costs. Thus the fuel costs, in accordance with the DoS and DoD agreement on cost sharing, would be split between the two agencies on a 60% - 40% basis. KBR, however, was unable to rely upon commercial vendors to supply the fuel necessary to support Task Order 130 because of the security situation within Iraq. As a result, KBR was forced to rely upon the military to obtain its fuel requirements.

When KBR draws fuel from the military depot at Camp Victory, however, this fuel is issued to KBR without cost. Since the fuel from the military was issued without cost, no costs for this fuel ever showed up within the KBR contract costs for Task Order 130 and Task Order 151. As a result, when DoS and DoD split the cost of the Task Orders based upon the 60%/40% cost agreement, the cost of the fuel was never included.

Reimbursement for Food in the Dining Facilities

Under Task Orders 130 and 151, dining facility food is obtained by KBR from the DoD Prime Vendor Contract in Iraq –PWC. Under normal Army dining facility operating concepts, the dining facilities requisition food from the prime vendor and the costs are shown as an expense in the appropriate dining facility account. This expense is compared with the allowance earned by the dining facility, based upon application of the appropriate BDFA rate to the actual headcounts, to determine if the facility is operating within subsistence-cost tolerance. Both the subsistence requisition process and the food allowance earned based upon the headcount do not normally result in an actual cash expenditure or collection by the dining facility. So the facility itself does not actually pay the prime vendor directly for the subsistence requisitioned. Instead, the Military Personnel Army (MPA) account initially pays the costs of Army dining facility food purchased

through DoD's Prime Vendor Contract. The Military Personnel Army (MPA) account, where appropriate, is normally reimbursed from the Operation and Maintenance Army (OMA) account for meals consumed by authorized Army civilians.

Reimbursement for Fuel and Life Support From Other Organizations

The U.S. Embassy-Iraq collects reimbursements from other countries' embassies and the United Nations for fuel provided to them by KBR under Task Orders 130 and 151. In addition, reimbursement is collected for basic life support (lodging, meals, utility support, etc.) provided to personnel from those entities who reside within the U.S. Embassy housing compound. Since the costs of the Task Orders is split between DoD and DoS in a 40% (DoD) and 60% (DoS) ratio, 40 percent of the reimbursements collected by the U.S. Embassy-Iraq are credited to DoD.

Where Improvements in Reimbursement Procedures Are Needed

SIGIR's prior review noted that procedures had not been fully developed and implemented to ensure that reimbursement for fuel and subsistence was made between DoS and DoD for costs related to, but not part of, Task Order 130. The U.S. Embassy-Iraq, in coordination with DCMA and MNF-I, has taken actions to implement a reimbursement procedure for fuel obtained by KBR from the military, but problems in this area remain. In addition, while the U.S. Embassy-Iraq and DCMA have attempted to work out a procedure with the Army to develop and implement reimbursement for dining facility subsistence costs, these procedures have not, as of September 28, 2007, been fully developed or implemented. Procedures are in place and working to obtain reimbursement from other organizations for fuel obtained from KBR. In addition, procedures were in place to obtain reimbursement from non-U.S. organizations, such as the United Nations and the British Embassy, for life support provided under Task Order 130 when those organization's personnel reside in the Embassy compound housing area. However, as of September 30, 2007, the U.S. Embassy-Iraq had not issued billings to these non-U.S. organizations for cost of life support received under Task Order 151, which became effective June 6, 2007.

Fuel Reimbursement

Because KBR receives fuel from the U.S. military at Camp Victory, on March 25, 2007, MNF-I submitted an initial memorandum to the U.S. Embassy-Iraq requesting payment of \$12,098,453 as the DoS share (60%) of the \$20,164,089 worth of fuel KBR received from the military for the 10 month period from May 2006 to February 2007. Subsequent requests for fuel reimbursements were submitted to the U.S. Embassy-Iraq by MNF-I as shown in SIGIR Table 1:

Table 1—MNF-I Requests to the Embassy for Fuel Reimbursements

MNF-I Month Billed	Gallons DF2	Gallons MoGas	\$ Value Fuel	DoS Share Cost
March 2007	740,299	48,167	\$1,633,393	\$ 980,035
April 2007	719,745	53,846	\$1,494,448	\$ 896,669
May 2007	1,287,751	58,403	\$2,594,544	\$1,556,726
June 2007	1,363,996	66,027	\$2,755,428	\$1,653,257
July 2007	1,257,698	75,163	\$2,606,431	\$1,563,859

Source: SIGIR analysis of KBR data.

We conducted a 100% review of KBR’s fuel receipt documents for the month of July 2007. This review found that, in addition to the military fuel received, KBR had received and reported as part of its Monthly Bulk Petroleum Accounting Summary (DA Form 4702-R) a total of 16,054 gallons of DF2 fuel received from commercial vendors, for a total of 1,257,698 gallons of DF2 fuel received in July 2007. We questioned the official identified in the MNF-I Memorandum to the U.S. Embassy-Iraq requesting reimbursement for the July 2007 receipt of fuel from the military, as to how he determined the amount of fuel KBR received from the military. The official told us that he used the fuel receipts amount reported by KBR on its Monthly Bulk Petroleum Accounting Summary report (DA Form 4702-R). When we asked the official about commercial fuel that may be included in the amount KBR reported, he advised that the KBR report included only military fuel received since KBR did not receive any fuel from commercial vendors.

However, since May 2007, KBR has been receiving some fuel from commercial vendors, and the Monthly Bulk Petroleum Accounting Summary report prepared by KBR correctly included the vendor fuel receipts. At our request, KBR conducted a review of its records to identify the amounts of vendor fuel received (and included by MNF-I in DoS military fuel billings) with the following results:

Table 2—KBR Commercial Vendor Fuel Receipts

Month	Gallons of Vendor Fuel Received per KBR	Dollar Value of Vendor Fuel Received at Military Billing Rate	DoS Share (60%) of Vendor Fuel Improperly Billed by MNF-I
May 2007	31,544	\$ 60,564.56	\$ 36,338.74
June 2007	89,640	\$172,108.48	\$103,265.09
July 2007	16,054	\$ 30,823.52	\$ 18,494.11
Totals	137,238	\$263,496.56	\$158,097.94

Source: SIGIR analysis based on KBR data.

We suggested to KBR (through DCMA) that since MNF-I was relying upon the KBR Monthly Bulk Petroleum Accounting Summary report to determine the amount to bill DoS, that KBR consider including the amount of vendor fuel receipts in the future as a separate item in the Remarks section (paragraph h) of the Monthly Bulk Petroleum Accounting Summary. KBR accepted this suggestion and took immediate action to issue, for the months of May 2007 through July 2007, revised summaries that listed, in the remarks section, the amount of vendor fuel received.

Dining Facility Subsistence Reimbursement

Because KBR receives subsistence from the Prime Vendor Contract without cost, DCMA and the U.S. Army Center of Excellence, Subsistence were working to develop a system to bill DoS for its share of the subsistence cost used in Task Order 130 and 151 dining facilities. On September 19, 2006, we discussed this issue with representatives from the Army’s G-4 (Logistics) office and the Army Budget Office. After our discussion, they sent an e-mail to the Army Center of Excellence, Subsistence advising that a member of the Assistant Secretary of the Army’s Office of Financial Management and Comptroller would work directly with DoS, to implement procedures for reimbursement. However, as of September 28, 2007, billing actions have not been implemented

DCMA-Baghdad office and the U.S. Army Center of Excellence, Subsistence did propose an initial billing methodology in which DoS would reimburse the Army based upon the following methodology:

1. Determine the normal monetary allowance earned under the Army’s BDFR rate (the headcount number for each meal multiplied by the meals respective BDFR rate) times 60% to obtain the DoS base reimbursement.
2. Determine the additional allowance earned by the Palace dining facility as a result of using a \$20 DoS rate rather than the Army’s BDFR rate to compute the monetary allowance earned.

3. Add the amount determined in step 1 above to the amount determined in step 2 to determine the amount of reimbursement the Army should collect from the U.S. Embassy-Baghdad.

We reviewed this proposed billing method and advised DCMA-Baghdad and U.S. Army Center of Excellence, Subsistence that we did not agree because it is based on allowance earned rather than the actual cost of subsistence incurred by the dining facilities. We suggested that DCMA and U.S. Army Center of Excellence, Subsistence consider a methodology based on actual subsistence costs that would both capture the initial 60% DoS share of the subsistence cost under the BDFA rate and hold DoS responsible for any additional subsistence costs within the Palace dining facility due to KBR using the higher DoS \$20 meal rate rather than the Army's BDFA rate. The advantage of this methodology is that it holds DoS responsible only for actual subsistence costs. Thus, subsistence cost reductions below the \$20 DoS rate and the BDFA rate that the contractor obtains result in lower reimbursement costs to DoS. After we advised them of our concerns with their cost methodology, DCMA and U.S. Army Center of Excellence, Subsistence both agreed that the billing methodology should be based on actual cost. Based on this methodology, we calculate that the fiscal year 2007 subsistence reimbursement costs due the Army for Task Order 130/151 dining operations³ through June 2007 total approximately \$14.5 million.

In written comments on a draft of this report, JASG-C disagreed with our proposed methodology for determining the amount of reimbursement that DoS owes the Army for subsistence. However, the billing methodology we proposed ensures proper costs sharing between the Army and DoS based on actual subsistence costs, while ensuring that DoS pays additional costs associated with the higher DoS meal rate.

JASG-C also suggested that the Multinational Force Iraq C8 should develop and implement an appropriate procedure for Army reimbursement billings to DoS for subsistence costs. However, we believe that DCMA, as the duly appointed contractor administrator for the LOGCAP contract, is in the best position to facilitate discussion between DoS and Army for implementation of a billing system to ensure DoS reimburses the Army for subsistence costs incurred by KBR.

Other Reimbursements

The U.S. Embassy-Iraq properly billed non-U.S. organizations—the United Nations, British Embassy, Australian Embassy, et al—for fuel received from the KBR International Zone fuel site. Forty percent of the fuel billings were properly credited to DoD based on the 40%/60% cost split between DoD and DoS.

The U.S. Embassy-Iraq billed non-U.S. organization personnel housed within the U.S. Embassy compound for life support (housing, meals, utilities, etc.) provided under Task Order 130. Task Order 151, however, replaced Task Order 130 on June 6, 2007. In September 2007, the U.S. Embassy-Iraq completed its analysis of estimated Task Order 151 life support costs and developed a proposed daily per person rate to charge for life support provided under this new

³ For the purpose of this calculation we included all 6 of the dining facilities operated by KBR under Task Orders 130/150, to include the 3 dining facilities in the International Zone (J1-Palace, J7-KBR Camp Hope, J8-Camp Jackson) and the 3 dining facilities outside of Baghdad (J3-Kirkuk, J9-Al-Hillah, J10-Basrah).

Task Order. However, as of September 30, 2007, the U.S. Embassy-Iraq had not met with the non-U.S. organizations affected by this new daily life support rate to advise them of and obtain their agreement with the new rate. Thus billings to non-U.S. organizations for life support provided under Task Order 151 have not been issued by U.S. Embassy-Iraq as of September 30, 2007.

Planning for Transition from Contingency Contracting

The Army's LOGCAP contract is a contingency contract that is considered "a contract of last resort" for customers because of the potential additional costs associated with it. Contingency contracts are primarily designed for areas where emerging requirements are the norm, rapid response is required, and/or conditions are such that normal sustainment contracts are not competitively available. Under contingency contracts, the government typically assumes the financial risk with the use of cost plus award fee contracts. Once a condition stabilizes and a reasonable determination can be made as to the quantity and type of contract work that will be required to support a mission, customers should transition from contingency contracts to a more normal cost-effective contract.

In the new U.S. Embassy in Baghdad, the U.S. Embassy-Iraq will have its own contractor for in-house maintenance operations. But because of Iraq's on-going wartime conditions and related security concerns, the Embassy elected to stay with the current LOGCAP contingency contract for most basic life support missions. While the DoS justification for this action is reasonable in the short-term due to the security environment, planning to transition to more competitive contracting in the longer term as conditions warrant may be desirable from the standpoint of cost effectiveness.

Conclusion and Recommendations

Conclusion

The U.S. government agencies involved in the management of Task Orders 130 and 151 have made major improvements in their oversight since our prior review of the LOGCAP contract. These improvements should result in more economical and efficient contractor services. In particular: (i) the Army Sustainment Command has clarified contractor standards and government oversight responsibilities, (ii) DCMA has implemented an independent Quality Assurance Program, (iii) both JASG-C and DoS support DCMA by providing COTRs to assist DCMA in its contractor oversight mission, (iv) DoS has clarified dining facility food service cost standards that KBR is expected to adhere to, (v) aggressive action has been taken by both JASG-C and DoS to ensure that billeting operations are properly administered and billeting records reflect accurate data, and (v) DoS now recognizes that KBR's own billeting operations are subject to government oversight.

KBR has also made significant improvements in its operations when compared to those noted in our prior report. KBR has improved (i) the accuracy of fuel information as well as controls over its International Zone fuel operations, (ii) its efforts to control food costs, and (iii) its administration of billeting and the accuracy of billeting information. Problems remain in ensuring that dining facility food costs are within established standards and that fuel reports properly reflect the amounts issued to KBR by the Army.

While some progress has been made by the U.S. government in ensuring appropriate reimbursement between DoD and DoS, significant problems were still noted in accurate billing for and reimbursements of both fuel and subsistence provided under Task Orders 130 and 151.

DoS has transitioned to its own contract for maintenance services at the new Embassy compound, but will continue to rely upon the Army's LOGCAP contingency contract for most services until the current situation in Iraq becomes more favorable for "peacetime" contracting operations.

It should also be noted that both the government and KBR took immediate corrective actions on problems we noted and suggestions we made to correct the conditions identified during this review:

- DCMA and KBR agreed with our suggestion to include the amount of commercial fuel received in the remarks section of DA Form 4702-R (Monthly Bulk Petroleum Accounting Summary), so that MNF-I can determine the amount of military-only fuel received in preparing reimbursement fuel bills. In addition, KBR conducted a search of its vendor purchase requests and sub-contracts to identify the amount of fuel received from commercial vendors and issued revised DA Form 4702-R's reflecting the amount in the Remarks section of the forms.
- The Army agreed to provide DoS credit for the amount of commercial fuel erroneously billed.

- DCMA and Army Center of Excellence, Subsistence agreed with our suggestion that dining facility subsistence should be based upon actual subsistence costs; rather than just on headcount numbers and associated allowances.

Recommendations

We recommend that the Commander, Defense Contract Management Agency:

1. Work with KBR to implement appropriate procedures to ensure that fuel received from the Camp Victory depot is properly recorded based upon official government issue/receipt documents and that procedures for resolving discrepancies regarding fuel deliveries are implemented.
2. Continue to require KBR to report the amount of commercial fuel received in the Remarks section of the *Monthly Bulk Petroleum Accounting Summary* form, so that MNF-I can differentiate between the amounts of military and commercial fuel received when preparing fuel reimbursement billings. (Initial action was taken during the audit on this recommendation.)
3. Continue to work with the Army and the U.S. Embassy-Iraq to develop and implement an appropriate procedure for Army reimbursement billings to DoS for subsistence costs. (Initial action was taken during the audit on this recommendation.)

We recommend that the Counselor for Management Affairs, U.S. Embassy-Iraq:

4. After appropriate notification to the non-U.S. organizations involved, bill the organizations to recover cost of life support provided under Task Order 151 for their personnel billeted within the Embassy housing compound.
5. Work with DCMA and the Army to develop and implement an appropriate billing procedure so that DoS can reimburse the Army for dining facilities subsistence costs.
6. When security conditions in Iraq allow, consider transitioning from the Army's LOGCAP contract for life support of the U.S. Embassy-Iraq mission to a DoS-managed life support contract.

Management Comments and Audit Response

We received written comments on a draft of this report from the DoS Management Counselor's Office, DCMA, and JASG-C. The DoS Management Counselor concurred with our recommendations and stated that the Embassy was taking action to address each recommendation. DCMA concurred with our first two recommendations, but did not concur with the third recommendation. According to DCMA it has neither the authority nor administrative control to develop and implement reimbursement procedures between DoS and DoD. We recognize that DCMA does not have the authority to develop the reimbursement billing procedures, however, the intent of the recommendation is for DCMA to continue working with both the Army and DoS (which DCMA has done during this audit) in the development and implementation of the reimbursement process to ensure KBR's subsistence cost reports reflect

appropriate information needed to support the reimbursement procedures. JASG-C provided technical comments that we include in the report as appropriate.

Appendix A—Scope and Methodology

This review was announced on June 22, 2007 (Project No. 7014), with the overall objective of reviewing program management, reimbursement, and transition issues related to Task Orders 130 and its successor, Task Order 151.

We conducted this review at Kellogg Brown & Root Services Inc. (KBR) sites in Baghdad. As part of the process, we interviewed government personnel involved with the administration or oversight of those task orders, including:

- The Defense Contract Management Agency (DCMA) commander, administrative contracting officer, and other DCMA personnel in Iraq.
- The Defense Contract Audit Agency in Iraq.
- Department of State personnel assigned to the U.S. Embassy-Iraq, such as the Management Counselor, the Task Orders 130 and 151 contracting officer's representative, the senior financial management officer, the General Services Office housing officer, and others including DoS personnel appointed as the contracting officer's technical representatives.
- Functional support personnel with the Joint Area Support Group-Central who are involved with Task Orders 130 and 151, to include JASG-C personnel appointed as the contracting officer's technical representatives.
- Personnel with the Camp Victory Logistics Support Element, such the Task Order 151 LOGCAP Support Officer.
- Personnel at the Army Center of Excellence, Subsistence, U.S. Army Quartermaster Center and School, Fort Lee, Virginia.
- Personnel at the Army's G-4 (Logistics) office and the Army Budget Office.
- KBR managers and operational personnel.

We visited KBR work sites in the International Zone; observed their ongoing operations and the methods used by KBR to capture, maintain, and report data; and examined reports KBR provided to the government. We also requested, received, analyzed, and evaluated KBR's internal reports and databases, such as the fuel database, the dining facilities subsistence account, and the billeting assignment database.

We conducted various tests to assess the effectiveness of contract oversight and internal management controls, and followed up on the actions taken to address control weaknesses we had previously identified.

We also reviewed the Federal Acquisition Regulation (FAR) and information maintained by the defense acquisition community to identify FAR clauses and other potential contract documents applicable to conditions we noted during this review. We reviewed the following significant

Army regulations, pamphlets, and other guidance applicable to the performance and oversight of Task Orders 130 and 151:

- Army Regulation 30-22, *The Army Food Program*, May 10, 2005
- Department of the Army Pamphlet 30-22, *Operating Procedures for the Army Food Program*, August 30, 2002
- Army Regulation 710-2, *Inventory Management: Supply Policy Below the National Level*, July 8, 2005
- Department of the Army Pamphlet 710-2-1, *Inventory Management: Using Unit Supply System (Manual Procedures)*, December 31, 1997
- Memorandum of Agreement Between Department of State and Department of Defense for Support Services in Iraq, dated June 10, 2004
- Joint Department of State and Multi-National Force-Iraq Memorandum for Record, Subject: Task Order 130 Cost Allocation Study, dated August 8, 2006
- Defense Contract Management Agency Contract Management Office Quality Assurance Surveillance Plan for DCMA Iraq, June 2005
- Commander, Defense Contract Management Agency Iraq/Afghanistan Memorandum, Subject: LOGCAP III Quality assurance (QA) Surveillance & Inspections, dated August 22, 2007

We performed this review from July 5, 2007 to October 3, 2007, in accordance with generally accepted government auditing standards.

Prior Coverage

Special Inspector General for Iraq Reconstruction (SIGIR)

Reports issued by the Office of the Special Inspector General for Iraq Reconstruction (SIGIR) can be accessed on its website <http://www.sigir.mil>.

- **SIGIR Report No. 05-003**, *Task Order 0044 of the Logistics Civilian Augmentation Program III Contract*, dated November 23, 2004, noted that weaknesses in KBR cost reporting process used for Task Order 0044 prevented SIGIR from effectively addressing the audit objectives. That audit was terminated and addressed only the issue of cost data submitted by KBR to the Coalition Provisional Authority for work performed under Task Order 0044. The report noted that KBR did not provide the administrative contracting officer with sufficiently detailed cost data to evaluate overall project costs or to determine whether specific costs for services performed were reasonable. This occurred because both the basic LOGCAP contract and Task Order 0044 required detailed cost data and the LOGCAP contract was awarded to KBR even though the contractor did not have certified billing or cost and schedule reporting systems. As a result, the administrative contracting officer did not receive sufficient or reliable cost information to effectively manage Task Order 0044. In addition, the lack of certified billing or cost and schedule reporting

systems hampered the administrative contracting officer from effectively monitoring contract costs. Finally, due to the lack of contractor provided, detailed cost information to support actual expenses incurred, resource managers were unable to accurately forecast funding requirements to complete Task Order 0044.

- **SIGIR Report No. 06-035**, *Interim Audit Report on Inappropriate Data Markings by the Logistics Civilian Augmentation Program (LOGCAP) Contractor*, dated October 26, 2006. This reported noted that KBR routinely marks almost all the information it provides to the government as KBR proprietary data, citing the FAR section 3.104 as the justification. This provision of the FAR, however applies to the protection of bid or source selection information during the procurement process, while the information KBR is marking as proprietary is data produced by KBR for the government related to its performance under a contract that has already been awarded. This practice is not consistent with FAR direction as to what constitutes proprietary data. The routine use of proprietary markings when the data marked is not internal contractor information, such as indirect costs, labor rates, or internal processes is an abuse of FAR procedures, inhibits transparency of government activities and the use of taxpayer funds, and places unnecessary requirements on the government to both protect from public disclosure information received from KBR and to challenge inappropriate proprietary markings. The result is that information normally releasable to the public must be protected from public release just because the information gathered for the government by KBR, pursuant to its contractual obligations, was marked as proprietary. In effect, KBR has turned FAR provisions designed to protect truly proprietary information, and to enhance procurement competition by protecting proprietary data from unauthorized disclosure, into a mechanism to prevent the government from releasing normally transparent information, thus potentially hindering competition and oversight.

U.S. Army Audit Agency (AAA)

- **AAA Audit Report A-2006-0099-ALL**, dated April 25, 2006, Audit of Program Management in the Iraq Area of Operations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom, concluded that the current management structure over LOGCAP operations in the Iraq area of operations was not fully conducive to ensuring the program is managed in the most effective and efficient manner to provide the greatest potential for being a force multiplier for the battle space commander. Specifically, contracting activities in theater have been fragmented and too understaffed to effectively furnish overall integrated support to component commands. At the same time, more centralized control over LOGCAP operations is needed within the Multi-National Forces-Iraq command to ensure that requirements are properly managed and contract support is effectively integrated into its combat service support mission.
- **AAA Audit Report A-2006-0168-ALL**, dated August 4, 2006, Report on the Subsistence Prime Vendor Contract, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom, concluded that the operations related to providing subsistence items under the Prime Vendor Contract to dining facilities in Kuwait and Iraq were effective and efficient for the prime vendor-owned products. The management of government-owned operational rations inventory at the prime vendor's

warehouses could be improved. The inventory balances and locations of operational rations in the bulk storage facilities at the Kuwait Free Trade Zone did not match what was recorded in the work management structure database because those facilities did not have an automated inventory tracking system or an adequate warehouse identification system to manage and store operational rations. Operational rations with more than one national stock number were not being pulled according to the first-to-expire inventory method required by the Prime Vendor Contract. The prime vendor did not maintain adequate and accurate supporting documentation for the destruction of government-owned operational rations. The government has incurred excess storage fees due to inadequate monitoring of expired government-owned products in the prime vendor's warehouse. There were over 400,000 cases of government-owned operational rations, worth approximately \$34 million stored in the prime vendor's warehouse that were on hand or were en route to the warehouse. These rations exceeded the average quantity that the prime vendor ships out each month plus the 3-month safety stock that the Army attempts to maintain in the prime vendor's warehouses. The government was not adequately monitoring contractor performance. The administrative contracting officer and the contracting officer's representative were not using a Quality Assurance Surveillance Plan to monitor contractor performance. In addition, this report noted that the designation memorandum appointing each of these officials lacked specifics on their quality assurance requirements. The overall approach to monitoring the requirements of the contract was not reviewed to ensure that the terms of the contract were fulfilled.

- **AAA Audit Report A-2006-0022-ALL**, dated November 28, 2005, Logistics Civil Augmentation Program, U.S. Army Materiel Command, concluded overall that the Army's management of the LOGCAP contract was adequate. LOGCAP was providing essential support to soldiers and doing a good job of meeting the Army's needs. In addition, the contract was competitively awarded; the contract type was appropriate for the type of work performed; appropriate pre-award reviews were conducted on the contractor's proposals, management controls, and accounting system; and appropriate structures were in place to manage the contract. Although the contract was adequately managed, some problems did occur up front because of the volume of work involved and the need to process contract actions quickly. Specifically, independent government cost estimates were not prepared in sufficient depth to evaluate contractor cost estimates, and task orders awarded under the contract often were not definitized in a timely manner.
- **AAA Audit Report A-2005-0043-ALE**, dated November 24, 2004, Audit of Logistics Civil Augmentation Program in Kuwait, concluded that the program management office did not provide adequate oversight to the LOGCAP Support Unit to ensure implementation of procedures for effective performance-based contracting. The audit also found that the basic contract and the statements of work for task orders specified that the contractor was to provide a variety of reports and plans at various intervals throughout the contract. The contract reports and plans either were not provided or were not useful. The LOGCAP Support Unit did not have established goals and objectives or standing operating procedures to define its program support role in Southwest Asia. Moreover, the support unit's mission-essential task list included tasks that could not be performed in Southwest Asia. Consequently, support unit personnel were not sure of their roles and responsibilities and frequently performed tasks that fell outside their authority.

U.S. Government Accountability Office (GAO)

- **Report GAO-04-854**, *DoD's Extensive Use of Logistics Support Contracts requires Strengthened Oversight*, dated July 19, 2004, found that the effectiveness of DoD's planning to use the logistics support contracts during contingency operations varies widely between the commands that use them and the contracts themselves. In many cases, planning was done effectively, in close coordination with the respective contractors. For LOGCAP, however, the Army Central Command did not develop plans to use the contract to support its military forces in Iraq until May 2003, even though Army's LOGCAP guidance calls for early planning and early involvement of the contractor. These plans, moreover, have undergone numerous changes since that initial planning. In Kuwait, as well, the Army has made frequent changes in its use of LOGCAP. The report noted that DoD's contract oversight processes were generally good, although there is room for improvement. DoD customers have not always ensured that contractors provide services in an economic and efficient manner, although they have a responsibility to do so. GAO found that when the customer reviews the contractor's work for economy and efficiency, savings are realized. Under the LOGCAP contract, months-long delays in definitizing contract task orders have frequently undermined the contractor's cost control incentives, and the absence of an Army award fee board to comprehensively evaluate the contractor's performance has further limited DoD's oversight.
- **Report GAO/NSAID-00-225**, *Army Should Do More to Control Contract Costs in the Balkans*, dated September 29, 2000, found that both the Army and its contractor, Brown & Root Services, had taken various actions to control the cost of services provided under the Balkans Support Contract. These actions included a contract provision requiring the contractor to regularly identify cost savings, such as recycling materials from elsewhere in the Balkans and Europe and using soldiers to perform such tasks as building construction whenever possible. Nevertheless, the Army should have done more to control costs. One step it should have taken was to give more consideration to costs in making decisions on the extent of services to be provided by the contractor.

Appendix B—Acronyms

ACO	Administrative Contracting Officer
AR	Army Regulation
BDFA	basic daily food allowance
COM	Chief of Mission
COR	contracting officer's representative
COTR	contracting officer's technical representative
DA	Department of the Army
DCMA	Defense Contract Management Agency
DoD	Department of Defense
DoS	Department of State
GAO	U.S. Government Accountability Office
GSO	General Services Office
JASG-C	Joint Area Support Group-Central
KBR	Kellogg Brown & Root Services Inc.
LOGCAP	Logistics Civil Augmentation Program
QAR	quality assurance representative
SIGIR	Special Inspector General for Iraq Reconstruction
SOW	statement of work

Appendix C—Report Distribution

Department of State

Secretary of State

Senior Advisor to the Secretary and Coordinator for Iraq

Director of U.S. Foreign Assistance/Administrator, U.S. Agency for International Development

Director, Office of Iraq Reconstruction

Assistant Secretary for Resource Management/Chief Financial Officer, Bureau of Resource Management

U.S. Ambassador to Iraq*

Director, Iraq Transition and Assistance Office

Mission Director-Iraq, U.S. Agency for International Development

Inspector General, Department of State

Department of Defense

Secretary of Defense

Deputy Secretary of Defense

Under Secretary of Defense (Comptroller)/Chief Financial Officer

Deputy Chief Financial Officer

Deputy Comptroller (Program/Budget)

Deputy Assistant Secretary of Defense-Middle East, Office of Policy/International Security Affairs

Inspector General, Department of Defense

Director, Defense Contract Audit Agency

Director, Defense Finance and Accounting Service

Director, Defense Contract Management Agency*

Commander, Defense Contract Management Agency – Iraq*

Department of the Army

Assistant Secretary of the Army for Acquisition, Logistics, and Technology

Principal Deputy to the Assistant Secretary of the Army for Acquisition, Logistics, and Technology

Deputy Assistant Secretary of the Army (Policy and Procurement)

Commanding General, Joint Contracting Command-Iraq/Afghanistan

Assistant Secretary of the Army for Financial Management and Comptroller

Chief of Engineers and Commander, U.S. Army Corps of Engineers

Commanding General, Gulf Region Division

Chief Financial Officer, U.S. Army Corps of Engineers

Auditor General of the Army

U.S. Central Command

Commanding General, Multi-National Force-Iraq

Commanding General, Multi-National Corps-Iraq

Commanding General, Multi-National Security Transition Command-Iraq

Commander, Joint Area Support Group-Central*

*Recipient of the draft audit report

Other Federal Government Organizations

Director, Office of Management and Budget
Comptroller General of the United States
Inspector General, Department of the Treasury
Inspector General, Department of Commerce
Inspector General, Department of Health and Human Services
Inspector General, U.S. Agency for International Development
President, Overseas Private Investment Corporation
President, U.S. Institute for Peace

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

U.S. Senate

Senate Committee on Appropriations
 Subcommittee on Defense
 Subcommittee on State, Foreign Operations and Related Programs
Senate Committee on Armed Services
Senate Committee on Foreign Relations
 Subcommittee on International Operations and Organizations, Democracy and Human Rights
 Subcommittee on International Development and Foreign Assistance, Economic Affairs and International Environmental Protection
 Subcommittee on Near East and South and Central Asian Affairs
Senate Committee on Homeland Security and Governmental Affairs
 Subcommittee on Federal Financial Management, Government Information, Federal Services and International Security
 Permanent Subcommittee on Investigations
 Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia

U.S. House of Representatives

House Committee on Appropriations
 Subcommittee on Defense
 Subcommittee on State, Foreign Operations, and Related Programs
House Committee on Armed Services
House Committee on Oversight and Government Reform
 Subcommittee on Government Management, Organization, and Procurement
 Subcommittee on National Security and Foreign Affairs
House Committee on Foreign Affairs
 Subcommittee on Middle East and South Asia
 Subcommittee on International Organizations, Human Rights, and Oversight

Appendix D—Audit Team Members

This report was prepared and the review was conducted under the direction of Joseph T. McDermott, Assistant Inspector General for Audit, and Glenn Furbish, Acting Assistant Inspector General for Audit, Office of the Special Inspector General for Iraq Reconstruction.

The staff members who conducted the review and contributed to the report include:

Ronald L. Rembold

Nelson Reyes

Frank W. Slayton

Management Comments

U.S. Embassy-Iraq



Embassy of the United States of America
Baghdad, Iraq

October 16, 2007

INFORMATION MEMORANDUM
UNCLASSIFIED

TO: Mr. Glen Furbish, Acting Assistant Inspector General for Audits, Special Inspector General for Iraq Reconstruction

THROUGH: The Deputy Chief of Mission – Patricia A. Butenis

FROM: Management Counselor – Edward M. Alford

SUBJECT: Embassy Baghdad Response to Draft SIGIR Report 08-002

On behalf of the Chief of Mission (COM) I would like to thank the Special Inspector General for Iraq Reconstruction (SIGIR) team for their on-going work in responding to our request of July 2006 to review the Logistics Civil Augmentation Program (LOGCAP) Task Order (TO) 130 and its successor TO 151.

We have read draft report 08-002 dated October 9, 2007, and are providing the following responses to the COM directed recommendations (e.g. 4-6) found on pages iv-v.

- Recommendation # 4 – U.S. Embassy Baghdad will review its current procedures for billing non-U.S. organizations for life support and ensure appropriate action is taken.
- Recommendation # 5 – U.S. Embassy Baghdad and the Department of State will discuss with the Department of Defense the issue of subsistence costs and current Memoranda of Agreement between the Department of State and the Department of Defense.
- Recommendation # 6 – LOGCAP support is still considered critical to Chief of Mission operations. U.S. Embassy Baghdad and the Department of State will continue to work with the Department of Defense on transitioning away from LOGCAP support as the security conditions permit. For example, the Department has contracted with another company to provide operations and maintenance support at the NEC instead of the current LOGCAP contractor.

Drafter: MGMT – E. Butler, 239-8636

Cleared: NEA/SCA/EX – S. Hartwell

MGMT/Contracting Officer – S. Drisko

MGMT/FMO – C. Bullington

JASG Commander – COL William R. Phillips

Deputy Management Counselor – Sandra M. Muench

UNCLASSIFIED

Management Comments

Joint Area Support Group-C

From: McCreight, Brett MAJ JASG C
Sent: Tuesday, October 16, 2007 8:22 AM
To: Reays, Walt R GS16 SIGIR
Cc: Coffin, William J LTC JASG C
Subject: SIGIR LOGCAP Report Review

Sir,
Our LOGCAP report review below.

* No comments from our JAG Section. Comments within Form 5 from CW3 Thibeault.

CW3 THIBEAULT, ACQUISITION MANAGEMENT OFFICER, JASG-C SPO, CONCUR WITH REPORT WITH THE FOLLOWING COMMENTS:

1. SIGIR-08-002, page iv (similar references on page 16 and 17), SIGIR Recommendation 3; recommend this action be changed from a DCMA action to a MNFI-C8 action. C8 should work with US Army representatives managing billing and payment of the Prime Vendor contract(s) providing subsistence support to the DFACs supported under TO 161 to recover from the Department of State (DOS) the DOS share of subsistence costs. The current fiscal year and all previous fiscal year costs should be recovered in accordance with DOD FMR 7000.14R. Failure to do so could result in unauthorized augmentation of DOS funding and improper use of DOD funding which could result in a potential Anti-deficiency Act violation.

2. SIGIR-08-002, page 17; recommend SIGIR expand their recommended proposed billing method to address how actual costs which exceed the established EDFA for each DFAC will be billed. It is my recommendation DOS pay for all costs above the earned total headcount credit charged against the total costs of all subsistence provided. The earned total headcount should not include individuals not authorized to eat in the DFAC who are permitted by to dine in the DFAC at the direction of the DOS-COM without paying for their meal in accordance with AR 30-22. While DOD provides the technical assistance to monitor contractor performance and support DOS by providing headcount services in accordance with AR 30-22, the DOS-COM decides menu day to day operating practices effecting costs.

3. SIGIR-08-002, page 9 (Fuel Operations); Recommend SIGIR include direction for the Contracting Officer to require the contractor to appoint a Terminal Manager and make the contractor responsible for accountability for all fuel issued to the contractor. This would make the contractor responsible for resolving discrepancies between the documented quantities of fuel issued to them by the government and for discrepancies in accountability of fuel distributed and on hand at the facility they operate. For example: This is what DESC does for all fuel they control which is issued to contractors. Information related to the roles and responsibilities may be found in DESC memorandum DESC-F-7. Next recommend the government appoint a Property Administrator with the responsibilities similar (as applicable) to the ones found in DOD 4140.25M. Currently, the DCMA in Baghdad, Iraq has property administrators in their office.

v/r

Brett D. McCreight
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Management Comments

Defense Contract Management Agency



DEFENSE CONTRACT MANAGEMENT AGENCY
6350 WALKER LANE, SUITE 300
ALEXANDRIA, VIRGINIA 22310-3226

IN REPLY
REFER TO DCMA-DMI

OCT 30 2007

MEMORANDUM FOR ACTING ASSISTANT INSPECTOR GENERAL
FOR AUDIT, OFFICE OF THE SPECIAL INSPECTOR
GENERAL FOR IRAQ RECONSTRUCTION

SUBJECT: SIGIR Draft Report on Logistics Civil Augmentation Program Task Orders
130 and 151: Program Management, Reimbursement, and Transition

Reference SIGIR draft audit report, SIGIR-08-002 .

We have attached the Headquarters Defense Contract Management Agency
response to recommendations 1, 2 and 3 cited in the subject audit report.

Point of contact is Ms. Sonya Moman at 703-530-3163 or
sonya.moman@dcma.mil.

Keith D. Ernst
KEITH D. ERNST
Acting Director

SUBJECT: Logistics Civil Augmentation Program Task Orders 130 and 151: Program Management, Reimbursement, and Transition (SIGIR-08-002)

FINDING

None Stated.

RECOMMENDATION

We recommend that the Defense Contract Management Agency (DCMA):

1. Work with KBR to implement appropriate procedures to ensure fuel received from the Camp Victory fuel depot is properly recorded based upon official government receipt documents and that procedures for resolving discrepancies regarding fuel deliveries are implemented.
2. Continue to require KBR to report the amount of commercial fuel received in the remarks section of the *Monthly Bulk Petroleum Accounting Summary* form so that MNF-I can differentiate between the amounts of military fuel received and commercial fuel received when preparing fuel reimbursement billings (initial action was taken during the audit on this recommendation).
3. Continue to work with the Army and U.S. Embassy-Iraq to develop and implement an appropriate billing procedure for Army reimbursement billings to DoS for subsistence costs (initial action was taken during the audit on this recommendation).

DCMA COMMENTS: (Partially Concur)

Recommendations 1 and 2: Concur.

Recommendation 3 (reimbursement billing):

Reference: Page iv and page 20 of draft SIGIR 08-002 dated 9 OCT 07.

Issue: DCMA I/A does not have the authority nor administrative control to develop and implement reimbursement billing procedures between the Department of State (USMI) and Department of Defense, MNF-I/MNC-I). This interagency matter rests with the appropriate comptroller or finance offices, and is subject to guidance contained in the DOD Financial Management Regulation (FMR), 7000.14-R, Volume 11A, Chapter 13.

Reference Number: IR-INFR-17

RECOMMEND SUGGESTED CHANGE FOR THE REPORT:

Reference: Page 3, technical error found: "The Baghdad, Iraq office of the DCMA provides on-site monitoring of the contractor. DCMA, as the ACO provides technical advice and expertise, and in-theater contract administration and quality assurance."

It should read: "DCMA Central Iraq under DCMA Iraq/Afghanistan (I/A) provides contingency contract administrative services in direct support of LOGCAP. DCMA I/A is re-delegated and responsible for contract administration, property administration, and quality assurance and surveillance oversight over the LOGCAP contractor, KBR."

Reference Number: IR-INFR-17

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