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United States
Department of Defense



Contracting for Transportation Services for
U.S. Army Corps of Engineers, Gulf Region Division

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Acronyms and Abbreviations

COR	Contracting Officer's Representative
DCAA	Defense Contract Audit Agency
FAR	Federal Acquisition Regulation
GRD	Gulf Region Division
HAV	Heavy Armored Vehicle
IG	Inspector General
LAV	Light Armored Vehicle
MLV	Master List of Vehicles
NTV	Nontactical Vehicle
QASP	Quality Assurance Surveillance Plan
SOP	Standard Operating Procedure
SOW	Statement of Work
USACE	U.S. Army Corps of Engineers



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

JUL 29 2009

MEMORANDUM FOR COMMANDER, U.S. ARMY CORPS OF ENGINEERS,
GULF REGION DIVISION
DIRECTOR, GULF REGION DIVISION CONTRACTING
DIVISION

SUBJECT: Contracting for Transportation Services for U.S. Army Corps of Engineers,
Gulf Region Division (Report No. D-2009-095)

We are providing this draft report for review and comment.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The Commander, U.S. Army Corps of Engineers, Gulf Region Division and Director, Gulf Region Division Contracting Division did not provide comments to the draft report. We request comments on Recommendations A.1., A.2., B.1., and B.2. by August 28, 2009. Please see the recommendations table on page ii.

Please provide comments that conform to the requirements of DoD Directive 7650.3. If possible, send your comments in electronic format (Adobe Acrobat file only) to audros@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the / Signed / symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8905 (DSN 664-8905).

A handwritten signature in black ink, appearing to read "Paul J. Granetto".

Paul J. Granetto
Assistant Inspector General
Readiness, Operations, and Support



Results in Brief: Contracting for Transportation Services for U.S. Army Corps of Engineers, Gulf Region Division

What We Did

Our overall audit objective was to determine the effectiveness of U.S. Army Corps of Engineers, Gulf Region Division contracting for nontactical vehicles and transportation services in support of Operation Iraqi Freedom. This audit is in response to the National Defense Authorization Act for FY 2008.

What We Found

We found that the Army Corps of Engineers, Gulf Region Division (GRD) did not effectively administer the task order for transportation services because it did not establish or implement processes for invoice and inventory reconciliation and discrepancy resolution. In addition, it did not establish standard policies for justification and utilization of nontactical vehicles. As a result, discrepancies in vehicle inventories could cost GRD at least \$1.2 million a year for vehicles it may not currently have.

We also found that GRD could not provide assurance that the contractor complied with all contract requirements for transportation services under task order 17. This occurred because GRD did not develop and implement a quality assurance surveillance plan or ensure that contracting officer's representatives adequately documented contractor performance. As a result, GRD cannot validate that it received transportation services totaling approximately \$69.9 million.

These deficiencies in administration and oversight of contracts for transportation services constitute a weakness in the internal controls. GRD can improve these deficiencies by implementing our recommendations.

What We Recommend

We recommend that the Commander, GRD issue and enforce effective policies for inventory and invoice reconciliation; develop and enforce justification and utilization standards for vehicles; and develop and implement a quality assurance surveillance plan.

We also recommended that the Director, GRD Contracting Office establish internal controls that will ensure contracting officer's representatives comply with responsibilities outlined in appointment letters, specifically related to contractor surveillance and performance monitoring.

Management Comments

We issued the draft report on May 5, 2009. We did not receive management comments in response to the draft report. The Commander, GRD and the Director, GRD Contracting Division should provide comments in response to this report by August 28, 2009. Please see the recommendation table on the back of this page.

Recommendations Table

Entity	Recommendations Requiring Comment	No Additional Comments Required
Commander, U.S. Army Corps of Engineers, Gulf Region Division	A.1. B.1.	
Director, Gulf Region Division Contracting Division	A.2. B.2.	

Please provide comments by August 28, 2009.

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Introduction

Objective

Our overall audit objective was to determine whether contracting for nontactical vehicles in support of Operation Iraqi Freedom was effective. Specifically, we reviewed how the U.S. Army Corps of Engineers (USACE) contracted for transportation services in Iraq. See the appendix for a discussion of the scope, methodology, and prior coverage.

Background

We performed this audit as required by Public Law 110-181, “National Defense Authorization Act for Fiscal Year 2008,” January 28, 2008, section 842, “Investigation of Waste, Fraud, and Abuse in Wartime Contracts and Contracting Processes in Iraq and Afghanistan,” January 28, 2008. Section 842 requires thorough investigation and auditing in order to identify potential waste, fraud, and abuse in the performance of DoD contracts, subcontracts, and task and delivery orders for the logistical support of coalition forces in Iraq and Afghanistan. Further, Section 842 requires thorough investigation and auditing of Federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq and Afghanistan.

In response to the Act, we collaborated with the Inspectors General of the Department of State and U.S. Agency for International Development, the Special Inspector General for Iraq Reconstruction, the Auditors General of the U.S. Army Audit Agency and U.S. Air Force Audit Agency, and the Director of the Defense Contract Audit Agency (DCAA) to develop a comprehensive audit plan for Southwest Asia. The audit plan includes key issue areas, such as financial management, systems contracts, and human capital for contract administration. This plan highlighted ongoing and planned work for each of these agencies, and identified the purchasing and leasing of vehicles in support of Operation Iraqi Freedom and Operation Enduring Freedom, an audit issue area.

U.S. Army Corps of Engineers, Gulf Region Division

The U.S. Army Corps of Engineers has an ongoing mission to assist in rebuilding infrastructures in Iraq and Afghanistan in support of the Global War on Terror. USACE Gulf Region Division (GRD), headquartered in Baghdad, Iraq, provides engineering for military and civil construction, delivers logistical services, and assists the Iraqi government in assuming responsibility for national reconstruction.

On January 20, 2006, the USACE Transatlantic Programs Center issued a task order solicitation for life support services in Iraq to nine contractors listed on an indefinite-delivery, indefinite-quantity construction contract. The services in this solicitation included, but were not limited to, transportation services, minor construction, facilities maintenance, and procurement of office supplies. The solicitation was a cost-reimbursable (cost-plus-award-fee) task order with a base period of 1 year and four option periods of 6 months each, for a total of 3 years.

On April 10, 2006, the Transatlantic Programs Center awarded the task order for life support services to Fluor Intercontinental, Incorporated (Fluor), as task order 17 under indefinite-delivery, indefinite-quantity contract W912ER-04-D-0004. On April 12, 2006, the Transatlantic Programs Center transferred administration of task order 17 to the GRD Contracting Division.

GRD is currently in the fourth option period of this task order. Table 1 below outlines the base period and four option periods of the task order.

Table 1. W912ER-04-D-0004, Task Order 17 Periods of Performance

Period of Performance	Start Date	End Date
Base period	May 16, 2006	April 14, 2007
Option period one	April 15, 2007	February 28, 2008
Option period two	February 29, 2008	August 26, 2008
Option period three	August 27, 2008	February 22, 2009
Option period four	February 23, 2009	August 21, 2009

Transportation Services

For task order 17, transportation services includes providing nontactical vehicles (NTVs), light armored vehicles (LAVs), and heavy armored vehicles (HAVs), as well as routine maintenance, repairs, and towing. The initial task order also included dispatch services, but GRD revised the statement of work (SOW) in February 2008 transferring dispatch responsibilities to GRD.

Transportation services have accounted for at least 28 percent of the overall cost for life support services under task order 17. As of December 30, 2008, Fluor had billed GRD \$69.89 million¹ for transportation services and \$249.64 million² for all life support services under task order 17.

Fluor provided a fleet of leased vehicles, including HAVs, LAVs, and NTVs, that changed over the course of the task order. The number of leased vehicles Fluor provided fluctuated between 177 and 325 vehicles. Table 2 identifies the number of leased vehicles provided by Fluor and the total number of vehicles in the GRD fleet.

¹ This total does not include all general and administrative costs, base fees, or award fees.

² This total includes base and award fees.

**Table 2. Vehicles Identified in the SOW for
Contract W912ER-04-D-0004, Task Order 17**

Period of Performance	Vehicles Leased	Total Vehicle Fleet	Percent of Fleet Leased
Base period	245	462	53
Option period one	177	384	46
Option period two	325	640	51
Option period three	325	640	51
Option period four	321	654	49

Review of Internal Controls

We determined that an internal control weakness for contracting of transportation services existed as defined by DoD Instruction 5010.40, “Managers’ Internal Control (MIC) Program Procedures,” January 4, 2006. GRD did not have adequate procedures in place to provide oversight of transportation services under contract W912ER-04-D-0004, task order 17. Specifically, GRD did not establish or implement processes for invoice and inventory reconciliation and discrepancy resolution or update policies for justification and utilization of nontactical vehicles. In addition, GRD did not develop and implement a quality assurance surveillance plan, or ensure that contracting officer’s representatives adequately documented contractor performance. Implementing all of the recommendations presented in this report will improve the internal controls over the contracting of transportation services. We will provide a copy of this report to the senior USACE official responsible for internal controls.

Finding A. Contract Administration for Transportation Services for U.S. Army Corps of Engineers, Gulf Region Division

The U.S. Army Corps of Engineers, Gulf Region Division did not effectively administer the task order for transportation services. This occurred because USACE, GRD did not:

- establish or implement processes for invoice and inventory reconciliation and discrepancy resolution, or
- update policies for justification and utilization of nontactical vehicles.

As a result, discrepancies in vehicle inventories could cost USACE, GRD at least \$1.2 million a year for vehicles it may not currently have. In addition, nontactical vehicles may not be fully justified or utilized.

Reconciling Invoices and Inventories

GRD did not have adequate processes in place to reconcile invoices or vehicle inventories for transportation services, and did not have effective procedures for resolving discrepancies when identified. Without these processes and procedures in place, GRD may be paying at least \$1.2 million per year for vehicles it may not currently have.

Invoice Reconciliation

GRD did not establish or implement adequate processes to reconcile invoices with transportation services received. GRD personnel, including the program manager and contracting officer, received two invoices per month, but did not reconcile the invoices to ensure that charges corresponded to the transportation services received and NTV assets on hand.

According to GRD personnel, Fluor sent invoices for task order 17 to the program manager, contracting officer, and DCAA. The program manager acknowledged receiving invoices from the contractor, but did not reconcile all charges on the invoices. The invoices we reviewed were not detailed enough to reconcile transportation services without requesting supporting documentation from the contractor. While the program manager requested supporting documentation and discovered discrepancies when reconciling charges for office supplies, she did not reconcile invoice charges for transportation services. According to the program manager, there is no mechanism to identify the NTVs for which GRD is paying, and no way to determine whether GRD is overpaying for NTVs. The program manager will only request supporting documentation from Fluor for specific costs if she determines there is reason to believe a charge is inappropriate.

In addition, neither the contracting officer nor the contracting officer's representatives (CORs) reconciled invoices for transportation services for task order 17. The contracting officer did not maintain or reconcile the invoices for task order 17, while the CORs for task order 17 did not receive invoices,³ and therefore could not verify whether GRD received the services for which the contractor billed.

DCAA officials verified that they received invoices for task order 17, conducted a cursory review, and signed the invoices, as part of a contractual requirement with Fluor, before sending them back to the program manager. DCAA officials verified that they do not conduct individual invoice audits or reconcile the invoices with services performed on behalf of GRD, but stated that they randomly reconcile invoices to the contractor's records. DCAA also conducts annual audits to review contractor costs for reasonableness, allowability, allocability, and compliance with contract terms. The program manager received the signed invoices from DCAA, signed the invoices, and sent them to the USACE Finance Center for payment.

In February 2009, the Director of the GRD Contracting Division advised the program manager for task order 17 to refrain from signing invoices. When the program manager stopped signing invoices, the invoices were submitted to USACE Finance Center for payment with only a DCAA signature.

On September 14, 2007, the Office of the Under Secretary of Defense (Comptroller) released a policy on certified commercial payments in contingency operations to the Assistant Secretaries of the Military Departments, Directors of the Defense agencies, and the Commander of USACE. The policy emphasized legal requirements necessary to certify a voucher for payment and provided certification guidelines for payments made in contingency operation areas. The policy authorized disbursing officers to disburse payment only when provided a certified voucher by a properly appointed certifying officer. The policy also stated that officers who certify payments for commercial goods and services in contingency operations must ensure that payment amounts are correct, and added that certifying officers are financially liable for payments not meeting these requirements.

Because GRD did not develop or effectively implement processes for reconciling invoices, USACE GRD could not provide reasonable assurance that it received the services for which the contractor billed, or that payments made to the contractor were correct.

Vehicle Inventory Reconciliation and Discrepancy Resolution

Discrepancies in vehicle classifications and inventories between Fluor and GRD existed, and the processes to resolve these discrepancies were not effective.

³ As of February 26, 2009, the program manager for task order 17 began sending invoices to the CORs.

Classification of Vehicles

Discrepancies in the classification of LAVs and NTVs existed between Fluor and GRD. The SOW for task order 17 requires Fluor to maintain a Master List of Vehicles (MLV) report for all vehicles in the GRD fleet. The MLV report includes leased and Government-owned vehicles, and identifies the make, model, vehicle identification number, odometer reading, and date of last service and inspection for each vehicle. However, the MLV report did not match the inventory list provided by GRD for the same time period. Specifically, GRD personnel identified 15 LAVs misclassified as NTVs on Fluor’s MLV report. These discrepancies could impact the invoices for transportation services because the type of vehicles provided and varying maintenance schedules partially determine the invoice charges.

Furthermore, the process to resolve discrepancies between GRD and the contractor records was ineffective. Federal Acquisition Regulation (FAR) Part 46.1, “Quality Assurance,” states the contracting office is responsible for ensuring that discrepancies are identified and establishing the significance of a discrepancy. GRD personnel stated that they identified these discrepancies to Fluor, but that Fluor did not correct them. While we received Fluor and GRD inventories, we could not determine which inventory list was accurate.



Source: USACE GRD

Figure 1. Light Armored Toyota Land Cruiser

Vehicle Inventories

Discrepancies between Fluor’s MLV report and the inventory lists maintained by GRD existed. These discrepancies could amount to \$1.2 million or more in charges for vehicles that GRD may not have.

In November 2008, Fluor’s MLV report stated that the GRD fleet included 607 vehicles, 394 of which were NTVs. At the same time period, the GRD inventory documentation showed that the fleet included 555 vehicles, 332 of which were NTVs. Table 3 depicts the November vehicle inventory counts for Fluor and GRD.

Table 3. Fluor and GRD Inventory Counts by Classification (as of November 2008)

	HAVs and LAVs	NTVs	Total Fleet Strength
Fluor MLV report	213	394	607
USACE GRD inventory	223	332	555
Difference	(10)	62	52

Fluor’s MLV report identified 52 vehicles not contained on GRD’s inventory lists. A majority of these vehicles were NTVs with an average monthly cost of \$2,083 under task order 17. As a result, Fluor could have potentially overcharged GRD at least \$1.2 million per year for vehicles it may not have.

Without reconciling invoices to actual services received or NTV assets on hand, USACE GRD could not provide reasonable assurance that it received the services for which the contractor billed, or that payments made to the contractor were correct. Furthermore, with discrepancies identified for other items on the invoices, it is critical that GRD personnel clearly establish roles and responsibilities for contract administration. In addition, GRD should establish and implement procedures for reconciling invoices and NTV inventories to identify and resolve discrepancies with the contractor. These procedures will help ensure accurate charges for life support services.

Standard Operating Procedures for Nontactical Vehicles

GRD Transportation Division did not update standard operating procedures (SOPs) to address NTV justification or utilization standards for recurring dispatch, and the process in place for approving NTV justifications for recurring dispatch was not effective. As a result, GRD may be paying for NTVs that are not fully justified or utilized.

Justification and Dispatch

According to GRD personnel, GRD monitors the justification and dispatch of all vehicles in the GRD fleet. The GRD Transportation Division monitors NTVs while the GRD Reconstruction Support Center Operations Division (G3) monitors LAVs and HAVs. GRD G3 generates requirements for the LAVs and HAVs based on the security mission and monitors the status of these vehicles closely.



Source: USACE GRD

Figure 2. LAVs and HAV From the USACE GRD Vehicle Fleet

Nontactical Vehicle Justification for Recurring Dispatch

The GRD transportation SOP did not outline procedures for justifying NTVs on recurring dispatch. GRD personnel stated that written justifications for recurring dispatch of NTVs were an annual requirement. The policy requires that the justifications state the unit's NTV requirements, mission, and anticipated operating hours and days, as well as cargo and passenger information. GRD personnel stated that NTVs on recurring dispatch must be renewed on a monthly basis, and may be pulled by the temporary motor pool for use in higher priority missions. However, these procedures are not documented in the current SOP, dated September 19, 2006, and GRD personnel could not provide a policy document that outlined these procedures.

The process to approve NTV justifications for recurring dispatch was not effective. GRD required units to submit annual justifications for recurring dispatch of NTVs in January 2008. However, some justifications did not include all required information. For example, one justification for 48 NTVs, including sport utility vehicles and pickup trucks, stated that the NTVs were required "to transport personnel and materials to various offices and on base project sites." The justification lacked details of use and mission. Another justification for three SUVs did not have all the required elements, such as frequency of use or mileage requirements. GRD personnel acknowledged some of the justifications were "weak," but that they approved the NTVs for dispatch regardless of the justifications. Furthermore, while GRD personnel stated that NTVs must be justified on an annual basis and that all NTVs must have new justification letters in January 2009, GRD had not received updated justifications for these NTVs as of January 29, 2009.

Utilization Standards for Nontactical Vehicles

The GRD transportation SOP did not outline standards for NTV utilization. In lieu of utilization policies, GRD personnel stated that they use utilization standards from Army regulations and policies in Europe. However, these policies do not have the same utilization standards, and it is unclear as to which GRD enforces.

U.S. Army Europe Regulation 58-1, “Motor Transportation: Management, Acquisition, and Use of Nontactical Vehicles,” April 25, 2007, calculates utilization percentage by dividing the number of days the vehicle is driven by the number of days the vehicle is available for use. The regulation states that the minimum monthly utilization percentage is 80 percent, and that all NTVs falling below this threshold for 3 consecutive months should be identified and analyzed for potential return to the NTV fleet.

U.S. Army Garrison-Giessen procedures, “Standard Operating Procedures (SOP) for the Transportation Motor Pool (TMP),” October 27, 2005, calculates vehicle utilization using mileage, passenger and cargo requirements, idle time, and military mission requirements. Vehicles on a recurring dispatch that fail to show at least 85 percent utilization or 500 miles driven may be reassigned.

The utilization requirements referenced by GRD transportation personnel identify different standards for utilization. It is unclear as to which standards GRD implemented. Without NTV justification and utilization standards, NTVs may not be fully justified or may be underutilized. In January 2009, the GRD transportation chief stated GRD was working to update its transportation SOP. We encourage GRD to establish and address justification and utilization standards for NTVs to ensure NTVs are fully justified and utilized.

Conclusion

Contract administration of transportation services for GRD under task order 17 needed improvement. Unless improved, the issues we identified will continue to preclude GRD from increasing the efficiency of transportation services under this task order. By correcting invoice and inventory discrepancies and establishing formal processes for discrepancy resolution, GRD will make steps toward improving the assurance that payments are made for services received and assets on hand. Updating and enforcing justification requirements and utilization standards will also increase assurance that all vehicles acquired for GRD are fully justified and utilized based on mission requirements.

Recommendations

A.1. We recommend the Commander, U.S. Army Corps of Engineers, Gulf Region Division:

- a. Issue and enforce effective policies for inventory and invoice reconciliation that clearly define the roles and responsibilities of contract and program management personnel; and

- b. Develop and enforce justification requirements and utilization standards for recurring dispatch of nontactical vehicles, and update the Gulf Region Division Transportation standard operating procedures to reflect these policies.

A.2. We recommend the Director, Gulf Region Division Contracting Division:

- a. Review all prior invoices and reconcile with the contractor services received and services billed;
- b. Reconcile and resolve inventory discrepancies with the contractor; and
- c. Develop specific procedures for notifying the contractor of discrepancies to ensure invoices and vehicle inventories accurately reflect these policies.

Management Comments Required

The Commander, U.S Army Corps of Engineers, Gulf Region Division and the Director, Gulf Region Division Contracting Division did not comment on a draft of this report. We request that they provide comments on the final report.

Finding B. Oversight of Transportation Services for U.S. Army Corps of Engineers, Gulf Region Division

The U.S. Army Corps of Engineers, Gulf Region Division could not provide reasonable assurance that the contractor complied with all contract requirements for transportation services under task order 17. This occurred because Gulf Region Division officials did not develop and implement a quality assurance surveillance plan (QASP), or ensure that contracting officer's representatives adequately documented contractor performance. As a result, Gulf Region Division cannot validate that it received transportation services totaling approximately \$69.9 million.

Quality Assurance Surveillance Plan

As of December 30, 2008, GRD had spent approximately \$69.9 million on transportation services under task order 17. However, GRD did not establish or implement quality assurance measures to monitor contractor performance. Specifically, GRD lacked a QASP and adequate documentation of contractor performance, and did not establish roles and responsibilities for monitoring contractor performance. COR surveillance reporting was minimal and did not detail services performed by the contractor. Therefore, GRD cannot provide assurance that it received \$69.9 million in transportation services.

GRD did not develop and implement a QASP for task order 17. The FAR and Defense Federal Acquisition Regulation Supplement require the Government to perform quality assurance during the performance of services to determine whether the services conform to contract requirements. The FAR requires the QASP to specify all work requiring surveillance and the method of surveillance and suggests a QASP be prepared in conjunction with the preparation of the SOW. Additionally, the FAR states a QASP is essential to ensuring the integrity of contractor services.

On February 9, 2007, the Deputy Assistant Secretary of the Army, Policy and Procurement issued policy to USACE on contract administration and surveillance for service contracts. The policy requires a QASP for all contract actions greater than \$2,500 to ensure that the Government receives and pays for only the quality of services outlined in the contract, and to ensure systematic quality assurance methods are used during contract administration.

The contracting officer for task order 17 stated that GRD accepted the quality control plan that Fluor submitted. However, GRD did not prepare a QASP. GRD should develop a QASP for all life support services, including transportation services. This plan should specify all work requiring surveillance, and may include delegation of oversight

responsibilities to the CORs and program manager. GRD should also issue policy and establish internal controls that clearly define the roles and responsibilities of monitoring contractor performance.

Transportation Contracting Officer's Representative

GRD Contracting Division did not ensure that the transportation COR fulfilled the duties of contract surveillance as it pertains to documentation of contractor performance. As of November 2008, the contracting officer assigned five CORs for task order 17, which included a COR for each GRD region (North, South, and Central), one at GRD Headquarters, and one specifically for transportation services.

The transportation COR, assigned from February 2007 to December 2008, was responsible for performing and documenting surveillance of contractor performance, including inspecting and accepting services, monitoring the contractor's performance, and effectively communicating deficiencies and facilitating corrective action. The transportation COR was also required to maintain a COR file including, but not limited to, documentation of inspections performed and acceptance of services performed by the contractor. However, the GRD transportation chief of staff and the contracting officer were unable to provide the GRD transportation COR file, stating that the file was not maintained as required or that it was not retained.

Surveillance activity checklists prepared by the transportation COR were not sufficient to reconcile transportation services performed. The transportation COR was required to submit to the contracting officer a monthly report concerning performance of services rendered. While the transportation COR provided the contracting officer with a surveillance activity checklist that evaluated the contractor's compliance with the SOW, the surveillance checklist only had "yes" and "no" responses and some brief narratives on Fluor's performance. The checklist did not identify the number of vehicles provided or frequency of servicing, and was not sufficient to reconcile transportation services performed. The GRD Contracting Division should establish and implement reporting requirements that will ensure CORs provide sufficient documentation to reconcile transportation services performed.

Contract Monitoring

The GRD Contracting Division did not sufficiently monitor contract terms to ensure maximum dollar value and time thresholds identified in the original contract were not exceeded. The FAR states that an indefinite-quantity contract provides for an indefinite quantity, within stated limits, of supplies or services during a fixed period, and quantity limits may be stated as number of units or dollar value. When the base contract was awarded in April 2006, it identified maximum dollar value thresholds for each performance period, and identified that the total cost of the contract would not exceed \$14 million. While contracting officers modified the contract to increase the cost thresholds throughout the life of the contract, GRD exceeded the original threshold by more than \$55.8 million, as of December 30, 2008.

Table 4 details the maximum thresholds identified in the base period SOW and compares those to the actual amounts expensed as of December 30, 2008.

Table 4. Dollar Values by Performance Period Expensed for Transportation Services, Excluding Base Fees, Award Fees, and General and Administrative Fees (as of December 30, 2008)
(in millions)

	Base Period	Option Period One	Option Period Two	Option Period Three*	Totals
Maximum costs from SOW	\$5.0	\$2.9	\$3.0	\$3.1	\$14.0
Actual amount expensed	\$31.2	\$29.5	\$6.7	\$2.4	\$69.8
Difference	(\$26.2)	(\$26.6)	(\$3.7)	\$0.7	(\$55.8)

* Dollar values as of December 30, 2008. Option period three continued through February 2009.

Exceeding the original contract terms by almost 400 percent could potentially have affected the competition for this task order. The original solicitation for this contract was issued to nine contractors; however, only two contractors responded. Had GRD officials provided a more accurate estimation of their need for life support services in the solicitation, other contractors may have submitted proposals and generated additional competition for this task order.

In addition, GRD officials initiated the process to exercise option period four, which will exceed the maximum time frame identified in the original SOW. The performance period for the base task order was effective May 16, 2006, for 1 year, with four option periods of 6 months each, bringing the total life of the contract to 3 years. The base contract identifies that the total duration of this contract, including the exercise of any options, will not exceed 3 years. Therefore, services provided for life support under task order 17 should not be provided beyond May 15, 2009. On February 23, 2009, GRD officials initiated the process to exercise option period four, which will continue services through 2009. Fully exercising option period four would put the total life of the task order at 3 years and 3 months.

Conclusion

Contract quality assurance and contract oversight of transportation services for USACE, GRD under task order 17, needed improvement. Absence of a QASP and effective contract monitoring has precluded GRD from validating that it received transportation services totaling approximately \$69.9 million. Unless GRD establishes and implements appropriate contractor surveillance, such as a QASP and effective COR oversight and

reporting, GRD will continue to be at risk of being overbilled for transportation services. Furthermore, effective quality assurance and contract oversight will ensure supplies and services conform to contract requirements and are in the best interest of the Department.

Recommendations

B.1. We recommend the Commander, U.S. Army Corps of Engineers, Gulf Region Division develop and implement a quality assurance surveillance plan for transportation services, specifically for future contracts, that clearly outlines roles and responsibilities for monitoring contractor performance.

B.2. We recommend the Director, Gulf Region Division Contracting Division establish internal controls that will ensure contracting officer's representatives provide and maintain sufficient documentation to verify transportation services performed by the contractor and reconcile invoices for transportation services.

Management Comments Required

The Commander, U.S Army Corps of Engineers, Gulf Region Division and the Director, Gulf Region Division Contracting Division did not comment on a draft of this report. We request that they provide comments on the final report.

Appendix. Scope and Methodology

We conducted this performance audit from June 2008 to April 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit scope includes one contract award in May 2006 for the lease of NTVs in support of USACE GRD in Iraq. We reviewed official contract files at USACE for documentation of award, quality assurance plans, and contracting officer and COR responsibilities. We also reviewed additional documentation provided by contracting and program management personnel, such as transportation services provided and inventory records. We reviewed guidance, including Federal, DoD, and Department of the Army policies, as well as local operating procedures, policy letters, and SOPs relevant to transportation services. The publications we reviewed range in date from August 2004 to June 2007. We also interviewed personnel from the following organizations:

- U.S. Army Corps of Engineers, Headquarters
- U.S. Army Corps of Engineers, Transatlantic Programs Center
- U.S. Army Corps of Engineers, Gulf Region Division, Contracting Division
- U.S. Army Corps of Engineers, Gulf Region Division, Program Management
- U.S. Army Corps of Engineers, Gulf Region Division, Reconstruction Support Operations Center (G3)
- U.S. Army Corps of Engineers, Gulf Region Division, Transportation (G4)
- Defense Contract Audit Agency

Use of Computer-Processed Data

We reviewed invoices in the form of Excel Spreadsheets as well as Adobe files provided by the audit client during this audit and the contractor. We determined that these computer-processed data were sufficiently reliable for our use.

Prior Coverage

During the last 5 years, the DoD Inspector General (IG) has issued one report addressing issues related to contract surveillance on service contracts. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>.

DoD IG

DoD IG Report No. D-2006-010, “Contract Surveillance for Service Contracts,”
October 28, 2005



Inspector General Department of Defense

