

Inspector General

United States
Department of Defense



Contracting for Tactical Vehicle Field Maintenance
at Joint Base Balad, Iraq

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Acronyms and Abbreviations

ACL	Administrative Change Letter
ACO	Administrative Contracting Officer
AR	Army Regulation
DA	Department of the Army
DCMA	Defense Contract Management Agency
ESC	Expeditionary Sustainment Command
JBB	Joint Base Balad
LOGCAP	Logistics Civil Augmentation Program
PCO	Procuring Contracting Officer
SAMS-1	Standard Army Maintenance System Level 1
USF-I	U.S. Forces-Iraq



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

March 3, 2010

MEMORANDUM FOR DISTRIBUTION

SUBJECT: Contracting for Tactical Vehicle Field Maintenance at Joint Base Balad, Iraq
(Report No. D-2010-046)

We are providing this report for your information and use. We performed this audit pursuant to Public Law 110-181, "The National Defense Authorization Act for Fiscal Year 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 the DOD Inspector General to conduct a series of audits of DOD contracts, subcontracts, and task and delivery orders for the logistical support of coalition forces in Iraq and Afghanistan. We considered management comments on a draft of this report when preparing the final report.

The Acting Executive Deputy to the Commanding General, U.S. Army Materiel Command, endorsed and forwarded comments from the Commander, U.S. Army Sustainment Command. The Commander, Defense Contract Management Agency International, responded on behalf of the Commander, Defense Contract Management Agency Iraq. U.S. Forces-Iraq endorsed and forwarded comments from the Assistant Chief of Staff, Support Operations, 13th Expeditionary Sustainment Command. Management comments conformed to the requirements of DOD Directive 7650.3; therefore, we do not require any additional comments.

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

A handwritten signature in cursive script, reading "Daniel R. Blair".

Daniel R. Blair
Principal Assistant Inspector General
for Auditing

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DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY

AUDITOR GENERAL, DEPARTMENT OF THE ARMY



Results in Brief: Contracting for Tactical Vehicle Field Maintenance at Joint Base Balad, Iraq

What We Did

We assessed whether DOD efficiently and effectively contracted for tactical vehicle field maintenance at Joint Base Balad, Iraq. Specifically, we evaluated the contract requirements and statement of work, contractor workload and utilization data, and whether there were organic assets available to perform the maintenance.

What We Found

DOD did not efficiently and effectively contract for tactical vehicle field maintenance at Joint Base Balad, Iraq. According to data provided by KBR, Inc. (KBR), the utilization of contractor-provided tactical vehicle field maintenance services was less than the 85 percent required by Army Regulation 750-1. Specifically, from September 1, 2008, through August 31, 2009, the rate ranged from a low of 3.97 percent to a high of 9.65 percent. This occurred because the task order 159 statement of work did not contain requirements for the contractor to report utilization data and supporting documentation to the Army. In addition, the Army was not conducting adequate reviews of contractor utilization data provided by KBR and taking proper corrective action. As a result, about \$4.6 million of the \$5 million in costs incurred by DOD were for tactical vehicle field maintenance services that were not required. The Army internal controls were ineffective in monitoring contractor-provided tactical vehicle field maintenance services.

Management Actions

The Army began reducing contractor field maintenance personnel levels in August 2009. Specifically, Administrative Change Letter

KBR-09-159-CLSS-4294R3, issued August 5, 2009, reduced the field maintenance personnel level at Joint Base Balad, Iraq, to 75. We commend the Army for this action, but believe they could make further reductions.

What We Recommend

The Commander, U.S. Army Sustainment Command, should require Logistics Civil Augmentation Program (LOGCAP) procuring contracting officers to include in the task order statements of work a requirement for the contractor to provide tactical vehicle field maintenance utilization data to all supported Army units.

The Commander, Defense Contract Management Agency Iraq, should ensure the contractor provides utilization data in accordance with the task order statement of work requirements.

The Commander, 13th Expeditionary Sustainment Command (ESC), in coordination with the LOGCAP Logistics Support Unit and the Defense Contract Management Agency Iraq, should review and verify utilization data for tactical vehicle field maintenance services and determine whether further reductions in contractor personnel should be taken in accordance with Army Regulation 750-1.

Management Comments and Our Response

The U.S. Army Sustainment Command partially agreed, and the Defense Contract Management Agency and the 13th ESC agreed with the recommendations. Management comments were responsive.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, U.S. Army Sustainment Command		1
Commander, Defense Contract Management Agency Iraq		2
Commander, 13th Expeditionary Sustainment Command		3

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Introduction

Objective

The audit objective was to determine whether DOD was efficiently and effectively contracting for tactical vehicle field maintenance¹ at Joint Base Balad (JBB), Iraq. Specifically, the audit evaluated the contract requirements and statement of work, contractor workload and utilization data, and whether there were organic assets available to perform the maintenance.² See Appendix A for a discussion of the audit scope and methodology.

We performed this audit pursuant to Public Law 110-181, “The National Defense Authorization Act for Fiscal Year 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 the DOD Inspector General to conduct a series of audits of DOD contracts, subcontracts, and task and delivery orders for the logistical support of coalition forces in Iraq and Afghanistan.

Background

Field maintenance includes preventive maintenance and replacement of defective parts. The goal of field maintenance is to repair and return equipment to the user. Field maintenance at JBB includes maintenance on tactical vehicles and engineering equipment (collectively referred to in this report as tactical vehicle field maintenance). KBR performs tactical vehicle field maintenance at JBB under the LOGCAP III contract.

Logistics Civil Augmentation Program

LOGCAP provides logistical support to U.S. forces throughout Southwest Asia including Iraq and Afghanistan. On December 14, 2001, the U.S. Army Operations Support Command awarded the LOGCAP III contract to KBR as a 10-year, cost-plus-award-fee contract. Base life support, corps logistics services support, and theater transportation to Multi-National Force-Iraq and Multi-National Corps-Iraq³ is provided under task order 159 of the contract. Tactical vehicle field maintenance is part of corps logistics services support. The LOGCAP III task order 159 period of performance was September 1, 2008, through August 31, 2009.

U.S. Army Sustainment Command

The U.S. Army Sustainment Command in Rock Island, Illinois, is the contracting agent for LOGCAP. It awards, manages, and executes the LOGCAP contract through a

¹ Field maintenance includes maintenance previously known as organizational and direct support maintenance.

² DOD organic assets include military mechanics. Although we do not specifically discuss organic assets in this report, utilization rates of contractor-provided tactical vehicle field maintenance services are driven by the amount of organic assets available for use.

³ Multi-National Force-Iraq and Multi-National Corps-Iraq became U.S. Forces-Iraq on January 1, 2010.

procuring contracting officer (PCO). The PCO delegated administrative contracting officer (ACO) duties to the Defense Contract Management Agency (DCMA). The U.S. Army Sustainment Command also established a logistics support element at each approved LOGCAP site to coordinate and monitor LOGCAP requirements.

Defense Contract Management Agency

DCMA administers task order 159 and is responsible for contract administration and quality assurance. As the contract administrator, DCMA assigns an ACO whose responsibilities include ensuring performance of the terms and conditions of the base contract and task order, and performance in accordance with the statement of work. The DCMA ACO for corps logistics services support is located at JBB.

Army Expeditionary Sustainment Commands

The 3rd Expeditionary Sustainment Command (ESC) was located at JBB from June 20, 2008, to August 7, 2009. Its responsibilities included command and control of all logistics operations in the Iraqi theater. On August 7, 2009, the 3rd ESC transferred command and control to the 13th ESC. The 3rd and 13th ESC were the supported Army customers for tactical vehicle field maintenance at JBB under task order 159.

Review of Internal Controls

DOD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006, requires DOD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses associated with tactical vehicle field maintenance at JBB. Specifically, the Army did not have internal controls in place to ensure it obtained and adequately reviewed contractor utilization data to enable contract modification when warranted. Implementing Recommendations 1 and 3 should correct the internal control weaknesses identified in the report. We will provide a copy of the report to the senior official responsible for internal controls in the Department of the Army (DA).

Finding. Tactical Vehicle Field Maintenance Services

DOD did not efficiently and effectively contract for tactical vehicle field maintenance services at JBB, Iraq. According to data provided by KBR, the utilization of those services was less than the 85 percent required by Army Regulation (AR) 750-1, “Army Materiel Maintenance Policy,” chapter 4-14, “Manpower Utilization Standards,” September 20, 2007. Specifically, from September 1, 2008, through August 31, 2009, the utilization rate ranged from a low of 3.97 percent to a high of 9.65 percent. This occurred because the LOGCAP task order 159 statement of work did not require the contractor to provide periodic utilization reports and supporting documentation to the Army. In addition, the Army was not conducting adequate reviews of contractor utilization data provided by KBR and taking proper corrective action. As a result, about \$4.6 million of the \$5 million in costs incurred by DOD were for tactical vehicle field maintenance services that were not required. DOD has taken steps to reduce contractor personnel and increase tactical vehicle field maintenance services utilization rates at JBB; however, opportunities for additional reductions may exist, which could provide DOD with additional cost savings.

Utilization Standards

AR 750-1, chapter 4-14, requires Army unit commanders to monitor the utilization of civilian maintenance personnel and establishes a standard of 85 percent utilization with a goal of 90 percent. Utilization rates are calculated on the actual direct labor hours (recorded on DA Form 2407, “Maintenance Request”) divided by the direct labor hours that were available to perform maintenance.

Contractor Utilization Rates

KBR’s Man-Hour Utilization Reports identified that, during the task order 159 period of performance (September 1, 2008, through August 31, 2009), the utilization rate of its JBB tactical vehicle field maintenance services ranged from a low of 3.97 percent (April 2009) to a high of 9.65 percent (September 2008). See Appendix B for additional information concerning verification of these rates. Table 1 shows the available man-hours, actual man-hours, and utilization rates reported by KBR.

Table 1. KBR Utilization Rates – Tactical Vehicle Field Maintenance Services			
Month	Available Man-Hours	Actual Man-Hours	Utilization Rate (Actual Man-Hours/Available Man-Hours) Percent
September 2008	16,200	1,563	9.65
October 2008	16,740	1,196	7.15
November 2008	16,560	1,072	6.47
December 2008	21,216	1,097	5.17
January 2009	21,216	1,078	5.08
February 2009	20,496	1,390	6.78
March 2009	15,360	1,156	7.53
April 2009	21,600	858	3.97
May 2009	22,320	1,455	6.52
June 2009	14,400	1,233	8.56
July 2009	15,252	1,028	6.74
August 2009	12,210	942	7.71
Total	213,570	14,068	6.59

KBR utilization reports indicated that from September 2008 through August 2009, there were 213,570 available man-hours for tactical vehicle field maintenance services, but that only 14,068 actual man-hours were needed to perform the maintenance required by the Army. Based on 14,068 actual man-hours used to perform maintenance, only 16,551 available man-hours would have been needed to achieve the 85 percent utilization rate required by AR 750-1.⁴

Reporting Utilization Data

The task order 159 statement of work did not contain requirements for the contractor to provide utilization reports and supporting documentation to the Army for review. Instead, the statement of work required the reports to be provided to DCMA and the Marine Expeditionary Force.⁵ Table 2 contains the provisions found in Appendix E of the statement of work concerning utilization reports.

⁴ 14,068 / .85 = 16,551

⁵ KBR provided tactical vehicle field maintenance to the Army and to the Marine Expeditionary Force under task order 159.

Table 2. Task Order 159, Appendix E						
Item #	Title and Requirement of Deliverable	Frequency	Prepared By	Submitted To	Reference	Contractor Format
3	Provide Corps Logistics Services Support Utilization Reports	Weekly	Contractor	DCMA, Marine Expeditionary Force		
4	Provide Corps Logistics Services Support Utilization Reports – Monthly Summation	Monthly	Contractor	DCMA, Marine Expeditionary Force		

Appendix E also did not specify the format to use to report the utilization rates, the methodology for computing those utilization rates, and the action DCMA and the Marine Expeditionary Force should take once they received the reports. As part of its contract administration responsibilities, DCMA was responsible for ensuring the timely submission of required reports. However, DCMA personnel at JBB were not aware of the reporting requirements prior to the start of our audit. DCMA personnel stated that multiple versions of the appendices were issued and that they were unaware that the final version of Appendix E included requirements for the submission of utilization reports. Therefore, the quality checklist used by DCMA to assess the contractor's adherence to the contract and task order requirements did not include a step to verify that KBR was providing the weekly and monthly utilization reports as required by Appendix E.

Contractors performing tactical vehicle field maintenance services at JBB must be required to provide all customer units with timely utilization data and supporting documentation. This will ensure that the Army customers can effectively monitor the utilization rates and comply with AR 750-1. As the contracting officer, the LOGCAP PCO should ensure the LOGCAP statement of work contains clear and specific requirements for the contractor to provide tactical vehicle field maintenance utilization rates and supporting documentation. The statement of work should identify the methodology for computing the utilization rates and prescribe a specific reporting format. DCMA, as administrator of the LOGCAP contracts, should ensure that the contractor provides utilization reports and supporting documentation to the appropriate Army units at JBB.

Monitoring Utilization Data

Although KBR provided the Army with some utilization data during the task order 159 period of performance, those units did not use that data to take timely corrective action in response to the low utilization rates. On July 10, 2008, KBR provided the 3rd ESC with man-hour reports that identified utilization rates for April, May, and June 2008. These reports grouped tactical vehicle, small arms, communications and electric, and fuel and electric field maintenance together and identified that the combined utilization rates for these four areas ranged from 8.10 percent to 9.45 percent. DCMA issued Letter of Technical Direction KBR 08-159-CLSS-1004 "Maintenance Utilization Data" on September 2, 2008, to request utilization data that were reported separately by camp and

functional area for May, June, and July 2008. KBR responded on September 8, 2008, and provided DCMA and the 3rd ESC with KBR Man-Hour Utilization Reports that identified the utilization rates for tactical vehicle field maintenance at JBB ranged from 1.17 percent to 2.49 percent during May, June, and July 2008. KBR provided the 3rd ESC with monthly Man-Hour Utilization Reports from January 2009 through July 2009. These reports identified the utilization rate for tactical vehicle field maintenance at JBB was less than 10 percent.

Personnel from the 3rd ESC stated that they used the KBR utilization reports to better align supported units to KBR activities; move maintenance work to KBR rather than to Army maintenance units; and advise the support operations officer as to their ability to support operations with maintenance capability in emerging locations. Personnel from the 3rd ESC also stated that the reports allowed maintenance planners to begin work to redesign the LOGCAP maintenance contract and eliminate excess capability. However, 3rd ESC personnel did not validate the amounts reported on the KBR Man-Hour Utilization Reports. Specifically, they did not compare actual man-hours from the utilization reports to DA Forms 2407 that identify the hours KBR actually spent performing maintenance. In addition, the 3rd ESC did not validate the available man-hour amounts on the utilization reports. Personnel from the 3rd ESC stated that KBR would not provide the number of mechanics at each site because it believed the information was proprietary. Documentation on the number of mechanics and the hours worked is required to verify the available man-hours.

The 13th ESC took command and control of all logistics operations in the Iraqi theater on August 7, 2009. Personnel from the 13th ESC reviewed the KBR utilization reports for the task order 159 period of performance and the methodology used by KBR to compile the information included in the reports. Based on their review, 13th ESC personnel stated that KBR may have been underreporting utilization rates for the task order 159 period of performance. Specifically, the utilization rates may have been as high as 30 percent rather than the 7 percent reported by KBR. Their concerns were that KBR was using an incorrect formula to calculate utilization rates and that KBR was including supervisory and other non-mechanic personnel in its calculation of available man-hours. Personnel from the 13th ESC also stated that it would take several more months of obtaining and analyzing the utilization rates to determine the correct utilization rates.

Monitoring the utilization rates for tactical vehicle field maintenance services purchased under the LOGCAP III contract is a required control that must be in place to ensure DOD is paying for services it actually needs. The Army should verify utilization rate data provided by contractors and use that data to make timely adjustments in the level of contractor-provided tactical vehicle maintenance services. The 13th ESC should continue to review the utilization data to determine whether additional reductions in contractor personnel should be taken to achieve the 85 percent utilization required by AR 750-1. The determination should include provisions for any additional labor needed for reset of equipment in conjunction with the responsible drawdown of U.S. forces from Iraq.

Costs for Unused Services

The Army's inadequate monitoring of contractor-provided tactical vehicle maintenance services at JBB resulted in DOD incurring costs for services that were not required. Task order 159 required that the DOD pay KBR for available maintenance capacity (available man-hours) regardless of whether the Army used that capacity. DOD paid KBR about \$5 million for tactical vehicle field maintenance services at JBB during the task order 159 period of performance. We estimate, from the amounts reported by KBR in its Man-Hour Utilization Reports, that \$4.6 million of the \$5 million was for maintenance capacity beyond the available man-hours needed to achieve the 85 percent utilization rate required by AR 750-1.

Management Actions

In August 2009, the Army began taking action to reduce task order 159 contractor field maintenance personnel levels. Specifically, Administrative Change Letter (ACL)⁶ KBR-09-159-CLSS-4294R3, August 5, 2009, converted the organizational and direct support maintenance structure to a field maintenance structure and established a JBB field maintenance personnel level at 75. Personnel from the 3rd ESC stated that the requirement for 75 personnel was based on multiple factors including the number of units to be supported, the key locations of consolidated Army equipment, and the footprint and size of Army units during the drawdown.

We commend the Army for taking this action, but believe the Army can obtain additional efficiencies with further reductions in contractor-provided tactical vehicle maintenance services. According to KBR data, there were 144, 112, and 103 maintenance personnel at JBB, in September 2008, March 2009, and June 2009, respectively. KBR Man-Hour Utilization Reports identified that utilization rates for tactical vehicle field maintenance at JBB did not exceed 10 percent for any month during task order 159. If work levels remain consistent with those reported from September 1, 2008, through August 31, 2009, it is unlikely that the reduction in personnel in accordance with ACL KBR-09-159-CLSS-4294R3 will increase utilization rates to the levels required by AR 750-1. We reviewed the September 2009, KBR Man-Hour Utilization Report and determined it identified a dramatic decrease from prior months for both available man-hours (3,619) and actual man-hours (351); however, the utilization rate of 9.7 percent was similar to that reported by KBR in months prior to the issuance of ACL KBR-09-159-CLSS-4294R3. Therefore, opportunities for additional reductions of tactical vehicle field maintenance services at JBB may exist, which may provide additional cost savings to DOD.

⁶ A contractual document issued by the ACO that has a cost impact to the contract authorizing the contractor to perform new requirements within the original scope of the statement of work.

Management Comments on the Finding and Our Response

13th Expeditionary Sustainment Command

U.S. Forces-Iraq (USF-I) endorsed and forwarded unclassified comments from the Assistant Chief of Staff, Support Operations, 13th ESC. The Assistant Chief of Staff stated that the report title could provide a false sense of scope for the audit because the audit team utilized data for other services besides wheeled vehicles. He also recommended that we delete that DOD did not effectively contract for tactical vehicle field maintenance at JBB because the report did not take into consideration the spike in maintenance services during the “surge” period. He stated that the contracting of maintenance capabilities, though not efficient, was effective in ensuring units did not experience low readiness rates and were able to perform the mission.

Regarding the standards for contractor utilization, the Assistant Chief of Staff stated that we should consider that the operational readiness of the fleets and ongoing operations determine the level of repairs needed on equipment, which may fluctuate and directly impact the utilization rates. He added that, while still below requirements, the utilization for automotive maintenance increased to 31 percent for October 2009, and with planned reductions, should continue to increase.

Regarding task order 159 statement of work requirements, the Assistant Chief of Staff stated that paragraphs 1.9 and 1.10 require the contractor to report performance outcomes, as appropriate for the supplemental support, as required in the individual paragraphs. The Assistant Chief of Staff stated that although not written out specifically, this statement should require the contractor to provide any reports needed by the government to verify the performance.

USF-I also endorsed and forwarded classified comments from the Assistant Chief of Staff, Support Operations, 13th ESC. Those comments contain a detailed corrective action plan that is consistent with the unclassified comments that were provided. Therefore, they are not included in this report.

Our Response

We disagree that the report title provides a false sense of scope for the audit. The utilization rates discussed in our report only include tactical vehicle field maintenance with the exception of the utilization rates for April, May, and June 2008. The April, May, and June 2008 man-hour reports that KBR provided to the 3rd ESC on July 10, 2008, grouped tactical vehicle, small arms, communications and electric, and fuel and electric field maintenance together and identified that the combined utilization rates for these four areas ranged from 8.10 percent to 9.45 percent. We acknowledged that combined rate in the report.

We disagree with the Assistant Chief of Staff’s position that DOD was effectively contracting for tactical vehicle field maintenance at JBB. Effective contracting requires

monitoring the level of maintenance services purchased, and a reduction of those services when they are not required. As discussed in the report, Army internal controls were ineffective in monitoring the level of contractor-provided tactical vehicle field maintenance services. The surge ended in July 2008, when the last of five U.S. surge brigades left Iraq. As identified in the report, KBR provided the 3rd ESC with man-hour reports on July 10, 2008, for April, May, and June 2008. These three man-hour reports were for months within the “surge” period and grouped tactical vehicle, small arms, communications and electric, and fuel and electric field maintenance together. The combined utilization rates for these four areas ranged from 8.10 percent to 9.45 percent. Utilization rates for tactical vehicle field maintenance services at JBB continued to be less than the 85 percent required by AR 750-1 through September 2009. While we agree with the Assistant Chief of Staff’s comment that the level of repairs may fluctuate and impact utilization rates, the AR 750-1 utilization standard for civilian maintenance personnel remains constant at 85 percent with a goal of 90 percent. We acknowledge that the utilization for automotive maintenance has increased to 31 percent for October 2009; however, that rate is still far below the standard.

We disagree that paragraphs 1.9 and 1.10 of the statement of work contain adequate requirements for the contractor to provide performance reports to the government. Paragraph 1.9, Augmentation Support, states that the “contractor shall report performance outcomes, as appropriate for the supplemental support as required in the individual paragraphs.” Paragraph 1.10, Operational Control, states that the “contractor shall report performance outcomes, as required in the individual paragraphs.” However, the task order 159 statement of work never established requirements for providing utilization reports to the Army in those individual paragraphs. Appendix E was the only section of the statement of work that discussed corps logistics services support utilization reports. However, Appendix E did not contain requirements for the contractor to provide utilization reports and supporting documentation to the Army for review. As acknowledged by the Assistant Chief of Staff, the reporting requirements found in paragraphs 1.9 and 1.10 are not specific. Without additional clarification in the statement of work, it would be difficult to monitor compliance with these paragraphs as there are no specifics on what performance outcomes should be reported, when is it appropriate to report them, and who they should be reported to.

Recommendations, Management Comments, and Our Response

1. We recommend that the Commander, U.S. Army Sustainment Command, require Logistics Civil Augmentation Program procuring contracting officers to include in task order statements of work a requirement for the contractor to provide supported Army units with weekly and monthly tactical vehicle field maintenance utilization rates and documentation to support the rates. The statement of work should also identify the methodology for computing the utilization rates and prescribe a specific reporting format.

Management Comments

The Acting Executive Deputy to the Commanding General, U.S. Army Materiel Command, endorsed and forwarded comments from the Commander, U.S. Army Sustainment Command. The Commander partially agreed stating the U.S. Army Sustainment Command is coordinating with the 13th ESC to determine if the 13th ESC can perform the maintenance mission. He stated that if they can't, the contracting officer will modify the task order 159 scope of work based on metrics developed by the Deputy Program Director's, Iraq Office; the customer; and DCMA. The Commander stated that the change will reflect the methodology for computing utilization rates and the contractor will provide the supported Army units with weekly tactical vehicle field maintenance utilization rates and documentation to support these rates. He stated the target date for completion is February 28, 2010. The Commander also stated the information will be provided to LOGCAP IV acquisition personnel for inclusion in the LOGCAP IV task order.

Our Response

Although the Commander, U.S. Army Sustainment Command, only partially agreed, the Commander's planned action of determining whether the 13th ESC is able to perform the maintenance mission, revising the task order 159 scope of work to include utilization requirements if contractor-provided tactical vehicle maintenance is still required, and including utilization requirements in the LOGCAP IV task order, met the intent of the recommendation. The comments were responsive, and no additional comments are required.

2. We recommend that the Commander, Defense Contract Management Agency Iraq, as administrator of the Logistics Civil Augmentation Program contracts, ensure that the contractor provides utilization reports to the supported Army units in accordance with task order statement of work requirements.

Management Comments

The Commander, DCMA International, responding for the Commander, DCMA Iraq, agreed stating that DCMA will amend their quality checklist to assure the contractor is submitting utilization reports in accordance with the contract requirements. In addition, DCMA will participate in the post award conference, update the contract receipt and

reviews checklist to assure contract requirements are met, and sample contract receipt and review checklists used by DCMA operational teams to assure checklist execution.

Our Response

The comments of the Commander, DCMA International are responsive. No further comments are required.

3. We recommend that the Commander, 13th Expeditionary Sustainment Command, in coordination with the Logistics Civil Augmentation Program, Logistics Support Unit, and Defense Contract Management Agency Iraq, review and verify man-hour utilization data for tactical vehicle field maintenance services and determine whether further reductions in contractor personnel levels should be taken in accordance with Army Regulation 750-1, "Army Materiel Maintenance Policy." The determination should include provisions for any additional labor needed for reset of equipment in conjunction with the responsible drawdown of U.S. forces from Iraq.

Management Comments

USF-I endorsed and forwarded unclassified comments from the Assistant Chief of Staff, Support Operations, 13th ESC. The Assistant Chief of Staff agreed, stating that as of December 14, 2009, one 12-person field maintenance support team has been de-scoped, a reduction has been submitted to the LOGCAP office to decrease 35 personnel at the JBB field maintenance site, and a reduction has been submitted to the LOGCAP office to decrease personnel at the Warhorse field maintenance site from 24 to 12. He also stated that the 13th ESC has outlined and began reduction plans starting in December 2009 that will reduce field maintenance personnel in Iraq from 827 to 386. The Assistant Chief of Staff requested that we make this an enduring recommendation by making it applicable to any ESC, instead of just the 13th ESC. The Assistant Chief of Staff stated that the 13th ESC provided KBR with a presentation that outlined the correct procedure to account for man-hours and utilization in October 2009 and, in conjunction with DCMA, updated the contracting officer representative form to better outline monitoring requirements for contracting officer representatives at field maintenance locations. He also stated that AR 750-1 provides guidance on how to calculate man-hour utilization, and if personnel, work order, and man-hour data are input correctly into the Standard Army Maintenance System – Enhanced, the system will calculate the man-hour utilization electronically. USF-I also endorsed and forwarded classified comments from the Assistant Chief of Staff, Support Operations, 13th ESC. Those comments contain a detailed corrective action plan that is consistent with the unclassified comments that were provided. Therefore, they are not included in this report.

Our Response

We directed this recommendation to the 13th ESC because they are the current supported Army customer for tactical vehicle field maintenance at JBB. Review of the utilization of tactical vehicle field maintenance services and reductions in contractor personnel levels, if warranted, should be performed by the 13th ESC and not delayed. Recommendations 1 and 2, when implemented, will ensure that maintenance utilization

rates and supporting documentation are provided to future ESCs located at JBB. We consider the comments of the Assistant Chief of Staff, Support Operations, 13th ESC responsive because implementation of the 35 JBB field maintenance personnel reduction submitted by the 13th ESC to the LOGCAP office meets the intent of our recommendation. Therefore, no further comments are required.

Appendix A. Scope and Methodology

We conducted this performance audit from July 2009 through December 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.

We reviewed LOGCAP task order 159, its statement of work, and related appendices. We reviewed KBR Man-Hour Utilization Reports for JBB tactical vehicle field maintenance, from September 1, 2008, through August 31, 2009. We judgmentally selected September 2008, March 2009, and June 2009, and obtained and reviewed DA Forms 2407 and lists of KBR maintenance personnel with the number of hours employees were available to perform maintenance. We reviewed KBR Man-Hour Utilization Reports provided to the 3rd ESC and DCMA. The April, May, and June 2008 man-hour reports that KBR provided to the 3rd ESC on July 10, 2008, contained combined utilization rates for tactical vehicle, small arms, communications and electric, and fuel and electric field maintenance. We reviewed AR 750-1 maintenance requirements, the DCMA delegation memorandum, the DCMA quality checklist, and Federal Acquisition Regulation Part 42.302, "Contract Administration Functions." On August 22, 2009, we attended a performance evaluation board meeting at JBB to understand the process for rating contractors' performance on LOGCAP contracts. We contacted DCMA, LOGCAP, 13th ESC, 3rd ESC, and KBR personnel.

Use of Computer-Processed Data

We used computer-processed data obtained from KBR to perform this audit. KBR personnel compiled the KBR Man-Hour Utilization Reports using data from the U.S. Army's legacy Standard Army Maintenance System Level 1 (SAMS-1). KBR adjusted the SAMS-1 data to reflect the 12-hour shifts that are typically worked by mechanics at JBB. We examined September 2008, March 2009, and June 2009 DA Forms 2407 and lists of KBR maintenance personnel with the number of hours worked to verify the accuracy of the KBR Man-Hour Utilization Reports. As discussed in Appendix B, we found discrepancies between the supporting documentation and the amounts reported in the KBR Man-Hour Utilization Reports. However, our audit results were not affected by not performing a complete reliability assessment of SAMS-1.

Prior Coverage

We did not identify any reports issued during the last 5 years that addressed contractor-provided maintenance services at JBB.

Appendix B. Verification of Utilization Rates

We were unable to verify the utilization rates reported by KBR in its Man-Hour Utilization Reports. We judgmentally selected the September 2008, March 2009, and June 2009 KBR Man-Hour Utilization Reports for verification. KBR provided DA Forms 2407, lists of maintenance personnel, and the number of hours those employees were available to perform maintenance. We compared the DA Forms 2407 to the actual man-hours reported on the KBR Man-Hour Utilization Reports. In addition, we compared the lists of KBR maintenance personnel and their available hours to the available man-hours reported on the KBR Man-Hour Utilization Reports. We determined that:

- The number of actual labor hours identified on the September 2008, March 2009, and June 2009 DA Forms 2407 could not be reconciled to the actual man-hours reported on the KBR Man-Hour Utilization Reports.
- The available man-hours on the September 2008, March 2009, and June 2009, KBR Man-Hour Utilization Reports may have been overstated because KBR based available man-hours on the assumption that mechanics were available to perform maintenance for 12 hours a day. KBR did not adjust the available man-hours for training, breaks, or illness, which would have lowered the number of available man-hours.
- KBR personnel stated that the Man-Hour Utilization Reports only included hours available to perform direct tactical vehicle field maintenance services. However, our comparison of the available man-hours on the KBR personnel lists to the KBR Man-Hour Utilization Reports suggested that available man-hours were understated on the September 2008 KBR Man-Hour Utilization Report and overstated on the March and June 2009 KBR Man-Hour Utilization Reports.
- KBR personnel incorrectly calculated utilization rates for some months during the task order 159 period of performance because they were basing utilization on Maintenance Allocation Chart hours* rather than actual man-hours.

These discrepancies caused overstatements or understatements of the monthly utilization rates reported by KBR. Recommendation 1 in this report, if implemented, will reduce discrepancies by identifying the methodology for computing the utilization rates in the task order statements of work. The recomputed utilization rates for all three months remained substantially lower than the 85 percent standard identified in AR 750-1. Specifically, we calculated the utilization rates of JBB tactical vehicle field maintenance services as .63 percent, 6.69 percent, and 10.13 percent for September 2008, March 2009, and June 2009, respectively. We did not attempt to verify JBB tactical vehicle field

* Maintenance Allocation Chart hours establish the average time required to perform a particular repair.

maintenance utilization rates for the other months in the task order 159 period of performance, because our review of the September 2008, March 2009, and June 2009, KBR Man-Hour Utilization Reports indicated that utilization rates were lower than the 85 percent required by AR 750-1.

U.S. Army Sustainment Command Comments



REPLY TO
ATTENTION OF:

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND
9301 CHAPEK ROAD
FORT BELVOIR, VA 22060-5527

22 JAN 2010

AMCIR

MEMORANDUM FOR DoDIG, ATTN: [REDACTED]
[REDACTED] Inspector General, Department of Defense, 400 Army Navy Drive,
Arlington, VA 22202-4704

SUBJECT: Command Reply to Inspector General, Department of Defense, Draft Report:
Contracting for Wheeled Vehicle Maintenance at Joint Base Balad, Iraq, dated 07, December
2009, (D2009-DOOOJB-0254) (D1014)

1. The Army Materiel Command has reviewed subject report and endorses the enclosed ASC's
Command Reply to the Draft Report.

2. The AMC point of contact is [REDACTED]
[REDACTED]

Encl


TERESA W. GERTON
Acting Executive Deputy
to the Commanding General



REPLY TO
ATTENTION OF:

AMSAS-CG

UNCLASSIFIED

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY SUSTAINMENT COMMAND
1 ROCK ISLAND ARSENAL
ROCK ISLAND, IL 61299-6500

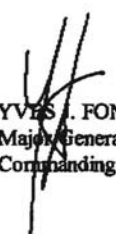
DEC 17 2009

MEMORANDUM FOR Inspector General, Department of Defense, 400 Army Navy Drive,
Arlington, VA 22202-4704

SUBJECT: Contracting for Wheeled Vehicle Maintenance at Joint Base Balad, Iraq (Project No.
D2009-D000JB-0254.000)

1. We reviewed the draft report. Our comments are enclosed.
2. The POC is [REDACTED]

Encl


YVES J. FONTAINE
Major General, US Army
Commanding

UNCLASSIFIED

**HQ, ASC Command Reply
DoDIG Draft Report
Contracting for Tactical Vehicle Field Maintenance at Joint Base
Balad, Iraq**

Finding : DOD did not efficiently and effectively contract for tactical vehicle field maintenance at Joint Base Balad, Iraq. According to data provided by KBR, Inc. the utilization of contractor-provided tactical vehicle field maintenance services was less than the 85 percent required by Army Regulation 750-1.

Recommendation 1: We recommend that the Commander, U.S. Army Sustainment Command, require Logistics Civil Augmentation Program procuring contracting officers to include in task order statements of work a requirement for the contractor to provide supported Army units with weekly and monthly tactical vehicle field maintenance utilization rates and documentation to support the rates. The statement of work should also identify the methodology for computing the utilization rates and prescribe a specific reporting format.

Command Comments. Partially concur. We are coordinating with the 13 ESC to determine if they can perform this mission. If they can't, the Contracting Officer will modify the Task Order 159 Scope of Work based on metrics developed by the Deputy Program Director's, Iraq office, the customer and DCMA. The change will reflect the methodology for computing utilization rates. The contractor will provide the supported Army units with weekly tactical vehicle field maintenance utilization rates and documentation to support these rates. Target date for completion of this is 28 Feb 2010.

This information will also be provided to LOGCAP IV acquisition personnel for inclusion in the LOGCAP IV Task Order.

Defense Contract Management Agency Comments



DEFENSE CONTRACT MANAGEMENT AGENCY DEFENSE CONTRACT MANAGEMENT AGENCY INTERNATIONAL

6359 Walker Lane, Suite 220
Alexandria, Virginia 22310-3259

REPLY
REFER TO

DCMAI-C

DEC 15 2009

MEMORANDUM FOR DEPARTMENT OF DEFENSE, OFFICE OF INSPECTOR GENERAL

SUBJECT: Department of Defense (DOD) Project No. D2009-D000JB-0254.000,
Contracting for Tactical Vehicle Field Maintenance at Joint Base Balad (JBB), Iraq

Defense Contract Management Agency International (DCMAI) has reviewed the subject proposed report and provided a statement of actions management will take to address the DOD IG findings and recommendations made to the Commander, DCMA-Iraq.

DOD IG Finding: DOD did not efficiently and effectively contract for tactical vehicle field maintenance at Joint Base Balad, Iraq. The utilization of contractor-provided tactical vehicle field maintenance services was less than the 85 percent required by Army Regulation 750-1. Specifically, from 1 September 2008 through 31 August 2009, the rate ranged from a low of 3.97 percent to a high of 9.65 percent. This occurred because the LOGCAP Task Order 159 statement of work (SOW) did not contain requirements for the contractor to report utilization data and supporting documents to the Army and as a result, the Army was not conducting adequate reviews of contractor utilization data.

DOD IG Recommendation: The Commander, DCMA-Iraq, should ensure the contractor provides utilization data in accordance with the task order statement of work requirement.

DCMA Response: DCMA concurs with recommendation.

DCMA Statement of Action: DCMA will assure the following measures are taken:

- Participation in Post Award Conference
- Update Contract Receipt and Reviews (CRR) checklist for contracts delegated to DCMA to assure the SOW and Contract Data Requirements List (CDRL) that require mandatory contractor deliverables ensuring terms and conditions of the contract are strictly adhered to during contract performance.
- DCMA Quality checklist has been amended to incorporate an element to assure the contractor is submitting utilization reports in accordance with the contract requirements.
- DCMA Managers Internal Control Program Reviews will sample CRR checklists used by DCMA operational teams to assure they are executing to CRR checklist

If you have questions, please contact [FOIA Exemption (b) (6)], DCMAI-OC, at [FOIA Exemption (b) (6)] or by email: [FOIA Exemption (b) (6)]@dcma.mil.

FOIA Exemption (b) (6)

for

DAVID J. GRAFF
CAPT, SC, USN
Commander

FOR OFFICIAL USE ONLY

13th Expeditionary Sustainment Command Comments

DODIG DRAFT REPORT – DATED December 7, 2009
“Contracting for Tactical Vehicle Field Maintenance at Joint Base Balad, Iraq”
(Project No. D2009-D000JB-02S4.000)

USF-I / 13th Expeditionary Sustainment Command

COMMENTS TO THE DRAFT REPORT

RECOMMENDATION 3. (page 8, DODIG Draft)

DODIG recommends that the Commander, 13th Expeditionary Sustainment Command, in coordination with the Logistics Civil Augmentation Program, Logistics Support Unit, and Defense Contract Management Agency Iraq, review and verify manhour utilization data for tactical vehicle field maintenance services and determine whether further reductions in contractor personnel levels should be taken in accordance with Army Regulation 750-1, "Army Materiel Maintenance Policy." The determination should include provisions for any additional labor needed for reset of equipment in conjunction with the responsible drawdown of U.S. forces from Iraq.

13th ESC RESPONSE: 13th ESC concurs with information provided in this report. Additional comments and on-going actions are listed below.

Summary of current Actions as of 14 December 09:

- De-scope of 1 x Field Maintenance Support Team (12-pax)
- Reduction of 35-pax from Joint Base Balad field maintenance site (submitted to LOGCAP office) decreasing from 80 to 45 personnel.
- Reduction of 12-pax from Warhorse field maintenance site (submitted to LOGCAP office) reducing from 24 to 12 personnel.

Planned de-scopes: See attachment A (13ESC Optimization of Contracted Maintenance.pptx)

GENERAL COMMENTS ON THE REPORT

1. (U) Page 1. Under paragraph *What We Did*, the report states that ***“We assessed whether DOD efficiently and effectively contracted for tactical vehicle field maintenance at Joint Base Balad, Iraq”***, however, the team researched and utilized the data (or lack thereof) for other services in addition to wheel vehicles. The team also included small arms, communications and electronics, and fuel and electric areas in their research. The title Tactical Vehicle Field Maintenance could provide a false sense of scope of the research.

2. (U) Page 1. Under paragraph *What We Found*, the report states that ***“DOD did not efficiently and effectively contract for tactical vehicle field maintenance at Joint Base Balad.”*** Recommend delete ***“effectively”*** for the report does not take into

consideration that contracting of the maintenance services saw a spike during the "surge" time frame. The contracting of maintenance capabilities, though not efficient, was effective in ensuring units did not experience low readiness rates and being able to perform mission.

3. (U) Page 1. Under paragraph *What We Recommend*, the report states ***"The Commander, 13th Expeditionary Sustainment Command..."*** Recommend delete of 13th as this should be generic statement and applicable to any ESC as an enduring recommendation.

4. (U) Page 3. Under paragraph *Utilization Standards*, it should be taken into consideration that the operational readiness of the fleets and ongoing operations will determine the level of repairs needed on equipment, which may fluctuate and directly impact the utilization rates.

5. (U) Page I, *What We Recommend* states ***"The Commander, 13th Expeditionary Sustainment Command, in coordination with the LOGCAP Logistics Support Unit and the Defense Contract Management Agency Iraq, should review and verify utilization data for tactical vehicle field maintenance services and determine whether further reductions in contractor personnel should be taken in accordance with Army Regulation 750-1."***

COMMENT – The 13th ESC has outlined and began reduction plans starting in December 2009 that will reduce the Field Maintenance personnel strength from 827 to 386 by end of Phase IV.

6. Page 3, Contractor Utilization Rates. ***Table 1. Lists Utilization rates from Sep 08 – Aug 09. The average utilization during that period was 6.76%.***

COMMENT - While still below requirements, the utilization for Automotive Maintenance has increased to 31% as reported for Oct 2009. With planned reductions, the utilization should continue to increase.

7. (U) Page 4, *Reporting Utilization Data* states that ***"The task order 159 statement of work did not contain requirements for the contractor to provide utilization reports and supporting documentation to the Army for review."***

Paragraph 1.9 Augmentation Support and Paragraph 1.10 Operational Control of the Task Order SOW states ***"The contractor shall report performance outcomes, as appropriate for the supplemental support as required in the individual paragraphs."***

COMMENT - Although not written out specifically, this statement should require the contractor to provide any reports needed by the government to verify the performance.

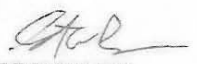
8. (U) Page 5, *Reporting Utilization Data* states that ***"Appendix E also did not specify the format to use to report the utilization rates, the methodology for computing those utilization rates, and the action DCMA and the Marine Expeditionary Force should take once the reports were received."***

(U) Page 6 *Monitoring Utilization Data* states ***"Their concerns (13 ESC) were that KBR was using an incorrect formula to calculate utilization rates and that KBR was including supervisory and other non-mechanic personnel in its calculation of available man-hours."***

COMMENT - 13 ESC Materiel Readiness Branch provided KBR with a presentation that outlines the correct procedure to account for Man-hours and Utilization in Oct 2009. The Materiel Readiness Branch ICW DCMA updated the COR Audit Form to better outline monitoring requirements for COR's at Field Maintenance Locations.

AR 750-1 provides guidance on how to calculate man-hour utilization. If personnel, work order, and man-hour data are input correctly into the SAMS-E computers, the system will calculate the man-hour utilization electronically.

9. Point(s) of contact for this action are 


APPROVED BY:
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COL, LG
ACofS, SPO
U.S. ARMY

PREPARED BY:
EDGAR A. CERDA
MAJ, OD
MRB Chief, SPO
U.S. ARMY



Inspector General Department of Defense