

Inspector General

United States
Department of Defense



Defense Hotline Allegations Concerning
Contractor-Invoiced Travel for U.S. Army Corps of
Engineers' Contracts W912DY-10-D-0014 and
W912DY-10-D-0024

Report Documentation Page

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March 15, 2013

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Defense Hotline Allegations Concerning Contractor-Invoiced Travel for U.S. Army Corps of Engineers' Contracts W912DY-10-D-0014 and W912DY-10-D-0024 (Report No. DODIG-2013-056)

We are providing this report for your information and use. The DoD Office of Inspector General initiated this audit (Project No. D2013-D000CF-0048.000) because of a Government Accountability Office FraudNet Hotline complaint made in June 2011 regarding possible unallowable profit on travel costs being charged under the U.S. Army Corps of Engineers (USACE) Worldwide Environmental Remediation Services (WERS) contracts W912DY-10-D-0014 and W912DY-10-D-0024. We did not substantiate the hotline allegation.

Audit Objective

Our overall objective was to determine whether the contractor's invoiced travel expenditures were allowable, reasonable, and allocable for task orders awarded against the USACE WERS contracts. Specifically, we determined whether the contractor charged profit on travel costs, an action that the contracts prohibit.

Background

The hotline complainant alleged that the contractor profited on travel costs, specifically lodging costs, by negotiating firm-fixed-price (FFP) task orders using maximum per diem rates for lodging but requiring employees to stay at hotels charging far less than the maximum lodging rates. The complainant alleged that this practice resulted in the contractor's profiting on lodging costs, a process contrary to the contract terms of not allowing profit on travel costs.

Federal Acquisition Regulation Provision and Contract Requirement

Federal Acquisition Regulation 31.205-46, "Travel Costs," allows a contractor to negotiate travel costs at maximum Joint Travel Regulations per diem rates but does not restrict the contractor from incurring less than that rate during the performance of the contract.

Section A, paragraph 5, of contract W912DY-10-D-0014 states that travel costs are limited to maximum per diem rates by the Joint Travel Regulations and that profit is not allowed on travel costs. The hotline complainant stated that this language was inserted to stop the contractor from profiting from travel costs. The USACE Huntsville contracting

officer explained that this language was not related to the contractor but was included in the solicitation to ensure that all contractors understood bidding requirements.

Hotline Allegation Not Substantiated

We did not substantiate the allegation that the contractor improperly realized profit on lodging costs on the eight task orders awarded under contract W912DY-10-D-0014 and one task order awarded under W912DY-10-D-0024:

- The contractor did not always propose lodging costs at maximum per diem rates. We identified that the contractor proposed discounted per diem rates for long term site visits in task orders 4, 5, and 6. In addition, on task order 3, we identified an instance in which the contractor proposed lodging at the maximum rate but invoiced for a much lower rate. This instance contradicted the allegation that the contractor always negotiated lodging at maximum per diem and kept the difference between the discounted rate and the maximum rate.
- The complainant stated that all work on contract W912DY-10-D-0014 was performed on FFP task orders. However, task orders 3, 4, and 6 included proposed travel costs on cost-plus-fixed-fee (CPFF) line items. We reviewed \$48,456 of invoiced lodging costs on task orders 3 and 4 submitted by the contractor from September 2011 through October 2012 and found that the invoiced lodging costs were at or below the maximum per diem rates allowed by the Joint Travel Regulations.
- The contract did not require the contractor to provide detailed supporting documentation of travel costs to receive payment on the five FFP task orders (1, 2, 5, 7, and DA02),
- For task order CM01 under contract W912DY-10-D-0024, the contractor was a FFP subcontractor who did not identify travel costs on its invoices.

Scope and Methodology

We conducted this audit from November 2012 through March 2013 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 objective.

To determine whether we could substantiate the allegations, we visited the USACE office in Huntsville, Alabama, that negotiated and awarded indefinite-delivery, indefinite-quantity contract W912DY-10-D-0014 as well as seven of the eight task orders awarded under that contract. The remaining task order was awarded by the USACE office in Baltimore, Maryland. The obligated dollar value of the task orders and the administering USACE offices for the task orders appear in the table on page 3.

Task Orders Issued Under W912DY-10-D-0014 as of November 2012

Task Order No.	Task Order Type	Obligated Amount (As of November 2012)	USACE Office that Administered Task Order
1*	FFP	\$0	Huntsville, Alabama
2	FFP	\$43,348,378.45	Albuquerque, New Mexico
3	FFP/CPFF	\$3,119,308.51	Huntsville, Alabama
4	FFP/CPFF	\$15,402,368.00	Huntsville, Alabama
5	FFP	\$5,460,010.54	Huntsville, Alabama
6	FFP/CPFF	\$2,413,772.00	Huntsville, Alabama
7	FFP	\$688,333.57	Huntsville, Alabama
DA02	FFP	\$695,616.90	Baltimore, Maryland
Total		\$71,127,787.97	

* This task order obligated a minimum guaranteed amount of \$10,000. USACE Huntsville deobligated the funds after the award of subsequent task orders.

We reviewed contract and task order files at the USACE Huntsville office and interviewed USACE personnel who awarded and administered task orders issued under contract W912DY-10-D-0014. In addition, we communicated with contracting personnel and contracting officer’s representatives at the USACE offices in Baltimore, Maryland, and Albuquerque, New Mexico. The documentation we reviewed consisted of the following: requests for proposals; cost analyses; price negotiation memorandums; proposals submitted by the contractor; indefinite-delivery, indefinite-quantity solicitation and contract; task orders; modifications; and invoices submitted by the contractor. We interviewed the contracting officer, program manager, and contracting officer’s representatives.

We also contacted the USACE office in Sacramento, California, which administered task order CM01 under contract W912DY-10-D-0024 to obtain and review invoices and travel vouchers submitted by the contractor. The contractor in question was a FFP subcontractor on task order CM01 under contract W912DY-10-D-0024. USACE Sacramento personnel contacted the prime contractor to obtain the subcontractor invoices, but the invoices did not identify travel costs.

Use of Computer-Processed Data

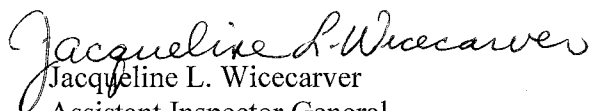
We used computer-processed data from the Electronic Document Access system to identify the contracting office and to obtain contracts W912DY-10-D-0014 and W912DY-10-D-0024 and task orders issued under those contracts. We verified the information obtained from the Electronic Document Access system to the USACE contract files. We determined that data obtained through this system was sufficiently reliable to accomplish our audit objectives.

Prior Audit Coverage

No prior audits were conducted related to our audit objectives during the past five years.

You can obtain information about the DoD OIG from DoD Directive 5 106.01, "Inspector General of the Department of Defense," April 13, 2006, change 1, September 25, 2006; DoD Instruction 7600.02, "Audit Policies," April 27, 2007; and DoD Instruction 7050.3, "Access to Records and Information by the Inspector General, Department of Defense," April 24, 2000. Our Web site address is www.dodig.mil.

We appreciate the courtesies extended to the staff. If you have any questions, please contact me at (703) 604-9077 (DSN 664-9077).


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Inspector General Department of Defense

