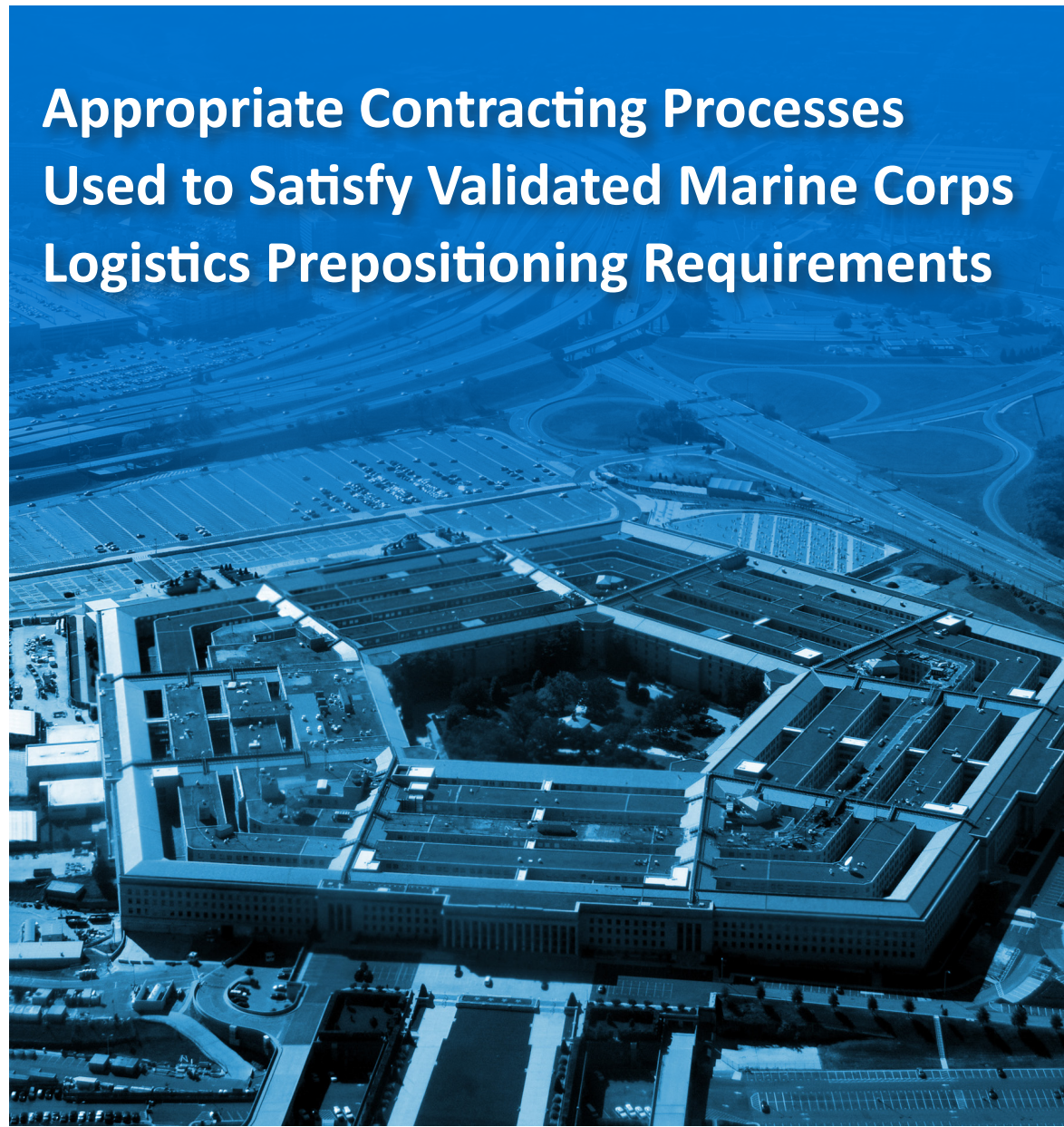




INSPECTOR GENERAL

U.S. Department of Defense

SEPTEMBER 18, 2013



Appropriate Contracting Processes Used to Satisfy Validated Marine Corps Logistics Prepositioning Requirements

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Report Documentation Page

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**INSPECTOR GENERAL
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September 18, 2013

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,
TECHNOLOGY, AND LOGISTICS
NAVAL INSPECTOR GENERAL

SUBJECT: Appropriate Contracting Processes Used to Satisfy Validated Marine Corps
Logistics Prepositioning Requirements (Report No. DODIG-2013-132)

We are providing this report for your information and use. Our audit objective was to determine whether Marine Corps officials used appropriate contracting processes to satisfy mission requirements for prepositioning and logistics support in accordance with Federal and DoD policies. Specifically, we determined whether mission requirements were validated by the requiring activities and whether the U.S. Marine Corps Blount Island Command (BICmd) contracting office used appropriate processes and procedures to award task orders to meet mission requirements. Marine Corps Forces Central Command (MARCENT), Marine Corps Logistics Command (MCLC), and BICmd officials used appropriate contracting processes to satisfy validated FY 2013 mission requirements for prepositioning and logistics support valued at approximately \$73.3 million. We considered management comments on a discussion draft of this report in preparing the final report.

Prepositioning Program and Marine Corps Logistics Services Contract

The Secretary of Defense initiated the Maritime Prepositioning Ships program in 1979 to increase the responsiveness of Marine Corps operating forces requiring immediate and rapid deployment. Specifically, the purpose of the Maritime Prepositioning Ships program was to preposition aboard Military Sealift Command ships sufficient combat and sustainment equipment to support a 15,667 person Marine Expeditionary Force for 30 days. During the 1998 re-compete of the contract, the Deputy Commandant of the Marine Corps for Installations and Logistics stated that the contract should contain provisions to provide other logistics services to the Marine Corps. The contractor then provided in-theater, operational-level logistics services that allowed Marine Corps operating forces to focus on contingency operations.

The BICmd contracting office awarded Prepositioning and Marine Corps Logistics Services contract M67004-09-D-0020, valued at approximately \$680 million, to Honeywell Technology Solutions Incorporated on May 28, 2009. The contract was a cost-plus-award-fee indefinite-delivery/indefinite-quantity contract that included a base period of 2.5 months and nine 1-year options that end on September 30, 2018. BICmd officials awarded the contract to provide the Marine Corps with logistics services at the continental United States industrial facility, for shipboard maintenance and supply support, for in-port areas around the world, and for operational logistics support to deployed Marine Corps forces.

FY 2013 Task Orders

The contract included a statement of work for the base contract and a performance work statement for each logistics services task order awarded on the contract. The contracting office issued new task orders for FY 2013 after the contracting officer reviewed the fiscal year's requirements before exercising the contract option year. The contracting officer awarded task orders 62, 66, and 67 on October 1, 2012, with a combined value of approximately \$73.3 million as of April 2013. We examined the three task orders.

Task order 62 provided logistics support for the Maritime Prepositioning Force. As an essential element of the U.S. Military's readiness strategy, task order 62 served as the core effort for the contract. Under this task order, the contractor performed maintenance and material management of the equipment loaded aboard the Military Sealift Command ships at BICmd and performed limited equipment maintenance while the ships were at sea.

Task order 66 provided logistics support for the Marine Corps ashore prepositioning site in Kuwait. Under task order 66, the contractor developed and executed a process to facilitate assumption of Marine Corps asset custody, supply chain management, distribution management, fiscal responsibility, and maintenance and management of Marine Expeditionary Unit Augmentation Program assets.

Task order 67 provided logistics support for the supply chain and maintenance services in the MARCENT area of responsibility. Specifically, task order 67 required the contractor to provide logistical services in support of principle end item rotation, management of combat replacements and sustainment principle end item retrograde/redeployment, and other program objectives at Camp Leatherneck, Afghanistan.

Responsible Organizations

BICmd officials planned, coordinated, and executed logistics efforts in support of the Maritime Prepositioning Force. BICmd reported to the MCLC Commanding General. The BICmd contracting office awarded, coordinated, and administered the Prepositioning and Marine Corps Logistics Services contract and task orders. The BICmd program office was the requiring activity for prepositioning services included in task orders 62 and 66. MCLC was the requiring activity for task order 67. BICmd and MCLC officials worked with MARCENT to implement logistics requirements for task orders 66 and 67.

MARCENT was responsible for all Marine Corps forces in the U.S. Central Command area of responsibility. MARCENT was the requirements originator and customer for task orders 66 and 67. MARCENT identified and validated its requirements internally before BICmd and MCLC program offices submitted a requirements package to the contracting office.

Requirements Were Validated and Contracting Actions Satisfied Mission Needs

MARGENT, MCLC, and BICmd officials used appropriate contracting processes to satisfy validated FY 2013 mission requirements for prepositioning and logistics services in accordance with Federal and DoD policies. Marine Corps officials:

- verified that requirements were valid,
- appropriately priced the task orders,
- obtained legal and contract reviews for acquisition strategies, and
- prepared business clearance memoranda before the issuance of task orders.

As a result, Marine Corps officials properly awarded task orders 62, 66, and 67, valued at approximately \$73.3 million.

Maritime Prepositioning Force Maintenance Requirements Were Validated

Marine Corps officials completed the requirements validation process for the Maritime Prepositioning Force maintenance services in accordance with Federal and DoD policies. Federal Acquisition Regulation (FAR) Subpart 17.207, "Exercise of Options," requires the contracting officer to determine whether the requirements covered by the option fills an existing Government need. Marine Corps Installation and Logistics; Marine Corps Plans, Policies, and Operations; Military Sealift Command; Navy Facilities Engineering Command; and BICmd officials validated the logistics requirements included in task order 62 for the Maritime Prepositioning Force maintenance services. On July 18, 2012, the BICmd contracting officer received a memorandum from the program office stating that there was a continued need for the services included in task order 62. The BICmd contracting officer subsequently issued a memorandum on July 24, 2012, notifying the contractor that the BICmd contracting office intended to exercise option year four of the contract.

The BICmd program office determined that the requirements were still valid based on documentation provided from Headquarters, Marine Corps (HQMC) and the Department of the Navy. Specifically, HQMC and the Department of the Navy issued Marine Corps Warfighting Publication 3-32/Navy Tactics, Techniques, and Procedures 3-02.3M, "Maritime Prepositioning Operations," and Navy and Marine Corps Publication 2907,

“Prepositioning Objective for Maritime Prepositioning Force and Marine Corps Prepositioning Program-Norway,” which outlined the specific assets required for the prepositioning program, to include munitions, Marine Expeditionary Brigade assets, Marine aviation support assets, and Navy support requirements. The list of required assets included all goods the contractor was required to maintain in support of the prepositioning program. For example, the Marine Corps required the contractor to repair and maintain a specific number of mine-resistant ambush-protected vehicles that were subsequently stored on each prepositioned ship.

Other Logistics Services Requirements Were Validated

Marine Corps officials validated other logistics services requirements in accordance with FAR Subpart 16.505 and FAR Subpart 15.404. FAR Subpart 16.505, “Ordering,” requires individual orders to clearly describe all services performed so the full cost or price can be established when the order is placed. FAR Subpart 15.404, “Proposal Analysis,” states the contracting officer is responsible for evaluating the reasonableness of the offered prices to ensure that the final agreed-to price is fair and reasonable. FAR Subpart 15.404 further states that the contracting officer may request the advice and assistance of other experts to ensure that an appropriate analysis is performed.

The requiring activity ensured requirements clearly described all services performed by receiving validated requirements from HQMC prior to requesting other logistics services from the BICmd contracting office. Specifically, for task orders 66 and 67, MARCENT and MCLC sent equipment density list requirements to HQMC for approval, coordination, and validation. The equipment density lists described the equipment needed and served as the official requiring documents during the requirements validation process. MCLC and BICmd program offices were involved in the requirements validation process and MARCENT communicated effectively with the program offices to incorporate the customer’s requirements into task orders 66 and 67, respectively. Program office personnel submitted validated requirements packages to contracting office personnel that documented the requiring activity’s request and started the contracting process to issue the task order based on Marine Corps need.

Additionally, BICmd contracting office personnel provided contractor proposals to the requiring activity for technical review and approval. The requiring activity revalidated the requirements during the technical review process. For example, the BICmd contract specialist received the contractor’s proposal for the Afghanistan Retrograde Team program included in task order 67 on July 20, 2012. On July 23, 2012, MCLC, the requiring activity, received the contractor’s proposal for task order 67 from the BICmd contract

specialist for review. MCLC personnel performed a technical review and sent an e-mail to the contract specialist on July 26, 2012, stating that the proposal was technically acceptable. The BICmd contract specialist then prepared and finalized the Business Clearance Memorandum (BCM) on August 13, 2012, and the BICmd contracting office issued the task order on October 1, 2012.

Task Orders Were Appropriately Priced

The BICmd contracting officer obtained fair and reasonable prices for option year four prepositioning and logistics services by performing adequate price analysis for the services in accordance with FAR Subpart 15.404, "Proposal Analysis," which states the contracting officer is responsible for evaluating the reasonableness of the offered prices to ensure that the final agreed-to price is fair and reasonable.

BICmd contracting office personnel conducted the price analysis for option year four requirements and documented the results in the BCM signed for the basic contract. The price analysis consisted of comparing proposed prices between the offerors, the independent Government cost estimates, and a thorough analysis of pricing information submitted by the offerors to include a comparison of the offeror's proposed price per direct labor hour as the majority of the logistics support effort was labor intensive. BICmd contracting office personnel determined that the prices were adequate, fair, and reasonable, and the contract file contained the appropriate documentation to exercise option year four.

Acquisition Strategy Legal and Contract Reviews Were Performed

The BICmd contracting office used the acquisition strategy to adequately satisfy the requirements in FAR Subpart 7.105, "Contents of Written Acquisition Plans," and Defense Federal Acquisition Regulation Supplement Procedures, Guidance, and Information 207.105, "Contents of Written Acquisition Plans," for the three task orders. The acquisition strategy for task order 66 included a requirements review by the BICmd Director of Logistics, a legal review from BICmd legal counsel, and an acquisition strategy review from the contracting officer on August 23, 2012. The MCLC Chief of the Contracting Office approved the acquisition strategy as the decision authority on August 23, 2012.

Additionally, the MCLC Director of the Contracts Department implemented a Contracts Department Policy Statement requiring a contracts review committee to review acquisition strategies and business clearances for sound business principles and

conformance with Federal, DoD, and Navy and Marine Corps regulations. The contract review committee reviewed the acquisition strategy for task order 66 and provided comments requesting additional information regarding why the contract specialist did not complete a small-business coordination record form for all requirements issued against the contract. The contract specialist appropriately addressed the committee's comments by explaining that the small business form was approved prior to the issuance of the basic contract and as a result, was not required. Accordingly, the BICmd contracting office implemented procedures to complete the acquisition strategy in accordance with Federal, DoD, and internal regulations.

Business Clearance Memoranda Were Prepared

The BICmd contracting office satisfied Navy and Marine Corps Acquisition Guide Subpart G5201.690, "Requirements to be met before entering into contracts," requirements by creating BCMs before the issuance of the three task orders. The contract specialist for task order 66 stated that he began drafting the BCM once he determined cost computations were adequate and once the BICmd Logistics Division completed the technical review of the task order 66 proposal and determined it was adequate. Legal counsel and the contracting officer reviewed the BCM before obtaining approval from the MCLC Director of the Contracts Department.

In addition to legal counsel and contracting officer review, the MCLC contract review committee reviewed the BCM for task order 66 to determine whether BICmd officials followed proper contracting practices. The contract review committee identified minor issues during the review of the BCM and the contract specialist promptly addressed the committee's recommendations. The contract review committee chairman and the Director of the Contracts Department signed the contract review committee worksheet for the BCM on September 26, 2012. The MCLC Director of the Contracts Department signed the BCM on September 26, 2012, authorizing approval to award task order 66 to support the Kuwait Marine Expeditionary Unit Augmentation Program. Accordingly, the BICmd contracting office took appropriate actions to complete the BCM in accordance with Federal, DoD, and internal regulations.

Review of Internal Controls on Marine Corps Prepositioning and Logistics Requirements

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, 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 determined that the internal controls over the appropriate contracting processes used to satisfy mission requirements for the Prepositioning and Marine Corps Logistics Services indefinite-delivery/indefinite-quantity contract M67004-09-D-0020 were effective. We will provide a copy of the report to the senior official(s) responsible for internal controls.

Scope and Methodology

We conducted this performance audit from February 2013 through September 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.

We reviewed the Prepositioning and Marine Corps Logistics Services indefinite-delivery/indefinite-quantity basic contract M67004-09-D-0020 awarded May 28, 2009, to Honeywell, and three task orders issued in FY 2013. The selection of the three FY 2013 task orders to review was based on dollar value. We reviewed task orders 62, 66, and 67 to determine whether Marine Corps officials used the appropriate contracting processes to satisfy mission requirements in accordance with Federal and DoD policies. Additionally, we reviewed the contracting file for the exercise of option year four to determine whether the file contained the appropriate documentation to support the exercise of the option year. We reviewed contract file documentation, including requirements documentation, acquisition strategies, BCMs, determination and findings, market research, independent Government cost estimates, and applicable Federal and DoD guidance.

We conducted a site visit at Blount Island Command, Jacksonville, Florida. We conducted phone interviews with program office personnel at MCLC. Additionally, we interviewed Military Sealift Command and BICmd program office and contracting office personnel.

Use of Computer-Processed Data

We did not use computer-processed data to perform this audit.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the Department of Defense Inspector General (DoD IG) issued three reports discussing DoD prepositioning materiel and requirements. Unrestricted GAO reports can be accessed over the Internet

at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>.

GAO

Report No. 12-916R, "Prepositioned Materiel and Equipment: DoD Would Benefit from Developing Strategic Guidance and Improving Joint Oversight," September 20, 2012

DoD IG

Report No. D-2010-066, "Oversight of the U.S. Air Forces Central War Reserve Materiel Contract," May 28, 2010

Report No. D-2009-108, "U.S. Air Forces Central War Reserve Materiel Contract," September 23, 2009

You can obtain information about the Department of Defense Office of Inspector General from DoD Directive 5106.01, "Inspector General of the Department of Defense (IG DoD)," April 20, 2012; DoD Instruction 7600.02, "Audit Policies," April 27, 2007; and DoD Instruction 7050.03, "Office of the Inspector General of the Department of Defense Access to Records and Information," March 22, 2013. Our website is www.dodig.mil.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8905 (DSN 664-8905). If you desire, we will provide a formal briefing on the results.



Amy J. Frontz
Principal Assistant Inspector General
for Auditing



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