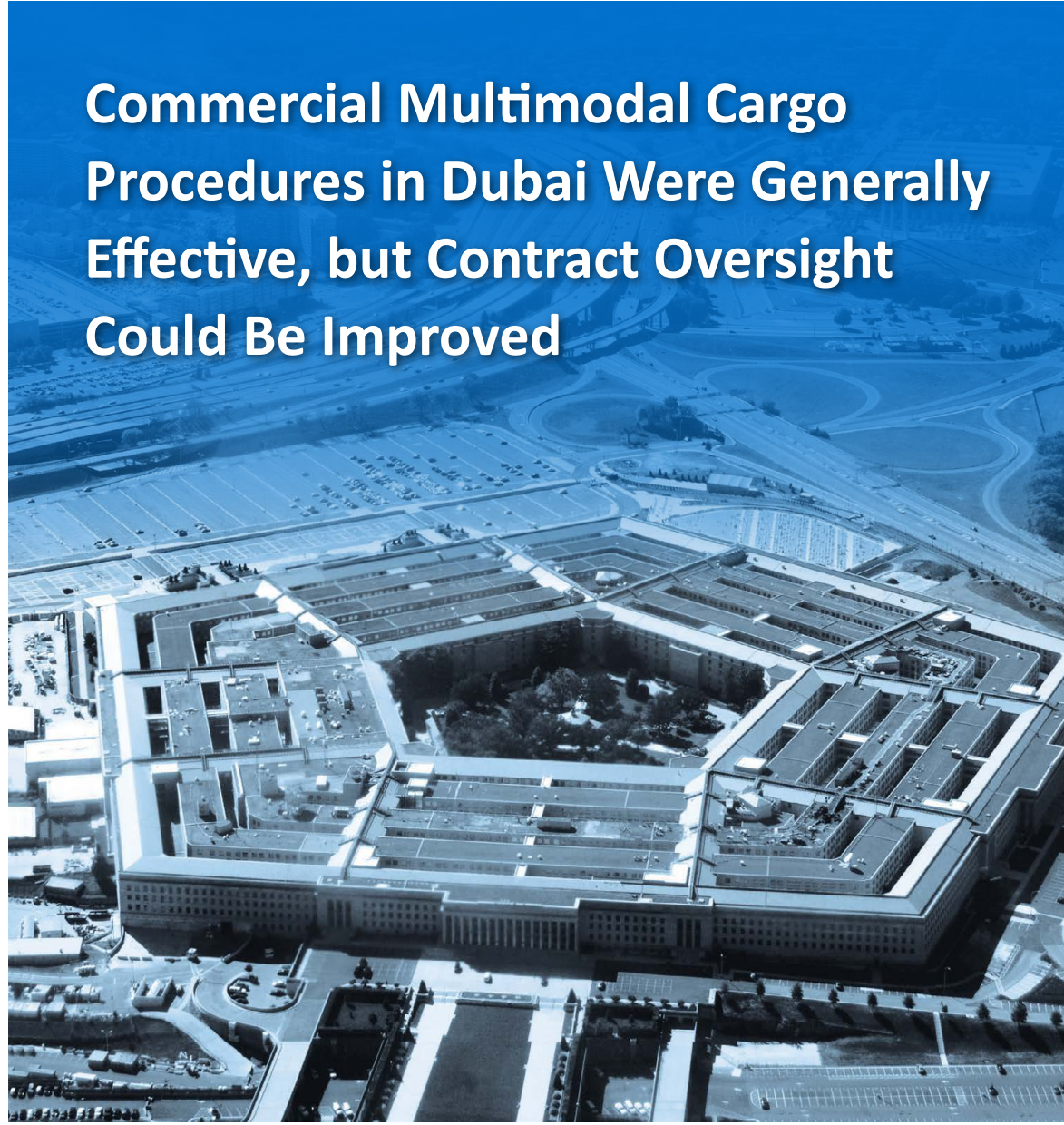




INSPECTOR GENERAL

U.S. Department of Defense

APRIL 11, 2014



Commercial Multimodal Cargo Procedures in Dubai Were Generally Effective, but Contract Oversight Could Be Improved

Report Documentation Page

Form Approved
OMB No. 0704-0188

Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.

1. REPORT DATE 11 APR 2014	2. REPORT TYPE	3. DATES COVERED 00-00-2014 to 00-00-2014			
4. TITLE AND SUBTITLE Commercial Multimodal Cargo Procedures in Dubai Were Generally Effective, but Contract Oversight Could Be Improved		5a. CONTRACT NUMBER			
		5b. GRANT NUMBER			
		5c. PROGRAM ELEMENT NUMBER			
6. AUTHOR(S)		5d. PROJECT NUMBER			
		5e. TASK NUMBER			
		5f. WORK UNIT NUMBER			
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) Department of Defense Inspector General, 4800 Mark Center Drive, Alexandria, VA, 22350-1500		8. PERFORMING ORGANIZATION REPORT NUMBER			
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)		10. SPONSOR/MONITOR'S ACRONYM(S)			
		11. SPONSOR/MONITOR'S REPORT NUMBER(S)			
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified	Same as Report (SAR)	32	

Mission

Our mission is to provide independent, relevant, and timely oversight of the Department of Defense that: supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and Congress; and informs the public.

Vision

Our vision is to be a model oversight organization in the federal government by leading change, speaking truth, and promoting excellence; a diverse organization, working together as one professional team, recognized as leaders in our field.

Fraud, Waste and Abuse

.....
DoD HOTLINE

.....
1.800.424.9098 • www.dodig.mil/hotline



Results in Brief

Commercial Multimodal Cargo Procedures in Dubai Were Generally Effective, but Contract Oversight Could Be Improved

April 11, 2014

Objective

This is one in a series of reports regarding U.S. Transportation Command's (USTRANSCOM's) support of the Afghanistan drawdown. Our objective was to determine whether effective procedures were in place to process equipment at transfer locations in Southwest Asia. We evaluated whether the security, accountability, and timeliness of commercial multimodal procedures in Dubai were effective and whether controls were in place to provide oversight of the process.

Finding

USTRANSCOM generally used effective procedures for processing commercial multimodal cargo in Dubai. However, U.S. Central Command's Customs and Border Clearance Agents (CBCAs) did not always apply U.S.-compliant seals because they followed outdated guidance. As a result, unauthorized individuals could gain access to, and potentially steal, Government cargo during transit. When notified, U.S. Central Command officials promptly took action to fix the deficiency.

In addition, USTRANSCOM contracting officials did not provide sufficient oversight because they structured the contract to minimize Government involvement. Specifically, USTRANSCOM contracting officials did not appoint a contracting officer's representative (COR) in Dubai to oversee contractor

Finding Continued

operations because the contract structure allowed oversight from headquarters, instead of Dubai. In addition, contracting officials did not test contractor-submitted electronic data interchange transactions used to verify contractor performance because they did not develop internal control procedures to validate the in-transit visibility (ITV) data. Additionally, they did not maintain records of all subcontractors performing under the contract because the contract did not require the prime contractors to submit the names of their subcontractors.

As a result, the prime contractors contacted the 840th Transportation Battalion officials in Dubai to resolve cargo-processing problems instead of officials with delegated contractual authority. In addition, contracting officials had minimal assurance that the prime contractors submitted accurate ITV transactions and were unable to identify subcontractors excluded from receiving Federal contracts.

Recommendations

We recommend the Director, USTRANSCOM Acquisitions, require the contracting officer to appoint a COR in Dubai; periodically test contractor-submitted ITV transactions; and require the prime contractors to semi-annually submit a list of all subcontractor companies.

Management Comments

The Deputy Commander, USTRANSCOM, generally addressed the recommendations; however, comments on Recommendation 2 partially addressed the recommendation. Therefore, we are requesting additional comments on Recommendation 2 by May 12, 2014. Please see the Recommendations Table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Director, U.S. Transportation Command Acquisitions	2	1, 3

Please provide comments by May 12, 2014.



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

April 11, 2014

MEMORANDUM FOR COMMANDER, U.S. CENTRAL COMMAND
COMMANDER, U.S. TRANSPORTATION COMMAND
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Commercial Multimodal Cargo Procedures in Dubai Were Generally Effective,
but Contract Oversight Could Be Improved (Report No. DODIG-2014-058)

We are providing this report for your review and comment. U.S. Transportation Command (USTRANSCOM) generally used effective procedures for processing commercial multimodal cargo in Dubai. However, U.S. Central Command's Customs and Border Clearance Agents did not apply U.S.-compliant seals on 11 of the 51 containers tested, and USTRANSCOM contracting officials did not sufficiently oversee the multimodal contract. We considered management comments on a draft of this report when preparing the final report.

DoD Directive 7650.3 requires that recommendations be resolved promptly. Comments from the Deputy Commander, U.S. Transportation Command, generally addressed the recommendations; however, comments on Recommendation 2 partially addressed the recommendation. Therefore, we are requesting additional comments on Recommendation 2 by May 12, 2014.

Please send a PDF file containing your comments to audrco@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot 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) 699-7331 (DSN 499-7331).

A handwritten signature in cursive script, reading "Carol N. Gorman".

Carol Gorman
Assistant Inspector General
Readiness and Cyber Operations

Contents

Introduction

Objective	1
Background	1
Review of Internal Controls	4

Finding. Procedures for Processing Commercial Multimodal Cargo in Dubai Were Generally Effective, but USTRANSCOM Could Improve Contract Oversight

Dubai Commercial Multimodal Processing Was Generally Effective	6
Noncompliant Container Seals Could Lead to Theft	7
Insufficient Contract Oversight in Dubai	9
Conclusion	15
Recommendations, Management Comments, and Our Response	16

Appendixes

Appendix A.	18
Scope and Methodology	18
Use of Computer-Processed Data	19
Use of Technical Assistance	19
Appendix B.	20
Prior Coverage	20

Management Comments

U.S. Transportation Command	22
-----------------------------	----

Acronyms and Abbreviations

Introduction

Objective

This is one in a series of reports regarding U.S. Transportation Command's (USTRANSCOM's) support of the Afghanistan drawdown. Our objective was to determine whether effective procedures were in place to process equipment at transfer locations in Southwest Asia. Therefore, we focused on commercial multimodal operations in Dubai. Specifically, we evaluated whether onsite personnel properly accounted for, secured, and processed cargo in a timely manner. In addition, we evaluated whether USTRANSCOM contracting officials sufficiently oversaw the commercial multimodal contractors in Dubai. See Appendix A for a discussion of our scope and methodology and see Appendix B for prior audit coverage related to the audit objective.

Background

In June 2011, the President of the United States announced that U.S. forces would begin drawing down operations in Afghanistan. The United States is set to transition its mission in Afghanistan to a train and assist mission after December 2014. The train and assist mission will require fewer troops and equipment. Therefore, DoD will continue to remove troops and equipment from Afghanistan through December 2014.

As of December 2013, DoD needed to ship an estimated 24,000 pieces of equipment out of Afghanistan. However, the drawdown of equipment from Afghanistan includes challenges such as geography, weather, and occasional disruptions in the land routes. To overcome these challenges, DoD has developed multiple transportation routes to provide redundant capabilities that meet the drawdown requirements. Using a variety of transportation routes allows DoD to balance the logistics workload, and reduce the vulnerability of a single point of failure.

USTRANSCOM, headquartered at Scott Air Force Base, Illinois, establishes and maintains the network of transportation routes used to transport equipment out of Afghanistan. USTRANSCOM's Army Service Component Command, U.S. Military Surface Deployment and Distribution Command (SDDC), oversees contractor operations for all shipments of military equipment from Afghanistan, including facilitating booking and execution, and maintaining in-transit visibility (ITV). SDDC accomplishes this mission through the use of the 595th Transportation Brigade in Kuwait and their subordinates: the 840th and 831st Transportation Battalions.

Multimodal Operations

Multimodal operations are one of the transportation options established by USTRANSCOM for transporting cargo out of Afghanistan. Multimodal operations provide transportation of DoD and U.S. Government cargo via multiple modes of transportation, including airlift, sealift, and line haul to or from multiple locations globally. USTRANSCOM established two types of multimodal operations for Afghanistan—hybrid and commercial multimodal. Hybrid multimodal transportation is a blend of military and commercial transportation. Specifically, equipment is flown out of Afghanistan on a U.S. military aircraft to a multimodal location where contractors process and load the cargo onto a commercial vessel for onward movement to its final destination.

Commercial multimodal transportation is a door-to-door process with minimal Government involvement, intended to increase flexibility and reduce transit times. The contractors are responsible for picking equipment up at remote bases in Afghanistan, transporting the equipment to the airport, flying the equipment to a multimodal location, and then cleaning and loading the cargo onto a vessel for onward movement to its final destination. The contractor is responsible for the cargo during the entire movement. As of December 2013, hybrid and commercial multimodal transportation accounted for 29 percent of outbound cargo from Afghanistan.



Commercial multimodal transportation is a door-to-door process with minimal Government involvement.

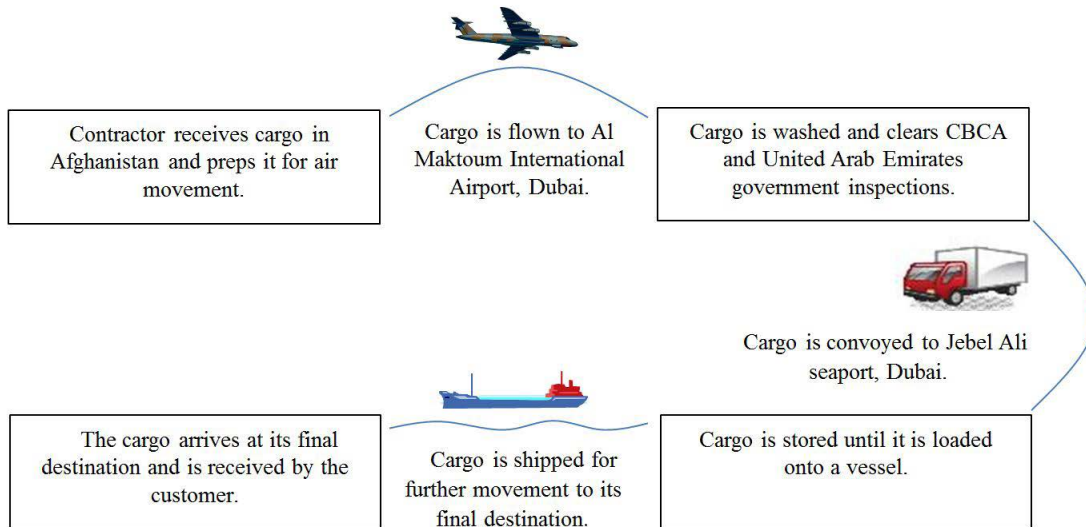
Dubai Commercial Multimodal Operations

The Dubai, United Arab Emirates, multimodal route supports both the hybrid and commercial multimodal transportation methods. Dubai is also the primary route when equipment cannot transport through Pakistan. The Dubai route is approved to process sensitive, nonlethal, and nonsensitive cargo. Between January 2013 and September 2013, over 3,200 pieces of rolling stock and nonrolling stock¹ were processed through the Dubai commercial multimodal route. The commercial multimodal contractors fly cargo from Afghanistan to the Al Maktoum International Airport, where they clean and stage the cargo while obtaining clearance from the United Arab Emirates government. After contractors clean the cargo, U.S. Customs and

¹ Rolling stock includes wheeled vehicles, tracked combat vehicles, wheeled and tracked construction equipment, trailers, semi-trailers, and any other standard trailer-mounted equipment. Nonrolling stock encompasses all other equipment that is not rolling stock. For purposes of this report, nonrolling stock refers to all containers used by multimodal contractors to transport cargo from Afghanistan.

Border Clearance Agents (CBCAs) inspect it for clearance into the United States. Once the contractors obtain clearance from the CBCAs and the United Arab Emirates government, they tarp and move the cargo to the Jebel Ali seaport, where it is loaded onto a vessel for further movement to its final destination. The figure below shows the commercial multimodal process in Dubai.

Figure. Commercial Multimodal Process in Dubai



Customs and Border Clearance Agents

USTRANSCOM is the Executive Agent for the DoD Customs and Border Clearance Program, and U.S. Central Command (USCENTCOM) has command authority for pre-clearance customs inspections in its area of responsibility. USCENTCOM executes its authority by issuing guidance and providing CBCA training. USCENTCOM issued USCENTCOM Regulation 600-10, “Customs and Border Clearance Program (CBCP),” August 9, 2012, to define responsibilities and explain procedures for customs and agriculture pre-clearance operations. Specifically, CBCAs are responsible for inspecting, certifying, and sealing all cargo shipped to the United States to ensure it complies with U.S. Department of Agriculture and U.S. Customs and Border Protection importation requirements.

Commercial Multimodal Contract

USTRANSCOM awarded the fixed-price economic price adjustment, indefinite-delivery, indefinite-quantity commercial multimodal contract to four contractors on August 1, 2012. The contract was protested, resulting in USTRANSCOM awarding the contract to a fifth contractor on October 25, 2012.² The contract's base period plus the two option periods are worth approximately \$1.4 billion.³ Under the commercial multimodal contract, contractors are responsible for providing all personnel, training, supervision, equipment, and customs clearance procedures necessary to perform multimodal movement for DoD-approved cargo. Specifically, contractors are responsible for safeguarding all cargo and ensuring that all Government-provided equipment remains in their possession at all times.

Although USTRANSCOM Acquisitions retained administrative responsibility for the contract, it delegated contract oversight to SDDC. As of December 2013, SDDC had 14 contracting officer's representatives (CORs) responsible for monitoring contractor performance who had overall surveillance of the commercial multimodal contract. Specifically, SDDC had seven CORs at USTRANSCOM Headquarters, Scott Air Force Base, Illinois, and seven located at the Ocean Cargo Clearance Authority Southwest Asia office in Bahrain. The CORs are responsible for providing technical assistance to the contracting officer by ensuring contractor compliance with the technical requirements of the contract.

Review of Internal Controls

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 identified an internal control weakness pertaining to the verification of contractor-provided data for performance measures. Specifically, USTRANSCOM contracting officials did not test the accuracy of the electronic data interchange (EDI) transactions to determine whether the contractor was meeting the ITV performance objective in the contract. We will provide a copy of this report to the senior official responsible for internal controls at USTRANSCOM Acquisitions.

² The five contractors are: American President Lines Limited Incorporated, Liberty Global Logistics Limited Liability Company, National Air Cargo Group Incorporated, World Airways Incorporated, and Farrell Lines Incorporated.

³ The base period ended on July 31, 2013, and was not to exceed \$365.7 million. Option one period began on August 1, 2013, which is not to exceed \$484.6 million, and the second option period will begin on August 1, 2014, not to exceed \$513.6 million.

Finding

Procedures for Processing Commercial Multimodal Cargo in Dubai Were Generally Effective, but USTRANSCOM Could Improve Contract Oversight

USTRANSCOM generally used effective procedures for processing commercial multimodal cargo in Dubai. For example, USTRANSCOM's contractors accounted for, secured, and processed cargo in a timely manner. However, the CBCAs did not apply U.S.-compliant container seals on 11 of 51 containers tested when certifying cargo for clearance into the United States. The CBCAs did not always apply U.S.-compliant container seals because they followed outdated USCENTCOM guidance that did not explain the specific DoD container-sealing requirements. As a result, unauthorized individuals could gain access to, and potentially steal, Government cargo during transit. We notified USCENTCOM officials that containers were not sealed in accordance with applicable regulations. When notified of the problem, the USCENTCOM officials promptly took action to fix the identified deficiency.

In addition, USTRANSCOM contracting officials did not sufficiently oversee the commercial multimodal contract because they structured the contract to minimize Government involvement. Specifically, USTRANSCOM contracting officials did not:

- appoint a COR in Dubai to oversee contractor operations because the contract structure allowed oversight from headquarters instead of sites where work was performed. As a result, contractors contacted the 840th Transportation Battalion to resolve cargo-processing issues, increasing the risk for the 840th Transportation Battalion to perform surveillance of the contractors without having an official delegated contract oversight role.
- test contractor-submitted EDI transactions used to verify contractor performance for the ITV performance measure as required by Federal Acquisition Regulation (FAR) part 46, "Quality Assurance," because they did not develop internal control procedures to validate the ITV data. As a result, contracting officials had minimal assurance that the contractors submitted accurate ITV transactions, increasing the risk that contractors report incorrect ITV data to receive a high performance rating.

- maintain records of all subcontractors performing under the commercial multimodal contract because the contract only required the prime contractors to submit a partial list of subcontractor names at the end of the performance period. As a result, contracting officials were not fully aware of all subcontractors performing services on behalf of the Government and may not be able to identify parties excluded from receiving Federal contracts.

Dubai Commercial Multimodal Processing Was Generally Effective

USTRANSCOM officials and their commercial multimodal contractors generally accounted for, secured, and processed cargo in a timely manner. To determine whether commercial multimodal cargo was properly accounted for, we conducted a sample inventory of U.S. military cargo in Dubai from September 6, 2013, through September 8, 2013. Specifically, we sampled cargo from four of the five contractors responsible for transporting cargo through Dubai.⁴ In total, we selected a nonstatistical sample of 90 pieces of commercial multimodal cargo at Al Maktoum International Airport and the Jebel Ali seaport. We identified all 90 pieces of cargo on the 840th Transportation Battalion’s accountability records and have assurance that personnel properly accounted for commercial multimodal cargo we sampled in Dubai. The table on this page illustrates the floor-to-book and book-to-floor testing for rolling stock and nonrolling stock cargo we tested.

Table. Book-to-Floor and Floor-to-Book Testing of Commercial Multimodal Cargo

Inventory Type	Number of Items Tested			Location Tested
	Rolling Stock	Nonrolling Stock*	Total	
Book-to-Floor Inventory	32	33	65	Al Maktoum International Airport and Jebel Ali seaport
Floor-to-Book Inventory	7	18	25	Jebel Ali seaport
Total	39	51	90	

* All nonrolling stock items were containers

⁴ We did not sample cargo processed by American President Lines’ contractors because their cargo was located in a robotically operated container yard at the Jebel Ali seaport. The container yard was unsafe to enter due to the moving equipment.

Additionally, the contractors were required to follow their commercial surface and air security procedures to safeguard all cargo against terrorism, theft, loss, tampering, or damage. The contractors were responsible for flying the commercial multimodal cargo into the secure Al Maktoum International Airport, where it was washed and prepared for convoy. Security escorts accompanied the contractors as they convoyed the cargo on a secure road from Al Maktoum International Airport to the Jebel Ali seaport. Once at the seaport, seaport officials secured the commercial multimodal cargo until it was loaded onto a vessel. Throughout the commercial multimodal process in Dubai, the cargo remained in a fenced-in area known as the “free zone,” which included the airport, seaport, and secure road between the two. In addition, Dubai seaport and airport officials stated they follow international security standards and routinely have security audits to ensure cargo processing through Dubai is properly secured. We did not identify evidence of theft and believe that commercial multimodal cargo was generally secured in Dubai, with the exception of noncompliant seals placed on containers.

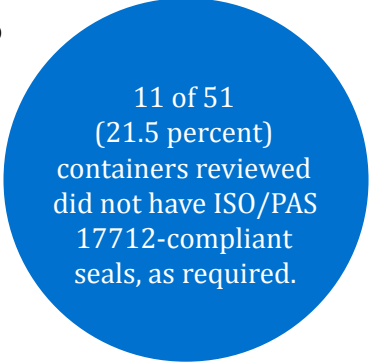
Based on documents provided by an SDDC official, from January 2013 through September 2013, commercial multimodal contractors shipped cargo received from Afghanistan through Dubai in an average of 15 days, which includes an average of 6 days at the Jebel Ali seaport and an average of 9 days at Al Maktoum International Airport. According to officials in Dubai, storage fees may be incurred for cargo stored longer than 10 days at Al Maktoum International Airport. As of November 18, 2013, USTRANSCOM had not been charged storage fees in Dubai.

Noncompliant Container Seals Could Lead to Theft

CBCAs in Dubai did not ensure compliant container seals were placed on shipping containers in accordance with applicable guidance. Specifically, Section 944, Title 6, United States Code (6 U.S.C. § 944 [2010]), “Container Security Standards and Procedures,” and Department of Homeland Security U.S. Customs and Border Protection Decision 08-30, “Container Seals on Maritime Cargo,” state all maritime containers in transit to the United States by vessel must be sealed with a seal that meets the International Organization for Standardization Publicly Available Specification 17712 (ISO/PAS 17712) standard for sealing containers. ISO/PAS 17712-compliant seals are bolt or cable locks. Additionally, USCENCOM Regulation 600-10, “Customs and Border Clearance Program,” August 9, 2012, states CBCAs will inspect and seal containers with Air Mobility Command-approved seals (noncompliant seal) for all cargo scheduled to be transported by aircraft within the USCENCOM area of responsibility. The noncompliant seal is necessary so that aircrews can quickly cut through the seal with a multi-tool in the event of an inflight emergency. Therefore, the approved ISO/PAS 17712-compliant

seals are not used during flights. However, when cargo arrives at another location where it will be loaded onto a sea vessel for shipment to the United States, CBCAs are required to place an ISO/PAS 17712-compliant bolt seal on the container without removing the original seal.

The CBCAs in Dubai did not apply compliant seals to containers⁵ already sealed with noncompliant seals, in accordance with USCENTCOM regulations. During our review and analysis of shipping operations in Dubai, we observed several shipping containers with only noncompliant seals that had been cleared by the CBCAs in Dubai. Specifically, we found that 11 of 51 (21.5 percent) containers reviewed did not have ISO/PAS 17712-compliant seals, as required.



11 of 51
(21.5 percent)
containers reviewed
did not have ISO/PAS
17712-compliant
seals, as required.

The CBCAs in Dubai did not follow USCENTCOM container seal requirements because they followed outdated USCENTCOM guidance that did not explain the specific requirements for sealing containers with ISO/PAS 17712-compliant seals or explain what seals should be used on containers entering the United States. Specifically, a CBCA official stated that the CBCAs did not place compliant seals on containers that already had a noncompliant seal.⁶ Although USCENTCOM Regulation 600-10 was updated in 2012 to include the specific requirements and instructions for properly sealing containers with the compliant seals, USCENTCOM officials indicated that the 2010 version was still used in Southwest Asia.

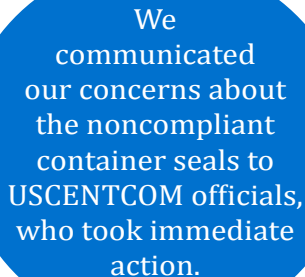
Containers that are not properly sealed could be more susceptible to unauthorized access during shipment, which could lead to theft during transit. Noncompliant seals can be easily cut with a multi-tool or separated and put back together. In addition, U.S. Customs and Border Protection may assess civil penalties against the shippers who try to transport containers into the United States contrary to the 6 U.S.C. § 944 (2010) requirements.

⁵ The contents in the containers included troop clothing, repair parts, and tools.

⁶ Noncompliant seals are thin strips of metal that can be cut with a multi-tool.

Management Actions Taken

On September 20, 2013, we communicated our concerns about the noncompliant container seals to USCENTCOM officials, who took immediate action. USCENTCOM officials stated that the CBCA officials in Dubai were unaware of the updated directives. Therefore, USCENTCOM officials contacted the U.S. Army Central Command, Theater Customs Agent, directed compliance with the USCENTCOM guidance for sealing containers with ISO/PAS 17712-compliant seals, and required that refresher training be provided to the CBCAs in Dubai. In addition, on December 19, 2013, an SDDC official stated that developed additional procedures to inspect container seals in Dubai on a weekly basis to ensure that CBCAs used the proper ISO/PAS 17712-compliant seals. The official provided a copy of the log for the week of December 22, 2013. These actions address the concerns we identified; therefore, no additional actions are required.



We communicated our concerns about the noncompliant container seals to USCENTCOM officials, who took immediate action.

Insufficient Contract Oversight in Dubai

USTRANSCOM contract officials did not sufficiently oversee commercial multimodal operations in Dubai. Specifically, USTRANSCOM contract officials did not appoint a COR in Dubai, have a quality control program to test contractor-submitted data, or maintain a comprehensive list of subcontractors. This occurred because USTRANSCOM designed the contract to minimize Government involvement.

Oversight Representatives Were Not Onsite

USTRANSCOM appointed 14 CORs to oversee the commercial multimodal contract. However, no CORs were co-located with contract operations in Dubai. The DoD COR handbook addresses key aspects of contract quality surveillance and the roles and responsibilities of the COR.⁷ The handbook further states that contract surveillance is vital to: ensure contractors are providing quality services and supplies in a timely manner; mitigate contractor

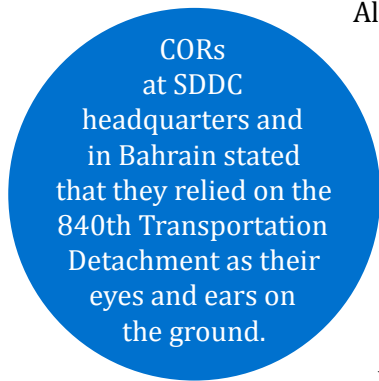


No CORs were co-located with contract operations in Dubai.

⁷ Although the handbook is intended as a supplement, and CORs should refer to the contract, COR appointment letter, and the contracting officer for COR-required responsibilities, the handbook provides guidance for due diligence of CORs for contract surveillance and can be used as a best practice.

performance problems; and ensure the Government receives best value for the warfighter. In addition, the handbook states that the CORs conduct contract surveillance “to verify that the contractor is fulfilling contract requirements and to document performance for the contract record.” Specifically, the handbook states “CORs function as the eyes and ears of the contracting officer and are a liaison between the Government and contractor when executing surveillance responsibilities.” It also states that remediating nonconformance relies heavily on the COR’s observation and documentation. Additionally, the handbook states that “CORs must monitor contractor performance through review of monthly reports, onsite visits, and surveillance reviews.”

As of December 2013, there were seven CORs for the commercial multimodal contract at USTRANSCOM Headquarters and seven CORs in the Ocean Cargo Clearance Authority Southwest Asia Quality Assurance Office in Bahrain. CORs in Illinois and Bahrain could not closely monitor contractor performance in Dubai.



CORs at SDDC headquarters and in Bahrain stated that they relied on the 840th Transportation Detachment as their eyes and ears on the ground.

Although the 840th Transportation Battalion had a detachment in Dubai, the USTRANSCOM contracting officer did not appoint a member of the detachment as a COR in Dubai for the commercial multimodal contract. However, CORs at SDDC headquarters and in Bahrain stated that they relied on the 840th Transportation Detachment as their eyes and ears on the ground, even though the detachment primarily focused its mission on hybrid operations.

Furthermore, the 840th Detachment had minimal knowledge of and involvement with commercial operations, and no official contract management or oversight role to report any issues or concerns involving commercial multimodal contractors.

Contract Was Designed With Minimal Oversight

Challenges with contract oversight occurred because USTRANSCOM structured the commercial multimodal contract to have CORs provide oversight from Bahrain and USTRANSCOM Headquarters. Therefore, CORs did not routinely travel to Dubai to observe operations. Specifically, USTRANSCOM officials stated the oversight structure of the commercial multimodal contract was designed to have minimal Government involvement. In addition, a USTRANSCOM official stated that the commercial multimodal contract is a commercial services contract using commercial carrier

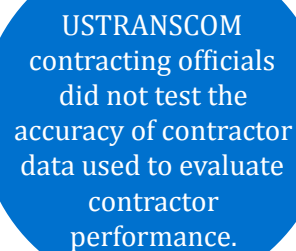
efficiencies and processes, which gives the contractors ultimate responsibility for transporting U.S. Government cargo. The CORs at USTRANSCOM Headquarters were primarily responsible for evaluating the contractor's only two performance measures, and the CORs in Bahrain were primarily responsible for addressing any issues the carriers may have during daily operations. USTRANSCOM should appoint a COR in Dubai to be familiar with commercial operations and to observe and monitor contractor performance.

Potential for Personnel Without Authority to Oversee Contractors

With no CORs in Dubai, contractors contacted the 840th Transportation Battalion to resolve cargo-processing issues, increasing the risk for the 840th Transportation Battalion to perform surveillance of the contractors without having an official delegated contract management role. Although the 840th Transportation Battalion is considered the CORs' eyes and ears of the commercial multimodal operations in Dubai, it has minimal involvement with commercial multimodal operations. The CORs should be intimately involved with observations of the contractors' operations so they can bring concerns directly to the contracting officer. Therefore, without a COR in Dubai, the observations of the contractors' operations may not regularly occur or be sufficiently reported.

Contractor Performance Data Was Not Tested for Accuracy

USTRANSCOM contracting officials did not test the accuracy of contractor data used to evaluate contractor performance. Specifically, the performance work statement of the commercial multimodal contract evaluates the contractor's performance using two objectives, on-time delivery and ITV. The ITV performance objective requires the contractor to provide accurate and timely shipment status reports using EDI.⁸ The commercial multimodal contract quality assurance surveillance plan (QASP), states that contractor-provided EDI transactions are the primary data source for the U.S. Government's program of monitoring contractor performance objectives.



USTRANSCOM contracting officials did not test the accuracy of contractor data used to evaluate contractor performance.

⁸ EDI is the computer-to-computer exchange of business data in machine-readable language.

According to Office of Management and Budget Circular A-123, “Management’s Responsibility for Internal Controls,” management has a fundamental responsibility to develop and maintain effective internal controls. Specifically, the Circular states that application controls should be designed to ensure that transactions are processed accurately and that the data is valid and complete, and controls should be established to verify inputs and outputs for complete and accurate information processing. The commercial multimodal contract requires the contractor to provide the Government accurate EDI transactions within 24 hours of the event for the ITV performance objective.⁹ A COR stated that the contractor will enter the reportable event date into their own system, which then uploads the event date into the Pipeline Asset Tool,¹⁰ using EDI transactions. The Pipeline Asset Tool automatically calculates if the EDI transactions were submitted within 24 hours based on a comparison of the contractor-entered date and the date the EDI transaction was submitted. The QASP states that a COR will generate an ITV performance report each month from the Pipeline Asset Tool. However, a COR stated that the CORs do not verify the information entered by the contractor. Therefore, EDI transactions were evaluated based entirely on contractor-provided data and were not independently checked by COR officials. A COR further stated that the CORs had to trust the contractor to submit accurate data.

Need for Quality Control Program to Verify Data Used to Evaluate Contractors

Contractor-submitted data was not verified because USTRANSCOM contracting officials did not develop a quality control program to test it. FAR subpart 46.1 states that the contracting office is responsible for verifying that the contractor fulfills the contract quality requirements when contract administration is retained. Therefore, because USTRANSCOM Acquisitions retained contract administration, the contracting office is responsible for verifying that the contractor is conforming to this contractual requirement and completing EDI transactions within 24 hours. The QASP provides the performance objective assessment as the Government’s strategy for assessing the contractor’s performance based on contractor-provided data. According to the QASP, the contractor’s performance for the ITV performance objective should be assessed by 100-percent inspection of all transportation movements. However, the CORs only evaluate the timeliness of the contractor-provided data using the Pipeline Asset Tool calculations. An SDDC official stated that the CORs do not evaluate the accuracy of the contractor-submitted data. Therefore, the USTRANSCOM contracting office did

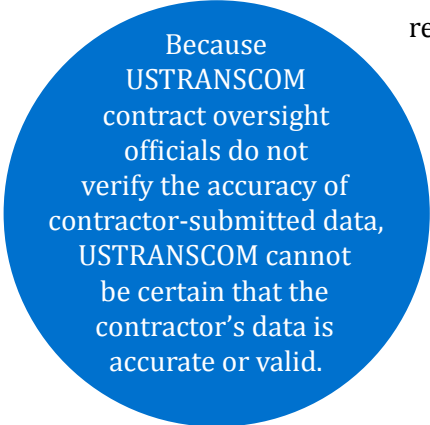
⁹ The ITV performance objective is weighted at 25 percent of the contractor’s overall performance rating.

¹⁰ The Pipeline Asset Tool is a suite of business portals that supports the SDDC global transportation mission and provides SDDC contract compliance teams the ability to measure ocean carrier performance.

not meet the requirements outlined in FAR part 46 or the intent of the QASP. USTRANSCOM contract officials should update the QASP to detail procedures for periodically testing contractor-submitted EDI data to properly verify the contractor's performance for ITV.

Minimal Assurance of Accurate Contractor Data

USTRANSCOM had minimal assurance that the contractors submitted accurate EDI transactions. Since USTRANSCOM does not verify EDI transactions, the Government is at



Because USTRANSCOM contract oversight officials do not verify the accuracy of contractor-submitted data, USTRANSCOM cannot be certain that the contractor's data is accurate or valid.

risk that contractors could enter dates that are within 24 hours regardless of whether the events actually occurred within 24 hours. Without controls to verify contractor data, contractors may receive a higher performance rating. One of the determinations for the Government's best value analysis when awarding task orders is past performance of the two performance objectives. Therefore, there is an incentive for the contractors to receive a higher performance rating score because USTRANSCOM contract officials use past performance ratings to award future task orders.

Because USTRANSCOM contract oversight officials do not verify the accuracy of contractor-submitted data, USTRANSCOM cannot be certain that the contractor's data is accurate or valid for 25 percent of the contractor's overall performance rating.

USTRANSCOM Contracting Officials Were Unfamiliar with Subcontractors

USTRANSCOM contracting officials were unfamiliar with the subcontractors performing operations for the commercial multimodal contract. Specifically, USTRANSCOM contracting officials did not maintain a comprehensive list of all subcontractors used by the prime contractors to perform commercial multimodal operations. When the commercial multimodal contract was awarded on August 1, 2012, 11 subcontractors were identified for the prime contractors' use. However, a USTRANSCOM contracting official stated that the contractors could be subcontracting with companies unfamiliar to USTRANSCOM. Through meetings with contractor personnel, and documents provided by contracting officials, we identified at least 50 subcontracted companies. However, we could not identify the total number of subcontractors performing for the commercial multimodal contract.

The performance work statement identifies special factors that would compel the contracting officer to assist in determining subcontractor responsibility. These factors include substantial subcontracting and the risk of terrorism and hostiles. According to the performance work statement, the contracting officer must periodically make available to the contractor the name of potential subcontractors with questioned responsibility. However, without knowledge of all subcontracted companies, the contracting officer may not be able to identify subcontractors with questioned responsibility.

Additionally, multiple reports on subcontractors in Southwest Asia have identified the need for contracting officials to maintain awareness of subcontractors during wartime contracting. The U.S. Government Accountability Office, the Special Inspector General for Afghanistan Reconstruction, and the Congressional Research Service have identified that contracting officials need to gain and maintain visibility of subcontracting networks, and that excessive subcontracting tiers provide opportunities for criminal networks and insurgents to divert contract money from its intended purpose.¹¹

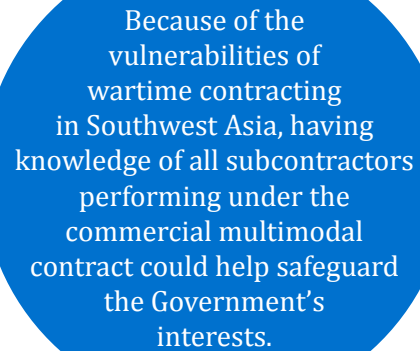
USTRANSCOM Contracting Officials Did Not Require Submission of Subcontractor Names

USTRANSCOM contracting officials did not include a requirement in the contract for a periodic review of all subcontractors performing under the commercial multimodal contract. For example, the contract included Contract Clause 952.225-0005, “Monthly Contractor Census Reporting,” which required the contractor to submit the total number of employees and a breakdown of the number of U.S. citizens, local nationals, or third-country nationals, to include prime and subcontractors. However, the clause did not require the prime contractors to submit the names of their subcontractor companies. Additionally, the commercial multimodal contract required contractors to submit an annual report that includes subcontract awards to only Afghanistan and Central and Southern Asia States¹² entities after the end of the annual performance period. Therefore, contracting officials did not maintain a list of names for each subcontractor company because

¹¹ U.S. Government Accountability Office Report No. GAO-11-355, “AFGHANISTAN: U.S. Efforts to Vet Non-U.S. Vendors Need Improvement,” June 2011; Special Inspector General for Afghanistan Reconstruction Audit 13-6, “CONTRACTING WITH THE ENEMY: DOD Has Limited Assurance that Contractors with Links to Enemy Groups Are Identified and their Contracts Terminated,” April 2013; and Congressional Research Service Report 7-5700, “Wartime Contracting in Afghanistan: Analysis and Issues for Congress,” November 14, 2011.

¹² Central and Southern Asia States include Georgia, the Kyrgyz Republic, Pakistan, the Republic of Armenia, the Republic of Azerbaijan, the Republic of Kazakhstan, the Republic of Tajikistan, the Republic of Uzbekistan, and Turkmenistan.

the annual requirement did not require reporting of all subcontracted companies. FAR subpart 1.6 states that the contracting officer is responsible for safeguarding the interests of the United States in its contractual relationships. We understand that a comprehensive list of subcontractors is not required by the FAR for this contract; however, because of the vulnerabilities of wartime contracting in Southwest Asia, having knowledge of all subcontractors performing under the commercial multimodal contract could help safeguard the Government's interests. USTRANSCOM should require the submission of all subcontracted companies' names used by the prime contractors to help ensure the interests of the United States.



Because of the vulnerabilities of wartime contracting in Southwest Asia, having knowledge of all subcontractors performing under the commercial multimodal contract could help safeguard the Government's interests.

USTRANSCOM Contracting Officials May Not Be Able to Identify Excluded Parties

Without maintaining awareness of commercial multimodal subcontractors, USTRANSCOM may not be able to identify if parties excluded from receiving Federal contracts are used to conduct multimodal operations or if prime contractors used subcontractors whose interests are against those of the U.S. Government and its allies. We attempted to verify whether any of the subcontractor company names we obtained were excluded from receiving Federal contracts. However, without the subcontractor's complete legal names, we could not be sure if any excluded parties were providing services under the commercial multimodal contract. The multiple reports regarding maintaining awareness of subcontractors and the minimal Government involvement in the performance of the commercial multimodal contract increase the need for oversight of the commercial multimodal contract and its subcontractors in Dubai.

Conclusion

USTRANSCOM generally used effective procedures for processing commercial multimodal cargo in Dubai. Although we noted that containers were not sealed in accordance with applicable regulations, USCENCOM officials took appropriate action to correct the deficiency. However, USTRANSCOM contracting officials did not sufficiently oversee the commercial multimodal contract. The objective of contract

oversight is to monitor contractor performance to assure the services received are consistent with contract quality requirements and received in a timely manner. To be effective, contract oversight requires appropriate and immediate on-site monitoring of the services performed. USTRANSCOM contract officials need to increase oversight efforts under the commercial multimodal contract, especially in Dubai. Dubai is a key strategic route for the drawdown from Afghanistan, and large volumes of military cargo will continue to be shipped through it, increasing the risks to contractor performance. Therefore, to ensure the Government is receiving the best value for the warfighter, USTRANSCOM should reduce the risks by appointing a COR in Dubai and implementing procedures to obtain additional assurance that contractor-provided information is accurate and that the Government is not subcontracting with excluded parties.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend the Director, U.S. Transportation Command Acquisitions, require the contracting officer to appoint a contracting officer’s representative in Dubai.

U.S. Transportation Command Comments

The Deputy Commander, U.S. Transportation Command, agreed and stated U.S. Transportation Command is confident that the current number and location of the contracting officer representatives is sufficient to perform contract administration. However, as an alternative, he stated U.S. Transportation Command will perform a resource analysis to reassess the plausibility of placing a contracting officer’s representative in Dubai.

Our Response

The response from the Deputy Commander, U.S. Transportation Command addressed the recommendation by proposing an alternate action that meets the intent of the recommendation; therefore, we are not requesting additional comments.

Recommendation 2

We recommend the Director, U.S. Transportation Command Acquisitions, require the contracting officer to update the quality assurance surveillance plan to detail procedures for periodically testing contractor-submitted in-transit visibility transactions to ensure accurate data submission.

U.S. Transportation Command Comments

The Deputy Commander, U.S. Transportation Command, agreed with the recommendation. The Deputy Commander stated U.S. Transportation Command may modify the quality assurance surveillance plan with procedures to conduct random periodic tests for some of the contractor-submitted in-transit visibility transactions.

Our Response

The response from the Deputy Commander, U.S. Transportation Command partially addressed the recommendation. Although the Deputy Commander agreed with the recommendation, he did not clearly indicate whether the quality assurance surveillance plan will be updated or when. Therefore, we request the Director, U.S. Transportation Command Acquisitions, provide additional comments to the recommendation by May 12, 2014.

Recommendation 3

We recommend the Director, U.S. Transportation Command Acquisitions, require the contracting officer to update the contract to require the prime contractors to semi-annually submit a list of all subcontractor companies used.

U.S. Transportation Command Comments

The Deputy Commander, U.S. Transportation Command, agreed, stating that U.S. Transportation Command will request from each of the five prime multimodal contractors a list of all subcontractors used for commercial operations on a semi-annual basis. The Deputy Commander stated that the first submission will be requested in conjunction with option year two; however, he noted that it is not necessary to formally modify the contract to obtain the list.

Our Response

The response from the Deputy Commander, U.S. Transportation Command addressed the recommendation. No further comments are required.

Appendix A

Scope and Methodology

We conducted this performance audit from May 2013 through March 2014 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.

This is one in a series of reports regarding USTRANSCOM's support of the Afghanistan drawdown. Our objective was to determine whether effective procedures are in place to process equipment at transfer locations in Southwest Asia. Because our objective consisted of four commercial or hybrid multimodal locations in Southwest Asia, we focused this audit on commercial multimodal operations in Dubai and announced an additional audit to focus on hybrid multimodal operations.

We conducted site visits to USTRANSCOM Headquarters, Scott Air Force Base, Illinois, from June 11, 2013, through June 13, 2013, and Dubai, United Arab Emirates, from September 2, 2013, through September 12, 2013. We interviewed officials from USTRANSCOM, USCENTCOM, SDDC, Ocean Cargo Clearance Authority Southwest Asia, the 595th Transportation Brigade, and the 840th Transportation Battalion Detachment in Dubai. We also interviewed the CBCA and officials from three of the five prime contractors in Dubai. In addition, we toured, observed, and tested the commercial multimodal cargo operations at Al Maktoum International Airport and the Jebel Ali seaport.

We compared our observations to contract documents and criteria obtained. Specifically, we obtained and analyzed the commercial multimodal transportation contract, performance work statement, COR appointment letters, and the QASP. We evaluated the contract oversight, security, customs, and accountability procedures and requirements. We compared the contract documents and procedures to the United States Code; the FAR; the Defense Federal Acquisitions Regulation Supplement; and policy and guidance from the Department of Homeland Security, Office of Management Budget, DoD, USCENTCOM, USTRANSCOM, and U.S. Army.

We obtained the 840th Transportation Battalion's accountability report and selected a nonstatistical sample of 65 items to conduct book-to-floor testing. We validated that

the 65 items recorded in the accountability report as being in Dubai were at Al Maktoum International Airport or the Jebel Ali seaport. While touring the seaport, we also selected a nonstatistical sample of 25 items for floor to book testing. We recorded data from the sampled items at the seaport and validated that the items were included on the 840th Transportation Battalion's accountability report. In total, we reviewed 90 items at Al Maktoum International Airport and Jebel Ali seaport comprising 39 rolling stock and 51 nonrolling stock items. For all 90 items, we reviewed whether they had the required documentation and verified whether the items were processed in accordance with Federal and DoD guidance. Additionally, for the 51 nonrolling stock items, we verified whether containers had the required compliant customs seal.

Use of Computer-Processed Data

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

Use of Technical Assistance

We obtained support from the DoD Office of Inspector General Quantitative Methods Division in developing the nonstatistical sample for review.

Appendix B

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the Department of Defense Inspector General (DoD OIG), the Army Audit Agency, the Air Force Audit Agency, and the Special Inspector General for Afghanistan Reconstruction issued 10 reports related to the audit objective. Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>. Unrestricted Army reports can be accessed from .mil and gao.gov domains at <https://www.aaa.army.mil/>. Unrestricted Special Inspector General for Afghanistan Reconstruction reports can be accessed from <http://www.sigar.mil/audits/reports.html>.

GAO

Report No. GAO-13-201, “Defense Logistics: A Completed Comprehensive Strategy is Needed to Guide DOD’s In-Transit Visibility Efforts,” February 2013

Report No. GAO-13-185R, “Afghanistan Drawdown Preparations: DOD Decision Makers Need Additional Analyses to Determine Costs and Benefits of Returning Excess Equipment,” December 2012

Report No. GAO-12-138, “Warfighter Support: DOD Has Made Progress, but Supply and Distribution Challenges Remain in Afghanistan,” October 2011

Report No. GAO-11-355, “Afghanistan: U.S. Efforts to Vet Non-U.S. Vendors Need Improvement,” June 2011

DoD IG

Report No. DODIG-2013-066, “Transportation Planning is Sufficient for Retrograde Operations; However, There Is an Opportunity to Improve the Efficiency of Management Systems,” April 12, 2013

Report No. D-2011-100, “DoD Needs Bi-Directional Flow Agreements and Adequate Tracking Mechanisms for the Northern Distribution Network,” August 19, 2011

Army

Report No. A-2013-0048-MTE, "Materiel Management–Retrograde From Southwest Asia," February 1, 2013

Air Force

Report No. F2013-0017-RA0000, "Aerial Port Operations 451 Air Expeditionary Wing Kandahar Air Base, Afghanistan," February 20, 2013

Report No. F2013-0010-RA0000, "Aerial Port Operations 455th Air Expeditionary Wing Bagram Air Field Afghanistan," February 5, 2013

Special Inspector General for Afghanistan Reconstruction

Report No. SIGAR Audit 13-6, "Contracting with the Enemy: DOD Has Limited Assurance that Contracts with Links to Enemy Groups Are Identified and their Contracts Terminated," April 2013

Management Comments

U.S. Transportation Command



UNITED STATES TRANSPORTATION COMMAND
508 SCOTT DRIVE
SCOTT AIR FORCE BASE, ILLINOIS 62225-5367

26 March 2014

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: TCDC

SUBJECT: DODIG Draft Report (D2013-D000JA-0155.000) "Commercial Multimodal Cargo Procedures in Dubai Were Generally Effective, but Contract Oversight Could be Improved"

1. The United States Transportation Command (USTRANSCOM) staff has reviewed the subject report and concurred with comments on recommendations 1-3 contained in the attachment.
2. For additional information or assistance, please contact [REDACTED]

A handwritten signature in black ink, appearing to read "W.A. Brown".

WILLIAM A. BROWN
Vice Admiral, USN
Deputy Commander

Attachment:
USTRANSCOM response

cc:
TCAQ
SDDC
TCJ3

U.S. Transportation Command (Cont'd)

DODIG Draft Report dated 10 March 2014, DODIG Project
(D2013-DOOJA-0155.000)

"Commercial MULTIMODAL Cargo Procedures in Dubai Were Generally
Effective, but Contract Oversight Could Be Improved"

DEPARTMENT OF DEFENSE RESPONSES TO THE DODIG RECOMMENDATIONS

We recommend the Director, U.S. Transportation Command Acquisitions, require the contracting officer to:

Recommendation 1: Appoint a contracting officer's representative in Dubai.

USTRANSCOM Response: Concur with comments.

USTRANSCOM is confident the current number and location of Contracting Officer Representatives (COR) is sufficient to perform contract administration. However, in response to the DoD IG report, USTRANSCOM will perform a resource analysis to reassess the plausibility of placing a COR in Dubai.

Recommendation 2: Update the quality assurance surveillance plan to detail procedures for periodically testing contractor-submitted in-transit visibility transactions to ensure accurate data submission.

USTRANSCOM Response: Concur with comments.

USTRANSCOM may modify the Quality Assurance Surveillance Plan with procedures for random periodic tests of some contractor-submitted in-transit visibility transactions.

Recommendation 3: Update the contract to require the prime contractors to semi-annually submit a list of all subcontractor companies used.

USTRANSCOM Response: Concur with comments.

USTRANSCOM will request each of the five Multimodal contractors submit, on a semi-annual basis, a list of all subcontractors used. The first submission will be requested in conjunction with Option Year Two. However, USTRANSCOM does not believe it is necessary to formally modify the contracts to obtain the lists.

Acronyms and Abbreviations

CBCA	Customs and Border Clearance Agents
COR	Contracting Officer Representative
EDI	Electronic Data Interchange
FAR	Federal Acquisition Regulation
ISO/PAS	International Organization for Standardization/Publicly Available Specification
ITV	In-Transit Visibility
QASP	Quality Assurance Surveillance Plan
SDDC	U.S. Military Surface Deployment and Distribution Command
USCENTCOM	U.S. Central Command
USTRANSCOM	U.S. Transportation Command

Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

The Whistleblower Protection Enhancement Act of 2012 requires the Inspector General to designate a Whistleblower Protection Ombudsman to educate agency employees about prohibitions on retaliation, and rights and remedies against retaliation for protected disclosures. The designated ombudsman is the DoD IG Director for Whistleblowing & Transparency. For more information on your rights and remedies against retaliation, go to the Whistleblower webpage at www.dodig.mil/programs/whistleblower.

For more information about DoD IG reports or activities, please contact us:

Congressional Liaison

Congressional@dodig.mil; 703.604.8324

Media Contact

Public.Affairs@dodig.mil; 703.604.8324

Monthly Update

dodigconnect-request@listserve.com

Reports Mailing List

dodig_report@listserve.com

Twitter

twitter.com/DoD_IG

DoD Hotline

dodig.mil/hotline



DEPARTMENT OF DEFENSE | INSPECTOR GENERAL

4800 Mark Center Drive
Alexandria, VA 22350-1500
www.dodig.mil
Defense Hotline 1.800.424.9098

