

Audit



Report

OFFICE OF THE INSPECTOR GENERAL

**REASONABLENESS OF COSTS CHARGED TO SUPPORT
SERVICES CONTRACT MDA903-88-D-0018**

Report Number 92-120

June 30, 1992

Department of Defense

The following abbreviations and acronyms are used in this report.

ACO	Administrative Contracting Officer
ASR&E	Atlantic Systems Research & Engineering
BDM	BDM International, Inc.
BDM ESC	BDM Engineering Services Company
BDM ITAC	BDM Independent Test and Analysis Corporation
BDM MSC	BDM Management Services Company
CAS	CAS Incorporated
COR	Contracting Officer Representative
DCAA	Defense Contract Audit Agency
FAR	Federal Acquisition Regulation
FHL	Fort Hunter-Liggett, California
JTR	Joint Travel Regulation
MACA	Management Assistance Corporation of America
M&IE	Meal and Incidental Expenses
ODC	Other Direct Costs
OPTEC	US Army Operational Test and Evaluation Command
OT &E	Operational Test and Evaluation
POV	Privately Owned Conveyance
RAM	Reliability, Availability & Maintainability
TDY	Temporary Duty



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-2884



June 30, 1992

MEMORANDUM FOR INSPECTOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit Report on Reasonableness of Costs Charged to Support Services
Contract MDA903-88-D-0018 (Report No. 92-120)

We are providing this final report for your information and use. This audit was a follow-on of the Audit on Consulting Services Contracts for Operational Test and Evaluation (Report No. 91-115). The audit was made as a result of questions concerning allowability, reasonableness, and allocability of costs charged to the subject contract. Management comments were considered in preparing this report.

Comments on a draft of this report conformed to the requirements of DoD Directive 7650.3 and there are no unresolved issues. Therefore, no additional comments are required.

The courtesies extended to the audit staff are appreciated. If you have any questions on this audit, please contact Mr. Garold E. Stephenson, Program Director, at (703) 692-3179 (DSN 222-3179) or Mr. Henry F. Kleinknecht, Project Manager, at (703) 692-3288 (DSN 222-3288). The planned distribution of this report is listed in Appendix V.

Robert J. Lieberman
Assistant Inspector General
for Auditing

Enclosure

cc:
Secretary of the Army
Director of Defense Procurement
Director, Defense Contract Audit Agency
Director, Defense Supply Service - Washington

Office of the Inspector General, DoD

AUDIT REPORT NO. 92-120
(Project No. 1CH-0035)

June 30, 1992

REASONABLENESS OF COSTS CHARGED TO SUPPORT SERVICES CONTRACT MDA903-88-D-0018

Executive Summary

Introduction. The Defense Supply Service - Washington, awarded contract MDA903-88-D-0018 to BDM International, Inc. (BDM) on July 1, 1988, to provide advisory and assistance services to the Army Operational Test and Evaluation Command (OPTEC). The contract was a fixed-rate/indefinite quantity-type contract that was activated by the issuance of delivery orders to acquire effort, by labor hour, for performance of OPTEC requirements. The total period of performance was 5 years with a minimum contract amount of \$250,000 and a maximum contract amount of \$25 million, or about \$5 million per year. From July 1988 through October 1991, the contract was funded for about \$18.7 million.

Objectives. The overall objective of the audit was to determine the allowability, reasonableness, and allocability of costs charged to contract MDA903-88-D-0018 with BDM. We also evaluated the effectiveness of contract surveillance by DoD activities and the applicable internal controls.

Audit Results. The contracting officer and the contracting officer's representatives (CORs) were not adequately administering the contract, and both the administrative contracting officer (ACO) and the Defense Contract Audit Agency (DCAA) had been removed from the contract administration process. As a result, BDM had charged costs to the contract totaling over \$1 million that were not allowable, reasonable, or allocable.

- BDM charged the Government the wrong contract labor rates for work performed by its subsidiaries and subcontractors. As a result, BDM charged \$507,858 of costs to the contract that was not allowable (Finding A).
- BDM charged the Government for employees that did not meet the minimum qualifications for personnel categories and skill levels contained in the contract. As a result, BDM charged \$432,059 of costs to the contract that was not allowable (Finding B).
- BDM charged the Government \$119,589 for travel costs that was not allowable or reasonable for both BDM and subcontractor employees (Finding C).

- BDM charged the Government \$16,801 for costs submitted by a subcontractor as "Other Direct Costs" that was not allocable to the contract (Finding D).
- OPTEC had no control over significant amounts of overtime charged by BDM subcontractors. As a result, subcontractor employees routinely billed the Government for 10- to 18-hour days, often without lunch, and 50- to 85-hour workweeks with the Army having no means to verify actual hours worked. In addition, BDM charged the Government unallowable contract costs of \$1,601 for unauthorized overtime premiums for administrative secretaries (Finding E).

Internal Controls. Internal controls were not adequate to prevent BDM from charging the Government unallowable, unreasonable, and unallocable costs; however, we do not consider these weaknesses to be material. See page 4 of this report for more details.

Potential Benefits of Audit. The audit showed that the Government was being charged for items and at rates that were not allowable, reasonable, or allocable to the contract. Implementation of the recommendations will allow the Government to recoup \$1,077,908 for unallowable costs and will strengthen the internal controls over the contract by increasing contract oversight by OPTEC, the Contracting Officer, the CORs, the ACO, and DCAA (Appendices S and T).

Summary of Recommendations. We recommended the initiation of additional procedures and additional internal controls, the reinstatement of the ACO and DCAA in the contract administration process, and the recovery of unallowable costs.

Management Comments. The Coordinator for Headquarters Services - Washington concurred with the findings, recommendations and monetary benefits. The Contracting Officer will use the recommended monetary benefits of \$1,077,908 as a negotiation target, and differing amounts may be established as a result of the Contracting Officer analysis and coordination with other Government agencies such as DCAA and OPTEC.

The Commander, Army Operational Test and Evaluation Command agreed to improve policies and procedures related to the contractor's use of office space, travel of administrative employees, and billing of labor hours.

The full discussion of the responsiveness of management comments is included in Part II of the report, and the complete text of management comments is included in Part IV of the report.

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This audit report was prepared by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD. Copies of the report can be obtained from the Information Officer, Audit Planning and Technical Support Directorate, (703) 614-6303.

PART I - INTRODUCTION

Background

The Defense Supply Service - Washington, awarded contract MDA903-88-D-0018 to BDM International, Inc. (BDM) on July 1, 1988, to provide advisory and assistance services to the Army Operational Test and Evaluation Command (OPTEC). Services included technical support for operational testing and continuous comprehensive evaluation of major Defense acquisition programs and nonmajor weapon systems being procured by the Army. BDM also supported OPTEC in its mission to understand, resource, monitor, test, evaluate, and report on various systems in designated functional areas.

The contract was a fixed-rate/indefinite quantity-type contract that was activated by the issuance of delivery orders to acquire effort, by labor hour, for performance of OPTEC requirements. The total period of performance was 5 years with a minimum contract amount of \$250,000 and a maximum contract amount of \$25 million, or about \$5 million per year. For each year of the contract, three distinct sets of fully burdened labor rates were negotiated for specific labor categories (labor categories also include senior, mid, and junior level rates). The three sets of labor rates were:

- on-site subcontractor (Government site),
- off-site subcontractor (contractor facility), and
- off-site prime (contractor facility).

The Federal Acquisition Regulation (FAR) provides guidance on allowability, reasonableness, and allocability of contractor costs. The FAR also describes the contracting officers' responsibilities to ensure effective contracting and contract administration. The complete text of applicable FAR references is contained in Appendix A. The contract also provided that travel costs were subject to the Joint Travel Regulations (JTR). The complete text of applicable JTR references is contained in Appendix B.

Objectives

The overall objectives of the audit were to determine the allowability, reasonableness, and allocability of costs charged to contract MDA903-88-D-0018 with BDM International, Inc., and to evaluate the effectiveness of contract surveillance by DoD activities and the applicable internal controls.

Scope

Overall review of contract MDA903-88-D-0018 with BDM. From July 1988 through October 1991, the contract was funded for about \$18.7 million. We reviewed the BDM proposal, basic contract, contract modifications, audit reports, and invoices submitted by BDM for each delivery order to determine whether contract billings were in accordance with the terms of the contract. We interviewed the Contracting Officer, Administrative Contracting Officer (ACO), Contracting Officer's Representatives (CORs), OPTEC personnel, and representatives from the Defense Contract Audit Agency (DCAA). We also interviewed representatives from BDM and two of its major subcontractors, CAS Incorporated (CAS), and Management Assistance Corporation of America (MACA). In addition, we reviewed DoD and contractor travel and overtime policies.

Detailed review of delivery orders. We performed a detailed review of all costs charged to Delivery Orders 12, 16, 25, 28, and 30 with a total value of about \$3.6 million. We reviewed time cards and travel claims for employees from BDM and its subcontractors. We also selectively reviewed the resumes of professional contractor employees and compared their stated qualifications to contract requirements.

For Finding A, we reviewed BDM billings for all delivery orders. For Finding B, we reviewed the previous mentioned delivery orders and performed a limited review of Delivery Orders 7, 24, and 37.

Audit period, standards, locations, and reason for audit. This economy and efficiency audit was made from April through December 1991. The audit was a follow-on of the audit of "Consulting Services Contracts for Operational Test and Evaluation," dated

August 22, 1991, Report No. 91-115. The audit was made in accordance with auditing standards issued by the Comptroller General of the United States, as implemented by the Inspector General, DoD. Accordingly, we included such tests of internal controls as were considered necessary. The implementation of the Federal Managers' Financial Integrity Act by Defense activities to strengthen internal controls did not specifically relate to our audit objectives; therefore, an evaluation was not possible within the scope of our audit. We did not rely on any computer-based data to accomplish the audit objectives. Activities visited or contacted are listed in Appendix U.

Internal Controls

The audit identified internal control weaknesses, although none were determined to be material as defined by Public Law 97-255, Office of Management and Budget Circular No. A-123, and DoD Directive 5010.38. Controls were not established or effective to prevent unallowable, unreasonable, and unallocable costs from being charged to the contract. Recommendations A.1.c., B.2., B.3., B.4., C.1.e., C.2., D.2., E.1.a., and E.1.b., if implemented, will correct the weaknesses. We have determined the monetary benefits that can be realized by implementing Recommendations A.1.a., B.1., C.1., D.1., and E.2., are \$1,077,908. A copy of this report will be provided to the senior official responsible for internal controls within the Office of the Secretary of the Army.

Prior Audits and Other Reviews

Office of the Assistant Inspector General for Auditing, DoD. Report No. 91-010, "Administration of Time-and-Materials Contracts at the U.S. Army Troop Support Command," November 7, 1990, found that a contracting officer for the U.S. Army Troop Support Command improperly awarded two time-and-materials contracts without obtaining adequate competition, performing adequate price analyses, administering both contracts effectively, and determining the reasonableness of costs incurred.

Recommendations were made to terminate the appointment of the contracting officer who was responsible for the contracts and to assign both contracts to a new contracting officer. In addition, the report

recommended that the Commander of the U.S. Army Troop Support Command, assign a COR with responsibility to monitor the contractor's performance and incurred costs for the completion of the two contracts. The Army concurred in the finding and recommendations.

Audit Report No. 91-030, "Justification for Use of Time-and-Materials Contracts," January 8, 1991, identified three major findings:

- Contracting officials inappropriately awarded time-and-materials contracts when other contract types were more appropriate.
- Contracting officials did not fully enforce the contractual payment clause that required the withholding of 5 percent of the invoiced direct labor charges on time-and-materials contracts.
- Contracting officials did not perform effective surveillance, verify qualifications of contractor personnel, require adequate substantiation for vouchers, perform on-site inspections and floorchecks, and oversee technical personnel monitoring the contract.

Twenty-one recommendations were made to the Office of the Secretary of Defense; the Military Departments; the Director, Defense Contract Audit Agency; and the Director, Defense Logistics Agency; which, if followed, would remedy the stated conditions. Recommendations were made to control the use of time-and-materials contracts, improve training of technical personnel and contracting officers, improve administrative controls over contracts and develop additional procedures for contract administration. Management concurred with the findings and recommendations.

Other Matters of Interest

BDM provided its position on the audit issues presented during a briefing held on October 25, 1991, by letter dated December 16, 1991. We met again with BDM on January 10, 1992, and further discussed each of the audit findings and the BDM responses. We have tried to incorporate BDM's position on each of the audit issues in the text of the findings.

PART II - FINDINGS AND RECOMMENDATIONS

Finding A. Terms of the Contract

BDM charged the Government the wrong contract labor rates for work performed by its subsidiaries and subcontractors. This occurred because BDM did not follow the terms of the contract, the contracting officer and CORs did not adequately review billings to determine compliance with the terms of the contract, and the ACO and DCAA were removed from the contract administration process. BDM also charged the Government a burden rate on "Other Direct Costs" (ODCs) that was considerably higher than its actual costs. This occurred because BDM did not provide the contracting officer sufficient information to negotiate an accurate burden rate. As a result, BDM billed the Government for costs totaling \$507,858 that were not reasonable, allowable, or allocable to the contract.

Background

FAR criteria. FAR Subpart 1.602-2, "Responsibilities," describes the contracting officers' responsibilities for ensuring effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships.

FAR Subpart 31.201, "Contracts with Commercial Organizations," provides guidance on determining allowability, reasonableness, and allocability of contract costs.

FAR Subpart 52.232.7, "Payments under Time-and-Materials and Labor-Hour Contracts," was incorporated in the contract and provides guidance on time-and-materials contracts and states that reasonable and allocable material handling costs may be included in the charge for materials. In addition, reasonable and allocable costs in the award, administration, and supervision of subcontracts are also allowable. The complete text of the FAR references is included in Appendix A.

Terms of the contract. Part I, section H, "Special Contract Requirements," subpart 4(f) "Time and Material Rates," of BDM contract MDA 903-88-D-0018 states that on-site relates to contractor performance at a Government facility and off-site relates to contractor performance at the contractor or subcontractor facility.

There were no specific on-site labor rates negotiated for BDM; however, the contract did require that the on-site subcontractor labor rates be used for on-site work performed by BDM Management Services Company (MSC), a BDM subsidiary.

Contract Labor Rates for BDM Subsidiaries

BDM charged the Government the off-site subcontractor labor rates versus the off-site prime labor rates for work performed by its subsidiaries. BDM MSC, BDM Engineering Services Company (ESC), and BDM Independent Test and Analysis Corporation (ITAC) are fully-owned subsidiaries of BDM and represent extensions of BDM as the prime contractor. BDM contends that its subsidiaries were clearly identified as subcontractors in both the contract and delivery order proposals, that their rates were included in the subcontractor composite rates, and that their employees' services were charged at subcontractor rates in accordance with the requirements of the Contract.

We determined that during contract negotiations, labor rates for BDM MSC were included in the on-site subcontractor composite labor rates. Further, the contract specifically stated that the on-site subcontractor labor rates would be used for on-site work performed by BDM MSC. However, the off-site subcontractor composite labor rates did not include rates from any BDM subsidiary, and the contract did not indicate that these rates would be used for off-site work performed by BDM subsidiaries. Also, the base labor rates (unburdened) in the contract proposal were the same for BDM and BDM MSC employees while indirect costs for BDM were higher than BDM MSC. Consequently, there is no justification for using the higher off-site subcontractor labor rates for off-site work performed by BDM subsidiaries versus the off-site prime (BDM) labor rates.

We reviewed contract billings charged to 44 delivery orders and found that BDM consistently charged the Government off-site subcontractor labor rates versus off-site prime labor rates for work performed by its

three subsidiaries. We also determined that the off-site subcontractor labor rates negotiated in the contract averaged about * percent higher than the off-site prime labor rates. As a result, BDM billed the Government contract labor rates that were not reasonable or allowable for off-site work performed by its subsidiaries and overcharged the Government about \$237,981 (Appendix C).

We found that in most instances BDM correctly billed the on-site subcontractor labor rate for on-site work performed by its subsidiaries. However, we did find one instance where a Systems Engineer-Project Leader (senior level) for a BDM subsidiary was billed at the off-site subcontractor rate when he worked on-site at a Government facility. The individual was proposed as a BDM MSC employee for Delivery Order 28, but later billed as a BDM ITAC employee. The individual worked a total of 714 hours, 706 hours on-site and only 8 hours off-site. However, BDM charged the Government the off-site subcontractor labor rate of \$* for all hours worked. The on-site subcontractor labor rate of \$* should have been used for on-site work. Consequently, BDM charged the Government a total of \$* for the on-site work when the reasonable and allowable contract cost was \$*, a difference of \$22,726.

BDM agreed that the employee should have been billed at the on-site labor rate and stated that the "inadvertent administrative error" would be corrected on the next invoice submitted for Delivery Order 28.

Contract Labor Rates for CAS, Inc.

BDM charged the Government off-site subcontractor labor rates for on-site work performed by CAS, Inc. BDM contends that CAS did not provide on-site labor rates in its original bids and that the CAS rates were not used to develop the on-site subcontractor labor rates. Although this is correct, the contract did not prescribe that the on-site subcontractor labor rates would only be used for "certain" subcontractors.

On-site relates to Contractor performance at a Government facility. Off-site relates to Contractor performance at the Contractor or Subcontractor facility.

The off-site labor rates were significantly higher than the on-site labor rates. For example, the base year on-site subcontractor labor rate for a Senior Systems Engineer-Project Leader was \$* versus the off-site subcontractor labor rate of \$*, a difference of over 60 percent.

We reviewed the hours that CAS employees charged to the contract for Delivery Orders 25, 28, and 30 and found that the majority of the hours charged were for either on-site work at a DoD installation or travel time. A summary of the hours charged to the contract are shown in Figure 1.

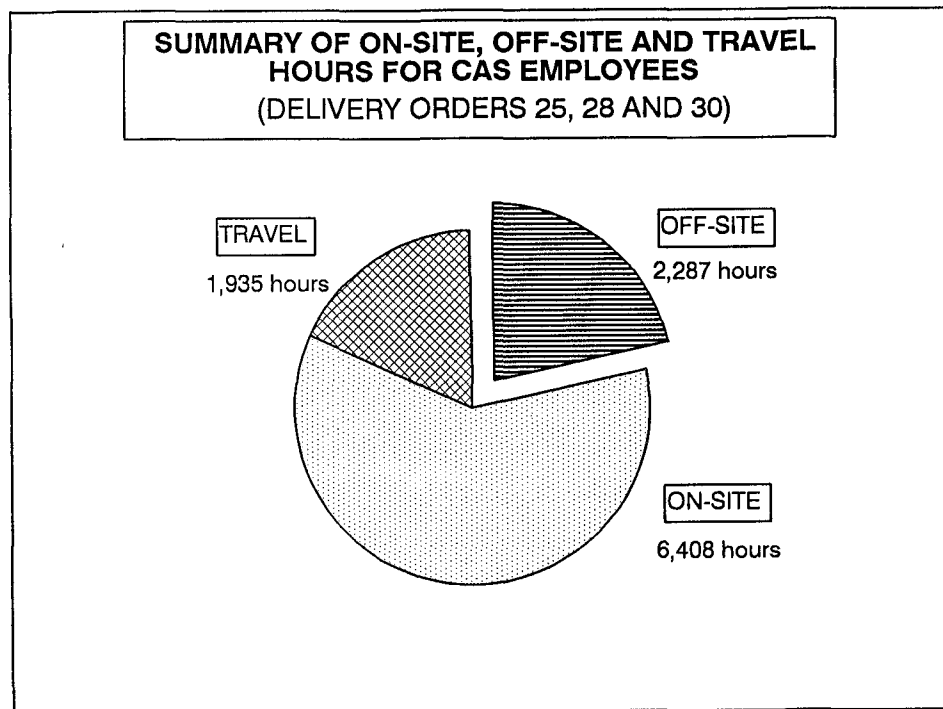


Figure 1

Our review showed that BDM billed the Government the off-site subcontractor labor rate for all work performed by CAS even though about 78 percent of the hours charged to the contract were for work performed at a DoD installation or travel time. The reasonable and allowable contract labor rates for on-site work hours and travel time charged by CAS employees were the on-site subcontractor labor rates. As a result, BDM overcharged the Government about \$145,787 (Appendix D).

Office Space for Subcontractor Employees

From June 4, 1990, through July 15, 1990, seven MACA employees worked primarily at a BDM facility in Alexandria, Virginia, to help prepare a test report for Delivery Order 28. Work was also conducted at the nearby OPTEC facility. BDM billed the Government the off-site subcontractor labor rate for all of this effort because MACA had billed BDM its off-site subcontractor labor rates. However, the reason MACA billed BDM its off-site subcontractor labor rates was because BDM had charged MACA rent for the office space, about \$1,454 for the 6-week period. Consequently, BDM was able to bill the Government a total of \$88,847, the off-site subcontractor labor rates for 6 weeks of work by MACA employees, versus \$58,001 the on-site subcontractor labor rates, a difference of \$30,846.

MACA could have billed BDM its on-site labor rates and the rent cost as an ODC. Using this approach, the costs to the Government would have been \$* for MACA labor, plus the rent as an ODC of \$1454, plus BDM's burden on ODCs of \$* for a total cost of about \$59,699, a savings of \$29,148. OPTEC also could have obtained this savings by providing the necessary office space or even renting the necessary space used by the subcontractor employees.

Burden Rate For Other Direct Costs

BDM charged the Government a burden rate on ODCs that was higher than its reasonable or allocable costs. BDM and the Government originally negotiated a single burden rate of * percent for ODCs. However, after the contract was negotiated BDM determined that the burden rate was too low. BDM sent the contracting officer a letter dated

* Proprietary Data Deleted

December 13, 1988, (revised letter dated December 15, 1988) that proposed two alternatives "A" and "B" for ODC burden rates. Each alternative proposed two different rates as follows:

- Procurement Burden - "This rate is to be used for all materials purchased against this contract."
- Other ODC's Burden - "This rate is to be used for other types of ODCs such as Travel, Publications, etc."

The letter to the contracting officer did not specify, however, which burden rate applied to subcontractor ODCs including travel costs, a major portion of the contract ODCs. BDM also did not provide the Government with sufficient information on the estimated contract costs in each burden group. BDM contends that the Government should have known that the Procurement Burden rate applied to materials and subcontractor ODCs. BDM stated that a "best estimate" was needed to project the rate and historical experience and that business projections were used.

The proposed (Alternative "A") Procurement Burden rate (* percent) was much lower than the Other ODC's Burden rate (* percent), and it was impossible to negotiate an accurate single burden rate for ODCs without accurate estimates of the total contract costs from each group. Without this information, the contracting officer negotiated a new, single ODC burden rate of * percent. After the new burden rate was negotiated, BDM finally sent the contracting officer a letter that identified subcontracts as receiving the Procurement Burden rate. The letter dated January 20, 1989, stated : "The application of the two different rates was dependent of the type of ODCs; i.e., material and subcontracts had a Procurement Overhead rate and ODCs such as Travel and Publications had a different rate applied to them." We compared the costs to the Government associated with the single negotiated ODC burden rate of * percent to BDM's costs associated with proposed alternatives A and B and found that the negotiated burden rate was too high. Consequently, the negotiated burden rate was not reasonable or allocable, and the Government was overcharged about \$101,364 (Appendix E).

Contract Administration

The contracting officer did not establish adequate procedures to ensure that the contract was effectively administered. In addition, the contracting officer removed the ACO and DCAA from the contract administration process and assigned their responsibilities to the CORs.

Original payment procedures. The payment procedures in the basic contract required that BDM initiate the billing process by submitting an original and six copies of the request for payment to the cognizant COR and for the COR to sign the payment voucher as accepted, partially accepted, or denied. The COR was then required to return the signed original and six signed copies of the request for payment to BDM, who would forward the documents to the responsible DCAA office for approval of payment. The COR was also required to forward one additional copy of the signed payment voucher to the contracting officer, ACO, and payment office.

Modified payment procedures. Contract Modification P00001, dated September 22, 1988, changed the contract payment procedures and eliminated the ACO and DCAA from the contract administration process. The new contract payment procedures required BDM to submit an original and six copies of the payment voucher to the COR, who was required to forward the signed payment vouchers directly to the payment office. The COR was to provide a copy of the payment voucher to the contracting officer and to BDM.

Contracting officer and COR responsibilities. The contracting officer has overall responsibility for the contract that includes establishing an effective contract administration team and ensuring that the contractor understands and complies with the terms of the contract. The COR is normally responsible for the technical aspects of the contract. However, when the contracting officer modified the contract payment procedures, the CORs were assigned additional responsibilities to review the payment vouchers for accuracy and completeness; certify as accepted, partially accepted, or denied, the labor hours and ODC elements billed; and provide a written rationale for exceptions taken to the vouchered hours and ODC elements.

Our audit showed that over the life of the contract that the contracting officer had designated 40 different individuals as CORs. However, these

individuals normally do not have the necessary training, experience, or time to perform ACO and DCAA contract administration functions. Further, the use of CORs to perform contract administration functions was not an effective, efficient, or economical use of personnel resources.

DCAA and ACO responsibilities. The basic contract provided that DCAA would review and forward payment vouchers to the payment office. To further ensure proper control of costs, the ACO had prepared a coordinated surveillance plan for the contract. The plan stated that the nature of time and materials contractual arrangements did not promote effective cost control and that it was essential that such contracts be closely monitored to make certain that the Government was not mischarged. The plan stated that the DCAA Reston Branch Office had determined that the contractor's accounting system was adequate for accurately identifying and recording costs under the contract and for providing a basis for auditing these costs. The plan also stated that at the written request of the ACO, DCAA would perform periodic interim audits of the contractor's billings to ensure that charges claimed were allowable, allocable, and reasonable. However, when the contract payment procedures were modified, all contract surveillance by both DCAA and the ACO was eliminated.

Contracting officer performance. The contracting officer is responsible for ensuring effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. Based on the problems identified in this finding; Finding B., "Minimum Qualifications for Personnel Categories;" Finding C., "Contractor Travel Costs;" Finding D., "Allowability of Subcontractor Other Direct Costs;" and Finding E., "Overtime Costs and Policies;" we believe the contracting officer needs to improve the performance of required responsibilities.

Recommendations for Corrective Action

1. We recommend that the Director, Defense Supply Service - Washington:

a. Instruct the contracting officer for contract MDA903-88-D-0018 with BDM International, Inc., to initiate action to recover unallowable contract costs of:

i. \$237,981 for BDM International, Inc., billing the wrong contract labor rates for off-site work performed by BDM subsidiaries.

ii. \$22,726 for BDM International, Inc., billing the wrong contract labor rate for the on-site work performed by the BDM Independent Test and Analysis Corporation employee on Delivery Order 28.

iii. \$145,787 for BDM International, Inc., billing the wrong contract labor rate for on-site hours worked and travel time charged to the contract for CAS Incorporated employees.

iv. \$101,364 for BDM International, Inc., charging a burden rate on Other Direct Costs that was too high.

b. Negotiate reasonable and allocable burden rates for Other Direct Costs.

c. Modify the contract to reinstate the Administrative Contracting Officer and Defense Contract Audit Agency in both the contract billing process and the contract administration process.

2. We recommend that the Commander, Army Operational Test and Evaluation Command initiate action to provide subcontractor employees with office space at a Government facility whenever possible.

Management Comments

Defense Supply Service - Washington comments. The Coordinator for Headquarters Services - Washington concurred with the finding and recommendations. He stated that the contracting officer would coordinate with the ACO and DCAA to recoup any unallowable costs paid to the contractor and negotiate burden rates that are reasonable. BDM International, Inc., has already repaid the \$22,726 cited in Recommendation 1.a.ii. Further, the contracting officer will analyze and correct all deficiencies that prevent effective administration of the contract.

Commander, Army Operational Test and Evaluation Command comments. The Commander concurred with the finding and recommendation, stating that OPTEC will provide office space at Government facilities when available.

Finding B. Minimum Qualifications for Personnel Categories

BDM charged the Government incorrect labor rates for employees that did not meet the minimum qualifications for personnel categories and skill levels under the contract. This occurred because BDM provided the contracting officer and the CORs with employee resumes that were too general, incomplete, and not always accurate. In addition, the contracting officer and the CORs did not adequately review resumes to determine if employees were classified in the appropriate personnel categories and skill levels. We selectively reviewed employee resumes for BDM and its subcontractors and determined that almost 50 percent of the professional employees did not meet the minimum contract requirements for personnel categories or skill levels billed. As a result, the Government was overcharged \$432,059 on seven delivery orders.

Background

Terms of the contract. Part I, section C.4, "Personnel Requirements," defines the minimum education and experience requirements for labor categories and skill levels. Suitable experience may be substituted for academic qualifications on a two-for-one basis. For example, 8 years experience equals a Bachelor's degree, 12 years experience equals a Master's degree and 18 years experience equals a Doctor's degree. Also, appropriate academic qualifications may be substituted for experience on the same basis.

The contract defines suitable experience as, "daily direct experience in the defined discipline that can only be accomplished by personal technical knowledge of the subject field." The educational disciplines required for the Senior level in the labor categories are applicable also

to the Mid level and the Junior level. The areas of experience required at the Senior level apply to the lower levels unless otherwise specified.

Employee resumes. We reviewed each employee's resume and identified the discipline and type of degree held and the total number of suitable years experience. Next, we identified the personnel category and skill level billed and compared the individuals' qualifications to the personnel category requirements contained in the contract. Details of our review of BDM and subcontractor employees' resumes follow.

Personnel Categories and Skill Levels

We selectively reviewed resumes and verified information for employees from BDM and its subcontractors, MACA, CAS, and Atlantic Systems Research & Engineering (ASR&E). The audit determined that 22 of 46 professional employees did not meet the minimum qualifications for the personnel categories or skill levels billed.

BDM contends that we misapplied the criteria for substitution of suitable experience for academic qualifications and stated:

... a person with one, two, or three years towards a Bachelors Degree needs experience of six, four, or two years of experience respectively, on a two-for-one basis, to substitute for the Bachelors Degree academic qualification. Four years of experience beyond the Bachelors Degree may be substituted for the Masters Degree. In the case where a person obtained a Bachelors Degree in the same field as a required Masters Degree (e.g., Engineering), you have allowed the substitution of experience for academic qualification. For the case of a person with a Bachelors Degree different from the Masters Degree major, the Contract provides for the same substitution of four years of related experience for the Masters Degree, but it appears you have not followed the same substitution process.

We strongly disagree with this BDM interpretation of the substitution of experience for academic qualifications and believe the contract was unequivocal regarding its intent.

The educational disciplines required for the Senior level in the labor categories are applicable also to the Mid level and Junior level.

The Contract does not give credit for years towards a degree or for degrees in fields outside the required discipline. Further, a Bachelor's degree in a field totally different (e.g., English) from a required discipline and 4 years of suitable experience may not be substituted for a Master's degree in a required discipline such as Engineering. In addition, BDM clarification 1 of its proposal, section I.1.3., "Available Personnel", dated March 28, 1988, showed the same method of substituting experience for educational requirements that we used for the audit.

BDM also contends that we improperly discounted and misapplied experience in determining qualifications, that we did not acknowledge additional academic experience as relevant, and that we did not recognize the academic disciplines that formed the basis for the required disciplines.

Suitable experience is defined as daily direct experience in the defined discipline that can only be accomplished by personal technical knowledge of the subject field.

We counted only work and academic experience relevant to the required discipline defined in the contract. For example, the contract required that an Operations Research Analyst (Mid level) have a Bachelor's Degree in Operations Research or closely related discipline (e.g., Mathematics, Physics, or Industrial Engineering) plus 3 years experience. If an employee had a Master's Degree in Speech Communications, that employee would not meet the academic requirements for a mid-level Operations Research Analyst nor could the additional academic qualifications (Master's Degree versus Bachelor's Degree) be substituted for the experience requirement.

BDM personnel. Five of fourteen BDM employees who provided support on Delivery Orders 12, 16, 25, 28, and 30 did not meet the minimum qualifications for the personnel categories or skill levels billed.

We determined that three of the five employees were billed in positions that required an Engineering Degree; however, none of the individuals had such a degree or sufficient suitable experience to substitute for the academic requirements. Two of the individuals had Degrees in either Liberal Arts or English. The other individual was billed as Systems Engineer-Project Leader (Senior level) and his resume indicated that he had a Bachelor of Science Degree in Engineering from the United States Military Academy. We verified this information with the Graduate Records Department at the Academy and found that the individual did not have an Engineering Degree, but that he had a Bachelor of Science Degree. See Appendix F for details on BDM personnel who did not meet the minimum qualifications for the personnel categories or skill levels.

BDM billed improper labor rates for these employees and overcharged the Government \$53,352. Figure 2 shows the amount overcharged for each delivery order reviewed.

SUMMARY OF AMOUNTS OVERCHARGED FOR BDM EMPLOYEES			
<u>Delivery Order</u>	<u>Amount Billed</u>	<u>Correct Amount</u>	<u>Difference</u>
12	\$ 30,149	\$ 21,334	\$ 8,815
16	17,261	12,290	4,971
25	26,548	18,344	8,204
28	105,235	84,649	20,586
30	<u>59,679</u>	<u>48,903</u>	<u>10,776</u>
Total	<u>\$238,872</u>	<u>\$185,520</u>	<u>\$ 53,352</u>

Figure 2

MACA personnel. Ten of fourteen MACA employees who provided support on Delivery Orders 12, 16, and 28 did not meet the minimum qualifications for the personnel categories or skill levels billed. These same individuals worked on Delivery Orders 7 and 37, so we also determined the amounts overcharged to those delivery orders.

The audit determined that none of the Engineers (Senior level) employed by MACA met the minimum academic qualifications for the labor categories under the contract. For example, MACA billed four individuals as Systems Engineer-Project Leaders (Senior level), the highest contract labor rate. The contract requirement for this labor category was a Master's Degree in an Engineering discipline or closely related discipline (e.g. Operations Research, Physics, or Mathematics) plus 10 years experience in military systems design, development, and test. We determined that none of the individuals had a Master's Degree in Engineering or closely related discipline, and only one individual had a Bachelor's Degree in an appropriate discipline (Physics and Mathematics). The other three individuals had only Bachelor's Degrees in either Biology, General Studies, or Commerce. In addition, these individuals did not have sufficient amounts of suitable experience to substitute for the appropriate academic qualifications and also meet the experience requirements for the labor category. See Appendix G for details on MACA employees who did not meet the minimum qualifications for the personnel categories or skill levels.

BDM billed improper labor rates for MACA employees and overcharged the Government \$257,693. Figure 3 shows the amount overcharged for each delivery order reviewed.

SUMMARY OF AMOUNTS OVERCHARGED FOR MACA EMPLOYEES			
<u>Delivery Order</u>	<u>Amount Billed</u>	<u>Correct Amount</u>	<u>Difference</u>
07	\$ 10,439	\$ 7,155	\$ 3,284
12	547,677	374,391	173,286
16	44,182	28,441	15,741
28	209,062	146,626	62,436
37	<u>15,505</u>	<u>12,559</u>	<u>2,946</u>
Total	<u>\$826,865</u>	<u>\$569,172</u>	<u>\$257,693</u>

Figure 3

CAS personnel. Four of fourteen CAS personnel who provided support on Delivery Orders 25, 28, and 30 did not meet the minimum qualifications for the personnel categories or skill levels billed. The same individuals worked on Delivery Orders 24 and 37, so we also determined the amounts overcharged to those delivery orders. On Delivery Order 37, we identified one other employee who did not meet the minimum qualifications.

CAS billed one employee as a Program/Systems Analyst (Mid level). The employee's resume showed that the employee had a Bachelor's Degree in Speech Communications and about 3 years suitable experience. However, these qualifications did not meet the minimum contract requirements for a Program/Systems Analyst at any skill level. The employee did meet, however, the minimum contract requirements for a Data Manager (Mid level), which is a lower contract labor rate. See Appendix H for details on CAS employees who did not meet the minimum qualifications for the personnel categories.

BDM billed improper labor rates for CAS employees and overcharged the Government \$116,653. Figure 4 shows the amounts overcharged for each delivery order.

SUMMARY OF AMOUNTS OVERCHARGED FOR CAS EMPLOYEES

<u>Delivery Order</u>	<u>Amount Billed</u>	<u>Correct Amount</u>	<u>Difference</u>
24	\$ 111,244	\$ 82,864	\$ 28,380
25	45,506	32,397	13,109
28	124,271	97,629	26,642
30	32,615	23,220	9,395
37	<u>147,666</u>	<u>108,539</u>	<u>39,127</u>
Total	<u>\$461,302</u>	<u>\$344,649</u>	<u>\$116,653</u>

Figure 4

ASR&E personnel. Two of three ASR&E employees who provided support on Delivery Order 30 did not meet the minimum qualifications for the personnel categories or skill levels billed.

ASR&E charged one individual as an Operations Research Analyst (Mid level). This same person later worked for CAS and was billed as a Program/Systems Analyst (Mid level). However, the employee did not meet the minimum qualifications for an Operations Research Analyst at any skill level. The employee did meet, however, the qualifications for a Data Manager (Junior level), a lower contract labor rate. See Appendix I for details on ASR&E employees who did not meet the minimum qualifications for the personnel categories.

The amount that BDM overcharged for billing ASR&E employees at higher labor rates was \$4,361.

Responsibility to Determine Correct Personnel Categories

BDM, the contracting officer, and the CORs did not adequately review BDM and subcontractor resumes or check qualifications to determine the appropriate personnel categories and skill levels.

The contract stated that for each delivery order, the contractor shall submit to OPTEC a proposed Level of Effort to include labor categories, quantity of hours, and proposed personnel by labor category. The contract also stated that the Government would review resumes of all "key" personnel proposed to perform on each delivery order. This review would determine whether all individuals proposed were qualified in accordance with the minimum personnel category requirements defined in the contract.

We reviewed the BDM Task Execution Plan for Delivery Orders 12, 16, 25, 28, and 30. The Plans identified "key" employees from BDM and the subcontractors and also those employees authorized to work on the delivery order. BDM also stated in the Plans that it had reviewed resumes of all proposed subcontractor personnel and had submitted them to the Government for approval. The Plan also stated that the subcontractors would not use any personnel in the proposed personnel categories prior to approval by BDM and the Government. Our review of employee resumes showed that BDM was not classifying its employees or its subcontractor employees in correct personnel categories as stated in the Task Execution Plans.

Employee resumes. We received two types of resumes from BDM and its subcontractors. The resumes obtained from the subcontractors were adequate to determine academic qualifications and suitable experience. They listed the employees' education and their experience in a chronological order, by employer. We were able to compare the employees' actual qualifications to the personnel category qualifications and classify them in the correct labor category and skill level. However, for the BDM employees, we received resume summaries, which listed the employees' education and experience in approximately two to three paragraphs. The summaries used key words from the personnel category requirements contained in the contract. In reviewing these summaries, we were unable to identify employers, years worked, and job titles or job experience under each employer. This was

the same format given to OPTEC for each Task Execution Plan. The CORs at OPTEC did not question the format and accepted the summaries as written. The Government, therefore, was unable to determine whether these employees met the minimum qualifications for personnel categories or skill levels. We obtained additional information from BDM and its subcontractors to determine the correct personnel categories and skill levels.

Our review of employee qualifications focused on professional personnel who worked on OPTEC Delivery Orders 12, 16, 25, 28, and 30. The total value of the five delivery orders was about \$3.6 million or about 19 percent of the total contract value of \$18.7 million. We expanded our review for several of the employees who were classified in the wrong personnel categories or skill levels that also worked on Delivery Orders 7, 24, and 37. The contracting officer needs to institute a review of all delivery orders and contractor resumes to determine if there are any other incorrect personnel category classifications. In order for the contracting officer to perform an adequate review, BDM will have to provide detailed resumes that describe suitable academic and work experience in chronological order.

Recommendations for Corrective Action

We recommend that the Director, Defense Supply Services-Washington request the contracting officer for contract MDA903-88-D-0018 with BDM International, Inc., to initiate action to:

1. Recover \$432,059 from BDM International, Inc., for charging incorrect labor rates for employees who did not meet the minimum qualifications for personnel categories or skill levels billed.
2. Require BDM International, Inc., to submit detailed resumes for all professional employees performing work on the contract that describes suitable experience in chronological order by employer.
3. Review all contractor resumes and determine the correct personnel category classification.
4. Perform a review for all delivery orders to determine if contractor personnel met or continue to meet the minimum contract personnel category requirements billed.

Management Comments

Director, Defense Supply Service - Washington comments. The Coordinator for Headquarters Services-Washington concurred with the finding and all recommendations. He stated that the contracting officer would coordinate with DCAA and OPTEC to detect and analyze all instances of incorrect classification of contractor personnel and recover any related unallowable costs. Furthermore, the contractor will be directed to provide resumes with detailed educational and experience backgrounds in chronological order. The contracting officer will then reclassify all contractor personnel as appropriate. Also, there will be procedural changes to correct the billing review process for current contractor labor.

Finding C. Contractor Travel Costs

BDM and its subcontractors charged the Government for travel costs that were not reasonable or allowable under the contract. This condition occurred because BDM, the contracting officer, and the CORs did not adequately review travel claims or require sufficient documentation to support travel claims. Further, BDM and its subcontractors had inconsistent travel policies that did not agree with the terms of the contract. As a result, the Government was overcharged \$119,589 for unreasonable and unallowable travel costs.

Background

Part I, section H, "Special Contract Requirements," subpart 4(e), states that travel costs incurred as Other Direct Costs in performance of delivery orders shall be reimbursed on an actual cost incurred basis subject to the Joint Travel Regulation (JTR). The JTR provides specific guidance regarding the use of a privately owned conveyance as a matter of personal preference, temporary duty justifications, maximum lodging expenses, lodging in a temporary duty location, allowable lodging expenses, and leave and nonworkdays. Appendix B provides the complete text of applicable JTR paragraphs.

FAR Subpart 31.201-3 defines a reasonable cost as one that does not exceed that which would be incurred by a prudent person in the conduct of competitive business.

Per Diem Rates

MACA charged unallowable per diem rates for lodging, meals, and incidental expenses (M&IE) on Delivery Orders 12, 16, and 28.

MACA charged a \$92.00 flat rate per diem for employees who worked temporary duty at Fort Hunter-Liggett, California (FHL). We reviewed these travel claims and determined that the employees did not include lodging receipts as required by the JTR. All employees who worked on Delivery Order 12 and one employee on Delivery Order 16 were paid \$92.00 a day regardless of their actual lodging costs.

Based on travel claims submitted on subsequent delivery orders, we determined that actual lodging costs were about \$44.00 per day while M&IE for FHL was \$26.00 for a total per diem of \$70.00 a day. As a result, MACA overcharged the Government a total of \$30,326 for lodging costs (Appendix J). Both BDM and MACA concurred with this issue and agreed to make the appropriate credit.

MACA also charged \$34.00 a day for M&IE for employees that worked temporary duty at FHL on Delivery Order 28. MACA charged the M&IE rate based on the lodging location, which was over 50 miles away from the temporary duty location. The JTR states that allowable per diem shall be limited to the maximum per diem rate prescribed for the temporary duty location. The maximum per diem rate for M&IE at FHL was \$26.00. As a result, MACA overcharged the Government a total of \$3,955 for incorrect M&IE rates (Appendix K).

BDM and MACA contend that lodging was not available at the temporary duty location. However, the JTR requires that either the DoD Component make an administrative determination or the employee furnish a statement with the travel voucher satisfactorily explaining the circumstances. Neither of these requirements were met to authorize or approve the higher per diem rates.

We determined that BDM and MACA employees also received per diem while on leave and after they had returned to their official duty location. During weekend returns to their permanent duty stations, employees continued to receive both lodging and M&IE. In addition, some employees were granted leave at the temporary duty station and remained in a per diem status while on leave. The JTR states that when leave is more than one-half the daily working hours, no per diem shall be allowed and that upon return to the official duty station, the per diem status is terminated. As a result, the Government was overcharged \$6,084 in per diem for BDM and MACA employees who were in a leave status or had returned to their permanent duty stations (Appendix L).

BDM has concurred that the costs for two of its employees were not billable as a direct charge on the contract. In regard to the other employees, BDM and MACA contend that the costs were either motel room holding fees or discounted extended stay hotel rates. Further, that maintaining the rooms over the weekend allowed the employees storage space for both personal and business effects. However, these costs need to be justified on a case by case basis to determine their reasonableness. For example, we identified one MACA employee who received a lodging expense of \$36.90 per day for 10 days while on leave. These costs are clearly not reasonable or allowable.

Equivalent Airfare Payments

BDM and MACA charged the Government for cash payments of the equivalent round trip (home) airfares on Delivery Order 28. BDM has a policy that states when employees are on extended periods of duty away from their home, the employee is authorized one round trip home every third week of the assignment. If the employee decides not to return home at that interval, the employee may claim equivalent airfare and receive a cash payment equal to the round trip airfare from the temporary duty location to their home. BDM charged Delivery Order 28 for 19 cash payments for equivalent airfare. MACA did not have a company policy for cash payments of equivalent airfares. However, on Delivery Order 28, MACA was notified by the BDM on-site Contract Administrator that MACA could provide the same benefit to its employees and charge the cost to travel. MACA charged Delivery Order 28 for 14 cash payments for equivalent airfare. Payment of travel costs on the BDM contract is subject to the JTR. There is no provision or clause in the contract or the JTR that authorizes this type of nontravel cost. BDM and MACA overcharged the contract by \$24,435 for cash payments of equivalent airfare which includes burden costs (Appendix M).

BDM contends that these equivalent transportation costs constitute a portion of the "compensation" provided employees for performing extended temporary duty and that these costs are allowable. BDM also stated that DCAA had reviewed incurred costs through 1985 and has determined these costs to be allowable. We determined that BDM billed this additional employee "compensation" cost as an Other Direct Cost under the contract. This "compensation" may have been allowable had it been incorporated in the fully loaded contract labor rates;

however, the compensation was not allowable as an Other Direct Cost under the contract.

Travel Time Charged as Direct Labor

BDM's subcontractors MACA and CAS charged unreasonable travel hours as direct labor and also received additional per diem for the excess hours. These unallowable costs totaled \$53,161. Details of the unreasonable hours charged in three separate travel situations follow.

Hours for travel by privately owned conveyance.

MACA and CAS personnel charged direct labor hours and per diem for unallowable hours spent driving from their official duty locations to the temporary duty locations. MACA and CAS personnel drove as a matter of personal preference from their permanent duty location, El Paso, Texas, to their temporary duty location, FHL. Neither MACA nor CAS correctly determined the constructive costs, as required in the JTR, for these trips and paid the lesser of either the actual or the constructive cost. One CAS employee charged 92 hours of direct labor for driving her car on three round trips to FHL. We determined that actual travel time by air and rental car to FHL should have been 6 hours, for a total of 12 hours per round trip. Consequently, CAS overcharged the contract \$* for 56 hours (92 hours charged minus 36 hours constructed) of direct labor at \$* per hour (BDM on-site labor rate for that employee). In addition, the employee charged over 10 days of per diem for driving the round trips to FHL. We also determined what the per diem would have been for the actual travel time by air and rental car to FHL and subtracted the constructive cost from the actuals charged. CAS overcharged \$366 (includes burden) in per diem for these three round trips.

As a result, MACA and CAS overcharged the Government \$4,365 and \$4,424, respectively, for employees driving their personal vehicles to the temporary duty location when it was not advantageous to the Government (Appendix N).

Travel time from hotel to temporary duty location and return. MACA and CAS personnel charged unallowable direct labor hours for time spent traveling from their hotel to the temporary duty station and returning. When performing temporary duty at FHL, MACA and CAS personnel stayed in hotels in King City (50 miles

roundtrip to FHL), Paso Robles (96 miles roundtrip to FHL) and Atascadero (118 miles roundtrip to FHL). Employees charged round trips per day of 1 hour (King City), 1 1/2 hours (Paso Robles) or 2 hours (Atascadero) travel time as direct labor hours.

Although there is no specific guidance that relates to contractor employees, specific guidance does exist for Government employees. Travel, which has no purpose other than to transport an employee to and from the place where the employee is to perform duties, is not considered work and is not compensable as overtime. In addition, the contract does not address payment for this travel time, and this "unproductive time" was not built into the contract labor rates. This type of cost must be negotiated into the contract for it to be allowable.

CAS has an internal time keeping policy that states, while on temporary duty, work time will be recorded from the time the employee leaves the hotel to begin the day's work, until the employee arrives back at the hotel at the end of the day's work (assuming that the employee returns directly to the hotel at the end of the day). MACA did not have a similar policy and was billing straight 8-hour workdays. However, midway through Deliver Order 12, MACA personnel also began charging for the travel time.

MACA charged a total of \$20,404 (* hours) on Delivery Order 28, and CAS charged a total of \$17,027 (* hours) on Delivery Orders 25, 28, and 30 for unreasonable travel time spent driving between the hotel and the temporary duty station (Appendix O).

BDM stated that CAS had a full-time accounting policy to record labor costs in order to comply with DCAA requirements and that the policy or practice of billing for travel time had been in place since CAS began doing business in 1979. We reviewed the CAS contract proposal and found that the proposed labor rates were based on 42 hour workweeks. However, CAS employees routinely billed more than 42 hour workweeks because of the significant amounts of travel time charged to the contract. Consequently, the CAS proposal did not account for the travel time under its "full-time accounting system," and its professional employees may have received salaries significantly higher than the appropriate amount for that geographic region.

Travel time from permanent duty location to temporary duty location. CAS employees charged unreasonable direct labor hours to the contract for travel from the time they left their homes to the time they checked into the hotel at the temporary duty location.

CAS charged from 10 to 19.5 hours as direct labor for travel time spent on one-way trips between the permanent duty location and the temporary duty locations. For example, one employee began a trip to a temporary duty location on a Sunday at 12 noon and did not arrive at the hotel until 7:30 a.m. Monday because of airline delays. The employee did not actually report to work at the temporary duty location until Tuesday morning. However, the employee had charged 19.5 hours of direct labor and 2 full days of per diem plus travel expenses before the employee performed any actual work on the contract. We determined that a reasonable charge for the one-way travel would be 8 hours.

CAS charged \$6,941 for * hours of direct labor to the contract for unreasonable travel time to the temporary duty station on Delivery Orders 25, 28, and 30 (Appendix P).

Miscellaneous Travel Expenses

MACA charged Delivery Order 12 for a car rental advance that was never used by the employee. A MACA employee received a \$600 advance to rent a car at the temporary duty location; however, the employee did not use the advance but reimbursed MACA who did not give the Government a credit for the unused advance. As a result, the Government was incorrectly charged \$738 (* plus burdens) for a car rental advance that was never used. In addition, MACA employees charged airline tickets to Delivery Orders 12 and 28 that were never used and incorrectly charged \$890 (* plus burdens) to the contract. As a result, the Government was overcharged a total of \$1,628 for miscellaneous travel expenses (Appendix Q).

BDM and MACA both concurred with this issue and have agreed to make the appropriate credit.

Temporary Duty Assignments for MACA Secretaries

MACA authorized trips for administrative secretaries to Alexandria, Virginia, to type and correct reports that were being developed at OPTEC. One MACA secretary performed four trips between June 18, 1990, and August 31, 1990. We determined the effective hourly rates for these secretaries for each trip by adding the cost of direct labor hours charged, travel expenditures, and the MACA and BDM burden rates. The effective hourly rates for one secretary were \$55.76, \$94.48, \$123.70, and \$131.96. Another MACA secretary made six trips, and her effective hourly rate ranged from \$43.50 to \$66.57 per trip (Appendix R). Consequently, OPTEC spent \$36,679 for the two secretaries for a total of only seventy-two 8-hour workdays. The JTR states that temporary duty travel will not be authorized for civilian secretaries or clerical personnel usually available at places of temporary duty assignments, unless clearly justified.

BDM contends that the two secretaries were requested verbally by the Government for continuity purposes and it was important to note that both secretaries had extensive knowledge of test data and databases used to support the analysis in the evaluation. Due to the high hourly costs of those secretarial services, we believe that the Army should require a written justification before contractor administrative personnel perform temporary duty travel.

Other Travel Costs

Our review of travel costs charged to the contract only covered Delivery Orders 12, 16, 25, 28, and 30. The travel costs charged to these delivery orders represented about 50 percent of the total contract travel costs. We found it very labor intensive to reconstruct travel costs on these delivery orders and believe that the contracting officer should concentrate on reviewing travel costs on current delivery orders.

Recommendations for Corrective Action

1. We recommend that the Director, Defense Supply Service - Washington, request the contracting officer for contract MDA903-88-D-0018 with BDM International, Inc., to initiate action to:

a. Recover contract costs of \$40,365 from BDM International, Inc., for billing unallowable per diem on Delivery Orders 12, 16, and 28.

b. Recover contract costs of \$24,435 from BDM International, Inc., for billing unallowable cash payments for equivalent airfares on Delivery Order 28.

c. Recover contract costs of \$53,161 from BDM International, Inc., for billing unallowable travel time as direct labor on Delivery Orders 12, 16, 25, 28, and 30.

d. Recover contract costs of \$1,628 from BDM International, Inc., for unused miscellaneous travel advances on Delivery Order 12.

e. Modify the contract to define allowable contractor costs for travel time.

2. We recommend that the Commander, Army Operational Test and Evaluation Command issue guidance to contracting officers' representatives that temporary duty trips by contractor administrative support personnel are not authorized without written justification.

Management Comments

Director, Defense Supply Service - Washington comments. The Coordinator for Headquarters Services-Washington concurred with the finding and recommendation, stating that the contracting officer will initiate action to recover unallowable per diem, airfare, travel time, and travel advances. He also stated that the contractor has already reimbursed DoD for \$40,214 of the \$119,589 questioned travel costs. Further, the contracting officer will define unallowable travel costs and modify the contract as appropriate.

Commander, Army Operational Test and Evaluation Command comments. The Commander concurred, with the finding and recommendation and responded that a policy letter would be issued in May 1992, stating that travel of contractor administrative support personnel is not authorized unless justified and approved in writing.

Finding D. Allowability of Subcontractor Other Direct Costs

BDM billed the Government for costs not allocable to the contract, which MACA submitted as "Other Direct Costs." This condition occurred because BDM, the contracting officer, and the CORs did not adequately review or require sufficient documentation to support these costs. In addition, MACA did not have adequate internal controls to prevent these costs from being charged to the BDM contract. As a result, BDM overcharged the Government \$16,801 in unallowable costs.

Background

Contract MDA903-88-D-0018, Part I, section H, "Special Contract Requirements," subpart 4 (f) "Time and Material Rates," states that subcontractor Other Direct Costs are billable as incurred actual direct costs. In addition, FAR Subpart 31.201-4 prescribes guidance on determining the allocability of contract costs (Appendix A).

MACA Other Direct Costs

We reviewed the Other Direct Costs submitted by MACA and found that the Government was billed for sweatshirts, prints, donuts, birthday cakes, and other items that were not allocable to the contract. In addition, MACA billed the Government for computer equipment that MACA already owned, at estimated market lease rates that MACA determined were fair. This type of charge cannot be billed as an Other Direct Cost. We provided MACA with a detailed explanation of the unallowable costs. Figure 5 summarizes those costs.

SUMMARY OF UNALLOWABLE MACA "OTHER DIRECT COSTS"				
MACA Delivery Order	OPTEC Delivery Order	Total Amounts Billed	Total Amounts Allowed	Total Unallowable Amount
1	12	\$15,144.00	\$3,184.96	\$11,959.04
2	7	236.00	0	236.00
3	16	568.00	312.50	255.50
4	28	2,846.13	1,707.57	1,138.56
6	28	71.43	0	71.43
7	37	<u>49.46</u>	<u>49.46</u>	<u>0</u>
Subtotal		\$18,915.02	\$5,254.49	\$13,660.53
MACA Burden at * percent				<u>*</u>
Subtotal				*
BDM Burden at * percent				<u>*</u>
Total				<u><u>\$16,801.14</u></u>

Figure 5

MACA advised BDM that it concurred with the proposed disallowance, except for certain costs associated with computer equipment expenses. BDM stated that once it verified the amounts involved, based on a requested DCAA assist audit, a credit would be issued to the Contract.

Recommendations for Corrective Action

We recommend that the Director, Defense Supply Service - Washington, instruct the contracting officer for contract MDA903-88-D-0018 with BDM International, Inc., to initiate action to:

1. Recover unallowable contract costs of \$16,801 from BDM International, Inc., for billing Other Direct Costs submitted by Management Assistance Corporation of America that were not allocable to the contract.
2. Require BDM to review and provide sufficient documentation to support all Other Direct Costs charged to the contract.

Management Comments

Director, Defense Supply Service - Washington comments. The Coordinator for Headquarters Services-Washington concurred with the finding and recommendations. He stated that the contracting officer would initiate action to recover unallowable billings and obtain necessary documentation to support any Other Direct Costs. Furthermore, the contractor has already reimbursed DoD for \$13,397 of Other Direct Costs.

Finding E. Overtime Costs and Policies

OPTEC had no control over significant amounts of overtime charged to the contract by BDM subcontractors. The majority of this compensated overtime was charged at base pay rates while working on extended temporary duty. In addition, BDM charged the Government for overtime premiums for administrative secretaries without approval from the contracting officer or CORs. These conditions occurred because OPTEC did not know in advance when overtime hours would be worked or what represented a basic workday or workweek for subcontractor employees. Additionally, the Army contracting officer and CORs did not adequately review or receive sufficient information to substantiate contractor billings. As a result, MACA and CAS employees routinely charged the Army for 10- to 18-hour days, often without lunch, and 50- to 85-hour weeks with the Army having no means to verify actual hours worked. The Government was also charged unallowable overtime premiums of \$1,601 for administrative secretaries.

Background

FAR Subpart 22.103 defines overtime as hours worked by a contractor's employee in excess of the employee's normal workweek. The guidance also states that contractors should perform all contracts if possible, without using overtime, unless the overall costs to the Government would be lower or to meet urgent program needs.

FAR Subpart 52.232-7 states that the hourly rates in the schedule shall not be varied by virtue of the contractor having performed work on an overtime basis. Further, if no overtime rates are provided in the schedule and overtime work is approved in advance by the contracting officer, overtime rates shall be negotiated.

Overtime Hours Worked by CAS Employees

Most of the work for Delivery Orders 25, 28, and 30 was performed on a Government site at either FHL, California, or Alexandria, Virginia. We found that CAS employees routinely charged more hours when at a Government facility than at their own facility. We also found that the Government had almost no control over the number of hours charged to the contract or the means to verify the number of hours these employees worked. In addition, contractor employees charged time that could not be distinguished between travel time and time actually worked (see Finding C). These employees often charged the Government for 50-, 60-, and 70- hour workweeks. We also found that the CAS supervisors responsible for approving time cards often were not at the TDY location. For example, from March through June 1990, seven CAS employees were on temporary duty at FHL. We determined that the 14 different supervisors who approved the hours worked on time cards were not at the temporary duty site. We also found that neither BDM nor CORs received time cards for CAS employees to verify the hours charged to the contract. Figure 6 provides a summary of the number of hours charged to the contract by CAS employees on a weekly basis.

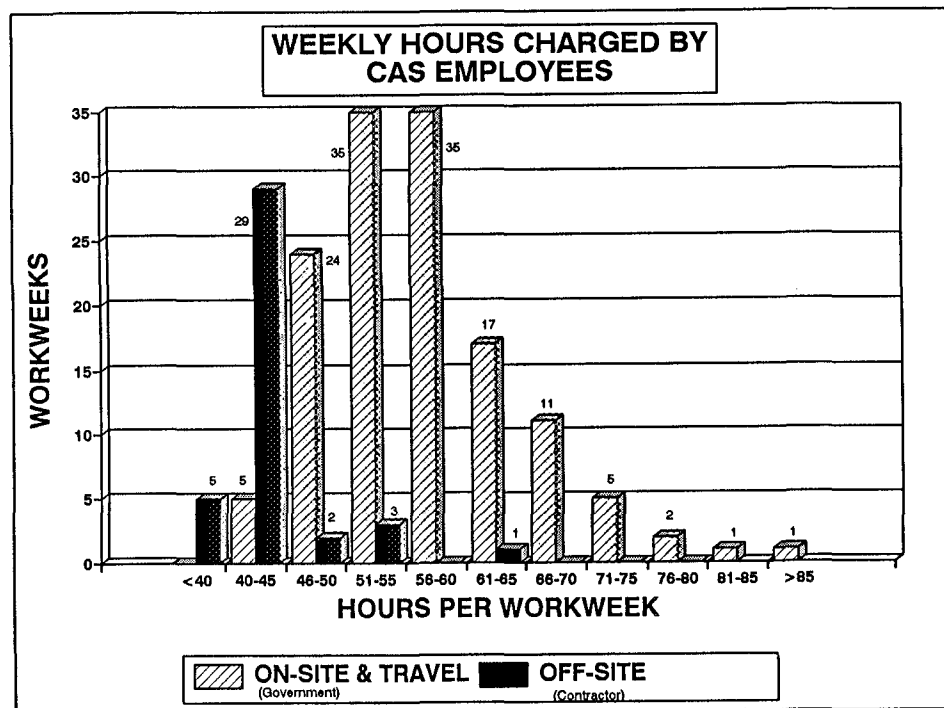


Figure 6

BDM contends that the CAS initial contract proposal was based on its established practice of "full-time accounting." Under this full-time accounting method, all time worked by CAS employees is recorded on their time cards. In the CAS proposal we found that the average hourly rates proposed for the majority of the CAS employees were based on only 42-hour workweeks. Further, when the CAS employees worked more than 42 hours, they were paid for the additional hours worked. Consequently, the actual salaries for these employees were significantly higher than the proposed salaries.

Overtime Hours Worked by MACA Employees

MACA employees charged considerable hours to the contract while working TDY. Again the Government had almost no control over the number of hours these employees charged to the contract and no means to verify the hours worked. However, MACA had a supervisor on-site to approve time cards. Figure 7 provides a summary of the number of hours charged to the contract by MACA employees on a weekly basis.

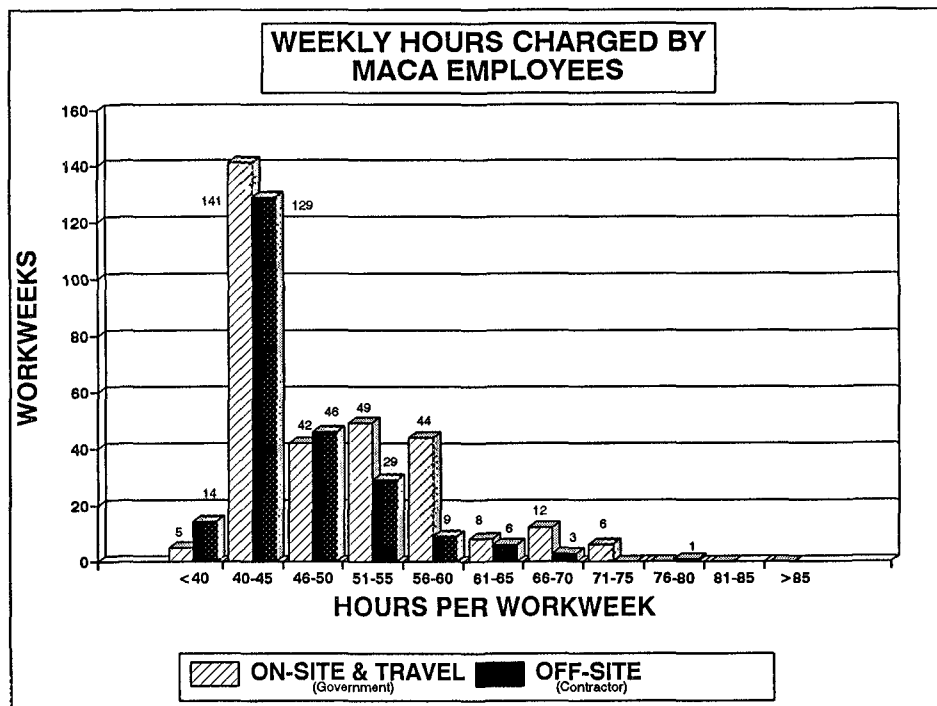


Figure 7

Overtime Premiums for Administrative Secretaries

BDM charged the Army overtime costs for administrative secretaries who worked over 40-hour workweeks without approval from the contracting officer or COR. In addition, the contract did not provide for overtime costs. Consequently, BDM billed overtime premiums for 220 hours on Delivery Orders 12 and 28, and overcharged the Government \$1,601.

BDM contends that MACA secretaries are "nonexempt" employees, and the Fair Labor Standards Act requires that nonexempt employees be paid overtime if they work more than 40 hours in 1 week. BDM also stated that the contract schedule defined a rate for normal secretarial hours, and the contract payment clause contemplated overtime costs and their payment. We found no contract clause that contemplated overtime costs or their payment. In addition, FAR Subpart 52.232-7(a)(3) states that unless the Schedule prescribes otherwise, the hourly rates in the Schedule shall not be varied by virtue of the contractor having performed work on an overtime basis.

Recommendations for Corrective Action

1. We recommend that the Director, Army Operational Test and Evaluation Command:
 - a. Establish controls to document when contractor employees are working at a Government facility.
 - b. Establish procedures to periodically review time cards for contractor employees and evaluate hours charged to the contract.
2. We recommend that the Director, Defense Supply Service - Washington, instruct the contracting officer for contract MDA903-88-D-0018 with BDM International, Inc., to initiate action to recover unallowable contract costs of \$1,601 for unauthorized overtime premiums for administrative secretaries.

Management Comments and Audit Response

Commander, Army Operational Test and Evaluation Command comments. The Commander stated that the contractor and his subcontractors have responsibility to maintain accurate records of employee workhours. Review of the individual time cards that make up the hours billed on the DD Form 250 should become the responsibility of DCAA. The Commander stated that OPTEC would seek necessary action to reinstate DCAA into both the contract billing and administration processes.

Audit response. We consider the Commander's comments responsive to the recommendations and no further action is required.

Director, Defense Supply Service - Washington comments. The Coordinator for Headquarters Services-Washington concurred with the finding and recommendation and stated that the contracting officer would initiate action to recover unauthorized overtime premiums for nonexempt employees.

PART III- ADDITIONAL INFORMATION

Appendix A: Federal Acquisition Regulation

FAR Subpart 1.602-2 Responsibilities

Contracting officers are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. In order to perform these responsibilities, contracting officers should be allowed wide latitude to exercise business judgment.

FAR Subpart 22.103-1 Definitions.

"Normal workweek," as used in this subpart, means, generally, a workweek of 40 hours. Outside the United States, its possessions, and Puerto Rico, a workweek longer than 40 hours shall be considered normal if (a) the workweek does not exceed the norm for the area, as determined by local custom, tradition, or law; and (b) the hours worked in excess of 40 in the workweek are not compensated at a premium rate of pay.

"Overtime" means time worked by a contractor's employee in excess of the employee's normal workweek.

"Overtime premium" means the difference between the contractor's regular rate of pay to an employee for the shift involved and the higher rate paid for overtime. It does not include shift premium.

FAR Subpart 22.103-2 Policy.

Contractors shall perform all contracts, so far as practicable, without using overtime, particularly as a regular employment practice, except when lower overall costs to the Government will result or when it is necessary to meet urgent program needs. Any approved overtime, extra-pay shifts, and multishifts should be scheduled to achieve these objectives.

FAR Subpart 31.201-2 Determining allowability.

(a) The factors to be considered in determining whether a cost is allowable include the following: (1) Reasonableness. (2) Allocability. (3) Standards promulgated by the CAS Board, if applicable; otherwise, generally accepted accounting principles and practices appropriate to the particular circumstances. (4) Terms of the contract. (5) Any limitations set forth in this subpart.

FAR Subpart 31.201-3 Determining reasonableness.

A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business. Reasonableness of specific costs must be examined with particular care in connection with firms or their separate divisions that may not be subject to effective competitive restraints. No presumption of reasonableness shall be attached to the incurrence of costs by a contractor. If an initial review of the facts results in a challenge of a specific cost by the contracting officer or the contracting officer's representative, the burden of proof shall be upon the contractor to establish that such cost is reasonable.

FAR Subpart 31.201-4 Determining allocability.

A cost is allocable if it is assignable or chargeable to one or more cost objectives on the basis of relative benefits received or other equitable relationship. Subject to the foregoing, a cost is allocable to a Government contract if it: (a) Is incurred specifically for the contract; (b) Benefits both the contract and other work, and can be distributed to them in reasonable proportion to the benefits received; or (c) Is necessary to the overall operation of the business, although a direct relationship to any particular cost objective cannot be shown.

FAR Subpart 52.232-7 Payments under Time-and-Materials and Labor-Hour Contracts. (a) Hourly rate.(3)

Unless the Schedule prescribes otherwise, the hourly rates in the Schedule shall not be varied by virtue of the Contractor having performed work on an overtime basis. If no overtime rates are provided in the Schedule and overtime work is approved in advance by the Contracting Officer, overtime rates shall be negotiated. Failure to agree upon these overtime rates shall be treated as a dispute under the Disputes clause of this contract. If the Schedule provides rates for overtime, the premium portion of those rates will be reimbursable only to the extent the overtime is approved by the Contracting Officer.

FAR Subpart 52.232-7 Payments under Time-and-Materials and Labor-Hour Contracts. (b) Materials and subcontracts

(1) Allowable costs of direct materials shall be determined by the Contracting Officer in accordance with Subpart 31.2 of the Federal Acquisition Regulation (FAR) in effect on the date of this contract. Reasonable and allocable material handling costs may be included in the charge for material to the extent they are clearly excluded from the hourly rate. Material handling costs are comprised of indirect costs, including, when appropriate, general and administrative expense allocated to direct materials in accordance with the Contractor's usual accounting practices consistent with Subpart 31.2 of the FAR. (2) Reimbursable costs in connection with subcontracts shall be limited to the amounts paid to the subcontractor in the same manner as for items and services purchased directly for the contract under subparagraph (1) above; however, this requirement shall not apply to a Contractor that is a small business concern. Reimbursable costs shall not include any costs arising from the letting, administration or supervision of performance of the subcontract, if the costs are included in the hourly rates payable under (a) (1) above.

Appendix B: Joint Travel Regulation

Paragraph C2152 Determination of Cost When Official Travel is Performed by Privately Owned Conveyance as a Matter of Personal Preference.

When an employee uses a privately owned conveyance as a matter of personal preference while traveling on official business, reimbursement will be in accordance with this paragraph. Reimbursement will be based on the actual travel performed for the distance as determined under paragraph C4658. The mileage rates will be those prescribed in paragraph C4651-2 plus the other allowable costs enumerated in paragraph C4654 and per diem allowable for the actual travel. The total payment may not exceed the total constructive cost of the mode of common carrier that would have been provided by the transportation officer including constructive per diem for travel by that mode. When the actual costs by privately owned vehicle are less than the constructive costs, reimbursement will be in the amount of the actual costs.

Paragraph C4450 Temporary Duty - Justification

Temporary duty travel will not be authorized for civilian secretaries, stenographers, typists, or clerical personnel usually available at places of temporary duty assignment, unless clearly justified for the accomplishment of a mission.

Paragraph C4553-3a Maximum Lodging Expense Allowance.

The maximum per diem rates include a maximum amount for lodging expenses. The employee will be reimbursed for actual lodging costs incurred up to the applicable maximum amounts. Receipts for lodging are required as provided in paragraph C4555-9.

Paragraph C4555-1a Lodging at Temporary Duty Location.

It is presumed that the employee will obtain lodging at the temporary duty location. However, if the employee obtains lodging away from or outside the temporary duty location because of personal preference or convenience, the allowable per diem shall be limited to the maximum per diem rate prescribed for the temporary duty location.

Paragraph C4555-2 Allowable Lodging Expenses

The traveler will be reimbursed only for his/her actual cost of lodging up to the maximum amount prescribed for the locality concerned.

Paragraph C4563-3a Leave and Nonworkdays - General.

Leave of absence for one-half, or less, of the prescribed daily working hours shall be disregarded for per diem purposes. Where the leave is more than one-half of the prescribed daily working hours, no per diem shall be allowed for that day. For purposes of this subparagraph, the term "place of abode" means the place from which the employee commutes daily to the official station.

Paragraph C4563-3b Leave and Nonworkdays - Nonworkdays.

Legal Federal Government holidays and weekends or other scheduled nonworkdays are considered nonworkdays. Employees are considered to be in a per diem status on nonworkdays except when they return to their official station or place of abode.

Appendix C: Billing BDM Subsidiaries at Off-site Subcontractor Rates

Delivery Order	Invoice Number	BDM Subsidiary	Billed Labor Rate (Off-site Subcontractor)	Correct Labor Rate (Off-site Prime)	Difference	Percentage Difference
1	OV01AAA-8	None Used				
2	OV02AAA-6	None Used				
3	OV03AAA-16	None Used				
4	OVO4AAA-9	None Used				
5	OV05AAA-13	None Used				
6	OV06AAA-7	MSC	\$ 33,212.92	\$ 32,439.47	\$ 773.45	2.38
7	OV07AAA-18	MSC	26,233.31	23,090.46	3,142.85	13.61
8	OVO8AAA-13	MSC	362,967.96	362,891.59	76.37	0.02
9	OV09AAA-11	MSC	1,266.40	1,091.36	175.04	16.04
10	OV10AAA-8	MSC	247,776.95	275,471.56	(27,694.61)	(10.05)
11	OV11AAA-4	MSC	8,217.95	8,117.85	100.10	1.23
12	OV12AAA-19	MSC	32,732.25	32,304.25	428.00	1.32
13	OV13AAA-15	MSC	5,929.00	5,649.49	279.51	4.95
14	OV14AAA-13	MSC	298,931.92	264,723.27	34,208.65	12.92
15	OV15AAA-9	MSC	19,080.12	18,649.07	431.05	2.31
16	OV16AAA-16	MSC	16,958.35	15,784.65	1,173.70	7.44
16	OV16AAA-17	ESC	12,531.30	11,499.85	1,031.45	8.97
17	OV17AAA-18	MSC	831.39	871.53	(40.14)	(4.61)
18	OV18AAA-11	MSC	349.07	391.95	(42.88)	(10.94)
19	OV19AAA-11	MSC	218.05	204.85	13.20	6.44
20	OV20AAA-8	MSC	29,094.94	30,518.05	(1,423.10)	(4.66)
21	OV21AAA-11	MSC	70,555.26	69,159.25	1,396.01	2.02
22	OVC2AAA-18	MSC	64,013.91	54,847.52	9,166.39	16.71
22	OVC2AAA-18	ESC	51,832.82	43,697.78	8,135.04	18.62
23	Delivery Order Not Used					
24	OVC4AAA-18	MSC	19,110.60	18,613.40	497.20	2.67
24	OVC4AAA-18	ESC	1,782.75	1,535.55	247.20	16.10
25	OV25AAA-8	MSC	28,493.88	27,648.65	845.23	3.06
26	OVC6AAA-13	MSC	588.73	661.05	(72.32)	(10.94)
27	OVC7AAA-17	MSC	25,423.52	23,967.90	1,455.62	6.07
28	OVC8AAA-13	MSC Year 2	100,698.71	97,780.11	2,918.60	2.98
28	OVC8AAA-13	MSC Year 3	68,630.44	66,752.00	1,878.44	2.81
28	OVC8AAA-13	ITAC	59,225.28	50,710.88	8,514.40	16.79
28	OVC8AAA-13	ESC	7,641.64	6,460.25	1,181.39	18.29
29	Delivery Order Not Used					
30	OVD0AAA-8	MSC	129,273.15	125,879.01	3,394.14	2.70
31	OVD1AAA-11	MSC	202,412.90	179,415.67	22,997.23	12.82

Delivery Order	Invoice Number	BDM Subsidiary	Billed Labor Rate (Off-site Subcontractor)	Correct Labor Rate (Off-site Prime)	Difference	Percentage Difference
32	OVD2AAA-11	MSC	\$ 9,942.71	\$ 8,480.63	\$ 1,462.08	17.24
32	OVD2AAA-11	ITAC	160,333.03	143,883.60	16,449.43	11.43
32	OVD2AAA-11	ESC	54,933.82	48,871.33	6,062.49	12.41
33	0VG3AAA-11	ESC	366,642.08	329,386.86	37,255.22	11.31
33	0VG3AAA-11	MSC	11,437.32	9,611.03	1,826.29	19.00
34	Delivery Order Not Used					
35	OV35AAA-8	MSC	31,850.00	31,044.93	805.07	2.59
35	OV35AAA-8	ESC	8,555.04	8,161.46	393.58	4.82
36	0V36AAA-12	MSC	8,853.08	7,434.78	1,418.30	19.08
36	0V36AAA-12	ESC	21,736.36	18,377.63	3,358.73	18.28
37	0V37AAA-11	MSC	40,607.00	38,199.68	2,407.32	6.30
37	0V37AAA-11	ESC	66,550.93	56,020.94	10,529.99	18.80
38	0VG8AAA-06	ESC	222,450.10	195,346.69	27,103.41	13.87
39	OV39AAA-5	MSC	36,846.78	33,548.33	3,298.45	9.83
39	OV39AAA-5	ESC	25,869.58	25,567.87	301.71	1.18
40	OVH0AAA-5	MSC	202.27	201.64	0.63	0.31
40	OVH0AAA-5	ESC	5,601.55	5,303.54	298.01	5.62
41	0VH1AAA-4	ESC	197,673.19	187,030.50	10,642.69	5.69
42	0VH2AAA-07	ESC	229,618.78	202,399.14	27,219.64	13.45
42	0VH2AAA-07	MSC	6,808.52	6,271.85	536.67	8.56
44	0V84AAA-6	ESC	84,216.57	72,792.47	11,424.10	15.69
Total			<u>\$3,516,744.18</u>	<u>\$3,278,763.17</u>	<u>\$237,981.01</u>	7.26

Appendix D: Off-site Subcontractor Rates Versus On-site Subcontractor Rates

Delivery Order #25

Employee ¹	Year	Off-Site Hours	Actual Billing		Off-Site Hours	On-Site Hours	Correct Billing Amount					
			Off-Site Hourly Rate	Total Amount Billed			On-Site Hourly Rate	Off-Site Hourly Rate	On-Site Amount	Off-Site Amount	Total Amount	Amount Overbilled
A	2	5.00	\$ *	\$ *	5.00	0	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
B	2	744.00	*	*	236.00	508.00	*	*	*	*	*	*
C	2	213.10	*	*	203.90	9.20	*	*	*	*	*	*
D	2	779.60	*	*	356.40	423.20	*	*	*	*	*	*
E	2	679.90	*	*	161.20	518.70	*	*	*	*	*	*
Subtotal		2,421.60		\$147,694.31	962.50	1,459.10			\$59,243.78	\$59,515.33	\$118,759.11	\$28,935.20

Delivery Order #30

Employee ¹	Year	Off-Site Hours	Actual Billing		Off-Site Hours	On-Site Hours	Correct Billing Amount					
			Off-Site Hourly Rate	Total Amount Billed			On-Site Hourly Rate	Off-Site Hourly Rate	On-Site Amount	Off-Site Amount	Total Amount	Amount Overbilled
B	2	123.00	\$ *	\$ *	25.00	98.00	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
C	2	140.30	*	*	140.30	0	*	*	*	*	*	*
D	2	565.20	*	*	198.50	366.70	*	*	*	*	*	*
E	2	487.30	*	*	141.70	345.60	*	*	*	*	*	*
Subtotal		1,315.80		\$77,366.09	505.50	810.30			\$30,685.73	\$31,467.80	\$62,153.53	\$15,212.56

¹See the footnote on the last page of this appendix.

Delivery Order #28

Employee ¹	Year	Actual Billing			Correct Billing Amount							
		Off-Site Hours	Off-Site Hourly Rate	Total Amount Billed	Off-Site Hours	On-Site Hours	On-Site Hourly Rate	Off-Site Hourly Rate	On-Site Amount	Off-Site Amount	Total Amount	Amount Overbilled
F	2	378.10	\$ *	\$ *	8.00	370.10	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
A	2	74.10	*	*	5.50	68.60	*	*	*	*	*	*
G	2	798.10	*	*	16.70	781.40	*	*	*	*	*	*
	3	235.30	*	*	153.90	81.40	*	*	*	*	*	*
B	2	407.00	*	*	27.00	380.00	*	*	*	*	*	*
	3	302.00	*	*	71.00	231.00	*	*	*	*	*	*
H	2	531.70	*	*	32.30	499.40	*	*	*	*	*	*
I	2	584.90	*	*	204.20	380.70	*	*	*	*	*	*
	3	116.80	*	*	71.30	45.50	*	*	*	*	*	*
J	2	500.30	*	*	0	500.30	*	*	*	*	*	*
	3	86.30	*	*	0	86.30	*	*	*	*	*	*
K	2	621.60	*	*	3.00	618.60	*	*	*	*	*	*
	3	71.10	*	*	0	71.10	*	*	*	*	*	*
C	2	46.20	*	*	46.20	0	*	*	*	*	*	*
	3	71.00	*	*	71.00	0	*	*	*	*	*	*
L	2	331.80	*	*	6.70	325.10	*	*	*	*	*	*

¹See the footnote on the last page of this appendix.

Delivery Order #28

Employee ¹	Year	Actual Billing			Correct Billing Amount							
		Off-Site Hours	Off-Site Hourly Rate	Total Amount Billed	Off-Site Hours	On-Site Hours	On-Site Hourly Rate	Off-Site Hourly Rate	On-Site Amount	Off-Site Amount	Total Amount	Amount Overbilled
D	2	389.00	\$ *	\$ *	4.00	385.00	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
	3	109.00	*	*	25.50	83.50	*	*	*	*	*	*
M	2	494.00	*	*	4.10	489.90	*	*	*	*	*	*
	3	38.50	*	*	0	38.50	*	*	*	*	*	*
E	2	572.20	*	*	40.00	532.20	*	*	*	*	*	*
	3	<u>133.80</u>	*	*	<u>28.70</u>	<u>105.10</u>	*	*	*	*	*	*
Subtotal		<u>6,892.80</u>		<u>\$343,700.03</u>	<u>819.10</u>	<u>6,073.70</u>			<u>\$193,182.96</u>	<u>\$48,877.50</u>	<u>\$242,060.46</u>	<u>\$101,639.57</u>
Total		<u>10,630.20</u>		<u>\$568,760.43</u>	<u>2,287.10</u>	<u>8,343.10</u>			<u>\$283,112.47</u>	<u>\$139,860.63</u>	<u>\$422,973.10</u>	<u>\$145,787.33</u>

¹Employee names were deleted from this report. The names were provided to the contracting officer for corrected billing purposes.

Appendix E: Comparison of Negotiated Burdens to Proposed Burdens for "Other Direct Costs"

<u>Original Negotiated Burden</u>		<u>Renegotiated Burden</u>		<u>Proposed Alternative "A" Burden</u>		<u>Proposed Alternative "B" Burden</u>	
Materials ¹	\$422,710	Materials ¹	422,710	Materials ¹	\$422,710	Materials ¹	\$422,710
Publications, Travel, Etc. ¹	953,006	Publications, Travel, Etc. ¹	953,006	Subcontractor ODC's	<u>594,431</u>	Subcontractor ODC's	<u>594,431</u>
				Total	1,017,141	Total	1,017,141
Subcontractor ODC's	<u>594,431</u>	Subcontractor ODC's	<u>594,431</u>	Procurement Burden at * Percent	<u>x *</u>	Procurement Burden at * Percent	<u>x *</u>
Total	1,970,147	Total	1,970,147				
Burden at * Percent	<u>x *</u>	Burden at * Percent	<u>x *</u>	Total Procurement Burden	\$ *	Total Procurement Burden	\$ *
Total Burden	<u>\$ *</u>	Total Burden	<u>\$ *</u>	Publications, Travel, Etc. ¹	953,006	Publications, Travel, Etc. ¹	953,006
				Other ODC Burden at * Percent	<u>x *</u>	Other ODC Burden at * Percent	<u>x *</u>
				Total Other ODC Burden	*	Total Other ODC Burden	*
				Total Procurement Burden	*	Total Procurement Burden	*
				Total Other ODC Burden	*	Total Other ODC Burden	*
				Total Alternative "A" Burden	*	Total Alternative "B" Burden	*
				Total Renegotiated Burden	*	Total Renegotiated Burden	*
				Total Alternative "A" Burden	*	Total Alternative "B" Burden	*
				Unreasonable Burden	<u>\$94,528</u>	Unreasonable Burden	<u>\$108,199</u>
				Average Unreasonable Burden ("A" and "B")			<u><u>\$101,364</u></u>

¹Totals included BDM and its subsidiaries.

Appendix F: BDM Employees That Do Not Meet Minimum Contract Requirements

PERSONNEL REQUIREMENTS: The following defines minimum qualifications for personnel categories under this contract. Suitable experience may be substituted for academic qualifications on a two-for-one basis (i.e., 8 years experience = Bachelor's degree; 12 years experience = Master's degree; 18 years experience = Doctor's degree). Also, appropriate academic qualifications may be substituted for experience on the same basis. Suitable experience is defined as daily direct experience in the defined discipline that can only be accomplished by personal technical knowledge of the subject field. The educational disciplines listed for the Senior level in the labor categories below are applicable also to the Mid level and Junior level. The areas of experience required at the Senior Level apply to the lower levels of that labor category unless otherwise specified. The Government will review resumes of all key personnel proposed to perform Delivery Order requirements. Government review of resumes will be to determine that all individuals proposed are qualified in accordance with the following labor category descriptions to perform under the respective Section B fixed-rate categories.

LABOR CATEGORY: Systems Engineer-Project Leader. Senior level: Master's degree in an engineering discipline or closely related discipline (e.g., Operations Research, Physics, Mathematics) plus 10 years experience in military systems design, development, and test. Mid level: Bachelor's degree plus 5 years experience. At least 2 years of experience in the preparation of requests for proposals, including specifications, technical proposal requirements, schedule, data item requirements, etc., for the operational testing of Major, Category I or DAP systems. Also, experience shall include software verification and validation efforts with at least 2 years experience as program manager or at a project supervisory level or equivalent experience.

Employee Name *	Position Billed Title (Level)	Education	Meets Educational Requirements	Civilian/Military Experience (Years.Mths)	Suitable Experience (First Time Billed)	Meets Basic Experience Requirements	Meets Experience Requirements Substituted For Education	Actual Qualifications Title (Level)
O	Systems Engineer/Project Leader (Senior)	M.S. Industrial Mgt. (Proposed/Verified) B.A. Engineering (Proposed) B.A. Gen. Studies (Verified)	No	2.2/22	13 yr.-2 mth. (02-89)	Yes (10 years)	No (22 years)	Systems Engineer/Project Leader (Mid)

*See footnote on last page of this appendix.

LABOR CATEGORY: Operations Research Analyst. Senior level: Master's Degree in Operations Research or closely related discipline (e.g., Mathematics, Physics, Industrial Engineering) with at least 10 years experience with progressively increasing responsibility in the management of acquisition programs. Must possess managerial experience/supervisory experience sufficient to ensure positive direction of subordinates. Mid level: Bachelor's degree plus 3 years experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
P	Operations Research Analyst (Senior)	M.A. Political Science (Proposed/Verified) M.S. Sys. Mgt.(Proposed) B.A. Pol. Sci.(Proposed)	No	5.6/20	15 yr.-6 mth. (02-89)	Yes (10 years)	No (22 years)	Operations Research Analyst(Mid)
O	Operations Research Analyst (Senior)	M.S. Industrial Mgt. (Proposed/Verified) B.A. Engineering (Proposed) B.A. Gen. Studies (Verified)	No	4.1/22	15 yr.-1 mth. (01-91)	Yes (10 years)	No (22 years)	Operations Research Analyst (Mid)

LABOR CATEGORY: Program/Systems Analyst. Senior level: Master's Degree in Engineering, Business, or Operations Research. Progressively responsible experience in the management of acquisition programs. Experience in both R&D production and deployment phases of the acquisition process. Must possess sufficient familiarity with modern qualitative and quantitative analysis tools to apply to the solution of problems and to provide guidance to subordinates on the selection and use of such tools. Must possess managerial or supervisory experience sufficient to ensure positive direction of subordinates. Must be completely familiar with systems integration techniques, system trade-off analysis, and program planning. Must have 8 years experience, which includes 1 year as the team leader of an acquisition project, and an additional 3 years as a practicing analyst responsible for a functional area of an acquisition program, and an additional 4 years of responsible experience in either the military or private industry. Mid level: Bachelor's degree plus 3 years appropriate experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
Q	Program/Systems Analyst(Mid)	M.S. Hum. Fact.(Proposed) M.S. Psych.(Verified) B.S. Psych.(Proposed) B.S. Lib. Arts(Verified)	No	4.8/0	0 yr.-8 mth. (12-89)	No (3 years)	No (11 years)	Human Factors Analyst(Jenior)

*See footnote on last page of this appendix.

LABOR CATEGORY: Human Factors Analyst. Senior level: Master's degree in a relevant field and 10 years field experience in human factors engineering or testing of major military systems. Shall include experience in developing and administering questionnaires and checklists, and conducting interviews with military personnel in the context of developing or testing military systems. Shall include experience in Manpower Personnel Training (MPT) and the use of human development or testing military systems, which would include experience in the use of human factors instrumentation. Mid level: Master's degree plus 3 years experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
Q	Human Factors Analyst(Mid)	M.S. Hum. Fact(Proposed) M.S. Psych.(Verified) B.S. Psych.(Proposed) B.S. Lib. Arts(Verified)	Yes	5/0	1 yr.-0 mth. (03-90)	No (3 years)	N/A	Human Factors Analyst(Jr)

LABOR CATEGORY: Reliability/Availability/Maintainability (RAM) Data Manager. Senior level: Masters's degree in an engineering discipline and 5 years experience in RAM or US Army/DoD systems. The experience shall be in a field related to the systems being tested. A working knowledge of DoD/DA RAM Regulations and ADP Experience is essential. Mid level: Bachelor's degree plus 3 years experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
R	RAM Data Manager (Sr)	M.S. Control Sys.(Proposed) M.S. Sys. Analysis(Verified) B.A. Math & English (Proposed) B.A. English(Verified)	No	17.5/0	6 yr.-5 mth. (12-89)	Yes (5 years)	No (17 years)	Data Manager (Sr)

*See footnote on last page of this appendix.

LABOR CATEGORY: OT&E Specialist. Senior level: Bachelor's degree in a technical subject plus 10 years experience. Experience must be in the planning, execution and reporting of Operational Test and Evaluation and include implementation of Continuous Comprehensive evaluation concepts and procedures as practiced in Army OT&E. Mid level: Bachelor's degree plus 3 years experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Positon Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/ Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
S	OT&E Specialist (Senior)	B.S. Bus. Admin(Proposed) B.S. Motel/Restaurant Administration (Verified)	No	6.10/25	11 yr.-10 mth. (05-90)	Yes (10 years)	No (18 years)	OT&E Specialist (Mid)

*Employee names were deleted from this report. The names were provided to the contracting officer for corrected billing purposes.

Appendix G: MACA Employees That Do Not Meet Minimum Contract Requirements

PERSONNEL REQUIREMENTS: The following defines minimum qualifications for personnel categories under this contract. Suitable experience may be substituted for academic qualifications on a two-for-one basis (i.e., 8 years experience = Bachelor's degree; 12 years experience = Master's degree; 18 years experience = Doctor's degree). Also, appropriate academic qualifications may be substituted for experience on the same basis. Suitable experience is defined as daily direct experience in the defined discipline that can only be accomplished by personal technical knowledge of the subject field. The educational disciplines listed for the Senior level in the labor categories below are applicable also to the Mid level and Junior level. The areas of experience required at the Senior level apply to the lower levels of that labor category unless otherwise specified. The Government will review resumes of all key personnel proposed to perform Delivery Order requirements. Government review of resumes will be to determine that all individuals proposed are qualified in accordance with the following labor category descriptions to perform under the respective Section B fixed-rate categories.

LABOR CATEGORY: Systems Engineer-Project Leader. Senior level: Master's degree in an engineering discipline or closely related discipline (e.g., Operations Research, Physics, Mathematics) plus 10 years experience in military systems design, development, and test. Mid level: Bachelor's degree plus 5 years experience. At least 2 years of experience in the preparation of requests for proposals, including specifications, technical proposal requirements, schedule, data item requirements, etc., for the operational testing of Major, Category I or DAP systems. Also, experience shall include software verification and validation efforts with at least 2 years experience as program manager or at a project supervisory level or equivalent experience.

Employee Name *	Position Billed Title (Level)	Education	Meets Educational Requirements	Civilian/ Military Experience (Years.Mths)	Suitable Experience (First Time Billed)	Meets Basic Experience Requirements	Meets Experience Requirements Substituted For Education	Actual Qualifications Title (Level)
BB	Systems Engineer/ Project Leader (Senior)	B.A. Biology (Proposed/Verified)	No	2.1/21	14 yr.-1 mth (01/89)	Yes (10 years)	No (22 years)	Systems Engineer/ Project Leader (Mid)
CC	Systems Engineer/ Project Leader (Senior)	M.B.A. Management (Proposed/Verified) B.B.A. Gen. Business (Proposed/Unverified) B.S. Physics & Math. (Proposed/Unverified)	No	24.6/0	3 yr.-0 mth. (02/90)	No (10 years)	No (14 years)	Operations Research Analyst (Mid)
DD	Systems Engineer/ Project Leader (Senior)	B.S. Military & Political Science (Proposed) B.S. General Studies (Verified)	No	2.9/26	19 yr.-3 mth. (09/89)	Yes (10 years)	No (22 years)	Systems Engineer/ Project Leader (Mid)

*See footnote on last page of this appendix.

LABOR CATEGORY: **Systems Engineer-Project Leader** (Continued).

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
EE	Systems Engineer/Project Leader (Senior)	B.S. Commerce (Proposed/Verified)	No	5.3/24	14 yr.-8 mth. (05/89)	Yes (10 years)	No (22 years)	Systems Engineer/Project Leader (Mid)

LABOR CATEGORY: **Systems Engineer**. Senior level: Master's degree in an engineering discipline plus 5 years experience in the area of systems development and developmental/ operational testing of US Army/DoD systems. Mid level: Bachelor's degree plus 3 years experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
FF	Systems Engineer (Senior)	B.S. Management (Proposed) B.A. Management (Verified)	No	3.1/20	3 yr.-1 mth. (01-89)	No (5 years)	No (17 years)	Logistic Specialist (Mid)

LABOR CATEGORY: **Reliability/Availability/Maintainability Engineer**. Senior level: Master's degree in an engineering discipline with at least 5 years of specialized training and experience in Reliability, Availability and Maintainability (RAM). Extensive background in RAM modeling, design techniques, predictions, reliability growth management, requirements generation, software, and specification inputs is required. Mid level: Bachelor's degree plus 3 years experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
GG	RAM Engineer (Senior)	No degree (Proposed/Verified)	No	0/18	0 yr.-0 mth. (01-89) (see Logistics Specialist Category)	No (5 years)	No (17 years)	Logistics Specialist (Mid)

*See footnote on last page of this appendix.

LABOR CATEGORY: Software Test Specialist. Senior level: Master's Degree in Computer Science or Engineering plus 5 years experience (at least 12 years experience in programming or analysis of real-time systems may serve in lieu of degree) with heavy course content in Computer Science. At least 2 years experience in software testing or analysis of test documentation or data. Familiarity required with DOD test philosophy and system acquisition. Must understand total resource requirements for testing of military software systems including data collection, reduction, and analysis. Mid level: Bachelor's degree plus 3 years which includes 1 year experience in Testing. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/ Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
HH	Software Test Specialist (Senior)	B.S. Business Admin. (Proposed/Verified) M.S. Agricult. Economics (Proposed) No degree Conferred (Verified)	No	4.10/0	0 yr.-0 mth. (01-89)	No (5 years)	No (17 years)	Data Reducer (Mid)
II	Software Test Specialist (Senior)	B.A. English (Proposed/Unverified)	No	12.1/3.3	11 yr.-3 mth. (02-89)	Yes (5 years)	No (17 years)	Software Test Specialist (Mid)

LABOR CATEGORY: Software Systems Designer. Senior level: Master's Degree in Mathematics, Computer Science, or Engineering discipline with at least 5 years experience in developing complex, real-time military software system. Experience must include work with Higher Order Languages (HOL) such as FORTRAN, Ada, and PL1. Must have experience in developing system (A Level), development (B5 Level), and (C5 Level) specifications for computer programs. Must have experience in DOD software development, acquisition, and documentation practices including configuration management practices and planning for support of software packages after development program. Must be familiar with independent verification and validation process. Mid level: Bachelor's degree plus 3 years experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/ Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
II	Software Systems Designer (Senior)	B.A. English (Proposed/Unverified)	No	13.2/3.3	12 yr.-4 mth. (03-90)	Yes (5 years)	No (17 years)	Software Systems Designer (Mid)
JJ	Software Systems Designer (Senior)	B.S.E. Computer Science (Proposed/Unverified)	No	7.10/0	3 yr.-3 mth. (09-90)	No (5 years)	No (9 years)	Software Systems Designer (Mid)

*See footnote on last page of this appendix.

LABOR CATEGORY: Test Engineer. Senior level: Master's degree in an engineering discipline with at least 5 years of experience in planning, reviewing, and executing testing of military systems. Experience in US Army integrated test philosophy, US Army test regulations, and coordinated test programs is required. Mid level: Bachelor's degree plus 3 years experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
FF	Test Engineer (Mid-level)	B.S. Management (Proposed) B.A. Management (Verified)	No	3.4/20	3yr.-4 mth. (04-89)	Yes (3 years)	No (11 years)	Logistics Specialist (Mid)

LABOR CATEGORY: Logistics Specialist. Senior level: Master's Degree in Logistics Management, Logistics Science, Engineering, or related field with at least 5 years experience related to logistics and maintenance or technical work that demonstrates judgment, analytical ability, and skills directly applicable to logistics management. Must have a working knowledge of logistics support analysis, logistics support analysis review, logistics support planning, materiel management and transportation, test and diagnostic equipment, technical publications in support of military procurement programs, and all functional elements of Army logistics and maintenance engineering. Mid level: Bachelor's degree plus 3 years experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
GG	Logistics Specialist (Senior)	No degree (Proposed/Verified)	No	0.6/18	12 yr.-6 mth. (07-89)	Yes (5 years)	No (17 years)	Logistics Specialist (Mid)

*See footnote on last page of this appendix.

LABOR CATEGORY: Operations Research Analyst. Senior level: Master's Degree in Operations Research or closely related discipline (e.g., Mathematics, Physics, Industrial Engineering) with at least 10 years experience with progressively increasing responsibility in the management of acquisition programs. Must possess managerial experience/supervisory experience sufficient to insure positive direction of subordinates. Mid level: Bachelor's degree plus 3 years experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/ Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
CC	Operations Research Analyst (Senior)	M.B.A. Management (Proposed/Verified) B.B.A. Gen. Business (Proposed/Unverified) B.S. Physics & Math. (Proposed/Unverified)	No	23.5/0	1 yr.-11 mth. (01-89)	No (10 years)	No (14 years)	Operations Research Analyst (Mid)
KK	Operations Research Analyst (Senior)	M.S. Sys. Management (Operations Research) (Proposed/Verified) B.S. Civil Engineering (Proposed/Verified)	No	0/10.3	9 yr.-1 mth. (02-89)	No (10 years)	No (14 years)	Operations Research Analyst (Mid) After 12/90 (Senior)

*Employee names were deleted from this report. The names were provided to the contracting officer for corrected billing purposes.

Appendix H: CAS Employees That Do Not Meet Minimum Contract Requirements

PERSONNEL REQUIREMENTS: The following defines minimum qualifications for personnel categories under this contract. Suitable experience may be substituted for academic qualifications on a two-for-one basis (i.e., 8 years experience = Bachelor's degree; 12 years experience = Master's degree; 18 years experience = Doctor's degree). Also, appropriate academic qualifications may be substituted for experience on the same basis. Suitable experience is defined as daily direct experience in the defined discipline that can only be accomplished by personal technical knowledge of the subject field. The educational disciplines listed for the Senior Level in the labor categories below are applicable also to the Mid level and Junior level. The areas of experience required at the Senior Level apply to the lower levels of that labor category unless otherwise specified. The Government will review resumes of all key personnel proposed to perform Delivery Order requirements. Government review of resumes will be to determine that all individuals proposed are qualified in accordance with the following labor category descriptions to perform under the respective Section B fixed-rate categories.

LABOR CATEGORY: Program/Systems Analyst. Senior level: Master's degree in Engineering, Business or Operations Research. Progressively responsible experience in the management of acquisition programs. Experienced in both R&D production and deployment phases of the acquisition process. Must possess sufficient familiarity with modern qualitative and quantitative analysis tools to apply to the solution of problems and to provide guidance to subordinates on the selection and use of such tools. Must possess managerial or supervisory experience sufficient to ensure positive direction of subordinates. Must be completely familiar with systems integration techniques, system trade-off analysis, and program planning. Must have 8 years experience which includes 1 year as the team leader of an acquisition project, and an additional 3 years as a practicing analyst responsible for a functional area of an acquisition program, and an additional 4 years of responsible experience in either the military or private industry. Mid level: Bachelor's degree plus 3 years appropriate experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/ Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
G	Program/Systems Analyst (Mid)	B.A. Speech Comm. (Proposed/Verified)	No	4.2/0	3 yr.-2 mth. (03-90)	Yes (3 years)	No (11 years)	Data Manager (Mid)

*See footnote on last page of this appendix.

LABOR CATEGORY: Systems Engineer. Senior level: Master's degree in an Engineering discipline plus 5 years experience in the area of systems development and developmental/operational testing of US Army/DOD systems. Mid level: Bachelor's degree plus 3 years experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/ Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
H	Systems Engineer (Senior)	B.S. Electrical Engineering (Proposed/Verified)	No	9.3/0	3 yr.-8 mth. (03-90)	No (5 years)	No (9 years)	Systems Engineer (Mid)
N	Systems Engineer (Senior)	B.A. English (Proposed/Verified)	No	14.8/3.3	0 yr.-0 mth. (08-90)	No (5 years)	No (17 years)	Software Test Specialist (Mid)

LABOR CATEGORY: Operations Research Analyst. Senior level: Master's degree in Operations Research or closely related discipline (e.g., Mathematics, Physics, Industrial Engineering) with at least 10 years experience with progressively increasing responsibility in the management of acquisition programs. Must possess managerial experience/supervisory experience sufficient to insure positive direction of subordinates. Mid level: Bachelor's degree plus 3 years experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/ Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
I	Operations Research Analyst (Senior)	M.B.A. (Proposed/Verified) B.S. Composite Science (Proposed/Unverified)	No	22.5/6.4	8 yr.-11 mth. (12-90)	No (10 years)	No (14 years)	Operations Research Analyst (Mid)
E	Operations Research Analyst (Senior)	M.B.A. Statistics/ Operations Research (Proposed/Unverified)	Yes	20.9/0	4yr.-9 mth. (09-89)	No (10 years)	Not Applicable	Operations Research Analyst (Mid)

*Employee names were deleted from this report. The names were provided to the contracting officer for corrected billing purposes.

Appendix I: ASR&E Employees That Do Not Meet Minimum Contract Requirements

PERSONNEL REQUIREMENTS: The following defines minimum qualifications for personnel categories under this contract. Suitable experience may be substituted for academic qualifications on a two-for-one basis (i.e., 8 years experience = Bachelor's degree; 12 years experience = Master's degree; 18 years experience = Doctor's degree). Also, appropriate academic qualifications may be substituted for experience on the same basis. Suitable experience is defined as daily direct experience in the defined discipline that can only be accomplished by personal technical knowledge of the subject field. The educational disciplines listed for the Senior level in the labor categories below are applicable also to the Mid level and Junior level. The areas of experience required at the Senior level apply to the lower levels of that labor category unless otherwise specified. The Government will review resumes of all key personnel proposed to perform Delivery Order requirements. Government review of resumes will be to determine that all individuals proposed are qualified in accordance with the following labor category descriptions to perform under the respective Section B fixed-rate categories.

LABOR CATEGORY: Systems Engineer-Project Leader. Senior level: Master's degree in an engineering discipline or closely related discipline (e.g., Operations Research, Physics, Mathematics) plus 10 years experience in military systems design, development, and test. Mid level: Bachelor's degree plus 5 years experience. At least 2 years of experience in the preparation of requests for proposals, including specifications, technical proposal requirements, schedule, data item requirements, etc., for the operational testing of Major, Category I or DAP systems. Also, experience shall include software verification and validation efforts with at least 2 years experience as program manager or at a project supervisory level or equivalent experience.

Employee Name *	Position Billed Title (Level)	Education	Meets Educational Requirements	Civilian Military Experience (Years, Mths)	Suitable Experience (First Time Billed)	Meets Basic Experience Requirements	Meets Experience Requirements Substituted For Education	Actual Qualifications Title (Level)
QQ	Systems Engineer/ Project Leader (Senior)	B.A. Biology (Proposed/Verified)	No	3/21	15 yr.-1 mth. (12-89)	Yes (10 years)	No (22 years)	Systems Engineer/ Project Leader (Mid)

*See footnote on last page of this appendix.

LABOR CATEGORY: Operations Research Analyst. Senior level: Master's Degree in Operations Research or closely related discipline (e.g., Mathematics, Physics, Industrial Engineering) with at least 10 years experience with progressively increasing responsibility in the management of acquisition programs. Must possess managerial experience/supervisory experience sufficient to insure positive direction of subordinates. Mid level: Bachelor's degree plus 3 years experience. Junior level: Bachelor's degree.

<u>Employee Name *</u>	<u>Position Billed Title (Level)</u>	<u>Education</u>	<u>Meets Educational Requirements</u>	<u>Civilian/ Military Experience (Years.Mths)</u>	<u>Suitable Experience (First Time Billed)</u>	<u>Meets Basic Experience Requirements</u>	<u>Meets Experience Requirements Substituted For Education</u>	<u>Actual Qualifications Title (Level)</u>
RR	Operations Research Analyst (Mid)	B.A. Speech Communications (Proposed/Verified)	No	4/0	3 yr.-0 mth (12-89)	No (3 years)	No (11 years)	Data Manager (Mid)

*Employee names were deleted from this report. The names were provided to the contracting officer for corrected billing purposes.

Appendix J: Lodging Costs for MACA Employees

MACA employees charged a \$92 flat rate per diem while TDY to FHL, CA and had no receipts for lodging costs. The contract states that travel costs incurred as other direct costs shall be reimbursed on an actual cost incurred basis subject to the Joint Travel Regulation (JTR). Based on travel claims submitted by other contractors and claims submitted by MACA employees on subsequent delivery orders, actual costs were about \$44 for lodging and \$26 for M&IE for a total daily per diem rate of \$70.

Employee ¹	Delivery Order	Description	Unallowable Costs
LL	12	\$92 - \$70 = \$22 x 125 days TDY = \$2,750	\$2,750.00
CC	12	\$92 - \$70 = \$22 x 128 days TDY = \$2,816	2,816.00
BB	12	\$92 - \$70 = \$22 x 68 days TDY = \$1,496	1,496.00
BB	16	\$92 - \$70 = \$22 x 3 days TDY = \$66	66.00
MM	12	\$92 - \$70 = \$22 x 109 days TDY = \$2,398	2,398.00
FF	12	\$92 - \$70 = \$22 x 129 days TDY = \$2,838	2,838.00
HH	12	\$92 - \$70 = \$22 x 122.8 days TDY = \$2,701.60	2,701.60
II	12	\$92 - \$70 = \$22 x 10 days TDY = \$220	220.00
NN	12	\$92 - \$70 = \$22 x 106 days TDY = \$2,332	2,332.00
OO	12	\$92 - \$70 = \$22 x 94 days TDY = \$2,068	2,068.00
GG	12	\$92 - \$70 = \$22 x 120 days TDY = \$2,640	2,640.00
KK	12	\$92 - \$70 = \$22 x 106 days TDY = \$2,332	2,332.00
Subtotal			24,657.60
MACA Burden at * percent			*
Subtotal			*
BDM Burden at * percent			*
Total			<u>\$30,326.48</u>

¹ Employee names were deleted from this report. The names were provided to the contracting officer for corrected billing purposes.

Appendix K: Per Diem Rates for MACA Employees

MACA employees charged \$34 per day for Meals and Incidental Expenses (M&IE) while TDY to FHL, CA when \$26 was the maximum rate. MACA employees stayed in Paso Robles, CA where the M&IE per diem was \$34; however, the lodging was obtained outside the temporary duty location because of personal preference.

Employee ¹	Delivery Order	Description	Unallowable Costs
LL	28	\$34 M&IE charged while TDY to FHL, CA when the maximum M&IE rate was \$26. (\$34 - \$26 = \$8 x 80.75 days = \$646)	\$646.00
CC	28	\$34 M&IE charged while TDY to FHL, CA when the maximum M&IE rate was \$26. (\$34 - \$26 = \$8 x 46.25 days = \$370)	370.00
MM	28	\$34 M&IE charged while TDY to FHL, CA when the maximum M&IE rate was \$26. (\$34 - \$26 = \$8 x 72 days = \$576)	576.00
PP	28	\$34 M&IE charged while TDY to FHL, CA when the maximum M&IE rate was \$26. (\$34 - \$26 = \$8 x 64 days = \$512)	512.00
II	28	\$34 M&IE charged while TDY to FHL, CA when the maximum M&IE rate was \$26. (\$34 - \$26 = \$8 x 81.50 days = \$652)	652.00
NN	28	\$34 M&IE charged while TDY to FHL, CA when the maximum M&IE rate was \$26. (\$34 - \$26 = \$8 x 7 days = \$56)	56.00
KK	28	\$34 M&IE charged while TDY to FHL, CA when the maximum M&IE rate was \$26. (\$34 - \$26 = \$8 x 50.5 days = \$404)	<u>404.00</u>
Subtotal			3,216.00
MACA Burden at * percent			*
Subtotal			<u>*</u>
BDM Burden at * percent			*
Total			<u>\$3,955.37</u>

¹ Employee names were deleted from this report. The names were provided to the contracting officer for corrected billing purposes.

Appendix L: Per Diem Payments for MACA and BDM Employees

MACA and BDM employees received per diem while on leave and when they had completed TDY travel and were at their official duty station.

Company	Employee ¹	Delivery Order	Description	Unallowable Costs
MACA	FF	12	Received per diem during return to official duty station (5/13/89 - 6/3/89). 4 days x \$32 (lodging) = \$128.00	\$ 128.00
MACA	MM	12	Charged per diem of \$92 a day for TDY trip in FHL, CA while he returned to El Paso, TX on four separate trips totaling 11 days. (2/17/89 - 2/19/89, 3/8/89 - 3/11/89, 5/19/89, 5/20/89, 6/23/89, and 6/24/89). 11 days x \$92 = \$1,012.00	1,012.00
MACA	NN	12	Received per diem during return to official duty station (4/3/89, 6/2/89, 6/3/89 - 6/5/89, 6/11/90, and 6/12/89). \$92 + \$36 + \$186 + \$66 + \$32 = \$412.00	412.00
MACA	OO	12	Received per diem during return to official duty station (5/12/89 - 5/14/89). \$66 + \$92 + \$66 = \$224.00	224.00
MACA	GG	12	Received per diem during return to official duty station (6/3/89 - 6/5/89). \$36 + \$32 + \$32 = \$100.00	100.00
MACA	HH	12	Received per diem during return to official duty station (4/20/89 - 4/22/89). \$39 + \$38 + \$38 = \$115.00 Also, stayed over in Monterey, CA on Saturday (9/30/90) after work was completed at the cost of \$76. \$115 + \$76 = \$191.00	191.00
MACA	KK	28	Received per diem during return to official duty station and while on leave (4/13/90 - 4/22/90). 10 days x \$36.90 (lodging) = \$369.00	369.00
MACA	LL	12	Received per diem during return to official duty station (4/13/90 - 4/15/90). 3 days x \$36.90 (lodging) = \$110.70	110.70
MACA	PP	28	Received per diem during return to official duty station, Oxnard, CA (3/23/90 - 3/24/90, 3/30/90 - 3/31/90, 4/2/90, 4/4/90 - 4/5/90, and 4/23/90). \$130.56 + \$98 + \$36 + \$98 + \$36 = \$398.56	398.56

¹See footnote on last page of this appendix.

Company	Employee ¹	Delivery Order	Description	Unallowable Costs
MACA	II	28	Received per diem during return to official duty station (4/19/90 - 4/22/90, 6/1/90 - 6/3/90). 7 days x \$36.90 (lodging) = \$258.30	\$ 258.30
MACA	CC	28	Received per diem during return to official duty station (3/23/90 - 3/25/90, and 4/13/90 - 4/15/90). 4 days x \$49 = \$196 (lodging) + 3 days x 22.50 = \$263.50	263.50
MACA	NN	28	Received per diem during return to official duty station (3/22/90 - 3/25/90, 4/13/90 - 4/15/90, 5/25/90 - 5/28/90). 11 days x \$44 (lodging) = \$484.00	<u>484.00</u>
MACA Subtotal				\$3,951.06
MACA Burden at * percent				*
MACA Total				<u>\$ *</u>
BDM	T	28	Charged for lodging during return to official duty station. (5/4/90 - 5/6/90). 3 days x \$44 = \$132.00	\$132.00
BDM	U	28	Charged for lodging during return to official duty station. (4/27/90 - 4/28/90). 2 days x \$44 = \$88.00	88.00
BDM	V	28	Charged for lodging and meals while on leave. (4/13/90, 4/23/90, 5/4/90, and 7/9/90). \$70 + \$70 + \$70 + \$110.30 = \$320.30	320.30
BDM	V	28	Charged for lodging during return to official duty station (4/14/90 - 4/15/90). 2 days x \$44 = \$88.00	88.00
BDM	W	28	Charged for lodging and meals while on leave (4/13/90 - 4/16/90 and 5/16/90 - 5/17/90). 6 days x \$70 = \$420.00	<u>420.00</u>
BDM Total				<u>1,048.30</u>
MACA and BDM Combined Subtotal				*
BDM Burden at * percent				*
BDM and MACA Combined Totals				<u><u>\$6,083.84</u></u>

¹ Employee names were deleted from this report. The names were provided to the contracting officer for corrected billing purposes.

Appendix M: Equivalent Airfare Payments

BDM and MACA employees received the cash equivalent of a round-trip air fare for Rest and Relaxation when authorized return trips to their permanent duty stations were not made during extended temporary duty. Neither the contract nor the JTR provide for this type of travel cost.

Company	Employee ¹	Delivery Order	Description	Unallowable Costs
MACA	LL	28	Cash equivalent for two round-trip airfares charged while TDY to FHL, CA at \$338 each. Cash equivalent for one round-trip airfare charged while TDY to Washington, DC at \$488. (\$338 + \$338 + \$488 = \$1,164)	\$1,164.00
MACA	CC	28	Cash equivalent for two round-trip airfares charged while TDY to Washington, DC at \$488 each. Cash equivalent for one round-trip airfare charged while TDY to FHL, CA at \$338. (\$488 + \$488 + \$338 = \$1,314)	1,314.00
MACA	PP	28	Cash equivalent for three round-trip airfares charged while TDY to FHL, CA at \$277 each.	831.00
MACA	MM	28	Cash equivalent for one round-trip airfare charged while TDY to FHL, CA at \$388 each. Cash equivalent for one round-trip airfare charged while TDY to Washington, DC at \$488. (\$338 + \$488 = \$826)	826.00
MACA	NN	28	Cash equivalent for one round-trip airfare charged while TDY to Washington, DC at \$488.	488.00
MACA	KK	28	Cash equivalent for two round-trip airfares charged while TDY to Washington, DC. at \$488 each. (\$488 x 2 = \$976)	<u>976.00</u>
MACA Subtotal				5,599.00
MACA Burden at * percent				<u>*</u>
MACA Total				<u><u>\$ *</u></u>

¹See footnote on last page of this appendix.

Company	Employee ¹	Delivery Order	Description	Unallowable Costs
BDM	T	28	Cash equivalent for two round-trip airfares charged while TDY to FHL, CA at \$950 each.	\$1,900.00
BDM	V	28	Cash equivalent for two round-trip airfares charged while TDY to FHL, CA at \$388 each. Cash equivalent for one round-trip airfare charged while TDY to Alexandria, VA at \$958. (\$338 + \$338 + \$958 = \$1,634)	1,634.00
BDM	U	28	Cash equivalent for one round-trip airfare charged while TDY to FHL, CA at \$388 each.	388.00
BDM	R	28	Cash equivalent for four round-trip airfares charged while TDY to FHL, CA at \$950 each.	3,800.00
BDM	X	28	Cash equivalent for two round-trip airfares charged while TDY to FHL, CA at \$950 each.	1,900.00
BDM	Y	28	Cash equivalent for one round-trip airfare charged at \$598, one at \$528, and one at \$876.	2,002.00
BDM	Q	28	Cash equivalent for two round-trip airfares charged while TDY to FHL, CA at \$950 each.	1,900.00
BDM	Z	28	Cash equivalent for one round-trip airfare charged while TDY to FHL, CA at \$950 each.	950.00
BDM	AA	28	Cash equivalent for one round-trip airfare charged while TDY to FHL, CA at \$551 each	<u>551.00</u>
BDM Total				<u>15,025.00</u>
MACA and BDM Combined Subtotal				*
BDM Burden at * percent				*
MACA and BDM Combined Total				<u><u>\$24,435.44</u></u>

¹ Employee names were deleted from this report. The names were provided to the contracting officer for corrected billing purposes.

Appendix N: Hours for Travel by Privately Owned Conveyance

Employee ¹	Delivery Order	Description	Unallowable Costs	
			MACA	BDM
LL	16	<p>Allowable POV travel time to FHL, CA from El Paso, TX. Three 8 hour days were charged to D.O. #16 to drive POV to FHL, CA to work on D.O. #28 (3/2/90-3/4/90). Actual travel time by air and rental car should have been about 6 hours.</p> <p>24 hours - 6 hours = 18 hours x \$ * (MACA billing rate) = \$ *</p> <p>24 hours - 6 hours = 18 hours x \$ * (BDM billing rate) = \$ *</p> <p>Also per diem for 3/2/90 and 3/3/90 is not allowable (\$101.46 + \$69.64 = \$171.10).</p> <p>\$171.10 x * percent (MACA burden) = \$ * + \$171.10 = \$ *</p> <p>\$180.10 x * percent (BDM burden) = \$ * + \$ * = \$ *</p>	\$ *	\$ *
LL	28	<p>Allowable POV travel time to FHL, CA from El Paso, TX. Three 8 hour days were also charged to D.O. #28 for the return trip from FHL, CA to official duty station (5/25/90-5/28/90). Actual travel time by air and rental car should have been about 6 hours.</p> <p>24 hours - 6 hours = 18 hours x \$ * (MACA billing rate) = \$ *</p> <p>24 hours - 6 hours = 18 hours x \$ * (BDM billing rate) = \$ *</p> <p>Also per diem for 5/25/90-5/28/90 is not allowable (\$65.53 + \$54 + \$34 + \$34 = \$187.53)</p> <p>\$187.53 x * percent (MACA burden) = \$ * + \$187.53 = \$ *</p> <p>\$197.47 x * percent (BDM burden) = \$ * + \$ * = \$ *</p>	*	*

¹See footnote on last page of this appendix.

Employee ¹	Delivery Order	Description	Unallowable Costs	
			MACA	BDM
MM	28	<p>Allowable POV travel time to FHL, CA from El Paso, TX. Two 8 hour days were charged to drive POV to FHL, CA (3/5/90-3/6/90) and the same for the return trip (5/24/90-5/25/90). Total POV travel time was 32 hours. Actual travel time by air and rental car should have been about 6 hours each way.</p> <p>32 hours - 12 hours = 20 hours x \$ * (MACA billing rate) = \$ *</p> <p>32 hours - 12 hours = 20 hours x \$ * (BDM billing rate) = \$ *</p> <p>Also per diem charged on 3/4/90, 3/5/90, 5/24/90, 5/25/90, and 5/26/90 is not allowable (\$61.33 + \$82.15 + \$67.17 + \$34 + \$34 = \$278.65).</p> <p>\$278.65 x * percent (MACA burden) = \$ * + \$278.65 = \$ *</p> <p>\$293.42 x * percent (BDM burden) = \$ * + \$ * = \$ *</p>	\$ *	\$ *
FF	12	<p>Allowable POV travel time to FHL, CA from El Paso, TX. Two 8 hour days were charged to drive to FHL, CA (1/30/89-1/31/90) and the same for the return trip (6/29/89-6/30/90). Total POV travel time was 32 hours. Actual travel time by air and rental car should have been about 6 hours each way.</p> <p>32 hours - 12 hours = 20 hours x \$ * (MACA billing rate) = \$ *</p> <p>32 hours - 12 hours = 20 hours x \$ * (BDM billing rate) = \$ *</p>	*	*
KK	28	<p>Allowable POV travel time to FHL, CA from El Paso, TX. Two 8 hour days were charged to drive POV to FHL, CA (3/5/90-3/6/90) and the same for the return trip (5/11/90-5/12/90). Total POV travel time was 32 hours. Actual travel time by air and rental car should have been about 6 hours each way.</p> <p>32 hours - 12 hours = 20 hours x \$ * (MACA billing rate) = \$ *</p> <p>32 hours - 12 hours = 20 hours x \$ * (BDM billing rate) = \$ *</p> <p>Also per diem charged on 3/10/90, 5/11/90, and 5/12/90 is not allowable. (\$79.36 + \$37.00 + \$34.00 = \$150.36)</p> <p>\$150.36 x * percent (MACA burden) = \$ * + \$150.36 = \$ *</p> <p>\$158.33 x * percent (BDM burden) = \$ * + \$ * = \$ *</p>	*	*
MACA Total			<u>\$3,993.43</u>	<u>\$4,365.28</u>

¹See footnote on last page of this appendix.

Employee ¹	Delivery Order	Description	Unallowable Costs	
			CAS	BDM
G	28	<p>Allowable POV travel time to FHL, CA from El Paso, TX. The following hours were charged to drive POV to and from FHL, CA to El Paso, TX.</p> <p>3/10/90-3/11/90 17 hours, 4/5/90-4/6/90 17 hours, 4/14/90-4/15/90 17 hours, 5/6/90-5/7/90 15.5 hours, 5/12/90-5/13/90 10.5 hours, and 5/30/90-5/31/90 15 hours.</p> <p>Total POV travel time for three round trips was 92 hours.</p> <p>Actual travel time by air and rental car should have been about 6 hours each way.</p> <p>92 hours - 36 hours = 56 hours x \$ * (CAS billing rate) = \$ *</p> <p>92 hours - 36 hours = 56 hours x \$ * (BDM billing rate) = \$ *</p> <p>Also per diem charged on 3/10/90, 4/6/90, 4/14/90, 5/6/90, 5/7/90, 5/12/90 and 5/31/90 is not allowable (\$19.50 + \$26 + \$63.45 + \$70.76 + \$19.50 + \$58.36 + \$26 = \$283.57).</p> <p>\$283.57 x * percent (CAS burden) = \$ * + \$283.57 = \$ *</p> <p>\$313.20 x * percent (BDM burden) = \$ * + \$ * = \$ *</p>	\$ *	\$ *
E	28	<p>Allowable POV travel time to FHL, CA from El Paso, TX. The following hours were charged to drive POV to and from FHL, CA to El Paso, TX.</p> <p>3/29/90-3/31/90 24.6 hours, 4/27/90 16.5 hours, 5/20/90 7 hours, and 5/25/90 16.5 hours</p> <p>Total POV travel time for two round trips was 57.6 hours.</p> <p>Actual travel time by air and rental car should have been about 6 hours each way.</p> <p>57.6 hours - 24 hours = 33.6 hours x \$ * (CAS billing rate) = \$ *</p> <p>57.6 hours - 24 hours = 33.6 hours x \$ * (BDM billing rate) = \$ *</p> <p>Also per diem charged on 3/29/90, 3/30/90, 5/25/90, and 5/26/90 is not allowable (\$53.00 + \$66.00 + \$26.23 + \$26.00 = \$171.23).</p> <p>\$171.23 x * percent (CAS burden) = \$ * + \$171.23 = \$ *</p> <p>\$189.12 x * percent (BDM burden) = \$ * + \$ * = \$ *</p>	*	*

¹See footnote on last page of this appendix.

Employee ¹	Delivery Order	Description	Unallowable Costs	
			CAS	BDM
D	28	<p>Allowable POV travel time to FHL, CA from El Paso, TX. The following hours were charged to drive POV to and from FHL, CA to El Paso, TX. 12/4/89-12/5/89 18.5 hours and 12/15/89-12/16/89 17 hours. Total POV travel time for one round trip was 35.5 hours. Actual travel time by air and rental car should have been about 6 hours each way. 35.5 hours - 12 hours = 23.5 hours x \$ * (CAS billing rate) = \$ * 35.5 hours - 12 hours = 23.5 hours x \$ * (BDM billing rate) = \$ * Also per diem charged on 12/16/90 is not allowable (\$19.50). \$19.50 x * percent (CAS burden) = \$ * + \$19.50 = \$ * \$21.54 x * percent (BDM burden) = \$ * + \$ * = \$ *</p>	<p>\$ *</p> <p>\$ *</p> <p>*</p>	<p>\$ *</p> <p>*</p>
Total			<u>5,915.22</u>	<u>4,423.73</u>
MACA and CAS Combined Total			<u>\$9,908.65</u>	<u>\$8,789.01</u>

¹Employee names were deleted from this report. The names were provided to the contracting officer for corrected billing purposes.

Appendix O: Travel Time Charged from Hotel to Temporary Duty Location

Employee ¹	Delivery Order	Description	Unallowable Costs	
			MACA	BDM
LL	28	About 1.5 hours of travel time to and from duty station were billed each day while TDY at FHL, CA (03/05/90-05/25/90). Stayed in Paso Robles, CA, about 96 miles round trip. 64 days x 1.5 hours = 96 hours x \$ * (MACA billing rate) = \$ * 64 days x 1.5 hours = 96 hours x \$ * (BDM billing rate) = \$ *	\$ *	\$ *
PP	28	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (03/19/90-03/29/90). Stayed in King City, CA, about 50 miles round trip. 9 days x 1 hour = 9 hours x \$ * (MACA billing rate) = \$ * 9 days x 1 hour = 9 hours x \$ * (BDM billing rate) = \$ *	*	*
PP	28	About 2 hours of travel time to and from duty station were billed each day while TDY at FHL, CA (03/30/90-5/31/90). Stayed in Atascadero, CA, about 118 miles round trip. 44 days x 2 hours = 88 hours x \$ * (MACA billing rate) = \$ * 44 days x 2 hours = 88 hours x \$ * (BDM billing rate) = \$ *	*	*
MM	28	About 1.5 hours of travel time to and from duty station were billed each day while TDY at FHL, CA (03/08/90-03/28/90). Stayed in Paso Robles, CA, about 96 miles round trip. 19 days x 1.5 hours = 28.5 hours x \$ * (MACA billing rate) = \$ * 19 days x 1.5 hours = 28.5 hours x \$ * (BDM billing rate) = \$ *	*	*
MM	28	About 2 hours of travel time to and from duty station were billed each day while TDY at FHL, CA (04/03/90-5/23/90). Stayed in Atascadero, CA, about 118 miles round trip. 41 days x 2 hours = 82 hours x \$ * (MACA billing rate) = \$ * 41 days x 2 hours = 82 hours x \$ * (BDM billing rate) = \$ *	*	*

¹See footnote on last page of this appendix.

Employee ¹	Delivery Order	Description	Unallowable Costs	
			MACA	BDM
II	28	About 1.5 hours of travel time to and from duty station were billed each day while TDY at FHL, CA (03/13/90-06/14/90). Stayed in Paso Robles, CA, about 96 miles round trip. 70 days x 1.5 hours = 105 hours x \$ * (MACA billing rate) = \$ * 70 days x 1.5 hours = 105 hours x \$ * (BDM billing rate) = \$ *	\$ *	\$ *
NN	28	About 1.5 hours of travel time to and from duty station were billed each day while TDY at FHL, CA (03/05/90-03/10/90). Stayed in Paso Robles, CA, about 96 miles round trip. 6 days x 1.5 hours = 9 hours x \$ * (MACA billing rate) = \$ * 6 days x 1.5 hours = 9 hours x \$ * (BDM billing rate) = \$ *	*	*
NN	28	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (03/12/90-06/13/90). Stayed in King City, CA, about 50 miles round trip. 68 days x 1 hour = 68 hours x \$ * (MACA billing rate) = \$ * 68 days x 1 hour = 68 hours x \$ * (BDM billing rate) = \$ *	*	*
CC	28	About 1.5 hours of travel time to and from duty station were billed each day while TDY at FHL, CA (03/05/90-03/10/90). Stayed in Paso Robles, CA, about 96 miles round trip. 6 days x 1.5 hours = 9 hours x \$ * (MACA billing rate) = \$ * 6 days x 1.5 hours = 9 hours x \$ * (BDM billing rate) = \$ *	*	*
CC	28	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (03/12/90-03/31/90). Stayed in King City, CA, about 50 miles round trip. 14 days x 1 hour = 14 hours x \$ * (MACA billing rate) = \$ * 14 days x 1 hour = 14 hours x \$ * (BDM billing rate) = \$ *	*	*
CC	28	About 2 hours of travel time to and from duty station were billed each day while TDY at FHL, CA (04/01/90-05/11/90). Stayed in Atascadero, CA, about 118 miles round trip. 35 days x 2 hours = 70 hours x \$ * (MACA billing rate) = \$ * 35 days x 2 hours = 70 hours x \$ * (BDM billing rate) = \$ *	*	*
KK	28	About 1.5 hours of travel time to and from duty station were billed each day while TDY at FHL, CA (03/12/90-05/09/90). Stayed in Paso Robles, CA, about 96 miles round trip. 39 days x 1.5 hours = 58.5 hours x \$ * (MACA billing rate) = \$ * 39 days x 1.5 hours = 58.5 hours x \$ * (BDM billing rate) = \$ *	*	*
MACA Total			<u>\$19,096.49</u>	<u>\$20,404.51</u>

Employee ¹	Deliver Order	Description	Unallowable Costs	
			CAS	BDM
G	28	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (03/11/90-05/30/90). Stayed in King City, CA, about 50 miles round trip. 52 days x 1 hour = 52 hours x \$ * (CAS billing rate) = \$ * 52 days x 1 hour = 52 hours x \$ * (BDM billing rate) = \$ *	\$ *	\$ *
B	25	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (09/24/89-09/30/89, 11/28/89-12/2/89, 12/5/89-12/7/89, 4/22/90-5/16/90). Stayed in King City, CA, about 50 miles round trip. 32 days x 1 hour = 32 hours x \$ * (CAS billing rate) = \$ * 32 days x 1 hour = 32 hours x \$ * (BDM billing rate) = \$ *	*	*
B	28	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL CA (03/13/90-03/23/90 and 4/3/90-4/12/90). Stayed in King City, CA, about 50 miles round trip. 21 days x 1 hour = 21 hours x \$ * (CAS billing rate) = \$ * 21 days x 1 hour = 21 hours x \$ * (BDM billing rate) = \$ *	*	*
I	28	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (03/19/90-3/29/90). Stayed in King City, CA, about 50 miles round trip. 29 days x 1 hour = 29 hours x \$ * (CAS billing rate) = \$ * 29 days x 1 hour = 29 hours x \$ * (BDM billing rate) = \$ *	*	*
H	28	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (03/21/90-03/29/90, 4/04/90-4/25/90 and 5/08/90-5/31/90). Stayed in King City, CA, about 96 miles round trip. 42 days x 1 hour = 42 hours x \$ * (CAS billing rate) = \$ * 42 days x 1 hour = 42 hours x \$ * (BDM billing rate) = \$ *	*	*
D	25	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (09/25/89-09/29/89, 11/29/89-12/01/89, 12/05/89-12/14/89 and 3/5/90-3/17/90). Stayed in King City, CA, about 50 miles round trip. 34 days x 1 hour = 34 hours x \$ * (CAS billing rate) = \$ * 34 days x 1 hour = 34 hours x \$ * (BDM billing rate) = \$ *	*	*

¹See footnote on last page of this appendix.

Employee ¹	Delivery Order	Description	Unallowable Costs	
			CAS	BDM
D	28	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (04/02/90-04/12/90, and 5/21/90-6/05/90). Stayed in King City, CA, about 50 miles round trip 25 days x 1 hour = 25 hours x \$ * (CAS billing rate) = \$ * 25 days x 1 hour = 25 hours x \$ * (BDM billing rate) = \$ *	\$ *	\$ *
D	30	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (01/15/90-1/31/90, and 4/23/90-5/10/90). Stayed in King City, CA, about 50 miles round trip. 29 days x 1 hour = 29 hours x \$ * (CAS billing rate) = \$ * 29 days x 1 hour = 29 hours x \$ * (BDM billing rate) = \$ *	*	*
M	28	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (03/21/90-03/29/90, 4/23/90-5/13/90 and 5/28/90-6/14/90). Stayed in King City Robles, CA, about 50 miles round trip. 36 days x 1 hour = 36 hours x \$ * (CAS billing rate) = \$ * 36 days x 1 hour = 36 hours x \$ * (BDM billing rate) = \$ *	*	*
E	25	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (11/29/89-12/19/89, 3/5/90-3/10/90 and 4/30/90-5/17/90). Stayed in King City, CA, about 50 miles round trip. 40 days x 1 hour = 40 hours x \$ * (CAS billing rate) = \$ * 40 days x 1 hour = 40 hours x \$ * (BDM billing rate) = \$ *	*	*
E	28	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (04/01/90-04/26/90, 05/22/90-05/29/90, and 6/6/90-6/13/90). Stayed in King City, CA, about 50 miles round trip. 31 days x 1 hour = 31 hours x \$ * (CAS billing rate) = \$ * 31 days x 1 hour = 31 hours x \$ * (BDM billing rate) = \$ *	*	*

¹See footnote on last page of this appendix.

Employee ¹	Deliver Order	Description	Unallowable Costs	
			CAS	BDM
E	30	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (01/16/90-01/31/90 and 3/12/90-3/22/90). Stayed in King City, CA, about 50 miles round trip. 24 days x 1 hour = 24 hours x \$ * (CAS billing rate) = \$ * 24 days x 1 hour = 24 hours x \$ * (BDM billing rate) = \$ *	\$ *	\$ *
J	28	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (03/28/90-04/04/90 and 4/24/90-05/10/90). Stayed in King City, CA, about 50 miles round trip. 19 days x 1 hour = 19 hours x \$ * (CAS billing rate) = \$ * 19 days x 1 hour = 19 hours x \$ * (BDM billing rate) = \$ *	*	*
K	28	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (03/22/90-04/12/90 and 4/24/90-5/15/90). Stayed in King City, CA, about 50 miles round trip. 36 days x 1 hour = 36 hours x \$ * (CAS billing rate) = \$ * 36 days x 1 hour = 36 hours x \$ * (BDM billing rate) = \$ *	*	*
F	28	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (04/10/90-04/25/90, 5/15/90-5/23/90 and 6/05/90-6/13/90). Stayed in King City, CA, about 50 miles round trip. 29 days x 1 hour = 29 hours x \$ * (CAS billing rate) = \$ * 29 days x 1 hour = 29 hours x \$ * (BDM billing rate) = \$ *	*	*
L	28	About 1 hour of travel time to and from duty station was billed each day while TDY at FHL, CA (04/05/90-4/13/90, 5/7/90-5/24/90 and 6/05/90-6/13/90). Stayed in King City, CA, about 50 miles round trip. 28 days x 1 hours = 28 hours x \$ * (CAS billing rate) = \$ * 28 days x 1 hours = 28 hours x \$ * (BDM billing rate) = \$ *	*	*
CAS Total			23,668.00	17,026.57
MACA and CAS Combined Total			<u>\$42,784.49</u>	<u>\$37,431.08</u>

¹Employee names have been deleted from this report. The names were provided to the contracting officer for corrected billing purposes.

Appendix P: Travel Time from Permanent Duty Location to Temporary Duty Location

CAS employees charged unreasonable direct hours to the contract for travel time from permanent duty locations to temporary duty locations. In addition, most of this travel time was scheduled outside normal business hours.

Employee ¹	Delivery Order	Description	Unallowable Costs	
			CAS	BDM
H	28	Allowable travel time to FHL, CA from Huntsville, AL. The Following hours were charged to travel to and from FHL, CA to Huntsville, AL. 3/21/90 & 3/29/90 (21.5 hours), 4/4/90 & 4/26/90 - 4/27/90 (24.5 hours) and 5/8/90 & 6/1/90 (22.4 hours). Total travel time for three round trips was 68.4 hours. Actual travel time by air and rental car should have been about 8 hours each way. 68.4 hours - 48 hours = 20.4 hours x \$ * (CAS billing rate) = \$ * 68.4 hours - 48 hours = 20.4 hours x \$ * (BDM billing rate) = \$ *	\$ *	\$ *
B	25	Allowable travel time to FHL, CA from Huntsville, AL. The following hours were charged to travel to and from FHL, CA to Huntsville, AL 9/29/89 - 9/30/89 (14 hours), 12/2/89 (12 hours), 12/7/89 (15 hours), 4/27/90 (12 hours) and 5/16/90 (12hours). Total travel time for five return trips was 65 hours. Actual travel time by air and rental car should have been about 8 hours each way. 65 hours - 40 hours = 25 hours x \$ * (CAS billing rate) = \$ * 65 hours - 40 hours = 25 hours x \$ * (BDM billing rate) = \$ *	*	*
B	28	Allowable travel time to FHL, CA from Huntsville, AL. The following hours were charged to travel to and from FHL, CA to Huntsville, AL. 3/11/90 & 3/24/90 (28.5 hours) and 4/2/90 & 4/13/90 (20 hours). Total travel time for two round trips was 48.5 hours. Actual travel time by air and rental car should have been about 8 hours each way. 48.5 hours - 32 hours = 16.5 hours x \$ * (CAS billing rate) = \$ * 48.5 hours - 32 hours = 16.5 hours x \$ * (BDM billing rate) = \$ *	*	*

Employee ¹	Delivery Order	Description	Unallowable Costs	
			CAS	BDM
B	30	Allowable travel time to FHL, CA from Huntsville, AL. The following hours were charged to travel to and from FHL, CA to Huntsville, AL. 2/8/90 (12 hours) Total travel time for a one-way trip was 12 hours. Actual travel time by air and rental car should have been about 8 hours each way 12 hours - 8 hours = 4 hours x \$ * (CAS billing rate) = \$ * 12 hours - 8 hours = 4 hours x \$ * (BDM billing rate) = \$ *	\$ *	\$ *
I	30	Allowable travel time to FHL, CA from Huntsville, AL. The following hours were charged to travel to and from FHL, CA to Huntsville, AL. 3/18/90 & 3/30/90 (24.4 hours), 4/29/90 & 5/11/90 (26.3) and 5/28/90 & 6/8/90 (24 hours). Total travel time for three round trips was 74.7 hours. Actual travel time by air and rental car should have been about 8 hours each way 74.7 hours - 48 hours = 26.7 hours x \$ * (CAS billing rate) = \$ * 74.7 hours - 48 hours = 26.7 hours x \$ * (BDM billing rate) = \$ *	*	*
G	28	Allowable travel time to Alexandria, VA from El Paso, TX. The following hours were charged to travel from El Paso, TX to Alexandria, VA. 6/3/90 - 6/4/90 (19.5 hours) of travel time was charged for the one-way trip from 12:00 PM Sunday through 7:30 AM Monday. Actual travel time by air and rental car should have been about 8 hours each way. 19.5 hours - 8 hours = 11.5 hours x \$ * (CAS billing rate) = \$ * 19.5 hours - 8 hours = 11.5 hours x \$ * (BDM billing rate) = \$ *	*	*
E	30	Allowable travel time to FHL, CA from El Paso, TX. The following hours were charged to travel to and from El Paso, TX, to FHL, CA. 3/5/90 & 3/23/90 - 3/24/90 (23.5 hours) Total travel time for the round trip was 23.5 hours. Actual travel time by air and rental car should have been about 6 hours each way. 23.5 hours - 12 hours = 11.5 hours x \$ * (CAS billing rate) = \$ * 23.5 hours - 12 hours = 11.5 hours x \$ * (BDM billing rate) = \$ *	*	*

¹See footnote on last page of this appendix.

Employee ¹	Delivery Order	Description	Unallowable Costs	
			CAS	BDM
M	28	Allowable travel time to FHL, CA from Huntsville, AL. The following hours were charged to travel to and from FHL, CA to Huntsville, AL 3/21/90 & 3/29/90 (20.5 hours), 4/23/90 & 5/13/90 (17 hours) and 5/28/90 & 6/14/90 (18 hours). Total travel time for three round trips was 55.5 hours. Actual travel time by air and rental car should have been about 8 hours each way. 55.5 hours - 48 hours = 7.5 hours x \$ * (CAS billing rate) = \$ * 55.5 hours - 48 hours = 7.5 hours x \$ * (BDM billing rate) = \$ *	\$ *	\$ *
E	28	Allowable travel time to Alexandria, VA from FHL, CA and return to El Paso, TX. The following hours were charged to travel from FHL, CA to Alexandria, VA and return to El Paso, TX 6/15/90 & 7/14/90 (23.5 hours). 23.5 hours of travel time was charged for the round trip Actual travel time by air and rental car should have been about 8 hours each way. 23.5 hours - 16 hours = 7.5 hours x \$ * (CAS billing rate) = \$ * 23.5 hours - 16 hours = 7.5 hours x \$ * (BDM billing rate) = \$ *	*	*
E	25	Allowable travel time to FHL, CA from El Paso, TX. The following hours were charged to travel from FHL, CA to El Paso, TX 12/20/89 - 12/21/90 (19.5 hours). Total travel time for the one-way trip from FHL, CA to vacation site was 19.5 hours. Actual travel time by air and rental car should have been about 6 hours each way 19.5 hours - 6 hours = 13.5 hours x \$ * (CAS billing rate) = \$ * 19.5 hours - 6 hours = 13.5 hours x \$ * (BDM billing rate) = \$ *	*	*
J	28	Allowable travel time to FHL, CA from Huntsville, AL. The following hours were charged to travel to and from FHL, CA to Huntsville, AL 3/27/90 & 4/5/90 (20.8 hours) and 4/23/90 & 5/11/90 (18 hours). Total travel time for two round trips was 38.8 hours. Actual travel time by air and rental car should have been about 8 hours each way. 38.8 hours - 32 hours = 6.8 hours x \$ * (CAS billing rate) = \$ * 38.8 hours - 32 hours = 6.8 hours x \$ * (BDM billing rate) = \$ *	*	*

¹See footnote on last page of this appendix.

Employee ¹	Delivery Order	Description	Unallowable Costs	
			CAS	BDM
K	28	Allowable travel time to FHL, CA from Huntsville, AL. The following hours were charged to travel to and from FHL, CA to Huntsville, AL. 3/21/90 & 4/12/90 - 4/13/90 (23 hours) and 4/23/90 & 5/16/90 (19.9 hours). Total travel time for two round trips was 42.9 hours. Actual travel time by air and rental car should have been about 8 hours each way. 42.9 hours - 32 hours = 10.9 hours x \$ * (CAS billing rate) = \$ * 42.9 hours - 32 hours = 10.9 hours x \$ * (BDM billing rate) = \$ *	\$ *	\$ *
F	28	Allowable travel time to FHL, CA from Huntsville, AL. The following hours were charged to travel to and from FHL, CA to Huntsville, AL. 4/9/90 & 4/25/90 - 4/26/90 (26 hours), 5/14/90 & 5/24/90 - 5/25/90 (25.5 hours) and 6/4/90 & 6/13/90 (24.5 hours). Total travel time for three round trips was 76 hours. Actual travel time by air and rental car should have been about 8 hours each way. 76 hours - 48 hours = 28 hours x \$ * (CAS billing rate) = \$ * 76 hours - 48 hours = 28 hours x \$ * (BDM billing rate) = \$ *	*	*
Total			<u>\$9,770.01</u>	<u>\$6,941.38</u>

¹ Employees names were deleted from this report. The names were provided to the contracting officer for corrected billing purposes.

Appendix Q: Miscellaneous Travel Expenses for MACA

Employee ¹	Delivery Order	Description	Unallowable Costs
FF	12	Received a \$600 car Rental advance that was not used. Advance was refunded to MACA but not credited to the contract. Billed on MACA invoice No.9.	\$600.00
KK	12	2 American West Value Pac Coupons purchased for VIP travel at \$234 each. Total \$468. No records when these tickets were used to reduce per diem. MACA invoice No.5.	468.00
KK	28	Charged for one-way ticket that was not used from El Paso to Fresno \$256. MACA invoice No.7.	<u>256.00</u>
Subtotal			\$1,324.00
MACA Burden at * percent			<u>*</u>
Subtotal			<u>*</u>
BDM Burden at * percent			<u>*</u>
Total			<u><u>\$1,628.39</u></u>

¹Employee names were deleted from this report. The names were provided to the contracting officer for corrected billing purposes.

Appendix R: Temporary Duty Assignment for MACA Secretaries

TDY Dates	June 18, 1990 Through July 24, 1990	July 30, 1990 Through August 7, 1990	August 13, 1990 Through August 17, 1990	August 28, 1990 Through August 31, 1990
Direct Labor				
Hours Worked	208	40	24	20
Hours in Travel Status	<u>16</u>	<u>16</u>	<u>16</u>	<u>12</u>
Total Hours	224	56	40	32
Average Billing Rate	x \$ *	x \$ *	x \$ *	x \$ *
Total Labor Cost	\$ *	\$ *	\$ *	\$ *
Travel Costs				
Air Fare	\$ 328.00	\$1,010.00	\$1,010.00	\$1,010.00
Lodging	3,315.60	744.00	372.00	279.00
Meals	1,258.00	306.00	161.50	127.50
Rental Car	0	0	132.06	134.19
Miscellaneous	68.69	35.09	40.07	36.60
Cash for Extended TDY (R&R)	<u>+ 488.00</u>	<u>+ 0</u>	<u>+ 0</u>	<u>+ 0</u>
Subtotal Travel Costs	\$5,458.29	\$2,095.09	\$1,715.63	\$1,587.29
Subcontractor MACA Burden at * %	<u>+ *</u>	<u>+ *</u>	<u>+ *</u>	<u>+ *</u>
Subtotal Travel & MACA Burden	\$ *	\$ *	\$ *	\$ *
Prime Contractor Burden at * %	<u>+ *</u>	<u>+ *</u>	<u>+ *</u>	<u>+ *</u>
Total Travel Costs	\$ *	\$ *	\$ *	\$ *
Total Costs	\$11,598.61	\$3,779.08	\$2,968.86	\$2,639.26
Hours Worked	<u>208</u>	<u>40</u>	<u>24</u>	<u>20</u>
Effective Hourly Rate	\$55.76	\$94.48	\$123.70	\$131.96

TDY Dates	Oct. 11, 1989 Through Oct. 19, 1989	Oct. 30, 1989 Through Nov. 10, 1989	Nov. 12, 1989 Through Nov. 17, 1989	Nov. 27, 1989 Through Dec. 1, 1989	Dec. 17, 1989 Through Dec. 21, 1989	Jan. 21, 1990 Through Jan. 26, 1990
Direct Labor						
Hours Worked	53	75	42	42	67	33
Hours in Travel Status	<u>20</u>	<u>27</u>	<u>16</u>	<u>18</u>	<u>10</u>	<u>21</u>
Total Hours	73	102	58	60	47	54
Hourly Billing Rate	<u>X \$ *</u>	<u>X \$ *</u>	<u>X \$ *</u>	<u>X \$ *</u>	<u>X \$ *</u>	<u>X \$ *</u>
Total Labor Cost	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
Travel Cost						
Air Fare	\$ 430.00	\$ 384.00	\$ 950.00	\$443.00	\$ 960.00	\$ 440.00
Lodging	718.52	617.51	337.80	324.12	341.23	436.45
Meals & Incidental Expenses	297.50	382.50	187.00	170.00	153.00	204.00
Rental Car & Gas	292.68	0	0	0	0	0
POV Mileage	11.52	0	0	0	7.20	5.76
Airline Ticket Change	<u>+ 36.00</u>	<u>+ 94.00</u>	<u>+ 0</u>	<u>+ 0</u>	<u>+ 0</u>	<u>+ 0</u>
Subtotal Travel Costs	\$1,786.22	\$1,478.01	\$1,474.80	\$937.12	\$1,461.43	\$1,086.21
Subcontractor MACA Burden at * %	<u>+ \$ *</u>	<u>+ \$ *</u>	<u>+ \$ *</u>	<u>+ \$ *</u>	<u>+ \$ *</u>	<u>+ \$ *</u>
Subtotal Travel & MACA Burden	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
Prime Contractor Burden at * %	<u>+ \$ *</u>	<u>+ \$ *</u>	<u>+ \$ *</u>	<u>+ \$ *</u>	<u>+ \$ *</u>	<u>+ \$ *</u>
Total Travel Costs	\$ *	\$ *	\$ *	\$ *	\$ *	\$ *
Total Costs	\$3,230.56	\$3,262.13	\$2,635.14	\$2,002.17	\$2,462.94	\$2,100.57
Hours Worked	<u>53</u>	<u>75</u>	<u>42</u>	<u>42</u>	<u>37</u>	<u>33</u>
Effective Hourly Rate	\$60.95	\$43.50	\$62.74	\$47.67	\$66.57	\$63.65

* Proprietary Data Deleted

Appendix S: Summary of Potential Benefits Resulting from the Audit

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
A.1.a.i.	Economy and efficiency. Recovers unallowable costs for charging wrong labor rates for BDM subsidiaries.	Funds put to better use of \$237,981
A.1.a.ii.	Economy and efficiency. Recovers unallowable costs for charging wrong labor rates for on-site work of the BDM ITAC employee on Delivery Order 28.	Funds put to better use of \$22,726
A.1.a.iii.	Economy and efficiency. Recovers unallowable costs for charging wrong labor rates for on-site work and travel time of CAS employees.	Funds put to better use of \$145,787
A.1.a.iv.	Economy and efficiency. Recovers unallowable costs for charging a burden rate on ODC that was too high.	Funds put to better use of \$101,364
A.1.b.	Economy and Efficiency. Negotiate a reasonable and allocable burden rate for ODC.	Nonmonetary
A.1.c.	Internal control. Modify contract to reinstate the ACO and DCAA into the contract billing and administration process.	Nonmonetary
A.2.	Economy and Efficiency. Provide office space at a Government facility whenever possible for contractor employees.	Nonmonetary
B.1.	Economy and efficiency. Recovers unallowable costs charged for employees who did not meet minimum qualifications for their personnel categories.	Funds put to better use of \$432,059

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
B.2.	Internal control. Require BDM to submit detailed resumes for all professional employees working on the contract.	Nonmonetary
B.3.	Internal control. Review all contractor resumes and determine correct personnel category classification.	Nonmonetary
B.4.	Economy and efficiency. Determine if contractor personnel meet the category requirements for positions billed for all delivery orders for contract MDA903-88-D-0018 with BDM.	Nonmonetary
C.1.a.	Economy and efficiency. Recovers costs for billing unallowable per diem on Delivery Orders 12,16, and 28.	Funds put to better use of \$40,365
C.1.b.	Economy and efficiency. Recovers costs for charging cash payments for equivalent airfares on Delivery Order 28.	Funds put to better use of \$24,435
C.1.c.	Economy and efficiency. Recovers costs for charging excessive travel time as direct labor on Delivery Orders 12, 16, 25, 28, and 30.	Funds put to better use of \$53,161
C.1.d.	Economy and efficiency. Recovers costs for unused travel advances on Delivery Order 12.	Funds put to better use of \$1,628
C.1.e.	Internal Control. Modify the contract to define allowable contractor costs for travel time.	Nonmonetary
C.2.	Internal control. Require written justification for temporary duty travel by administrative support personnel.	Nonmonetary

Recommendation Reference	Description of Benefit	Amount and/or Type of Benefit
D.1.	Economy and efficiency. Recovers unallowable ODC billed by MACA.	Funds put to better use of \$16,801
D.2.	Internal control. Requires BDM to review and provide sufficient documentation to support all ODC charged to the contract.	Nonmonetary
E.1.a.	Internal control. Establish controls to document when contractor employees are working at a Government facility.	Nonmonetary
E.1.b.	Internal control. Establish procedures to periodically review time cards of contractor employees and evaluate hours charged to the contract.	Nonmonetary
E.2.	Economy and Efficiency. Recovers unallowable costs for unauthorized overtime premiums.	Funds put to better use of \$1,601

Appendix T : Summary of Appropriations and Year for Funds

* 2020 = Operation & Maintenance

* 2040 = Research, Development, Test & Evaluation

Recommendation	Appropriation	Amount
A.1.a.i.	FY92 2020	\$ 29,163
	2040	3,678
	FY91 2020	24,048
	2040	31,878
	FY90 2020	37,125
	2040	22,370
	FY89 2020	60,291
	2040	<u>29,428</u>
		\$ 237,981
A.1.a.ii.	FY90 2040	\$ 22,726
A.1.a.iii.	FY92 2020	\$ 16,766
	2040	99,718
	FY90 2020	<u>29,303</u>
		\$ 145,787
A.1.a.iv.	FY92 2020	\$ 11,342
	2040	1,430
	FY91 2020	9,349
	2040	12,343
	FY90 2020	14,421
	2040	8,690
	FY89 2020	24,998
	2040	12,202
FY88	2020	1,759
	2040	<u>4,830</u>
		\$ 101,364
B.1.	FY92 2020	\$ 24,653
	FY91 2020	47,663
	2040	12,651
	FY90 2020	62,729
	2040	145,167
	FY89 2020	138,880
	2040	<u>316</u>
		\$ 432,059

Recommendation	Appropriation	Amount
C.1.a.	FY92 2020	\$ 2,599
	FY91 2040	1,824
	FY90 2020	1,159
	2040	20,982
	FY89 2020	<u>13,801</u>
		\$ 40,365
C.1.b.	FY90 2040	\$ 24,435
C.1.c.	FY92 2020	\$ 3,981
	FY91 2040	2,041
	FY90 2020	8,210
	2040	23,476
	FY89 2020	<u>15,453</u>
		\$53,161
C.1.d.	FY90 2040	\$ 314
	FY89 2020	<u>1,314</u>
		\$ 1,628
D.1.	FY92 2020	\$ 888
	FY91 2020	2,360
	2040	626
	FY90 2020	996
	2040	7,187
	FY89 2020	4,728
	2040	<u>16</u>
		\$16,801
E.2.	FY92 2020	\$113
	FY90 2020	28
	2040	897
	FY89 2020	<u>563</u>
		\$ 1,601

Appendix U: Activities Visited or Contacted

Department of the Army

U.S. Army Operational Test and Evaluation Command, Alexandria, VA
Defense Supply Service, Washington, DC

Defense Agencies

Defense Contract Audit Agency, Headquarters, Alexandria, VA
Defense Contract Audit Agency, BDM Suboffice, McLean, VA
Defense Contract Audit Agency, Eastern Region, Huntsville, AL
Defense Contract Audit Agency, El Paso Suboffice, El Paso, TX
Defense Contract Administration Services Management Area,
Baltimore, MD

Non-Government Activities

BDM International Inc., McLean, VA
CAS Incorporated, Huntsville, AL
Management Assistance Corporation of America, El Paso, TX

Appendix V: Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense For Acquisition
Assistant Secretary of Defense (Force Management and Personnel)
Director of Defense Procurement
Comptroller of the Department of Defense
Director of Operational Test and Evaluation
Director of Contract Advisory and Assistance Services
Director, Defense Acquisition Regulations Council

Department of the Army

Secretary of the Army
Commander, Army Operational Test and Evaluation Command
Director, Defense Supply Service- Washington
Inspector General, Department of the Army

Defense Agencies

Director, Defense Contract Audit Agency
Director, Defense Logistics Agency

Non-DoD Federal Organizations

Office of Management and Budget
Office of Federal Procurement Policy
U.S. General Accounting Office, NSIAD Technical Information Center

Congressional Committees:

Senate Subcommittee on Defense, Committee on Appropriations
Ranking Minority Member, Senate Subcommittee on Defense,
Committee on Appropriations
Senate Committee on Armed Services
Ranking Minority Member, Senate Committee on Armed Services
Senate Committee on Governmental Affairs
Ranking Minority Member, Senate Committee on Governmental Affairs

House Committee on Appropriations
Ranking Minority Member, House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
Ranking Minority Member, House Subcommittee on Defense, Committee
on Appropriations
House Committee on Armed Services
Ranking Minority Member, House Committee on Armed Services
House Committee on Government Operations
Ranking Minority Member, House Committee on Government Operations
House Subcommittee on Legislation and National Security, Committee on
Government Operations
Ranking Minority Member, House Subcommittee on Legislation and
National Security, Committee on Government Operations
The Honorable David Pryor, United States Senate
The Honorable Barbara Boxer, House of Representatives

PART IV-MANAGEMENT COMMENTS

Management Comments from Defense Supply Service-Washington

REPLY TO
ATTENTION OFDEPARTMENT OF THE ARMY
HEADQUARTERS SERVICES, WASHINGTON
WASHINGTON, DC 20310-1805

May 4, 1992

MEMORANDUM FOR DEPUTY ASSISTANT INSPECTOR GENERAL FOR AUDITING,
DEPARTMENT OF DEFENSESUBJECT: Draft IG, DOD Audit Report, Expenditures on Consulting
Services Contract MDA903-88-D-0018 with BDM
International, Inc. (Project 1CH-0035)

The attached comments (TAB A) are in response to findings and recommendations contained in the subject audit report and are provided as requested. The report also directed recommendations to the US Army Operational Test and Evaluation Command and their report of corrective action development is provided at TAB B.

Negotiations will be conducted with the Contractor by the Contracting Officer following coordination with the Administrative Contracting Office, the Defense Contract Audit Agency, the OPTEC to establish a negotiation objective for recoupment of unallowable costs in accordance with applicable law and regulation.

Review of BDM billings to date indicates that the contractor has reimbursed the Government \$74,704 of the Inspector General questioned amount of \$1,080,908. Two of the Inspector General recommendations (A.1.b and C.1.4) have already been completely resolved through this voluntary reimbursement action on the part of BDM in response to DODIG negotiations with the contractor.

Because of the length of time required by DCAA to audit a prime contractor and associated subcontractors, and the time contemplated as necessary to conduct negotiations of what may be considered contested costs in an adversarial situation, complete resolution of all of the Inspector General concerns is expected to require up to nine months.

We will advise you as to the results upon completion of negotiations. As suggested, the Contracting Officer will question costs outlined in the report and negotiate as appropriate.

PETER STEIN
Coordinator for
Headquarters Services-Washington

Enclosure

Subject: DSS-W Review

Reference: Draft Audit Report of Expenditures on
Consulting Services Contract MDA903-88-D-0018
with BDM International, Inc., Project No 1CH-0035

Authority to recoup any and all monetary benefit under the referenced contract is the sole prerogative of the Contracting Officer under the authority of PAYMENTS UNDER TIME-AND-MATERIALS AND LABOR-HOUR CONTRACTS (FAR 52.232-7) (APR 1984), subparagraph (e) which states in part,

"At any time before final payment under this contract the Contracting Officer may request audit of the invoices or vouchers and substantiating material. Each payment previously made shall be subject to reduction to the extent of amounts, on preceding invoices or vouchers, that are found by the Contracting Officer not to have been properly payable and shall also be subject to reduction for overpayments or to increase for underpayments." ...

Inspector General recommended dollar amounts to be returned by BDM are compared below with the amounts already reimbursed by the contractor. Though DODIG recommended amounts are shown as negotiation targets, differing amounts may be established as a result of the Contracting Officer analysis and coordination with other Government agencies such as DCAA and OPTEC. Negotiation with the contractor will determine the final monetary benefit to be obtained.

<u>Concern</u>	Inspector General Contemplated Monetary Benefit	BDM Reimbursement Dividend	Negotiable pursuant to FAR 52.232-7
<u>Contract Terms</u>			
Subsid effort	\$ 237,981	\$ 0	\$ 237,981
Labor rate	22,726	22,726	resolved 0
CAS billing	145,787	0	145,787
MACA billing	29,148*	0	29,148
ODC rate	<u>104,364</u>	<u>0</u>	<u>104,364</u>
subtotal	\$ 510,858	\$ 22,726	\$ 488,132
<u>Personnel</u>			
Minimum qual	\$ 432,059	\$ 0	\$ 432,059
<u>Travel</u>			
Per diem	\$ 40,365	\$ 31,191	part \$ 9,174
Equiv airfare	24,435	0	24,435
DL/travel	53,161	5,762	part 47,399
Misc travel	<u>1,628</u>	<u>1,628</u>	resolved <u>0</u>
subtotal	\$ 119,589	\$ 38,581	\$ 81,008
<u>Subkr ODC</u>	\$ 16,801	\$ 13,397	part \$ 3,404
<u>Overtime</u>	<u>\$ 1,601</u>	<u>\$ 0</u>	<u>\$ 1,601</u>
	-----	-----	-----
Total	\$ 1,080,908	\$ 74,704	\$ 1,006,204

A.1.a. Terms of the Contract: Contract Labor Rates for BDM
Subsidiaries

DODIG FINDINGS. The IG "found that BDM consistently charged the Government off-site subcontractor labor rates versus off-site prime rates for work performed by its three subsidiaries. The off-site subcontractor labor rates negotiated in the contract averaged about 7.26 percent higher than the off-site prime labor rates."

DODIG RECOMMENDATION. The Contracting Officer shall initiate action to recover costs in the amount of \$237,981 resulting from BDM billing the wrong contract labor rates for off-site work performed by BDM subsidiaries.

DSS-W COMMENT. Concur with the findings.

The Contracting Officer will coordinate with the Administrative Contracting Office, the Defense Contract Audit Agency, and OPTEC to recoup all unallowable costs paid to the contractor based upon inappropriate billing of subsidiary organizations as subcontractors. Separate rates for the subsidiary organizations will be negotiated if appropriate.

A.1.b. Terms of the Contract: Contract Labor Rates for BDM
Subsidiaries - BDM ITAC

DODIG FINDINGS. BDM did correctly bill subsidiary on-site effort at the correct subcontractor on-site rate with one exception. BDM in one instance did bill 706 hours of off-site effort when the subsidiary employee actually worked these hours at the on-site location.

DODIG RECOMMENDATION. The Contracting Officer shall initiate action to recover costs in the amount of \$ 22,726 resulting from BDM billing the incorrect labor rate for on-site work performed by BDM subsidiary, BDM ITAC, on Delivery Order 28.

DSS-W COMMENT. Concur with the findings.

BDM voucher, dated 13 January 1992, against Delivery Order number 0028 has been submitted and reimburses the Government the total amount to which the Inspector General has taken exception, \$22,726. This finding is resolved.

A.2. Terms of the Contract: Contract Labor Rates for CAS, Inc.

DODIG FINDINGS. "BDM charged the Government off-site subcontractor labor rates for on-site work performed by CAS, Inc.. BDM contends that CAS did not provide on-site labor rates in its original bids and that the CAS rates were not used to develop the on-site subcontractor labor rates. Although this is correct, the contract did not prescribe that the on-site subcontractor labor rates would only be used for 'certain' subcontractors."

DODIG RECOMMENDATION. The Contracting Officer shall initiate action to recover costs in the amount of \$ 145,787 resulting from BDM billing incorrect labor rates for on-site hours worked, and for travel time charged for subcontractor CAS.

DSS-W COMMENT. Concur with the findings.

The amount recommended for recoupment by the Inspector General is subject to DCAA audit and final decision of the Contracting Officer. The contract rates described in Part A.1.a., above, do not provide options to bill subcontractor effort at the most affordable rate.

A. (not itemized) Terms of the Contract: Office Space for
Subcontractor Employees

DODIG findings. The Inspector General identified \$30,846 billed for off-site effort which should have been billed as on-site effort for the subcontractor, MACA. The Inspector General audit further describes how BDM could have provided rental quarters which could have been charged as Other Direct Costs under the delivery order. Though reducing the savings by \$1,454, the audit indicates that a net savings of \$29,148 could have been possible.

DODIG RECOMMENDATION. (The savings dividend computed was not specifically itemized as a Recommendation.)

DSS-W COMMENT. See OPTEC COMMENT regarding Office Space for Subcontractor Employees

A.3. Terms of the Contract: Burden Rate for Other Direct Costs

DODIG FINDINGS. (i) "BDM and the Government originally negotiated a single burden rate of * percent for ODCs. However, after the contract was negotiated BDM determined that the burden rate was too low. BDM sent the contracting officer a letter dated December 13, 1988, (revised letter dated December 15, 1988) that proposed two alternatives 'A' and 'B' for ODC burden rates."..."The proposed (Alternative 'A') Procurement Burden Rate (* percent) was much lower than the Other ODC's Burden rate (* percent), and it was impossible to negotiate an accurate single burden rate for ODCs without accurate estimates of the total contract costs from each group. Without this information the Contracting Officer negotiated a new, single ODC burden rate of * percent." ... (ii) "We compared the costs to the Government associated with the single negotiated ODC burden rate of * percent to BDM's costs associated with proposed alternatives A and B and found that the negotiated burden rate was too high."

DODIG RECOMMENDATIONS.

- a. The Contracting Officer shall initiate action to recover costs in the amount of \$ 104,364 for BDM International, Inc., charging a burden rate on Other Direct Costs that was too high.
- b. The Contracting Officer shall initiate action to negotiate reasonable and allocable burden rates for Other Direct Costs.

DSS-W COMMENT. Concur with the findings.

The Contracting Officer will coordinate with the Administrative Contracting Office, the Defense Contract Audit Agency, and OPTEC to recoup all unallowable costs paid to the contractor based upon billing of other direct cost burden that was too high, and to negotiate burden rates that are reasonable.

A.4. Terms of the Contract: Contract Administration

DODIG FINDINGS. "The contracting officer did not establish adequate procedures to ensure that the contract was effectively administered. In addition, the contracting officer removed the ACO and DCAA from the contract administration process and assigned their responsibilities to the CORs." ... "The Contracting Officer is responsible for ensuring effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. Based on the problems identified in this finding; ... we believe the contracting officer has not adequately performed the required responsibilities."

DODIG RECOMMENDATION. The Contracting Officer shall issue a contract modification to reinstate the Administrative Contracting Officer, and the Defense Contract Audit Agency into both the contract billing process, and the contract administration process.

DSS-W COMMENT. Concur with the findings.

The Contracting Officer will coordinate with the Administrative Contracting Officer, the Defense Contract Audit Agency, and OPTEC to analyze and correct all deficiencies identified by the IG which prevent effective administration of the contract and jeopardize the interests of the United States.

B.1. Minimum Qualifications for Personnel Categories: Personnel Categories and Skill Levels

DODIG FINDINGS. "BDM charged the Government incorrect labor rates for employees that did not meet the minimum qualifications for personnel categories and skill levels under the contract. This occurred because BDM provided the Contracting Officer and the CORs with employee resumes that were too general, incomplete, and not always accurate. In addition, the contracting officer and the CORs did not adequately review resumes to determine if employees were classified in the appropriate personnel categories and skill levels. We selectively reviewed employee resumes for BDM and its subcontractors and determined that almost 50 percent of the professional employees did not meet the minimum contract requirements for personnel categories or skill levels billed."

DODIG RECOMMENDATION. The Contracting Officer shall initiate action to recover unallowable costs in the amount of \$ 432,059 for charging incorrect labor rates for employees who did not meet the minimum qualifications for personnel categories or skill levels billed.

DSS-W COMMENT. Concur with the findings. The Contracting Officer will coordinate with the Administrative Contracting Officer, the Defense Contract Audit Agency, and OPTEC to detect and analyze all instances of incorrect classification of contractor personnel working under all delivery orders and to recoup all unallowable costs paid to BDM for charging incorrect labor rates for employees who did not meet category qualifications.

B.2. Minimum Qualifications for Personnel Categories: Employee
Resumes

DODIG FINDING. "... for the BDM employees, we received resume summaries, which listed the employees' education and experience in approximately two to three paragraphs. The summaries used key words from the personnel category requirements contained in the contract. ... we were unable to identify employers, years worked, and job titles or job experience under each employer."

DODIG RECOMMENDATION. The Contracting Officer shall initiate action to require BDM International, Inc. to submit detailed resumes for all professional employees performing work on the contract that describes suitable experience in chronological order by employer.

DSS-W COMMENT. Concur with findings.

The Contracting Officer will direct BDM to submit detailed resumes which display definitive educational and experience background in chronological order.

B.3. Minimum Qualifications for Personnel Categories: Personnel
Category Classification Review

DODIG FINDING. (as above) "... for the BDM employees, we received resume summaries, which listed the employees' education and experience in approximately two to three paragraphs. The summaries used key words from the personnel category requirements contained in the contract. ... we were unable to identify employers, years worked, and job titles or job experience under each employer."

(continued) "This was the same format given to OPTEC for each Task Execution Plan. The CORs at OPTEC did not question the format and accepted the summaries as written. The Government, therefore, was unable to determine whether these employees met the minimum qualifications for personnel categories or skill levels."

DODIG RECOMMENDATION. The Contracting Officer shall initiate action to review all contractor resumes and determine the correct personnel category classification.

DSS-W COMMENT. Concur with findings.

The Contracting Officer will coordinate with the Administrative Contracting Officer, the Defense Contract Audit Agency, and OPTEC to detect and analyze all instances of incorrect classification of contractor personnel working under delivery orders. The Contracting Officer will reclassify all personnel as appropriate.

B.4. Minimum Qualifications for Personnel Categories: Delivery
Order Personnel Category Billing Review

DODIG FINDING. "Five of fourteen BDM employees who provided support on Delivery Orders 12, 16, 25, 28, and 30 did not meet the minimum qualification for the personnel categories or skill levels billed. ... Ten of fourteen MACA employees who provided support on Delivery Orders 12, 16, and 28 did not meet the minimum qualification for the personnel categories or skill levels billed. ... Four of fourteen personnel who provided support on Delivery Orders 25, 28, and 30 did not meet the minimum qualification for the personnel categories or skill levels billed. ... Two of three ASR&E employees who provided support on Delivery Order 30 did not meet the minimum qualification for the personnel categories or skill levels billed. ... The value of the five delivery orders (12, 16, 25, 28, 30) was about \$1 million or about 19 percent of the total contract value of \$5.2 million. We expanded our review for several of the employees who were classified in the wrong personnel categories or skill levels that also worked on Delivery Orders 7, 24, and 37."

DODIG RECOMMENDATION. The Contracting Officer shall initiate action to perform a review for all Delivery Orders to determine if contractor personnel met or continue to meet the minimum contract personnel category requirements billed.

DSS-W COMMENT. Concur with the findings.

The Contracting Officer will coordinate with the Administrative

Contracting Officer, the Defense Contract Audit Agency, and OPTEC to detect and analyze all instances of billing of incorrectly classified contractor personnel working under all delivery orders. Corrective action shall include procedural changes as appropriate to correct the billing review process currently in place.

C.1. Contract Travel Costs: Per Diem; Equivalent Airfares; Travel Time as Direct Labor; and Miscellaneous Travel

DODIG FINDINGS. "BDM and its subcontractors charged the Government for travel costs that were not reasonable or allowable under the contract. This condition occurred because BDM, the contracting officer, and the CORs did not adequately review travel claims or require sufficient documentation to support travel claims. Further, BDM and its subcontractors had inconsistent travel policies that did not agree with the terms of the contract."

DODIG RECOMMENDATIONS.

1. The contracting Officer shall initiate action to recover contract costs of \$40,365 from BDM International, Inc. for billing unallowable per diem on Delivery Orders 12, 16, and 28;
2. The contracting Officer shall initiate action to recover contract costs of \$24,435 from BDM International, Inc. for billing unallowable cash payments for equivalent airfares on Delivery Orders 28;
3. The contracting Officer shall initiate action to recover contract costs of \$53,161 from BDM International, Inc. for billing unallowable travel time as direct labor - Delivery Orders 12, 16, 25, 28, and 30.
4. The contracting Officer shall initiate action to recover contract costs of \$ 1,628 from BDM International, Inc. for collection of unused miscellaneous travel advances on Delivery Order 12.

DSS-W COMMENT. Concur with the findings.

1. BDM has submitted three negative vouchers against Delivery Orders 12, 16, and 28. The vouchers reimburse \$32,824 of a total \$40,365 to which the Inspector General takes exception. The Contracting Officer will coordinate with the Administrative Contracting Officer, the Defense Contract Audit Agency, and OPTEC recoup the remaining unallowable per diem costs paid to BDM.

2. The Contracting Officer will coordinate with the Administrative Contracting Officer, the Defense Contract Audit Agency, and OPTEC recoup the unallowable cash payments for equivalent airfares.

3. BDM has reimbursed \$5,762 of the total amount to which the IG takes exception. The Contracting Officer will coordinate with the Administrative Contracting Officer, the Defense Contract Audit Agency, and OPTEC to recoup the remaining unallowable travel time cost billed as direct labor.

4. BDM has reimbursed the Government the total amount to which the Inspector General takes exception.

C.2. Contract Travel Costs: Modify the Contract to Define
Unallowable Travel

DODIG FINDINGS. "...BDM and its subcontractors had inconsistent travel policies that did not agree with the terms of the contract."

DODIG RECOMMENDATION. The contracting officer shall initiate action to modify the contract to define allowable contractor costs for travel time.

DSS-W COMMENT. Concur with the findings.

The Contracting Officer will coordinate with the Administrative Contracting Officer, the Defense Contract Audit Agency, and OPTEC to define all costs which may be considered allowable in performance of delivery orders and, if necessary, will make an appropriate modification to the contract.

C.3. Contract Travel Costs: Temporary Duty Assignments for MACA Secretaries

DODIG FINDINGS. "MACA authorized trips for administrative secretaries to Alexandria, Virginia, to type and correct reports that were being developed at OPTEC.

DODIG RECOMMENDATION. OPTEC issue guidance to contracting officers' representatives that temporary duty trips by contractor

administrative support personnel are not authorized without written justification.

DSS-W COMMENT. See OPTEC COMMENT regarding Temporary Duty Assignments

D.1. Allowability of Subcontractor Other Direct Costs: MACA ODC

DODIG FINDINGS. "BDM billed the Government for costs not allocable to the contract, which MACA submitted as 'Other Direct Costs.' This condition occurred because BDM, the contracting officer, and the CORs did not adequately review or require sufficient documentation to support these costs. In addition, MACA did not have adequate internal controls to prevent these costs from being charged to the BDM contract."

DODIG RECOMMENDATION. The Contracting Officer shall initiate action to recover unallowable contract costs of \$ 16,801 from BDM International, Inc. for billing Other Direct Costs submitted by Management Assistance Corporation of America that were not allocable to the contract.

DSS-W COMMENT. Concur with the finding.

BDM has reimbursed the Government \$13,397 of the total \$16,801 to which the Inspector General takes exception. The Contracting Officer will coordinate with the Administrative Contracting Officer, the Defense Contract Audit Agency, and OPTEC to effect recoupment of the remaining unallowable ODC billed for the subcontractor.

D.2. Allowability of Subcontractor Other Direct Costs: Support
Documentation for All Other Direct Costs

DODIG FINDINGS. "BDM billed the Government for costs not allocable to the contract, which MACA submitted as 'Other Direct Costs.' This condition occurred because BDM, the contracting officer, and the CORs did not adequately review or require sufficient documentation to support these costs."

DODIG RECOMMENDATION. The Contracting Officer shall initiate action to require BDM to review and provide sufficient documentation to support all Other Direct Costs charged to the contract.

DSS-W COMMENT. Concur with the finding.

The Contracting Officer shall coordinate with the Administrative Contracting Officer, the Defense Contracts Audit Agency, and OPTEC to determine and to obtain all documentation necessary to support the allowability of other direct costs billed to delivery orders.

E.1. Overtime Costs and Policies: OPTEC Controls and Procedures

DODIG FINDING. "OPTEC had no control over significant amounts of overtime charged to the contract by BDM subcontractors."

DODIG RECOMMENDATIONS. OPTEC shall establish controls to document when contractor employees are working at a Government facility; and shall establish procedures to periodically review time cards for contractor employees and evaluate hours charged to the contract.

DSS-W COMMENT. See OPTEC COMMENT regarding Overtime Costs and Policies

E.2. Overtime Costs and Policies: Unauthorized Overtime Premiums for Administrative Secretaries

DODIG FINDING. "BDM charged the Army overtime costs for administrative secretaries who worked over 40 hour workweeks without approval from the contracting officer or COR."

DODIG RECOMMENDATION. The Contracting Officer shall initiate action to recover unallowable contract costs of \$ 1,601 for unauthorized overtime premiums for administrative secretaries.

DSS-W COMMENT. Concur with finding.

The Contracting Officer will coordinate with the Administrative

Contracting Office, the Defense Contract Audit Agency, OPTEC, and legal counsel to recoup unauthorized overtime premiums for non exempt employees.

Management Comments from Army Operational Test and Evaluation Command



DEPARTMENT OF THE ARMY
UNITED STATES ARMY OPERATIONAL TEST AND EVALUATION COMMAND
PARK CENTER IV 4501 FORD AVENUE
ALEXANDRIA, VA 22302-1458



CSTE-OPC (340d)

16 APR 1991
16 APR 1991

MEMORANDUM THRU Chief of Staff, Army

FOR Administrative Assistant to the Secretary, ATTN: SAAA-IR,
Room 1E660, Pentagon, Washington DC 20310-0105

SUBJECT: Draft Audit Report of Expenditures on Consulting
Services Contract MDA903-88-D-0018 With BDM International, Inc.
(Project No. 1CH-0035)

1. This is in response to subject report provided for review and comment. A summary of the auditors' findings and our comments are enclosed.
2. The point of contact for this action is Major Larry W. Groome, commercial 703-756-8353 or DSN 289-8353.

Encl

William H. Forster
WILLIAM H. FORSTER
Major General, USA
Commanding

CF:
Director, Test and Evaluation Management Agency,
ATTN: DACS-TE (LTC Kaminski), Wash, DC 20310

SUMMARY

FINDING A: (Terms of the Contract), Office Space for Subcontractor Employees For a 6-week period during 1990, seven MACA employees worked primarily at a BDM facility in Alexandria, VA. BDM billed the Government the off-site subcontractor labor rate of \$88,847. MACA could have billed BDM its on-site labor rates of \$58,001 and the rent cost of \$1,454 as an ODC, plus BDM's burden on ODCs of \$244. The cost to the Government would have been \$59,699 versus \$88,847, a savings of \$29,148. OPTEC also could have obtained this savings by providing the necessary office space or even renting the necessary space used by the subcontractor employees.

DODIG RECOMMENDATION. OPTEC initiate action to provide subcontractor employees with office space at a Government facility whenever possible.

OPTEC COMMENT. Concur with findings. OPTEC describes in detail the level of Government support in every statement of work and it is a factor in both pricing and negotiations. OPTEC provides subcontractor employees with office space at Government facilities when available and will continue to do so in the future. However, we operate under severe space constraints in the Greater Washington Area. Vacant Government office space was not available during the period in question.

FINDING C: (Contract Travel Cost), Temporary Duty Assignments for MACA Secretaries MACA authorized four trips between June 1990, and August 1990, for two administrative secretaries to Alexandria, VA. These secretaries were tasked to type and correct reports that were being developed at OPTEC.

DODIG RECOMMENDATION. OPTEC issue guidance to contracting officer's representatives that temporary duty trips by contractor administrative support personnel are not authorized without written justification.

OPTEC COMMENT. Concur with findings. OPTEC will prepare a policy letter not later than 1 May 1992 stating that travel of administrative personnel is not authorized unless administrative support is not available at the work site and a written justification is provided to DCSOPS. The subject will also be addressed in our COR training program.

FINDING E: (Overtime Costs and Policies), OPTEC had no control over significant amounts of overtime charged to the contract by BDM subcontractors. The Army contracting officer and CORs did not adequately review or receive sufficient information to substantiate contractor billings. MACA and CAS employees routinely charged the Army for 10- to 18-hour days, often without lunch, and 50- to 85-hour weeks with the Army having no means to verify actual hours worked.

DODIG RECOMMENDATION. OPTEC establish controls to document when contractor employees are working at a Government facility. Establish procedures to periodically review time cards for contractor employees and evaluate hours charged to the contractor.

OPTEC COMMENT. Nonconcur with recommendation. The contractor, and his subcontractors, have responsibility to maintain accurate records of employee workhours. This responsibility should remain with the contractor and be enforced by the Government Contractor, Officer. Current procedures require the contractor to provide the contracting officer's representative with DD Form 250 stating the hours each employee worked. The contracting officer's representative authorizes payment after a complete review of hours worked based on the deliverables received. Additional information is requested from the contractor when clarification is required. Review of the individual time cards that make up the hours billed on the DD Form 250 should become the responsibility of Defense Contract Audit Agency (DCAA). OPTEC will seek necessary action to reinstate DCAA into both the contract billing and administration processes.

Audit Team Members

David K. Steensma	Director, Contract Management Directorate
Garold E. Stephenson	Program Director
Henry F. Kleinknecht	Project Manager
Robert F. Prinzbach	Team Leader
Kimble L. Powell	Auditor
Stephanie L. Davis	Auditor
Lynn S. Carlson	Auditor
Mable Randolph	Editor