

---

September 26, 2006

---



# Acquisition

Ice Delivery Contracts Between  
International American Products,  
Worldwide Services and the U.S.  
Army Corps of Engineers  
(D-2006-116)

---

Department of Defense  
Office of Inspector General

---

*Quality*

*Integrity*

*Accountability*

### **Additional Copies**

To obtain additional copies of this report, visit the Web site of the Department of Defense Inspector General at <http://www.dodig.mil/audit/reports> or contact the Secondary Reports Distribution Unit at (703) 604-8937 (DSN 664-8937) or fax (703) 604-8932.

### **Suggestions for Future Audits**

To suggest ideas for or to request future audits, contact the Office of the Deputy Inspector General for Auditing at (703) 604-8940 (DSN 664-8940) or fax (703) 604-8932. Ideas and requests can also be mailed to:

ODIG-AUD (ATTN: Audit Suggestions)  
Department of Defense Inspector General  
400 Army Navy Drive (Room 801)  
Arlington, VA 22202-4704

DEPARTMENT OF DEFENSE

**hotline**

**To report fraud, waste, mismanagement, and abuse of authority.**

Send written complaints to: Defense Hotline, The Pentagon, Washington, DC 20301-1900  
Phone: 800.424.9098 e-mail: [hotline@dodig.mil](mailto:hotline@dodig.mil) [www.dodig.mil/hotline](http://www.dodig.mil/hotline)

### **Acronyms**

ACI	Advanced Contracting Initiatives
FAR	Federal Acquisition Regulation
FEMA	Federal Emergency Management Agency
GAO	Government Accountability Office
IAP	International American Products, Worldwide Services
IG	Inspector General
RFP	Request for Proposal



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

September 26, 2006

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Report on Ice Delivery Contracts Between International American Products,  
Worldwide Services and the U.S. Army Corps of Engineers  
(Report No. D-2006-116)

We are providing this report for information and use. No written response to this report was required, and none was received.

We appreciate the courtesies extended to the staff. Questions should be directed to Deborah L. Culp at (703) 604-9335 (DSN 664-9335) or Ms. Bobbie Sau Wan at (703) 604-9259 (DSN 664-9259). See Appendix E for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

Richard B. Jolliffe  
Assistant Inspector General  
Acquisition and Contract Management

## Department of Defense Office of Inspector General

Report No. D-2006-116

September 26, 2006

(Project No. D2006-D000CG-0075.001)

### Ice Delivery Contracts Between International American Products, Worldwide Services and the U.S. Army Corps of Engineers

#### Executive Summary

**Who Should Read This Report and Why?** U.S. Army Corps of Engineers contracting officials, emergency management personnel, and technical evaluation teams should read this report. This report discusses the award process and the administration of the ice delivery contracts used in emergency situations.

**Background.** Congressman Bennie G. Thompson requested the U.S. Army Corps of Engineers Inspector General to review the contracts between International American Products, Worldwide Services and the U.S. Army Corps of Engineers regarding the procurement and delivery of ice in emergency situations. Due to lack of resources, the U.S. Army Corps of Engineers Inspector General requested that the DoD Office of Inspector General perform the review. Congressman Thompson requested a review of five specific issues. The issues were a year-by-year breakdown of payments beginning in 1999; the Corps requests for proposal for the ice contracts beginning in 1995; details of International American Products, Worldwide Services winning proposals since 1999; proposals of other ice contract applicants during that time; and the Corps efforts to solicit bids from the small or minority-owned business community.

This report will be followed by a second report addressing other issues identified in the administration of the 2003 ice delivery contract that were not part of Congressman Thompson's original request. These reports are part of a series of reports that will be issued by the DoD Office of Inspector General discussing the use of DoD resources in response to Hurricane Katrina recovery efforts.

**Results.** We performed this review to respond to the congressional request to determine whether the two contracts between International American Products, Worldwide Services and the U.S. Army Corps of Engineers for the procurement and delivery of ice were properly awarded and administered. The U.S. Army Corps of Engineers paid approximately \$153 million to the contractor for the purchase and delivery of ice from September 22, 1999, through May 17, 2006. From 1995 through 1999, the U.S. Army Corps of Engineers issued post-disaster awards for ice and related services. After implementing Advanced Contracting Initiatives, the U.S. Army Corps of Engineers issued a request for proposals for ice delivery during emergencies and awarded an ice delivery contract to International American Products, Worldwide Services in August 1999. In general, the U.S. Army Corps of Engineers properly planned, solicited,

and awarded to International American Products, Worldwide Services, and the Corps appropriately evaluated all other proposals. The U.S. Army Corps of Engineers set aside contracts for ice delivery to the small business community. See the Finding section for additional information.

**Management Comments.** We provided a draft of this report on August 23, 2006. No written response to this report was required, and none was received. Therefore, we are publishing this report in final form.

# Table of Contents

---

<b>Executive Summary</b>	i
<b>Background</b>	1
<b>Objective</b>	2
<b>Finding</b>	
Ice Delivery Contracts to International American Products, Worldwide Services	3
<b>Other Matters of Interest</b>	10
<b>Appendixes</b>	
A. Scope and Methodology	12
B. Prior Coverage	14
C. Congressional Request	15
D. Government Cost Estimates and Contracted Rates for Ice Delivery Contract Line Items	17
E. Report Distribution	20

---

## Background

This is the first of two reports discussing ice delivery contracts used for emergency situations. This report is in response to Congressman Bennie G. Thompson's request (see Appendix C). The second report will address other issues identified during the review. Both reports are part of a series of planned DoD Inspector General (IG) audit reports that will discuss the use of DoD resources in response to the Hurricane Katrina recovery efforts.

**2004 National Response Plan.** The 2004 National Response Plan is designed to provide structure for effective and efficient incident management among Federal, State, and local emergency management agencies. The National Response Plan includes 15 emergency support functions, which establish responsibilities from immediate disaster mitigation to long-term recovery from a disaster. The U.S. Army Corps of Engineers (the Corps) is primarily responsible for one of the 15 functions, namely Emergency Support Function Number 3, "Public Works and Engineering." Emergency Support Function Number 3 includes contracting for ice in emergency situations.

The 2004 National Response Plan not only involves the Corps under DoD but also commits all Federal departments to cooperate with the Department of Homeland Security in emergency and disaster situations. The Department of Homeland Security is the primary Federal agency for responding to emergencies. Under Public Law 107-296, "Homeland Security Act of 2002," the Department of Homeland Security is allowed to coordinate with personnel from other agencies to accomplish its mission with the President's approval. The Federal Emergency Management Agency (FEMA), part of the Department of Homeland Security, coordinates the Federal response to emergencies and disasters through the use of mission assignments.

**Mission Assignments.** The Department of Homeland Security and FEMA use mission assignments to support Federal operations during major disasters or emergency declarations when local and State governments are overwhelmed by the events. The 2004 National Response Plan authorizes the Department of Homeland Security and FEMA, through the National Response Coordination Center, to issue mission assignments. FEMA issued a national ice mission assignment to the Corps for \$200 million to be used during the Hurricane Katrina recovery efforts.

**Advanced Contracting Initiatives and Issuance of Ice Contracts.** To enable a quick response in emergencies and disasters, the Corps developed the Advanced Contracting Initiatives (ACI). In 1999, the Corps developed the ACI for ice, water, power, temporary roofing, and debris removal. Under the ACI, requirements contracts for emergency ice delivery are awarded pre-disaster and provide the Corps contracting personnel the ability to place delivery orders after a

---

disaster at the pre-negotiated rate. Prior to developing the ACI, the Corps procured ice after the emergency happened, delaying the response time and potentially adding additional costs. Using the ACI, the Corps awarded both the 1999 and 2003 requirements contracts for ice delivery to International American Products, Worldwide Services (IAP).

**Requirements Contracts.** Requirements contracts provide a method of filling actual needs of an agency by placing delivery orders against the contract. According to Federal Acquisition Regulation (FAR) 16.503, “Requirements Contracts,” specifications on requirements contracts are as follows:

- an estimate for goods or services should be included based on past usage or other available information;
- if feasible, the contract should state a maximum purchase requirement, a minimum and maximum amount for each delivery order, and a specified time period; and
- goods or services are not procured on the contract until a delivery order is placed.

## **Objective**

Our overall audit objective was to address a congressional request pertaining to the award and administration of the ice delivery contracts between IAP and the Corps. Specifically, we reviewed the year-by-year breakdown of payments to the contractor beginning in 1999, the Corps’ request for proposals (RFP) for the ice contracts since 1995, the IAP response to the requests, the proposals of other ice delivery contract applicants, and the Corps efforts to solicit proposals for the ice contracts from small or minority-owned businesses. See Appendix A for a discussion of the scope and methodology and Appendix B for prior coverage related to the objectives.



---

## Ice Delivery Contracts to International American Products, Worldwide Services

Generally, the Corps adequately awarded contracts in 1999 and 2003 to IAP for ice delivery contracts during emergencies from August 1999 through January 2006. The total payments made on these contracts were approximately \$153 million through May 17, 2006.

- The Corps paid more than \$3 million on the 1999 contract and almost \$150 million on the 2003 contract through May 17, 2006.
- The Corps did not issue RFPs for emergency ice contracts from 1995 through April 1999. However, the Corps did issue post-disaster awards for ice and related services during those years. In April 1999, the Corps Charleston District advertised an ACI ice delivery contract in the *Commerce Business Daily* and 65 companies requested a copy of the solicitation. For the 2003 contract, the Corps Galveston District advertised an ACI ice delivery contract on [www.fedbizopps.gov](http://www.fedbizopps.gov) and 11 companies requested the solicitation.
- The Corps received two responsive proposals on the 1999 solicitation, and IAP was the lowest offeror.
- The Corps received five requests for copies of the 2003 solicitation; however, IAP was the only responsive offeror.
- The Corps limited competition to small businesses and awarded both the 1999 and 2003 ice delivery contracts as small business set-aside contracts.

Generally, the Corps contracting officials appropriately completed the pre-award process for ice delivery contracts by using acquisition planning, advertising solicitations, and implementing small business coordination procedures. The Corps contracting officials properly evaluated and rated submitted proposals based on Government cost estimates versus contractor price proposals, single-award decision criteria, and contractor technical proposals and awarded the two ACI ice delivery contracts to IAP.

### Ice Delivery Contracts

The Corps awarded two requirements contracts for ice as part of the ACI. The Corps Charleston District awarded the 1999 ice delivery contract DACW60-99-D-0002 on August 2, 1999, based on projected usage valued at the

---

estimated amount of \$333,368,713 that included 2 option years. The Corps Galveston District awarded the 2003 ice delivery contract DACW64-03-D-0003 on November 21, 2002, with an estimated value of \$109,484.97 including the 2 option years based on purchasing one unit of each contract line item. Both requirements contracts were for packaged ice, transportation, and management of the distribution system during emergencies. According to the Corps contracting officer any contracting officer had authority to place delivery orders on these contracts regardless of the location. The Corps placed delivery orders for ice on these two requirements contracts when FEMA issued mission assignments.

**1999 Ice Delivery Contract.** The 1999 contract, including 2 option years, was in effect from August 2, 1999, through July 31, 2002. The Corps Charleston District estimated the contract value ranged from approximately \$93 million to \$99 million per year based on procuring projected units for each contract line item. The contract line items included the purchase, storage, and transportation of ice within the continental United States, Alaska, Hawaii, the Virgin Islands, Guam, and Puerto Rico, as well as the cost for partnering meetings between IAP and the Corps. See Appendix D for additional information.

**2003 Ice Delivery Contract.** The 2003 contract, including 2 option years, was in effect from February 1, 2003, through January 31, 2006. The Corps Galveston District estimated the contract value ranged from approximately \$62,000 to \$69,000 per year based on procuring a single unit for each contract line item. According to the 2003 contract acquisition plan the total contract value over a 5-year period was estimated at \$660 million. However based on comments from the Corps Principal Assistant Responsible for Contracting, the Corps Galveston District adjusted the acquisition to a 3-year period and adjusted the estimates to an appropriate amount. The Corps Galveston District also changed the contract requirements that were in the 1999 contract when developing the 2003 contract to include line items for standby time, operation of refrigerated trucks at staging areas, and planning assistance from IAP. The Corps Galveston District included an additional requirement on the contract that ice be provided to other United States territories at various prices. For the Hurricane Katrina recovery effort, the Corps placed 29 delivery orders on the 2003 contract. See Appendix D for additional information.

**Single Award Decision.** According to the Corps contracting officers they decided to award a single contract rather than multiple contracts to provide the emergency ice. The Corps emergency management personnel stated that making multiple awards would have ultimately led to higher and more administrative costs to the Government. The Corps Charleston District contracting officer stated he issued a memorandum documenting this decision and that the memorandum was part of the contract files. According to Corps contracting officials, during disasters, subcontracting resources for the procurement of ice are limited. This procurement includes production, transportation, and storage capabilities for the

---

ice at the staging areas. If multiple awards were made, contractors would compete with each other for the use of these subcontractors and ultimately end up incurring additional costs that would be priced into the proposals. A single award also eliminated contractors battling for docking space at the pick-up and drop-off points.

## **Congressional Issues and DoD IG Responses**

The Corps Inspector General received a congressional request to review the ice delivery contracts awarded to IAP. Due to resource constraints, the Corps requested the DoD IG to conduct a review and respond when completed.

Congressman Bennie G. Thompson raised five issues; we address all five in this report. The issues were:

- a year-by-year breakdown of payments to IAP beginning in 1999,
- the Corps RFPs for the ice contract beginning in 1995,
- the IAP response to the requests,
- the proposals of other ice contract applicants, and
- the efforts by the Corps to solicit proposals for the ice contract from small or minority-owned businesses.

The congressional request referred to a 2004 indefinite-delivery, indefinite-quantity contract awarded to IAP. We did not identify any 2004 indefinite-delivery, indefinite-quantity contracts for ice delivery during our audit. However, the Corps awarded requirements contracts for ice delivery to IAP in 1999 and 2003. Under requirements contracts, the Government has no initial obligations. To procure goods or services, the Government places individual delivery orders on the contract. Under indefinite-delivery, indefinite-quantity contracts, the Government is required to procure a minimum amount of the items on the contract. After the Government purchases the minimum amount, it can procure the contracted items through other means.

The five issues identified by Congressman Bennie G. Thompson are discussed as follows.

**Issue 1.** A year-by-year breakdown of the Corps' payments to IAP on the ice contract, beginning in 1999.

**DoD IG Response.** The Corps Finance Center, Millington, Tennessee, paid invoices totaling approximately \$153 million on the two ice delivery contracts

awarded to IAP from September 22, 1999, through May 17, 2006. See Table 1 for a breakdown of payments by calendar year.

<u>Contract Number</u>	<u>Year</u>	<u>Total</u>
DACW60-99-D-0002	1999	\$792,215.54
	2000	1,395,522.25
	2001	143,763.87
	2002	496,966.94
	2003	253,348.10
	2004	2,217.72
	<b>Subtotal</b>	<b>\$3,084,034.42</b>
DACW64-03-D-0003	2003	\$2,345,147.81
	2004	24,649,306.57
	2005	66,572,985.11
	2006 (through May 17)	55,969,283.85
	<b>Subtotal</b>	<b>\$149,536,723.34</b>
<b>Total</b>		<b>\$152,620,757.76</b>

We reviewed payments made to IAP under the two ice delivery contracts as of May 17, 2006. The Corps was still processing payments for all of the ice and services procured during the Hurricane Katrina recovery efforts. Total payments do not accurately reflect the Government's total obligations to IAP because the Corps Charleston District was still processing many of the delivery orders placed for Hurricanes Katrina, Rita, and Wilma. The Corps did not make any payments on delivery orders until it received and processed invoices from IAP.

Total payments include the procurement of ice, standby time, additional ground mileage for transportation after the destination specified in the delivery order, refrigerated unit operation at the staging areas, and administrative expenses. Supplies and services purchased by the delivery orders were procured at the agreed-upon price in the requirements contract. Ice delivered during the Hurricane Katrina recovery effort was contracted at the option year 2 price of \$0.28 per pound plus a \$0.01 per pound packaging fee. (See Appendix D for pricing structure.)

---

**Issue 2.** The Corps' RFPs for the ice contracts, beginning in 1995.

**DoD IG Response.** Since 1995, the Corps has issued two RFPs, one in 1999 and one in 2003, for turnkey contractors to provide packaged ice, shipping, and storage during emergencies. Prior to implementing the ACI in 1999, the Corps issued post-disaster awards for ice and related services. The Corps issued post-disaster awards using blanket purchase agreements, indefinite-delivery contracts, fixed-price contracts, purchase orders, and purchase card transactions. The Corps did not use RFPs for the post-disaster awards due to time constraints. The Corps provided us the following information from a data call for ice delivery contracts from 1995 through 1999, before the Corps implemented the ACI:

- Corps Jacksonville District office procured at least 2 million pounds of ice in response to Hurricane Marilyn in 1995, but no longer maintained contract file data for review;
- Corps Wilmington District office awarded five contracts in response to Hurricane Fran in 1996 totaling about \$1.3 million, but no longer maintained contract file data for review;
- the Corps procured no ice for emergencies in 1997; and
- Corps Charleston District office awarded 34 contracts totaling \$11.8 million in response to Hurricane Georges in 1998. Of the 34 contracts, only 1 solely involved the purchase of ice and transportation within the continental United States, similar to the 1999 and 2003 contracts with IAP. The cost established by two purchase orders was \$0.24 per pound. The other 33 contracts were for the purchase of undelivered ice, ice delivered outside the continental United States, or services related to the ice mission.

In April 1999, the Corps issued its first RFP for ice in support of FEMA under the ACI.

Implementing the ACI in 1999 allowed the Corps to have contracts in place to respond to emergency ice needs. The use of ACIs allowed Corps contracting officials time to properly request, evaluate, and rate submitted proposals for the 1999 and 2003 ice delivery contracts based on Government cost estimates, acquisition plans, and usage. The Corps issued delivery orders on these resulting contracts after it received mission assignments from FEMA.

In its Government cost estimate, the Corps calculated the price of ice as \$0.25 to \$0.33 per pound, which included inflation for each contract performance year. Table 2 shows the Government's estimated price for each contract performance year.

**Table 2. Government Cost Estimates for Packaged and Delivered Ice Within the Continental United States**

<u>Contract Number</u>	<u>Period of Performance</u>	<u>Price Per Pound</u>
DACW60-99-D-0002	August 2, 1999, through July 31, 2000 (base yr.)	\$0.25
	August 1, 2000, through July 31, 2001 (option 1)	0.26
	August 1, 2001, through July 31, 2002 (option 2)	0.27
DACW64-03-D-0003	February 1, 2003, through January 31, 2004 (base yr.)	0.30
	February 1, 2004, through January 31, 2005 (option 1)	0.32
	February 1, 2005, through January 31, 2006 (option 2)	0.33

**1999 Acquisition Plan.** The Corps Charleston District contracting officer did not prepare an acquisition plan prior to awarding the 1999 contract. Engineer Federal Acquisition Regulation Supplement Part 7, “Acquisition Planning,” requires an acquisition plan for procurements of \$15 million or more in any given year or more than \$30 million over the life of the contract. The Government originally estimated the value of the contract at \$20 million over the life of the contract, as stated in the small business coordination documentation. Subsequently, the Government cost estimate placed the contract’s value with options at more than \$287 million. The Corps Charleston District contracting officials included projected usage estimates during the award of the 1999 contract. The Corps Charleston District contracting officer decided that he would not prepare a formal written acquisition plan because the solicitation was in its final stages.

**2003 Acquisition Plan.** The Corps Galveston District contracting officer prepared an acquisition plan prior to the award of the 2003 contract. According to the 2003 acquisition plan, the ice delivery contract was estimated at \$660 million over a 5-year period. For developing the Government’s cost estimate, the Corps Galveston District contracting officials used one unit of each line item to calculate the contract value for the base year and options years (\$62,000 to \$69,000), which were below the dollar thresholds outlined in the regulation that requires an acquisition plan. This calculation significantly skewed the value of the contract to less than the threshold requiring acquisition plans. However, an acquisition plan was included in the 2003 contract documents.

**RFP Advertisement.** The Corps contracting officials advertised the RFP for both the 1999 and 2003 ice delivery contracts through the appropriate Government-wide point of entry, and with sufficient time for potential offerors to submit proposals. FAR Part 4, “Administrative Matters,” requires one Government-wide point of entry for public access to all Federal procurement opportunities for more than \$25,000. Prior to January 1, 2002, the *Commerce Business Daily* was the

point of entry. The current point of entry is on the Internet at [www.fedbizopps.gov](http://www.fedbizopps.gov). The Corps Charleston District advertised the 1999 RFP through the *Commerce Business Daily* and allowed 73 days to respond. The Corps Galveston District advertised the 2003 RFP on [www.fedbizopps.gov](http://www.fedbizopps.gov) as well as on the Corps Galveston District Web site and allowed 68 days to respond.

**Qualification Factors.** According to the solicitation, offerors had to respond with information on qualification factors for consideration. The Corps required offerors to be small businesses based on requirements specified in the solicitation. Offerors were to indicate specialized experience, technical competence, experience with contracts of similar size and scope, and whether the offeror had the capability to simultaneously respond to multiple disasters. Offerors also were required to indicate all key personnel and subcontractors proposed to work on the contract. The Corps used the contractor’s 5-year past performance history as an evaluation factor.

**Issue 3.** The IAP response, detailing its winning proposals since 1999.

**DoD IG Response.** The Corps Technical Evaluation teams determined the IAP proposals were technically sufficient and were in line with Government cost estimates. IAP submitted timely and responsive proposals to the Corps for both the 1999 and 2003 RFPs. IAP was the lowest bidder for the 1999 ice delivery contract and was the only bidder for the 2003 ice delivery contract.

IAP proposed slight increases to the price of ice each year with the exception of a decrease between the end of the 1999 contract and beginning of the 2003 contract. Table 3 shows the IAP proposed price per pound for ice on the two contracts including the option years.

<u>Contract Number</u>	<u>Period of Performance</u>	<u>Price Per Pound</u>
DACW60-99-D-0002	August 2, 1999, through July 31, 2000 (base yr.)	\$0.25
	August 1, 2000, through July 31, 2001 (option 1)	0.26
	August 1, 2001, through July 31, 2002 (option 2)	0.28
DACW64-03-D-0003*	February 1, 2003, through January 31, 2004 (base yr.)	0.27
	February 1, 2004, through January 31, 2005 (option 1)	0.28
	February 1, 2005, through January 31, 2006 (option 2)	0.29

\*Contract DACW64-03-D-0003 had separate line items for ice and packaging. We combined these two line items for comparison purposes.

The Corps contracting officer accepted the IAP proposed rate for each year of contract performance for packaged ice delivered within the continental U.S. The

---

contract required IAP to deliver orders for up to 500,000 pounds of ice within 24 hours and orders for amounts greater than 500,000 pounds within 48 to 72 hours. IAP was required to provide up to a maximum of 15 million pounds of ice in a 30-day period. IAP had the option to decline delivery orders that exceeded the maximum amount. Costs associated with ice requirements for areas other than the continental United States were based on shipping method.

**Issue 4.** The proposals of other ice contract applicants during this time.

**DoD IG Response.** The Corps Charleston District contracting personnel received three proposals, including the one from IAP, for the 1999 RFP: two were responsive, and one was not considered because it was received late. IAP submitted the winning proposal. The other responsive bid proposed a higher cost than the IAP proposal and the Government cost estimate.

The Corps Galveston District received only the IAP proposal in response to the 2003 RFP, and the proposal was below the Government cost estimate.

**Issue 5.** The efforts of the U.S. Army Corps of Engineers to solicit proposals from the small or minority-owned business community.

**DoD IG Response.** The Corps Charleston and Galveston Districts contracting officials issued RFPs specifically set aside for small businesses and believed adequate competition could be obtained while restricting full and open competition. The Small Business Administration concurred with these assessments. The Corps advertised and awarded both the 1999 and 2003 ice delivery contracts to IAP, part of the small business community. IAP was a veteran-owned small business at the time of both awards. Sixty-five small businesses requested a copy of the 1999 RFP and 11 small businesses requested the 2003 RFP.

## Other Matters of Interest

**Expired Contract.** The final option year on the 2003 ice delivery contract expired on January 31, 2006. The Corps Galveston District contracting officials issued an advanced notice synopsis on February 3, 2006, for a short-term ice delivery contract (3 to 9 months). After revising the solicitation, the Corps awarded the ice delivery contract to both IAP and another contractor for a period of performance of May 5, 2006, through September 30, 2006. According to the Corps Galveston District emergency management personnel, the revisions to the short-term solicitation will require all trucks to have a Global Positioning System onboard and increase the maximum ordering on the contract from 500,000 to 20 million pounds of ice every 24 hours.



---

The Corps has not issued another long-term ACI contract. The Corps has approved an acquisition plan for the Corps National Ice contract. The Corps and the Small Business Administration have decided that adequate competition could not be obtained with a small business set-aside contract, therefore the solicitation will be for full and open competition. The Corps will request the Defense Contract Audit Agency to assist in the review of Independent Government Estimates as well as assist with proposal evaluations and price negotiations for the future ice delivery contract. Until the Government issues another ice delivery contract, the Government risks paying a premium for ice when a national incident occurs.

**Additional Costs and Delays With the Ice Delivery.** Based on discussions with emergency personnel and contracting officials, we were informed of potential problems related to FEMA taskings, excessive standby times, access to disaster areas, waste of funds from redirecting ice delivery trucks, and errors in the IAP invoices processed by the Corps personnel. Our second report will discuss these areas of concern on the 2003 ice delivery contract. These problems may have delayed the delivery of the ice and raised the cost to the Government during the Hurricane Katrina recovery efforts.

---

## Appendix A. Scope and Methodology

We conducted this audit at the request of Congressman Bennie G. Thompson to review the award of ice delivery contracts during emergencies. We met with the Corps Principal Assistant Responsible for Contracting to discuss the overall contract award and administration process for emergency ice procurement.

We reviewed FAR Part 4, “Administrative Matters”; FAR 15.203, “Request for Proposals”; FAR 16.503, “Requirements Contracts”; Engineer Federal Acquisition Regulation Supplement Part 7, “Acquisition Planning”; the “2004 National Response Plan Emergency Support Function #3-Public Works and Engineering”; and documentation pertaining to Hurricane Katrina recovery efforts.

We reviewed contract DACW60-99-D-0002 dated August 2, 1999, with an estimated value including two option years at approximately \$333 million and contract DACW64-03-D-0003 dated November 21, 2002, with an estimated value including two option years at approximately \$109,000 to determine whether the Corps properly awarded and administered the ice delivery contracts, and properly solicited small or minority-owned businesses.

We obtained and reviewed the acquisition plans, RFPs, source selection and evaluation documentation, Government cost estimates, proposals from other contractors, and paid invoices on the two IAP ice contracts dated from September 22, 1999, through May 17, 2006.

We interviewed personnel from six Corps office locations (Corps Headquarters, District of Columbia; Charleston District, South Carolina; Galveston District, Texas; Jacksonville District, Florida; Savannah District, Georgia; and the Corps Finance Center, Millington, Tennessee) to determine their involvement and understanding of the ice mission. Contacts included contracting, emergency management, internal review, legal, and finance personnel. We obtained information on the processes used to implement FEMA taskings and the reconciliation process used to pay invoices from IAP.

We performed this audit from November 2005 through August 2006 in accordance with generally accepted government auditing standards.

For this report, the audit scope was limited to the congressional request. We did not review the Corps contracts issued from 1995 through the implementation of the ACI in 1999. We relied on information provided directly from Corps personnel because many of the contract documents were no longer available for us to review.

---

**Use of Computer-Processed Data.** We used the Corps Financial Management System database to determine a year-by-year breakdown of the Corps payments to IAP on the ice delivery contracts, beginning in 1999. We found no discrepancies when comparing the invoices to the Corps Financial Management System database.

**Government Accountability Office High-Risk Area.** The Government Accountability Office (GAO) has identified several high-risk areas in DoD. This report provides coverage of the DoD Contract Management high-risk area.

---

## **Appendix B. Prior Coverage**

During the past 5 years, GAO has published one report and two testimonies, the DoD IG has issued one report, the Army Audit Agency has published one report, and the Naval Audit Service has issued one report relating to the contracts for Hurricane Katrina recovery efforts. Unrestricted GAO reports and testimonies can be accessed at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted Army Audit Agency Reports can be obtained by contacting the Audit Coordination and Follow-Up Office at (703) 681-9863. Unrestricted Naval Audit Service reports can be accessed at <http://www.hq.navy.mil/NavalAudit>.

### **GAO**

GAO Report No. GAO-06-834, “Government-Wide Framework Needed to Collect and Consolidate Information to Report on Billions in Federal Funding for the 2005 Gulf Coast Hurricanes,” September 6, 2006

GAO Testimony No. GAO-06-714T, “Improving Federal Contracting Practices in Disaster Recovery Operations,” May 4, 2006

GAO Testimony No. GAO-06-622T, “Planning for and Management of Federal Disaster Recovery Contracts,” April 10, 2006

### **DoD IG**

DoD IG Report No. D-2006-109, “Response to Congressional Requests on the Water Delivery Contract Between the Lipsey Mountain Spring Water Company and the United States Army Corps of Engineers,” August 29, 2006

### **Army Audit Agency**

Army Audit Agency Report No. A-2006-0198-FFD, “Contracts for the Hurricane Protection System in New Orleans,” August 22, 2006

### **Naval Audit Service**

Naval Audit Service Report No. N2006-0015, “Chartered Cruise Ships,” February 16, 2006

## Appendix C. Congressional Request

PETER T. KING, NEW YORK  
CHAIRMAN



BENNIE G. THOMPSON, MISSISSIPPI  
RANKING MEMBER

One Hundred Ninth Congress  
U.S. House of Representatives  
Committee on Homeland Security  
Washington, DC 20515

October 20, 2005

Mr. Frank Ellis, Engineer Inspector General  
U.S. Army Corps of Engineers  
Office of the Engineer Inspector General  
Kingman Building  
7701 Telegraph Road  
Alexandria, VA 22315-3863

Dear Mr. Ellis:

In recent weeks, several national reports have highlighted failures by the Federal Emergency Management Agency (FEMA) in distributing ice to the victims of Hurricane Katrina. According to one New York Times story, most of the "ninety-one thousand tons of ice cubes... [that] would cost taxpayers more than \$100 million... would never be delivered."<sup>1</sup> While the failure to deliver ice is deeply troubling, I am also concerned about the ice delivery contract between the Army Corps of Engineers (Corps) and International American Products, Worldwide (IAP). IAP is not only failing to meet its delivery obligations under the contract; it is charging the Corps far in excess of fair market value for that ice.

As you know, IAP first won the emergency ice contract in 1999, and has retained the contract since. According to the 2004 ID/IQ contract, IAP agreed to deliver packaged ice during disaster scenarios at a cost of \$0.27 per pound.<sup>2</sup> Published reports indicate that the rate under the current contract has increased to \$0.28-\$0.30 per pound. If these reports are accurate, the federal government is being charged at least \$10,800 for a standard, two-ton shipment of ice, excluding loading and unloading, the cost of the storage units, standby time, and additional ground mileage. According to a task order dated September 21, 2005, the Corps has already paid over \$104 million for ice in response to the Hurricane Katrina disaster.

The main problem with this contract is that the price at which IAP provides ice appears to significantly exceed the well-established market standard for similar quantities and shipping costs. Phone calls to several ice distributors in the southern United States reveal near uniformity in industry sales for large ice distribution jobs: between \$0.10 and \$0.12 per pound, excluding shipping. Adding shipping costs to these estimates will certainly raise the price per pound, but nowhere near the \$0.27-\$0.30 price that IAP is charging the Corps. One large Texas ice distributor reported that he sent a truckload of ice containing the industry standard 20 tons at a cost of \$2,000, a rate of \$0.05 per pound for shipping. By that rate, it should cost between \$6,000-\$7,000 to deliver twenty tons of

<sup>1</sup> New York Times, Oct. 1, 2005

<sup>2</sup> The contract provides for \$0.26 per pound and \$0.01 for additional packaging.

emergency ice, rather than the \$10,800 which IAP is charging. Incredibly, even a private citizen can buy and deliver ice to the people of New Orleans for around \$1,000 cheaper per delivery than IAP is charging.<sup>3</sup>

I am concerned that the Corps has agreed to pay an apparently excessive rate for ice that, in many cases, has failed to reach a final destination. Moreover, because of the nature of an ID/IQ contract, once a nominal amount of the contract order had been filled, the government could have terminated the contract. Given the disparity in the contract price and the market price, it would have been in the best interest of the taxpayer to have halted orders under this contract. Clearly, this kind of mitigation did not occur.

Therefore, I urge your office to investigate this contract. Specifically, I request that your investigation examine the following issues:

- A year-by-year breakdown of the Corps' payments to IAP on the ice contract, beginning in 1999.
- The Corps' Request for Proposal (RFP) for the ice contract, beginning in 1995.
- IAP's response, detailing their winning bid submissions since 1999.
- The bid submissions of other ice contract applicants during this time.
- The efforts conducted by your agency to solicit bids from the small or minority-owned business community.

I look forward to your response by November 5, 2005. If you have any questions, please do not hesitate to contact Jessica Herrera-Flanigan, Democratic Staff Director, at 202-226-2616.

Sincerely,



Bennie G. Thompson  
Ranking Member  
House Committee on Homeland Security

---

<sup>3</sup> A Houston, Texas resident could buy 2,500 sixteen pound bags of ice at \$2.99 a bag (\$7,475). After renting a two-ton truck (\$1,500 from U-Haul), driving to New Orleans (350 miles at \$2.786 per gallon and ten miles per gallon), and paying the IAP rate for manually unloading the ice (\$800), the resident would have spent \$9,975. This is approximately \$1,000 cheaper than IAP's rate.

---

## **Appendix D. Government Cost Estimates and Contracted Rates for Ice Delivery Contract Line Items**

The 1999 ice delivery contract, including 2 option years, was in effect from August 2, 1999, through July 31, 2002, with an estimated value at approximately \$333 million based on projected usage. The Corps Charleston District calculated the Government cost estimate for the contract to range from approximately \$93 million to \$99 million per year. The contract line items included the purchase, storage, and transportation of ice within the continental United States, Alaska, Hawaii, the U.S. Virgin Islands, Guam, and Puerto Rico. Projected usage was the same for each contract year and included 45,000,000 pounds of ice; 6,000 additional ground miles; 45 days of storage for up to 500,000 pounds of ice; and 2 partnering days per contract year. Partnering meetings were not included in the Government cost estimate. See Table D-1 for details on the 1999 contract line items.

The 2003 ice delivery contract, including 2 option years, was in effect from February 1, 2003, through January 31, 2006, with an estimated value at approximately \$109,000\* based on procuring a single unit of each contract line item. The Government estimated the 2003 ice delivery contract value would range from \$62,000 to \$69,000 per contract year. See Table D-2 for details on the 2003 contract line items.

Specifically for the Hurricane Katrina recovery efforts, the Corps placed delivery orders on the contract using option year 2 contract line items with a total not-to-exceed value of \$103 million. Because the Corps issued delivery orders with not-to-exceed amounts, the Corps would pay only for the work performed by IAP as needed for the Hurricane Katrina recovery efforts. Therefore, the Corps may pay less than the amount in Table D-3, but was obligated to pay up to this amount if IAP provided the goods or services.

---

\* The 2003 contract had no projected totals; therefore, the price of each contract line item was added to determine the total estimated contract value.

**Table D-1. 1999 Contract and Option Years**

	Base Year		Option Year 1		Option Year 2	
	Government Cost Estimate	Contracted Rate	Government Cost Estimate	Contracted Rate	Government Cost Estimate	Contracted Rate
<b>Price Per Unit</b>						
Packaged Ice Delivered Within the Continental United States (pound)	\$0.25	\$0.25	\$0.26	\$0.26	\$0.27	\$0.28
Additional Ground Mileage (mile)	\$2.00	\$2.42	\$2.06	\$2.54	\$2.12	\$2.67
Partnering Meetings (day)	Not applicable	\$295.00	Not applicable	\$300.00	Not applicable	\$315.00
Storage (up to 500,000 pounds per day)	\$3,000.00	\$5,192.00	\$3,090.00	\$5,451.00	\$3,183.00	\$5,723.00
<b>Projected Units x Price Per Unit (Used to project a portion of the estimated contract value)</b>						
Packaged Ice Delivered Within the Continental United States (pound)	\$11,250,000.00	\$11,250,000.00	\$11,700,000.00	\$11,700,000.00	\$12,150,000.00	\$12,600,000.00
Additional Ground Mileage (mile)	\$12,000.00	\$14,520.00	\$12,360.00	\$15,240.00	\$12,720.00	\$16,020.00
Partnering Meetings (day)	Not applicable	\$590	Not applicable	\$600	Not applicable	\$630
Storage (up to 500,000 pounds per day)	\$135,000	\$233,640	\$139,050	\$245,295	\$143,235.00	\$257,535
Total for Continental United States	\$11,397,000.00	\$11,498,750.00	\$11,851,410.00	\$11,961,135.00	\$12,305,955.00	\$12,874,185.00
Totals for These Same Goods and Services for Alaska, Hawaii, Guam, Puerto Rico, and the U.S. Virgin Islands	\$81,165,600.00	\$94,230,156.00	\$83,872,968.00	\$98,892,947.00	\$86,751,466.00	\$103,911,540.00
Yearly Estimated Total	\$92,562,600.00	\$105,728,906.00	\$95,724,378.00	\$110,854,082.00	\$99,057,421.00	\$116,785,725.00
Base and Options Estimated Total					\$287,344,399.00	\$333,368,713.00

**Table D-2. 2003 Contract and Option Years**

	Base Year		Option Year 1		Option Year 2	
	Government Cost Estimate	Contracted Rate	Government Cost Estimate	Contracted Rate	Government Cost Estimate	Contracted Rate
Packaged Ice Delivered Within the Continental United States (pound)	\$0.38	\$0.27	\$0.40	\$0.28	\$0.41	\$0.29
Additional Ground Mileage (mile)	\$2.75	\$2.45	\$2.89	\$2.52	\$3.00	\$2.60
Partnering Activities (day)	\$400.00	\$325.00	\$420.00	\$335.00	\$440.00	\$345.00
Strategic Planning Services (day)	\$400.00	\$325.00	\$420.00	\$335.00	\$440.00	\$345.00
On-Site Contractor Operations Manager (day)	\$300.00	\$350.00	\$315.00	\$361.00	\$330.00	\$372.00
Standby Time (hour)	\$100.00	\$50.00	\$105.00	\$52.00	\$110.00	\$54.00
Daily Operation of 1st Reefer (day)	\$800.00	\$380.00	\$840.00	\$391.00	\$880.00	\$403.00
Daily Operation of Additional Reefer (day)	\$116.00	\$50.00	\$121.80	\$52.00	\$125.00	\$54.00
Mobile Storage Units (day)	\$420.00	\$380.00	\$441.00	\$391.00	\$460.00	\$403.00
Additional Services (Unloading, Drayage, Disposal)	\$2,805.00	\$1,535.00	\$2,945.25	\$1,580.50	\$3,058.50	\$1,627.00
Total for Continental United States	\$5,344.13	\$3,397.72	\$5,611.34	\$3,500.30	\$5,846.91	\$3,605.89
Total for These Same Services in Alaska, Hawaii, Puerto Rico, U.S. Virgin Islands, Guam, Northern Marianas Islands, American Samoa, Federated States of Micronesia, and the Republic of the Marshall Islands. (In some cases, the rate was negotiated as the need occurred. These items did not increase the estimated contract value.)	\$56,640.54	\$32,019.51	\$59,472.56	\$32,988.67	\$62,427.99	\$33,972.88
Yearly Estimated Total	\$61,984.67	\$35,417.23	\$65,083.90	\$36,488.97	\$68,274.90	\$37,578.77
Base and Options Estimated Total					\$195,343.47	\$109,484.97



**Table D-3. Obligations for Hurricane Katrina Recovery Efforts**

	2003 Contract Option Year 2 Price Per Unit	Not-to- exceed total (Units)	Not-to-exceed total (\$)
Packaged Ice Delivered Within the Continental United States (pound)	\$0.29	171,240,000	\$49,659,600.00
Additional Ground Mileage (mile)	\$2.60	3,743,639	\$9,733,461.40
Strategic Planning Services (day)	\$345.00	52	\$17,940.00
On-Site Contractor Operations Manager (day)	\$372.00	52	\$19,344.00
Standby Time (hour)	\$54.00	775,528	\$41,878,512.00
Daily Operation of First Reefer (day)	\$403.00	285	\$144,855.00
Daily Operation of Additional Reefer (day)	\$54.00	37,452	\$2,022,408.00
<b>Total</b>			<b>\$103,476,120.40</b>

---

## **Appendix E. Report Distribution**

### **Office of the Secretary of Defense**

Under Secretary of Defense for Acquisition, Technology, and Logistics  
Under Secretary of Defense (Comptroller)/Chief Financial Officer  
    Deputy Chief Financial Officer  
    Deputy Comptroller (Program/Budget)  
Director, Program Analysis and Evaluation

### **Department of the Army**

Auditor General, Department of the Army  
Chief of Engineers, United States Army Corps of Engineers

### **Department of the Navy**

Auditor General, Department of the Navy

### **Department of the Air Force**

Auditor General, Department of the Air Force

### **Non-Defense Federal Organization**

Office of Management and Budget  
Government Accountability Office

---

## **Congressional Committees and Subcommittees, Chairman and Ranking Minority Member**

Senate Committee on Appropriations

Senate Subcommittee on Defense, Committee on Appropriations

Senate Committee on Armed Services

Senate Committee on Homeland Security and Governmental Affairs

House Committee on Appropriations

House Subcommittee on Defense, Committee on Appropriations

House Committee on Armed Services

House Committee on Government Reform

House Subcommittee on Government Management, Finance, and Accountability,

Committee on Government Reform

House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform

House Committee on Homeland Security

---

## **Team Members**

The Department of Defense Office of the Deputy Inspector General for Auditing, Acquisition and Contract Management prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

Richard B. Jolliffe  
Bruce A. Burton  
Deborah L. Culp  
Bobbie Sau Wan  
Gary B. Dutton  
Jeffrey L. Steinbauer  
Rachel L. Feldner  
Jonathan M. Kistler  
Meredith H. Johnson  
Jillissa H. Milner