

Inspector General

United States
Department of Defense



Contract Administration of the Ice Delivery Contract
Between International American Products, Worldwide
Services and the U.S. Army Corps of Engineers During the
Hurricane Katrina Recovery Effort

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) 604-9142 (DSN 664-9142) 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 www.dodig.mil/hotline

Acronyms

FEMA	Federal Emergency Management Agency
GAO	Government Accountability Office
IAP	International American Products, Worldwide Services
IG	Inspector General
NRP	National Response Plan
SOP	Standard Operating Procedure



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

August 24, 2007

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Report on the Contract Administration of the Ice Delivery Contract Between International American Products, Worldwide Services and the U.S. Army Corps of Engineers During the Hurricane Katrina Recovery Effort (Report No. D-2007-118)

We are providing this report for your information and use. The Commander, U.S. Army Corps of Engineers provided comments. We considered management comments on the draft of the report when preparing the final report.

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

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 D for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, reading "Bruce A. Burton".

Bruce A. Burton
Deputy Assistant Inspector General
Acquisition and Contract Management

Department of Defense Office of Inspector General

Report No. D-2007-118

August 24, 2007

(Project No. D2006-D000CG-0075.000)

Contract Administration of the Ice Delivery Contract Between International American Products, Worldwide Services and the U.S. Army Corps of Engineers During the Hurricane Katrina Recovery Effort

Executive Summary

Who Should Read This Report and Why? U.S. Army Corps of Engineers contracting officials and emergency management personnel should read this report. This report discusses the administration of the 2003 ice delivery contract used for the Hurricane Katrina recovery effort.

Background. The U.S. Army Corps of Engineers Principal Assistant Responsible for Contracting requested a review on the administration of the ice delivery process between International American Products, Worldwide Services and the U.S. Army Corps of Engineers. Specifically, we limited our review to only the administration of the ice delivery process during the Hurricane Katrina recovery effort. The report also addresses other matters identified during our review of the administration of the 2003 ice delivery contract. We issued DoD Inspector General Report No. 2006-116, "Ice Delivery Contracts Between International American Products, Worldwide Services and the U.S. Army Corps of Engineers," on September 26, 2006. That report addressed Congressman Bennie Thompson's concerns on the award of the ice delivery contracts between International American Products, Worldwide Services and the U.S. Army Corps of Engineers. This report addresses the administration of the 2003 ice delivery contract related to the Hurricane Katrina recovery effort.

The U.S. Army Corps of Engineers Galveston District competitively awarded contract DACW64-03-D-0003 to International American Products, Worldwide Services on November 21, 2002, for packaged ice, transportation, and management of the distribution system during emergencies. The Federal Emergency Management Agency tasked the U.S. Army Corps of Engineers to place delivery orders on this contract during disaster recovery efforts. The U.S. Army Corps of Engineers Headquarters assigned the National Ice/Water Mission for the Hurricane Katrina recovery effort to the U.S. Army Corps of Engineers Charleston District. The U.S. Army Corps of Engineers Charleston District paid International American Products, Worldwide Services about \$79.5 million on 342 invoices as of the start of our review on August 14, 2006, for the Hurricane Katrina recovery effort.

Results. The U.S. Army Corps of Engineers Charleston District did not effectively administer the 2003 ice delivery contract for the Hurricane Katrina recovery effort. The Corps Charleston District did not provide adequate training and guidance for invoice processing over the National Ice/Water Mission. They made inaccurate or inadequately supported payments on 142 of the 342 invoices received in the amount of about \$262,000. These included underpayments of about \$79,000 and overpayments of about \$183,000. The end result was an overpayment of nearly \$104,000. Also, the invoices may have additional monetary impact that we were not able to quantify because of the

lack of supporting documentation. In addition, the Federal Emergency Management Agency's redirection of trucks caused unauthorized expenditure of Government funds for onward miles and standby time.

The U.S. Army Corps of Engineers should provide training on procedures for accepting ice and documenting ice deliveries, and finalize the standard operating procedures for processing invoices. The U.S. Army Corps of Engineers Charleston District should recoup \$103,723.52 in overpayments from International American Products, Worldwide Services. In addition, the U.S. Army Corps of Engineers should examine the accuracy of the data provided by the automated tracking system required by the 2006 ice delivery contract and determine whether future ice delivery contracts should include the use of automated tracking systems to process invoices.

The issues pertaining to the Federal Emergency Management Agency will be addressed in a separate memorandum to the Department of Homeland Security.

The U.S. Army Corps of Engineers Charleston District personnel can improve internal controls for administering ice delivery contracts by ensuring that personnel performing the National Ice/Water Mission are provided with the appropriate guidance and are properly trained. We did not consider the internal control weaknesses to be material. (See the Finding section for the detailed recommendations.)

Management Comments and Audit Response. The Commander, U.S. Army Corps of Engineers concurred with the recommendations. The comments were responsive and no additional comments are required. A discussion of the management comments is in the Finding section of the report, and the complete text of the comments is in the Management Comments section.

Table of Contents

Executive Summary	i
Background	1
Objective	2
Review of Internal Controls	2
Finding	
Administration of the 2003 Ice Delivery Contract Used During the Hurricane Katrina Recovery Effort	3
Other Matters of Interest	11
Appendixes	
A. Scope and Methodology	14
B. Prior Coverage	16
C. Delivery Ticket Process	18
D. Report Distribution	19
Management Comments	
Department of the Army	21

Background

This is the second of two reports discussing ice delivery contracts used for emergency situations. The U.S. Army Corps of Engineers (Corps) Principal Assistant Responsible for Contracting requested a review on the ice delivery process between International American Products, Worldwide Services (IAP) and the Corps. Specifically, we limited our review to only the administration of the ice delivery process during the Hurricane Katrina recovery effort. We issued DoD Inspector General (IG) Report No. 2006-116, “Ice Delivery Contracts Between International American Products, Worldwide Services and the U.S. Army Corps of Engineers,” on September 26, 2006. The report addressed Congressman Bennie Thompson’s concerns on the award of the ice delivery contracts between IAP and the Corps. This report addresses the administration of the 2003 ice delivery contract related to the Hurricane Katrina recovery effort.

Emergency Guidance. The “Robert T. Stafford Disaster Relief Act” (Stafford Act) and the 2004 National Response Plan (NRP) provide guidance to Government officials to use during emergency situations. The Stafford Act authorizes the President to provide financial and other forms of assistance to support response, recovery, and mitigation efforts following declared disasters. The 2004 NRP is used to respond to the Presidential declarations. The 2004 NRP was designed to provide structure for effective and efficient incident management among the Federal, State, and local emergency management agencies after a disaster. The 2004 NRP authorized the Federal Emergency Management Agency (FEMA), part of the Department of Homeland Security, to initiate mission assignments. The Corps is primarily responsible for one of the 15 NRP functions, Emergency Support Function #3, “Public Works and Engineering.”

Advance Contracting Initiatives Contract. The Corps developed and implemented “Advance Contracting Initiatives” to use for disaster relief. Under Advance Contracting Initiatives, requirements contracts are awarded pre-disaster and provide Corps contracting personnel the ability to place delivery orders after a disaster at the rates in the pre-negotiated contract for supplies and services. Agencies use requirements contracts as a method to fill actual needs by placing delivery orders against the contracts. The Corps Galveston District competitively awarded requirements contract DACW64-03-D-0003 to IAP on November 21, 2002, for packaged ice, transportation, and management of the distribution system during emergencies. FEMA tasked the Corps to place delivery orders on this contract during disaster recovery efforts. The Corps Headquarters assigned the National Ice/Water Mission for the Hurricane Katrina recovery effort to the Corps Charleston District. The Corps Charleston District obligated approximately \$102 million to the requirements contract for ice and related services in support of the Hurricane Katrina recovery effort. The Corps Charleston District paid about \$79.5 million on 342 invoices related to the Hurricane Katrina recovery effort as of August 14, 2006. We reviewed invoices for the following items that were purchased during option year 2 under contract DACW64-03-D-0003:

- Delivered packaged ice: The Corps purchased ice in 40,000-pound increments at \$.28 per pound. IAP was required to provide ice anywhere within the continental U.S. at this rate.

-
- Additional ground mileage: The Corps paid \$2.60 per mile if a truck was directed beyond the location specified in the delivery order.
 - Excess standby time: The Corps paid \$54.00 per hour after the first hour if the Corps required a delivery truck to wait at a delivery location.

Delivery Ticket Processing. The Corps Charleston District used an IAP-developed standard delivery ticket in documenting 2003 ice contract delivery orders. Government representatives completed the ticket as the delivery occurred to show acceptance of the ice, to record the locations visited by the trucks, to validate the length of time for trucks that were in standby mode at a drop-off location, and to record the miles the trucks traveled after leaving the original location. The driver retained the original delivery ticket until returning it to IAP for payment. See Appendix C for more details on the delivery ticket process.

Contingency Contracting. The Army established guidance for contracting personnel completing contingency humanitarian assistance in the *Army Federal Acquisition Regulation Manual No. 2 (Contingency Contracting)*, December 1993. The manual, including Appendix C, "Checklists," provides guidance for implementing the Federal Acquisition Regulation, Defense Federal Acquisition Regulation Supplement, and other related regulations. Appendix C provides contracting officers and contracting organizations with general checklists required to implement the contracting actions and the management process necessary in a contingency environment. Appendix C-2, "Responsibilities," requires the manager/contracting officers to use the management control checklist to "test whether prescribed controls are in place, operational and effective." Appendix C-2 also requires as an internal control mechanism that contracting officer's representatives, inspectors, functional managers, and others routinely involved in performing contract management functions be advised and trained regarding their role in contract management. In addition, Appendix C-2 states that employees should have both formal classroom training and informal on-the-job training and that the training should be timely, adequate, and appropriate.

Objective

Our overall audit objective was to review the administration of the 2003 ice delivery contract between IAP and the Corps related to the Hurricane Katrina recovery effort as requested by the Corps' Principal Assistant Responsible for Contracting. See Appendix A for a discussion of the scope and methodology and Appendix B for prior coverage related to the objective.

Review of Internal Controls

We determined that Corps personnel can improve internal controls for administering ice delivery contracts by ensuring that personnel performing the National Ice/Water Mission are provided with the appropriate guidance and are properly trained. We did not consider the internal control weaknesses to be material. Implementing the report recommendations should strengthen controls for administering ice delivery contracts. See the Finding section of the report for a detailed discussion on the internal controls.

Administration of the 2003 Ice Delivery Contract Used During the Hurricane Katrina Recovery Effort

The Corps Charleston District did not effectively administer the 2003 ice delivery contract during the Hurricane Katrina recovery effort. We identified internal control deficiencies with the Corps administration of the contract in that the Corps Charleston District did not:

- sufficiently train responsible personnel on the guidance for accepting ice at drop-off locations,
- establish guidance or sufficiently train personnel temporarily assigned to the National Ice/Water Mission to process invoices, and
- always process invoices accurately or in accordance with agreements and obtain adequate supporting documentation.

In addition, FEMA redirected some of the contracted ice trucks without obtaining the authority to do so from the responsible Corps contracting officer.

Consequently, the Corps Charleston District made inaccurate or inadequately supported payments on 142 of the 342 invoices reviewed in the amount of about \$262,000. These included underpayments of about \$79,000 and overpayments of about \$183,000. The end result was an overpayment of nearly \$104,000. Also, the invoices may have additional monetary impact that we were not able to quantify because of the lack of supporting documentation. In addition, FEMA's redirection of trucks caused unauthorized expenditure of Government funds for onward miles and standby time.

Administration of the 2003 Ice Delivery Contract

The Corps Charleston District did not effectively administer the 2003 ice delivery contract with IAP for the Hurricane Katrina recovery effort. The Corps Charleston District obligated about \$102 million on requirements contract DACW64-03-D-0003 for ice and related services in support of the Hurricane Katrina recovery effort. Furthermore, the Corps Charleston District paid about \$79.5 million on 342 invoices as of August 14, 2006. Of the 342 paid invoices, 142 invoices contained 410 discrepancies that resulted in about \$104,000 in net overpayments. Also, the invoices may have additional monetary impact that we were not able to quantify because of the lack of supporting documentation. Table 1 summarizes the paid ice and related services invoices and discrepancies relating to the Hurricane Katrina recovery effort.

Table 1. Paid Ice and Related Services Invoices on Contract DACW64-03-D-0003 for the Hurricane Katrina Recovery Effort

	<u>Number of Invoices</u>	<u>Amount Paid</u>	<u>Number of Discrepancies</u>	<u>Net Overpayment</u>
Fully supported paid invoices	200	\$42,072,276.45	0	0
Paid invoices containing discrepancies	<u>142</u>	<u>37,394,938.37</u>	<u>410</u>	<u>\$103,723.52</u>
Total paid invoices related to Hurricane Katrina	342	\$79,467,214.82	410	\$103,732.52

Training and Guidance on the National Ice/Water Mission

The Corps Charleston District did not effectively administer the 2003 ice delivery contract during the Hurricane Katrina recovery effort because it did not adequately train personnel receiving the ice from the contractor, or provide guidance for persons assigned to assist the Corps Charleston District Emergency Management Office in paying and reconciling invoices. The lack of Corps training for personnel accepting ice deliveries and Corps-issued guidance for personnel processing payments resulted in payments being made using missing, illegible, or inaccurate supporting documentation.

Training for Accepting Ice. In 1999, the Corps established the National Ice/Water Mission Standard Operating Procedures (SOP) for accepting ice; however, personnel involved in the Hurricane Katrina recovery effort were not adequately trained on the SOP. Further, the Corps Charleston District did not conduct broad training on this SOP. Instead, the Corps Charleston District provided informal training on the National Ice/Water Mission SOP to both Corps and non-Corps Government personnel as they were assigned to the mission.

The National Ice/Water Mission SOP provided guidance to personnel accepting ice at drop-off locations. The Corps detailed the responsibilities in its National Ice/Water Mission SOP for all those involved in the acceptance of ice during a disaster event. Specifically, the National Ice/Water Mission SOP states who at the drop-off locations is responsible for collecting documentation from the truck drivers and who is responsible for maintaining proper documentation necessary for Corps invoice processing.

The Corps Charleston District relied on both Corps and non-Corps Government personnel for accepting the ice without adequate training on procedures. The Corps and non-Corps Government personnel were accepting shipments of ice and

signing off on delivery tickets at the drop-off locations. Corps Charleston District personnel expected Government personnel to adequately document the receipt of ice at drop-off locations with minimal training. The Corps should follow the *Army Federal Acquisition Regulation Manual No. 2 (Contingency Contracting)*. Appendix C-2, "Responsibilities" states that employees should have adequate, informal on-the-job training. The Corps and non-Corps Government personnel submitted numerous copies of incomplete or inconsistent delivery tickets to the Corps Charleston District for invoice processing. Additionally, the Corps and non-Corps Government personnel did not always provide copies of the delivery tickets to the Corps Charleston District. The Corps Charleston District provided inadequate training to personnel accepting ice at drop-off locations that may have caused increased invoice processing time and incorrect payments on the 2003 ice delivery contract related to the Hurricane Katrina recovery effort. The Corps should provide training on the National Ice/Water Mission SOP for all personnel accepting ice at drop-off locations and not rely only on the National Ice/Water Mission SOP as guidance.

Guidance for Invoice Processing. The Corps Charleston District did not establish guidance for invoice processing for the National Ice/Water Mission. Corps personnel from various districts were temporarily assigned to the Corps Charleston District to assist with the National Ice/Water Mission during Hurricane Katrina. The *Army Federal Acquisition Regulation Manual No. 2 (Contingency Contracting)* states that local regulations and published SOPs preside over the processes of the contracting office. The Corps Charleston District had not established an SOP for invoice processing at the time of the Hurricane Katrina recovery effort. As a result, Corps Charleston District personnel processed 142 invoices related to Hurricane Katrina that contained 410 discrepancies. The Corps should provide guidance by finalizing the draft "Invoice Processing-National Ice/Water Mission" SOP and providing it to the invoice processing personnel.

Training for Invoice Processing. The Corps Charleston District did not sufficiently train personnel assigned to assist with the National Ice/Water Mission on processing invoices during the Hurricane Katrina recovery effort. The Corps should follow the *Army Federal Acquisition Regulation Manual No. 2 (Contingency Contracting)*. Appendix C-2, "Responsibilities" states that employees should be adequately trained. According to the Corps Charleston District most of the Corps personnel temporarily assigned to assist with the National Ice/Water Mission during the Hurricane Katrina recovery effort had no training on invoice processing prior to arriving at the Corps Charleston District. The Corps Charleston District provided assigned personnel limited informal training upon arrival to assist with the Hurricane Katrina recovery effort. The Corps Charleston District approved inaccurate or inadequately supported payments in the amount of about \$262,000 on 142 of the 342 invoices received. These included underpayments of about \$79,000 and overpayments of about \$183,000. The end result was an overpayment of nearly \$104,000. Also, the invoices may have additional monetary impact that we were not able to quantify because of the lack of supporting documentation. The Corps should provide training for invoice processing to all personnel involved with the emergency management operations at the Corps Districts executing the National Ice/Water Mission.

Supporting Documentation. The Corps Charleston District did not always have adequate supporting documentation to process invoices during the Hurricane Katrina recovery effort. During our review, we identified instances where the Corps Charleston District processed invoices with missing, incomplete, or incorrect documentation. Specifically, we identified missing, incomplete, or incorrect:

- dates and times of arrival and departure at delivery sites,
- dates and times of arrival and departure at onward destinations,
- amounts of ice delivered,
- truck numbers,
- trailer numbers, and
- truck drivers' names.

The Corps Charleston District made payments on 142 invoices (totaling about \$37.4 million) that contained 166 discrepancies totaling about \$262,000; in addition, we identified 244 discrepancies that had a possible monetary impact that we could not determine. The Corps Charleston District could not reconcile all the delivery tickets against the contractor invoices because some delivery tickets were missing. As a result, the Corps Charleston District relied on the contractor's delivery tickets that were sometimes incomplete or altered. The Corps should establish a checklist for personnel to use at the drop-off locations. This checklist should remind personnel to annotate the amount of ice delivered, as well as the dates and times when the ice was delivered. A standardized checklist should ensure uniformity of information obtained during disaster events and aid in accurately processing invoices.

Redirected Trucks

FEMA personnel redirected some of the contracted ice trucks without following proper procedures of contacting the responsible contracting officer. Federal Acquisition Regulation Subpart 1.602, "Contracting Officers," states that only a Government official with the proper authority can expend Government funds from a specific agency. A FEMA representative's redirection of the ice trucks expended Government funds without authorization from a Corps official with the proper authority. The Corps and FEMA emergency management personnel should communicate more effectively during disaster events to ensure that assistance is provided in a timely manner and the funds are expended in accordance with regulations. We will issue a separate memorandum to the Department of Homeland Security regarding FEMA circumventing the Corps contracting officer authority in administering the 2003 ice delivery contract during the Hurricane Katrina recovery effort.

The Corps Payments on Invoices

The Corps Charleston District was inconsistent in accepting ice and documenting ice deliveries and in processing invoices during the Hurricane Katrina recovery effort, resulting in unsupported and inaccurate payments on the 2003 ice delivery contract for Hurricane Katrina. We also identified possible alteration of delivery tickets at a drop-off location and trucks in standby mode for excess time.

Invoice Review. We reviewed 342 paid invoices totaling about \$79.5 million. Of these we identified 142 paid invoices totaling about \$37.4 million containing 410 discrepancies. We originally identified 473 discrepancies, but the Corps Charleston District was able to address some of our concerns with supplementary information.

The discrepancies resulting in underpayments and overpayments were caused by incorrect:

- dates and times of arrival and departure at delivery sites,
- dates and times of arrival and departure at onward destinations, and
- amounts of ice delivered.

We could not determine the monetary impact, if any, for missing delivery tickets or delivery tickets with incorrect, missing, or illegible:

- dates and times of arrival and departure at delivery sites,
- dates and times of arrival and departure at onward destinations,
- amounts of ice delivered,
- truck numbers,
- trailer numbers, and
- truck drivers' names.

Overall, we identified payments on 142 invoices (totaling about \$37.4 million) that contained 166 discrepancies totaling about \$262,000; in addition, we identified 244 discrepancies that had a possible monetary impact that we could not determine. The Corps Charleston District should recoup the net difference of the underpayments and overpayments totaling \$103,723.52. Table 2 provides a summary of the number and dollar amount of the invoices and discrepancies during our review of the 2003 ice delivery contract for the Hurricane Katrina recovery effort.

Table 2. Discrepancies Identified During our Review

	<u>Number of Invoices*</u>	<u>Amount Paid*</u>	<u>Number of Discrepancies</u>	<u>Amount of Underpayments / Overpayments</u>
Discrepancies with undeterminable underpayments or overpayments	106	\$29,680,603.23	244	Undeterminable
Discrepancies resulting in underpayments to IAP	50	16,196,716.50	110	\$79,048.82
Discrepancies resulting in overpayments to IAP	43	\$10,416,542.33	<u>56</u>	<u>182,772.34</u>
Total Discrepancies			410	\$261,821.16
Net Overpayment				\$103,723.52

* The number of invoices and the amount paid will not total because each invoice consisted of multiple delivery tickets; therefore, an invoice could have an underpayment or overpayment, and an undeterminable monetary impact.

Altered Delivery Tickets at a Drop-Off Location. The Corps Charleston District made payments relying on possibly altered delivery tickets. We determined that hand-annotated times on the delivery tickets appeared to have been altered to increase the amount of standby time of delivery trucks at a specific drop-off location. These possible alterations may have resulted in increased payments made on the 2003 ice delivery contract. During the invoice review, we identified 75 delivery tickets for trucks that traveled through a specific drop-off location; the tickets appeared to be altered. The possible alteration increased the trucks' standby time by a total of 364 hours and may have resulted in the Corps Charleston District overpaying at least \$19,656. In some cases, the Corps Charleston District identified mistakes with the invoices and did not pay the inflated amount. In other cases, the Corps relied on the contractor's copy of the delivery ticket because the Government copy was not available at the Corps Charleston District. We identified about 730 trucks processed through the specific drop-off location during our review of the 2003 ice delivery contract, but we could not determine how many delivery tickets were altered. We referred the possibly altered delivery ticket issue to the Defense Criminal Investigative Service for investigation.

Excess Standby Time Agreement. The Corps Charleston District did not follow an e-mail agreement with IAP to split the cost evenly for trucks that were in standby mode for an inordinate amount of time. Excess standby time is the time a delivery truck waits at a location after its first hour of arrival. Four IAP subcontracted trucks stayed in standby mode at a single drop-off location for over 7,500 hours or the cumulative equivalent of 10 months of excess standby time. For example, one of the subcontracted trucks stayed in standby mode at one drop-off location from September 9, 2005, through December 20, 2005, or over 14 continuous weeks. Without the agreement to split the costs, the Corps Charleston District would be required to pay over \$9,000 per week under the terms of the contract. However, IAP and the Corps Charleston District split only two of the invoiced amounts evenly. The Corps paid the full amount on the remaining two trucks. The Corps should have followed its agreement with IAP to split the excess standby time to avoid an overpayment of about \$115,000. The \$115,000 is a part of the approximately \$262,000 in underpayments and overpayments identified in Table 2. See Table 3 for a breakdown of the costs and excess standby time related to the four trucks and the excess cost the Corps Charleston District incurred from not splitting the cost evenly on all four trucks.

Table 3. Four Trucks on Excess Standby Time					
	Continuous Excess Standby Hours (Rounded to the Nearest Hour)	Total Excess Standby at Contracted Rate	IAP/Corps Charleston District Agreed Split Amount	Corps Charleston District Paid Amount	Corps Charleston District Overpayment Amount
Truck 1	1,106	\$59,724.00	\$29,862.00	\$29,862.00	0
Truck 2	1,787	96,498.00	48,249.00	96,498.00	\$48,249.00
Truck 3	2,207	119,178.00	59,589.00	59,589.00	0
Truck 4	<u>2,456</u>	<u>132,624.00</u>	<u>66,312.00</u>	<u>132,624.00</u>	<u>66,312.00</u>
Total	7,556	\$407,970.00	\$204,012.00	\$318,573.00	\$114,561.00

Automated Tracking System

The Corps Charleston District invoice processing may have been more accurate and the ice delivery effort could have required less standby time if the Corps required all ice delivery trucks to be equipped with an automated tracking system. Automated delivery data would help eliminate potential issues with illegible handwriting and human error. The Corps made automated tracking a requirement on the 2006 ice delivery contract, but invoices will still be processed using the current method. If the Corps determines that the electronic data cannot be manipulated, electronic data would provide one central depository for all ice

delivery information and invoice processing. If the Corps Charleston District had the ability to monitor the ice delivery truck location during Hurricane Katrina, the amount of excess time paid for on the 2003 ice delivery contract may have been reduced.

Automated Tracking System. An automated tracking unit is a device that tracks the exact location of a vehicle and records the position at regular intervals. The recorded location data can be stored within the tracking unit, or can be transmitted to a central location data base. An automated tracking unit allows the truck's location to be displayed against a map backdrop either in real-time or when the data is analyzed later, using customized software.

Truck Tracking on the 2003 Ice Delivery Contract. The Corps Galveston District did not require an automated tracking system on the 2003 ice delivery contract. Some trucks were equipped with automated tracking capabilities; however, the Corps Charleston District was not privy to the information. Therefore, Corps Charleston District personnel were unable to track these trucks en route to staging areas during the Hurricane Katrina recovery effort, or rely on the information when processing invoices. The Corps Charleston District could have reduced the resources used to process invoices and shorten excess standby hours if they had access to automated tracking information.

Automated Tracking Requirement for the 2006 Ice Delivery Contract. The Corps Savannah District requires an automated tracking system for each vehicle in transit for the 2006 ice delivery contract. According to the 2006 ice delivery contract, the contractor is required to monitor and record the automated tracking system information at a central location. The contractor must also report information collected on vehicle movement and location to the Corps at a minimum of 4-hour intervals and within 1 hour of the Corps request for this information as long as any ice delivery vehicles are in transit. The 2006 ice delivery contract is further discussed in the "Other Matters of Interest" section.

Corrective Actions

The Corps Charleston District determined a need to establish guidance for invoice processing following the Hurricane Katrina recovery effort. The Corps Charleston District drafted the "Invoice Processing-National Ice/Water Mission" SOP on November 1, 2006. The Corps Charleston District specifies in this draft SOP the procedures for reviewing contractor invoices for payment and the steps for reconciling contractor invoices for payment after review. The Corps needs to finalize the draft SOP, "Invoice Processing-National Ice/Water Mission."

Conclusion

The Corps must adequately train personnel and implement guidance for invoice processing in executing the National Ice/Water Mission. The Corps Charleston District did not provide adequate training and guidance for invoice processing

over the National Ice/Water Mission. They made inaccurate or inadequately supported payments on 142 of the 342 invoices received in the amount of about \$262,000. These included underpayments of about \$79,000 and overpayments of about \$183,000. The end result was an overpayment of nearly \$104,000. The paid invoices may include payments on possibly altered delivery tickets and excess charges to the contract. The Corps must finalize the draft SOP for invoice processing and train personnel on SOPs for acceptance of ice deliveries and invoice processing to ensure proper execution of the National Ice/Water Mission.

Other Matters of Interest

We identified several areas of interest during our review of the Corps Charleston District administration of the ice delivery contract used during the Hurricane Katrina recovery effort. These areas include FEMA directing the Corps Charleston District to order excess amounts of ice, the Corps Savannah District awarding of a new ice delivery contract, and the Corps' possible reprisal action against one of its contracting officers.

Federal Emergency Management Agency. FEMA employees directed the Corps Charleston District to order excess quantities of ice during the Hurricane Katrina recovery effort. Therefore, the Corps Charleston District personnel continued to place delivery orders against the 2003 ice delivery contract although many trucks were in standby status at various drop-off locations. As a result, the Government paid about \$18 million for the ice, about \$6 million for storage for up to 1 year, plus the costs associated with additional ground mileage and standby time for the excess quantities of ice and extra trucks.

The Corps Charleston District officials also received documentation from IAP regarding FEMA employees' threats to arrest a truck driver. An IAP subcontractor sent a memorandum to IAP documenting that FEMA employees threatened to arrest a driver if he did not continue on with his load to the disaster area. The IAP subcontractor chose not to deliver anymore FEMA loads after experiencing this treatment.

2006 Emergency Ice Delivery Contract. The Corps Savannah District contracting officials awarded a full and open competitive requirements contract, W912HN-07-D-0007, to IAP on December 22, 2006, for a not to exceed amount of \$350 million with 1 base year and 2 option years. The contract is for packaged ice and necessary supporting items and services, to include refrigerated storage units (reefers), transportation, loading and unloading of shipments, drayage, operation and maintenance of reefers, participation in partnering activities, and provision for strategic planning services. According to the contract, the contractor is required to respond immediately for production, delivery, and reporting. The Corps will use this contract to perform the Emergency Service Function #3 responsibilities for man-made or natural emergency or disaster response and recovery efforts under the 2004 NRP. The contract stipulates that the trucks used for transporting ice be equipped with an automated tracking system. The contractor will use this automated tracking system and transmit collected data to the Corps every 4 hours while trucks are en route.

The Corps District responsible for the National Ice/Water Mission will also change starting March 30th of each year. The National Ice/Water Mission responsibility will be rotated between the Charleston District and the Albuquerque District. Both Districts' emergency management personnel will receive training for executing the National Ice/Water Mission prior to deployment rather than during emergency situations.

Potential Corps Contracting Officer Reprisal. Corps senior procurement officials may have pressured a contracting officer to issue delivery orders for ice and related services during the Hurricane Katrina recovery effort without appropriate documentation for the purchase. The contracting officer refused because his approval would have resulted in potential Antideficiency Act violations. The Corps senior officials reassigned the contracting officer to the Corps Emergency Management Office after his refusal. Additionally, the contracting officer alleges that his refusal has resulted in multiple forms of reprisal including loss of promotion potential and privileges. His complaints have been referred to the DoD IG Office of Civilian Reprisal for further investigation.

Conclusion. We identified these other matters of interest during our review of the administration of the 2003 ice delivery contract. These other matters were issues we wanted to address although audit recommendations are not required. We will address the issues regarding FEMA in a memorandum to the Department of Homeland Security. Both the Corps and FEMA emergency management personnel need to cooperate to correct the issues. The Corps Savannah District developed and awarded the 2006 Advance Contracting Initiatives emergency ice delivery contract using lessons learned from Hurricane Katrina. The new contract should provide a more efficient and accurate process for preparing, executing, and final processing of relief efforts during emergency situations. The DoD IG's Office of Civilian Reprisal is currently investigating the Corps contracting official's case.

Recommendations, Management Comments, and Audit Response

We recommend that the Commander, U.S. Army Corps of Engineers:

1. Ensure that all personnel are adequately trained on procedures applicable to their duties before performing the National Ice/Water Mission. Specifically, these procedures should include Government personnel duties to accept and document ice deliveries and services on behalf of the U.S. Army Corps of Engineers.

Management Comments. The Chief, Audit Executive for the Headquarters Internal Review Office, U.S. Army Corps of Engineers, responding for the Commander, concurred, stating that Corps personnel at the Districts performing the National Ice/Water mission will receive annual training, and personnel at receiving sites will receive "just-in-time" training during emergencies.

Audit Response. The comments were responsive to the recommendation, and no additional comments are required.

2. Finalize the Standard Operating Procedures for invoice processing. Specifically, these procedures should include internal controls on documenting and retaining information related to the invoice payment process.

Management Comments. The Chief, Audit Executive for the Headquarters Internal Review Office, U.S. Army Corps of Engineers, responding for the Commander, concurred. The draft SOP is currently 80 percent complete and should be finalized in August 2007.

Audit Response. The comments were responsive to the recommendation, and no additional comments are required.

3. Recoup the net amount of \$103,723.52 in identifiable overpayments on the 2003 ice delivery contract DACW64-03-D-0003 from International American Products, Worldwide Services.

Management Comments. The Chief, Audit Executive for the Headquarters Internal Review Office, U.S. Army Corps of Engineers, responding for the Commander, concurred, stating that the Corps expects to complete the reconciliation by October 2007, and bill the contractor accordingly.

Audit Response. The comments were responsive to the recommendation, and no additional comments are required.

4. Determine whether the automated tracking system required by the 2006 ice delivery contract produces accurate data. The U.S. Army Corps of Engineers should determine the accuracy of the data and modify the current and future ice delivery contracts to allow submission of automated data to be used for processing invoices. The U.S. Army Corps of Engineers would still require delivery tickets to show acceptance of the ice and to supplement the automated tracking data. The data could speed invoice processing while reducing processing errors from incomplete and illegible delivery tickets.

Management Comments. The Chief, Audit Executive for the Headquarters Internal Review Office, U.S. Army Corps of Engineers, responding for the Commander, concurred, stating the new contract requires a Global Positioning System tracking system and Corps personnel will be comparing the Global Positioning System data with the delivery tickets for future invoices.

Audit Response. The comments were responsive to the recommendation, and no additional comments are required.

Appendix A. Scope and Methodology

The Corps' Principal Assistant Responsible for Contracting requested a review on the administration of contract DACW64-03-D-0003 between International American Products, Worldwide Services and the U.S. Army Corps of Engineers. Specifically, we limited our review to only the administration of the ice delivery process during the Hurricane Katrina recovery effort. We originally initiated an audit of the award of the emergency ice delivery contracts at the request of Congressman Bennie Thompson. DoD IG Report No. D2006-116, "Ice Delivery Contracts Between International American Products, Worldwide Services and the U.S. Army Corps of Engineers," September 26, 2006, addressed Congressman Bennie Thompson's concerns.

We reviewed the *Army Federal Acquisition Regulation Manual No. 2 (Contingency Contracting)* December 1993; Federal Acquisition Regulation 1.602, "Contracting Officers"; and the "2004 NRP Emergency Support Function #3 - Public Works and Engineering."

We reviewed the Corps draft SOP titled "Invoice Processing-National Ice/Water Mission," dated November 1, 2006, and the 1999 SOP titled "National Ice/Water Mission." We reviewed contract DACW64-03-D-0003, November 21, 2002, that was used for the emergency ice purchase in order to address the Principal Assistant Responsible for Contracting's concerns. We reviewed the status of a solicitation for a contract being issued as a result of the expiration of the November 21, 2002, ice delivery contract. We also reviewed the automated tracking system requirement in the current emergency ice delivery contract, W912HN-07-D-0007, December 22, 2006.

We interviewed personnel from two Corps office locations (Corps Headquarters, Washington, District of Columbia; and Corps Charleston District, South Carolina) to determine their involvement and understanding of the ice delivery contract and invoice processing. Corps personnel we met with included contracting, emergency management, internal review, legal, resource management, and finance personnel. We obtained information on how the invoices from IAP were processed by the Corps Charleston District. We interviewed personnel from IAP (Irmo, South Carolina). We received information and documentation on the process IAP used to invoice the Corps Charleston District.

We conducted a review of all the paid invoices related to Hurricane Katrina delivery orders and amendments dated from August 28 through September 20, 2005. The Corps categorized delivery orders by packaged ice delivered, additional ground mileage, standby time in excess of 1 hour, administrative overhead, stop work order for standby time, daily operations first reefers, daily operations additional reefers, and line haul. In addition, we reviewed the Corps Charleston District's master spreadsheet identifying 422 invoices totaling about \$80.3 million, dated from September 2, 2005, through May 27, 2006. See the table for a summary of the 422 invoices.

**Invoice and Dollar Amounts for the Corps Charleston District's
Master Spreadsheet**

	Number of Invoices	Dollar Amount Paid (Rounded to the Nearest Thousand)
Packaged ice	135	\$46,520,000
Additional ground mileage / Standby time	207	32,947,000
Outside of our scope	80*	864,000*
Total	422	\$80,331,000
*73 of the 80 invoices outside of our scope did not have a paid amount.		

We performed this audit starting in December 2005. We suspended this audit from February 2006 through September 2006 to concentrate on addressing Congressman Thompson's request. We completed this audit from September 2006 through June 2007 in accordance with generally accepted government auditing standards. The evidence provided a reasonable basis for our finding.

We reviewed 342 paid invoices totaling about \$79.5 million relating to ice and related services during the Hurricane Katrina recovery effort. We limited our scope to invoices that were paid by the start of our review on August 14, 2006. The reviewed invoices were for packaged ice, additional ground mileage, and standby time in excess of 1 hour. Specifically, the invoices not in our scope were for daily operations, administration overhead, standby time associated with stop work orders, invoices not related to Hurricane Katrina, and invoices marked "not paid."

Use of Computer-Processed Data. We used the Corps Charleston District's spreadsheets for informational purposes. We did not assess the reliability of computer-processed data because the data were not a basis for a conclusion or finding.

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 last 2 years, GAO, DoD IG, the Army Audit Agency, and the Naval Audit Service have issued 11 reports and testimonies discussing contracts for the Hurricane Katrina recovery effort. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted Army Audit Agency reports can be obtained by contacting the agency. Unrestricted Naval Audit Service reports can be accessed at <http://www.hq.navy.mil/NavalAudit>.

GAO

GAO Report No. GAO-06-834, “Governmentwide 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-2007-055, “Contract Administration of the Water Contract Between the Lipsey Mountain Spring Water Company and the United States Army Corps of Engineers,” February 5, 2007

DoD IG Report No. D-2007-038, “U.S. Army Corps of Engineers’ ‘Operation Blue Roof’ Project in Response to Hurricane Katrina,” December 22, 2006

DoD IG Report No. D-2006-116, “Ice Delivery Contracts Between International American Products, Worldwide Service and the U.S. Army Corps of Engineers,” September 26, 2006

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-2007-0016-FFD, "Debris Removal Contracts," November 9, 2006

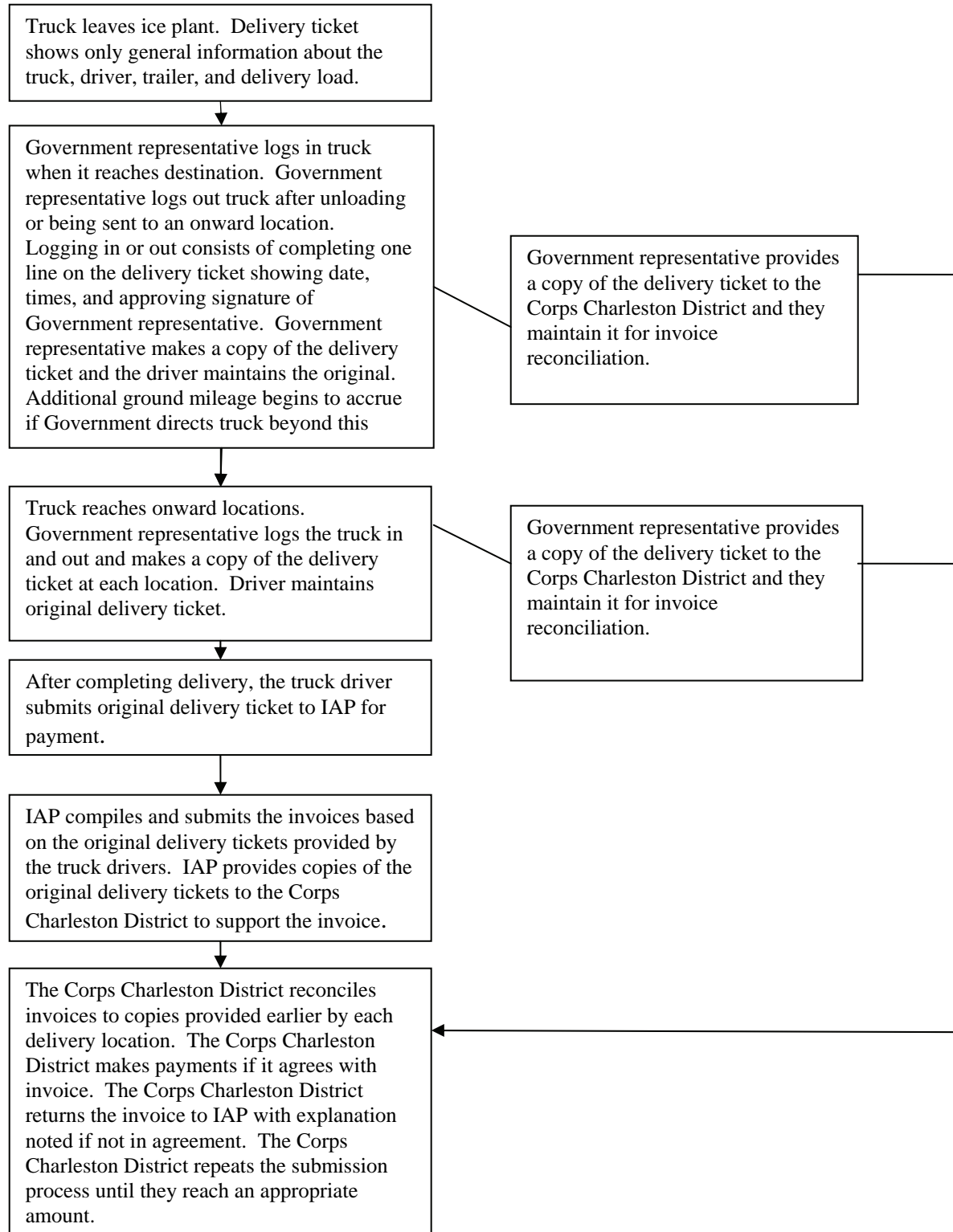
Army Audit Agency Report No. A-2006-0198-FFD, "Contracts for the Hurricane Protection System in New Orleans," August 22, 2006

Naval Audit Service

Naval Audit Service Report No. N2007-0021, "Hurricane Relief Funds for Military Family Housing Construction at Gulfport and Stennis Space Center, Mississippi," March 27, 2007

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

Appendix C. Delivery Ticket Process



Appendix D. 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

Assistant Secretary of the Army (Financial Management and Comptroller)
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 Oversight and Government Reform
House Subcommittee on Government Management, Finance, and Accountability,
Committee on Oversight and Government Reform
House Subcommittee on National Security, Emerging Threats, and International
Relations, Committee on Oversight and Government Reform
House Committee on Homeland Security

Department of the Army



DEPARTMENT OF THE ARMY
U.S. ARMY CORPS OF ENGINEERS
441 G ST. NW
WASHINGTON, D.C. 20314-1000

CEIR (36-2b)

31 July 2007

MEMORANDUM FOR DEPARTMENT OF DEFENSE OFFICE OF THE INSPECTOR GENERAL

SUBJECT: DODIG Draft Report – Project No. D2006-D000CG-0075.000 –
Contract Administration of the Ice Delivery Contract between International
American Products, Worldwide Services and U. S. Corps of Engineers during
the Hurricane Katrina Recovery Effort

1. Thank you for the opportunity to review the subject draft report and
provide comments. Our response to the four recommendations is enclosed.
2. Question should be referred to either Ms. Alicia Matias (202-761-4375)
or Ms. Donna Johnson (202-761-8518).

FOR THE COMMANDER:

Encl

Donna Johnson
for DONALD J. RIPP
Chief, Audit Executive
HQ Internal Review Office

DODIG Draft Report – Project No. D2006-D000CG-0075.000 – Contract Administration of the Ice Delivery Contract between International American Products, Worldwide Services and U. S. Corps of Engineers during the Hurricane Katrina Recovery Effort

RECOMMENDATION 1 - Ensure that all personnel are adequately trained on procedures applicable to their duties before performing the National Ice/Water Mission. Specifically, these procedures should include Government personnel duties to accept and document ice deliveries and service on behalf of the U.S. Army Corps of Engineers.

Management Response: Concur. Albuquerque District and Charleston District Planning Response Team members have received training this fiscal year and will receive training each year. Quality Assurance personnel will receive "just-in-time training at the staging areas by USACE personnel and FEMA. Personnel at "point of delivery" locations will also receive the same type training.

RECOMMENDATION 2 - Finalize the Standard Operating Procedures for invoice processing. Specifically, these procedures should include internal controls on documenting and retaining information related to the invoice payment process.

Management Response: Concur. The draft SOP for invoice processing will be finalized by August 2007. The draft is currently 80 percent complete.

RECOMMENDATION 3 - Recoup the net amount of \$103,723.52 in identifiable overpayments on ice delivery contract DACW64-03-D-0003 from International American Products, Worldwide Services.

Management Response: Concur. The Charleston District is currently reconciling invoice document spreadsheets provided by the DOD IG to validate the over and under payments. Expect to be completed by 30 October 2007. Once validation is made, contractor will be invoiced for overpayments in accordance with RM billing policies.

RECOMMENDATION 4 - Determine whether the automated tracking system required by the 2006 ice delivery contract produces accurate data. The U. S. Army Corps of Engineers should determine the accuracy of the data and modify the current and future ice delivery contracts to allow submission of automated data to be used for processing invoices. The U. S. Army Corps of Engineers would still require delivery tickets to show

DODIG Draft Report – Project No. D2006-D000CG-0075.000 – Contract Administration of the Ice Delivery Contract between International American Products, Worldwide Services and U. S. Corps of Engineers during the Hurricane Katrina Recovery Effort (Cont'd)

acceptance of the ice and to supplement the automated tracking data. The data could speed invoice processing while reducing processing errors from incomplete and illegible delivery tickets.

Management Response: Concur. International American Products (IAP), Worldwide Services was awarded a new contract on 22 December 2006. This contract includes new requirements for an internet based report and Global Positioning System (GPS) tracking system. As part of the award decision, IAP proposed a GPS and Satellite Tracking system that is integrated with their database and is linked live, therefore causing less opportunity for error during reporting and invoice validation and allows real time access to data. To further support this, IAP has field tested the system during last year's Hurricane Ernesto.

Reconciliation of invoices will be done by verifying invoices with USACE ticket receipts and contractor GPS data. If the GPS data can be verified across the board we will recommend future reconciliation be done by spot checking hard copy data tickets with GPS data.

Under this contract, as part of partnering activities and strategic planning services, IAP is required to provide demonstrations and training material of this tracking system to the Government Selection Team as well as the users of this system during an event. To date, IAP has conducted four training sessions; during the award decision; immediately after contract award to Charleston District personnel; during the turn over to Albuquerque District personnel and most recently, a partnering session with FEMA.

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 S. Wan
Gary B. Dutton
Jeffrey L. Steinbauer
Rachel L. Herman
Jonathan M. Kistler
Meredith H. Johnson



Inspector General Department *of* Defense