Report No. D-2009-103 September 18, 2009

# Inspector General
## United States Department of Defense


# The U.S. Army Corps of Engineers Ice and Water Response to the 2008 Hurricane Season

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## Acronyms and Abbreviations

| | |
|---|---|
| ACI | Advance Contracting Initiative |
| FEMA | Federal Emergency Management Agency |
| GPS | Global Positioning System |
| IAP | International American Products |
| IG | Inspector General |
| NLSA | National Logistics Staging Area |
| POD | Points of Distribution |
| QA | Quality Assurance |
| USACE | U.S. Army Corps of Engineers |

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

September 18, 2009

MEMORANDUM FOR COMMANDER AND CHIEF OF ENGINEERS, U.S. ARMY CORPS OF ENGINEERS
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: The U.S. Army Corps of Engineers Ice and Water Response to the 2008 Hurricane Season (Report No. D-2009-103)

We are providing this report for your information and use. We performed the audit based on the commitment of the President's Council on Integrity and Efficiency (now known as the Council of Inspectors General on Integrity and Efficiency) to take a proactive approach in reviewing disaster relief efforts. We considered comments from the U.S. Army Corps of Engineers on a draft of this report when preparing the final report.

USACE comments conformed to the requirements of DOD Directive 7650.3; therefore, additional comments are not required.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9201 (DSN 664-9201).

Richard B. Jolliffe
Assistant Inspector General
Acquisition and Contract Management

# Results in Brief: The U.S. Army Corps of Engineers Ice and Water Response to the 2008 Hurricane Season

## What We Did

We reviewed the U.S. Army Corps of Engineers' (USACE) response to the 2008 hurricane season. Specifically, we reviewed the award and administration of contracts for ice and water distribution during the disaster relief efforts. We also reviewed the amount USACE paid for standby time for the ice contract during the 2008 hurricane season.

## What We Found

USACE internal controls over contract administration were ineffective. USACE officials have made improvements to the ice and water missions since Hurricane Katrina. However, for the 2008 hurricane season, we identified areas of the missions that can be improved. The issues we identified occurred because USACE Charleston District:

- paid International American Products (IAP), Worldwide Services for standby time on the ice contract based on a 24-hour clock instead of a 10-hour clock and would have avoided costs of about $4.4 million by paying for standby time on a 10-hour clock and
- did not verify the accuracy of IAP spreadsheets used to calculate standby time and, as a result, overpaid IAP $44,148.80 and could overpay an additional $8,968.74 if they pay the remaining invoices.

As a result, we identified about $4.4 million in funds USACE Charleston District could have put to better use by not paying the contractor on a 24-hour clock. IAP mischarged USACE on 23 of 66 invoices we reviewed for a net amount of $53,117.54 in overbillings. USACE overpaid $44,148.80 on 18 of the invoices and could overpay an additional $8,968.74 if they pay the remaining 5 invoices.

## What We Recommend

USACE should modify future and consider modifying current ice contracts to pay a maximum of 10 hours per calendar day for standby time; verify the accuracy of IAP-supplied spreadsheets and recoup the overpayments made to IAP for standby time; perform a 100-percent review of invoices for the 2008 hurricane season as well as standby time invoices billed after March 20, 2009, or request the Defense Contract Audit Agency to perform the review; modify future and consider modifying current ice and water contracts to include a requirement for the contractor to mark trucks by what they are transporting; include a contract requirement for each truck to have an electronic tracking system to be scanned at each destination; and improve contract administration and quality assurance procedures.

## Management Comments and Our Response

USACE agreed or partially agreed with nine recommendations. USACE disagreed that using only geospatial data would provide accurate mileage amounts. USACE provided an alternative, which we accept as long as USACE ensures that it is not paying for excess ground mileage. The responses meet the intent of the recommendations. No additional comments are required.

# Recommendations Table

| Management | Recommendations Requiring Comment | No Additional Comments Required |
|---|---|---|
| Commander, U.S. Army Corps of Engineers | | 1, 2, 3, 4, 5, 6, 7, 8, 9, and 10. |

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# Introduction

## Objectives

We reviewed the U.S. Army Corps of Engineers' (USACE) response to the 2008 hurricane season. Our review was divided into two subprojects. Specifically, we reviewed the award and administration of contracts for ice and water distribution during the disaster relief efforts. See Appendix A for a discussion of the scope and methodology and Appendix B for prior coverage related to the objective.

## Background

The audit is based on the commitment of the President's Council on Integrity and Efficiency (now known as the Council of Inspectors General on Integrity and Efficiency) to take a proactive approach in reviewing disaster relief efforts. In addition, the DOD Office of Inspector General (IG) reviewed the award and administration of contracts for temporary roofing and temporary power for the 2008 hurricane season. We will issue a separate report for Project No. D2009-D000CG-0027.000 to address the temporary roofing and temporary power contracts.

### *Emergency Guidance*

The "Robert T. Stafford Disaster Relief and Emergency Assistance Act" and the National Response Framework provide guidance for Government officials to use during emergency situations. The "Robert T. Stafford Disaster Relief and Emergency Assistance Act" authorizes Federal agencies by the direction of the President, to provide financial and other forms of assistance to support response, recovery, and mitigation efforts following declared disasters. The National Response Framework is used to respond to Presidential declarations and provides structure for effective and efficient incident management among the Federal, State, and local emergency management agencies after a disaster. The National Response Framework authorized the Federal Emergency Management Agency (FEMA), part of the Department of Homeland Security, to issue mission assignments.

The National Response Framework is a guide on how the Nation conducts all-hazards responses. It is built on scalable, flexible, and adaptable coordinating structures to align key roles and responsibilities across the Nation, linking all levels of Government, nongovernmental organizations, and the private sector. It is intended to capture specific authorities and best practices for managing incidents that range from serious but local to large-scale terrorist attacks or catastrophic natural disasters.

### *Advance Contracting Initiative Contracts*

To execute a quick response to emergencies and disasters, USACE developed and implemented Advance Contracting Initiative (ACI) contracts to use for disaster relief.

ACI requirements contracts are awarded before disasters occur. ACI provides for advertising and awarding contracts in advance of disaster and emergency responses for certain missions.

These contracts provide USACE contracting personnel the ability to place delivery orders after a disaster at the prenegotiated rate for supplies and services. Agencies use requirements contracts as a method to fill actual needs by placing delivery orders against the contracts. USACE had ACI contracts in place for the 2008 hurricane season for ice, water, debris, temporary power, and temporary roofing. USACE Charleston District was responsible for the ice contract, and USACE New England District was responsible for the water contract.

## ACI Ice Contract

USACE Charleston contracting office awarded ACI contract W912HN-07-D-0007 to International American Products (IAP), Worldwide Services on December 22, 2006, for a not to exceed amount of $350 million over the life of the contract. The contract has a 1 year base period ending December 31, 2007, and 2 option years that end December 31, 2009. The purpose of the contract is to provide packaged ice and necessary supporting items and services, to include:

- refrigerated storage units;
- transportation, loading, and unloading of shipments;
- drayage;
- operation and maintenance of refrigerated storage units;
- participation in partnering activities; and
- strategic planning services in the Continental United States, Puerto Rico, U.S. Virgin Islands, Alaska, Hawaii, Guam, Northern Mariana Islands, American Samoa, Federal States of Micronesia, and Republic of the Marshall Islands.

The contract states that the contractor must have a global positioning system (GPS) installed or similar tracking abilities for all shipments.

USACE Charleston contracting office advertised the solicitation as unrestricted and received three responses. The Source Selection Evaluation Board evaluated the three responses and determined that IAP was the best overall proposal and most beneficial to the Government.

## ACI Water Contract

USACE New England District awarded ACI contract W912WJ-08-D-0001 to IAP on April 4, 2008, without a not-to-exceed amount. The contract has a 1 year base period ending March 31, 2009, and 4 option years that end March 31, 2013. The purpose of the contract is to provide bottled water including:

- vendor-managed storage;
- transportation, loading, and unloading;
- drayage;

- additional ground mileage; and
- dry storage trailers in the Continental United States, Puerto Rico, U.S. Virgin Islands, Alaska, Hawaii, Guam, Northern Mariana Islands, American Samoa, Federal States of Micronesia, and Republic of the Marshall Islands.

The contract states that the contractor must have a GPS installed or similar tracking abilities for all shipments.

USACE New England District advertised the solicitation as unrestricted and received six responses. USACE New England District did not consider one response because it was received after the deadline and two responses because they did not meet the technical requirements of the request for proposals. The Source Selection Evaluation Board evaluated the three remaining responses and determined that IAP was the best overall proposal and the most beneficial to the Government.

## *Ice and Water Distribution Process*

Once a major disaster strikes, State and local authorities join together to provide emergency requirements for the public. In instances where State and local agencies are not capable of meeting all emergency requirements, the Federal Government coordinates and organizes to support State and local emergency response efforts. Along with FEMA, USACE is the primary agency responsible for planning, preparedness, and response as required by Emergency Support Function #3, "Public Works and Engineering." USACE also provides emergency supplies and services for humanitarian support including bottled water and ice, and helps FEMA account for ready-to-eat meals based on mission assignments from FEMA.

### National Logistics Staging Area

The National Logistics Staging Area (NLSA) provides a location where bulk resources of ready-to-eat meals, bottled water, bagged ice, tarps, and other expendable supplies from Federal, State, or other resources can be received. While at the NLSA, emergency supplies are accounted for and prepared for distribution. The NLSA team coordinates transportation to designated county points of distribution (PODs) at the direction of the State. The NLSA also provides driver and staff supporting services.

### Points of Distribution

PODs are centralized locations where the public picks up life-sustaining commodities following a disaster or emergency. Commodities provided can include ready-to-eat meals, bottled water, and limited amounts of ice, and tarps. The Local Emergency Management Agency is the primary authority for the activation, operation, and demobilization of the PODs. PODs must be able to accommodate vehicle traffic (drive-thru), pedestrian traffic (walk-thru), and mass transit traffic (bus or rail). Each person or vehicle receives a set amount of supplies. The recommended amount for each person or vehicle to receive is enough supplies for a household of three. Each car is provided two or three bags of ice, one case of bottled water, and six ready-to-eat meals. One truck load of ice serves 5,000 people. One truck load of water serves 5,000 people. One truck load of ready-to-eat meals serves 10,000 people.

### *2008 Hurricane Season*

During the 2008 hurricane season, three storms; Gustav, Hannah, and Ike; struck the United States and required USACE water and ice disaster relief assistance. USACE Charleston District officials ordered ice for just Hurricanes Gustav and Ike. USACE New England District officials ordered bottled water for recovery efforts for all three storms.

#### Hurricane Gustav

Hurricane Gustav made landfall in Louisiana in September 2008 as a Category 2 hurricane, causing significant wind, storm surge, and flooding damage in Louisiana, Texas, Oklahoma, and Arkansas. Cost estimates of damage for Hurricane Gustav in the United States total at least $4.3 billion.

#### Hurricane Hannah

Hurricane Hannah made landfall on the border of the Carolinas in September 2008, before moving up the Eastern Seaboard and making a second landfall over Long Island. Hurricane Hannah was the fourth hurricane of the 2008 season. Cost estimates of damages for Hurricane Hannah in the United States total at least $100 million.

#### Hurricane Ike

According to FEMA, Hurricane Ike was the third most destructive hurricane to ever make landfall in the United States. Hurricane Ike made landfall in Texas in September 2008. As a Category 2 hurricane, Hurricane Ike caused considerable storm surge in coastal Texas and significant wind and flooding damage in Texas, Louisiana, Michigan, Tennessee, Illinois, Indiana, Kentucky, Missouri, Ohio, and Pennsylvania. Cost estimates of damage for Hurricane Ike total at least $30 billion.

## Review of Internal Controls

DOD Instruction 5010.40, "Managers' Internal Control (MIC) Program Procedures," January 4, 2006, requires DOD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. USACE internal controls over contract administration were ineffective as they applied to the audit objectives because USACE officials did not adequately perform Government oversight of the contract. Implementing Recommendations 2, 3, 4, 6, and 10 will correct these internal control weaknesses. We will provide a copy of the final report to senior USACE officials responsible for internal controls.

# Finding. U.S. Army Corps of Engineers Ice and Water Missions

USACE officials have made numerous improvements to the ice and water missions since Hurricane Katrina. However, for the 2008 hurricane season, we identified areas of each mission that can be improved. USACE should improve the terms and conditions of future ice and water ACI contracts, and the contract administration and quality assurance (QA) procedures for the ice and water missions. The issues we identified occurred because USACE:

- Charleston District paid the ice contractor for standby time [1] based on a 24-hour clock instead of a 10-hour clock;
- Charleston District did not verify the accuracy of contractor-supplied spreadsheets used to calculate standby time;
- did not include a requirement in the ice and water contracts for trucks to be marked by what they are carrying and whether they were ordered by State or Federal officials;
- ice team QA personnel did not open ice trucks to check for contract compliance;
- ice team QA personnel were not provided the appropriate equipment and adequate training to perform duties specified in the standard operating procedures;
- ice and water teams verified contractor invoices for mileage with handwritten truck tickets, not GPS data; and
- did not have QA personnel at the PODs to verify final delivery of ice and water.

As a result, we identified about $4.4 million in funds USACE Charleston District could have put to better use by not paying the contractor for standby time on a 24-hour clock. IAP mischarged USACE on 23 of 66 ice standby invoices we reviewed for a net amount of $53,117.54 in overbillings. USACE overpaid $44,148.80 on 18 of the invoices and could overpay an additional $8,968.74 if they pay the remaining 5 invoices. In addition, at the NLSA, USACE ice and water QA personnel experienced difficulties in identifying truck contents and difficulty getting accurate truck counts. The USACE ice team's current QA procedures increase the risk for contractor fraud and mismanagement. Furthermore, USACE officials could make mistakes in paying mileage invoices by only verifying the information with handwritten tickets. Finally, USACE has no assurance IAP is complying with the ice and water contracts.

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[1] Standby time is the reimbursable wait time to a contractor for remaining at a delivery site at the direction of the Ordering Officer for more than 4 hours.

## Improvements to the Ice and Water Missions Since Hurricane Katrina

USACE has made numerous improvements to the ice and water missions following Hurricane Katrina. The DOD IG issued a series of reports discussing the use of DOD resources in response to the Hurricane Katrina recovery efforts and made several recommendations to improve the ice and water missions. In addition, USACE has made self-initiated changes to improve the ice and water delivery process.

### *DOD IG Ice Reports*

The DOD IG issued two reports regarding the procurement and delivery of ice in emergency situations. The DOD IG issued Report No. D-2006-116, "Ice Delivery Contracts Between International American Products, Worldwide Services and the U.S. Army Corps of Engineers," on September 26, 2006, in response to a request from Congressman Bennie G. Thompson. In Report No. D-2006-116, the DOD IG answered Congressman Thompson's concerns and did not include any recommendations to USACE. The DOD IG issued Report No. D-2007-118, "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," on August 24, 2007, addressing other issues identified in the administration of the 2003 ice delivery contract that were not part of Congressman Thompson's original request. USACE agreed with the DOD IG recommendations and made the following improvements to the ice mission.

- USACE provides personnel at the districts performing the National Ice and Water Missions annual training, and personnel at receiving sites receive just-in-time training during emergencies.

- USACE finalized the Ice-Water-Commodities Standard Operating Procedures, and USACE officials held meetings to update the Ice-Water-Commodities Standard Operating Procedures before the next hurricane season.

- USACE Charleston District plans to test the reliability of data produced by the automated tracking system following the completion of the payment of invoices for the 2008 hurricane season. USACE Charleston District officials plan to use the data to pay future invoices for additional ground mileage invoices if the data proves to be reliable.

The USACE ice team has made changes to the ice mission through DOD IG recommendations and self-initiated changes. However, USACE officials should make additional changes to the award and administration of the ice contract to further improve the overall ice mission.

### *DOD IG Water Reports*

The DOD IG issued two reports regarding the procurement and delivery of water in emergency situations. The DOD IG issued 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," on August 29, 2006, in response to requests from Congressman Christopher Shays and Congressman Bennie G. Thompson. In Report No. D-2006-109, the DOD IG answered Congressman Shays' and Congressman Thompson's concerns and did not include any recommendations to USACE. The DOD IG issued Report No. D-2007-055, "Contract Administration of the Water Delivery Contract Between the Lipsey Mountain Spring Water Company and the United States Army Corps of Engineers," on February 5, 2007, addressing other issues identified in the administration of the water delivery contract that were not part of Congressman Shays' and Congressman Thompson's original requests. USACE agreed with some of the DOD IG recommendations and made the following improvements to the water mission.

- USACE uses the contractor's web-based tracking system and is working with IAP to improve the system as lessons are learned from each mission.

- USACE no longer makes air deliveries of water for locations in the continental United States.

The USACE water team has made changes to the water mission through DOD IG recommendations and self-initiated changes. However, USACE officials should make additional changes to the award and administration of the water contract to further improve the overall water mission.

## *USACE Improvements to the Ice and Water Missions*

USACE has also made their own improvements to better execute the ice and water missions. USACE Charleston District made automated tracking a requirement in the 2006 ice delivery contract W912HN-07-D-0007. USACE implemented a policy that the USACE district responsible for the National Ice and National Water Missions will rotate annually on March 1st of each year. The National Ice Mission responsibility rotates between the Charleston District and the Albuquerque District. The National Water Mission responsibility rotates between the New England District and the Kansas City District. For the 2008 hurricane season, the Albuquerque District's ice team and Kansas City District's water team deployed to help support the Charleston District and New England District as the primary National Ice and Water Teams. USACE officials stated that they plan to have the secondary teams assist the primary teams each year. The USACE Albuquerque District ice team is the primary team for the 2009 hurricane season. USACE Albuquerque District officials stated that they currently do not have enough volunteers to fill all the required positions on the ice team and having USACE Charleston District also deploy will fill the needed positions.

Although USACE has made these improvements to the ice and water contracts and procedures, USACE should make additional improvements to better execute the ice and water missions.

## *USACE ACI Contracts for Ice and Water*

USACE contracting officials could make improvements to the terms and conditions of future ice and water contracts. For the ice contract, USACE unnecessarily pays for excess standby time. Neither the ice nor water contracts include requirements to ensure that the ice and water distribution process runs efficiently at the NLSA. Table 1 compares the ice and water contracts.

**Table 1. Comparison of Ice and Water Contracts**

| | **Ice** | **Water** |
|---|---|---|
| **Standby Time*** | Contractor entitled to a maximum of 24 hours per calendar day | Contractor entitled to a maximum of 10 hours per calendar day |
| **Contract requirement to ensure contents of truck can be easily identified at the NLSA** | No | No |
| *The contractor is paid for each hour of standby time after the initial 4 hours. | | |

## Standby Time – 24-Hour Clock

USACE Charleston District paid IAP for standby time on the ice contract for hours that drivers are required by law not to work. In accordance with the ice contract, USACE pays IAP $51.25 per hour for standby time in excess of 4 hours for a maximum of 24 hours per calendar day. Federal Motor Carrier Safety Administration Regulation Part 395.3; "Maximum driving time for property-carrying vehicles," restricts drivers from driving ". . . more than 11 cumulative hours following 10 consecutive hours off-duty; or for any period after the end of the 14$^{th}$ hour after coming on duty following 10 consecutive hours off duty. . ." Therefore, any standby time USACE paid IAP over 14 hours is being paid for time drivers cannot work. IAP billed USACE a total of about $8.2 million for standby time as of June 24, 2009, for the 2008 hurricane season. However, USACE pays IAP differently for the water contract. In accordance with the water contract, USACE pays IAP $65.04 per hour for standby time in excess of 4 hours for a maximum of 10 hours per calendar day. If USACE only paid the contractor a maximum of 10 hours per calendar day, not including the initial 4 hours for the ice contract, USACE would have avoided costs of about $4.4 million on ice standby time for the 2008 hurricane season. USACE Charleston District should modify the current and future ice delivery contracts to pay a maximum of 10 hours of standby time per calendar day in excess of 4 hours to avoid paying drivers for time they cannot work. See Table 2 for the total lost savings by paying a maximum 10 hours per calendar day in excess of 4 hours for standby time.

**Table 2. Standby Time Lost Savings**

| | Total Standby Hours* | Total Billable Hours | Cost per hour | Total Cost |
|---|---|---|---|---|
| **Standby time in excess of 4 hours for a maximum of 24 hours per calendar day** | 171,255.68 | 159,183.35 | $51.25 | $8,158,146.69 |
| **Standby time in excess of 4 hours for a maximum of 10 hours per calendar day** | 171,255.68 | 74,272.28 | $51.25 | $3,806,454.35 |
| **Total** | | | | **$4,351,692.34** |

*Total Standby Hours reflects the total hours after incorporating errors, not the actual total hours billed.

## Standby Time – Overbillings by IAP

USACE Charleston District officials did not verify the accuracy of IAP-supplied spreadsheets used to calculate standby time, resulting in mischarges and overpayments to IAP for standby time. During our review of 66 ice standby invoices including 52 paid and 14 unpaid, we identified 20 invoices IAP overbilled USACE and 3 invoices IAP underbilled USACE, resulting in about $53,000 in net overbillings by IAP. Of the 52 paid invoices, 18 invoices contained 39 errors that resulted in about $44,000 in overpayments USACE made to IAP. Of the 14 unpaid invoices, 5 invoices contained 6 errors that, if USACE pays, would result in about $9,000 in additional overpayments to IAP. We determined that the errors were caused by mistakes in the spreadsheet IAP used to calculate standby time. For example, the initial 4 hours of standby time were not subtracted from the total standby time, overcharging USACE $205.00 in each instance. We notified USACE Charleston District of the errors. See Table 3 for the results of our review of the 66 paid and unpaid standby invoices.

**Table 3. Standby Invoices**

| Payment Status | Number of Invoices Reviewed | Number of Invoices with Errors | Total Errors | Net Amount IAP overbilled USACE |
|---|---|---|---|---|
| **Paid** | 52 | 18 | 39 | $44,148.80 |
| **Unpaid** | 14 | 5 | 6 | $8,968.74 |
| **Total** | **66** | **23** | **45** | **$53,117.54** |

Of the $53,117.54 that we identified as the net amount IAP overbilled USACE in Table 3, $17,801.69 of that amount is due to IAP double billing USACE for standby time. We identified four truck tickets that IAP double billed USACE for standby time.

Two truck tickets were billed on different invoices and paid twice, one truck ticket was paid once and then billed again on a different invoice but had not been paid, and one truck ticket was billed twice on the same invoice and still remains unpaid as of June 24, 2009. USACE officials should recoup the $44,148.80 in overpayments made to IAP and should not pay the additional $8,968.74 in overbillings until the invoices are corrected. Furthermore, USACE personnel should verify the accuracy of contractor-supplied spreadsheets before making future payments to IAP. Table 4 shows a summary of the invoices that contained truck tickets double billed to USACE.

**Table 4. Double Billings**

| | Payment Status of First Invoice | Payment Status of Second Invoice | Amount Overpaid | Amount of Potential Overpayment |
|---|---|---|---|---|
| **Truck Ticket 1** | Paid | Paid | $3,208.25 | - |
| **Truck Ticket 2** | Paid | Paid | $4,394.69 | - |
| **Truck Ticket 3** | Paid | Unpaid | - | $4,010.31 |
| **Truck Ticket 4** | Unpaid | Unpaid* | - | $6,188.44 |
| **Total** | | | **$7,602.94** | **$10,198.75** |

*The truck ticket was billed twice on the same invoice.

IAP billed USACE separately for ice, additional ground mileage, rental refrigerated storage units, and standby time. We reviewed only the standby time invoices that had been billed by IAP as of June 24, 2009. Because of the high rate of errors we found in the IAP spreadsheets used to calculate standby time, USACE should perform a 100-percent review of invoices for the 2008 hurricane season as well as standby time invoices billed after March 20, 2009, or request the Defense Contract Audit Agency to perform the review and determine additional monetary savings.

## Identification of Truck Contents

Ice and water QA personnel at the NLSA were not able to easily identify truck contents as they entered the NLSA, causing difficulty getting accurate truck counts. According to both ice and water QA personnel, they were not able to easily identify the contents of the trucks because the trucks were not marked when they arrived at the NLSA. During the 2008 hurricane season, local, State, and Federal authorities all ordered ice and water, as well as other commodities. A water QA inspector stated that the water team had problems identifying whether the trucks contained local, State, or Federal resources. QA personnel attempted to mark the trucks with tape when signing them in; however, USACE encountered problems with trucks being relocated and trucks that were mismarked. For example, truck drivers placed signs in their windows stating “State Water” when those particular trucks contained water purchased by USACE. USACE should modify the future and consider modifying the current ice and water delivery contracts to include a requirement for the contractor to mark trucks as “USACE ice” or

"USACE water," which will help alleviate the delays and difficulty when signing in trucks. Figure 1 shows a traffic backup entering a NLSA.

**Source: U.S. Army Corps of Engineers**

**Figure 1. Traffic Backup Entering a NLSA**

## *Contract Administration and QA Procedures for the Ice and Water Missions*

USACE officials could make improvements to the contract administration and QA procedures for the ice and water missions. For the ice contract, USACE does not have procedures in place to ensure contract compliance and does not provide QA personnel with the appropriate equipment and training to perform duties specified in the standard operating procedures. For both the ice and water contracts, USACE does not have procedures in place to reduce errors when paying invoices and to verify the final delivery of ice and water. Table 5 compares the ice and water QA procedures.

**Table 5. Ice and Water QA Procedures**

| | Ice | Water |
|---|---|---|
| **QA inspections at the NLSA** | Does not open truck to ensure contract compliance | Randomly opens truck to ensure contract compliance |
| **QAs sent to NLSA with equipment (laptop, wireless card, etc.)** | No | Yes |
| **Adequate training for QAs** | No | Yes |
| **Method of signing in and out trucks at NLSA** | Handwritten on truck ticket upon truck's arrival and departure | Handwritten on truck ticket upon truck's arrival and departure |
| **Truck ticket input** | At USACE office on a later date | Immediately onsite at NLSA |
| **Use of GPS data to verify mileage invoices** | No | No |
| **QA present at final POD** | No | No |

## QA Inspections at the NLSA

USACE National Ice Team QA personnel (Ice QA Personnel) do not open the trucks as they arrive at the NLSA to verify the contents and check for contract compliance increasing the risk of contractor fraud and mismanagement. The ice contract is very specific on how the ice must be packaged. The contract states,

> Packaged ice shall be fully covered on the top, four sides, and the bottom with a minimum of one layer of bubble-wrap below the required stretch-wrap (stretch-wrap shall be placed on the exterior surface of the bubblewrap).

USACE officials have no assurance that IAP is fulfilling their contractual requirements without Ice QA Personnel opening the trucks. Ice QA Personnel verify only the time in and time out of the truck at the NLSA by signing the truck ticket. USACE officials stated that they do not open the trucks at the NLSA because opening the truck shows they have accepted the ice prior to final delivery. Ice QA Personnel should verify the contents of the ice trucks at the NLSA to ensure the contractor is in compliance with the terms and conditions of the ice contract.

USACE National Water Team QA personnel (Water QA Personnel) do open the trucks randomly as they arrive at the NLSA to verify the contents and check for contract compliance. The water contract is also very specific on how the water must be packaged and loaded onto the truck for shipment. The contract states,

> Bottled water shall be packed in cases with a cardboard bottom, which shall be individually shrink-wrapped and shall be shipped on industry standard size pallets. Pallets of bottled water will be fully covered on

> all four sides with a minimum of a double layer of stretch-wrap. The stretch wrap shall be placed so that it overlaps the top on all four corners a minimum of four inches. Pallets shall be hardwood and designed for pickup from all four sides.

Water QA Personnel randomly open trucks to inspect the load as trucks enter the NLSA to ensure the amount of water indicated is correct and the load has not significantly shifted during transport so it can be unloaded by a fork-lift. If a load had shifted, Water QA Personnel ask IAP to fix the load before accepting it. Water QA Personnel also verify the time trucks arrive and depart the NLSA by recording the times and signing the truck ticket. Figure 2 shows a properly loaded water truck.

**Source: U.S. Army Corps of Engineers**

**Figure 2. Properly Loaded Water Truck**

## QA Equipment and Training

Ice QA Personnel deployed without adequate equipment and training to perform the duties listed in their standard operating procedures. In addition, the ice team was not adequately equipped. In one instance, only one Ice QA individual was sent to the NLSA with a laptop. Ice QA Personnel lacked a consistent data connection, which prevented the entering of truck ticket information onsite at the NLSA, and wireless Internet cards were not provided to help QAs obtain Internet access. Even if all Ice QA Personnel were equipped with laptops, the NLSA usually does not have a consistent power source, and QA personnel would not be able to charge them. In addition, according to Ice QA Personnel, the only training for Ice QA Personnel was just-in-time training[2] on arrival at the NLSA and not all QA personnel received the training. However, the USACE National Water Team deployed properly equipped and trained QA personnel to the NLSA. Water QA Personnel are deployed with storm kits, which include cameras, scanners, copiers, batteries, outlet converters, and thumb drives. USACE New England District, Chief of Emergency Management explained the importance of the kits because the team often faces difficult situations during relief efforts. For example, having outlet

[2] Just-in-time training provides basic knowledge and instruction on the specific duties and responsibilities of QA personnel located at the NLSA.

converters allows the QA team to plug laptops into their cars to obtain power and complete the necessary work during power outages at the NLSA locations. According to National Water Team QA personnel, QAs received Level I [3] and Level II [4] training before deployment to a disaster. USACE should provide Ice QA Personnel proper equipment and additional training to prepare them for disaster recovery efforts.

## Method of Signing In and Out Trucks at NLSA and Truck Ticket Input

USACE verifies ice and water invoices for standby time with handwritten truck tickets, creating the potential for USACE to make mistakes when paying invoices. On the truck tickets, Ice and Water QA Personnel manually record the truck's:

- dispatched destination,
- date and time in,
- date and time out, and
- signature and printed name of the person signing out the truck.

USACE Ice and Water Teams use handwritten truck tickets to verify contractor invoices before payment is made, and according to USACE personnel, it is sometimes difficult to read the tickets, making verification for invoice processing difficult. USACE personnel verify the amount of standby time by subtracting the date and time in by the date and time out for each destination indicated on the truck ticket. Ice QA Personnel stated that not everyone knows how to fill out the truck tickets and the tickets do not contain enough room to clearly write all the required information. Water QA Personnel explained that they entered truck tickets into a spreadsheet and electronically scanned in the truck tickets at the NLSA and e-mailed them to the Mission Manager at USACE New England District office on a daily basis to clarify ticket disputes before the invoice was received. Water QA Personnel stated that they contacted IAP personnel when problems were identified with signatures or dates and times at the NLSA and asked them to correct it immediately.

The USACE Ice Team enters truck tickets at a later date, causing delays in the invoice payment process. Ice QA Personnel explained that they had planned to input the truck tickets into the Engineers Link Interactive database [5] at the NLSA, but this did not work because only one Ice QA individual was sent to the NLSA with a laptop. Ice QA Personnel also stated that even if they did have more laptops, they were too busy with

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[3] Level I training provides the framework for the concept of operations to the Planning and Response Teams, information about the team's composition and function, and information regarding the tools to be used.

[4] Level II training is task-specific training that blends processes and procedures with task training environments and training exercises.

[5] Engineers Link Interactive provides a single data entry point that standardizes and integrates methods of collecting, analyzing, forecasting, and presenting information for decision makers.

incoming trucks to sit down and input the tickets, and most Ice QA Personnel were not trained on how to use the Engineers Link Interactive database. USACE should use a system, such as barcode scanners at the entrance and exit of the NLSA, to ensure more accurate and timelier invoice processing.

## Use of Truck Tickets and GPS Data to Verify Mileage Invoices

USACE officials have the potential to make mistakes when paying the contractor for additional ground mileage [6] because they verify contractor invoices with handwritten truck tickets. USACE personnel rely on handwritten truck tickets to determine the amount of additional ground mileage to pay the contractor. According to the National Ice Team, USACE is considering the use of IAP's GPS data to calculate the mileage. USACE ice personnel currently use the handwritten truck tickets to obtain mileage information. These handwritten truck tickets can be hard to read and are susceptible to human error. USACE officials allow for a 15 percent margin of error on mileage disputes with IAP. The USACE National Ice Team wants to review IAP's GPS data to determine the accuracy for calculating the amount of mileage to be paid. Using the GPS data to account for mileage would help the USACE Ice Team to complete invoices more quickly because they would not have to dispute the mileage as often. However, the National Water Team does not plan to use IAP's GPS data to track mileage. The National Water Team mission manager explained that USACE uses ballpark figures and works with IAP to determine the amount of mileage because sometimes the exact addresses of the PODs are unknown. The water trip tickets have the odometer reading handwritten on it and are compared to the actual mileage from MapQuest to come to an agreement with IAP for mileage to be paid on common trips. USACE should use some method such as automated tracking system data to calculate the mileage to provide a more accurate mileage amount for billing purposes.

## QA Presence at the POD

USACE does not verify the delivery of ice and water at the POD. QA personnel are not located at the POD to verify the final delivery of the product. Ice QA Personnel confirmed that the lack of QA personnel at the POD led to difficulty in tracking the final delivery of trucks. For example, an entire truck must be delivered to one POD. Because of the lack of QA personnel stationed at the final delivery point, POD personnel sometimes accepted only half of the truck load. According to Water QA Personnel, USACE does not maintain control over the delivery trucks after the trucks leave the NLSA. QA personnel are not stationed at the end point to verify that trucks are being delivered to the POD. Both the National Ice and National Water Teams acknowledged the issue, and explained that it would require extra manpower that USACE currently cannot provide. USACE should position QA personnel at the PODs to verify the final delivery of ice and water, even if QA personnel only sample a number of PODs.

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[6] Additional ground mileage is the mileage traveled between the original delivery site and any additional delivery site.

## Resolicitation of USACE ACI Ice Contract

USACE Charleston District contracting officials awarded the current ACI ice contract in December 2006, for 1 base year and 2 option years, based on revised FEMA ice policies. A USACE official explained the ice contract was not awarded for 1 base year and 4 option years because FEMA stated that they would no longer be distributing ice during disaster recovery efforts. FEMA officials issued a memorandum on July 3, 2008, stating that they would:

- not directly purchase, store, or distribute ice;
- reimburse (under FEMA Public Assistance Program), States, territories, tribal governments, and eligible applicants for the eligible costs associated with purchasing and distributing ice as an emergency protective measure; or
- direct mission assignments to USACE or use agreements with other entities as may be required to augment State ice distribution capability.

However, FEMA did direct mission assignments for ice to USACE for the 2008 hurricane season. USACE Charleston District must resolicit for a new ice contract when the current contract expires at the end of December 2009. The USACE Charleston District contracting officer stated the next ACI ice contract, following the December 31, 2009, expiration of the current ice contract, will be awarded for 1 base year and 4 option years. USACE officials stated that they would save time and money by re-soliciting for a new ice contract only every 5 years.

## Conclusion

USACE officials made improvements to the ice and water missions for the 2008 hurricane season. However, additional improvements by USACE to future ACI ice and water contracts and quality assurance procedures will provide a more efficient overall ice and water mission. USACE Charleston District needs to modify future and consider modifying current ACI ice contract's standby time to ensure USACE does not pay for excess standby time. USACE could have avoided paying about $4.4 million if the ice contract paid standby time on a 10-hour clock instead of the 24-hour clock stated in the current ice contract. In addition, USACE officials should recoup $44,148.80 in overpayments they made to IAP because of mistakes in invoices and double billings and not pay the $8,968.74 in billing errors by IAP that are unpaid. Furthermore, USACE should perform a 100-percent review of invoices for the 2008 hurricane season as well as standby time invoices billed after March 20, 2009, or request the Defense Contract Audit Agency to perform the review and determine additional monetary savings. In addition, USACE Charleston District officials need to ensure that QA personnel are properly equipped to perform their duties at the NLSA. USACE should also improve contract administration and QA procedures, including inspecting the contents of trucks at the NLSA and at the POD locations, using a method such as electronic tracking data to verify mileage invoices, and equipping QA personnel with the proper equipment needed to streamline the delivery and payment process.

# Recommendations, Management Comments, and Our Response

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

**1. Modify the current and future ice delivery contract to pay a maximum of 10 hours of standby time per calendar day in excess of 4 hours.**

## *Management Comments*

USACE partially agreed and stated that it will consider modifying the existing contract to change the maximum from 24 hours to 10 hours of standby time each day in excess of 4 hours. USACE will incorporate this recommendation into the new contract with an estimated award date of November 30, 2009.

## *Our Response*

Although USACE only partially agreed, USACE's planned action to consider modifying the existing contract met the intent of the recommendation. The comments were responsive, and no additional comments are required.

**2. Recoup the net amount of $44,148.80 in overpayments on ice delivery contract W912HN-07-D-0007 from International American Products, Worldwide Services and do not pay the additional $8,968.74 in overbillings until the invoices are corrected and verified.**

## *Management Comments*

USACE agreed and stated that the National Ice Team personnel completed a reconciliation of identified discrepancies, met with the contractor, and is in the process of recouping overpayments.

## *Our Response*

The comments were responsive, and no additional comments are required.

**3. Instruct ice team personnel to verify the accuracy of contractor-supplied spreadsheets used to calculate standby time.**

## *Management Comments*

USACE agreed and stated that the National Ice Team personnel will compare trip ticket information, Engineers Link Interactive database data, and any spreadsheets developed by the National Ice Team to confirm accuracy of contractor-provided spreadsheets.

## *Our Response*

The comments were responsive, and no additional comments are required.

**4. Perform a 100-percent review of invoices for the 2008 hurricane season as well as standby time invoices billed after March 20, 2009, or request the Defense Contract Audit Agency perform the review.**

## *Management Comments*

USACE agreed and stated that a 100-percent review of contractor spreadsheet calculations for each invoice will be done by the responding Ice and Water Mission district personnel. The National Water Team currently does a 100-percent review of invoices prior to processing them for payment.

## *Our Response*

The comments were responsive, and no additional comments are required.

**5. Modify the current and future ice and water delivery contracts to include a requirement for the contractor to mark trucks by what they are transporting.**

## *Management Comments*

USACE partially agreed and stated that the current ice contractor will comply with this recommendation with no contract modification required. The future ice contract will contain this requirement. USACE stated that discussions with the water contractor and contract modifications for this change are already underway.

## *Our Response*

Although USACE only partially agreed, USACE's planned actions to have the current ice contractor comply with the recommendation with no contract modification and the discussions with the water contractor to modify the contract met the intent of the recommendation. We consider the comments responsive, and no additional comments are required.

**6. Instruct ice team quality assurance personnel to verify the contents of the trucks to ensure compliance with the contract.**

## *Management Comments*

USACE agreed and stated that QA personnel will be instructed to inspect ice to ensure contract compliance.

## *Our Response*

The comments were responsive, and no additional comments are required.

**7. Provide ice team quality assurance personnel with proper equipment, as well as additional training before deploying for a disaster recovery effort.**

## *Management Comments*

USACE agreed and stated that USACE is in the process of upgrading and obtaining additional laptops for response personnel and has already provided wireless Internet cards

to the response team. The USACE Readiness Support Center also developed a Commodities "pocket guide" to assist QA personnel.

## *Our Response*

The comments were responsive, and no additional comments are required.

**8. Include a contract requirement for each truck to have an electronic tracking system, such as a bar code, to be scanned on arrival and departure at each destination to mitigate the possibility of human error when paying invoices.**

## *Management Comments*

USACE partially agreed and stated that a requirement for the contractor to use bar code scanners at staging areas is included in the scope of work for the award of the FY 2010 national ice contract. Currently, the National Water Team uses a paper delivery sheet method and based on the DOD-OIG auditors' observation, this system appears to be successful.

## *Our Response*

Although USACE only partially agreed, the National Water Team's paper delivery sheet method is acceptable as long as procedures are in place to mitigate the possibility of human error. We consider the comments responsive, and no additional comments are required.

**9. Use automated tracking system data to calculate the mileage to provide a more accurate mileage amount for billing purposes.**

## *Management Comments*

USACE disagreed that using only geospatial data to calculate mileage would provide accurate mileage amount for billing purposes. The alternative practice is to use an Internet-based distance calculator that uses geospatial data, such as "MapQuest" or "Google Maps," to determine the distance between two sites and then compare that number with odometer readings to establish standard mileage through negotiations with the ice and water contractors.

## *Our Response*

Although USACE disagreed, we accept USACE's alternative practice provided they ensure that it is not paying for excess ground mileage. We consider the comments responsive, and no additional comments are required.

**10. Position quality assurance personnel at the points of distribution to verify the delivery of ice and water, even if it's only at a sample of points of distribution locations.**

### *Management Comments*

USACE agreed and stated that the current practice of using commodities team point-of-distribution runners meets the intent of the recommendation to have “sample points” of coverage and is most cost-effective.

### *Our Response*

The comments were responsive, and no additional comments are required.

# Appendix A. Scope and Methodology

We conducted this performance audit from October 2008 through July 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted this audit based on the commitment of the President's Council on Integrity and Efficiency (now known as the Council of Inspectors General on Integrity and Efficiency) to take a proactive approach in reviewing disaster relief efforts.

Based on our initial review, we divided the project into two sub-projects. Project No. D2009-D000CG-0027.001 is limited to the review of the USACE ice and water response to the 2008 hurricane season. Specifically, we reviewed the award and administration of contracts for the ice and water missions during the disaster relief efforts for Hurricanes Gustav, Hannah, and Ike. In addition, we reviewed the amount that USACE paid for standby time for the ice contract during the 2008 hurricane season. A separate report for Project No. D2009-D000CG-0027.000 will be issued to address USACE temporary roofing and temporary power response to the 2008 hurricane season.

We obtained and reviewed ice contract W912HN-07-D-0007 with IAP dated December 22, 2006, the contract has a not to exceed amount of $350 million over the life of the contract. The contract includes a 1 year base period and 2 option years. We obtained and reviewed the acquisition plan for the ice contract. We also obtained and reviewed water contract W912WJ-08-D-0001 with IAP dated April 4, 2008, without a not to exceed amount. The contract includes 1 year base period from the award date through March 31, 2009, and 4 options years. We obtained and reviewed the acquisition plan, solicitation, and source selection evaluation documentation for the water contract.

We reviewed section 5121, title 42, United States Code, "Robert T. Stafford Disaster Relief and Emergency Assistance Act," The National Response Framework, The Emergency Support Function #3, Federal Motor Carrier Safety Administration Regulation Part 395.3; "Maximum driving time for property-carrying vehicles," and Federal Acquisition Regulation Subpart 17.204, "Contracts."

We obtained information related to USACE's implementation of recommendations from previous DOD IG reports: Report No. D-2007-118, "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," August 24, 2007; Report No. D-2007-055, "Contract Administration of the Water Delivery Contract Between the Lipsey Mountain Spring Water Company and the United States Army Corps of Engineers," February 5, 2007; Report No. D-2006-116, "Ice Delivery Contracts Between International American Products, Worldwide Services and

the U.S. Army Corps of Engineers," September 26, 2006; and 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.

We interviewed personnel from five USACE office locations (USACE Headquarters, Washington, D.C.; USACE Charleston District, Charleston, South Carolina; USACE New England District, Concord, Massachusetts; USACE Galveston District, Galveston, Texas; and USACE Albuquerque District, Albuquerque, New Mexico) to determine their involvement and understanding of the ice and water missions. We met with and interviewed personnel from contracting, emergency management, QA, action officers, mission managers, legal, and resource management, at these locations. We obtained information on the processes used to implement FEMA mission assignments and the reconciliation process used to pay invoices from IAP. We obtained information on how the invoices from IAP were processed by USACE Charleston District and USACE New England District. We obtained information and documentation on the process IAP uses to invoice USACE for services rendered during the disaster relief effort.

We reviewed 52 paid invoices and 14 unpaid invoices dated October 10, 2008, through February 25, 2009, totaling about $8.2 million for standby time in excess of 4 hours for the Hurricane Ike and Hurricane Gustav ice mission recovery efforts. We verified the amount of total standby time and billable standby generated on the IAP spreadsheet by inserting the time and date in and time and date out for each location listed on the IAP spreadsheet into a formula in our spreadsheet. The formula in our spreadsheet determined the amount of total standby time and billable standby that USACE should have been charged. If the amount in our spreadsheet did not match the IAP spreadsheet, we noted the discrepancy and determined how much IAP over- or undercharged USACE.

## Use of Technical Assistance

The DOD IG Quantitative Methods and Analysis Division assisted on this audit. They developed a formula in a Microsoft Excel spreadsheet to calculate the standby time billable, assuming USACE paid for standby time on a 10-hour clock versus a 24-hour clock.

## Use of Computer-Processed Data

We used computer-processed IAP spreadsheets to determine the amount of standby time billed to USACE. We assessed the reliability of the computer-processed spreadsheet by reentering the dates and times into auditor-generated spreadsheets to check the accuracy of the calculations. We did not verify the date and time in and the date and time out of each truck ticket unless we found a discrepancy in the spreadsheet calculations.

# Appendix B. Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the DOD IG, the Army Audit Agency, Naval Audit Service, and the Air Force Audit Agency, have issued 36 reports discussing hurricane response by the Department of Defense. 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 reports can be accessed from .mil and gao.gov domains over the Internet at https://www.aaa.army.mil/. Naval Audit Service reports are unavailable over the Internet. Air Force Audit Agency reports can be accessed from .mil domains over the Internet at https://afkm.wpafb.af.mil/ASPS/COP/opencop.asp?filter=00-AD-01-41 by those with Common Access Cards who create user accounts.

## *GAO*

GAO Report No. GAO-08-1120, "Disaster Recovery: Past Experiences Offer Insights for Recovering from Hurricanes Ike and Gustav and Other Recent Natural Disasters," September 2008

GAO Report No. GAO-08-596, "Human Capital: Corps of Engineers Needs to Update Its Workforce Planning Process to More Effectively Address Its Current and Future Workforce Needs," May 2008

GAO Report No. GAO-07-205, "Hurricane Katrina: Agency Contracting Data Should Be More Complete Regarding Subcontracting Opportunities for Small Businesses," March 2007

GAO Report No. GAO-06-903, "Coast Guard Observations on the Preparation, Response, and Recovery Missions Related to Hurricane Katrina," July 2006

GAO Report No. GAO-06-643, "Hurricane Katrina: Better Plans and Exercises Needed to Guide the Military's Response to Catastrophic Natural Disasters," May 2006

GAO Report No. GAO-06-454, "Hurricane Katrina: Army Corps of Engineers Contract for Mississippi Classrooms," May 2006

## *DOD IG*

DOD IG Report No. D-2008-130, "Approval Process, Tracking, and Financial Management of DOD Disaster Relief Efforts," September 17, 2008

DOD IG Report No. D-2008-097, "Hurricane Relief Effort Costs on the Navy Construction Capabilities Contract," May 23, 2008

DOD IG Report No. D-2008-080, "DOD Accounting to Support DOD Personnel During Times of Civil Emergency," April 25, 2008

DOD IG Report No. D-2008-037, "U.S. Army Corps of Engineers Administration of Emergency Temporary Roofing Repair Contracts," December 20, 2007

DOD IG Report No. D-2007-121, "Emergency Supplemental Appropriations for DOD Needs Arising From Hurricane Katrina at Selected DOD Components," September 12, 2007

DOD IG Report No. D-2007-118, "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," August 24, 2007

DOD IG Report No. D-2007-081, "Financial Management of Hurricane Katrina Relief Efforts at the U.S. Army Corps of Engineers," April 6, 2007

DOD IG Report No. D-2007-055, "Contract Administration of the Water Delivery 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-2007-002, "Use of DOD Resources Supporting Hurricane Katrina Disaster," October 16, 2006

DOD IG Report No. D-2006-118, "Financial Management of Hurricane Katrina Relief Efforts at Selected DOD Components," September 27, 2006

DOD IG Report No. D-2006-111, "Expanded Micro-Purchase Authority for Purchase Card Transactions Related to Hurricane Katrina," September 27, 2006

DOD IG Report No. D-2006-116, "Ice Delivery Contracts Between International American Products, Worldwide Services 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*

Army Audit Agency Report No. A-2008-0192-FFD, "Demolition Contracts," July 24, 2008

Army Audit Agency Report No. A-2007-0162-FFD, "Contract Data Reporting for Hurricane Operations," June 28, 2007

Army Audit Agency Report No. A-2007-0135-FFD, "Army Fund Accountability for Hurricane Katrina Relief Efforts," June 12, 2007

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

### *Navy*

Naval Audit Service Report No. N2008-0004, "Controls Over Shipbuilding and Conversion, Navy Funds Hurricane Relief Efforts," October 29, 2007

Naval Audit Service Report No. N2007-0039, "Controls and Accountability Over Medical Supplies and Equipment - Hurricane Relief Efforts," June 1, 2007

Naval Audit Service Report No. N2007-0034, "Contractor Support Services in Support of Hurricane Relief Efforts," May 22, 2007

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. N2007-0016, "Information Systems Restoration and Data Recovery Related to Hurricane Katrina," February 23, 2007

Naval Audit Service Report No. N2007-0009, "Department of the Navy's Use of Hurricane Katrina Relief Funds," January 3, 2007

Naval Audit Service Report No. N2006-0047, "Cash Accountability of Department of the Navy Disbursing Officers for Hurricane Katrina Relief Funds," September 22, 2006

Naval Audit Service Report No. N2006-0042, "Department of the Navy's Government Commercial Purchase Cards used for Hurricane Relief Efforts," August 25, 2006

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

### *Air Force*

Air Force Audit Agency Report No. F2008-0007-FD1000, "Hurricane Disaster Planning," June 4, 2008

Air Force Audit Agency Report No. F2007-0008-FD1000, "Hurricane Katrina Supplemental Funds Management," April 23, 2007

Air Force Audit Agency Report No. F2007-0003-FB1000, "Hurricane Katrina Federal Emergency Management Agency Reimbursements," November 20, 2006

# U.S. Army Corps of Engineers Comments

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

CEIR

10 August 2009

MEMORANDUM FOR Inspector General Department of Defense, 400 Army Navy Drive, Arlington VA 22202-4704

SUBJECT: USACE Response to OIG Draft Report U.S. Army Corps of Engineers Ice and Water Response to the 2008 Hurricane Season, 9 July 2009 (Project D2009-D000CG-0027.001)

1. Reference DODIG Draft Report, SAB.

2. Attached is the HQ USACE reply.

3. My point of contact is Brenda Mayes, [redacted]

Encl

Brenda Mayes
for DONNA F. JOHNSON
Acting Chief Audit Executive
HQUSACE Internal Review Office

4 August 2009

**Audit Response to:**
**The U.S. Army Corps of Engineers**
**Ice and Water Response to the 2008 Hurricane Season**
**Project No. D2009-D000CG-0027.001 (Draft Report 8 Jul 09)**

**RECOMMENDATION #1: Modify the current and future ice delivery contracts to pay a maximum of 10 hours of standby time per calendar day in excess of 4 hours.**

**PARTIALLY CONCUR:** We are exploring potential of modifying the existing contract to change the maximum from 24 hours to 10 hours of standby time each day (minus 4 hours unloading time). We are currently in hurricane season and the existing contract has only five months remaining in the contract performance period. USACE will incorporate this recommendation into the new contract. The new contract award date is estimated for 30 November 2009.

**RECOMMENDATION #2: Recoup the net amount of $44,148.80 in overpayments on ice delivery contract W912HN-07-D-0007 from International American Products, Worldwide Services and do not pay the additional $8,968.74 in overbillings until the invoices are corrected and verified.**

**CONCUR:** The responding USACE Ice Planning and Response Team personnel completed reconciliation of identified discrepancies. Team met with contractor and is in the process of recouping overpayments.

**RECOMMENDATION #3: Instruct ice team personnel to verify the accuracy of contractor-supplied spreadsheets used to calculate standby time.**

**CONCUR:** The responding USACE Ice Planning and Response Team district will request contractor data spreadsheets to be submitted with invoices as backup. Personnel responsible for reconciling invoices will compare actual trip ticket information, ENGLink data, and any spreadsheets developed by PRT to confirm accuracy of contractor-provided spreadsheets.

**RECOMMENDATION #4: Perform a 100-percent review of invoices for the 2008 hurricane season as well as standby time invoices billed after March 20, 2009, or request the Defense Contract Audit Agency perform the review.**

**CONCUR:** The responding Ice and Water mission district personnel will perform a 100% review of contractor spreadsheet calculations for each invoice. Ice and Water personnel responsible for verifying invoices will then verify proper USACE payment for each invoice.

The Water Team currently does a 100% review of invoices as they are received prior to processing for payment.

**RECOMMENDATION #5: Modify the current and future ice and water delivery contracts to include a requirement for the contractor to mark trucks by what they are transporting.**

**PARTIALLY CONCUR:** Discussions with current ice contractor indicate they will comply with this recommendation with no contract modification required. The future ice contract will contain this requirement. Additionally, QA personnel will provide trucks with a USACE sign with the words "USACE ICE" to place in the window to streamline the process of the movement and dispatch of trucks at the staging areas.

Contract discussions with water contractor and contract modifications for this change are already underway.

**RECOMMENDATION #6: Instruct ice team quality assurance personnel to verify the contents of the trucks to ensure compliance with the contract.**

**CONCUR:** Quality Assurance (QA) personnel will be instructed to inspect ice at the first Incident Support Base (ISB) to ensure compliance with the contract. Updated QA pocket field guide also includes this instruction.

**RECOMMENDATION #7: Provide ice team quality assurance personnel with proper equipment, as well as additional training before deploying for a disaster recovery effort.**

**CONCUR:** The USACE Deployable Tactical Operations System (DTOS), a mobile office with up-to-date communications equipment, is provided to support communications capability to all Incident Support Bases (ISBs). We are in the process of upgrading laptop computers and obtaining additional laptops for response personnel and have provided air-cards from HQUSACE stock to also support those efforts. Ice PRTs have a dedicated training period each year prior to the 1 April change of responsibility and, during this time, QA personal are given the opportunity to learn more about the mission to better prepare them to respond in the future. The USACE Readiness Support Center has developed a Commodities "pocket guide" to further assist QA personnel.

**RECOMMENDATION #8: Include a contract requirement for each truck to have an electronic tracking system, such as a barcode, to be scanned on arrival and departure at each destination to eliminate the possibility of human error when paying invoices.**

**PARTIALLY CONCUR:** The Scope of Work for the award of the FY10 National Ice contract includes a requirement for contractor to utilize bar code scanners at staging areas, which will help ensure accuracy.

Although a bar code system may sound like a good alternative, it comes with its own set of concerns. Currently the Water Team uses a paper deliver sheet method. The sheets are very easy to fill out and leave little room for errors. The sheet is filled out at the point of origination by the contractor and provided to the driver. The driver is instructed to have the sheet completed at each Staging area and POD. This ensures we capture data at each location, even if we do not have National Water Team personnel on the ground. The delivery sheets are collected daily from all locations and entered into a spreadsheet and electronically scanned and emailed to the Mission Manager on a daily basis. This is done to clarify ticket disputes before invoices are received. Based on the DOD-IG observation, this system appears to be successful.

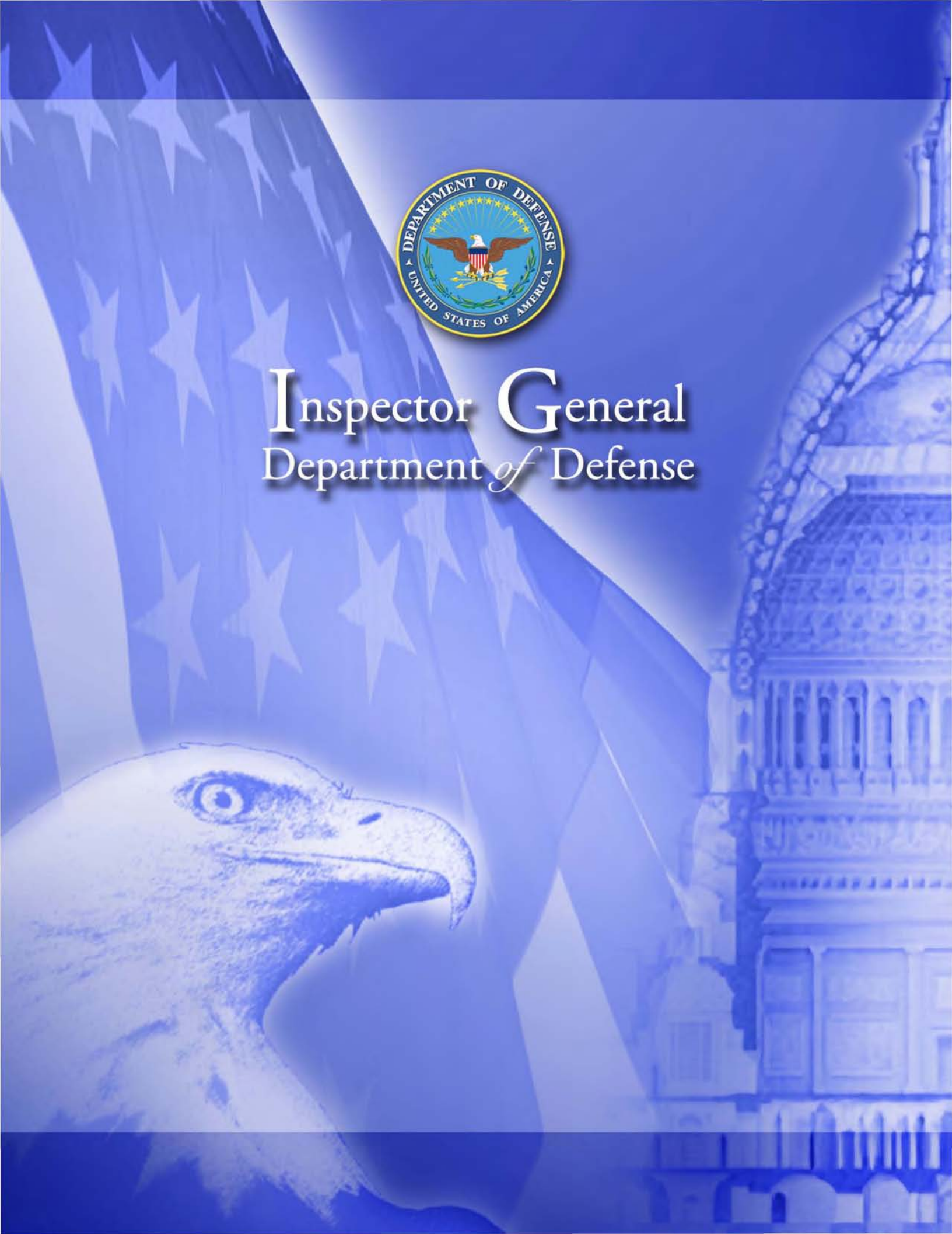
**RECOMMENDATION #9: Use automated tracking system data to calculate the mileage to provide accurate mileage amount for billing purposes.**

**NONCONCUR:** Disagree that using only GPS data to calculate mileage would provide accurate mileage amount for billing purposes.

Our alternative practice is to use the distance calculator on "MapQuest" or "Google Maps" (both of which use Geospatial data) to determine the mileage or distance between two sites, and then compare that number with odometer readings to eventually establish a standard mileage through negotiations with our ice and water contractors.

**RECOMMENDATION #10: Position quality assurance personnel at the points of distribution to verify the delivery of ice and water, even if it's only at a sample of points of distribution locations.**

**CONCUR:** The current Commodities SOP identifies the requirement to send QA personnel to points of distribution to collect paperwork at the site(s). The Commodities Team's standard practice is to identify a "POD Runner" who visits several PODS a day to collect trip tickets from local officials, check on commodities at the site, deliveries made, etc. The current practice of using Commodities Team POD runners meets the DOD-IG recommendation to have "sample points" of coverage and is most cost effective.


Inspector General
Department of Defense