

Inspector General

United States
Department of Defense



Accountability and Disposition of Government
Furnished Property in Conjunction with the Iraq
Drawdown - Logistics Civil Augmentation Program

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Acronyms and Abbreviations

BIAP	Baghdad International Airport
COB	Contingency Operation Base
COL	Contingency Operation Location
COS	Contingency Operation Site
DCMA	Defense Contract Management Agency
DRMO	Defense Reutilization and Marketing Office
FOB	Forward Operating Base
FWT	Fair, Wear, and Tear
GFP	Government Furnished Property
LOGCAP	Logistics Civil Augmentation Program
PCP	Property Control Procedures
QMAD	Quantitative Methods and Analysis Division
USF-I	United States Forces - Iraq



INSPECTOR GENERAL
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September 30, 2010

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY
DIRECTOR, DEFENSE CONTRACT MANAGEMENT
AGENCY

SUBJECT: Accountability and Disposition of Government Furnished Property in
Conjunction with the Iraq Drawdown - Logistics Civil Augmentation
Program (Report No. D-2010-088)

We are providing this report for review and comment. As of September 30, 2009, there were 572,928 Government furnished property items in the Logistics Civil Augmentation Program property book in Iraq, valued at about \$2.9 billion. DOD had adequate accountability over that property; however, controls needed to be improved over items in the contractor's Fair, Wear, and Tear yards. Improved controls will ensure a more effective and efficient transfer and disposal of Logistics Civil Augmentation Program property in conjunction with the drawdown; reduce the risk of backlog; and ensure export-controlled property is properly protected, identified for reutilization or demilitarized.

DOD Directive 7650.3 requires that recommendations be resolved promptly. We considered comments from the Defense Contract Management Agency when preparing the final report. However, as a result of further discussion with Army Materiel Command and Army Sustainment Command management, we redirected Recommendation B.I. to the Executive Director, Rock Island Contracting Center. Therefore, we request that the Executive Director, Rock Island Contracting Center, comment on Recommendation B.I. by October 31, 2010.

If possible, send a .pdf file containing your comments to audjsao@dodig.mil. Copies of the management comments must contain the actual signature of the authorizing official. We are unable to accept the /Signed/symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to Ms. Carol Gorman at (703) 604-9179 (DSN 664-9179).

A handwritten signature in cursive script that reads "Daniel R. Blair".

Daniel R. Blair, CPA
Principal Assistant Inspector General
for Auditing



Results in Brief: Accountability and Disposition of Government Furnished Property in Conjunction with the Iraq Drawdown – Logistics Civil Augmentation Program

What We Did

The report addresses the accountability and disposition of Logistics Civil Augmentation Program (LOGCAP) Government furnished property (GFP) in Iraq. We determined whether DOD had adequate controls over LOGCAP GFP as it draws down forces from Iraq. As of September 30, 2009, there were 572,928 GFP items in the LOGCAP property book in Iraq, valued at about \$2.9 billion.

What We Found

Generally, DOD had adequate accountability over LOGCAP GFP. We estimated that the LOGCAP contractor could account for 443,918 of the 458,408 GFP items (96.8 percent) in our sample frame.¹ However, at some of the sites we visited, we identified accountability issues that needed management's attention. To address those issues, we issued nine memorandums during our audit requesting management action. Unresolved requests for management action were reissued as recommendations in this report.

We also identified systemic issues concerning the management and disposition of GFP items located at the LOGCAP contractor's Fair, Wear, and Tear yards. This occurred because the Defense Contract Management Agency did not require the contractor to include Fair, Wear, and Tear yard management processes or care and disposition instructions specific to export-controlled GFP (such as ballistic plates and ballistic blankets) in its property control procedures. Management improvements at the Fair, Wear, and Tear yards will ensure a more effective and efficient transfer and disposal of LOGCAP GFP and ensure

that export-controlled property is properly protected, identified for reutilization, or demilitarized.

What We Recommend

Among other recommendations, we made the following to the Commander, Defense Contract Management Agency - Iraq:

- resolve the outstanding requests for management action reissued in this report as recommendations,
- determine metrics for property turnover, test compliance with those metrics, and ensure the LOGCAP contractor is complying with all applicable export control regulations, and
- direct the contractor to update its property control procedures to include metrics for property turnover at the Fair, Wear, and Tear yards and to include guidance for export-controlled GFP.

Management Comments and Our Response

The Commander, Defense Contract Management Agency – International, either agreed with the recommendations or provided comments that were responsive to the recommendations. We redirected Recommendation B.1 to the Executive Director, Rock Island Contracting Center requesting the modification of the LOGCAP III contract to require compliance with export-controlled regulations. Please see the Recommendations Table on the back of this page. Please provide comments by October 31, 2010.

¹ See Appendix C for further discussion of the sample frame and the statistical sample methodology and analysis.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, Defense Contract Management Agency - Iraq		A.1, A.2.a, A.2.b, A.3.a, A.3.b, A.3.c, A.3.d, A.4.a, A.4.b, B.2.a.1, B.2.a.2, B.2.a.3, B.2.a.4, B.2.b, B.2.c, and B.2.d.
Executive Director, Rock Island Contracting Center	B.1	

Please provide comments by October 31, 2010.

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Introduction

Objectives

This report is one in a series concerning the accountability and disposition of Government furnished property (GFP) in Iraq. This report focuses on Logistics Civil Augmentation Program (LOGCAP) GFP. Other reports in the series will focus on GFP associated with contracts issued by the Joint Contracting Command - Iraq/Afghanistan.² Our audit objective was to determine whether DOD had adequate controls over LOGCAP GFP³ as it draws down forces from Iraq. See Appendix A for discussion of our audit scope and methodology, and for prior coverage. See Appendix B for other matters of interest concerning potential revisions to disposition guidance for LOGCAP GFP in conjunction with the Iraq drawdown.

Background

We performed this audit in response to a request from the former Commander, U.S. Central Command, to focus oversight on asset accountability to ensure U.S.-funded assets are properly accounted for and there is a process for the proper transfer or disposal of assets in conjunction with the responsible drawdown of U.S. Forces and equipment from Iraq.

According to the Security Agreement between the Governments of the United States and Iraq, all U.S. Forces will withdraw from Iraqi territory no later than December 31, 2011. As of August 24, 2010, United States Forces - Iraq (USF-I)⁴ had reduced its U.S. troop levels to 50,000. In addition to the drawdown of personnel, DOD must also determine the disposition of its equipment.

Logistics Civil Augmentation Program

LOGCAP provides logistical support to U.S. Forces throughout Southwest Asia, including Iraq and Afghanistan. On December 14, 2001, the U.S. Army Operations Support Command awarded a 10-year LOGCAP contract to KBR Inc. (the LOGCAP contractor). The U.S. Army Sustainment Command awarded task order 159 on September 24, 2008, with an initial period of performance from September 1, 2008, through August 31, 2009, and an option period of performance from September 1, 2009, through August 31, 2010. Task Order 159 is a cost-plus-award-fee contract action that provides base life support, corps logistics services support, and the theater transportation

² As of June 2010, the Joint Contracting Command – Iraq/Afghanistan became the CENTCOM Contracting Command.

³ For the purposes of this report, GFP includes property furnished to the contractor upon contract start and any property acquired, fabricated, or otherwise provided by the contractor to which the Government has title.

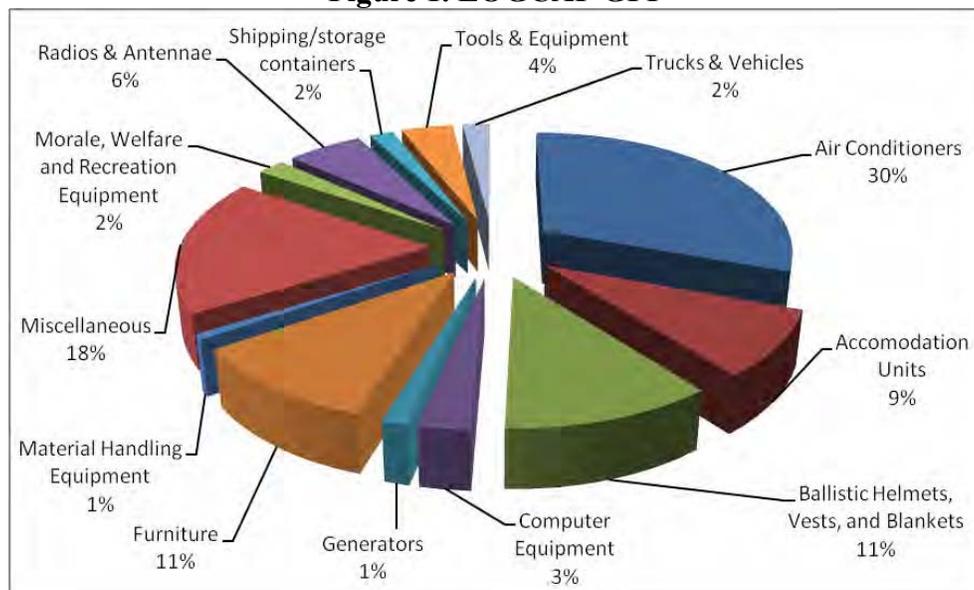
⁴ As of January 1, 2010, the three Iraq major commands, Multi-National Force-Iraq, Multi-National Corps – Iraq, and Multi-National Security Transition Command – Iraq, merged into a single command, U.S. Forces – Iraq.

mission for USF-I. GFP from the previous LOGCAP III task orders 139 and 147 was transferred to task order 159. According to the U.S. Army Sustainment Command, LOGCAP III will continue to provide support services to U.S. Forces in Iraq until the withdrawal is completed in December 2011.

Logistics Civil Augmentation Program Property in Iraq

As of September 30, 2009, there were 572,928 GFP items in the LOGCAP property book in Iraq, valued at about \$2.9 billion (see Figure 1 for a breakdown of those items). According to the Defense Contract Management Agency (DCMA) Theater Property Administrator, that number was reduced to about 497,855 LOGCAP GFP items as of May 24, 2010.

Figure 1. LOGCAP GFP



Management of the Logistics Civil Augmentation Program Contract

According to the U.S. Army Sustainment Command, which is the executive agent for LOGCAP, they execute the LOGCAP contract through the Rock Island Contracting Center. The U.S. Army Sustainment Command also established a logistics support element at each approved LOGCAP site to coordinate and monitor LOGCAP requirements. The U.S. Army Sustainment Command delegated administrative contracting officer duties to DCMA. DCMA, as the contract administrator of task order 159, is responsible for monitoring the contractor's overall performance to ensure compliance with contract requirements. Contract administrators are also responsible for Government property administration, which includes the analysis of the contractor's property management policies, procedures, practices, and systems.

Review of Internal Controls

DOD Instruction 5010.40, “Managers’ Internal Control Program (MICP) Procedures,” July 29, 2010, requires DOD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses for DCMA. DCMA did not have the following internal controls for the management of LOGCAP GFP: ensure that the LOGCAP contractor consistently implemented its approved property control procedures (PCP) in managing LOGCAP GFP; and the approved PCP did not comprehensively address Fair, Wear, and Tear (FWT) yard management, metrics for the timely disposition of LOGCAP GFP, or the care needed to protect and dispose of export-controlled GFP. Implementing the recommendations in this report will improve controls over LOGCAP GFP. We will provide a copy of the report to the senior official responsible for internal controls in the DCMA and the Department of the Army.

Finding A. Adequate Property Accountability

Generally, DOD had adequate accountability over LOGCAP GFP. Based on existence testing,⁵ we estimated that the LOGCAP contractor could account for 443,918 of the 458,408 GFP items (96.8 percent) in our sample frame.⁶ In addition, based on completeness testing,⁷ we determined that 390 of 404 GFP items judgmentally selected to trace back to the LOGCAP property book were correctly accounted for in the property book. See Appendix C for the statistical sample methodology and analysis.

Although accountability of LOGCAP GFP was generally adequate, we identified site-specific property accountability issues that needed management's attention. To ensure the LOGCAP contractor and DCMA could effectively and timely allocate their resources to improve property accountability where needed, we issued nine memorandums that reported on the results of our site visits (see Appendix D for copies of the site memorandums). The 9 memorandums contained 17 requests for management action. The requests not resolved as of August 19, 2010, are reissued as recommendations in this report (see Appendix E for the management comments and our audit response to the memorandums).

Property Accountability Requirements

Property accountability requirements for the LOGCAP contractor are contained in DOD regulations, the LOGCAP III task order 159 statement of work, and the contractor's PCP. DOD Instruction 5000.64, "Accountability and Management of DOD-Owned Equipment and Other Accountable Property," November 2006, states that property records must reflect the status and location of Government property until its disposition, return to the DOD, or until the Component is relieved of accountability. Third parties (to include contractors) have responsibility, consistent with the terms and conditions of the contract or third-party agreement, for the Government property in their care.

The statement of work for the LOGCAP III task order 159 requires the contractor to assume the life cycle process⁸ for all GFP in accordance with the Federal Acquisition Regulation part 45, applicable supplements, and the contract clauses relating to property. Part 45 states that the agency responsible for contract administration is required to conduct an analysis of the contractor's property management policies, procedures, practices, and systems.

⁵ Existence testing is conducted by tracing an item from the property book records to its physical location to confirm the item exists.

⁶ See Appendix C for further discussion of the sample frame and the statistical sample methodology and analysis.

⁷ Completeness testing is conducted by selecting an item from its physical location and tracing it to the property book to verify the property records are complete and include the selected item.

⁸ An asset's life cycle is from the initial acquisition and receipt, through accountability and custody, until formal release of accountability by authorized means, which includes final disposition, or a completed evaluation and investigation for lost, damaged, destroyed, or stolen property.

As the agency responsible for the LOGCAP contract administration, DCMA approved the contractor's PCP on July 15, 2008. The PCP contains procedures detailing the receipt, identification, storage, physical inventory, property records, and disposition of property. The PCP requires that all LOGCAP GFP be properly documented and controlled, "from requisition through receipt at destination and from issue until consumption, disposal, or return to the Government."

Reliable Logistics Civil Augmentation Program Property Book

Overall, the LOGCAP property book met accountability expectations and proved to be reliable. We tested the accuracy and reliability of the LOGCAP property book by

Overall, the LOGCAP property book met accountability expectations and proved to be reliable.

verifying the existence of GFP and the completeness of the LOGCAP property book at 32 sites throughout Iraq. The results of our site visits were reported in nine memorandums that we issued by site (or groups of sites) so that

resources could be effectively allocated to improve accountability over LOGCAP GFP. See Appendix D for copies of the site memorandums.

Logistics Civil Augmentation Program Property Existence Verified

We verified the existence of 365 of the 376 GFP items included in our statistical sample, which was selected from the LOGCAP property book as of September 30, 2009. To determine existence, we used the identification attributes⁹ listed in the LOGCAP property book to locate and verify the GFP items. We requested and reviewed documentation to support accountability of GFP items that were not physically located at the time of the site visit. We were unable to verify the existence of 11 of the 376 GFP items in our sample because the LOGCAP property book was not updated to reflect that the items had been moved to another site (6 of 11 items); the items were not properly marked as Government property (4 of 11 items); or the item had been sold by the Department of State to the United Nations without notifying DOD or the contractor (1 of 11 items). See Appendix D for details of these 11 instances. Table 1 illustrates the number of the GFP items that we sampled by site and the number of items verified or not verified for existence.

⁹ Identification attributes consisted of make, model, asset number, serial number and Government property number.

Table 1. Existence Testing Results

Sites	Total Items Tested	Existence Verified	Existence not Verified
COS-Diamondback, Endurance, and Marez, and COL Sykes	34	34	0
COB Adder, FOB Bucca, and COS Cedar	42	42	0
Joint Base Balad	48	47	1
COB Al Asad and COS Al Taqaddum	46	43	3
COS-Prosperity, Loyalty, and Radwaniyah Palace, FOB Hammer and Shield, and COB West BIAP	40	39	1
COB Speicher and COS-Taji, Warrior, and Warhorse	81	80	1
COL Echo	20	20	0
COL Delta	20	20	0
BIAP Area: Alpha West, Wayne’s World, East Life Support Area, Camp Parker, Liberty, Division, South Victory, Warehouse, Baghdad Transfer Center, and the Industrial Zone	45	40	5
Total	376	365	11

BIAP Baghdad International Airport
 COB Contingency Operation Base
 COL Contingency Operation Location
 COS Contingency Operation Site
 FOB Forward Operating Base

Based on the existence testing results, we estimated that DOD could account for approximately 443,918 of the 458,408 GFP items, or 96.8 percent, of the sample frame.

Logistics Civil Augmentation Program Property Book Completeness Verified

We verified that the LOGCAP property book contained accurate information for 390 of the 404 GFP items that we judgmentally selected to trace back to the property book (completeness testing). To determine the completeness of the LOGCAP property book, we selected similar GFP items located near the items selected for existence testing and traced those items back to the property book. Specifically, we annotated the identification attributes found on the GFP items and compared those attributes to the information listed in the LOGCAP property book. The LOGCAP property book was not accurate for 14 of the 404 GFP items because the items were not accurately recorded (1 of 14 items); were not marked with identifiable information (2 of 14 items); had incorrect descriptions (2 of 14 items); or were erroneously removed from the property

book (9 of 14 items). See Appendix D for details of these 14 instances. Table 2 illustrates the number of the GFP items that we sampled by site and the number of items verified or not verified for completeness.

Table 2. Completeness Testing Results

Sites	Total Items Tested	Completeness Verified	Completeness not Verified
COS-Diamondback, Endurance, and Marez, and COL Sykes	40	40	0
COB Adder, FOB Bucca, and COS Cedar	44 ¹⁰	44	0
Joint Base Balad	48	48	0
COB Al Asad and COS Al Taqaddum	46	46	0
COS-Prosperity, Loyalty, and Radwaniyah Palace, FOB Hammer and Shield, and COB West BIAP	38	38	0
COB Speicher and COS-Taji, Warrior, and Warhorse	86	85	1
COL Echo	24	17	7
COL Delta	25	21	4
BIAP Area: Alpha West, Wayne’s World, East Life Support Area, Camp Parker, Liberty, Division, South Victory, Warehouse, Baghdad Transfer Center, and the Industrial Zone	53	51	2
Total	404	390	14

We cannot calculate a projection for our judgmental sample of 404 GFP. Results of a judgmental sample cannot be used to draw inferences concerning the rest of the population.

Site-Specific Property Accountability Issues

Although accountability of LOGCAP GFP was generally adequate, we identified site-specific property accountability issues that needed management’s attention. To ensure that the LOGCAP contractor and DCMA could effectively and timely allocate their resources to improve property accountability where needed, we issued nine memorandums that reported on the specific results of our site visits (see Appendix D).

¹⁰ This report corrects a minor misstatement in the memorandum issued for COB Adder, FOB Bucca and COS Cedar issued to DCMA (see Appendix D). We sampled a total of 44 items at those locations not 45 as mentioned in the memorandum. The correction does not change the conclusions of the memorandum or this report.

We visited 32 sites, which we grouped into 9 geographic locations to issue the site memorandums. The 9 site memorandums contained 17 requests for management action.

We received management comments from DCMA-Iraq in response to eight of the nine site memorandums. After analyzing the management comments, we determined that 11 of 17 requests for management action remained unresolved, primarily because DCMA-Iraq did not provide a response specific to our request or provide alternative action to correct the identified problem. Of the 11 unresolved requests, 9 are reissued as recommendations in this finding and 2 are addressed in Finding B. Table 3 lists the total number of management requests issued per memorandum and their status. See Appendix E for comments from DCMA-Iraq and our response to those comments.

Table 3. Resolved/Unresolved Requests for Management Action

Site Memorandum Locations	Total Requests for Management Action	Resolved Requests	Unresolved Requests	Finding that Request is Reissued as Recommendation or Addressed
COS-Diamondback, Endurance, and Marez, and COL Sykes	0	N/A	N/A	N/A
COB Adder, FOB Bucca, and COS Cedar	1	1	0	N/A
Joint Base Balad	1	0	1	Finding A
COB Al Asad and COS Al Taqaddum	1	1	0	N/A
COS-Prosperity, Loyalty, and Radwaniyah Palace, FOB Hammer and Shield, and COB West BIAP	0	N/A	N/A	N/A
COB Speicher and COS-Taji, Warrior, and Warhorse	2	2	0	N/A
COL Echo	5	2	3	Finding A and Finding B
COL Delta	5	0	5	Finding A and Finding B
BIAP Area: Alpha West, Wayne's World, East Life Support Area, Camp Parker, Liberty, Division, South Victory, Warehouse, Baghdad Transfer Center, and the Industrial Zone	2	0	2	Finding A
Total	17	6	11	

Joint Base Balad-Existence of Ballistic Blanket Not Verified

During our November 28-30, 2009, site visit to Joint Base Balad, we were unable to verify the existence of 1 of the 48 GFP items in our statistical sample. According to the LOGCAP property book, that item (a ballistic blanket) was located on a vehicle. The contractor subsequently stated that the vehicle was decommissioned on November 20, 2009, and the item was moved to another site. Because the LOGCAP contractor had not received timely notification that the vehicle had been decommissioned and the GFP item moved, we requested that the Commander, DCMA-Iraq, statistically sample the GFP items located on vehicles and, based on the results, determine whether further action was warranted. Our primary concern was that ballistic blankets are considered sensitive items and are, according to the contractor's PCP, subject to special controls including additional protection and physical security.

In her written comments to our memorandum, the DCMA Theater Property Administrator did not address our request to statistically sample the GFP items on vehicles but only addressed the accountability of the one ballistic blanket. She stated that the contractor's property book for Joint Base Balad was updated on November 28, 2009, to show the ballistic blanket's new location at Tallil Air Base.

We considered the Theater Property Administrator's comments nonresponsive. We reviewed the LOGCAP property book as of November 29, 2009, and it still indicated that the ballistic blanket was located at Joint Base Balad and not the new location, Tallil Air Base. In addition, the Theater Property Administrator did not address our specific request to statistically sample the GFP items located on vehicles and, based on the results, determine whether further action was warranted. Therefore, we reissued this management request as a recommendation in this Finding.

Contingency Operation Location Echo-Completeness Not Verified for Seven Items

During our November 26-28, 2009, site visit to COL Echo, we were unable to trace 7 of the 24 GFP items that we judgmentally selected back to the LOGCAP property book (completeness testing). Specifically, two of the items did not have Government property numbers,¹¹ and five items had been erroneously removed from the LOGCAP property book. We requested that the Commander, DCMA-Iraq, ensure that Government property numbers were properly affixed to GFP items and that a 100-percent inventory be taken at the materials department, where all five of the items erroneously removed from the LOGCAP property book were located.

In her written comments to our memorandum, the DCMA Theater Property Administrator stated corrective action had been taken to determine the Government property number for the items that did not have a number, obtain new disposition

¹¹ The Government property number is the primary identifier for tracking LOGCAP GFP.

instructions for items that should already have been disposed of, and correct the sensitive item that was not on the property book because of an error.

We considered the Theater Property Administrator's comments to be partially responsive because she did not address our request for a 100-percent inventory at the COL Echo Materials Department. Based on the number of discrepancies, a 100-percent inventory is warranted to ensure the accountability of LOGCAP GFP at the Materials Department. Also, once the 100-percent inventory is complete, the contractor should be directed to dispose of all GFP approved for disposition and request disposition instructions for the remaining excess GFP items to allow for better accountability of GFP items at COL Echo. Therefore, we reissued two of the management requests as recommendations in this Finding. The third management request concerns the FWT yards and is addressed in Finding B.

Contingency Operation Location Delta-Overflow and Fair, Wear, and Tear Yard Issues

During our November 28-29, 2009, site visit to COL Delta, we were able to verify the existence of the 20 items tested for existence, and the completeness of the 25 items tested for completeness. However, we identified issues at the overflow yard and FWT yard. The COL Delta overflow yard contained five trash trucks (worth about \$700,000) that had been parked, unused, in the yard since at least December 2008. The contractor could not provide a sufficient explanation as to why the trucks had been parked in the yard for such an extended period. Therefore, we requested that the Commander, DCMA-Iraq provide a sufficiently supported account of all management decisions and actions taken concerning the acceptance, use, and disposition of the five trash trucks; determine whether personnel or cost recovery actions were warranted; and determine proper disposition of the trucks.

In addition, the FWT yard at COL Delta contained 87 boxes of unused wall lockers that had been received, opened, and tagged with government property numbers in December 2007. The wall lockers were stored in a warehouse for almost two years before being declared unserviceable in June 2009. The contractor should have identified the wall lockers as excess and determined whether the items could have been used elsewhere in Iraq. Therefore, we requested that DCMA-Iraq, as part of their periodic inventory process, identify property that is excess to the contract and ensure its proper disposition.

We did not receive comments from DCMA-Iraq concerning the COL Delta memorandum. Therefore, four of the management requests are reissued as recommendations in this Finding. The fifth request concerns the FWT yards and is addressed in Finding B.

Baghdad International Airport Area-Existence or Completeness Not Verified for Seven items

During our December 11-14, 2009, site visits to the BIAP Area, we were unable to verify the existence of 5 of the 45 GFP items in our statistical sample, and we were unable to trace 2 of the 53 GFP items that we judgmentally selected back to the LOGCAP property

book (completeness testing). Because the five items from our statistical sample should have been identified as discrepancies during the contractor's annual 100-percent physical inventory, we requested that the Commander, DCMA-Iraq require the contractor to conduct another 100-percent inventory at four sites in the BIAP Area. We also requested that the Commander, DCMA-Iraq direct the contractor to establish and implement effective procedures for accounting for window air conditioner units because the contractor is accounting only for the air conditioner frames and not the primary part of the unit that is scrapped or otherwise dispositioned.

In her written comments to our memorandum, the DCMA Theater Property Administrator did not address our request to conduct a 100-percent inventory at four sites in the BIAP Area (South Victory, Warehouse, Liberty, and Alpha West). The Theater Property Administrator disagreed with our request to establish and implement effective procedures for accounting for window air conditioner units, stating that the contractor was granted the authority to remove the mechanical part of the air conditioner units from the frame to minimize unit down time.

We considered the Theater Property Administrator's comments nonresponsive because the comments did not address our inventory request and because we disagree with her position concerning the accountability of the window air conditioner units. Therefore, we reissued the two management requests as recommendations in this Finding.

Recommendations, Management Comments, and Our Response

The Commander, Defense Contract Management Agency - International, responded for the Defense Contract Management Agency - Iraq.

A. We recommend the Commander, Defense Contract Management Agency - Iraq:

1. Statistically sample the Logistics Civil Augmentation Program Government furnished property items that are located on vehicles at Joint Base Balad, inventory those items, and, based on the results of the inventory, determine whether further action is warranted to ensure accountability of those items.

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated that the Logistics Civil Augmentation Program III contract at Joint Base Balad was replaced by the Air Force Contract Augmentation Program, and all property was transferred. However, during the implementation of the Logistics Civil Augmentation Program IV, the Defense Contract Management Agency - Northern Iraq conducted a verification audit of the contractor's 100 percent annual inventory for FY 10 at five different sites, and concluded that managerial controls were satisfactory for ensuring compliance with property requirements.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

2. Require the Logistics Civil Augmentation Program contractor at Contingency Operation Location Echo to:

- a. Conduct a 100-percent inventory of the Materials Department and adjust the Logistics Civil Augmentation Program property book in accordance with the inventory results.**

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated that a 100 percent inventory is scheduled to be completed by September 30, 2010, and that records will be adjusted for any discrepancies noted.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

- b. Disposition the items that have been approved for disposition and request disposition instructions for any remaining excess Government furnished property items.**

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated that the Defense Contract Management Agency - Iraq conducted a Property Management System Analysis at COL Echo on March 16, 2010, and found the contractor's control of Government property to be adequate. Specifically, they sampled the disposition schedule, determined that disposition instructions were received, and that property for disposition was identified and segregated. The contractor identified and segregated property scheduled for disposition. In addition, when the property was picked up, they ensured it was de-tagged and reviewed documentation to ensure compliance with the contractor's property control procedures.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

3. Take action at Contingency Operation Location Delta to:

- a. Provide a sufficiently supported account of all management decisions and actions taken concerning the acceptance, use, and disposition of the five trash trucks located at the overflow yard.**

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated that they issued a Letter of Technical Direction to the contractor requesting a detailed history of the five trash trucks. The contractor responded with a detailed documented history of the requirement, purchase, receipt, movement, and subsequent legal dispute between the contractor and the vendor.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

b. Determine whether personnel or cost recovery actions are warranted for the five trash trucks located at the overflow yard.

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated that they requested the Defense Contract Audit Agency to perform an audit to determine whether personnel or cost recovery actions were warranted. However, due to resource constraints and additional priorities, the audit has not been completed. The Defense Contract Management Agency - Iraq will follow up on the audit request by September 30, 2010.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

c. Determine the proper disposition of the five trash trucks located at the overflow yard.

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated that two of the five trash trucks were determined to be unserviceable and not economically repairable. The two trucks were scheduled for demilitarization and scrap through the Plant Clearance Process. The remaining three trucks were determined to be serviceable and transferred to operations at Tallil on June 22, 2010.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

d. Identify, during the periodic inventory process, property that is excess to the contract and ensure its proper disposition.

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated they completed a Property Management System Analysis at Delta on March 16, 2010 and did not identify any excess property.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

4. Direct the Logistics Civil Augmentation Program contractor at the Baghdad International Airport Area to:

- a. Establish and implement effective procedures to account for the air conditioner units and ensure those procedures are included in the contractor's property control procedures.**

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated all current air conditioner units assigned under the Logistics Civil Augmentation Program III in Iraq will be removed from the active records to inactive status in the contractor's property accountability system. The air conditioner units will be maintained and tracked by the Directorate of Engineering, and as units are issued, they will be considered consumed upon installation.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

- b. Conduct a 100-percent inventory of Logistics Civil Augmentation Program property at South Victory, Warehouse, Liberty, and Alpha West.**

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated that a 100-percent inventory will be conducted by September 30, 2010, and that the contractor's records will be adjusted for any discrepancies noted.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

Finding B. Inconsistent Management of the Fair, Wear, and Tear Yards

Although we determined that in general, DOD had adequate accountability over LOGCAP GFP (Finding A), we identified a systemic issue concerning the management of the FWT yards. Specifically, the LOGCAP contractor was not consistently managing and disposing of GFP located in the FWT yards. In addition, at the FOB Liberty FWT yard, export-controlled GFP, such as ballistic plates and ballistic blankets, were not being processed for disposal and were not secured from access by unauthorized personnel. This occurred because DCMA did not require the contractor to comprehensively address FWT yard management, disposition metrics, or protection and disposal of export-controlled GFP in its PCP. In addition, the LOGCAP III contract did not require the LOGCAP contractor to follow export-control regulations. As the pace of the Iraq drawdown increases, the amount of GFP processing through the FWT yards will increase. Therefore, management improvements are needed now to ensure a more effective and efficient transfer and disposal of LOGCAP GFP property in conjunction with the drawdown; reduce the risk of backlog; and ensure export-controlled GFP is properly protected, identified for reutilization, or demilitarized.

Fair, Wear, and Tear Yards

According to the LOGCAP contractor, there are 11 regional FWT yards in Iraq in which excess and unserviceable GFP items are stored while the contractor awaits disposition instructions from DCMA. The FWT yards are managed by the contractor's Materials Department. According to the contractor's PCP, the Materials Department is responsible for receiving excess, unserviceable, or obsolete GFP, and requesting a technical inspection to determine serviceability. If a GFP item is declared serviceable, Materials Department personnel will determine if a local need exists for the item and, if so, will reissue the item. If the item is not needed locally, Materials Department personnel tag the item as excess and request disposition instructions. If the item is declared unserviceable, disposition instructions are also requested; generally, those instructions direct the contractor to dispose of the item by scrap vendor or the Defense Reutilization and Marketing Office (DRMO).

Export-Control Regulations

Federal, DOD, and Army regulations provide policy and procedures for safeguarding controlled materiel, to include classified, export controlled, and sensitive materiel. At the Federal level, the International Traffic in Arms Regulations 2009 designate defense articles and defense services that are subject to export controls. The International Traffic in Arms Regulations state that protective personnel equipment specifically designed, developed, modified, or equipped for military application is designated as defense articles and export controlled. By definition, protective personnel equipment includes body armor and ballistic blankets.

At the DOD level, DOD Instruction 2040.02, “International Transfers of Technology, Articles, and Services,” July 10, 2008, and the “National Industrial Security Program Operating Manual,” February 28, 2006, contain guidance specific to export-controlled materiel. DOD Instruction 2040.02 states that contractors are not to disclose export-controlled information and technology (classified or unclassified) to a foreign person unless such disclosure is authorized by an export license, other authorization from a U.S. Government authority, or an exemption to export licensing requirements. The DOD Instruction further states that controlled technology is considered to be disclosed when information is transferred to foreign persons by means of a visual inspection, oral exchange, application of the technology or data, or the use of any other medium of communication. Any disclosure of controlled technology or technical data to any foreign person, whether it occurs in the United States or abroad, is deemed an export. Contractors are required to implement safeguards to prevent unauthorized disclosure of export-controlled technology to foreign nationals assigned to or employed by the contractor.

The “National Industrial Security Program Operating Manual,” February 28, 2006, states that contractors cleared to access export-controlled data are required to implement safeguards to prevent unauthorized disclosure. When foreign nationals are assigned to or employed by a contractor, a technology control plan may also be required, which includes safeguards such as unique badging, escorts, and segregated work areas necessary to prevent unauthorized access.

At the Army level, Army Regulation 735-5, “Policies and Procedures for Property Accountability,” June 10, 2002, defines controlled materiel as materiel designated to have characteristics requiring that they be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity. Sensitive materiel is defined as materiel requiring a high degree of protection and control because of statutory requirements or regulations and is high-value, highly technical, or hazardous.

Systemic Issues Concerning Fair, Wear, and Tear Yard Management

The LOGCAP contractor was not consistently managing and disposing of GFP located in its FWT yards. We identified FWT yard management issues in four of the nine memorandums that we issued in conjunction with our site visits. Specifically, contractor personnel were not monitoring GFP disposal (2 memorandums), ensuring the LOGCAP property book was updated to reflect disposition (3 memorandums), and not timely processing unserviceable GFP for disposition (2 memorandums). In addition, according to the contractor, contractor personnel at FOB Liberty were storing 8,182 ballistic plates and 168 ballistic blankets in the FWT yard and warehouse but had not requested disposition instructions for the items and had not implemented controls to prevent unauthorized access to those items by foreign national employees.

Erroneous Reporting of Property Disposal

In the COL Echo; BIAP Area; COB Speicher; and COS Taji, Warrior, and Warhorse memorandums, we identified that the contractor had erroneously updated the LOGCAP property book to reflect disposal of GFP that was actually still located in the FWT yard. We also identified that the contractor did not always update the LOGCAP property book when items were actually disposed of. For example, at COL Echo and COS Taji we identified nine GFP items that were still located in the FWT yard or in the Material Department that the LOGCAP property book showed as disposed. For eight of those GFP items, contractor documentation indicated that a scrap vendor had picked up the items. According to the contractor, the scrap vendor had not taken all of the items that he was scheduled to remove but the disposal documentation had still been processed. At the BIAP Area, we were unable to find an item that was listed on the LOGCAP property book as being located at the FWT yard. Although the contractor subsequently provided documentation showing that the item had been transferred to the DRMO for disposal in April 2009, the LOGCAP property book had not been updated to reflect that disposal.

Disposition Not Timely

In the COLs Delta and Echo memorandums, we identified that unserviceable GFP was not disposed of timely from the FWT yards. At COL Delta, we identified GFP items that had been in the FWT yard since 2005. At COL Echo, we identified GFP items that had been in the FWT yard for a period of 6 months to a year. Although the LOGCAP contract does not contain metrics for the maximum number of days GFP items should be stored in the FWT yards awaiting disposal, we believe that 6 months and beyond is excessive.

At COL Delta, we identified GFP items that had been in the FWT yard since 2005.

We also identified that the COLs Delta and Echo FWT yards contained a disproportionate number of GFP items when compared to other installations (10.09 percent and 11.24 percent, respectively). In addition, subsequent to the issuance of our memorandums, we noted that the FOB Liberty FWT yard also was in that category (8.45 percent). Table 4 lists the sites we visited, the number of GFP items in the respective FWT yards, the total GFP items located at those sites, and the percentage of LOGCAP GFP items in the FWT yard.¹²

¹² Although we issued nine memorandums, there are only eight data sets shown in Table 4. This is because the installations from two of the site memorandums use the same FWT yard.

Table 4. Percentage of LOGCAP GFP Items in FWT Yards at Sites Visited

FWT Yard	LOGCAP GFP Items in FWT Yards	Total LOGCAP GFP Items at the Sites	Percentage of LOGCAP GFP Items in FWT Yards
COS-Diamondback, Endurance, and Marez, and COL Sykes	1,050	59,070	1.78%
COB Adder, FOB Bucca, and COS Cedar	1,653	59,341	2.79%
Joint Base Balad	1	81,155	0.00%
COB Al Asad and COS Al Taqaddum	722	62,022	1.16%
COS-Prosperity, Loyalty, and Radwaniyah Palace, FOB Hammer and Shield, COB West BIAP, and BIAP Area: Alpha West, Wayne's World, East Life Support Area, Camp Parker, Liberty, Division, South Victory, Warehouse, Baghdad Transfer Center, and the Industrial Zone ¹³	12,232	144,675	8.45%
COB Speicher and COS-Taji, Warrior, and Warhorse	1,356	92,168	1.47%
COL Echo	1,537	13,676	11.24%
COL Delta	1,573	15,583	10.09%

Export-Controlled Government Furnished Property Not Processed for Disposal or Properly Secured

During a site visit to the FOB Liberty FWT yard, we identified export-controlled ballistic plates and ballistic blankets stored in the yard. According to the contractor, there were 8,182 ballistic plates and 168 ballistic blankets stored in the FWT yard and warehouse as of April 2010. The contractor stated that disposition instructions for the items had not been requested because the contractor did not have personnel qualified to conduct

¹³ COS-Prosperity, Loyalty, and Radwaniyah Palace; FOB Hammer and Shield; COB West BIAP and BIAP Area (Alpha West, Wayne's World, East Life Support Area, Camp Parker, Liberty, Division, South Victory, Warehouse, Baghdad Transfer Center, and the Industrial Zone) are all supported by the same FWT yard, even though the results of those sites were issued in separate memorandums.

technical inspections of ballistic items. Therefore, the contractor could not determine whether the items were serviceable or unserviceable and whether the items could be reused or should be destroyed.

We observed during the site visit that foreign national contractor employees had access to the keys for the containers in which the ballistic plates and ballistic blankets were stored. Further, when we asked to look inside the container that held the ballistic blankets, the only employee with keys to that container was a foreign national employee. According

...the only employee with keys to that container [that held export-controlled GFP] was a foreign national employee.

to Federal, DOD, and Army regulations, contractors are required to implement safeguards to prevent unauthorized disclosure of export-controlled technology to foreign nationals assigned to or employed by the contractor. The regulations also state that controlled technology is

considered to be disclosed when information is transferred to foreign persons by means of a visual inspection, oral exchange, application of the technology or data, or the use of any other medium of communication. Having access to the containers and access to the keys to the container allows the foreign national employees to “visually inspect” the ballistic plates and ballistic blankets, which could result in unauthorized disclosure or theft of export-controlled technology.

Property Control Procedures Not Comprehensive

On July 15, 2008, DCMA approved the LOGCAP contractor’s PCP. However, DCMA did not require the contractor to comprehensively address FWT yard management, disposition metrics, or protection and disposal of export-controlled GFP in its PCP.

The PCP states that the Materials Department is responsible for receiving, labeling, storing, and moving excess LOGCAP GFP, arranging for technical inspections for serviceability, requesting disposition instructions, and facilitating disposition. However, the PCP does not address how the contractor should manage the property located in the FWT yards or the Materials Department warehouse while awaiting disposition instructions or when disposing of that property. Also, the PCP provides metrics for actions such as processing material requisitions and completing damage reports, but it does not provide metrics for the maximum number of days GFP items should be at the FWT yard awaiting disposal.

The contractor’s PCP, while addressing some aspects of export controls, does not address the procedures needed to protect and dispose of export-controlled items or provide guidance on what constitutes an export of controlled technology. The PCP contains a section that discusses export controls, but only within the context of requisitioning, purchasing, and transporting export-controlled GFP; it does not address disposition. The section also contains information that could be misleading to readers as it states in a section titled, “Export Controls/Licensing Materials,” that, “Export (or re-export) occurs whenever an item crosses a border between two countries.” This explanation is not complete because the definition of an export is not limited to the physical transfer of an

item across a border. As defined in Federal, DOD, and Army regulations, controlled technology is considered to be disclosed when information is transferred to foreign persons by means of a visual inspection, oral exchange, application of the technology or data, or the use of any other medium of communication. Any disclosure of controlled technology or technical data to any foreign person, whether it occurs in the United States or abroad, is deemed an export.

To ensure more consistent management practices in the FWT yards, the PCP should be revised to require that items designated for the scrap vendor be segregated from other GFP at the FWT yard. This will not only ensure that the items can be easily identified for LOGCAP property book update purposes, it will also help to ensure that items not designated for the scrap vendor (such as GFP requiring demilitarization) are not removed. The PCP should also be revised to contain reasonable metrics for property turnover at the FWT yards, and the contractor should be held to meeting those metrics. Lastly, to ensure that export-controlled GFP is protected and properly disposed of, the PCP should be revised to include specific instructions on protecting and disposing of export-controlled GFP, those instructions should comply with Federal, DOD, and Army requirements.

Export-Control Regulations Not Included in Logistics Civil Augmentation Program Contract

The LOGCAP III contract did not require the LOGCAP contractor to follow Federal, DOD or Army export-control regulations. Therefore, the Rock Island Contracting Center should modify the LOGCAP III contract to require the LOGCAP contractor to follow those regulations.

Untimely Processing and Disclosure of Export-Controlled Government Furnished Property Could Effect Drawdown

As the drawdown progresses, the amount of GFP processed through the LOGCAP contractor's FWT yards will increase. Without metrics to ensure the GFP is processed in a timely manner, the risk increases that the property will pile up at the FWT yards and create a backlog of property needing to be dispositioned. Likewise, if property is not properly segregated for disposal, the risk increases that GFP could be improperly dispositioned. With respect to export-controlled GFP, this could result in disclosure of controlled technologies to foreign nationals, which could potentially have economic, military, or national security ramifications. Because the Iraq drawdown has a firm end date, management improvements are needed now to ensure a more effective and efficient transfer and disposal of LOGCAP GFP through the FWT yards and to ensure that export-controlled GFP is properly protected, identified for reutilization, or demilitarized.

Recommendations, Management Comments, and Our Response

Redirected Recommendation

As a result of further discussion with Army Materiel Command and Army Sustainment Command management, we redirected draft report Recommendation B.1. to the Executive Director, Rock Island Contracting Center. In addition, the Commander, Defense Contract Management Agency - International, responded for the Defense Contract Management Agency - Iraq.

B.1. We recommend the Executive Director, Rock Island Contracting Center modify the Logistics Civil Augmentation Program III contract to require that the contractor follow Federal, DOD, and Army export-control regulations.

B.2. We recommend the Commander, Defense Contract Management Agency - Iraq:

a. Issue a letter of technical direction requiring the Logistics Civil Augmentation Program III contractor to update its property control procedures to:

1. Require segregation of Government furnished property within the Fair, Wear, and Tear yard by disposition method.

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated that a Letter of Technical Direction issued on September 1, 2010, directs the contractor to segregate Government furnished property in the Fair, Wear, and Tear yard by disposition method.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

2. Require confirmation of removal of Government furnished property from the Fair, Wear, and Tear yard before the Logistics Civil Augmentation Program property book is updated.

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated that a Letter of Technical Direction issued on September 1, 2010, directs the contractor to provide verification of removal of Government furnished property from the Fair, Wear, and Tear yard prior to removal from the property book.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

3. Include metrics for property turnover at the Fair, Wear, and Tear yards.

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated that a Letter of Technical Direction issued on September 1, 2010, directs the contractor to provide weekly Fair, Wear and Tear yard metric reports.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

4. Include guidance for export-controlled Government furnished property, such as a listing and a definition of what constitutes export-controlled Government furnished property and the special handling required to secure and dispose of export-controlled Government furnished property.

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated that a Letter of Technical Direction issued on September 1, 2010, directs the contractor to ensure all or part of the Defense Federal Acquisition Regulation Supplement 252.204-7008, Requirement for Contracts Involving Export-Controlled Items, be incorporated in the contractor's property control procedures.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

b. Determine metrics for property turnover at Fair, Wear, and Tear yards for inclusion in the Logistics Civil Augmentation Program contractor's property control procedures.

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated that a Letter of Technical Direction issued on September 1, 2010, directs the contractor to provide, as part of the weekly Fair, Wear, and Tear yard metric report, the number of days property is awaiting disposition, the time frame, the scheduled number, the number of lines of property, and the value of the property.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

c. Test compliance with the Fair, Wear, and Tear yard property turnover metrics during the property inspections.

Management Comments

The Commander, Defense Contract Management Agency - International, agreed. The Commander stated that compliance with Fair, Wear, and Tear yard metric reports will be added to the Property Management Systems Analysis audit checklist. A copy of the checklist will be provided no later than October 31, 2010.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive, and no further comments are required.

d. Ensure the Logistics Civil Augmentation Program contractor is complying with all applicable export-control regulations.

Management Comments

The Commander, Defense Contract Management Agency - International, did not agree. The Commander stated that it is not their responsibility as contract administrators to ensure compliance with U.S. export-control laws. However, they will conduct appropriate oversight of the contractor's sensitive property and will report any instances of law violations accordingly.

Our Response

The Commander, Defense Contract Management Agency - International comments are responsive and no further comments are required.

Management Comments Required

We redirected Recommendation B.1 to the Executive Director, Rock Island Contracting Center. We request that the Executive Director, Rock Island Contracting Center provide comments on the final report.

Appendix A. Scope and Methodology

We conducted this performance audit from October 2009 through August 2010 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 visits to 32 sites throughout Iraq, from November 20, 2009 through December 14, 2009 (see Table A for a list of the sites visited and the dates of the visits). At those sites, we tested the existence and completeness of LOGCAP GFP. Our audit sample consisted of 376 LOGCAP GFP items statistically sampled from the LOGCAP property book as of September 30, 2009. We tested the existence of those items by tracing them from the LOGCAP property book to the physical location of the item as of September 30, 2009. We used the identification attributes listed in the LOGCAP property book to locate and verify our sample of GFP items. We requested and reviewed documentation to support accountability of LOGCAP GFP items that were not physically located. We considered the LOGCAP GFP to not meet the existence criteria if we could not physically locate the item or the contractor could not provide documentation to justify an updated location for the item.

Table A. Listing of 32 Sites Visited

Site Names	Site Visit Dates
COS-Diamondback, Endurance, and Marez, and COL Sykes	November 26 - 30, 2009
COB Adder, FOB Bucca, and COS Cedar	November 20 - 25, 2009
Joint Base Balad	November 28 - 30, 2009
COB Al Asad and COS Al Taqaddum	November 24 - 27, 2009
COS-Prosperity, Loyalty, and Radwaniyah Palace, FOB Hammer and Shield, and COB West BIAP	November 16 - December 11, 2009
COB Speicher and COS-Taji, Warrior, and Warhorse	December 1 - 2, 2009 December 4 - 8, 2009
COL Echo	November 26 - 28, 2009
COL Delta	November 28 - 29, 2009
BIAP Area: Alpha West, Wayne's World, East Life Support Area, Camp Parker, Liberty, Division, South Victory, Warehouse, Baghdad Transfer Center, and the Industrial Zone	December 11 - 14, 2009

We also judgmentally selected 404 LOGCAP GFP items to determine the completeness of the LOGCAP property book. To conduct the completeness testing, we selected LOGCAP GFP comparable to and near the items selected for existence testing. We

selected additional LOGCAP GFP at the FWT yards. To determine completeness, we annotated the identification attributes found on the GFP items and compared those attributes to the information listed in the LOGCAP property book. If we could not trace the item to the property book, we returned to the location of the item and selected two additional items. We determined that the records were not complete if we could not find the LOGCAP GFP item in the property book or if the item was erroneously removed from the property book while physically located at the site.

We developed review checklists based on the identification attributes listed in the LOGCAP property book. We completed the checklist for each LOGCAP GFP, documented any discrepancies, and requested supporting documentation if applicable.

We examined LOGCAP property book records and supporting documentation, including transfer or movement documents, warehouse requisitions, and inventory records. We also reviewed DOD policies, LOGCAP III task order 159, and the LOGCAP contractor's PCP.

We coordinated with or interviewed officials from USF-I: Joint Staff Logistics Directorate Logistics Operations Center, Joint Logistics Base Management Office, Joint Logistics Foreign Excess Personal Property Management Office, and Joint Logistics Base Closure Assistance Team; Army Support Element - Iraq: Non-Standard Commodity Office, and Logistics Disposition Office; Joint Contracting Command - Iraq/Afghanistan; LOGCAP contractor personnel; Program Manager LOGCAP III; Program Manager LOGCAP IV; and the Defense Contract Management Agency - Iraq.

We compared results of our examination and observations to established criteria to assess DOD's accountability and disposition of LOGCAP GFP.

Use of Computer-Processed Data

We used the data in the format of Microsoft Access from the LOGCAP property book, which is derived from the contractor's property book system to test accountability of LOGCAP GFP. We tested the accountability and reliability of the data by physically verifying the information from Microsoft Access to the LOGCAP GFP. We tested the completeness of the data in the LOGCAP property book by recording the government property number and additional identification attributes on GFP items and comparing that information to the data in the property book. We concluded that the information from LOGCAP property book, as of September 30, 2009, was sufficiently reliable for our purposes.

Use of Technical Assistance

We received technical assistance from the Office of the Deputy Inspector General for Auditing, Quantitative Methods and Analysis Directorate (QMAD), throughout the sample selection and projection process. QMAD provided a sample of LOGCAP GFP items to test for existence. QMAD also provided a projection of the number of

unaccounted for GFP items listed in the LOGCAP property book based on the results of that testing. See Appendix C for a detailed description of the assistance provided by QMAD.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), DOD IG and the Army Audit Agency (AAA) have issued three reports discussing asset accountability in Iraq. Unrestricted GAO reports can be accessed over the Internet at <http://www.gao.gov>. DOD IG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted AAA reports can be accessed from .mil and .gov domains over the Internet at <https://www.aaa.army.mil>.

GAO

GAO Report No. GAO-08-930, “Operation Iraqi Freedom: Actions Needed to Enhance DOD Planning for Reposturing of U.S. Forces from Iraq,” September 2008

DOD IG

DODIG Report No. D-2009-089, “Internal Controls Over Government Property in the Possession of Contractors at Two Army Locations,” June 18, 2009

Army

AAA Report No. A-2008-0075-ALL, “Audit of Contractor-Acquired Property, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom,” March 12, 2008

Appendix B. Potential Revisions to Disposition Guidance for the Logistics Civil Augmentation Program

DOD guidance for the transfer and disposal of GFP in conjunction with the Iraq drawdown defines the transfer and disposal process for GFP and the roles and responsibilities for the contractor, DCMA, the Base Commander, and USF-I Joint Staff Logistics Directorate in that process. With respect to LOGCAP GFP, USF-I should review the guidance and determine whether process efficiencies could be gained based on the overall reliability of the LOGCAP property book as we reported in Finding A of this report. For example, the guidance requires that three 100-percent inventories be conducted of GFP during the base closure process. Those inventories are to take place within a 4-month period. The guidance also requires that each serviceable item be manually entered into the Army property accountability system. According to USF-I personnel, each GFP item is also manually entered into a spreadsheet before it is transferred to the Government of Iraq. Taking three 100-percent inventories and manually coding each GFP item twice are manually intensive and time-consuming activities and may not be consistent with a reliable LOGCAP property book. Although DOD should not remove controls necessary to maintain accountability of LOGCAP GFP, if efficiencies could be gained without jeopardizing that accountability, the efficiency of the drawdown of property from Iraq would likely benefit.

Disposition Guidance

The LOGCAP contractor's PCP contains standard disposition guidance for processing excess GFP. The guidance requires that the contractor distribute excess property first to meet other LOGCAP requirements in Iraq and second, to fulfill LOGCAP mission needs in Afghanistan. In addition, disposition guidance specific to the Iraq drawdown has been issued by various organizations to include the Deputy Under Secretary of Defense for Logistics and Materiel Readiness, USF-I, Department of the Army and DCMA. Table B contains a description of drawdown specific disposition guidance as of February 7, 2010.

Table B. Guidance for the Transfer, Reset, and Disposal of LOGCAP GFP in Iraq

Title	Date	Description
USF-I Fragmentary Order 0708 “Base Closure Logistics Policy Update for Contractor-Managed Government-Owned and Foreign Excess Personal Property”	February 7, 2010	Provides an update to the process flow for transitioning LOGCAP III property.
USF-I Fragmentary Order 0411 “Property Validation and Accountability for All Classes of Supply Across the Iraq Joint Operations Area”	January 26, 2010	Provides guidance to validate the standard Army maintenance information systems accountability with on-hand quantities and bringing to record equipment, material and real property not accounted for.
USF-I Operations Order 10-01	December 27, 2009	Classified
Multi-National Forces - Iraq Operations Order 09-01 “Responsible Drawdown of Forces”	November 23, 2009	Classified
DCMA Memorandum: Contractor Acquired Property Transfers	August 24, 2009	Clarifies the process for transitioning LOGCAP III property and includes a process flow.
DCMA Memorandum: LOTD KBR-09-ALL-Iraq-3040, Property Disposition Plans	August 5, 2009	Requires the contractor to develop property disposition plans for excess property by commodity.
Department of the Army Memorandum: Disposition of LOGCAP Property	July 30, 2009	Defines the contractual obligation for the disposition of property accountable on the LOGCAP Contract(s) and task orders.
Deputy Under Secretary Of Defense for Logistics and Materiel Readiness Memorandum: Authority to Transfer Property in Iraq	July 7, 2009	Delegates authority to transfer U.S. property in Iraq.
Department of the Army Memorandum: Procurement Contracting Officers Direction for Disposition of Contractor Acquired Property	June 23, 2009	Provides guidance to assist the LOGCAP contractor in performing site closures and expedites property disposition/close out.
Multi-National Forces - Iraq Memorandum: Return or Closure of Bases and Facilities	April 20, 2009	Provides guidance governing the return of all buildings, facilities, and areas to the Government of Iraq.

Disposition Process

The GFP disposition process, as defined by DOD guidance, defines the transfer, reset, and disposal process, and the roles and responsibilities of the contractor, DCMA, the base Commander, and USF-I Joint Logistics Directorate in that process. For LOGCAP GFP, once a base closure decision is confirmed, the process is as follows:

- The LOGCAP contractor conducts a 100-percent inventory of its GFP.
- The LOGCAP contractor submits a property reallocation plan for the serviceable GFP to DCMA. The property reallocation plan identifies which GFP is to be
 - retained by the contractor to meet existing LOGCAP III contract requirements,
 - transferred to Afghanistan to fulfill LOGCAP IV requirements,
 - transferred to the base commander, and
 - disposed through the DRMO.
- DCMA screens the GFP to validate the LOGCAP IV requirements and determine the cost effectiveness of shipping the GFP to the gaining activity.
- The LOGCAP contractor enters information concerning its unserviceable LOGCAP GFP into the Plant Clearance Automated Reutilization Screening System¹⁴ and dispositions by scrap vendor or through the DRMO.
- The contractor and designated base representative conduct a joint 100-percent inventory of serviceable LOGCAP GFP that is not needed elsewhere prior to transferring accountability of the property to the U.S. Government.¹⁵
- The LOGCAP GFP is transitioned to the base commander via Department of the Army Form 3161,¹⁶ added to the Theater Property book, and then consolidated with the base foreign excess personal property inventory.¹⁷
- USF-I G4 Division screens the foreign excess personal property list against internal requirements.
- The remaining excess property is screened by USF-I Joint Logistics/Army Central Support Element - Iraq to fulfill its internal requirements and other U.S. Government Agency requirements, and redistributes the property accordingly throughout Iraq.
- Remaining excess property is disposed by either DRMO, retrograded or transferred with the base to the Government of Iraq.
- A U.S./Iraq joint inventory is conducted before the property is transferred to Government of Iraq.

¹⁴ The Plant Clearance Automated Reutilization Screening System is the system used for reporting, screening, requisitioning, and dispositioning excess Government property located at contractor facilities.

¹⁵ The LOGCAP contractor transfers GFP to the U.S. Government. The U.S. Government assumes accountability and then brings the GFP to record before transferring any property to foreign governments.

¹⁶ Department of the Army Form 3161 is a request for issue or turn in of property.

¹⁷ The foreign excess personal property list is a consolidated list of property that is declared excess.

Potential Efficiencies May Exist

As we reported in Finding A, the LOGCAP property book met accountability expectations and proved to be generally reliable. Therefore, we believe that USF-I should review the disposition process for the LOGCAP GFP and determine whether efficiencies exist within that process.

For example, the disposition guidance requires that three 100-percent inventories be conducted of the LOGCAP GFP during the base closure process. Those inventories are conducted upon receipt of the base closure notice, when transferring the LOGCAP GFP to the base commander, and when transferring the property to the Government of Iraq. According to the established time table, these inventories take place within a 4-month period. Conducting three 100-percent inventories is a time consuming process and may not be consistent with the level of risk associated with a reliable property book.

The disposition guidance also requires that each serviceable LOGCAP GFP item be manually entered into the Army property accountability system when it is transferred to the base commander. According to USF-I personnel, all property is also manually entered into a foreign excess personal property spreadsheet before it is transferred to the Government of Iraq. Manually coding data is also a time consuming process and prone to human error.

DOD should not remove controls necessary to maintain accountability of LOGCAP GFP. However, if efficiencies could be gained without jeopardizing that accountability, the efficiency of the drawdown of property from Iraq would likely benefit.

Appendix C. Statistical Sample Methodology and Analysis

Quantitative Plan

Objective. We used statistical sampling to estimate the number of unaccountable GFP items listed in the LOGCAP property book.

Population: The data universe was 572,928 GFP items valued at \$2.9 billion listed in the LOGCAP property book. Of those 572,928 items, 12,224 items valued at \$47 million were dropped from the universe during the importing process from Microsoft Access to the Statistical Analysis System.¹⁸ Additionally, 50,596 GFP items valued at \$200 million were dropped from the universe due to difficulties translating the alphanumeric character provided for the location. From the 37 physical locations listed in the LOGCAP property book, the 15 locations with the highest number and dollar value of GFP items were selected for the final sample frame. That final sample frame consisted of 458,408 GFP items valued at approximately \$2.5 billion, which represented 80 percent of the original universe and 84 percent of the total original dollar value.

Measures. The measure of the sampling plan for this project was the number of unaccounted for GFP items listed in the LOGCAP property book.

Parameters: We used a 90-percent confidence interval.

Sample Plan

We used a stratified sample design for this project. As defined in Table C-1, we stratified the population into 15 strata and randomly selected a sample for each stratum:

¹⁸ This occurred due to human error and was not detected until after the statistical sample universe was determined.

Table C-1 Stratum Sample Size

Stratum Name/Physical Locations	Stratum Population Size	Stratum Sample Size
COS – Diamondback, Endurance, and Marez, and COL Sykes	56,371	34
COB Adder, FOB Bucca, and COS Cedar	49,576	42
Joint Base Balad	80,348	48
COB Al Asad and COS Al Taqaddum	59,889	46
COS – Prosperity, Loyalty, and Radwaniyah Palace, FOB Hammer and Shield, and COB West BIAP	29,996	40
COB Speicher and COS-Taji, Warrior, and Warhorse	78,854	81
COL Echo	13,829	20
COL Delta	13,469	20
BIAP Area: Alpha West, Wayne’s World, East Life Support Area, Camp Parker, Liberty, Division, South Victory, Warehouse, Baghdad Transfer Center, and the Industrial Zone	76,076	45
Total	458,408	376

Analysis and Interpretation

The planned analysis included making projections of the number of errors. We projected the results of the sample using the stratified sampling design. The projection results are calculated at the 90-percent confidence level and reported in Table C-2.

Table C-2 Unaccountable LOGCAP GFP

90-Percent Confidence Interval			
Assets not found	Lower Bound	Point Estimate	Upper Bound
Error rate	1.0%	3.2%	5.3%
Errors	4,491	14,490	24,490

Based on the sample results, we projected at the 90-percent confidence level that the amount of unaccountable LOGCAP GFP was between 1 percent and 5.3 percent and are 90-percent confident that the total number of unaccountable LOGCAP GFP is between 4,491 and 24, 490.

Appendix D. Site Memorandums



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

December 19, 2009

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY-
IRAQ

SUBJECT: Results of Site Visits to Contingency Operation Sites - Diamondback, Endurance, and Marez, and Contingency Operation Location Sykes Conducted During Fieldwork for the Audit of Controls Over the Accountability and Disposition of Government Furnished Property in Iraq (Project No. D2009-D000JB-0307.000)

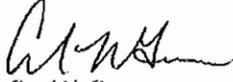
This memorandum is one in a series of nine memorandums issued in conjunction with our audit "Controls over the Accountability and Disposition of Government Furnished Property in Iraq." We are issuing the memorandums by site (or groups of sites) so that resources can be effectively allocated to improve accountability over government furnished property (GFP), where needed. We will issue a separate report that will summarize the results of all site visits and discuss the overall accountability and disposition of GFP in conjunction with the drawdown of U.S. Forces in Iraq.

With the exception of minor property book errors, we identified no discrepancies during our November 26-30, 2009, review of accountable GFP at Contingency Operation Sites - Diamondback, Endurance, and Marez, and Contingency Operation Location Sykes. Specifically, we were able to verify the existence of all 34 GFP items that we statistically selected for review from the Logistics Civil Augmentation Program (LOGCAP) property book. We also were able to verify that the LOGCAP property book contained accurate data for an additional 39 GFP items we selected for review during our site visit.

The minor property book errors concerned GFP serial numbers and make and model. Specifically, information on the GFP differed from the information in the LOGCAP property book. For the GFP that we reviewed during the site visit, we reported the information to the Defense Contract Management Agency Government Property Administrator and the contractor, who immediately corrected the LOGCAP property book.

We appreciate your immediate action to correct the LOGCAP property book and commend the actions of the Defense Contract Management Agency Government Property Administrator for

his efforts in ensuring proper accountability over GFP at these sites. Please address any questions to [REDACTED]



Carol N. Gorman
Deputy Director
Joint and Southwest Asia Operations

cc:
Depnty J4, U.S. Forces-Iraq
Inspector General, Multi-National Force-Iraq
Inspector General, Multi-National Corps-Iraq



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

December 19, 2009

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY-
IRAO

SUBJECT: Results of Site Visits to Contingency Operation Base Adder, Forward Operating Base Bucca, and Contingency Operation Site Cedar Conducted During Fieldwork for the Audit of Controls Over the Accountability and Disposition of Government Furnished Property in Iraq (Project No. D2009-D000JB-0307.000)

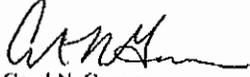
This memorandum is one in a series of nine memorandums issued in conjunction with our audit "Controls over the Accountability and Disposition of Government Furnished Property in Iraq." We are issuing the memorandums by site (or groups of sites) so that resources can be effectively allocated to improve accountability over government furnished property (GFP), where needed. We will issue a separate report that will summarize the results of all site visits and discuss the overall accountability and disposition of GFP in conjunction with the drawdown of U.S. Forces in Iraq.

With the exception of two minor issues, we identified no discrepancies during our November 20-25, 2009, review of accountable GFP at Contingency Operation Base Adder, Forward Operating Base Bucca, and Contingency Operation Site Cedar. Specifically, we were able to verify the existence of all 42 GFP items that we statistically selected for review from the Logistics Civil Augmentation Program (LOGCAP) property book. We also were able to verify that the LOGCAP property book contained accurate data for an additional 45 GFP items we selected for review during our site visit.

We noted a minor issue concerning the visibility of the government property number, which is the primary identifier for tracking LOGCAP GFP. On some GFP, the government property number was very faded, making it difficult to quickly identify and account for the property. The LOGCAP contractor's property control procedures require that tracking numbers be securely affixed to the property, legible, and conspicuous. Therefore, we request that the Defense Contract Management Agency ensure, as part of their periodic inventory checks, that government property numbers are readable and in conspicuous locations. This will improve the control environment and ensure a more expeditious physical inventory.

We also noted minor issues with some of the other attributes used to identify LOGCAP GFP such as the serial number, asset number, and make and model. Specifically, information on the GFP differed from the information in the LOGCAP property book. For the GFP that we reviewed during the site visit, we reported the information to the Defense Contract Management Agency Government Property Administrator and the contractor, who immediately corrected the LOGCAP property book.

We appreciate your immediate action to correct the LOGCAP property book and request comments on the actions taken to improve the visibility of government property numbers by December 31, 2009. Please address comments to [REDACTED]



Carol N. Gorman
Deputy Director
Joint and Southwest Asia Operations

cc:
Deputy J4, U.S. Forces-Iraq
Inspector General, Multi-National Force-Iraq
Inspector General, Multi-National Corps-Iraq



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

December 20, 2009

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY-
IRAQ

SUBJECT: Result of Site Visit to Joint Base Balad Conducted During Fieldwork for the Audit of Controls Over the Accountability and Disposition of Government Furnished Property in Iraq (Project No. D2009-D000JB-0307.000)

This memorandum is one in a series of nine memorandums issued in conjunction with our audit "Controls over the Accountability and Disposition of Government Furnished Property in Iraq." We are issuing the memorandums by site (or groups of sites) so that resources can be effectively allocated to improve accountability over government furnished property (GFP), where needed. We will issue a separate report that will summarize the results of all site visits and discuss the overall accountability and disposition of GFP in conjunction with the drawdown of U.S. Forces in Iraq.

We identified one discrepancy during our November 28-30, 2009, review of accountable GFP at Joint Base Balad. Specifically, we could not verify the existence of 1 of the 48 GFP items that we statistically selected for review from the Logistics Civil Augmentation Program (LOGCAP) property book. According to the property book, that item (a ballistic blanket) was located on a rolling stock asset currently on a mission in Iraq. However, the contractor subsequently stated that the rolling stock had been decommissioned on November 20, 2009, and the ballistic blanket had been moved to a different location.¹ The LOGCAP contractor's property control procedures require that the property book be updated within 48 hours when a change in location has occurred. Clearly, those procedures were not complied with in this instance. Because we were able to locate the other 47 GFP items from our statistical sample, we do not believe that a 100 percent inventory of Joint Base Balad GFP is required. However, we request that the Defense Contract Management Agency statistically sample the GFP items that are located on rolling stock, inventory those items, and based on the results of the inventory, determine whether further action is needed.

During our review, we also selected 48 GFP items located on Joint Base Balad and traced the items back to the LOGCAP property book. We verified that the property book contained accurate data for those items. We identified minor property book errors concerning some of the other attributes used to identify LOGCAP GFP such as the serial number, asset number, and make and model. The contractor took immediate action to correct the LOGCAP property book for those items.

¹ We have requested documentation to support the rolling stock decommission date and the ballistic blanket relocation date but have not yet received that supporting documentation from the contractor.

We request that the Defense Contract Management Agency provide comments concerning the inventory of GFP items located on Joint Base Balad rolling stock by December 31, 2009. Please address comments to [REDACTED]



Carol N. Gorman
Deputy Director
Joint and Southwest Asia Operations

cc:

Deputy J4, U.S. Forces-Iraq
Inspector General, Multi-National Force-Iraq
Inspector General, Multi-National Corps-Iraq



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

December 21, 2009

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY-
IRAQ

SUBJECT: Results of Site Visits to Contingency Operation Base Al Asad and Contingency
Operation Site Al Taqaddum Conducted During Fieldwork for the Audit of Controls
Over the Accountability and Disposition of Government Furnished Property in Iraq
(Project No. D2009-D000JB-0307.000)

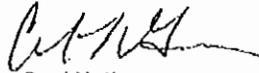
This memorandum is one in a series of nine memorandums issued in conjunction with our audit "Controls over the Accountability and Disposition of Government Furnished Property in Iraq." We are issuing the memorandums by site (or groups of sites) so that resources can be effectively allocated to improve accountability over government furnished property (GFP), where needed. We will issue a separate report that will summarize the results of all site visits and discuss the overall accountability and disposition of GFP in conjunction with the drawdown of U.S. Forces in Iraq.

We identified three discrepancies at Al Taqaddum during our November 24-27, 2009, review of accountable GFP at Contingency Operation Base Al Asad and Contingency Operation Site Al Taqaddum. Specifically, we could not verify the existence of 3 of the 20 GFP items that we statistically selected for review from the Logistics Civil Augmentation Program (LOGCAP) property book. Two of the items, an air conditioning unit and a printer, had been moved but the contractor had not updated the property book to reflect the new location. The third item, an air conditioner unit, was located in one of two buildings with the same building number. During the site visit, the audit team was taken to the wrong building.

According to information provided by the LOGCAP contractor, a 100 percent inventory of Al Taqaddum GFP was completed on November 15, 2009, as part of the base closure process. The 100 percent inventory is conducted to ensure that all property on the installation has been identified and included in the Base Reallocation Plan. We are concerned about the reliability of the November 15 inventory, as we conducted our work only 12 days after the inventory was completed and we could not verify the existence of 15 percent of our sample. Therefore, to ensure that the Base Reallocation Plan includes all GFP items on an installation, we request that the Defense Contract Management Agency Government Property Administrator oversight all future GFP inventories taken in conjunction with the base closure process.

At Contingency Operation Base Al Asad, we were able to identify the existence of all 26 GFP items from our statistical sample and for both sites we were able to verify that the LOGCAP property book contained accurate data for an additional 46 GFP items selected for review during the site visits. We noted minor issues with some of the other attributes used to identify LOGCAP GFP such as the serial number, asset number, and make and model. The contractor took immediate action to correct the LOGCAP property book for those GFP items.

We request comments by December 31, 2009, on the actions taken to ensure that a Defense Contract Management Agency Government Property Administrator oversight the 100 percent inventory required in conjunction with the base closure process. Please address comments to



Carol N. Gorman
Deputy Director
Joint and Southwest Asia Operations

cc:
Deputy J4, U.S. Forces-Iraq
Inspector General, Multi-National Force-Iraq
Inspector General, Multi-National Corps-Iraq



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

January 12, 2010

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY-
IRAQ

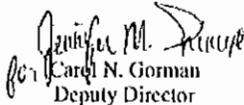
SUBJECT: Results of Site Visits to Contingency Operation Sites- Prosperity, Loyalty, and Radwaniyah Palace, Forward Operating Bases Hammer and Shield, and Contingency Operation Base West Baghdad International Airport Conducted During Fieldwork for the Audit of Controls Over the Accountability and Disposition of Government Furnished Property in Iraq (Project No. D2009-DXXXXB-0307.000)

This memorandum is one in a series of nine memorandums issued in conjunction with our audit "Controls over the Accountability and Disposition of Government Furnished Property in Iraq." We are issuing the memorandums by site (or groups of sites) so that resources can be effectively allocated to improve accountability over government furnished property (GFP), where needed. We will issue a separate report that will summarize the results of all site visits and discuss the overall accountability and disposition of GFP in conjunction with the drawdown of U.S. Forces in Iraq.

We identified one discrepancy at West Baghdad International Airport during our November 16-December 8, 2009, review of accountable GFP at Contingency Operation Sites- Prosperity, Loyalty, and Radwaniyah Palace; Forward Operating Bases Hammer and Shield; and Contingency Operation Base West Baghdad International Airport. Specifically, we could not verify the existence of one of the 40 items included in our random sample selected from the Logistics Civil Augmentation Program (LOGCAP) property book. The sample item was a window air conditioner unit, reported as being located in a distinguished visitor's trailer. We determined that the trailer was sold by the Department of State to the United Nations and moved to a new location. The Department of State sold the trailer without notifying DOD of the sale and did not remove or transfer ownership of the air conditioning unit prior to the sale. As a result of our audit, corrective action was taken to preclude the sale of any property that includes DOD GFP without notifying DOD.

With the exception of minor property book errors, we were able to verify that the LOGCAP property book contained accurate data for an additional 38 GFP items selected for review during the site visits. Specifically, information such as the serial number, asset number, and make and model on the GFP differing from the information in the LOGCAP property book was reported to the contractor, who immediately corrected the LOGCAP property book.

We appreciate your immediate action to correct the LOGCAP property book and coordinate with the Department of State concerning the sale of property. Please address any questions to [REDACTED]


for Jennifer M. Gorman
Deputy Director
Joint and Southwest Asia Operations

cc:
Deputy J4, U.S. Forces-Iraq
Inspector General, U.S. Forces-Iraq



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

January 31, 2010

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT AGENCY -
IRAQ

SUBJECT: Results of Site Visits to Contingency Operation Base Speicher and Contingency Operation Sites Taji, Warrior, and Warhorse Conducted During Fieldwork for the Audit of Controls Over the Accountability and Disposition of Government Furnished Property in Iraq (Project No. D2009-D000JB-0307.000)

This memorandum is one in a series of nine memorandums issued in conjunction with our audit "Controls over the Accountability and Disposition of Government Furnished Property in Iraq." We are issuing the memorandums by site (or groups of sites) so that resources can be effectively allocated to improve accountability over government furnished property (GFP), where needed. We will issue a separate report that will summarize the results of all site visits and discuss the overall accountability and disposition of GFP in conjunction with the drawdown of U.S. Forces in Iraq.

We identified six discrepancies at Contingency Operation Site Taji during our December 1-9, 2009, review of accountable GFP at Contingency Operation Base Speicher and Contingency Operation Sites Taji, Warrior, and Warhorse. Specifically, we could not verify the existence of 1 of the 20 GFP items (a ballistic vest) that we statistically selected for review from the Logistics Civil Augmentation Program (LOGCAP) property book. In addition, 5 of the 25 GFP items that we selected to trace back to the LOGCAP property book were incorrectly accounted for in the property book. Those items were one wall locker and four window air conditioner units.

Ballistic Vest. According to the LOGCAP property book, the ballistic vest was assigned to a contractor employee working at the Taji Quality Assurance Quality Control Department. During our site visit, personnel from the Taji Property Office could not locate the item but subsequently provided us with documentation showing the item had been at the Baghdad Transfer Center (BTC),¹ since June 30, 2009. During a follow up visit to the BTC, we found that the vest had been transferred to the Fair, Wear, and Tear (FWT) yard² in July 2009. Therefore, the item had been transferred twice and neither time had the LOGCAP property book been updated, which is a clear requirement in the contractor's property control procedures.

¹ The BTC is the processing hub for contractor employees traveling on the contractors' charter and military air flights to and from locations in and out of Iraq.

² The FWT yard is the location used to maintain and secure items awaiting disposition instructions either to scrap, demil, or destroy.

Further, according to the contractor's procedures, ballistic vests are considered sensitive items and subject to special controls, including additional protection and physical security. Clearly, since the location of the vest continued to reflect Taji in the LOGCAP property book, neither the government nor the contractor had visibility over this sensitive item for over 5 months.

Wall Locker. The wall locker was located at the Taji billeting warehouse. The item was received in November 2008, and tagged with a government property number,¹ but was never entered into the LOGCAP property book. The contractor's property control procedures state that all property should be entered into the automated stock record within 72 hours of being received.

Window Air Conditioner Units. The four window air conditioner units were located in the FWT yard. According to supporting documentation provided by the contractor, the air conditioner units had been removed by a scrap vendor in October 2009.¹ Although the LOGCAP property book reflected that the items were still active and accounted for, as soon as the disposition paperwork was processed, the items would have been erroneously removed from the property book.

The discrepancies concerning the ballistic vest and the wall locker should have been identified by the contractor during the annual 100 percent physical inventory, which should have been completed on September 30, 2009. Since that inventory did not result in identifying these discrepancies, we request that a 100 percent inventory of LOGCAP GFP be conducted at Contingency Operation Site Taji. The inventory should be conducted in accordance with the contractor's property control procedures, and the DCMA Government Property Administrator should be on site during the inventory to provide appropriate government oversight.

The discrepancy concerning the window air conditioner units could have been prevented had the contractor ensured that the items for the scrap vendor were segregated from the other inventory at the FWT yard. Once the scrap vendor completed his work, the contractor could have easily identified the GFP items that were not removed and determined an alternate method of disposal. Segregating the items from the other inventory would also ensure that the scrap vendor did not take items that require other methods of disposal, such as demilitarization. Therefore, we request that DCMA require the contractor to segregate GFP items that have been approved for disposal and ensure that disposition is completed in accordance with the disposition instructions.

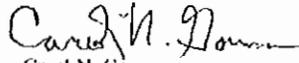
We also noted minor issues with some of the other attributes used to identify LOGCAP GFP such as the serial number, asset number, and make and model. Specifically, information on the GFP differed from the information in the LOGCAP property book. For the GFP that we reviewed during the site visit, we reported the information to the DCMA Government Property Administrator and the contractor, who immediately corrected the LOGCAP property book.

¹ The government property number is the primary identifier for tracking government furnished property.

¹ The scrap vendor is paid by the truckload and not by item; therefore, there was no monetary impact because the vendor failed to pick up these items.

We appreciate your immediate action to correct the LOGCAP property book and request comments by February 12, 2010, on the actions taken to accomplish the 100 percent GFP inventory at Contingency Operation Site Taji and actions taken to require that GFP items approved for disposal are segregated from the other GFP inventory. Please address comments to

[REDACTED]



Carol N. Gorman
Director
Joint and Southwest Asia Operations

cc:
Deputy J4, U.S. Forces-Iraq
Inspector General, U.S. Forces - Iraq



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

February 15, 2010

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT
AGENCY - IRAQ

SUBJECT: Results of the Site Visit to Contingency Operation Location Echo Conducted During Fieldwork for the Audit of Controls Over the Accountability and Disposition of Government Furnished Property in Iraq (Project No. D2009-D000JB-0307.000)

This memorandum is one in a series of nine memorandums issued in conjunction with our audit "Controls over the Accountability and Disposition of Government Furnished Property in Iraq." We are issuing the memorandums by site (or groups of sites) so that resources can be effectively allocated to improve accountability over government furnished property (GFP), where needed. We will issue a separate report that will summarize the results of all site visits and discuss the overall accountability and disposition of GFP in conjunction with the drawdown of U.S. Forces in Iraq.

We identified seven discrepancies at Contingency Operation Location (COL) Echo during our November 26-28, 2009, review of accountable GFP. Specifically, we could not trace 7 of the 24 GFP items that we judgmentally selected at COL Echo back to the Logistics Civil Augmentation Program (LOGCAP) property book. This included two GFP items that did not have a government property number or any other identifying markings to allow us to trace the items back to the property book, and five GFP items that had been erroneously removed from the property book. We also identified concerns with the amount of GFP at the COL Echo Fair, Wear, and Tear (FWT) yard.²

Items without a Unique Identifier

The two GFP items without government property numbers or other unique identifiers were a desk and a window air conditioner unit. The desk was located in the Materials Department Tool Room and the window air conditioner unit in the FWT Yard.

Desk. The desk did not have a government property number or any other identifying markings to allow us to trace it back to the property book. The contractor stated they were instructed to remove government property numbers from all GFP furniture costing less than \$1,000 (referred to as "detagging the property"), but were subsequently instructed to reattach the government property numbers to the GFP furniture (referred to as "retagging the property"). The contractor stated that in the confusion caused by the changing instructions, they missed retagging

¹ The government property number is the primary identifier for tracking LOGCAP GFP.

² The FWT yard is the location used to maintain and secure GFP items awaiting disposition instructions to scrap, demil, or destroy.

the desk. We requested that the contractor provide us with a copy of the detagging/retagging instructions; but as of the date of this memorandum, we had not received those instructions.

Window Air Conditioner Unit. The window air conditioner unit was not tagged with a complete government property number as the number contained only four digits. The contractor's property administrator attempted to search the LOGCAP property book for those four digits; however, about 100 other GFP items contained those same four digits. Therefore, we were unable to trace the item back to the LOGCAP property book.

The contractor's property control procedures require that the government property number be securely affixed to the item, legible, and conspicuous. Therefore, we request that DCMA ensure, as part of their periodic inventory checks, each GFP item has a government property number and that the number is legible and conspicuous.

Erroneously Removed Items

The five items erroneously removed from the LOGCAP property book were three air conditioner units, an air compressor, and a handheld radio. All five items were located in the Materials Department.

Air Conditioner Units and Air Compressor. The air conditioner units and the air compressor were located in the Materials Department's FWT yard. According to the contractor's property control procedures, GFP items should be accounted for on the LOGCAP property book "from issue until consumption, disposal, or return to the Government." However, these items were not on the property book because the contractor had erroneously processed documentation stating that the items had been disposed of—the air compressor in October 2008, one of the air conditioners in April 2009, and the other two air conditioners in June 2009. The documentation stated that the method of disposal was by scrap vendor.

Handheld Radio. The handheld radio was located in the Materials Department's Information Technology storeroom. The radio had also been removed from the LOGCAP property book when the contractor erroneously processed documentation stating that the item was sent to the Defense Reutilization Marketing Office for destruction in March 2009. According to the contractor's procedures, handheld radios are considered sensitive items and subject to special controls, including additional protection and physical security. Clearly, since the radio had been removed from the property book, neither the Government nor the contractor had visibility over this sensitive item for more than 10 months.

The contractor provided documentation stating it had completed a 100 percent inventory at the Materials Department between August 1, 2009, and September 1, 2009, as part of the contractor's 100 percent annual inventory requirement. According to the contractor's property control procedures, GFP not recorded on the LOGCAP property book should be identified during the inventory and added to the property book. We are concerned about the reliability of the Materials Department's annual inventory as the five GFP items discussed above should have been identified by the contractor during that inventory. Therefore, we request that DCMA require the contractor to conduct a 100 percent inventory of the Materials Department and adjust the LOGCAP property book in accordance with the inventory results. We also request that the DCMA Government Property Administrator provide contractor oversight during that inventory.

Fair, Wear, and Tear Yard

During our site visit, we also identified concerns with the volume of GFP in the COL Echo FWT yard and the amount of time GFP had been sitting on the yard. As of September 30, 2009, the LOGCAP property book indicated that although COL Echo had one of the six largest FWT yards, it supported the fewest number of GFP items when compared to the other five largest FWT yards. As indicated in the Table below, 1,536 of the 13,676 GFP items at COL Echo (11.23 percent) were located in its FWT yard.

Percentage of GFP Items at the FWT Yard Compared to the Number of Items at the Sites Supported

FWT Yard	No. of Items in FWT Yard ³	No. of GFP Items at the Sites ³	Percentage of GFP Items in FWT Yard
COL Echo	1,536	13,676	11.23%
COL Delta	1,573	15,583	10.09%
COS ⁴ Taji	995	25,636	3.88%
COB ⁵ Adder	1,059	31,078	3.41%
COB Liberty ⁶	2,978	144,516	2.06%
COB Al Asad	379	44,042	0.86%

At least one of the GFP items we reviewed had been at the FWT yard for over a year and the others had been at the yard for over 6 months. Although the contractor's property control procedures do not contain metrics for the maximum number of days GFP items should be at the FWT yard awaiting disposition, we believe that six months to a year is excessive. Therefore, we request that DCMA develop metrics for property turnover at the FWT yard and ensure that the LOGCAP contractor meets those metrics. It is imperative that unserviceable LOGCAP property is promptly disposed of, to ensure that the requirements associated with the drawdown of U.S. Forces and property from Iraq can be met.

We also request that once the Materials Department completes its 100 percent inventory, that DCMA direct the contractor to disposition the GFP items that have been approved for disposition and request disposition instructions for the remaining GFP items.

The contractor should also ensure that the items designated for the scrap vendor are segregated from the other items at the FWT yard. Once the scrap vendor completes work, the contractor can easily identify the GFP items that were not removed and determine an alternate method of disposal. Segregating the items from other inventory at the FWT yard would also ensure the scrap vendor did not take GFP items requiring other methods of disposal, such as demilitarization. Therefore, we request that DCMA require the contractor to segregate GFP items that have been approved for disposal and ensure that disposition is completed in accordance with the disposition instructions.

³ Numbers as of September 30, 2009

⁴ COS = Contingency Operation Site

⁵ COB = Contingency Operation Base

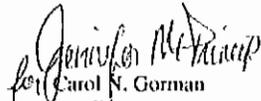
⁶ COB Liberty FWT yard supports Tigris, Falcon, West Baghdad International Airport, Cropper, Loyalty, Radwaniyah Palace Complex, Hammer, Mahmudiyah, Kalsa, Carver, Victory, Baghdad Transit Center, West Life Support Area, East Life Support Area, Division, Parker, Industrial Zone, Warehouse, Wayne's World, and Camp Slayer.

Other Issues

We also noted minor issues with some of the other attributes used to identify LOGCAP GFP, such as the serial number, asset number, and make and model. Specifically, information on the GFP differed from information in the LOGCAP property book. For the GFP that we reviewed during our site visit, we reported the information to DCMA and the contractor, who immediately corrected the LOGCAP property book.

Management Action Requested

We request that DCMA provide comments by February 26, 2010, on the actions taken to ensure that government property numbers are properly affixed to the GFP, the 100 percent GFP inventory at the COL Echo Materials Department is completed, metrics for the turnover of items at the FWT yard are developed, the number of GFP items on the FWT yard are reduced, and the items approved for disposition are segregated from the other items on the yard. Please address comments to [REDACTED]


for Carol N. Gorman
Director

Joint and Southwest Asia Operations

cc:
Deputy J4, U.S. Forces-Iraq
Inspector General, U.S. Forces - Iraq



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

March 2, 2010

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT
AGENCY - IRAQ

SUBJECT: Results of the Site Visit to Contingency Operation Location Delta Conducted During Fieldwork for the Audit of Controls Over the Accountability and Disposition of Government Furnished Property in Iraq (Project No. D2009-D000JB-0307.000)

This memorandum is one in a series of nine memorandums issued in conjunction with our audit "Controls over the Accountability and Disposition of Government Furnished Property in Iraq." We are issuing the memorandums by site (or groups of sites) so that resources can be effectively allocated to improve accountability over government furnished property (GFP), where needed. We will issue a separate report that will summarize the results of all site visits and discuss the overall accountability and disposition of GFP in conjunction with the drawdown of U.S. Forces in Iraq.

During our November 28-29, 2009 review of accountable GFP at Contingency Operation Location (COL) Delta, we were able to verify the existence of all 20 GFP items that we statistically selected for review from the Logistics Civil Augmentation Program (LOGCAP) property book. We were also able to verify that the LOGCAP property book contained accurate data for an additional 25 GFP items we selected for review during our site visit. However, we identified concerns with GFP located at the COL Delta Overflow,¹ and Fair, Wear, and Tear (FWT) yards.²

Overflow Yard

The COL Delta Overflow yard contained five trash trucks that had been parked, unused, in the yard since at least December 2008. During our site visit, the LOGCAP contractor stated that the trucks, worth about \$700,000, were incompatible with the dumpsters used at COL Delta and were supposed to have been transferred to Contingency Operating Base Liberty but that the lack of transportation assets and security had prevented the trucks from being transferred. However, the contractor subsequently stated in November 30, 2009 that the trucks were not used because they were mechanically defective. The contractor could not provide documentation indicating the nature of the mechanical defects or whether any attempt was made to fix or return the trucks under warranty provisions.

We have not been provided sufficient documentation to support either explanation for why the trucks were parked at the Overflow yard for such an extended period of time. Therefore, we request that the Defense Contract Management Agency (DCMA) provide a sufficiently supported account of all management decisions and actions taken concerning the acceptance, use, and disposition of the five trash trucks. Based on that account, we request that DCMA determine

¹ The Overflow yard is used to store, manage, and maintain GFP that cannot be stored in the main warehouse or material yard due to space limitations.

² The FWT yard is used to maintain and secure GFP awaiting disposition instructions to scrap, de-mil, or destroy.

whether personnel or cost recovery actions are warranted. Lastly, we request that DCMA determine proper disposition of the trash trucks.

Fair, Wear, and Tear Yard

The COL Delta FWT yard contained a disproportionate number of GFP items when compared to other installations. As of September 30, 2009, the LOGCAP property book indicated that although COL Delta had the second largest FWT yard, it contained the second lowest volume of GFP items when compared to the other five largest FWT yards. As indicated in the Table below, 1,573 of the 15,583 GFP items at COL Delta (10.09 percent) were located in its FWT yard.

Percentage of GFP Items at the FWT Yard Compared to the Number of Items at the Sites Supported

		No. of GFP Items at the Sites ³	Percentage of GFP Items in FWT Yard
COL Echo	1,536	13,676	11.23%
COL Delta	1,573	15,583	10.09%
COS ⁴ Taji	995	25,636	3.88%
COB ⁵ Adder	1,059	31,078	3.41%
COB Liberty ⁶	2,978	144,516	2.06%
COB Al Asad	379	44,042	0.86%

Some of the GFP items had been at the FWT Yard since 2005. Contractor personnel stated that they were reviewing all GFP items in the yard and disposing of them in accordance with required disposition instructions. Although the contractor's property control procedures do not contain metrics for the maximum number of days GFP items should be at the FWT yard awaiting disposition, certainly 4 to 5 years is excessive. Therefore, we request that DCMA develop metrics for property turnover at the FWT yard and ensure that the LOGCAP contractor meets those metrics. It is imperative that unserviceable LOGCAP property is promptly disposed of, to ensure that the requirements associated with the drawdown of U.S. Forces and property from Iraq can be met.

Included in the 1,573 GFP items on the FWT yard were 87 boxes of unused wall lockers. The contractor stated that the wall lockers, worth about \$11,000, were received at COL Delta in December 2007. It was not until June 2009 that the items were deemed unserviceable by the contractor's technical inspection. When received, the contractor opened the boxes, tagged the items with government property numbers,⁷ and stored the lockers in a warehouse for almost two years. The contractor's property control procedures state that departments are responsible to review and report utilization data of equipment on a quarterly basis. In addition, it states that for excess or underutilized equipment identified, the Site Project management or designee will evaluate future need for the equipment such as reallocating underutilized equipment throughout

³ Numbers as of September 30, 2009

⁴ COS = Contingency Operation Site

⁵ COB = Contingency Operation Base

⁶ COB Liberty FWT yard supports Tigris, Falcon, West Baghdad International Airport, Cropper, Loyalty, Radwaniyah Palace Complex, Hammer, Mahmudiyah, Kalsu, Carver, Victory, Baghdad Transit Center, West Life Support Area, East Life Support Area, Division, Parker, Industrial Zone, Warehouse, Wayne's World, and Slayer.

⁷ The government property number is the primary identifier for tracking LOGCAP GFP.

the site and offer up excess equipment for theater redistribution. We believe that the contractor should have identified the wall lockers as excess and determined whether the items could have been used elsewhere in Iraq. Therefore, we request that DCMA, as part of their periodic inventory process, identify property that is excess to the contract and ensure its proper disposition.

Other Issues

We also noted minor issues with some of the other attributes used to identify LOGCAP GFP such as the serial number, asset number, and make and model. Specifically, information on the GFP differed from information in the LOGCAP property book. For the GFP that we reviewed during our site visit, we reported the information to DCMA and the contractor, who immediately corrected the LOGCAP property book.

Management Action Requested

We request that DCMA provide comments by March 12, 2010, on the actions taken to provide all documentation of management decisions pertaining to the trash trucks, to determine if personnel or cost recovery action is warranted, to determine proper disposition of the trash trucks, to develop and implement metrics for property turnover at the FWT yard, and to ensure excess items are identified during the contract period. Please address comments to [REDACTED]



Carol N. Gorman
Director

Joint and Southwest Asia Operations

cc:
Deputy J4, U.S. Forces-Iraq
Inspector General, U.S. Forces - Iraq



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

March 4, 2010

MEMORANDUM FOR DIRECTOR, DEFENSE CONTRACT MANAGEMENT
AGENCY IRAQ

SUBJECT: Results of Site Visits to locations in the Baghdad International Airport Area
Conducted During Fieldwork for the Audit of Controls Over the Accountability and
Disposition of Government Furnished Property in Iraq
(Project No. D2009-D000JB-0307.000)

This memorandum is one in a series of nine memorandums issued in conjunction with our audit "Controls over the Accountability and Disposition of Government Furnished Property in Iraq." We are issuing the memorandums by site (or groups of sites) so that resources can be effectively allocated to improve accountability over government furnished property (GFP), where needed. We will issue a separate report that will summarize the results of all site visits and discuss the overall accountability and disposition of GFP in conjunction with the drawdown of U.S. Forces in Iraq.

We identified seven discrepancies during our December 11-14, 2009, review of accountable GFP at the Baghdad International Airport (BIAP) area.¹ Specifically, we could not verify the existence of 5 of the 45 GFP items that we statistically selected for review from the Logistics Civil Augmentation Program (LOGCAP) property book. Those GFP items were a desk at South Victory, a dryer at Warehouse,² a torque wrench at Liberty, and two air conditioner units at South Victory and Camp Parker. In addition, we could not trace 2 of the 53 GFP items that we judgmentally selected at Alpha West to trace back to the LOGCAP property book. Those GFP items were two air conditioner units.

Desk. According to the LOGCAP property book, the desk should have been located at South Victory. After several attempts to locate the desk during our site visit, contractor personnel stated that when the desk was received, in January 2009, it had been erroneously tagged with a government property number³ and added to the LOGCAP property book. Subsequently, the contractor learned that the desk was not GFP and removed its government property number, but neglected to remove the desk from the LOGCAP property book.

¹ The sites in the Baghdad International Airport area that we reviewed included: Alpha West, Wayne's World, East Life Support Area, Camp Parker, Liberty, Division, South Victory, Warehouse, Baghdad Transit Center, and the International Zone.

² Warehouse is the name of an area, it is not a building.

³ The government property number is the primary identifier for LOGCAP GFP.

Dryer. According to the LOGCAP property book, the dryer should have been located at Warehouse's Fair, Wear, and Tear (FWT) yard.⁴ During our site visit, we searched the FWT yard but could not locate the dryer. Documentation provided by the contractor indicated that the dryer had been transferred to the Defense Reutilization Marketing Office on April 10, 2009, for disposal. However, it was not until we identified the discrepancy, about eight months later, that the property book was updated. The contractor's property control procedures require that GFP items be removed from the property book within 30 days of receipt of disposition instructions.

Torque Wrench. According to the LOGCAP property book, the torque wrench should have been located at Liberty's tool room. During our site visit, the contractor could not locate a torque wrench that had a government property number, serial number, or other identification as listed in the property book. The contractor stated that the government property number was removed from the torque wrench on October 26, 2009, because the property control procedures do not require marking property worth \$1,000 or less with a government property number. However, the contractor neglected to remove the item from the LOGCAP property book.

Air Conditioner Units/Alpha West. The two air conditioner units were located at Alpha West. When we traced the government property numbers back to the LOGCAP property book, we determined that one of the air conditioners was recorded as a decommissioned table saw and the other item as a television.

The discrepancies concerning the desk, dryer, torque wrench, and the Alpha West air conditioner units should have been identified by the contractor during the annual 100 percent physical inventory, which should have been completed on September 30, 2009. Since that inventory did not result in identifying these discrepancies, we request that a 100 percent inventory of LOGCAP GFP be conducted at South Victory, Warehouse, Liberty, and Alpha West. The inventory should be conducted in accordance with the contractor's property control procedures, and the DCMA Government Property Administrator should be on site during the inventory to provide oversight.

Air Conditioner Units/South Victory and Parker. According to the LOGCAP property book, the air conditioner units were located at South Victory and Camp Parker. At both sites we were able to locate air conditioner frames with government property numbers that matched the LOGCAP property book, but the serial numbers and other identifying markings on the air conditioner units inside the frames did not match the property book data. Therefore, we could not verify that two "air conditioner units" existed but merely that the frames existed. The contractor stated that their procedure is to only affix the government property number to the frame and not the air conditioner unit inside the frame. The contractor also stated that when the air conditioner unit needs repair or maintenance it is easier to take the air conditioner unit out of the frame and replace it than to replace the unit and its frame. However, this practice does not account for the air conditioner units, only the frames. The frames are not the operational part of the air conditioner unit and are not the primary unit that is scrapped or otherwise dispositioned. Further, the contractor's property control procedures do not define this process, it has been adopted informally. Therefore, we request that DCMA direct the contractor to establish and

⁴ The Fair, Wear, and Tear yard is the location used to maintain and secure items awaiting disposition instructions either to scrap, de-mil, or destroy.

implement effective procedures for accounting for the air conditioner units and ensure that those procedures are included in the contractor's property control guidance.

Other Issues

We also noted minor issues with some of the other attributes used to identify LOGCAP GFP such as the serial number, asset number, and make and model. Specifically, information on the GFP differed from the information in the LOGCAP property book. For the GFP that we reviewed during the site visit, we reported the information to the contractor, who immediately corrected the LOGCAP property book.

Management Action Requested

We appreciate your immediate action to correct the LOGCAP property book and request comments by March 12, 2010, on the actions taken to accomplish the 100 percent inventory at South Victory, Warehouse, Liberty, and Alpha West and actions taken to ensure the effective accountability of the air conditioners units. Please address comments to [REDACTED]



Carol N. Gorman
Director

Joint and Southwest Asia Operations

cc:
Deputy J4, U.S. Forces-Iraq
Inspector General, U.S. Forces - Iraq

Appendix E. Management Comments and Audit Response to the Site Memorandums

We received management comments for eight of nine memorandums we issued in conjunction with our audit (see pages 62-74). The 17 requests for management action, management comments, and our response follow, by issue date of the memorandums. The 11 unresolved requests for management action have been reissued as recommendations in this report.

DOD IG Memorandum, “Results of Site Visits to Contingency Operation Sites- Diamondback, Endurance, Marez, and Contingency Operation Location Sykes . . .” December 19, 2009

We had no requests for management action in this memorandum, and, therefore, no comments were required.

DOD IG Memorandum, “Results of Site Visits to Contingency Operation Base Adder, Forward Operating Base Bucca, and Contingency Operation Site Cedar . . .” December 19, 2009

Request for Management Action. DCMA-Iraq should ensure, as a part of their periodic inventory checks, that Government property numbers are readable and in conspicuous locations.

DCMA Comments. The Theater Property Administrator agreed, stating that DCMA Government Property Administrators are working with the contractor to ensure that government property numbers are clearly marked. She also stated that the DCMA property specialist and contractor property manager have implemented a plan to correct the other minor discrepancies during the cyclic inventory.

Our Response. The Theater Property Administrator’s comments were fully responsive, and no additional comments are required.

DOD IG Memorandum, “Result of Site Visit to Joint Base Balad . . .” December 20, 2009

Request for Management Action. We request that DCMA-Iraq statistically sample the GFP items that are located on rolling stock, inventory those items, and based on the results of the inventory, determine whether further action is needed.

DCMA Comments. The Theater Property Administrator neither agreed nor disagreed, stating that, “the contractor’s property book for A-1 (Joint Base Balad) was updated on November 28, 2009, showing the new location of the asset in

question.” The Administrator explained that the blanket was accountable to a specific mission and not to the vehicle itself.

Our Response. We consider the comments of the Theater Property Administrator to be nonresponsive because she did not provide comments specific to the recommendation or provide alternative action that met the intent of the recommendation. Furthermore, we disagree that the contractor’s property book was updated on November 28, 2009, to indicate Tallil Air Base as the asset location. During our site visit to Joint Base Balad, we reviewed the LOGCAP property book as of November 29, 2009. The property book still indicated that the ballistic blanket was located at Joint Base Balad and not at Tallil Air Base. This recommendation is reissued in Finding A to this report; see Recommendation A.1.

DOD IG Memorandum, “Results of Site Visits to Contingency Operation Base Al Asad and Contingency Operation Site Al Taqaddum . . .” December 21, 2009

Request for Management Action. DCMA Government Property Administrators should oversee all future GFP inventories taken in conjunction with the base closure process.

DCMA Comments. The Theater Property Administrator neither agreed nor disagreed. She stated that the discrepancies identified by the audit team were because the auditors were taken to the wrong building and the property book was not updated when items were relocated. She also added that COS Al Taqaddum was closed as a U.S. military site on January 10, 2010, and has been turned over to the Government of Iraq.

Our Response. We consider the comments of the Theater Property Administrator to be nonresponsive because she did not provide comments specific to the recommendation or provide alternative action that met the intent of the recommendation. However, because COS Al Taqaddum has been turned over to the Government of Iraq, we are not requesting additional comments to this management request and for the purposes of this report consider it resolved.

DOD IG Memorandum, “Results of Site Visits to Contingency Operation Sites- Prosperity, Loyalty, and Radwaniyah Palace, Forward Operating Bases Hammer and Shield, and Contingency Operation Base West Baghdad International Airport . . .” January 12, 2009

We had no requests for management action in this memorandum, and, therefore, no comments were required.

**DOD IG Memorandum, “Results of Site Visits to Contingency Operation Base Speicher and Contingency Operation Sites Taji, Warrior, and Warhorse . . .”
January 31, 2010**

Request for Management Action. DCMA-Iraq should require the contractor to conduct a 100-percent inventory at COS Taji.

DCMA Comments. The Theater Property Administrator agreed. She stated that the contractor is implementing a control process for transient personnel to ensure continued accountability for sensitive and accountable property. The Theater Property Administrator added that the contractor created a checklist for new inventory to ensure all tagged inventory is added to the property book and verified during the property management system analysis. Finally, she stated that the DCMA property personnel and the site contractor property manager have implemented a plan to correct the other minor discrepancies during the cyclic inventory.

Our Response. The Theater Property Administrator’s comments were fully responsive, and no additional comments are required. While she did not specifically address the recommendation, the changes implemented will address the cause of the discrepancies and, therefore, meets the intent of our recommendation.

Request for Management Action. DCMA-Iraq should require the contractor to segregate GFP items that have been approved for disposal and ensure that disposition is completed in accordance with the disposition instructions.

DCMA Comments. The Theater Property Administrator agreed, stating that the contractor established an area in the FWT yard with signage to segregate inventory waiting for disposal. She continued by saying that each piece of equipment or pallet is now clearly marked to identify the schedule and plant clearance number. The inventory is to be held in that area until the scrap vendor arrives to remove the items.

Our Response. The Theater Property Administrator’s comments were fully responsive, and no additional comments are required.

DOD IG Memorandum, “Results of Site Visit to Contingency Operation Location Echo . . .” February 15, 2010

Request for Management Action. DCMA-Iraq should ensure, as part of their periodic inventory checks, each GFP item has a Government property number and that the number is legible and conspicuous.

DCMA Comments. The Theater Property Administrator agreed, stating that the DCMA Property personnel and the site contractor property manager have implemented a plan to correct the minor discrepancies during the cyclic inventory.

Our Response. The Theater Property Administrator's comments were fully responsive, and no additional comments are required.

Request for Management Action. DCMA-Iraq should require the contractor to conduct a 100-percent inventory of the Materials Department and adjust the LOGCAP property book in accordance with the inventory results. The DCMA Government Property Administrator should provide contractor oversight during that inventory.

DCMA Comments. The Theater Property Administrator neither agreed nor disagreed. She stated that the DCMA site property personnel researched the property records to determine the actual government property number for the items that were lacking a full number and the government property numbers were corrected. The Theater Property Administrator added that on December 30, 2009, new disposition instructions were issued for the items not on the property book but still in the FWT yard. She also stated that the sensitive item was submitted to plant clearance in September 2007, awaiting shipment to the DRMO. However, instead of being shipped to the DRMO, the item was relocated to the Materials Department. The Theater Property Administrator stated that the contractor's corporate headquarters erroneously inactivated the item in the property book without signed documentation, but that the error has been corrected.

Our Response. We consider the comments of the Theater Property Administrator to be nonresponsive. While we agree with the corrective action taken, we requested that a 100-percent inventory of the Materials Department be conducted. We believe that based on the discrepancies noted in the Materials Department the inventory is still warranted. This recommendation is reissued in Finding A to this report; see Recommendation A.2.a.

Request for Management Action. Once the Materials Department completes its 100 percent inventory, DCMA-Iraq should direct the contractor to disposition the GFP items that have been approved for disposition and request disposition instructions for the remaining GFP items.

DCMA Comments. The Theater Property Administrator did not provide a response specific to this recommendation.

Our Response. We consider the comments of the Theater Property Administrator to be nonresponsive because she did not provide comments specific to this recommendation or provide alternative action that met the intent of the recommendation. This recommendation is reissued in Finding A to this report; see Recommendation A.2.b.

Request for Management Action. DCMA-Iraq should develop metrics for property turnover at the FWT yard and ensure that the LOGCAP contractor meets those metrics.

DCMA Comments. The Theater Property Administrator neither agreed nor disagreed, stating that DCMA has no control of the scrap vendor's schedule. She stated that because there is not a DRMO on site, the scrap vendor is the only disposal method open to the contractor at this time. The Theater Property Administrator added that the DRMO and the contractor have been working to establish an area in the FWT yards to stage inventory for acceptance by DRMO traveling disposal teams and pickup of the inventory by a scrap vendor.

Our Response. We consider the comments of the Theater Property Administrator to be nonresponsive because she did not provide comments specific to this recommendation or provide alternative action that met the intent of the recommendation. She did not address the potential systemic issue that was the reason for the discrepancies. This recommendation is reissued in Finding B to this report; see Recommendation B.2.b.

Request for Management Action. DCMA-Iraq should require the contractor to segregate GFP items that have been approved for disposal and ensure that disposition is completed in accordance with the disposition instructions.

DCMA Comments. The Theater Property Administrator agreed stating that the contractor segregated the inventory to be released to the scrap vendor from the rest of the inventory in the FWT yard. She stated that there is signage clearly identifying the segregated areas to ensure the contractor employees know which items can be released to the scrap vendor.

Our Response. The Theater Property Administrator's comments were fully responsive, and no additional comments are required.

DOD IG Memorandum, "Results of Site Visits to Baghdad International Airport Area . . ." March 4, 2010

Request for Management Action. DCMA-Iraq should direct the contractor to establish and implement effective procedures for accounting for the air conditioner units and ensure those procedures are included in the contractor's property control guidance.

DCMA Comments. The Theater Property Administrator disagreed, stating that the air conditioner units were identified by the government property tag on the frame not by the identifiable information on the mechanical parts. She added that the contractor was granted the authority to remove the mechanical part of the air conditioner units from the frame to limit unit down time. That authority was granted in a modification on October 19, 2009.

Our Response. We consider the comments of the Theater Property Administrator to be nonresponsive because she did not provide alternative action that met the intent of the recommendation. The intent of the recommendation was to provide better accountability of the actual air conditioner units. This practice does not account for the air conditioner units, only the frames. The frames are not the operational part of the air conditioner unit and are not the primary unit that is scrapped or otherwise dispositioned. This recommendation is reissued in Finding A to this report; see Recommendation A.4.a.

Request for Management Action. DCMA-Iraq should require the contractor conduct a 100-percent inventory of LOGCAP GFP at South Victory, Warehouse, Liberty, and Alpha West.

DCMA Comments. The Theater Property Administrator neither agreed nor disagreed. She stated that items without an identification tag were retagged, the property book was updated for the item disposed of in April 2009, and the property book was updated to correct the incorrect descriptions.

Our Response. We consider the comments of the Theater Property Administrator to be nonresponsive. While we agree with the corrective action taken to retag the items and update the property book, we believe that a 100-percent inventory of these sites is still warranted. This recommendation is reissued in Finding A to this report; see Recommendation A.4.b.



DEFENSE CONTRACT MANAGEMENT AGENCY
DEFENSE CONTRACT MANAGEMENT AGENCY INTERNATIONAL
CONTINGENCY CONTRACT ADMINISTRATION SERVICES
DCMA HQ IRAQ
APO AE 09342-1400

USAGLY
REF ID: A66479 DCMA HQ Iraq

January 22, 2010

MEMORANDUM FOR INSPECTOR GENERAL DEPARTMENT OF DEFENSE

SUBJECT: DOD IG Audit Project: Audit of Controls over the Accountability and Disposition of Government Furnished Property in Iraq

The attached summary is provided to respond to the audits performed on sites under the LOGCAP III contract DAAA09-02-D-0007 and Task Orders 151 and 159 and worked by Kellogg Brown and Root. The attached summary will provide a response to the site findings.

If you require any additional information please contact Melanie Peterson at [REDACTED]

PETERSON.MELANIE
IE.DAWN.1222292
910
MELANIE D. PETERSON
Theater Property Administrator
DCMA HQ Iraq

Attachments:

Summary to DOD IG Site Audit

Project No. D2009-D000JB-0307.000

Samples pulled from LOGCAP III KBR property database – September 30, 2009

T-Sites, COB Adder, FOB Bucca, COS Cedar – Memo dated December 19, 2009

Site visits conducted November 20-25 2009, sample size 42 records to floor, 45 floor to records. No major findings, a minor issue of faded government property (GP) number.

DCMA Property Administrators/Property Specialists are working with the contractor to ensure that the GP numbers are marked clearly to ensure accountability.

Also there were other noted minor issues were discrepancies between asset numbers, serial numbers, make and model differing from the contractor property book. The DCMA Property Specialist and contractor Property Manager have implemented a plan to correct the discrepancies during the cyclic inventory.

COS – Diamondback, Endurance and Marez, and COL Sykes – Memo dated December 19, 2009

Site visits conducted November 26-30 2009, sample size 34 records to floor, 39 floor to records. No major findings, minor issues concerning serial number, make and model discrepancies from the asset to the property book. The contractor will make corrections when found during cyclic inventory and the DCMA Property Specialist/Administrator will verify during the annual Property Management System Analysis.

A-Sites – Joint Base Balad (JBB) – Memo dated December 20, 2009

Site visit conducted November 28-30 2009, sample size 48 records to floor, 48 floor to records. One discrepancy – one ballistic blanket was not located.

The ballistic blanket was a component item for a vehicle out of the TTM mission. The vehicle was de-armored and returned, and the component items including the blanket was removed and placed in a storage container at T-1 Tallil. Ballistic blankets are treated as a material item and are used throughout Theater, they are accountable items to the TTM mission and are put into equipment as needed. The contractor's property book for A-1 was updated on November 28, 2009 showing the new location of the asset in question. The blanket was accounted for at T-1 Tallil but the electronic database had not been updated.

B-Sites – COB Al Asad and COS Al Taqaddum – Memo dated December 21, 2009

Site visit conducted November 24-27 2009, sample size 20 records to floor at Al Taqaddum, and 26 records to floor and 46 floor to records for Al Asad.

For Al Taqaddum there were 3 discrepancies for an air conditioner and printer and one air conditioner which was located in a building that shared the same building number with another. The auditor was taken to the wrong building.

B-Sites –COB Al Asad and COS Al Taqaddum – continued

The printer was issued to the Fire Department when the office was relocated. The air conditioner that was not located had been relocated and the contractor did not process the relocation documentation timely. The records have been updated.

The items mentioned above were located and documentation was provided to the DOD IG team. The building that had the same building number as another on the site was not due to contractor oversight. The building numbers were assigned by Base Operations and the contractor cannot change the number. Al Taqaddum has since been closed as a US military site and turned over to the Government of Iraq January 15, 2010

Overall response to the DOD IG Site Audit Project No. D2009-D000JB-0307.000

The deficiencies identified during the DOD IG audit were primarily limited to administrative errors and delays in updating the movement records when a location change was made. The property listing that was provided to the DOD IG was from September 30, 2009 which listed approximately 580,618 line items of Government property accountable to the LOGCAP III contract in Iraq. Since September there have been nine bases that had LOGCAP services closed or transitioned to the Government of Iraq. This has required the contractor to move thousands of lines of excess inventory until disposition could be issued. Even with the influx of additional property KBR has managed to keep control and accountability of the contract assets.

The four identified discrepancies were minor in nature and would not be considered a significant deficiency during a PMSA as the contractor is given a specific period of time to provide the documentation to establish accountability. The contractor's property management system does provide the necessary accountability to provide adequate protection and control to manage hundreds of thousands line items of inventory accountable to the contract.



DEFENSE CONTRACT MANAGEMENT AGENCY
 DEFENSE CONTRACT MANAGEMENT AGENCY INTERNATIONAL
 CONTINGENCY CONTRACT ADMINISTRATION SERVICES
 DCMA HQ IRAQ
 APO AE 09342-1400

DATE: 11/11/10
 LETTER TO: DCMA HQ Iraq

February 2, 2010

MEMORANDUM FOR INSPECTOR GENERAL DEPARTMENT OF DEFENSE

SUBJECT: DOD IG Audit Project: Audit of Controls over the Accountability and Disposition of Government Furnished Property in Iraq

The attached summary is provided to respond to the audits performed on sites under the LOGCAP III contract DAAA09-02-D-0007 and Task Order 159 and worked by Kellogg Brown and Root. The attached summary will provide a response to the site findings.

If you require any additional information please contact Melanie Peterson at [REDACTED]

Digitally signed by
 PETERSON.MELANIE.DAWN.1222292910
 DN: c=US, o=U.S. Government, ou=DCMA,
 ou=DCMA, cn=PETERSON.MELANIE.DAWN.1222292910
 Date: 2010.02.11 17:35:08 -0300

PETERSON.MELANIE
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 MELANIE D. PETERSON
 Theater Property Administrator
 DCMA HQ Iraq

Attachments:

**Summary to DOD IG Site Audit
Project No. D2009-D000JB-0307.000**

Samples pulled from LOGCAP III KBR property database – September 30, 2009

**C-Sites, COB Speicher, COS Taji, COS Warrior, COS Warhorse – Memo dated
January 31, 2010**

Site visits were conducted December 1-9, 2009, sample size 20 records to floor, 25 floor to records. One deficiency identified during the records to floor and five deficiencies identified during floor to records review.

The deficiency identified during the records to floor review was the lack of transaction data recording the movement of an item of personal protection equipment (PPE) (Ballistic Vest). The vest was assigned to an individual that was transferring to another site (incorrectly notated in the record that the individual was going on R&R).

In response to this deficiency the contractor has implemented a process to receive transient personnel's PPE into the BTC D&F property book. The transient personnel must contact a contractor property manager when arriving at the new site or back into theater to request issue of PPE. Contractor property personnel where the inventory was turned in must contact the destination site to provide information regarding the movement and expected delivery of the sensitive equipment. The contractor has also implemented a process that no employee will manifest for transportation until all assigned personal property has been reconciled on the property records.

The five deficiencies identified during the floor to records review; a wall locker not entered into the property book, and four window air conditioners that were at the fair wear and tear yard awaiting disposition and were still showing active and accounted for in the property book.

The contractor has created a checklist for new inventory to ensure that all tagged inventory is added into the property book - this will be verified during the annual PMSA during the property records check.

The air conditioners that were located at the fair wear and tear yard had been staged for disposition; however when the scrap vendor loaded the trailer there wasn't room for the A/Cs.

Also there were other noted minor issues were discrepancies between asset numbers, serial numbers, make and model differing from the contractor property book. The DCMA Property Specialist and contractor Property Manager have implemented a plan to correct the discrepancies during the cyclic inventory.

The deficiencies identified during the DOD IG audit conducted at C5 Taji resulted in the contractor implementing a control process for transient personnel to ensure continued accountability for sensitive and accountable property.

Overall response to the DOD IG Site Audit Project No. D2009-D000JB-0307.000

The update to the property records for the wall locker was an oversight by the property personnel and the contractor has created a checklist to ensure each step for adding contractor acquired/government furnished property is followed and when all actions are complete the property manager signs off on the checklist.

The A/C units that were located in the FWT yard and still active on the property book was waiting to be turned over to the scrap vendor, according to the contractor's property control procedures the inventory is not deactivated in the property book until the disposition process is complete. The contractor has established an area to include signs, in the FWT yard for segregating inventory waiting disposal. On each piece of equipment, or pallet there will be clear markings to identify the schedule and plant clearance number that equipment was listed under. This inventory will be held in this area until the next time the scrap vendor arrives for the next load of excess.

January 6, 2010 a Property Management System Analysis was conducted by DCMA Property Specialist. The results of the analysis were adequate and all samples pulled for the review were located and were listed in the property records according to the requirements of Federal Acquisition Regulation (FAR) 52.245-1 and the contractor's approved property control procedures (PCP).



DEFENSE CONTRACT MANAGEMENT AGENCY
DEFENSE CONTRACT MANAGEMENT AGENCY INTERNATIONAL
CONTINGENCY CONTRACT ADMINISTRATION SERVICES
DCMA HQ IRAQ
APO AE 09342-1400

DEFEND
REPLY TO: DCMA HQ Iraq

February 23, 2010

MEMORANDUM FOR INSPECTOR GENERAL DEPARTMENT OF DEFENSE

SUBJECT: DOD IG Audit Project: Audit of Controls over the Accountability and Disposition of Government Furnished Property in Iraq

The attached summary is provided to respond to the audits performed on sites under the LOGCAP III contract DAAA09-02-D-0007 and Task Orders 159 and worked by Kellogg Brown and Root. The attached summary will provide a response to the site findings.

If you require any additional information please contact Melanie Peterson at [REDACTED]

PETERSON.MELANIE
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MELANIE D. PETERSON
Theater Property Administrator
DCMA HQ Iraq

Display: 02/23/10
URL: https://www.dawm1222292910
DCMA HQ AE 09342-1400
DEFENSE CONTRACT ADMINISTRATION SERVICES
Date: 2/23/2010 11:41:51 AM

Attachments:

Summary to DOD IG Site Audit
Project No. D2009-D000JB-0307.000
Samples pulled from LOGCAP III KBR property database – September 30, 2009

G-Sites COL Echo, Memo dated February 15, 2010

Site visits conducted November 26-28, 2009, sample size 24 records to floor.
DCMA Property Administrators/Property Specialists are working with the Contractor to ensure that the GP numbers are marked clearly to ensure accountability.

There were administrative issues identified which were discrepancies between asset numbers, serial numbers, make and model differing from the Contractor's property book. The DCMA Property personnel and site KBR Property Manager have implemented a plan to correct the discrepancies during the cyclic inventory.

Overall response to the DOD IG Site Audit Project No. D2009-D000JB-0307.000

DOD IG for COL Echo - Items without GP number:

One desk – received during the time when the DCMA Primary GPA directed KBR to not tag items under a certain dollar threshold. When this direction was rescinded the Contractor was to go back and ensure all items previously not tagged were tagged and the desk was overlooked. The desk is now tagged.

A/C – window unit – only part of the GP number was visible and there were approximately 100 other with the same partial number. The site property personnel went through the property records and finding determined what the actual GP number was, the number was corrected on the item. The A/C has since been disposed of through PCARSS.

Erroneously removed items:

3 A/Cs and air compressor – KBR had received disposition instructions to scrap but the items had not been removed. KBR had removed the inventory from the property book.

The air conditioners and air compressor were originally listed as Lost and an LTDD was submitted. Relief of responsibility was issued by the site GPA. A recovery memo was issued November 19, 2009 but the action of restoring the records had not been completed at the time of the audit. The records were re-established on December 12, 2009, since being brought back to record the inventory was submitted to PCARSS. Disposition instructions were received December 30, 2009.

Handheld Radio – the item was removed from the record.

The radio was submitted into plant clearance in September 2007, and was moved to shipping and receiving. During the time the radio was waiting for shipping it was relocated to a material area, KBR was not able to provide a reason for the relocation. The radio was moved to inactive status in the property records, which is the process that is managed out of the Corporate Offices in Houston Texas. KBR Corporate places inventory records in the inactive files when the signed documents are received, there was no signed turn in document so the movement to inactive status in the property record was an oversight which has been corrected.

Summary to DOD IG Site Audit
Project No. D2009-D000JB-0307.000 –page 2-

Handheld Radio – the item was removed from the record - continued.

All inventory identified as sensitive is to be turned into DRMO and when the turn in is accomplished the Contractor receives a signed DD1348-1. Once the signed form is received it is forwarded to the Corporate Office in Houston where the record is moved to archives.

The FWT – the length of time that inventory was sitting in the yard waiting for the Scrap vendor to pick up the inventory.

Of the sites identified on the report; Adder (SSA), Liberty (VBC-DRMO) and Al Asad (DRMO) and Taji (Camp Mayor issued contract to scrap vendor) only Echo and Delta have a scrap vendor working on a KBR issued scrap contract. This scrap contract was worked through the DRMO and the Camp Mayor. The Camp Mayor provided the approval and badging for the scrap vendor to access the G-Sites.

There is no control over when the scrap vendor will arrive to remove the excess inventory there was no set schedule for pick up on the contract. There is no schedule for the scrap vendor and since there is not a DRMO on site the scrap vendor is the only disposal method open to the Contractor at this time. Since the military approves transportation movement requests (TMRs) movement of scrap is a very low priority and with the risk associated with the movement of scrap the military does not approve this type of TMR. It also is very difficult to get approval to move sensitive items that must be turned into a DRMO. There have been times when a truck isn't fully loaded, is heading to a site that has a DRMO and is looking to complete the load when sensitive items are loaded and taken for turn in. The movement of the inventory – both scrap and DRMO identified items has been the largest challenge in theater as moving unserviceable excess is not very high on the Theater's priority list. Since movement is so restricted the Contractor must management the inventory until the final disposition action is completed not matter how long that takes. Inventory that is released to the scrap vendor is subject to the carrying capability of the equipment the vendor brings. If there is only one truck with a container or one flatbed the possibility of the vendor to haul all of the sitting scrap is greatly reduced. Also with no set schedule for vendor to plan to the Contractor stages the inventory for pick up and holds it until the next time the vendor arrives.

The Contractor has segregated the fair, wear and tear (FWT) yard to have just the inventory that is to be released to the scrap vendor in that specific area of the yard. There is signage clearly marking the areas and the plant clearance case information to ensure that employees working the yard will be aware what is ready for disposal and that it can be released to the vendor.

DRMO and KBR has been working on an effort to have KBR set up an area in the FWT yards to stage inventory and the DRMO traveling disposal teams will accept the inventory in place, and will coordinate the pickup of the inventory with a scrap vendor.

Summary to DOD IG Site Audit
Project No. D2009-D000JB-0307.000 –page 3-

This is only in the preliminary stages. Once the MOU is signed the first site to be tested will be Bucca and if it is a success then all of the sites without a DRMO will be stood up to dispose all excess scrap inventory in this manner.

DCMA Property Specialist has scheduled the annual property management system analysis (PMSA) to begin the first week of March 2010 and will ensure to perform a special review of the problem areas identified during the audit conducted by the DOD IG audit team.

Summary to DOD IG Site Audit
Project No. D2009-D000JB-0307.000
Samples pulled from LOGCAP III KBR property database – September 30, 2009

F-Sites COL Delta, Memo dated February 15, 2010

Site visits conducted December 11-14, 2009, sample size 45 records to floor and an additional 53 floor to records. There were five discrepancies identified on the records to floor and 2 discrepancies identified on the floor to records review.

There were administrative issues identified which were discrepancies between asset numbers, serial numbers, make and model differing from the Contractor's property book. The DCMA Property personnel and site KBR Property Manager have implemented a plan to correct the discrepancies during the cyclic inventory.

Overall response to the DOD IG Site Audit Project No. D2009-D000JB-0307.000

DOD IG for BIAP- 5 Items could not be located

Desk: The desk was shown on the property records to be accountable to the South Victory site however it was not located. The contractor stated that the desk was not government property and de-tagged the item, but the property book was not updated.

The contractor reviewed purchase documents and determined that the desk was contract inventory, retagged the asset and updated the property record for the desk on 19 Dec 09.

Dryer: The Dryer had been turned into DRMO April 2009, the contractor did not update the property records to show the disposition.

The record for the dryer was updated on 15 Dec 09 identifying the asset as being disposed through plant clearance.

Torque Wrench: The wrench was de-tagged and the contractor did not update the property record accordingly.

The contractor retagged and updated the property record for the torque wrench on 12 Dec 09.

Air Conditioner Units/Alpha West: The identification in the property records did not match the inventory, one GP number identified the item as a table saw and the other as a television.

The issues with the Air Conditioner Units was the result of transposing the GP numbers on the floor to records - A/C units, the GP numbers actually were assigned to the Table Saw and Television. The GP numbers on the Air Conditioner units were updated 12 Jan 10, the information was verified through warehouse requisitions.

Air Conditioner Units/South Victory and Parker:

The A/C units were identified by the frame tag but serial numbers did not match. The contractor has been granted the authority to remove the mechanical part of A/Cs to limit down time of defective units. This practice was began in the Balkans and has also been incorporated here in Iraq. The Corporate DCMA Property Administrator has given the contractor the approval to proceed with the process and when the procedures are updated this process will be included. The rewrite of the procedures are in process since October 19, 2009 when the modification incorporating the new property clause into the contract was issued.

During each site's annual property management system analysis the DCMA Property Specialist will focus on the accuracy of the property database and ensure that the corrections are made.

Defense Contract Management Agency - International Comments

Final Report
Reference



DEFENSE CONTRACT MANAGEMENT AGENCY
DEFENSE CONTRACT MANAGEMENT AGENCY INTERNATIONAL
6359 WALKER LANE, SUITE 220
ALEXANDRIA, VIRGINIA 22310-3259

SEP 20 2010

MEMORANDUM FOR Assistant Inspector General Department of Defense, Program Director
Joint and Southwest Asia

SUBJECT: Response to Department of Defense Office of Inspector General (DoDIG) Audit Report "Accountability and Disposition of Government Furnished Property in Conjunction with the Iraq Drawdown -Logistics Civil Augmentation Program: Project No. D2009-D000JB-0307

DCMA provides the following comments to the draft report's findings and recommendations:

Finding A. Although accountability of LOGCAP Government furnished property (GFP) was adequate, we identified site specific property accountability issues that need management's attention.

DCMA Response to Finding A: DCMA concurs with the draft report's findings on pages 4-11.

Recommendation A. We recommend the Commander, Defense Contract Management Agency - Iraq:

1. Statistically sample the Logistics Civil Augmentation Program Government furnished property items that are located on vehicles at Joint Base Balad (JBB), inventory those items, and, based on the results of the inventory, determine whether further action is warranted to ensure accountability of those items.

DCMA Response: Concur

Action Taken: LOGCAP III base life support services at JBB have been replaced by AFCAP so no property remains under the LOGCAP III contract. However, LOGCAP IV Corps Logistics Support Services (CLSS), Theater Transportation Mission (TTM) and Postal Services; collectively known as CTP, have been executed at JBB and elsewhere in Iraq. During implementation, a statistical sampling of LOGCAP IV property was completed, resulting in 100% accountability. See attached memorandum of findings (Tab 1). No immediate action is required at JBB.

DCMA periodically audits contractor-managed property. DCMA performs a comprehensive annual Property Management System Analysis (PMSA) audit for each contract we administer; the PMSA looks at contractor records against on hand inventories, among other aspects of contractor property management.

Attachments on
Tabs 1-14 were
omitted because of
length. Copies will
be provided upon
request.

2. Require the Logistics Civil Augmentation Program contractor at Contingency Operation Location Echo to:

a. Conduct a 100-percent inventory of the Materials Department and adjust the Logistics Civil Augmentation Program property book in accordance with the inventory results.

DCMA Response: Concur

Action Taken: A 100% inventory is scheduled to be completed by 30 Sep 2010. Contractor records will be adjusted for any discrepancies noted.

b. Disposition the items that have been approved for disposition and request disposition instructions for any remaining excess Government furnished property items.

DCMA Response: Concur

Action Taken: DCMA completed a PMSA at Echo on March 16, 2010. See attachment (Tab 2). The contractor's system for the control of Government Property was found to be adequate.

Under the process of Relief of Stewardship Responsibility (Federal Acquisition Regulation Part 52.245-1, paragraph (f)(1)(vii); and contractor property control procedures (PCP) (Tab 3), the disposition schedule was sampled during the PMSA. Disposition instructions were received from the Plant Clearance Officer (PLCO). Property for disposition was identified and segregated and precious metals segregated. When the property was picked-up, it was de-tagged. De-tag documentation was available for review. Turn-in documents contained all information required by the PCP.

3. Take action at Contingency Operation Location Delta to:

a. Provide a sufficiently supported account of all management decisions and actions taken concerning the acceptance, use, and disposition of the five trash trucks located at the overflow yard.

DCMA Response: Concur

Action Taken: DCMA Iraq issued a LOTD (Tab 4) on 23 March 2010 directing the contractor, KBR, to provide a report detailing the history of the five trash trucks to include purchase, receipt and movement of the trucks following receipt. KBR responded to the LOTD with a report dated 9 April 2010 (Tab 5). The response documented the requirement, purchase, receipt, movement and subsequent legal dispute between KBR and the trash truck vendor, Najd Company, regarding the material condition of the trucks. KBR and Najd Company eventually executed a settlement agreement and KBR accepted the trucks. The five trucks in question were driven to the Delta site in July 2008.

Maintenance inspections in July 2008 at Delta identified several deficiencies on the trucks so KBR requested the five trucks be transferred to Liberty. The transfer of the trucks was approved by the DCMA Lead Property Administrator (Tab 6) but the trucks remained at the site due to security concerns.

Of the five trash trucks, two were dispositioned for DEMIL and scrap through the Plant Clearance Process (Tab 7). The remaining three were transferred to LOGCAP operations at Tallil (Tab 8) on June 22, 2010, and are currently going through the technical inspection process to be utilized at the Tallil Waste Management Department.

b. Determine whether personnel or cost recovery actions are warranted for the five trash trucks located at the overflow yard.

DCMA Response: Concur

Action Taken: On 12 Mar 2010 DCMA Iraq requested DCAA perform an audit to determine whether personnel or cost recovery actions are warranted. Copy of audit request attached (Tab 9). To date DCAA has not been able to complete the audit due to resource constraints and audit schedule priorities. DCMA Iraq will follow up on the audit request by 30 Sep 2010.

c. Determine the proper disposition of the five trash trucks located at the overflow yard.

DCMA Response: Concur

Action Taken: Two of the five trash trucks were determined to be condition code HX, unserviceable and not economically repairable, and were dispositioned for DEMIL and scrap through the Plant Clearance Process (Tab 7). The remaining three were determined to be serviceable and transferred to LOGCAP operations at Tallil on June 22, 2010 (Tab 8).

d. Identify, during the periodic inventory process, property that is excess to the contract and ensure its proper disposition.

DCMA Response: Concur

Action Taken: DCMA completed a PMSA at Delta on March 16, 2010. During the PMSA, no excess property was identified. However, the contractor's system for the control of Government Property was found to be inadequate, specifically for the maintenance of 2 generators. After accepting and verifying the contractor's corrective action plan, the contractor's system for the control of Government Property was found to be adequate on July 19, 2010. Copies of the PMSA (Tab 10), contractor CAP (Tab 11) and acceptance letter (Tab 12) are attached. Future PMSA audits will be conducted periodically to identify excess property and ensure proper disposition.

4. Direct the Logistics Civil Augmentation Program contractor at the Baghdad International Airport Area to:

a. Establish and implement effective procedures to account for the air conditioner units and ensure those procedures are included in the contractor's property control procedures.

DCMA Response: Concur

Action Taken: All Air Conditioner Window Units assigned under contract DAAA09-02-D-0007, LOGCAP III, have been approved for removal from the active records and transfer to inactive status in [REDACTED]. The accountability of the Air Conditioner Window Units will be maintained and tracked by the Directorate of Engineering (DOE) in accordance with the Facility Maintenance Standard Operating Procedures (SOP). An Authorized Stock List (ASL) will be maintained, and as items are issued they will be considered consumed upon installation.

This process was recommended and agreed upon during the IPT Conference Call held May 25, 2010 by the Theater PSM-Supply and approved by the LOGCAP lead Government Property Administrator (GPA) (e-mail at Tab 13).

b. Conduct a 100-percent inventory of Logistics Civil Augmentation Program property at South Victory, Warehouse, Liberty, and Alpha West.

DCMA Response: Concur

Action Taken: A 100% inventory will be completed by 30 Sep 2010. Contractor records will be adjusted for any discrepancies noted.

Finding B. Inconsistent management of the Fair, Wear, and Tear Yards

DCMA Response to Finding B: DCMA generally concurs with the draft report's findings on pages 13-18, although we differ with respect to the DCMA oversight responsibility for contractor export control compliance. This is discussed further in response to recommendation B.2.d.

Recommendation B. 2. We recommend the Commander, Defense Contract Management Agency - Iraq:

a. Issue a letter of technical direction requiring the LOGCAP III contractor to update its property control procedures to:

1. Require segregation of Government furnished property within the Fair, Wear, and Tear yard by disposition method.

DCMA Response: Concur

Action Taken: LOTD (Tab 14), issued 1 Sep 2010, directs the contractor to segregate Government Furnished Property in the Fair, Wear & Tear (FWT) yard by disposition method.

2. Require confirmation of removal of Government furnished property from the Fair, Wear, and Tear yard before the Logistics Civil Augmentation Program property book is updated.

DCMA Response: Concur

Action Taken: LOTD (Tab 14) directs the contractor to provide verification of removal of GFP from the FWT yard prior to removal from property book.

3. Include metrics for property turnover at the Fair, Wear, and Tear yards.

DCMA Response: Concur

Action Taken: LOTD (Tab 14) directs the contractor to provide weekly FWT yard metric reports.

4. Include guidance for export-controlled Government furnished property, such as a listing and a definition of what constitutes export-controlled Government furnished property and the special handling required to secure and dispose of export-controlled Government furnished property.

DCMA Response: Concur.

Action Taken: LOTD (Tab 14) issued directing the contractor to ensure all or part of DFARS 252.204-7008, Requirement for Contracts Involving Export-Controlled Items, to be incorporated in the PCP. The content of the DFARS clause directs contractors to the applicable export control regulations (e.g., ITAR and EAR), and to the Department of State (DoS) and Department of Commerce (DoC) for answers to questions about the export-control regulatory requirements. DoD relies on DoS and DoC to administer their export control programs.

b. Determine metrics for property turnover at Fair, Wear, and Tear yards for inclusion in the Logistics Civil Augmentation Program contractor's property control procedures.

DCMA Response: Concur

Action Taken: LOTD (Tab 14) outlines the FWT yard metrics to be reported by the contractor weekly beginning 29 Sep 2010.

c. Test compliance with the Fair, Wear, and Tear yard property turnover metrics during the property inspections.

DCMA Response: Concur

Action Taken: LOTD (Tab 14) was issued 1 Sep 2010. The first metric report is due 29 Sep 2010. Compliance testing will be added to the Property Management Systems Analysis (PMSA) audit checklist. A copy of the checklist will be provided following the update, no later than 31 Oct 2010.

d. Ensure the Logistics Civil Augmentation Program contractor is complying with all applicable export-control regulations.

DCMA Response: Non-concur. Ensuring compliance with U.S. export-control laws and regulations is not a DCMA-delegated contract administration function under the LOGCAP contract or under the standard list of FAR Part 42 and DFARS Part 242 contract administration functions. DCMA also does not develop or maintain a core competency in export controls. It is the contractor's responsibility to comply with applicable laws and regulations regarding export-controlled items. The Departments of State and Commerce administer their export-control programs.

Action Taken: In the performance of our delegated property administration function, DCMA will conduct appropriate oversight of the LOGCAP contractor for "sensitive property," as defined in FAR 52.245-1(a). Additionally, should we suspect any instances of violations of law related to the Arms Export Control Act and the ITAR regulations, we will comply with the reporting requirements imposed upon all DoD Components by DoD Instruction 2040.02, "International Transfers of Technology, Articles, and Services," Enclosure 2.


FA ROBERT J. GILBEAU
RDML, SC, USN
Commander, DCMA International



Inspector General Department of Defense

