

Inspector General

United States
Department of Defense



Improved Pricing and Oversight Needed for the
Afghan Air Force Pilot and English Language Training
Task Order

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Acronyms and Abbreviations

ACOR	Alternate Contracting Officer's Representative
FOCUS	Field Operations Customer Support
IDIQ	Indefinite-Delivery, Indefinite-Quantity
NATC-A	North Atlantic Treaty Organization Air Training Command-Afghanistan
PARC	Principal Assistant Responsible for Contracting
PEO STRI	Program Executive Office for Simulation, Training, and Instrumentation
QASP	Quality Assurance Surveillance Plan
RTSC	Raytheon Technical Services Company
TOR	Technical Oversight Representative
UAE	United Arab Emirates



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

September 30, 2011

MEMORANDUM FOR COMMANDER, NORTH ATLANTIC TREATY
ORGANIZATION TRAINING MISSION
AFGHANISTAN/COMBINED SECURITY TRANSITION
COMMAND-AFGHANISTAN
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Improved Pricing and Oversight Needed for the Afghan Air Force Pilot and English Language Training Task Order (Report No. D-2011-113)

We are providing this report for review and comment. In September 2010, the Program Executive Office for Simulation, Training, and Instrumentation (PEO STRI) issued a task order for approximately \$42.8 million for Afghan Air Force pilot and English language training. PEO STRI officials did not obtain fair and reasonable prices for the services on the task order or develop a formal oversight structure for the Afghan Air Force pilot and English language training task order.

We considered management comments on a draft of this report when preparing the final report. DoD Directive 7650.3 requires that recommendations be resolved promptly. The North Atlantic Treaty Organization Air Training Command-Afghanistan comments are partially responsive. Therefore, we request additional comments on Recommendation B.3 by October 31, 2011. The Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation comments are partially responsive. As a result of management comments, we revised Recommendation A.2 directed to the Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation. We request that the Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation provide additional comments on Recommendations A.1, A.2, and A.3 by October 31, 2011.

If possible, send a .pdf file containing your comments to audacm@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. 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. Jacqueline Wicecarver at (703) 604-9077 (DSN 664-9077).

A handwritten signature in black ink, appearing to read "Bruce A. Burton".

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



Results in Brief: Improved Pricing and Oversight Needed for the Afghan Air Force Pilot and English Language Training Task Order

What We Did

Our audit objective was to determine whether the U.S. Army Program Executive Office for Simulation, Training, and Instrumentation (PEO STRI) obtained fair and reasonable prices for the goods and services on the Afghan Air Force pilot and English language training task order, valued at \$42.8 million, and appropriately defined contractor surveillance and oversight processes and procedures for the task order.

What We Found

PEO STRI did not obtain fair and reasonable prices on the firm-fixed-price task order. This occurred because PEO STRI contracting personnel did not verify that the contractor used personnel from the negotiated labor categories to perform the task order. As a result, the Army will pay approximately \$431,638 in inflated labor costs using Afghan Security Forces funds.

PEO STRI officials did not develop complete oversight processes or sufficiently document procedures for the task order. This occurred because PEO STRI officials did not consider including metrics and specific oversight procedures in the quality assurance surveillance plan (QASP) because the subcontractor was providing a commercial service and they felt sufficient oversight was in place. As a result, Army officials have limited assurance that effective contract oversight will continue on the task order.

We issued a memorandum to the Principal Assistant Responsible for Contracting (PARC) at PEO STRI, advising PEO STRI contracting personnel to perform due diligence when considering task order modifications. The PARC agreed and thanked the audit team for bringing areas of potential cost growth to his attention.

What We Recommend

The PARC at PEO STRI should ensure that the contractor uses personnel from the negotiated labor categories for future procurements, determine the amount of funds already paid and seek a voluntary refund from the contractor, renegotiate the task order to incorporate the labor category that is currently being provided, develop a complete QASP, and develop and implement procedures for maintaining a continuity plan for all task orders in Afghanistan.

Additionally, the PARC at PEO STRI and the Commander, North Atlantic Treaty Organization Air Training Command-Afghanistan (NATC-A), should create a formal written Memorandum of Understanding that specifies the qualifications required for the technical oversight representative (TOR) and the frequency of TOR site visits.

The Commander, NATC-A, should develop and implement policies and procedures for establishing and maintaining an oversight continuity plan for the TOR assigned to the Afghan Air Force pilot and English language training task order.

Management Comments and Our Response

The PARC at PEO STRI provided comments addressing the inflated labor costs; however, the comments were nonresponsive to the recommendations. The Commander, NATC-A, provided comments that referenced a QASP and a memorandum of agreement and that discussed an oversight continuity plan. However, the comments were only partially responsive. We request that the PARC at PEO STRI and the Commander, NATC-A, provide additional comments by October 31, 2011. Please see the recommendations table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation	A.1, A.2, A.3	B.1.a, B.1.b, B.2.a, B.2.b
Commander, North Atlantic Treaty Organization Air Training Command-Afghanistan	B.3	B.2.a, B.2.b

Please provide comments by October 31, 2011.

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Introduction

Objectives

Our audit objective was to determine whether the U.S. Army Program Executive Office for Simulation, Training, and Instrumentation (PEO STRI) obtained fair and reasonable prices for the goods and services on the Afghan Air Force¹ pilot and English language training task order and appropriately defined contractor surveillance and oversight processes and procedures for the task order. This audit is the second in a series of audits relating to the Warfighter Field Operations Customer Support (FOCUS) contract. See Appendix A for a discussion of the scope and methodology and prior audit coverage.

Background

PEO STRI awarded contract W900KK-07-D-0001, the Warfighter FOCUS contract, on June 6, 2007, to Raytheon Technical Services Company (RTSC), with a total contract ceiling price of approximately \$11.2 billion.

Contract Requirements

The Warfighter FOCUS contract was awarded to provide operations, maintenance, systems integration, and engineering support services to the U.S. Army for the following three types of training:

- Live Training – training involving real people operating real systems,
- Virtual Training – training involving real people operating simulated systems, and
- Constructive Training – training involving simulated people operating simulated systems.

RTSC, as the prime contractor for the Warfighter FOCUS contract, leads a team of more than 120 subcontractors known as the Warrior Training Alliance. RTSC created the Warrior Training Alliance to assist in executing all training efforts issued under the Warfighter FOCUS contract.

Contract Structure

The Warfighter FOCUS contract was structured as an indefinite-delivery, indefinite-quantity (IDIQ) contract that included a 6-month phase-in period, 1 base year, and 9 option years. The contract was awarded with a ceiling of approximately \$11.2 billion; however, only approximately \$1.2 billion of the contract was for specified work. PEO STRI contracting personnel stated that the remaining \$10 billion was for unspecified training efforts to be incorporated into task orders when specific training efforts were identified.

¹ The task order was awarded for the Afghan National Army Air Corps pilot and English language training. In June 2010, the President of Afghanistan directed that the organization known as the Afghan National Army Air Corps be called the Afghan Air Force. Therefore, we will refer to the Afghan Air Force pilot and English language training task order throughout this report.

Afghan Air Force Pilot and English Language Training Task Order

On September 17, 2010, PEO STRI issued task order 242 for Afghan Air Force pilot and English language training using the Warfighter FOCUS contract. The total value of the firm-fixed-price task order was approximately \$42.8 million. The period of performance for task order 242 was September 2010 to October 2013, which occurred during Warfighter FOCUS contract option years two through five. The North Atlantic Treaty Organization Air Training Command-Afghanistan (NATC-A)² developed the requirements for the task order. The Afghan Air Force pilot and English language training task order was awarded to the prime contractor, RTSC, who subcontracted the training to Horizon International Flight Academy (Horizon). Horizon is based in Al Ain, United Arab Emirates (UAE).

The Afghan Air Force pilot and English language training statement of work required the contractor to provide fixed- and rotary-wing training for up to 80 pilots within Southwest Asia in support of establishing the Afghan Air Force. The training included English language training, ground school, and fixed- or rotary-wing flight school over 36 months (see the following figure).

Figure. Afghan Student Pilots



² NATC-A is an organization within the North Atlantic Treaty Organization Training Mission – Afghanistan/Combined Security Transition Command-Afghanistan.

The subcontractor, Horizon, provides student living accommodations, student training manuals, English language training, and fixed- or rotary-wing flight training. The prime contractor, RTSC, employed an on-site program manager and three mentors with U.S. military aviation experience that were located at the training facility.

Two DoD personnel (an alternate contracting officer's representative [ACOR] and technical oversight representative [TOR]) were stationed in Afghanistan and assigned primary oversight responsibilities for this task order. The ACOR was assigned full-time to PEO STRI, while the TOR worked directly for NATC-A.

Additional Documentation Concerns After Issuance of DoD Inspector General Report No. D-2011-066

In DoD Inspector General Report No. D-2011-066, "Incomplete Contract Files for Southwest Asia Task Orders on the Warfighter Field Operations Customer Support Contract," June 1, 2011, we reported that PEO STRI contracting officials lacked required documentation essential to providing accountability and transparency in the Warfighter FOCUS contract files. The Acting Deputy Assistant Secretary of the Army for Procurement responded to the report, agreed with the recommendations, and stated that PEO STRI personnel will revisit contract instructions to ensure compliance with current regulations. Subsequent to the issuance of that report, we found continued evidence of a lack of documentation necessary to validate contract decisions essential to providing accountability and transparency in the Warfighter FOCUS contract files.

The Afghan Air Force pilot and English language training for this task order was performed by a subcontractor. RTSC contracting personnel, with assistance from PEO STRI personnel, conducted a best value subcontractor source selection to meet the statement of work requirements for the Afghan Air Force pilot and English language training task order. We reviewed the subcontract source selection process to determine whether the subcontract was appropriately awarded and to verify price reasonableness. According to RTSC summary documentation, 18 Government and contractor evaluators performed technical evaluations on 5 subcontractor proposals during the subcontractor source selection for the task order. However, RTSC contracting personnel could only provide source documentation for 13 evaluations; we could only verify the authenticity of 10 of those evaluations. After several documentation requests over several months, RTSC and PEO STRI contracting personnel were unable to provide evidence confirming that the remaining eight evaluations were actually conducted.

Although there is no quantifiable impact of the missing documentation in this case, subcontractors perform a significant portion of the work on the Warfighter FOCUS contract and RTSC routinely conducts subcontract source selections to award work under this contract. Therefore, subcontractor documentation is essential to validate contract decisions and provide accountability and transparency in the contract files. Federal Acquisition Regulation 15.404-3, "Subcontract Pricing Consideration," states that the contracting officer is responsible for the determination of a fair and reasonable price for the prime contract, including subcontracting costs. For PEO STRI contracting personnel to make appropriate price reasonableness determinations and to ensure that the Army is

receiving best value for the contract, PEO STRI contracting personnel should continue to review and improve their contract and subcontract file management.

Memorandum Regarding Observations Made During a Site Visit to the Afghan Air Force Training Facility

On June 2, 2011, we issued a memorandum to the Principal Assistant Responsible for Contracting (PARC) at PEO STRI to inform PEO STRI management of observations we made during a site visit to the Afghan Air Force subcontractor training facility in Al Ain, UAE in April 2011. The memorandum advised PEO STRI contracting personnel to perform due diligence when considering modifications to the task order. On June 15, 2011, the PARC at PEO STRI agreed with the requested actions in the memorandum and thanked the audit team for bringing areas of potential cost growth to his attention. See Appendix B for the memorandum that we issued and Appendix C for the comments in response to the memorandum.

Review of Internal Controls at PEO STRI

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 associated with contract pricing and oversight of the Afghan Air Force pilot and English language training task order. Specifically, PEO STRI contracting personnel did not verify that the contractor used personnel from negotiated labor categories to perform work on the Afghan Air Force pilot and English language training task order. Additionally, PEO STRI officials did not create an adequate quality assurance surveillance plan (QASP) that contained metrics or written procedures for conducting oversight of the Afghan Air Force pilot and English language training. Further, PEO STRI officials did not have a formal written agreement with NATC-A that defined NATC-A technical oversight qualifications or the frequency of technical oversight visits. We will provide a copy of the report to the senior official responsible for internal controls at PEO STRI and the Department of the Army.

Finding A. Inflated Labor Costs

PEO STRI did not obtain fair and reasonable prices for the services received on the firm-fixed-price Afghan Air Force pilot and English language training task order.

Specifically, PEO STRI contracting personnel negotiated labor costs³ for mentors that were based on a specific senior-level labor category; however, the contractor provided mentors that were in a lower priced labor category after the task order was awarded and did not pass the cost savings on to the Army. This occurred because PEO STRI contracting personnel did not verify that the contractor used personnel from the specified negotiated labor categories. As a result, the Army will pay approximately \$431,638 in Afghan Security Forces funds for inflated labor costs.

Negotiated Labor Costs

The labor rates for the Warfighter FOCUS IDIQ contract were negotiated for the life of the contract at the time of contract award based on labor categories and training locations. According to PEO STRI contracting personnel, the schedule of labor rates was used to price all requirements executed through the contract. For example, the labor rate used to price the contract specialist for this task order was based on the contract specialist labor category in Orlando, Florida, for contract years 2 through 5. According to the contractor, the fixed labor rates negotiated at the award of the Warfighter FOCUS IDIQ contract provided efficiency for pricing and negotiating task orders under the Warfighter FOCUS contract because the labor rates did not need to be negotiated when task orders and modifications were awarded.

PEO STRI contracting personnel negotiated a firm-fixed-price for the Afghan Air Force pilot and English language training task order based on costs for eight different labor categories, including the principal training and development specialist labor category. The negotiated price for this task order included \$2,547,321 in labor costs for three mentors categorized as principal training and development specialists.

The contractor proposed three mentors to fulfill the statement of work requirement for the contractor to provide program management functions and a safe and secure training environment for the student pilots. According to the contractor, the mentors convey military decorum and discipline, teach physical fitness standards, provide remedial and colloquial American/English instruction if needed, serve as student advocates, conduct safety and welfare inspections of the housing areas, monitor subcontractor performance and training, accompany students on various training flights, and escort students from Al Ain, UAE, as necessary.

The contractor proposed a price of \$2,258,658 for three mentors categorized as principal training and development specialists. To calculate the price, the contractor multiplied the principal training and development specialist labor rates from the IDIQ contract schedule

³ Our labor cost calculations included hardship labor premiums and cost of living allowances for each mentor.

by the number of labor hours for three full-time employees. A PEO STRI project director performed a technical evaluation of the contractor’s proposal and agreed with the contractor’s proposed labor category and labor hours for the mentors. Based on the evaluation, PEO STRI contracting personnel agreed to the contractor’s proposed price of \$2,258,658 for the three mentors. Additionally, PEO STRI contracting personnel negotiated \$288,663 in hardship labor premiums and cost of living allowances based on the labor rates for the mentors, resulting in a total price for the mentors of \$2,547,321.

Labor Categories Used by the Contractor

The contractor provided mentors that were in a lower priced labor category than what PEO STRI contracting personnel negotiated. After the award of the task order, the contractor hired mentors that were senior training and development specialists. The contractor’s job posting for the mentor position required the applicant to have a bachelor’s degree or equivalent work experience; however, the contractor’s proposal stated that the principal training and development specialist must have 6 years experience with a related bachelor’s degree. The labor rates for the senior training and development specialists were lower than the labor rates used for the principal training and development specialist for all years of the task order. We calculated that the labor price for the senior training and development specialists would have been \$1,866,400, using the same labor hours that the contractor proposed for the principal training and development specialists. Additionally, we calculated \$249,283 in hardship labor premiums and cost of living allowances based on the senior training and development specialist labor rate. This would have resulted in a total price for the senior training and development specialists of \$2,115,683; \$431,638 less than the price negotiated for the principal training and development specialists. The following table shows the pricing information for the two labor categories.

Table. The Difference in Total Price Between the Principal Training and Development Specialists and the Senior Training and Development Specialists for the Period of Performance Covered by Task Order 242

Task Order Period of Performance	Contract Option Year	Principal Training and Development Specialist Total Price	Senior Training and Development Specialist Total Price	Difference
September 2010 to April 2011	2	\$365,606	\$302,798	\$62,808
May 2011 to April 2012	3	906,621	751,928	154,692
May 2012 to April 2013	4	937,743	778,536	159,207
May 2013 to October 2013	5	337,352	282,421	54,931
Total		\$2,547,321	\$2,115,683	\$431,638

Note: Because of rounding, rows and columns may not sum.

No Army Verification of Labor Categories

PEO STRI contracting personnel did not verify that the contractor used personnel from the specified negotiated principal training and development specialist labor category to perform the task order. Federal Acquisition Regulation Part 46, “Quality Assurance,” requires agencies to ensure that services provided by contractors meet contractual requirements. It also states that Government contract quality assurance will be performed when necessary to determine that the services conform to contract requirements.

The mentors are vital to the success of the pilot training program. PEO STRI program and contracting personnel determined that the principal training and development specialist was an appropriate labor category for the three mentors. However, PEO STRI contracting personnel did not verify that the Army received services from three mentors that were principal training and development specialists. PEO STRI contracting personnel stated that they did not perform this verification because the task order was awarded as a firm-fixed-price contract type and the contractor is measured based on its ability to provide the required training. However, PEO STRI contracting personnel should have reviewed the mentors’ job description to ensure that the contractor used personnel from the negotiated labor categories that were the basis for the price established to perform the task order. PEO STRI contracting personnel should recover any money paid to the contractor for using personnel from a lower priced category. Furthermore, for future procurements, PEO STRI contracting personnel should ensure that the contractor uses personnel from the negotiated labor categories.

Recover Payments for Inflated Labor Costs

The Army will pay approximately \$431,638 in inflated labor costs over the life of the task order using Afghan Security Forces funds based on the contractor using lower priced personnel. The difference between the total price of the three principal training and development specialists and the three senior training and development specialists was \$431,638, which are funds that could be put to better use. PEO STRI contracting officials must determine the amount of funds already paid for inflated labor costs and initiate action to recover the funds. Additionally, PEO STRI contracting personnel should renegotiate the task order to incorporate the lower priced labor category that is currently being provided.

The Army will pay approximately \$431,638 in inflated labor costs . . . using Afghan Security Forces funds based on the contractor using lower priced personnel.

Conclusion

PEO STRI did not obtain fair and reasonable prices for the services received on the firm-fixed-price Afghan Air Force pilot and English language training task order once the contractor used a lower-priced labor category than what was negotiated prior to the award of the task order. Specifically, the contractor used lower paid senior training and development specialists instead of the services of the principal training and development specialists. Although the contractor advertised that it prides itself on providing cost

savings and efficiencies to PEO STRI and the Army, the contractor charged the Army too much for the services provided.

According to a White House Memorandum for the Heads of Executive Departments and Agencies, the President encouraged the use of firm-fixed-price contracts starting in 2009 and stated that the Federal Government must have sufficient capacity to manage and oversee the contracting process from start to finish to ensure that taxpayer funds are spent wisely. As the Government continues to use firm-fixed-price contracts, it is imperative that contracting officials validate contractors' hiring practices in order to prevent the contractor from routinely increasing its profit by hiring cheaper labor than what was negotiated.

Recommendations, Management Comments, and Our Response

Revised Recommendation

As a result of management comments, we revised draft Recommendation A.2 to clarify the nature of the actions needed to seek a voluntary refund for any inflated labor costs.

A. We recommend that the Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation have the Warfighter Field Operations Customer Support procuring contracting officers:

- 1. Verify that the contractor uses the negotiated labor categories for future procurements.**
- 2. Determine the amount of funds already paid for inflated labor costs and seek a voluntary refund from the contractor related to any inflated labor costs, pursuant to the Defense Federal Acquisition Regulation Supplement using the procedures at Defense Federal Acquisition Regulation Supplement Procedures, Guidance, and Information 242.7100.**
- 3. Renegotiate the Afghan Air Force pilot and English language training task order to incorporate the lower priced labor category that is currently being provided.**

Deputy Assistant Secretary of the Army for Procurement Comments

The Deputy Assistant Secretary of the Army for Procurement responded for the PARC at PEO STRI and disagreed with our recommendations. He stated that PEO STRI could only renegotiate or recover the allegedly inflated labor costs if the task order was a cost-type contract or if there was defective pricing as defined in the Truth in Negotiations Act. He stated that, according to the Federal Acquisition Regulation, a firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. He also stated that, in

accordance with the Federal Acquisition Regulation, the contracting officer will not re-price the task order solely because the profit was greater than forecasted. The Deputy Assistant Secretary of the Army for Procurement stated that this effort is a performance-based service acquisition. He referenced the DoD Performance-Based Service Acquisition Guidebook, March 1, 2001, which states that the key to performance-based acquisition is describing requirements in terms of measurable outcomes and not in terms of how to accomplish the requirement. The guidebook further states that because performance-based acquisition methodologies are results-oriented, agencies should not focus on contractor-proposed labor mixes after contract award as long as the desired outcome is achieved in accordance with the stated performance standards and any other requirements in the contract. The Deputy Assistant Secretary of the Army for Procurement stated that PEO STRI reviewed the resumes of the mentors and confirmed that the individuals hired met the criteria of the principal training and development specialist labor category, even though the individuals were hired at the lower priced labor category of senior training and development specialists. Furthermore, he stated that in August 2011, PEO STRI requested an audit from the Defense Contract Audit Agency to determine whether the task order contained defective pricing. The Deputy Assistant Secretary of the Army for Procurement stated that PEO STRI would seek a price adjustment if the audit revealed defective pricing.

Our Response

The Deputy Assistant Secretary of the Army for Procurement comments are not responsive. According to the DoD Performance-Based Service Acquisition Guidebook, one of the objectives of performance-based service acquisition is to achieve savings for the Government. However, the contractor used a less expensive labor category than proposed for the effort and did not pass the savings onto the Government. Further, the Performance-Based Service Acquisition Guidebook states that the Government and the contractor should seek to create a cooperative environment to ensure good-faith performance. The contractor advertised that it prides itself on providing cost savings and efficiencies to the Army. However, the contractor charged the Government for a labor category that was not used and achieved excess profit as a result; therefore, the contractor's intentions of providing good-faith performance and cost efficiencies were questionable. Although the Federal Acquisition Regulation does not allow for adjustments on a firm-fixed price contract as a result of the contractor's cost experience, the Defense Federal Acquisition Regulation Supplement Procedures, Guidance, and Information 242.7100 allows the Government to request a voluntary refund when the contracting officer concludes that the contractor overcharged the Government on a contract and the retention of the amount in question by the contractor would be contrary to good conscience and equity. Therefore, pursuant to the Defense Federal Acquisition Regulation Supplement using the procedures at Defense Federal Acquisition Regulation Supplement Procedures, Guidance, and Information 242.7100, PEO STRI officials should seek a voluntary refund from the contractor of funds related to any inflated labor costs and renegotiate the task order to incorporate the lower priced labor category that is currently being provided. Since the contractor advertised that it prides itself on providing cost savings and efficiencies to the Army, the contractor should welcome the opportunity to provide a voluntary refund in order to foster a cooperative environment and restore

faith in the contractor's ability to achieve cost savings and efficiencies for the Government while performing the \$11.2 billion Warfighter FOCUS contract. In this time of national fiscal difficulties and congressional and public concerns about wartime spending, it is crucial that the Government spends money prudently. We request that the Army reconsider its position and provide comments in response to the final report.

Finding B. Contract Oversight Needs Improvement

PEO STRI officials did not develop complete oversight processes or sufficiently document procedures for the Afghan Air Force pilot and English language training task order. Specifically, PEO STRI officials did not create an adequate QASP that contained metrics or written procedures for conducting oversight of the training. Furthermore, PEO STRI did not have a formal written agreement with NATC-A that defined NATC-A oversight procedures, including technical oversight qualifications or the frequency of technical oversight visits. PEO STRI officials stated that they did not consider including metrics and specific oversight procedures in the QASP because the subcontractor was providing training that was commercially available. PEO STRI officials also stated that they did not execute a formal written agreement with NATC-A because PEO STRI contracting personnel felt that sufficient oversight was in place as a result of ongoing and continuous informal communication. However, success of this training is critical for NATC-A to accomplish its mission of generating and sustaining the Afghan Air Force to enable accountable Afghan-led security. As a result, Army officials have limited assurance that effective contract oversight will continue for the approximately \$42.8 million Afghan Air Force pilot and English language training task order, consequently placing the future of the training of the Afghan Air Force at risk.

No Defined Contract Oversight Processes and Procedures

PEO STRI officials did not develop complete oversight processes or sufficiently document procedures for the Afghan Air Force pilot and English language training task order. Specifically, PEO STRI officials did not create an adequate QASP that contained metrics or written procedures for conducting oversight of the training. Furthermore, PEO STRI did not have a formal written agreement with NATC-A that defined oversight procedures.

Inadequate QASP

PEO STRI officials did not create an adequate QASP that contained metrics or written procedures for conducting oversight of the Afghan Air Force pilot and English language training. Federal Acquisition Regulation Part 46, “Quality Assurance,” states that quality assurance surveillance plans should be prepared in conjunction with the preparation of the statement of work. According to Federal Acquisition Regulation 46.401(a), “Government Contract Quality Assurance,” the QASP should specify all work requiring surveillance and the method of surveillance. PEO STRI contracting personnel created an overall QASP for the basic Warfighter FOCUS IDIQ contract that stated that the procuring contracting officer is ultimately responsible for the QASP. Additionally, a PEO STRI project director created a QASP specifically for the Afghan Air Force pilot and English language training task order.

The QASP for the basic Warfighter FOCUS IDIQ contract contained a subjective performance scale and inspection standards instead of defined metrics that related to the Warfighter FOCUS contract. For example, the QASP provided a performance scale that included exceptional, very good, satisfactory, marginal, and unsatisfactory ratings. The QASP defined exceptional performance as: “performance meets contractual requirements and exceeds many to the Government’s benefit,” and it defined very good performance as, “performance meets contractual requirements and exceeds some to the Government’s benefit.” The difference between “exceeds many” and “exceeds some” was subjective, and the difference was not defined in the QASP in a measurable way.

The Afghan Air Force pilot and English language training task order QASP did not include all of the work requiring surveillance. For example, the statement of work stated that the U.S. Government reserves the right to observe and monitor training at the training facilities, review student work, engage in spot testing of student accomplishments and proficiency, and to randomly test students using the contractor’s simulators and simulations. The QASP did not refer to this requirement or define how oversight personnel should monitor the requirement. Additionally, the QASP included specific tasks to be completed by the contractor; however, the requirements were written almost verbatim from the statement of work, and the QASP did not describe surveillance methods or metrics for those requirements. For example, the statement of work stated that “the contractor shall maintain an individual student training file, which includes all documents required for each student and a copy of the training file shall be delivered to the customer upon a student's graduation or exit from a course offering.” The QASP stated that “the contractor maintains individual student training files, which include all documents required for each student.” However, the QASP did not detail how or when the Government should determine whether the contractor was adequately maintaining the student files. Furthermore, the QASP did not provide oversight metrics for the TOR or other Government oversight personnel to use when evaluating the work performed on the task order. For example, the QASP stated that random sampling, periodic inspection, and customer survey and complaints are all acceptable surveillance methods but it did not provide detail on how each method should be performed or the frequency of performance.

PEO STRI personnel stated that they did not consider including metrics and specific oversight procedures in the QASP because the subcontractor was an accredited flight school providing standard pilot training that was commercially available; therefore, they believed that detailed oversight procedures were not necessary. PEO STRI personnel stated that the QASP was created with the assumption that the subcontractor was qualified to provide flight instruction. PEO STRI personnel stated that if the students demonstrated they were passing the training courses, there was no need to define specific metrics to perform task order oversight.

The lack of a defined QASP before the start of contract performance could result in gaps in contract surveillance and a lack of assurance that services were performed in accordance with the terms of the contract. Additionally, without a proper QASP, contracting officials had no standards for determining whether supplies or services

provided by contractors complied with contractual requirements and may not be able to prevent the waste of Government time and money. Furthermore, NATC-A officials could not be sure that they could accomplish their mission of generating and sustaining the Afghan Air Force to enable accountable Afghan-led security. PEO STRI contracting officials should develop a complete and comprehensive QASP for the Afghan Air Force task order.

No Formal Written Oversight Agreement

PEO STRI and NATC-A officials did not have a formal written agreement that defined TOR oversight qualifications or the frequency of TOR site visits. PEO STRI officials felt that sufficient oversight was in place as a result of ongoing and continuous informal communication.

TOR Oversight Qualifications

PEO STRI and NATC-A officials did not have a formal written agreement that included TOR oversight qualifications. TORs were assigned to the Warfighter FOCUS contract to be technical representatives for the contracting officer's representative. Specifically, TORs were assigned to monitor contractor performance and serve as the technical contact for the contractor to relay problems to the contracting officer's representative. It was essential that the TOR have proper qualifications to provide technical oversight for the Afghan Air Force pilot and English language training requirement. The current NATC-A appointed TOR was a Navy fixed-wing pilot; however, NATC-A did not appoint a TOR that had rotary-wing experience to evaluate the rotary-wing portion of the training. PEO STRI officials stated they planned to have NATC-A assign an additional TOR that had rotary-wing experience. However, PEO STRI did not formally require that the TORs assigned to the task order have either a fixed- or rotary-wing background, and had no assurance that future TORs would have aviation experience.

As of June 2011, 16 students were in ground school for the Afghan Air Force pilot and English language training and subcontractor personnel stated those students were projected to enter the flight training portion of the curriculum in November 2011. The task order requirement was for the contractor to train up to 80 pilots for the Afghan Air Force and NATC-A personnel expected that all 80 students would start the training by July 31, 2011. A TOR with aviation experience will become critical as more students pass the English language section of the training and subsequently enter ground school and flight training. The ACOR is capable of providing oversight of English language training without an aviation background; however, a TOR with aviation experience will help ensure that all 80 students are being properly trained.

Frequency of TOR Site Visits

When the task order was awarded, PEO STRI and NATC-A officials did not have a formal written agreement on the frequency of TOR visits. After the task order was awarded in September 2010, PEO STRI and NATC-A officials discussed the frequency of TOR visits to the training facilities. According to PEO STRI personnel, to maintain maximum oversight, the TOR should be permanently located at the training site. However, NATC-A personnel stated that they could not justify sending a representative

from their office to the training facilities as a permanent on-site TOR, and NATC-A officials would not formally agree to a defined TOR oversight schedule for visits to the Afghan Air Force pilot and English language training site.

In meetings between personnel at PEO STRI and NATC-A, PEO STRI program personnel requested that the TOR conduct site visits to the Afghan Air Force pilot and English language training site twice per month. NATC-A personnel responded that they could not assign a TOR to conduct a site visit every month; instead they stated they could provide personnel for an oversight visit every 60 days, or as their mission in Afghanistan allowed. No agreement on the frequency of TOR site visits was reached.

The frequency of the TOR visits remains unclear without an agreement in place. For example, the TOR designation letter stated that if the TOR is not located at the site with the training, the TOR is responsible for conducting a site visit every quarter, or when feasible. However, in January 2011, PEO STRI officials stated that the TOR and ACOR would conduct site visits during alternate months, and the PEO STRI Afghan Air Force pilot and English language training task order project director would go to the training site if the ACOR or TOR could not perform a site visit. In April 2011, both the TOR and his commanding officer at NATC-A stated that NATC-A planned to perform monthly oversight visits to the training facilities, and the ACOR planned to provide oversight visits when the TOR could not travel to the UAE. However, no such formal agreement was created by NATC-A and PEO STRI officials, and the ACOR conducted the next two site visits, in May and June 2011 without the TOR, further demonstrating the need for a formal written agreement on the frequency of TOR oversight visits.

A formal written agreement that specified when DoD personnel would perform oversight visits to the training facilities was necessary for sufficient contract oversight because DoD had no permanent presence at the training site, and the training was not located in

The numerous, informal references to TOR site visits, each with different expectations regarding the frequency of site visits ranging from twice per month to quarterly, further demonstrated the need for a formal written agreement.

Afghanistan. The numerous, informal references to TOR site visits, each with different expectations regarding the frequency of site visits ranging from twice per month to quarterly, further demonstrated the need for a formal written agreement. Current NATC-A personnel indicated that they would perform monthly visits; however, NATC-A had a high turnover of personnel, with the typical tour of duty lasting between 6 and 12 months. Therefore,

NATC-A can provide no assurance that monthly site visits will continue after current personnel rotate out of Afghanistan. Air defense and transportation are deemed critical to the mobility of the Afghan National Security Forces, and without consistent technical oversight by a trained pilot, PEO STRI and NATC-A are at risk of not obtaining 80 Afghan trained pilots who are proficient in English.

The TOR and ACOR assigned to the Afghan Air Force pilot and English language training task order performed a number of adequate surveillance techniques during their site visit to the training facility in the UAE in April 2011.⁴ Both the TOR and ACOR

The TOR and ACOR . . . performed a number of adequate surveillance techniques during their site visit to the training facility in the UAE in April 2011.

observed training classes, toured the student living facilities, and validated living conditions and life support services provided to the students to verify that the contractor was complying with the statement of work. However, if future TORs do not have an aviation background and the monthly site visits do not continue, PEO STRI and

NATC-A officials have limited assurance that the contractor will continue to meet the requirements defined in the statement of work because they did not formally agree to defined oversight processes and procedures. PEO STRI and NATC-A officials should create a formal written agreement that specifies the required TOR qualifications and the frequency of oversight visits.

Oversight of the Task Order

Army officials have limited assurance that effective contract oversight will continue for the approximately \$42.8 million Afghan Air Force pilot and English language training task order without documented oversight processes and procedures in place to transfer oversight when personnel rotate into and out of Afghanistan. The ACOR described the current transition process as “informally formal.” When the role of ACOR transitioned in March 2011, the current ACOR and the former ACOR had approximately a 2-week overlap. The former ACOR provided all of his documentation related to the Afghan Air Force pilot and English language training task order to the current ACOR but he did not provide guidance on how to create or organize the files for the next ACOR. The former ACOR stated that he organized the files as he would have expected to receive the information. Additionally, the current TOR stated that he received oversight documents for this task order from the prior TOR when he was appointed as the TOR in March 2011. While the ACOR and TOR received information from their predecessors, this was not a requirement. Further, contractor personnel stated several times that the current ACOR and TOR were “much more engaged” than the previous oversight personnel, demonstrating the inconsistency in oversight. Therefore, PEO STRI and NATC-A officials should create policies and procedures to require a continuity file to ensure continuous oversight of the Warfighter FOCUS task orders in Afghanistan during personnel transitions.

PEO STRI officials cannot be certain monthly visits by NATC-A will continue once new NATC-A personnel deploy to replace the current NATC-A personnel in Afghanistan without written oversight procedures or formalized agreements. PEO STRI officials maintain that informal oversight processes have worked so far; however, when 80 students enter ground school and flight training, maintaining monthly TOR site visits

⁴ The April 2011 site visit was a joint oversight trip with the TOR, ACOR, and personnel from the DoD Office of the Inspector General.

will become critical to ensure all 80 Afghan Air Force students are receiving proper training in fixed- and rotary-wing flight operations.

Conclusion

Air power is critical to the mobility of the Afghan National Security Forces, and NATC-A officials are striving to increase the Afghan Air Force's ability to plan and conduct operations in defense of their country. A proper QASP is essential for DoD to ascertain that the services for the Afghan Air Force pilot and English language training task order are performed in accordance with the task order requirements. PEO STRI officials had no way of measuring whether contract oversight was sufficient without a comprehensive surveillance plan. Furthermore, without a proper plan to oversee the Afghan Air Force pilot and English language training task order, NATC-A officials cannot ensure that they are increasing the Afghan Air Force's ability to plan and conduct operations in defense of Afghanistan. Given the importance of training Afghan Air Force pilots for the future of the Afghan Air Force and to end the U.S. mission in Afghanistan, having proper on-site DoD oversight is essential. NATC-A and PEO STRI officials should create a formal written agreement or Memorandum of Understanding that defines TOR qualifications as well as site visit processes and procedures.

Recommendations, Management Comments, and Our Response

B.1. We recommend that the Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation have the Warfighter Field Operations Customer Support procuring contracting officers:

a. Develop a complete and comprehensive quality assurance surveillance plan for the Afghan Air Force task order in accordance with Federal Acquisition Regulation Subpart 46.4, "Government Contract Quality Assurance."

Deputy Assistant Secretary of the Army for Procurement Comments

The Deputy Assistant Secretary of the Army for Procurement responded on behalf of the PARC at PEO STRI and agreed with the recommendation. He stated that PEO STRI developed and implemented a revised comprehensive QASP that established the method and frequency of surveillance, the performance objectives, and the metrics for assessing contractor performance. Additionally, he stated that the revised QASP also included a planned inspection calendar identifying the party responsible for performing oversight each month.

Our Response

The comments from the Deputy Assistant Secretary of the Army for Procurement were responsive, and no additional comments are required.

b. Develop and implement policies and procedures for establishing and maintaining an oversight continuity plan for all Warfighter Field Operations

Customer Support task orders that are the responsibility of the Alternate Contracting Officer's Representative in Afghanistan.

Deputy Assistant Secretary of the Army for Procurement Comments

The Deputy Assistant Secretary of the Army for Procurement responded on behalf of the PARC at PEO STRI and agreed with the recommendation. He stated that PEO STRI currently provides supplemental contracting officer's representative training and contract-specific training to every ACOR assigned to Southwest Asia. He also stated that PEO STRI implemented a contracting officer's representative tracking tool on April 4, 2011, that is used to nominate, appoint, and terminate all contracting officer's representatives or ACORs and allows contracting officer's representatives and ACORs to upload all surveillance reports.

Further, the Deputy Assistant Secretary of the Army for Procurement stated that PEO STRI officials began establishing a Warfighter FOCUS contract deskguide in October 2010 to provide continuity of oversight when a contracting officer's representative or ACOR is rotated. He stated that a draft deskguide is being pilot tested with the intent to fully implement the guide across the Warfighter FOCUS contract by the end of FY 2012.

Our Response

The comments from the Deputy Assistant Secretary of the Army for Procurement were responsive, and no additional comments are required.

B.2. We recommend that the Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation and the Commander, North Atlantic Treaty Organization Air Training Command-Afghanistan, create a formal written Memorandum of Understanding that specifies:

- a. **The qualifications required for the technical oversight representative.**
- b. **The frequency of technical oversight representative site visits.**

Deputy Assistant Secretary of the Army for Procurement Comments

The Deputy Assistant Secretary of the Army for Procurement responded on behalf of the PARC at PEO STRI and agreed with the recommendation. He stated that PEO STRI and NATC-A officials signed a memorandum of agreement on August 24, 2011, that specifies the qualifications for the TOR and the frequency of TOR visits. He also stated that the frequency of TOR visits is included in the QASP.

Commander, North Atlantic Treaty Organization Air Training Command-Afghanistan Comments

The Executive Director, United States Central Command Office of the Inspector General, responded on behalf of the Commander, NATC-A, and agreed with the recommendation.

He stated that the Commander, NATC-A, and PEO STRI officials have jointly authored a memorandum of agreement to ensure the required and continued oversight of the contract. He further stated that the memorandum of agreement specifies the qualification requirements and recommended deployment lengths for the TORs to reduce personnel turnover and allow for program continuity. He also stated that the memorandum of agreement identifies recommended site visit intervals and provides a planned inspection calendar that identifies the month, inspection responsibilities, and command responsible for performing the site visit. He stated that the objective inspection criteria that the contracting officer's representative and TOR will use during the site visits can be found in the revised QASP. Additionally, the memorandum of agreement stated that NATC-A will provide two TORs for the Afghan Air Force pilot and English language training task order, one TOR for fixed-wing training and one TOR for rotary-wing training.

Our Response

The comments from the Deputy Assistant Secretary of the Army for Procurement and the Executive Director, United States Central Command Office of the Inspector General, were responsive, and no additional comments are required.

B.3. We recommend that the Commander, North Atlantic Treaty Organization Air Training Command-Afghanistan, develop and implement policies and procedures for establishing and maintaining an oversight continuity plan for the technical oversight representative assigned to the Afghan Air Force pilot and English language training task order.

Commander, North Atlantic Treaty Organization Air Training Command-Afghanistan Comments

The Executive Director, United States Central Command Office of the Inspector General, responded on behalf of the Commander, NATC-A, and agreed with the recommendation. He stated that PEO STRI and NATC-A officials developed the revised QASP and the memorandum of agreement to ensure the standardized oversight and surveillance of the contract. He stated that both the rotary-wing and fixed-wing TORs will transition their duties to their successors in the same manner as all other duties at NATC-A. He stated that no further policies or procedures beyond the memorandum of agreement, revised QASP, and planned inspection calendar are necessary for continuity and standardization of inspection.

Our Response

The comments from the Executive Director, United States Central Command Office of the Inspector General, were partially responsive. The revised QASP requires that all surveillance records be maintained, preferably in a digital file with backup, and that the contracting officer's representative maintain copies of all inspections and performance records. The QASP also provides general guidance concerning the contents of the monthly observation report. However, the QASP did not specify where the file will be maintained or how the contents of the file will be transferred to ensure continuity. Further, the Director's response indicated that the TORs will transition their duties to their successors in the same manner as all other duties in NATC-A. However, the

Director did not define the current process used to transfer duties within NATC-A. We request that the Commander, NATC-A, provide additional comments in response to the final report explaining the process used to transfer duties within NATC-A.

Appendix A. Scope and Methodology

We conducted this performance audit from January 2011 through July 2011 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.

This is the second in a series of audits on contract W900KK-07-D-0001, the Warfighter FOCUS contract. We gathered available Warfighter FOCUS contract documentation covering the period of June 2007 through July 2011. We focused our review to determine whether PEO STRI obtained fair and reasonable prices for the goods and services on the Afghan Air Force pilot and English language training task order and appropriately defined contractor surveillance and oversight processes and procedures for the task order. We reviewed the Federal Acquisition Regulation and Defense Federal Acquisition Regulation Supplement criteria in our review of the Warfighter FOCUS contract. Additionally, we conducted site visits and interviewed personnel at the following locations:

- Program Executive Office for Simulation, Training, and Instrumentation, Orlando, Florida;
- Raytheon Technical Services Company, Orlando, Florida;
- Defense Contract Audit Agency, Dulles, Virginia;
- Defense Contract Management Agency, Dulles, Virginia;
- Defense Contract Management Agency, Orlando, Florida; and
- Horizon International Flight Academy, Al Ain, UAE.

We reviewed the Afghan Air Force pilot and English language training task order covering training performed in the UAE from December 2010 through July 2011. We reviewed contract and subcontract files for the task order valued at approximately \$42.8 million.

Use of Computer-Processed Data

We relied on computer-processed data from the Electronic Document Access Web site. Electronic Document Access is a web-based system that provides secure online access, storage, and retrieval of contracts and contract modifications to authorized users throughout DoD. We used documents retrieved from Electronic Document Access to review the Warfighter FOCUS basic contract background information. We compared the contract documentation obtained from Electronic Document Access to the contract documentation in the contract file at PEO STRI and verified that the documentation we obtained from Electronic Document Access was accurate. We are confident that the Electronic Document Access Web site was sufficiently reliable for the purpose of obtaining background information on the Warfighter FOCUS basic contract.

Prior Coverage

During the last 5 years, DoD has issued one report discussing the Warfighter FOCUS contract. Unrestricted DoD Inspector General reports can be accessed at <http://www.dodig.mil/audit/reports>.

DoD Inspector General

DoD Inspector General Report No. D-2011-066, “Incomplete Contract Files for Southwest Asia Task Orders on the Warfighter Field Operations Customer Support Contract,” June 1, 2011

Appendix B. Memorandum Issued to the Principal Assistant Responsible for Contracting, PEO STRI



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

June 2, 2011

MEMORANDUM FOR PRINCIPAL ASSISTANT RESPONSIBLE FOR CONTRACTING,
U.S. ARMY PROGRAM EXECUTIVE OFFICE FOR
SIMULATION, TRAINING, AND INSTRUMENTATION

SUBJECT: Observations Made During a Site Visit to the Afghan National Army Air Corps Training Site in UAE Related to Task Order 0242 of the U.S. Army's Warfighter Field Operations Customer Support Contract (Contract W90KK-07-D-0001)

We announced the audit of the pricing and oversight of the Afghan National Army Air Corps (ANAAC) pilot and English language training task order in January 2011. The audit objectives are to determine whether the U.S. Army Program Executive Office for Simulation, Training, and Instrumentation (PEO STRI) obtained fair and reasonable prices for the goods and services on the ANAAC pilot and English language training task order and appropriately defined contractor surveillance and oversight processes and procedures for the task order. The purpose of this memorandum is to inform PEO STRI management of observations the audit team made during a site visit to the ANAAC subcontractor training facility in Al Ain, United Arab Emirates (UAE) in April 2011 and to advise PEO STRI contracting personnel to perform due diligence when considering modifications to this task order. An audit report is forthcoming.

Background

PEO STRI contracting personnel issued firm-fixed-price (FFP) task order 0242 against the Warfighter Field Operations and Customer Support contract on September 17, 2010, for ANAAC pilot and English language training. The total value of the task order was approximately \$42.8 million.

The ANAAC pilot and English language training statement of work requires the contractor to provide fixed and rotary wing training for up to 80 pilots within Southwest Asia in support of establishing the Afghan Air Force. The training includes English language training, ground school, and fixed or rotary wing flight school, over 36 months. The subcontractor, located in Al Ain, UAE, provides student living accommodations, student training manuals, English language training, and fixed and rotary wing flight training. The prime contractor, Raytheon Technical Services Company (RTSC), employs an on-site program manager and three mentors with U.S. military aviation experience at the training facility. According to RTSC officials, the mentors convey military decorum and discipline; teach physical fitness standards; provide remedial and ad hoc colloquial American/English instruction if needed; serve as student advocates; conduct safety and welfare inspections of the housing areas; monitor subcontractor performance and training; accompany students on various training flights; and escort students from Al Ain, UAE, as necessary. Two U.S. Government personnel (an alternative contracting officer representative and technical oversight representative) were stationed in Afghanistan and assigned primary oversight responsibilities for this task order; in addition, they conducted monthly site visits to the subcontractor's training facility in UAE to observe contractor and

subcontractor performance. The alternate contracting officer's representative is assigned full-time to PEO STRI, while the technical oversight representative is assigned full-time to the North Atlantic Treaty Organization Training Mission Afghanistan (NTM-A)/Combined Security Transition Command Afghanistan (CSTC-A).

During our site visit to the training facilities and student housing in Al Ain, UAE, it appeared that the RTSC mentoring program is providing valuable assistance to the students in successfully completing the English and pilot training courses. However, we observed discussions among the U.S. Government, the contractor, and the subcontractor that may lead to the task order being administered as other than a FFP task order.

Uncertainties With Students' Education and Training Delays

PEO STRI contracting personnel awarded FFP task order 0242, valued at approximately \$42.8 million, to provide English language and pilot training to 80 students. However, uncertainties with task order requirements, including students' education levels and the passport and visa process, may lead to modifications and cost increases to the task order which, through either appearance or actual implementation, could create a cost-type contract action rather than a FFP task order.

The number of prospective ANAAC students and the students' education levels were uncertain at the time of task order award. Student pilot candidates were required to be commissioned officers in the Afghan National Army and to have attended the National Military Academy of Afghanistan or Officer Candidate School. However, NTM-A/CSTC-A personnel indicated that the student candidates' levels of education varied greatly. Additionally, according to the RTSC program personnel in UAE, most student pilots have a fifth-grade education level, but some do not possess basic mathematic skills. The subcontractor has incorporated flexibilities into the training schedule to accommodate differing education levels; however, the FFP task order did not provide pricing flexibility for the U.S. Government to address the limited numbers of qualified students and the varying education levels of the students. For example, the contract does not give consideration for alternate training if a student pilot cannot progress past an established training milestone, so that NTM-A/CSTC-A could still receive a return on investment from the training contract.

The process for obtaining passports and visas for the students has proven strenuous for the U.S. Government and has caused delays in the start of training. Obtaining the proper visas for the students was initially difficult due to administrative differences between the Afghan and UAE governments regarding the passports. These differences caused a 2-month delay in the arrival of students. Furthermore, according to NTM-A/CSTC-A personnel, the Afghan Ministry of Foreign Affairs issued passports to the ANAAC students but also issued incorrect and multiple UAE visas; the students should have received student visas only. During our site visit to UAE, subcontractor program personnel stated that they will no longer accept students who do not have the correct visa type. If the subcontractor is forced to turn students away from training because of visa problems, NTM-A/CSTC-A may not be able to meet the training schedule required in task order 0242. The total task order value is based on all 80 students receiving English language and pilot training by October 2013, the task order period of performance end

date. PEO STRI contracting personnel must pay the full task order price even if NTM-A/CSTC-A cannot provide 80 qualified students for the training.

Although PEO STRI contracting personnel have already negotiated a FFP for the training effort, uncertainties with task order requirements may lead to the modification of the task order to adjust the period of performance or otherwise modify the training schedule. If the contractor requests equitable adjustments to the FFP to accommodate changes, the task order may be administered as a cost-type contract action by continuously changing the price based on costs incurred by the contractor as a result of changing requirements.

Potential Contractor Requests for Funds

During our April 2011 site visit to the subcontractor's training facilities, we attended a meeting where RTSC officials indicated that they may request additional funds to continue to perform the task order. We are concerned that if PEO STRI provides additional funds, RTSC may not have an incentive to control costs.

RTSC's mentoring program is working well with the current ratio of mentors to students; however, as of April 2011, only 28 of the 80 students had arrived at the training site in UAE, and RTSC officials anticipated program changes once all 80 students arrived. RTSC officials indicated that they will not be able to maintain the same level of support once all 80 students arrive. Specifically, RTSC officials stated that there is not enough room in the student housing to provide an adequate area for all 80 students to socialize and eat meals together. Consequently, RTSC intended to construct an air-conditioned tent area. One RTSC official indicated that he would be addressing this request to PEO STRI, while another RTSC official stated that the subcontractor would bear the cost of a tent, at no cost to the Government. RTSC officials also stated that the support currently being provided by the mentors exceeded the support required by the task order and indicated that they may request funding to continue the current level of mentoring when the final ANAAC students arrive by mid-June 2011. However, the support being provided by the three mentors accurately reflects what RTSC proposed, which was incorporated into the task order.

Although PEO STRI contracting personnel issued a FFP task order, RTSC may request additional funds to continue the same level of performance currently being provided. NTM-A/CSTC-A requirements have not changed for this aspect of the task order because NTM-A/CSTC-A always intended that 80 students would be in training at the same time. PEO STRI contracting officials should enforce the terms of the FFP task order and not provide RTSC with additional funds for this work unless Government-generated requirements have changed. Additionally, PEO STRI contracting officials should not allow RTSC to define contract requirements.

When, or if, NTM-A/CSTC-A-generated requirements change, it is essential that the contracting officer perform due diligence prior to modifying the task order. PEO STRI contracting personnel are currently in the process of modifying the task order to incorporate additional requirements that were not included in the original statement of work. The contracting officer should perform a thorough cost analysis before negotiating a price and

modifying the task order, to ensure that the Government obtains a fair and reasonable price for these requirements.

Conclusion

According to the Federal Acquisition Regulation, a FFP contract places maximum risk on the contractor for all costs and resulting profit or loss and should be used when the risk involved is minimal or can be predicted with an acceptable degree of certainty. However, under this FFP task order, the Government bears a cost risk because of uncertainties with the requirements when the task order was awarded. If additional requirements continue to be added or if the task order value is increased for current requirements, PEO STRI contracting personnel run the risk of executing a FFP task order as a cost-type contract. As requirements continue to evolve, we caution the contracting officer against administering this task order as a cost-type contract action by continuously modifying the task order throughout the course of the training.

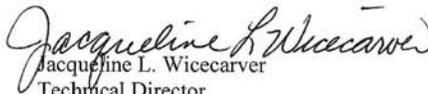
PEO STRI contracting personnel should remain diligent in analyzing future requirements procured through task order modifications. We encourage the contracting officer to scrutinize any requests for funding from the contractor to ensure that the contractor is not requesting additional funds for work that has already been negotiated. Further, with limited NTM-A/CSTC-A and PEO STRI oversight on the ground at the training site, it is essential that the contracting officer exercise caution when analyzing requirements proposed by the contractor, to ensure that the contractor is not developing requirements and that NTM-A/CSTC-A is getting the best value for the training.

Requested Actions

We request that the Principal Assistant Responsible for Contracting, PEO STRI, require PEO STRI contracting personnel to:

- use due diligence prior to modifying the task order to ensure that the contractor is not requesting additional funds for work that has already been negotiated; and
- perform a thorough cost analysis before negotiating a price and modifying the task order, to ensure that the Government is obtaining a fair and reasonable price for any additional Government generated changes to the task order.

We request that the Principal Assistant Responsible for Contracting, PEO STRI, provide comments on the requested actions no later than June 16, 2011. Please send management comments in electronic format (.pdf) to [REDACTED] and [REDACTED]. We will include this memo and management's comments to this memo in our draft and final audit reports on the ANAAC pilot and English language training task order. Please direct questions to me at [REDACTED], or to [REDACTED] at [REDACTED].


Jacqueline L. Wicecarver
Technical Director
Afghan Security Forces Group
Acquisition and Contract Management

Appendix C. Army Comments on the Memorandum



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
Program Executive Office
Simulation, Training and Instrumentation
12350 Research Parkway
Orlando, Florida 32826-3276

SFAE-STRI-K

15 June 2011

MEMORANDUM FOR [REDACTED], TECHNICAL DIRECTOR,
AFGHAN SECURITY FORCES GROUP, ACQUISITION AND CONTRACT
MANAGEMENT, 400 Army Navy Drive, Arlington, VA 22202-4704.

SUBJECT: Department of Defense (DoD) Inspector General (IG) Memorandum dated 2 June 2011, Observations Made during a Site Visit to the Afghan National Army Air Corps Training Site in the United Arab Emirates (UAE) Related to Task Order (TO) 0242 of the U.S. Army's Warfighter Field Operations Customer Support Contract (Contract W900KK-07-D-0001).

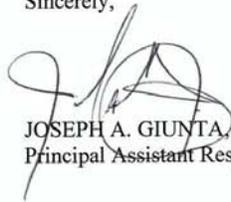
1. PEO STRI has reviewed the subject DoD IG Memorandum and concurs with the requested report's actions.
 - a. "Use due diligence prior to modifying the task order to ensure that the contractor is not requesting additional funds for work that has already been negotiated; and
 - b. Perform a thorough cost analysis before negotiating a price and modifying the task order, to ensure that the Government is obtaining a fair and reasonable price for any additional Government generated changes to the task order."
2. PEO STRI's Contract Instruction (CI) 005 provides policy and guidance for the preparation, review, and approval required for negotiated acquisitions or modifications. Any changes to the Afghan National Army Air Corps Training requirements would have to be formally requested and evaluated. PEO STRI would perform a thorough cost/price analysis in accordance with FAR 15.404 to ensure that the final agreed-to price is fair and reasonable. In addition, a Business Clearance Memorandum (BCM) would need to be prepared and approved demonstrating fulfillment of all statutory and regulatory responsibilities and would set forth the business decisions that occurred during the contracting process as approved by the Procuring Contracting Officer (PCO).
3. PEO STRI would like to thank the DoD IG for bringing to our attention, as a result of the UAE site visit, the potential cost growth areas where the contractor indicated they might request additional funding to continue performance on the contract. To date, none of the uncertainties have caused a change to the requirements or the contractor to request an equitable adjustment. However, we will continue to coordinate closely with the requiring activity to ensure that the proper contract administration and oversight activities are in place.

SFAE-STRI-K

SUBJECT: Department of Defense (DoD) Inspector General (IG) Memorandum dated 2 June 2011, Observations Made during a Site Visit to the Afghan National Army Air Corps Training Site in the United Arab Emirates (UAE) Related to Task Order (TO) 0242 of the U.S. Army's Warfighter Field Operations Customer Support Contract (Contract W900KK-07-D-0001).

4. If you have any further questions on this matter, please contact the undersigned at [REDACTED].

Sincerely,



JOSEPH A. GIUNTA, JR
Principal Assistant Responsible for Contracting

Assistant Secretary of the Army for Procurement Comments



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

SAAL-PK

SEP 13 2011

MEMORANDUM FOR THE DEPUTY INSPECTOR GENERAL FOR AUDITING,
ACQUISITION AND CONTRACT MANAGEMENT, 400 ARMY NAVY DRIVE,
ARLINGTON, VA 22202-4704

SUBJECT: Improved Pricing and Oversight Needed for the Afghan Air Force Pilot and
English Language Training Task Order (Project No. D2011-D000AS-0153.000)

1. The referenced report makes seven recommendations to the Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation. The Army non-concurs with three of the recommendations and concurs with four of the recommendations to the Audit report. My comments are enclosed.

2. My point of contact for this memorandum is [REDACTED]

Encl

A handwritten signature in black ink, appearing to read "Kim D. Denver", is positioned above the typed name.

Kim D. Denver
Deputy Assistant Secretary
of the Army (Procurement)

ENCLOSURE

Recommendations addressed to the Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation (PEO STRI):

Inflated Labor Costs:

A.1: Verify that the contractor uses the negotiated labor categories for future procurements.

A.2: Determine the amount of funds already paid for inflated labor costs and initiate action to recover the funds.

A.3: Renegotiate the Afghan Air Force pilot and English language training task order to incorporate the lower priced labor category that is currently being provided.

Response: In response to recommendations to A.1, A.2 and A.3 the Army Non-concurs. As this is, a firm-fixed price Task Order, PEO STRI would only be able to renegotiate or to recover allegedly inflated labor costs if this were a cost type contract or if there is defective pricing under the Truth in Negotiations Act (TINA). Per FAR 16.202-1, a firm-fixed-price contract provides for a price that is "not subject to any adjustment on the basis of the contractor's cost experience in performing the contract". The Government is only entitled to a price adjustment in situations involving "defective pricing data" per the TINA. In accordance with FAR 15.407-1(c), the contracting officer shall not re-price the contract solely because the profit was greater than forecasted.

Consistent with the Federal Acquisition Regulation (FAR), this effort is a performance based services acquisition. As such, the execution of the Warfighter Focus (WFF) contract is in accordance with the Department of Defense (DoD) "Performance-Based Service Acquisition Guidebook", dated 01 March 2001. The Guidebook, page 11, "Manpower Requirements And Labor Category Descriptions" states, "As reiterated throughout this guidebook, the key to performance-based acquisition is describing requirements in terms of measurable outcomes and not in terms of how to accomplish the requirement. This applies equally to labor category descriptions." It further states, "Since performance-based acquisition methodologies are results-oriented, agencies should not focus on contractor-proposed labor mixes after contract award as long as the desired outcome is achieved in accordance with the stated performance standards and any other requirements in the contract."

PEO STRI re-reviewed the three Mentor's resumes and reaffirms that the individuals hired meet the criteria of the "Principal Training and Development Specialist" labor category, even though they were hired at the lower "Senior Training and Development Specialist" labor rate.

As stated above, the Government is only entitled to a price adjustment in situations involving "defective pricing data" per TINA. Defective pricing is defined as any contracting action subject to TINA where the negotiated contract price including profit or fee was increased by a significant amount because the contractor (or a subcontractor) furnished to the Government cost or pricing data that was not complete, accurate, and current as of the date certified in the contractor's Certificate of Current Cost or Pricing Data.

To determine if this task order has defective pricing as defined in TINA, PEO STRI requested an audit from the Defense Contract Audit Agency on 17 August 2011 to evaluate the accuracy, completeness, and currency of the data verified by the Contractor at the time of certification. Should the audit reveal defective pricing, PEO STRI shall seek the price adjustment to which the government is entitled.

Contract Oversight Needs Improvement:

B.1.a: Develop a complete and comprehensive quality assurance surveillance plan (QASP) for the Afghan Air Force task order in accordance with FAR Subpart 46.4, "Government Contract Quality Assurance."

Response: Concur. PEO STRI developed and implemented a revised comprehensive QASP. The revised QASP established the method and frequency of surveillance, the performance objective and the metrics for assessing the performance of the contractor. The revised QASP also includes a planned inspection calendar that includes who is performing the inspection each month.

B.1.b: Develop and implement policies and procedures for establishing and maintaining an oversight continuity plan for all Warfighter Field Operations Customer Support task orders that are the responsibility of the Alternate Contracting Officer's Representative (ACOR) in Afghanistan.

Response: Concur. Currently PEO STRI provides supplemental COR training to every ACOR assigned to Southwest Asia. In addition to COR refresher training, all ACORs receive contract specific training. On 4 April 2011 PEO STRI implemented the COR Tracking Tool. This tool is utilized to nominate, appoint and terminate all COR/ACORs for new orders. Additionally the COR/ACOR upload all monthly reports, trip reports and other miscellaneous documentation as applicable to the tracking tool.

In October 2010, PEO STRI took the steps to establish a standardized WFF contract desk guide. This desk guide will provide continuity of oversight whenever a COR/ACOR is rotated. Currently a "draft" COR Desk Guide is being piloted and the intent is to fully implement the Desk Guide across the contract by end of FY12.

B.2.a and B.2.b: Create a formal written Memorandum of Understanding with Commander, North Atlantic Treaty Organization Air Training Command-Afghanistan (NATC-A) that specifies the qualifications required for the technical oversight representative and the frequency of technical oversight representative site visits.

Response: Concur. On 24 August 2011 PEO STRI and NATC-A signed a Memorandum of Agreement that specifies the qualifications for the Technical Oversight Representative (TOR) and the frequency of TOR visits that the revised QASP established.

United States Central Command Office of the Inspector General Comments



UNITED STATES CENTRAL COMMAND
OFFICE OF THE INSPECTOR GENERAL
7115 SOUTH BOUNDARY BOULEVARD
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23 August 2011

FOR: DEPARTMENT OF DEFENSE INSPECTOR GENERAL

SUBJECT: United States Central Command Response to Department of Defense Inspector General (DoDIG) Draft Report, "Improved Pricing and Oversight Needed for the Afghan Air Force Pilot and English Language Training Task Order" (DODIG Project D2011-D000AS-0153.000)

1. Thank you for the opportunity to respond to the recommendations presented in the DoDIG draft report.
2. Attached is the CSTC-A response to the recommendations. CENTCOM has no additional technical comments.
3. The Point of Contact is [REDACTED] Chief, External Assessments, USCENTCOM Inspector General, [REDACTED]


DUANE T. RACKLEY
GS-15, DAF
Executive Director

Enclosure
CSTC-A Response

**DODIG Draft Report Review
(DODIG D2011-D000AS-0153.000)**

“Improved Pricing and Oversight Needed for the Afghan Air Force Pilot and English Language Training Task Order”

SECTION I

COMMENTS TO THE DRAFT REPORT RECOMMENDATIONS (SEE PAGE 14)

For CSTC-A

Recommendation B.2. We recommend that the Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation (PEO STRI) and the Commander, North Atlantic Treaty Organization Air Training Command-Afghanistan, create a formal written Memorandum of Understanding that specifies:

- a. The qualifications required for the technical oversight representative.

CSTC-A RESPONSE: Concur w/ comment. The Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation (PEO STRI) and the Commander, North Atlantic Treaty Organization Air Training Command-Afghanistan (NATC-A), have jointly authored a Memorandum of Agreement (MOA) to ensure the required and continued oversight of Prime contracted efforts in Al Ain, UAE. The MOA specifies the qualification requirements and recommended deployment lengths for selected Technical Oversight Representatives (TORs) to reduce the personnel turnover frequency and allow for program continuity. Additionally, the MOA identifies recommended site visit intervals and attendance for both PEO STRI Contracting Officer Representatives (CORs) and NATC-A TORs (Planned Inspection Calendar). The Planned Inspection Calendar identifies the month, inspection responsibilities, and command responsible for performing the site visit. The objective inspection criteria used by the COR and TOR during site visits can be found in the revised Quality Assurance Surveillance Plan (QASP).

- b. The frequency of technical oversight representative site visits.

CSTC-A RESPONSE: Concur w/ comment. See Recommendation B.2.a response (above).

Recommendation B.3. We recommend that the Commander, North Atlantic Treaty Organization Air Training Command-Afghanistan, develop and implement policies and procedures for establishing and maintaining an oversight continuity plan for the technical oversight representative assigned to the Afghan Air Force pilot and English language training task order.

CSTC-A RESPONSE: Concur w/ comment. PEO STRI and NATC-A concurrently developed the revised QASP and MOA to ensure the standardized oversight and surveillance of contracted efforts at Al Ain, UAE for the duration of the contract. The Rotary Wing TOR and the Fixed Wing TOR will turn over their duties to their relief in the same manner as all other duties in NATC-A. No further policies or procedures beyond the MOA, revised QASP and Planned Inspection Calendar are necessary for continuity and standardization of inspection.



Inspector General Department of Defense

