Report No. DODIG-2013-007 October 26, 2012

Inspector General
United States Department of Defense

Award and Administration of Multiple Award Contracts at Naval Facilities Engineering Command Specialty Centers Need Improvement

Additional Copies

To obtain additional copies of this report, visit the Web site of the Department of Defense Inspector General at http://www.dodig.mil/audit/reports or contact the Secondary Reports Distribution Unit at auditnet@dodig.mil.

Suggestions for Audits

To suggest or request audits, contact the Office of the Deputy Inspector General for Auditing at auditnet@dodig.mil or by mail:

Department of Defense Office of Inspector General
Office of the Deputy Inspector General for Auditing
ATTN: Audit Suggestions/13F25-04
4800 Mark Center Drive
Alexandria, VA 22350-1500

Acronyms

BCM	Business Clearance Memorandum
BMS	Business Management System
COR	Contracting Officer's Representative
EXWC	Engineering and Expeditionary Warfare Center
DFARS	Defense Federal Acquisition Regulation Supplement
FAR	Federal Acquisition Regulation
IDIQ	Indefinite-Delivery, Indefinite-Quantity
IGCE	Independent Government Cost Estimate
MAC	Multiple Award Contract
NAVFAC	Naval Facilities Engineering Command
NFELC	Naval Facilities Expeditionary Logistics Center
NFESC	Naval Facilities Engineering Service Center
NTR	Navy Technical Representative
QASP	Quality Assurance Surveillance Plan
RFTOP	Request for Task Order Proposal
SCAN	Specialty Center Acquisition, NAVFAC

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500

October 26, 2012

MEMORANDUM FOR NAVAL INSPECTOR GENERAL

SUBJECT: Award and Administration of Multiple Award Contracts at Naval Facilities Engineering Command Specialty Centers Need Improvement (Report No. DODIG-2013-007)

We are providing this report for information and use. This is the second in a series of audits of multiple award contracts for services. Contracting officials at Specialty Center Acquisition Naval Facilities Engineering Command generally provided contractors fair opportunity to compete for task orders awarded under multiple award contracts. However, they did not send solicitations or amended solicitations to all contractors under the multiple award contract on two task orders, valued at $16.4 million; prepare adequate fair and reasonable price determinations on six task orders awarded having only one proposal, valued at $45.6 million; or prepare adequate fair and reasonable price determinations on nine modifications, valued at $3.8 million. In addition, contracting officer's representatives at the Naval Facilities Engineering Service Center did not perform adequate surveillance on 18 task orders reviewed or review invoices for cost-type contracts which included unsupported other direct costs, totaling $556,590.

The Department of the Navy comments on a draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9077 (DSN 664-9077).

Jacqueline L. Wicecarver

Jacqueline L. Wicecarver
Assistant Inspector General
Acquisition and Contract Management

Results in Brief: Award and Administration of Multiple Award Contracts at Naval Facilities Engineering Command Specialty Centers Need Improvement

What We Did

This is the second in a series of audits of multiple award contracts (MACs) for services. We reviewed MAC task orders for services at Naval Facilities Engineering Command (NAVFAC) Specialty Centers to determine whether the task orders were properly competed, and whether contracting officer's representatives (COR) performed adequate oversight. We reviewed 20 task orders, valued at $101.2 million, awarded under 4 MACs.

What We Found

Contracting officials at Specialty Center Acquisition, NAVFAC (SCAN) generally provided contractors a fair opportunity to compete for task orders awarded under MACs. However, contracting officials limited competition for two task orders by not sending the solicitation or amended solicitation to all contractors under the MAC because they believed that they had the authority to exclude contractors from receiving the solicitation. In addition, contracting officials did not adequately determine price reasonableness on six task orders awarded having only one proposal, valued at $45.6 million, and on nine modifications with prices increases, valued at $3.8 million, because they relied on unsupported independent Government cost estimates (IGCE) to make their determinations. As a result, NAVFAC did not have assurance that the services acquired resulted in a fair and reasonable price for DoD.

CORs at Naval Facilities Engineering Service Center (NFESC) did not perform adequate surveillance on 18 task orders, valued at $100.2 million. Contracting officers and the CORs did not understand quality assurance surveillance plan requirements; the contracting officers misinterpreted the internal contract administration policy; and the CORs relied on unauthorized NAVFAC personnel to perform surveillance functions, including reviewing invoices which included unsupported other direct costs, totaling $556,590. As a result, SCAN did not have assurance that the contracted services were received.

What We Recommend

We recommend the Director, SCAN:

- verify that all contractors under a MAC contract receive the Request for Task Order Proposal, even if the request is amended to incorporate changes.
- verify that the IGCEs and fair and reasonable price determinations are adequately supported.

We recommend the Director, SCAN, coordinate with the Commander, NFESC, to require:

- Contracting officers to appoint a COR for each task order.
- CORs to document surveillance performed and report progress to the contracting officer.

Management Comments and Our Response

The Commanding Officer, Naval Facilities Engineering and Expeditionary Warfare Center, agreed with the recommendations, and the comments were responsive. No further comments are required. Please see the recommendations table on the back of this page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Director, Specialty Center Acquisition, NAVFAC		A, B.1, B.2, B.3 and B.4
Commander, Naval Facilities Engineering Service Center		B.1

Table of Contents

Introduction

Objectives

This is the second in a series of audits of multiple award contracts (MACs) for services. The objectives were to determine whether task orders under MACs for professional, administrative, and management support services were properly competed among all awardees and whether contracting officer's representatives (COR) performed adequate oversight, including reviewing invoices. See Appendix A for a discussion of the scope and methodology and Appendix B for prior coverage related to the objectives.

Background

A MAC is a group of indefinite-delivery, indefinite-quantity (IDIQ) contracts used by DoD customers to obtain services. Specifically, all IDIQ contractors with contracts in the group are to be given fair opportunity to compete for award of a task order. Multiple award contracting enables the Government to procure services more quickly using streamlined acquisition procedures while taking advantage of competition to obtain optimum prices. Federal Acquisition Regulation (FAR) Subpart 16.5, "Indefinite-Delivery Contracts," establishes a preference for making multiple awards of indefinite-quantity contracts under a single solicitation for the same or similar services to two or more sources.

The Defense Federal Acquisition Regulation Supplement (DFARS) 207.170-2, "Definitions," defines a MAC as a multiple-award-schedule contract issued by the General Services Administration and the Department of Veterans Affairs as described in FAR Subpart 8.4, "Federal Supply Schedules;" a multiple award task order or delivery order contract issued in accordance with FAR Subpart 16.5, or any other IDIQ contract that an agency enters into with two or more sources for the same line item under the same solicitation.

Naval Facilities Engineering Command

The Naval Facilities Engineering Command (NAVFAC) is headquartered at the Washington Navy Yard in Washington, D.C. NAVFAC manages planning, design, construction, contingency engineering, real estate, environmental, and public works support for U.S. Navy shore facilities all over the world. With an annual volume of business of more than $18 billion, NAVFAC also provides best value facilities engineering and acquisition services for the Navy and Marine Corps, Unified Commanders, and other DoD agencies. NAVFAC has 12 component commands, 3 specialty centers[1] (Naval Facilities Expeditionary Logistics Center, Naval Facilities Engineering Service Center, and Naval Crane Center), and 4 specialty organizations

[1] On October 1, 2012, the NAVFAC Engineering and Expeditionary Warfare Center was established and Naval Facilities Expeditionary Logistics Center**,** Naval Facilities Engineering Service Center, and Specialty Center Acquisition, NAVFAC became part of that organization.

(NAVFAC Contingency Officer, Naval Facilities Institute, NAVFAC Information Technology Center, and Specialty Center Acquisition, NAVFAC [SCAN]). This audit addresses task orders that SCAN contracting officers awarded on behalf of two specialty centers located at Port Hueneme, California. This audit also addresses the Naval Facilities Institute, also located at Port Hueneme, California, that develops and maintains NAVFAC acquisition processes and procedures.

Naval Facilities Expeditionary Logistics Center

The Naval Facilities Expeditionary Logistics Center (NFELC) is located on the Naval Base Ventura County in Port Hueneme, California. NFELC is a NAVFAC Specialty Center and provides asset management for the Navy Expeditionary Combat Command and other expeditionary forces and is responsible for life-cycle management of equipment and materials. Additionally, NFELC supports wartime maintenance and mobilization of naval construction force equipment and mobile utilities. NFELC reports to the NAVFAC Headquarters in Washington D.C. The MACs included in this audit were issued under the NFELC DoD Activity Address Code.[2]

Naval Facilities Engineering Service Center

The Naval Facilities Engineering Service Center (NFESC) is co-located with NFELC in Port Hueneme, California. NFESC is a NAVFAC Specialty Center and delivers products and services for shore, ocean, and waterfront facilities; energy and utilities; environmental; and amphibious and expeditionary systems. NFESC was established on October 1, 1993, to consolidate the missions of six NAVFAC components. NFESC supports NAVFAC Headquarters, NAVFAC Echelon III and IV commands, the NAVFAC Expeditionary Programs Office, and other commands involved with expeditionary engineering, anti-terrorism/force protection, ocean facilities, public works, capital improvements, asset management, and environmental projects. CORs at NFESC personnel were responsible for surveillance on the task orders discussed in Finding B.

Specialty Center Acquisition, NAVFAC

SCAN, is co-located with NFELC in Port Hueneme, California. SCAN provides acquisition support for research and development services and hardware, equipment prototypes, non-standard and technically complex items, anti-terrorism/force protection, expeditionary equipment and services, and procurement services for NFELC and NFESC. SCAN contracting officers issued all 4 MACS and all 20 task orders discussed in Finding A. See Appendix C for a list of task orders reviewed.

Naval Facilities Institute

The Naval Facilities Institute is co-located with NFELC in Port Hueneme, California. The Naval Facilities Institute is a NAVFAC specialty organization. The Naval Facilities Institute is responsible for providing acquisition policy and doctrine support, acquisition community management support, training management, and conducts annual workforce

---

[2] A six position code that uniquely identifies a unit, activity, or organization that has the authority to requisition or receive material.

and command surveys. The Naval Facilities Institute developed the Business Management System (BMS) that NAVFAC contracting officials are to follow when awarding task orders.

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 in surveillance of task orders. Specifically, contracting officials at SCAN did not develop quality assurance surveillance plans (QASP) for task orders awarded under MACs because they did not understand QASP requirements. In addition, the CORs at NFESC did not perform on-site inspections, document surveillance of contractor performance, document approval of deliverables, or review invoices because unauthorized NAVFAC personnel performed the surveillance. We will provide a copy of the report to the senior official responsible for internal controls at NAVFAC.

Finding A. Competition Was Generally Proper, but Price Reasonableness Determinations of Task Orders at SCAN Could Be Improved

Contracting officials at SCAN provided contractors fair opportunity to compete for 18 task orders, valued at $84.9 million, of the 20 task orders reviewed. However, contracting officials did not send the Request for Task Order Proposal (RFTOP) or an amended RFTOP to all contractors under the MAC on two task orders, valued at $16.4 million. In addition, contracting officials did not make proper price reasonableness determinations. Specifically, contracting officials did not:

- adequately document and support their fair and reasonable price determinations on six task orders awarded, valued at $45.6 million, that had only one contractor proposal and

- prepare adequate fair and reasonable price determinations on 9 task order modifications, valued at $3.8 million.

Limited competition occurred because one contracting official did not send the RFTOP to all contractors because of a reported performance problem with one contractor and another contracting official did not send the updated RFTOP to all contractors under the MAC after making two major amendments to the initial RFTOP. In addition, contracting officials relied on unsupported independent Government cost estimates (IGCEs) when making price reasonableness determinations on awards where only one contractor proposal was received. As a result, contracting officials did not have assurance that NAVFAC obtained a fair and reasonable price for the six task orders,[3] valued at $45.6 million, and nine task order modifications, valued at $3.8 million.

Fair Opportunity Generally Provided

Contracting officials provided contractors fair opportunity on 18 task orders, valued at $84.9 million, of the 20 task orders reviewed. However, contracting officials did not send the RFTOP or amended RFTOP to all contractors under the MAC for the remaining two task orders, valued at $16.4 million. See Appendix D for a summary of competition and price reasonableness issues.

Task Order 14

A contracting official did not provide fair opportunity to compete to all contractors for task order 14, valued at $206,177, awarded under contract N62583-09-D-0061. In this

[3] The six task orders without adequately documented fair and reasonable price determinations included the two task orders where all the contractors did not have a fair opportunity to compete.

regard, the contracting official sent the RFTOP to only two of the three contractors under the MAC. The contracting official improperly followed direction from the NFELC Integrated Logistics Support COR who requested omitting the third contractor from receiving the solicitation. Specifically, the COR stated in a February 8, 2011, e-mail:

> please send [RFTOP] out to [contractor A] and [contractor B] for Bids. I believe that this is a HOT job due to the funding issue. Do NOT send this job to [contractor C] for Bid as this job is Training related. [Contractor C] has still not completed their one and only Training Related job, poor past performance in the Training area.

FAR 16.505(b)(1)(i), "Orders under multiple award contracts," states that the contracting officer must provide each contractor fair opportunity to compete for every task order more than $3,000 awarded under a MAC. Further, FAR 16.505(b)(1)(ii)(B) states that the contracting officer shall not use any method that would prevent all vendors from getting a fair opportunity. The contracting officer did not have the authority to limit competition by excluding one contractor under a MAC from receiving the solicitation for the task order. SCAN should ensure that all contractors under a MAC receive the solicitation, even if one contractor is underperforming. The technical evaluation is the tool that should be used to eliminate underperforming contractors from consideration.

Task Order 7

Contracting officials did not provide specific requirements in the initial RFTOP for task order 7, valued at $16.2 million, awarded under contract N62473-07-D-4020, resulting in limited contractor competition. FAR 15.206(a) states that the contracting officer shall amend the solicitation when the Government changes its requirements or terms and conditions either before or after receipt of proposals. FAR 15.206(c) states that an amendment issued after the established time and date for receipt of proposals shall be issued to all offerors that have not been eliminated from the competition. FAR 15.206(e) requires the contracting officer to cancel an original solicitation and issue a new one if an amendment issued after offers have been received is so substantial that additional sources likely would have submitted offers had the amendment been known to them.

Contracting officials sent the initial RFTOP for sustainment of equipment at Navy installations worldwide to four contractors. One contractor submitted a proposal and two contractors did not respond. The fourth contractor submitted a no-bid response stating that the lack of specific information (including manufacturing information, part numbers, serial numbers, technical data, obsolescence criteria, and pricing of spares) resulted in too much risk. Upon review, contracting officials determined that the only proposal received was not fair and reasonable and was not eligible for award. Instead of preparing a new RFTOP, the contracting officer requested that the RFTOP be amended to establish a separate contract line item for conducting site surveys and developing a complete inventory list of equipment to be sustained under the task order. There upon, the contracting officials amended the solicitation to revise the requirements but did not notify all four contractors that the solicitation had been amended. The contracting officer explained that he would have lost time reissuing a solicitation after working out amended changes with the one contractor who submitted a proposal. The contracting officer

should have provided fair opportunity for all contractors on the MAC to either bid on the amended RFTOP or bid on a new solicitation.

Price Reasonableness Not Adequately Documented

Contracting officials received only one proposal on 6 task orders, valued at $45.6 million, of the 20 task orders reviewed, and did not adequately document and support that the prices obtained were reasonable. In addition, contracting officials either did not prepare or maintain adequate documentation to support that the prices were reasonable for nine modifications on six task orders with price increases, valued at $3.8 million.

Contracting officials either did not prepare or maintain adequate documentation to support that the prices were reasonable for nine modifications on six task orders with price increases, valued at $3.8 million.

FAR 15.402, "Pricing Policy," requires contracting officers to purchase supplies and services from responsible sources at fair and reasonable prices. FAR 15.404-1, "Proposal Analysis Techniques," states that historical costs, cost realism analysis, and IGCE can be used to evaluate price reasonableness.

Price Reasonableness Not Adequately Documented on Initial Award

For the six task orders with only one bid, contracting officers used business clearance memorandums (BCM) that included using IGCEs as support for price reasonableness determinations but did not document the basis and support for the estimates in the contract file. For example, the contracting officer for task orders 7 and 8, awarded under contract N62473-07-D-4020, reported price reasonableness determinations in the BCMs without basis for them in the IGCEs or in the contract file. The alternate COR confirmed that a support contractor prepared the IGCEs but explained that the Government provided input and guidance for the preparation of the estimates and that he reviewed the IGCEs. The IGCEs on task order 7 and 8 were not signed and dated. In addition, the support contractor that developed the IGCE for task order 7 had previously been awarded a task order under another contract to develop the inventory list needed for task order 7 but, according to the BCM for task order 7, "was ultimately unable to provide deliverables that fully met requirements, leaving major shortfalls in needed equipment data." In another example, the Navy Technical Representative (NTR) for task order 3, awarded under contract N62583-09-D-0068, stated that he prepared the IGCE based on his experience with cost estimate figures and labor hours for that type of work, but he did not reference the historical data in the contract file that formed the basis for his experience. The contracting officials should verify that Government review of the IGCE is documented and the basis for the IGCE has supportable data to provide assurance that contracting officials negotiate awards that result in a fair and reasonable price. In addition, contracting officials should maintain complete contract file support for fair and reasonable price determinations.

Price Reasonableness Not Adequately Documented on Task Order Modifications

For eight of the nine task order modifications, contracting officials compared price proposals to the IGCEs; however, the IGCEs did not document the basis and have supportable data for the estimates. The contracting officer awarded the remaining task order modification without having an IGCE prepared. For example, a contracting officer issued modification 1 to task order 31, awarded under contract N62583-09-D-0064, increasing the price by $250,753, without obtaining adequate analysis and documentation supporting that the price increase was fair and reasonable. Modification 1 resulted in a 44 percent price increase of the initial task order award of $574,460. According to the price negotiation memorandum, the NTR prepared the IGCE based on his knowledge and experience but the IGCE did not reference historical cost data for support.

In another example, a contracting officer issued three modifications to task order 34, awarded under contract N62583-09-D-0064, increasing the price by $609,773 (41 percent), without the contracting officer obtaining adequate documentation that the price increases were fair and reasonable. The price negotiation memorandum for modification 1, valued at $254,482, contained no explanation of how the IGCE was developed. The price negotiation memorandums for modifications 2 and 3, totaling $355,291, stated that the IGCE was prepared by the NTR based on his knowledge and expertise. Contracting officials did not have supporting documentation available to support the reasonableness of the cost estimates.

Contracting officials for the nine task order modifications did not have supportable cost estimates available when making their fair and reasonable price determinations.

Contracting officials should verify that IGCEs include adequate documented support for cost estimates and maintain complete contract file support for fair and reasonable price determinations on negotiated task orders and modifications. In addition, contracting officials should make sure that Naval Facility Engineering Command personnel prepare the IGCEs or document their review and acceptance of an IGCE prepared by a contractor. An adequately supported price reasonableness determination is critical, especially when only one proposal is received to provide assurance that the Government obtains a fair and reasonable price on the purchase.

Conclusion

Although contracting officials generally competed and received multiple proposals for task orders under MACs to support fair opportunity, they awarded 2 of the 20 task orders without giving all potential contractors an opportunity to compete. In addition, contracting officials did not adequately document that price reasonableness was achieved on six task orders that had only one contractor proposal. Also, contracting officials either did not prepare or did not maintain adequate documentation to support that the prices were reasonable for nine modifications made to task orders with price increases. As a result, contracting officials did not have assurance that the Government obtained a fair

and reasonable price for six task orders and nine task order modifications issued under the four MACs.

Recommendations, Management Comments and Our Response

A. We recommend the Director, Specialty Center Acquisition, Naval Facility Engineering Command, establish procedures that require:

1. Verification that the contracting officer sends the Request for Task Order Proposal to all contractors under the multiple award contracts.

Department of the Navy Comments

The Commanding Officer, responding on behalf of the Naval Facilities Engineering and Expeditionary Warfare Center (NAVFAC EXWC) Acquisition Director (formerly known as SCAN Director), agreed, stating that the NAVFAC EXWC Acquisition Director will establish a procedure to verify that an issuing officer sends the RFTOP to all contractors under a MAC. In addition, NAVFAC EXWC will establish a process to periodically review and report compliance with the new procedure.

2. Notification to all contractors when a solicitation is amended to incorporate significant requirement changes.

Department of the Navy Comments

The Commanding Officer agreed, stating that the NAVFAC EXWC Acquisition Director will establish a procedure to verify that an issuing officer sends a significant amendment to all contractors under a MAC, and establish a process to periodically review and report compliance with the new procedure.

3. Verification that the independent Government cost estimates includes adequate documentation to support cost estimates.

Department of the Navy Comments

The Commanding Officer agreed, stating that the NAVFAC EXWC Acquisition Director will develop a checklist based on minimum IGCE adequacy criteria and required documentation established by the Under Secretary of Defense for Acquisition, Technology, and Logistics. He stated that additional corrective action will include a workshop to assist contracting officers and specialists on methods to evaluate an IGCE for adequacy and reasonableness prior to use in any price or cost analysis.

4. Either preparation of the independent Government cost estimate by Naval Facility Engineering Command personnel or documentation of review and acceptance by Naval Facility Engineering Command personnel of an independent Government cost estimate prepared by a contractor.

Department of the Navy Comments

The Commanding Officer agreed, stating that the NAVFAC EXWC Acquisition Director will work with the EXWC business lines to develop, coordinate and implement appropriate and effective corrective actions.

5. Maintenance of complete contract file supporting documentation for fair and reasonable price determinations.

Department of the Navy Comments

The Commanding Officer agreed, stating that the NAVFAC EXWC Acquisition Director will establish procedures that identify the supporting data required and establish a process to report compliance with the new procedure. In addition, he stated that assistance will be made available to contracting officers and specialist on the types of support data required for fair and reasonable price determinations.

Our Response

Comments from the Commanding Officer were responsive to all recommendations, and no further comments are required.

Finding B. SCAN and NFESC Personnel Need to Improve Surveillance of Task Orders

Contracting officials at SCAN and CORs at NFESC did not perform adequate surveillance on 18 task orders[4] reviewed, valued at $100.2 million. Specifically, contracting officials designated one COR to perform surveillance on all task orders issued under each of the three MACs reviewed. In addition, the contracting officials and the CORs did not prepare a QASP for each task order. Finally, the CORs did not perform the duties listed in COR designation letters. Specifically, the CORs did not:

- perform onsite inspections,
- document surveillance of contractor performance,
- document approval of deliverables, and
- review invoices for cost-type contracts where we identified the payment of unsupported other direct costs totaling $556,590.

This occurred because contracting officers misinterpreted the internal contract administration policy regarding the appointment of CORs, contracting officers and the CORs not understanding QASP requirements, and the CORs relying on unauthorized NAVFAC personnel to perform surveillance functions, including reviewing invoices. In addition, one COR, one alternate COR, and six unauthorized NAVFAC personnel either did not take COR training or did not receive up-to-date COR training. As a result, contracting officials and the CORs did not have assurance that services paid for were received and the Government's interests were adequately protected.

CORs Not Designated for Each Task Order

Contracting officials assigned one COR to be responsible for the surveillance of all task orders awarded under each MAC. The following table on page 11 shows how many task orders were awarded under each MAC at the time of our visit to SCAN in October 2011.

[4] As of October 2011, contractors had not started work on the remaining two NFELC task orders reviewed under MAC 4.

Table 1. Total Task Orders Awarded Under Each MAC as of October 12, 2011

MAC	Number of IDIQ Contracts Under MAC	MAC Description	Number of Task Orders Awarded	Number of Task Orders Reviewed
MAC 1	4	Antiterrorism Force Protection Equipment Installation and Maintenance	43	6
MAC 2	5	Ocean Facilities Engineering Support Services	91	8
MAC 3	5	Barrier, Mooring, and Marine Facility Support Services	34	4

The contracting officers assigned one COR to each MAC instead of to each task order because they misinterpreted BMS Policy Subsection S-18.3.6.6, "Appoint Contracting Officer's Representative/Alternate Contracting Officer's Representative," April 2011, which states that a contracting officer shall "appoint CORs/ACORs in writing prior to award of a contract action to assist in the technical monitoring or administration of a contract. . . . Only one COR/ACOR may be appointed per contract." This contradiction in the NAVFAC internal policy caused contracting officials to incorrectly believe that only one COR could be designated for each MAC. In the case of MAC 2, this resulted in one COR being responsible for surveillance on 91 task orders with work being performed worldwide.

FAR 1.602-2, "Responsibilities" clearly states that contracting officers shall appoint a properly trained COR in writing for all contracts and orders "other than those that are firm-fixed price, and for firm-fixed price contracts and orders as appropriate." CORs serve a critical and vital role in assuring contractors meet the performance requirements of the contract in terms of cost, quality, quantity, schedule, and price. Accordingly, contracting officials should have appointed a COR to each task order. By not appointing a COR to each task order, contracting officials did not have assurance that CORs were providing adequate surveillance over the workload assigned to them to verify NAVFAC was obtaining the services being paid for and that the quality of services met the task order requirements. To correct this condition, SCAN should request a modification to the NAVFAC policy on acquisitions to be consistent with the FAR. Also, SCAN contracting officers should appoint a COR for each task order.

QASPs Not Prepared

Contracting officers and CORs did not prepare QASPs for any of the 18 task orders reviewed, valued at $100.2 million. FAR Subpart 46.4, "Government Contract Quality Assurance," states that QASPs should be prepared in coordination with the performance work statement. FAR Subpart 37.6, "Performance-Based Acquisitions," adds that the performance work statement should include measureable performance standards and the

methodology for assessing contractor performance against performance standards. In addition, FAR Subpart 46.4 states that the QASP should address the frequency of surveillance and the location. The QASP should also identify all work requiring surveillance and the type of surveillance. The surveillance can be performed at any time or location deemed necessary to verify that services conform to contract requirements.

However, CORs stated that they were not aware that a QASP was required, what a QASP was, or how it should be used. For example, the COR for MAC 1 stated that he did not prepare a QASP but stated that the contractor prepared a quality assurance plan. The contractor developed a quality assurance plan for its use to ensure that services met the Government's requirement in the performance work statement. However, the quality assurance plan is not the same as a QASP. A QASP is developed by DoD to monitor the quality of a contractor's performance, provide the COR with a proactive way to avoid unacceptable or deficient performance, and provide verifiable input for future required past performance assessments. Confusing the contractor-prepared quality assurance plan with the DoD-prepared QASP indicates a lack of understanding by the COR on the use of a basic contract surveillance tool. In this regard, the Director of Contracting stated that she was unaware that a QASP was not being used by the CORs and that she did not know why the Contract Review Board had not addressed this area.

CORs stated that they were not aware that a QASP was required, what a QASP was, or how it should be used.

Contracting officers, in conjunction with CORs, should develop QASPs before task order award to provide requirements for COR monitoring and reporting of contractor progress and provide instruction for acceptance of contract deliverables. In addition, the contracting officer and COR should develop a QASP that provides measurable metrics to evaluate contractor performance and that will provide set time frames for frequency of reporting relevant to the subject contract. Also, the QASP should identify who has responsibility for surveillance, and be signed and dated before the start of the task order performance period.

CORs Did Not Perform Surveillance as Delegated and NAVFAC Personnel Performed Surveillance Without Proper Authority

CORs did not perform surveillance as delegated on the 18 task orders reviewed, valued at $100.2 million. The three CORs assigned to each of the three MACs did not perform the duties listed in the COR designation letter. Specifically, they did not perform onsite inspections, document surveillance of contractor performance, document approval of deliverables, or review cost-type invoices. Generally, the COR designation letters required the COR to periodically monitor the contractor's performance to ensure that charges were correct, review and provide comments on contractor's progress reports, and certify in writing their inspections and acceptance of the services performed.

CORs did not perform surveillance as delegated on the 18 task orders reviewed, valued at $100.2 million.

The CORs assigned to each task order should maintain written support for inspection and acceptance of deliverables. Also, the CORs should document their surveillance activities and report their progress to the contracting officer.

The CORs relied on unauthorized NAVFAC personnel, specifically Navy Technical Representatives (NTR)[5] and project execution coordinators, to perform surveillance functions on 15 of the 18 task orders reviewed. Contracting officers did not prepare NTR appointment letters outlining the roles and responsibilities of the NTRs for 12 task orders reviewed. In addition, project execution coordinators performed surveillance on three task orders without proper authority. According to the Naval Facilities Acquisition Supplement 1.602-2(b), "Navy Technical Representative (NTR)," contracting officials are required to formally appoint individuals as NTRs by appointment letter before task order award. BMS Policy S-18.3.6 states that a contracting officer shall formally appoint NTRs in writing and NTRs will acknowledge the appointment by signing and dating. NTR appointment letters define the scope and limitations of the NTR. NTRs are responsible to the contracting officer, through the COR, for the responsibilities delegated to them in the NTR appointment letter. The CORs acted as administrators while the NTRs and project execution coordinators performed surveillance functions. The CORs believed that they could rely on the NTRs to perform surveillance functions because the COR designation letters contained guidance allowing the appointment of NTRs to assist in executing the COR functions. CORs improperly relied on NTRs to monitor task orders without properly signed and dated appointment letters because the CORs had too many task orders to monitor, did not have the technical expertise to oversee the contractors, and, in some cases, were not physically located at the facilities where the work was being performed. Table 2 on page 14 identifies the location of the work under each task order.

[5] Naval military or civilian employees who provide technical support to the COR when the contract is for architect engineering or environmental services.

Table 2. Location of Work Performed Under Each Task Order

IDIQ Contract Number	Task Order Number	Work Performed Location
MAC 1		
N62473-07-D-4022	5	Multiple U.S. Sites
N62473-07-D-4020	8	Worldwide
N62473-07-D-4020	7	Worldwide
N62473-07-D-4022	6	Mechanicsburg, Pennsylvania
N62473-07-D-4022	9	Worldwide
N62473-07-D-4022	13	Kingsville, Texas
MAC 2		
N62583-09-D-0064	25	Linwood, Washington
N62583-09-D-0065	6	Georgia and North Carolina
N62583-09-D-0067	8	Norfolk, Virginia
N62583-09-D-0068	3	Japan and Singapore
N62583-09-D-0064	31	Japan
N62583-09-D-0064	34	Florida and Bahamas
N62583-09-D-0067	9	Norfolk, Virginia
N62583-09-D-0067	10	San Diego, California
MAC 3		
N62583-10-D-0344	2	North Island, California
N62583-10-D-0341	6	Greece
N62583-10-D-0343	9	Bremerton, Washington
N62583-10-D-0344	4	San Diego, California

For example, the COR for MAC 2 stated that he relied on NAVFAC NTRs to monitor performance of eight task orders. The COR stated that no NTR appointment letters were prepared delegating the authority to monitor contractor performance. Also, the NTR for task order 3, awarded under MAC 2, stated that he did not have an official appointment letter in writing. He said the appointment was implied and not a formal process.

The COR for MAC 1 explained that NAVFAC project execution coordinators were responsible for surveillance on some of her task orders. According to Naval Facilities Acquisition Supplement 1.602-2, "(DFARS) Authorized representatives of the contracting officer," the only individuals with surveillance authority are properly appointed CORs, NTRs, performance assessment representatives, contracting officer's authorized representatives, ordering officers, or a departmental accountable official. Therefore, the project execution coordinators cannot be authorized to perform surveillance functions on behalf of the COR. Also, the project execution coordinators did not perform adequate surveillance, which would be expected of a designated Government

official. For example, the project execution coordinator for task orders 5 and 13 under MAC 1, stated that he had no appointment letter, had not taken COR training since 2000, and did not function as a COR on any of the task orders. In addition, he stated that he reviewed contract deliverables but did not have approval authority. Another project execution coordinator, responsible for task order 6 under MAC 1, stated that she was assigned to the task order by the project manager. In addition, she stated that she did not communicate with the COR or alternate COR and had not been onsite to monitor the contractor's performance. Contracting officers should designate a NTR in writing with responsibilities and duties for oversight. In addition, contracting officers should distinguish between the COR and NTR duties.

NAVFAC Personnel Performed Task Order Surveillance Without Proper Training

NAVFAC personnel responsible for surveillance on 17 of the 18 task orders did not have required COR training. Specifically, one COR, one Alternate COR, and six NTRs did not take the COR training or did not have up-to-date training. According to the Under Secretary of Defense for Acquisition, Technology, and Logistics memorandum, "DoD Standard for Certification of Contracting Officer's Representative (COR) for Service Acquisitions," March 29, 2010, CORs are required to complete standard training courses for both fixed-price and other than fixed-price contract types, in addition to minimum COR refresher training. The memorandum directs CORs to participate in refresher training that consists of 8 hours every 3 years for fixed-price contracts and at least 16 hours every 3 years for other than fixed-price contracts. In addition, BMS Policy 18.3.6.7, "Appoint Navy Technical Representatives," states that the contracting officer must ensure the NTR complete the basic COR training before appointment. While performing COR surveillance duties, the NTRs should be held to the same training standard as the COR. Adequately trained NAVFAC personnel may have been more aware of their surveillance duties and may have adequately monitored contractor's performance to verify that NAVFAC received the agreed upon services. NAVFAC should ensure that CORs, Alternate CORs, and NTRs obtain required training on surveillance responsibilities.

CORs Did Not Review Invoices

Two CORs appointed to MAC 2 and MAC 3 who were responsible for 10 cost-type task orders, valued at $27.6 million, did not review invoices. According to the COR appointment letters, CORs are responsible for supporting the certification of payment vouchers and documents for cost vouchers and to periodically monitor contractor performance to ensure labor hours and travel charges are accurate. However, the COR for MAC 2, responsible for eight cost-type task orders reviewed, stated that he did not review the invoices but instead relied on the NTRs to perform invoice reviews. The COR appointed to MAC 3, responsible for two cost-type task orders reviewed, stated she only reviews invoices for firm-fixed price contracts and did not review invoices for cost-type contracts. According to the Director, Defense Procurement, Acquisition Policy and Strategic Sourcing memorandum, "Approving Payments under Cost Reimbursement, Time-and-Materials, and Labor-Hour Contracts," April 14, 2008, the Defense Contract

Audit Agency is the only agency with authority to approve invoices for cost-type contracts. However, that memorandum allows CORs to review contractor billings as part of their surveillance efforts to verify validity and accuracy of charges. Without an initial COR review, NAVFAC cannot be assured that services paid for were received and the Government's interests were adequately protected.

Contractors did not include adequate supporting documentation in the Wide Area Workflow for other direct costs of $556,590[6] claimed on 28 invoices, totaling $8.2 million. Those invoices did not include receipts to support charges listed under invoice category titles Travel, Meals, Supplies, and Miscellaneous items. A SCAN contract specialist stated that the contractors did not include supporting receipts with invoice submission in the Wide Area Workflow. The contracting officer stated that, when she contacted contractors about not putting receipts in the Wide Area Workflow, the contractors stated that it was an oversight. For example, an invoice for task order 25, awarded under MAC 2, listed travel charges of $525, $939, and $704 and credit card charges from Best Buy for $468, Tobacco for $6, and Amazon for $89, without providing receipts. Receipts are needed to verify the validity and accuracy of charges and whether the charges were actually incurred. Without supporting receipts for those charges, NAVFAC could be paying for costs that were not incurred or were not allowable. Table 3 identifies the task orders, number of invoices reviewed, invoice amounts reviewed, and unsupported other direct costs.

Table 3. Unsupported Other Direct Costs Issued Under Cost Plus Fixed-fee Task Orders

Task Order Number	Number of Invoices Reviewed	Total Amount of Invoices Reviewed	Total Unsupported Other Direct Costs
N62583-09-D-0064-25	3	$ 209,865.60	$ 17,302.09
N62583-09-D-0065-06	3	414,035.49	157,161.21
N62583-09-D-0067-08	3	897,309.10	3,799.69
N62583-09-D-0068-03	3	214,518.00	54,707.43
N62583-09-D-0064-31	3	78,589.73	13,623.38
N62583-09-D-0064-34	3	1,159,772.05	17,784.07
N62583-09-D-0067-09	2	508,025.86	4,634.11
N62583-09-D-0067-10	2	3,687,729.22	21,634.27
N62583-10-D-0341-06	3	432,333.66	265,199.00
N62583-10-D-0343-09	3	605,318.93	745.05
Total	**28**	**$8,207,497.64**	**$556,590.30**

[6] Other direct cost calculation included charges listed under Other Direct Costs, Travel, Meals, Supplies, and Miscellaneous, but did not include charges under the categories Subcontracts and Materials though listed under Other Direct Costs.

CORs, or their authorized representatives, should request, review, and maintain receipts to verify the validity of charges billed for other direct costs. The lack of supporting documentation for invoices increased the risk for improper payment. Contracting officials should obtain supporting documentation or recover the unsupported other direct costs of $556,590 that have been paid to the contractors and should verify all other direct cost charges on the 10 cost-type task orders reviewed.

Conclusion

CORs did not perform adequate surveillance on the 18 task orders reviewed. Specifically, contracting officials and CORs did not prepare QASPs for the task orders. In addition, contracting officials did not designate a COR for each task order and did not officially appoint NTRs who assisted with surveillance. Also, CORs did not conduct onsite surveillance, did not document surveillance, did not review invoices, and did not document approval of deliverables. As a result, NAVFAC cannot be assured that the contractors were in full compliance with contract and task order requirements and that NAVFAC fully received the services being paid for.

Recommendations, Management Comments, and Our Response

B.1. We recommend that the Director, Specialty Center Acquisition, Naval Facility Engineering Command, in coordination with the Commander, Naval Facilities Engineering Service Center, require:

a. Contracting officers to appoint a contracting officer's representative for each task order and distinguish between their duties and the Navy technical representative duties.

Department of the Navy Comments

The Commanding Officer, responding on behalf of both the NAVFAC EXWC Acquisition Director (formerly known as SCAN Director) and the EXWC Business Lines (formerly known as NFELC and NFESC), agreed, stating that a corrective action request will be developed to initiate an update to the NAVFAC Business Management System (BMS) S-18.3.6.6 (Appoint Contracting Officers Representative/Alternative Contracting Officer's Representative) guidance. In addition, he stated that NAVFAC EXWC and its business lines will make appropriate adjustments to COR and NTR assignments.

b. Contracting officers and contracting officer's representatives to sign and date quality assurance surveillance plans before the start of the task order performance period.

Department of the Navy Comments

The Commanding Officer agreed, stating that NAVFAC EXWC will ensure task order pre-award checklists are updated to include a check by a contract specialist or contracting officer to ensure quality assurance surveillance plans are signed before the start of task order performance period.

c. Contracting officers and contracting officer's representatives to develop quality assurance surveillance plans that provide measurable metrics to evaluate contractor performance and provide set timeframes for frequency of reporting relevant to the subject contract. The quality assurance surveillance plan should identify who has responsibility for surveillance and the level of reporting by the contracting officer's representative to the contracting officer.

Department of the Navy Comments

The Commanding Officer agreed, stating that NAVFAC EXWC Acquisition will work with CORs to develop appropriate metrics for inclusion in QASPs and set timeframes for frequency of reporting. In addition, he stated that NAVFAC EXWC Acquisition will work with CORs to develop quality assurance templates for each MAC. The QASP will include the responsible official for surveillance, outline the COR's reporting requirements to the contracting officer, and require documented inspection and acceptance.

d. Contracting officer's representatives to document support for inspection and acceptance of deliverables. The approval should clearly identify the type of review performed and basis for the approval.

Department of the Navy Comments

The Commanding Officer agreed, stating that NAVFAC EXWC Acquisition and its business lines will develop, coordinate and implement corrective actions.

e. Contracting officer's representatives need to document surveillance performed and report progress to the contracting officer.

Department of the Navy Comments

The Commanding Officer agreed, stating that NAVFAC EXWC Acquisition and its business lines instruct the CORs to report surveillance as agreed upon in Recommendation B.1.c.

f. Contracting officers to appoint a Navy technical representative, if needed, in writing with responsibilities and duties for oversight.

Department of the Navy Comments

The Commanding Officer agreed, stating that NTRs will be appointed in writing with specific duties and responsibilities in accordance with BMS S-18.3.6.6.

g. Contracting officer's representatives, alternate contracting officer's representatives, and Navy technical representatives obtain required training on surveillance responsibilities.

Department of the Navy Comments

The Commanding Officer agreed, stating that NAVFAC EXWC Acquisition and its business lines will ensure that the COR, alternate COR, and the NTR complete required training.

B.2. We recommend the Director, Specialty Center Acquisition, Naval Facility Engineering Command, require a review of the performance of the contracting officers and the contracting officer's representatives involved with these task orders. As appropriate, determine whether administrative action is warranted.

Department of the Navy Comments

The Commanding Officer, responding on behalf of the NAVFAC EXWC Acquisition Director (formerly known as SCAN Director), agreed, stating that NAVFAC EXWC will determine whether any action is warranted.

B.3. We recommend the Director, Specialty Center Acquisition, Naval Facility Engineering Command, require the contracting officers to initiate action to recover unsupported other direct costs of $556,590 unless detailed cost support documentation is provided for:

a. $17,302 on task order 25 under contract N62583-09-D-0064

b. $157,161 on task order 6 under contract N62583-09-D-0065

c. $3,799 on task order 8 under contract N62583-09-D-0067

d. $54,707 on task order 3 under contract N62583-09-D-0068

e. $13,623 on task order 31 under contract N62583-09-D-0064

f. $17,784 on task order 34 under contract N62583-09-D-0064

g. $4,634 on task order 9 under contract N62583-09-D-0067

h. $21,634 on task order 10 under contract N62583-09-D-0067

i. $265,199 on task order 6 under contract N62583-10-D-0341

j. **$745 on task order 9 under contract N62583-10-D-0343**

Department of the Navy Comments

The Commanding Officer, responding on behalf of the NAVFAC EXWC Acquisition Director (formerly known as SCAN Director), agreed, stating that NAVFAC EXWC contracting officials will be assigned to review the unsupported other direct costs and either obtain documentation to support the billed amounts or recover any unsupported billed amounts.

B.4. We recommend the Director, Specialty Center Acquisition, Naval Facility Engineering Command, submit a corrective action request to initiate an update to the Business Management System Policy S-18.3.6.6, "Appoint Contracting Officer's Representative/Alternate Contracting Officer's Representative," April 2011, to specifically state that a contracting officer's representative should be designated for every task order.

Department of the Navy Comments

The Commanding Officer, responding on behalf of the NAVFAC EXWC Acquisition Director (formerly known as SCAN Director), agreed, stating that NAVFAC EXWC Acquisition will submit a corrective action request to initiate an update to the BMS S-18.3.6.6.

Our Response

Comments from the Commanding Officer were responsive to all recommendations, and no further comments are required.

Appendix A. Scope and Methodology

We conducted this performance audit from August 2011 through August 2012 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 selected a nonstatistical sample of task orders issued in FYs 2009, 2010, and 2011 with high-dollar amounts issued under the NFELC DoD Activity Address Code. We collected, reviewed, and analyzed documents on those 20 task orders, valued at $101.2 million, awarded under four MACs in FYs 2009, 2010, and 2011 by SCAN contracting officers at Naval Base Ventura County, Port Hueneme, California. See Appendix C for a list of MACs and task orders reviewed. We reviewed pre-award documentation on 20 task orders, including BCMs, request for proposals, and proposals. To determine whether SCAN provided contractors fair opportunity to compete, we reviewed the BCMs and price negotiation memorandums to determine how many proposals SCAN received and met with the competition advocate. As part of the 20 task orders, we examined 6 one bid task order awards for price reasonableness by examining the BCMs, proposal cost evaluations, and IGCEs. We also examined 9 modifications to 6 task orders for price reasonableness. We selected the 9 modifications because the modifications contained price increases of 5 percent or greater of the task order award amount. To determine whether surveillance was adequate, we examined the IDIQs, COR designation letters, COR training certificates, cost reports, weekly project status reports, and contractor progress reports. Additionally, we selected a nonstatistical sample of 28 cost-type invoices and examined them for completeness. We reviewed documentation from January 1991 through October 2012.

We interviewed contracting personnel, CORs, NTRs, and project execution coordinators at NFELC, NFESC, and SCAN at Naval Base Ventura County, Port Hueneme, California, and Washington Navy Yard, Washington, D.C.

We reviewed the FAR, DFARS, Naval Facilities Acquisition Supplement, and business processes from the BMS. Specifically, we reviewed FAR 16.505(b)(1)(i), "Orders under multiple award contracts," to determine whether task orders were adequately competed. In addition, we reviewed FAR 15.402, "Pricing Policy," and FAR 15.404-1, "Proposal Analysis Techniques," to determine whether price reasonableness was adequately determined for task orders awards that received only one bid and for modifications with price increases over 5 percent of the task order award amount.

We reviewed FAR 1.602-2, "Responsibilities," and NFAS 1.602-2, "(DFARS) Authorized representatives of the contracting officer," to determine whether a COR was appointed to each task order to perform surveillance on contractor's performance. In addition, we reviewed BMS Policy S-18.3.6 to determine whether the NTRs responsible for surveillance were formally appointed by the contracting officer. We also

reviewed FAR Subpart 46.4, "Government Contract Quality Assurance," to determine whether adequate quality assurance surveillance plans were prepared for each task order.

Use of Computer-Processed Data

We used computer-processed data from two databases to identify the universe of contracts and task orders to review—the Federal Procurement Data System-Next Generation and the Electronic Document Access System. We ran queries using both systems to identify contracting organizations to visit and selected a nonstatistical sample of task orders for review.

We used the data only to identify which task orders to review. Once we identified the task orders that matched our criteria, we selected the nonstatistical sample and compared the contract file documentation to the electronic database information. Because we used only the documentation contained in the contract and task order files to support our findings, conclusions, and recommendations; the information in the two databases were sufficiently reliable to accomplish our audit objective.

Appendix B. Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), DoD Inspector General (DoD IG), the Air Force Audit Agency, and the Special Inspector General for Iraq Reconstruction issued 13 reports discussing competition and surveillance. Unrestricted GAO reports can be accessed over the Internet at http://www.gao.gov/. Unrestricted DoD IG reports can be accessed at http://www.dodig.mil/audit/reports.

Air Force Audit Agency reports can be accessed from .mil domains over the Internet at http://afkm.wpafb.af.mil/ASPs/CoP/OpenCop.asp?Filter=OO-AD-01-41 by those with Common Access Cards.

Special Inspector General for Iraq Reconstruction unrestricted reports can be accessed over the Internet at http://www.sigir.mil/Default.aspx.

GAO

GAO Report No. GAO-09-579, "Contract Management: Minimal Compliance with New Safeguards for Time-and-Materials Contracts for Commercial Services and Safeguards Have Not Been Applied to GSA Schedules Program," June 24, 2009

GAO Testimony No. GA0-09-643T, "Defense Acquisitions: Actions Needed to Ensure Value for Service Contracts," April 23, 2009

DoD IG

DoD IG Report No. DODIG-2012-033, "Award and Administration of Multiple Award Contracts for Services at U.S. Army Medical Research Acquisition Activity Need Improvement," December 21, 2011

DoD IG Report No. D-2010-087, "Weakness in Oversight of Naval Sea Systems Command Ship Maintenance Contract in Southwest Asia," September 27, 2010

DoD IG Report No. D-2010-081, "Army Use of Time-and-Materials Contracts in Southwest Asia," August 27, 2010

DoD IG Report No. D-2010-078, "Air Force Use of Time-and-Materials Contracts in Southwest Asia," August 16, 2010

DoD IG Report No. D-2010-059, "Contingency Contracting: A Framework for Reform," May 14, 2010

DoD IG Report No. D-2009-109, "Contracts Supporting the DoD Counter Narcoterrorism Technology Program Office," September 25, 2009

DoD IG Report No. D-2009-083, "Logistics Support Contracting for the United States Special Operations Command," May 28, 2009

DoD IG Report No. D-2009-082, "SeaPort Enhanced Program," May 6, 2009

DoD IG Report No. D-2009-036, "Acquisition of the Air Force Second Generation Wireless Local Area Network," January 16, 2009

Air Force Audit Agency

Air Force Audit Agency Report No. F2008-0004-FC1000, "Competition in Multiple Award Service Contracts," April 3, 2008

Special Inspector General for Iraq Reconstruction

SIGIR Report No.09-017, "Need to Enhance Oversight of Theater-Wide Internal Security Services Contracts," April 24, 2009

Appendix C. Task Orders Reviewed

We reviewed six task orders awarded under MAC 1 for the Anti-Terrorism Force Protection Ashore Program and its operational customer, Commander, Naval Installations Command, which covers the design, procurement, integration, installation, sustainment, training, and exercises of Anti-Terrorism Force Protection equipment at Navy shore installations throughout the world. The overall MAC has a not-to-exceed ceiling of $500 million.

Table C-1. MAC 1 Task Orders

IDIQ Contract Number	**Task Order Number**	**Task Order Type**	**Task Order Amount** (base year plus option years)
N62473-07-D-4022	5	Firm-Fixed-Price	$ 17,939,556
N62473-07-D-4020	8	Firm-Fixed-Price	23,599,672
N62473-07-D-4020	7	Firm-Fixed-Price	16,168,618
N62473-07-D-4022	6	Firm-Fixed-Price	3,190,344
N62473-07-D-4022	9	Firm-Fixed-Price	4,735,808
N62473-07-D-4022	13	Firm-Fixed-Price	1,253,326
Total			**$ 66,887,324**

Note: Amounts are rounded

We reviewed eight task orders awarded under MAC 2 for projects involving ocean cable systems, ocean work systems, waterfront facilities, hyperbaric facilities, offshore structures, moorings, and ocean construction equipment performed in environments ranging from arctic to tropic and at all water depths. The overall MAC has a not-to-exceed ceiling of $250 million.

Table C-2. MAC 2 Task Orders

IDIQ Contract Number	**Task Order Number**	**Task Order Type**	**Task Order Amount** (base year plus option years)
N62583-09-D-0064	25	Cost-Plus-Fixed-Fee	$ 2,736,938
N62583-09-D-0065	6	Cost-Plus-Fixed-Fee	1,785,300
N62583-09-D-0067	8	Cost-Plus-Fixed-Fee	2,172,684
N62583-09-D-0068	3	Cost-Plus-Fixed-Fee	1,110,289
N62583-09-D-0064	31	Cost-Plus-Fixed-Fee	825,213
N62583-09-D-0064	34	Cost-Plus-Fixed-Fee	2,109,105
N62583-08-D-0067	9	Cost Plus-Fixed Fee	1,740,111
N62583-09-D-0067	10	Cost-Plus-Fixed-Fee	6,631,767
Total			**$ 19,111,407**

Note: Amounts are rounded

Appendix C. Task Orders Reviewed (cont'd)

We reviewed four task orders awarded under MAC 3 for logistical support, installation, inspection, repair and maintenance, field supervision and operation of waterfront barriers, associated moorings, waterfront security systems, and marine facilities throughout the world. The overall MAC has a not-to-exceed ceiling of $80 million.

Table C-3. MAC 3 Task Orders

IDIQ Contract Number	Task Order Number	Task Order Type	Task Order Amount (base year plus option years)
N62583-10-D-0344	2	Firm-Fixed-Price	$ 3,235,972
N62583-10-D-0341	6	Cost-Plus-Fixed-Fee	6,000,741
N62583-10-D-0343	9	Cost-Plus-Fixed-Fee	2,500,457
N62583-10-D-0344	4	Firm-Fixed-Price	2,441,751
Total			**$ 14,178,921**

Note: Amounts are rounded

We reviewed two task orders awarded under MAC 4 for technical and professional services in support of NFELC through the completion of project based work. The types of government assets and equipment supported under this MAC include support vehicles, construction equipment, generators, compressors, watercraft, physical security and surveillance, and other commercial type support equipment and systems. The overall MAC has a not-to-exceed ceiling of $30 million.

Table C-4. MAC 4 Task Orders

IDIQ Contract Number	Task Order Number	Task Order Type	Task Order Amount (base year plus option years)
N62583-09-D-0061	14	Time-and-Materials	$ 206,177
N62583-09-D-0062	32	Time-and-Materials	857,043
Total			**$ 1,063,220**

Note: Amounts are rounded

Appendix D. Competition and Price Reasonableness Issues

Contract/Task Order Number/Task Order Modification	Contract Action Description	Is Competition for Task Order Awards Adequate?	Is Support for Price Reasonableness on 1-bids Adequate?	Is Support for Price Reasonableness on Modifications Adequate?
MAC 1 – Antiterrorism Force Protection Equipment Installation and Maintenance				
N62473-07-D-4022-0005	Installing vehicle and pedestrian gates	**Yes**	**N/A**	**N/A**
Modification 2	Change of requirements	**N/A**	**N/A**	**N/A**
N62473-07-D-4020-0008	Sustainment of RDCs	**Yes**	**No**	**N/A**
N62473-07-D-4020-0007	Sustainment of Entry Control Point systems	**No**	**No**	**N/A**
N62473-07-D-4022-0006	Procure, receive, and install equipment; perform sustainment services on installed equipment	**Yes**	**N/A**	**N/A**
Modification 4	Add requirements	**N/A**	**N/A**	**N/A**
N62473-07-D-4022-0009	Sustainment services for the Navy ELMR	**Yes**	**N/A**	**N/A**
N62473-07-D-4022-0013	Design, procure, and install automated gates	**Yes**	**N/A**	**N/A**
MAC 2 - Ocean facilities engineering support services				
N62583-09-D-0064-0025	Phase III of the XSDS	**Yes**	**No**	**N/A**
Modification 4	Additional work	**N/A**	**N/A**	**No**
N62583-09-D-0065-0006	Disassembly, removal, and salvage of offshore Beaufort Towers	**Yes**	**No**	**N/A**
N62583-09-D-0067-0008	Ocean facilities support services sensor repair	**Yes**	**N/A**	**N/A**
N62583-09-D-0068-0003	Installation of a CFLA surveillance system on board USNS vessels	**Yes**	**No**	**N/A**

Acronyms used throughout Appendix D are defined on the final page of Appendix D

Appendix D. Competition and Price Reasonableness Issues (cont'd)

Contract/Task Order Number/Task Order Modification	Services Purchased	Is Competition for Task Order Awards Adequate?	Is Support for Price Reasonableness on 1-bids Adequate?	Is Support for Price Reasonableness on Modifications Adequate?
N62583-09-D-0064-0031	Procure initial sparing for three CLFA ships	**Yes**	**N/A**	**N/A**
Modification 1	Extend period of performance	**N/A**	**N/A**	**No**
N62583-09-D-0064-0034	Support for the installation of STAFAC	**Yes**	**N/A**	**N/A**
Modification 1	Revise PWS	**N/A**	**N/A**	**No**
Modification 2	Add scope	**N/A**	**N/A**	**No**
Modification 3	Revise PWS	**N/A**	**N/A**	**No**
N62583-09-D-0067-0009	To repair an underwater electro-magnetic measurement facility	**Yes**	**N/A**	**N/A**
Modification 2	Extend period of performance	**N/A**	**N/A**	**No**
N62583-09-D-0067-0010	Corrective repairs to the AIMS Array	**Yes**	**N/A**	**N/A**
Modification 1	Extend period of performance	**N/A**	**N/A**	**No**
Modification 2	Added costs	**N/A**	**N/A**	**No**
MAC 3 – Barrier, Mooring, and Marine Facility Support Services				
N62583-10-D-0344-0002	Water barrier upgrade	**Yes**	**N/A**	**N/A**
N62583-10-D-0341-0006	Waterfront security systems refurbishment and upgrade	**Yes**	**N/A**	**N/A**
Modification 2	Additional work	**N/A**	**N/A**	**No**

Acronyms used throughout Appendix D are defined on the final page of Appendix D

Appendix D. Competition and Price Reasonableness Issues (cont'd)

Contract/Task Order Number/Task Order Modification	Services Purchased	Is Competition for Task Order Awards Adequate?	Is Support for Price Reasonableness on 1-bids Adequate?	Is Support for Price Reasonableness on Modifications Adequate?
N62583-10-D-0343-0009	Refurbishment and upgrade of PSB	**Yes**	**N/A**	**N/A**
N62583-10-D-0344-0004	Fabrication and installation of a PSB	**Yes**	**N/A**	**N/A**
MAC 4 – Integrated Logistics Support				
N62583-09-D0061-0014	Training of Caterpillar equipment	**No**	**No**	**N/A**
N62583-09-D0062-0032	Integrated Logistics Overhaul support	**Yes**	**N/A**	**N/A**

AIMS	Assessment and Identification of Mine Susceptibility
CLFA	Compact Low Frequency Active
ELMR	Enterprise Land Mobile Radio
N/A	Not Applicable
PSB	Port Security Barrier
RDC	Regional Dispatch Center
STAFAC	South Tongue of the Ocean Acoustic Facility
USNS	United States Naval Ship
XSDS	Expeditionary Swimmer Defense System

Department of the Navy Comments

DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND
1322 PATTERSON AVENUE, SE SUITE 1000
WASHINGTON NAVY YARD DC 20374-5065

5040
Ser 09IG/033
01 Oct 2012

SECOND ENDORSEMENT on NFEXWC ltr 5041 Ser 09/270 of 27 Sep 12

From: Commander, Naval Facilities Engineering Command
To: Naval Inspector General

Subj: RESPONSE TO RECOMMENDATIONS OF DEPARTMENT OF DEFENSE OFFICE OF THE DEPUTY INSPECTOR GENERAL FOR AUDITING-AWARD AND ADMINISTRATION OF MULTIPLE AWARD CONTRACTS AT NAVAL FACILITIES ENGINEERING COMMAND SPECIALTY CENTERS NEED IMPROVEMENT (PROJECT NO. D2011-DOOOCF-0276.000)

1. Forwarded with NAVFAC Headquarters' concurrence.

2. The NAVFAC Headquarters' point of contact is [redacted] can be reached at [redacted] or by email at [redacted]

S. L. SIMS
Captain, CEC, U.S. Navy
Inspector General

Copy to:
NFEXWC

DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING AND EXPEDITIONARY WARFARE CENTER
1000 23RD AVENUE
PORT HUENEME CA 93043-4301

IN REPLY REFER TO
5041
Ser 09/270
27 Sep 12

From: Commanding Officer, Naval Facilities Engineering and Expeditionary Warfare Center
To: Inspector General of the Department of Defense
Via: Commander, Naval Facilities Engineering Command (IG)

Subj: RESPONSE TO RECOMMENDATIONS OF DEPARTMENT OF DEFENSE OFFICE OF THE DEPUTY INSPECTOR GENERAL FOR AUDITING - AWARD AND ADMINISTRATION OF MULTIPLE AWARD CONTRACTS AT NAVAL FACILITIES ENGINEERING COMMAND SPECIALTY CENTERS NEED IMPROVEMENT (PROJECT NO. D2011-D000CF-0276.000)

Ref: (a) Award and Administration of Multiple Award Contracts at Naval Facilities Engineering Command Specialty Centers Need Improvement (Project No. D2011-D000CF-0276.000)

Encl: (1) Recommendation Responses to Project No. D2011-D000CF-0276.000 (Draft Report)

1. For clarification, in regard to identification in the draft report of the Director, Specialty Center Acquisitions (SCAN) and the Naval Facilities (NAVFAC) Engineering Service Center, effective 1 October 2012, the NAVFAC Engineering and Expeditionary Warfare Center (NAVFAC EXWC) has been established and these two entities are now part of this organization. The former SCAN is now the Acquisition Department of NAVFAC EXWC.

2. We have carefully considered the recommendations set forth in reference (a). All findings and recommendations are agreed with and enclosure (1) provides details regarding actions to be taken, including completion dates for each identified recommendation.

3. [redacted] is my point of contact for this matter. He may be reached at [redacted] or e-mail: [redacted]

D. A. REYNARD
By direction

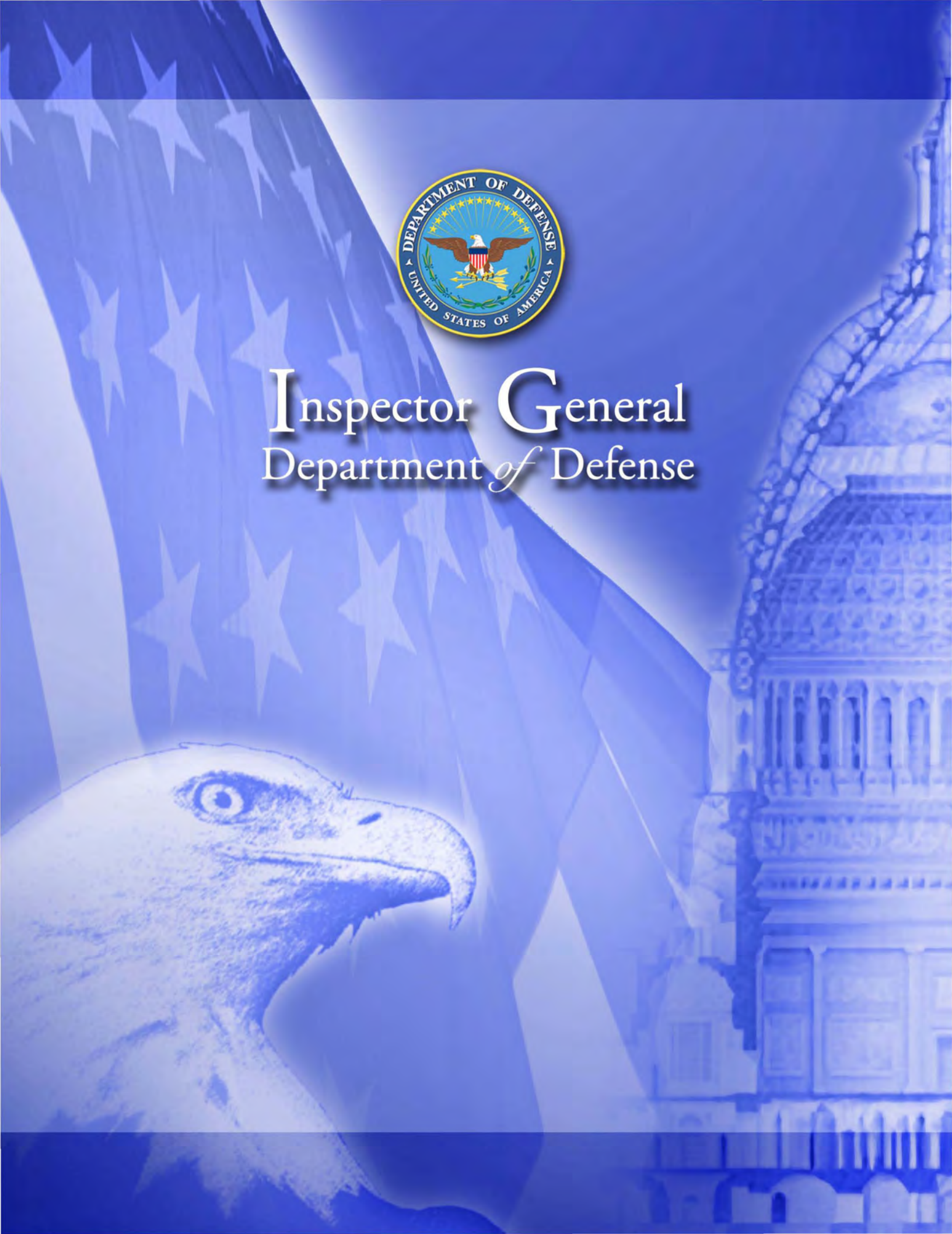
NAVFAC ENGINEERING & EXPEDITIONARY WARFARE CENTER		DOD IG PROJECT NO. D2011-D00CF-027.000 (DRAFT REPORT)	
RESPONSES			
Recommendation	**Agree/Disagree**	**Corrective Action(s)**	**Anticipated Completion Date(s)**
A.1 Procedures should be established that require verification that the contracting officer sends the Request for Task Order Proposal to all contractors under the multiple award contracts.	Agree	NAVFAC Engineering and Expeditionary Warfare Center (EXWC) Acquisition Director, formerly known as The Director, Specialty Center Acquisitions, Naval Facilities Engineering Command, will issue guidance to all NAVFAC EXWC ACQ employees relative to all IDIQ/MAC contracts (i) summarizing the reported condition, (ii) EXWC will establish a procedure verifying that the issuing officer sent the RFTOP to all contractors under the IDIQ/MAC, and establish a process to periodically review and report compliance with the new procedure.	Guidance issued 1ST QTR FY13 Compliance Testing to Begin no later than 2ND QTR FY13
A.2 Procedures should be established that require notification to all contractors when a solicitation is amended to incorporate significant requirement changes.	Agree	NAVFAC EXWC Acquisition Director, will issue guidance to all acquisition employees relative to all IDIQ/MAC contracts (i) summarizing the reported condition, (ii) Acquisition's will establish a procedure verifying that the issuing officer sent the significant amendment to all contractors under the IDIQ/MAC, and establish a process to periodically review and report compliance with the new procedure.	Guidance issued 1ST QTR FY13 Compliance Testing to Begin no later than 2ND QTR FY13
A.3 Procedures should be established that require verification that the Independent Government Cost Estimate include adequate documentation to support cost estimates.	Agree	NAVFAC EXWC Acquisition Director, will issue guidance to all acquisition employees (i) summarizing the reported condition, (ii) establishing an adequacy checklist based on AT&L minimum IGE adequacy criteria and required documentation, and (iii) establishing a periodic process to report compliance with the new procedure. Corrective action will also include a workshop to assist contracting officers and specialist on how to evaluate an IGE for adequacy and reasonableness prior to use in any price or cost analysis.	Guidance issued 1ST QTR FY13 Compliance Testing to Begin no later than 2ND QTR FY13
A.4 Procedures should be established that require either (i) preparation of the independent government cost estimate by Naval Facilities Engineering Command personnel or (ii) documentation of review and acceptance by Naval Facilities Engineering Command personnel of an independent government cost estimate prepared by a contractor.	Agree	NAVFAC EXWC Acquisition Director will work with the EXWC Business Lines to develop, coordinate and implement the appropriate and effective corrective actions.	2ND QTR FY13
A.5 Procedures should be established that require maintenance of complete contract file supporting documentation for fair and reasonable price determinations.	Agree	NAVFAC EXWC Acquisition Director will issue a formal memorandum to all acquisition employees (i) summarizing the reported condition, (ii) establishing procedures which identify the type and format of supporting data required and maintenance processes and (iii) establishing a periodic process to report compliance with the new procedure. Corrective action will also include a workshop to assist contracting officers and specialist on the types and kinds of supporting data required to support fair and reasonable price determinations.	Guidance issued 1ST QTR FY13 Compliance Testing to Begin no later than 2ND QTR FY13
B.1.a We recommend that the Director, Specialty Center Acquisitions, Naval Facilities Engineering Command, in coordination with the Commander, Naval Facilities Engineering Service Center, require Contracting Officers to appoint a	Agree	NAVFAC EXWC Acquisition and EXWC Business Lines will develop, coordinate and implement the appropriate and effective corrective actions. In the interim, we will submit a corrective action request to initiate an update to the NAVFAC Business Management System	2ND QTR FY13

Enclosure (1)

NAVFAC ENGINEERING & EXPEDITIONARY WARFARE CENTER		DOD IG PROJECT NO. D2011-D00CF-027.000 (DRAFT REPORT)	
RESPONSES			
Recommendation	**Agree/Disagree**	**Corrective Action(s)**	**Anticipated Completion Date(s)**
contracting officer's representative for each task order and distinguish between their duties and the Navy technical representative duties.		(BMS) S-18.3.6.6 (Appoint contracting Officers Representative/Alternate Contracting Officer's Representative) consistent with the FAR. We will review COR and NTR duties and responsibilities and make appropriate adjustments to these assignments. Also see B4.	
B.1.b We recommend that the Director, Specialty Center Acquisitions, Naval Facilities Engineering Command, in coordination with the Commander, Naval Facilities Engineering Service Center, require Contracting Officers and contracting officer's representatives to sign and date quality assurance surveillance plans before the start of task order performance period.	Agree	NAVFAC EXWC Acquisition and EXWC Business Lines will develop, coordinate and implement the appropriate and effective corrective actions. We will ensure task order pre-award check lists are updated to include a check by contract specialist/contracting officer to ensure quality surveillance plans are signed prior to the start of task order performance period.	2nd QTR FY13
B.1.c We recommend that the Director, Specialty Center Acquisitions, Naval Facilities Engineering Command, in coordination with the Commander, Naval Facilities Engineering Service Center, require Contracting Officer's and Contracting Officer's Representatives to develop quality assurance surveillance plan that provide measurable metrics to evaluate contractor performance and provide set timeframes for frequency of reporting relevant to the subject contract. The quality surveillance plan should identify who has responsibility for surveillance and the level of reporting by the Contracting Officer's Representative to the Contracting Officer.	Agree	NAVFAC EXWC Acquisition will provide EXWC COR's with link to the business management system process (B14.3, Performance Assessment) and work with COR's to develop appropriate metrics for inclusion in the plans, and set timeframe s for frequency of reporting. We will work with the COR's to develop quality assurance templates for each of the multiple award IDIQ contracts. The QASP will: • Contain metrics to evaluate contractor performance • Include timely feedback of performance improvement • Clearly identify responsibility for surveillance and level of reporting • Document inspection and acceptance • Outline the COR's documentation of surveillance performed and report to the Contracting Officer We will establish a process to periodically review and report compliance with this requirement.	2ND QTR FY13
B.1.d We recommend that the Director, Specialty Center Acquisitions, Naval Facilities Engineering Command, in coordination with the Commander, Naval Facilities Engineering Service Center, require Contracting Officer's Representatives to document support for inspection and acceptance of deliverables. The approval should clearly identify the type of review performed and basis for the approval.	Agree	NAVFAC EXWC Acquisition and EXWC Business Lines will develop, coordinate and implement the appropriate and effective corrective actions.	2ND QTR FY13
B.1.e We recommend that the Director, Specialty Center Acquisitions, Naval Facilities Engineering Command, in coordination with the Commander, Naval Facilities Engineering Service Center, require Contracting Officer's Representatives	Agree	NAVFAC EXWC Acquisition and EXWC Business Lines will coordinate and implement the appropriate and effective corrective actions. COR's will be instructed to report surveillance consistent with recommendations and corrective actions identified in B.1.c above.	2ND QTR FY13

NAVFAC ENGINEERING & EXPEDITIONARY WARFARE CENTER		DOD IG PROJECT NO. D2011-D00CF-027.000 (DRAFT REPORT)	
RESPONSES			
Recommendation	**Agree/Disagree**	**Corrective Action(s)**	**Anticipated Completion Date(s)**
need to document surveillance performed and report progress to the Contracting Officer.			
B.1.f We recommend that the Director, Specialty Center Acquisitions, Naval Facilities Engineering Command, in coordination with the Commander, Naval Facilities Engineering Service Center, require Contracting Officers to appoint a Navy Technical Representative, if needed, in writing with responsibilities and duties for oversight.	Agree	NAVFAC EXWC Acquisition and EXWC Business Lines will develop, coordinate and implement the appropriate and effective corrective actions. NTR's will be appointed in writing with specific duties and responsibilities in accordance with Business Management System (BMS) S-18.3.6.6 (Appoint Contracting Officers Representative/Alternate Contracting Oficer's Representative).	2ND QTR FY13
B.1.g We recommend that the Director, Specialty Center Acquisitions, Naval Facilities Engineering Command, in coordination with the Commander, Naval Facilities Engineering Service Center, require Contracting Officer's Representatives, Alternate Contracting Officer Representatives, and Navy Technical Representatives obtain required training on surveillance responsibilities.	Agree	NAVFAC EXWC Acquisition and EXWC Business Lines will coordinate and implement the appropriate and effective corrective actions. In the interim, we will ensure that the contracting officer's representative, alternate contracting officer's representative, and Navy technical representative complete the required training – NAVFAC is now using the Army's Contracting Officer's Representative Tool (CORT). Utilizing the CORT should assist in ensuring that the contracting officer's representative, alternate contracting officer's representative, and Navy technical representative possess all current and required training and experience before assignment.	3RD QTR FY13
B.2 We recommend the Director, Specialty Center Acquisition, Naval Facilities Engineering Command, require a review of the performance of the Contracting Officers and the Contracting Officer's Representatives involved with these task orders. As appropriate, determine whether administrative action is warranted.	Agree	NAVFAC EXWC will review the IG recommendation and discern the appropriate actions warranted.	2nd QTR FY13
B.3 We recommend the Director, Specialty Center Acquisition, Naval Facilities Engineering Command, require the Contracting Officers to initiate action to recover unsupported other direct costs of $556,590 unless detailed cost support documentation is provided for: b. $157,161 on task order 6 under contract N62583-09-D-0065 c. $3,799 on task order 8 under contract N62583-09-D-0067 d. $54,707 on task order 3 under contract N62583-09-D-0068 e. $13,623 on task order 31 under contract N62583-09-D-0064 f. $17,784 on task order 34 under contract N62583-09-D-0064 g. $4,634 on task order 9 under contract N62583-09-D-0067 h. $21,634 on task order 10 under contract N62583-09-D-0067	Agree	A NAVFAC EXWC contracting officer and contract specialist will be assigned to review each of the exceptions, and either (i) document the data which supports the allowability, allocability and reasonableness of the billed amounts or (ii) proceed to process for recovery any unsupported billed amounts	1ST/2ND QTR FY13

NAVFAC ENGINEERING & EXPEDITIONARY WARFARE CENTER		DOD IG PROJECT NO. D2011-D00CF-027.000 (DRAFT REPORT)	
RESPONSES			
Recommendation	**Agree/Disagree**	**Corrective Action(s)**	**Anticipated Completion Date(s)**
i. $265,199 on task order 6 under contract N62583-10-D-0341 j. $745 on task order 9 under contract N62583-10-D-0343			
B.4 We recommend that the Director, Specialty Center Acquisitions, Naval Facilities Engineering Command, submit a corrective action request to initiate an update to the Business Management System Policy S-18.3.6.6 "Appoint Contracting Officer's Representative/Alternate Contracting Officer's Representative" April 2011 to specifically state that a Contracting Officer's Representative should be designated for every task order.	Agree	NAVFAC EXWC Acquisition will submit a corrective action request to initiate an update to the BMS S-18.3.6.6 as appropriate. Also see B1a	1ST QTR FY13



Inspector General
Department of Defense