



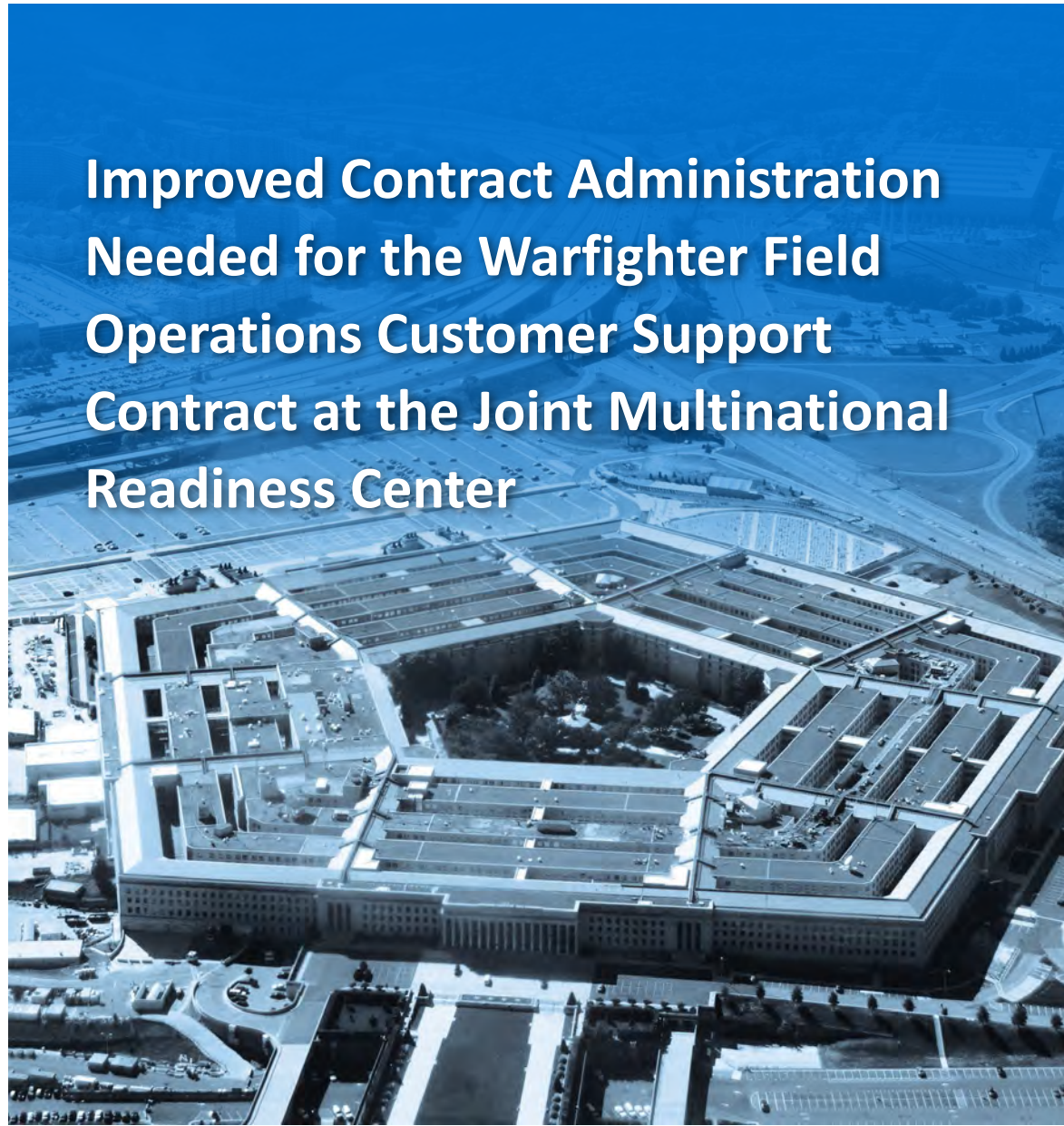
# INSPECTOR GENERAL

*U.S. Department of Defense*

NOVEMBER 26, 2014



## Improved Contract Administration Needed for the Warfighter Field Operations Customer Support Contract at the Joint Multinational Readiness Center



INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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## Mission

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## Vision

*Our vision is to be a model oversight organization in the Federal Government by leading change, speaking truth, and promoting excellence—a diverse organization, working together as one professional team, recognized as leaders in our field.*



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# Results in Brief

## *Improved Contract Administration Needed for the Warfighter Field Operations Customer Support Contract at the Joint Multinational Readiness Center*

**November 26, 2014**

### Objective

Our objective was to determine whether officials from the Program Executive Office for Simulation, Training, and Instrumentation (PEO STRI) properly administered and provided contract oversight for Joint Multinational Readiness Center (JMRC) task orders issued against the Warfighter Field Operations Customer Support (FOCUS) contract in accordance with Federal and DoD guidelines. In addition, the audit addresses three Defense Hotline allegations concerning administration of the contract.

### Findings

PEO STRI officials did not properly administer \$180.9 million in JMRC task orders for the Warfighter FOCUS contract. They did not select the most advantageous contract type to support the changing requirements of the exportable instrumentation system. Additionally, they did not adequately monitor and assess contractor performance.

This occurred because PEO STRI officials believed modifying the firm-fixed-price contract would be too labor-intensive and that it was easier to maintain the existing contract terms. Additionally, contracting officials did not develop an adequate quality assurance surveillance plan and did not clearly define and delegate quality assurance responsibilities.

### Findings (cont'd)

As a result, PEO STRI awarded \$8.4 million to maintain and deploy the exportable instrumentation system which has not been fully deployed since 2009. Additionally, the Army does not have assurance it received the training support services it has paid for since 2007. We also substantiated one Defense Hotline allegation, partially substantiated another, and found a third to be unsubstantiated.

### Recommendations

We recommend the Commander Operations Group, JMRC, review the exportable instrumentation system to determine whether the Army has a valid requirement for the system and its components.

We recommend that the Principal Assistant Responsible for Contracting at PEO STRI require the Warfighter FOCUS contracting officer to ensure the exportable instrumentation system contract line-item number supports recurring known needs; revise the quality assurance surveillance plan in accordance with Federal regulations; and collaborate with JMRC quality assurance representatives to create specific reports for each performance work statement, and update their appointment letters accordingly.

### Management Comments and Our Response

The Director, Internal Review and Audit Compliance for U.S. Army Europe, responding for the Commanding General, U.S. Army Europe, and the Deputy Assistant Secretary of the Army for Procurement responding for the Principal Assistant Responsible for Contracting at the PEO STRI fully addressed all specifics of the recommendations, and 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
Commander Operations Group, Joint Multinational Readiness Center		1.a, 1.b
Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation		2.a, 2.b, 2.c, 2.d





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

November 26, 2014

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION,  
TECHNOLOGY, AND LOGISTICS  
COMMANDER, U.S. EUROPEAN COMMAND  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Improved Contract Administration Needed for the Warfighter Field Operations  
Customer Support Contract at the Joint Multinational Readiness Center  
(DODIG-2015-042)

We are providing this report for your information and use. Program Executive Office for Simulation, Training, and Instrumentation officials did not properly administer seven Joint Multinational Readiness Center task orders, valued at approximately \$180.9 million, under the Warfighter Field Operations Customer Support contract, and awarded \$8.4 million to maintain and deploy the exportable instrumentation system which has not been fully deployed since 2009.

We considered management comments on a draft of this report when preparing the final report. Comments from the Deputy Assistant Secretary of the Army, Procurement, and U.S. Army Europe, addressed all specifics of the recommendations and conformed to the requirements of DoD Directive 7650.3; therefore, we do not require additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to Mr. Timothy Moore, Program Director, Contract Management and Payments, at (703) 604-9068 (DSN 664-9068).

A handwritten signature in blue ink, appearing to read "M. J. Roark", is positioned above the printed name.

Michael J. Roark  
Assistant Inspector General  
Contract Management and Payments

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## Acronyms and Abbreviations

# Introduction

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## Objective

Our objective was to determine whether the Army Program Executive Office for Simulation, Training, and Instrumentation (PEO STRI) properly awarded and administered Joint Multinational Readiness Center (JMRC) task orders issued against the Warfighter Field Operations Customer Support (FOCUS) contract and provided contract oversight in accordance with Federal and DoD guidelines. Because of limited time and resources, we did not review contract award in this audit. We will consider auditing contract award in the future, if resources permit. In addition, this report addresses three allegations raised to the Defense Hotline, involving contract administration and oversight. See Appendix A for the scope and methodology and prior coverage related to the objective.

## Background

### ***Program Executive Office for Simulation, Training, and Instrumentation***

PEO STRI, in Orlando, Florida, acquires and sustains training and testing solutions for the Army. PEO STRI's Project Director Field Operations supports worldwide operations, maintenance, sustainment and instructional support of training systems used by the Army, Navy, Air Force, and multinational coalition forces. The Project Director Field Operations uses four training services contracts to accomplish PEO STRI's mission of providing integrated live, virtual, and constructive training worldwide, one of which is the Warfighter FOCUS contract. The PEO STRI acquisition center's mission is to provide business advice and contracting to acquire a variety of products and services PEO STRI manages in support of the Army.

### ***Warfighter Field Operations Customer Support Contract***

PEO STRI awarded contract W900KK-07-D-0001, the Warfighter FOCUS indefinite-delivery, indefinite-quantity<sup>1</sup> contract, on June 6, 2007, to Raytheon Technical Services Company, with a ceiling price of approximately \$11.2 billion.

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<sup>1</sup> Indefinite-delivery, indefinite-quantity contracts provide an indefinite quantity of services for a fixed time. Indefinite-delivery, indefinite-quantity contracts help streamline the contract process and speed service delivery.

PEO STRI officials awarded the Warfighter FOCUS contract 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.

### ***Joint Multinational Readiness Center Task Orders***

As a combat maneuver training center, JMRC, in Hohenfels, Germany, provides combat maneuver training to U.S. joint forces and multinational partners, from individuals to brigade combat teams, using the JMRC instrumentation system. As of June 18, 2014, PEO STRI officials had issued seven task orders against the Warfighter FOCUS contract to provide operations and maintenance for the JMRC instrumentation system and exportable instrumentation system. The seven task orders, valued at approximately \$180.9 million, contained periods of performance from December 21, 2007, through April 30, 2015.

### ***PEO STRI Program Management***

The PEO STRI Project Director Field Operations, Life Cycle Project Director (LCPD) in Orlando, Florida, executes project direction, management implementation, and integrated logistics support for JMRC for the Warfighter FOCUS contract. The LCPD writes assigned portions of the JMRC performance work statements and serves as the director for systems and components being modified. He is responsible for integrating new requirements, re-procurements, and securing support. This person also manages a team whose members are inside and outside PEO STRI to meet user and project requirements.

### ***Oversight Personnel***

The contracting officer designated and authorized the contracting officer's representative (COR) with an appointment letter. The COR is the senior Warfighter FOCUS contract administrator responsible for adequate surveillance of contractor performance.

The quality assurance surveillance plan (QASP) states that JMRC officials will nominate quality assurance representatives (QARs) to the COR, who will then appoint those QARs. QAR appointment letters specify each QAR's duties and responsibilities. The QASP requires that QARs have in-depth knowledge of an area of contractor performance and be considered subject-matter experts. The JMRC QASP requires that the QARs, among other duties, must submit oversight reports to the COR or alternate COR.



The JMRC QASP also states that the LCPD will oversee contract surveillance activities and “ensure adequate resolution of contract performance issues.” The contracting officer, COR, and LCPD are at PEO STRI in Orlando, Florida. The customer service representative and QARs are at JMRC in Hohenfels, Germany.

### ***Instrumentation System***

The JMRC instrumentation system provides equipment for tracking personnel, vehicles, and aircraft during training exercises; voice and data communications; urban environment conflict scenarios; simulation operations; and the capability to produce training after-action reports to meet commanders’ training objectives. The system is a core training tool at JMRC.

### ***Exportable Instrumentation System***

The exportable instrumentation system encompasses all major subcomponents of the JMRC instrumentation system but also enables training a brigade combat team anywhere in the world. The exportable instrumentation system has three main components: hardside expandable light air-mobile (HELAM) shelters, Global Hawks, and remote base stations (RBS). HELAM shelters contain 8 to 9 information system workstations. Global Hawks house all the computer servers, audio and video recording equipment, and radio equipment. The RBSs are high mobility multipurpose wheeled vehicles that transmit data and voice communications to the overall instrumentation system and can extend the training range outside of the Hohenfels, Germany, training area.

## **Review of Internal Controls**

DoD Instruction 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013, 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 contract administration and oversight of the JMRC task orders. PEO STRI contracting personnel did not have controls to select the most advantageous contract type for the exportable instrumentation system and to adequately monitor and assess the contractor’s performance. We will provide a copy of the report to the senior officials responsible for internal controls at PEO STRI and the Department of the Army.

## Finding A

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### Joint Multinational Readiness Center Contract Administration Needs Improvement

PEO STRI officials did not properly administer JMRC task order services valued at approximately \$180.9 million awarded under the Warfighter FOCUS contract. Specifically, PEO STRI officials did not:

- select the most advantageous contract type to support the exportable instrumentation system and its changing requirements because PEO STRI believed changing the contract type would be too labor intensive and that it was easier to maintain the existing contract terms; or
- adequately monitor and assess contractor performance because contracting officials did not develop an adequate QASP describing methods for on-site QARs to assess performance of specific services. In addition, contracting officials did not clearly define and delegate quality assurance responsibilities in QAR appointment letters.

As a result, PEO STRI awarded \$8.4 million to maintain and deploy the exportable instrumentation system which has not been fully deployed since 2009. If the contract is not modified, another \$3.5 million will be paid for a system whose future remains uncertain. Furthermore, oversight personnel could not adequately monitor contract performance, and there is no assurance that the Army received the services it has paid for since 2007.

### PEO STRI Officials Did Not Select the Most Advantageous Contract Type for the Exportable Instrumentation System

PEO STRI did not select the most advantageous contract type to support the exportable instrumentation system when exercising contract options. Specifically, PEO STRI contracting officials awarded a firm-fixed-price (FFP)<sup>2</sup> contract line item number (CLIN)<sup>3</sup> that paid the contractor to support up to four deployments per year of the exportable instrumentation system; however, the system has not been fully deployed since 2009. Additionally, PEO STRI contracting officials exercised 3 option years for the exportable instrumentation system's Phase I and II support work without verifying whether the requirement fulfilled an existing Government

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<sup>2</sup> A firm-fixed-price contract uses a price that does not fluctuate with the contractor's cost in performing the contract.

<sup>3</sup> A contract line item number specifies products or services being procured and the negotiated prices for them.



Figure. The Exportable Instrumentation System (Phase II configuration) deployed to Fort Bragg, North Carolina in 2009  
Source: JMRC brief

need or whether exercising the option was the most advantageous method for the Government to obtain support for the system. The exportable instrumentation system Phase II configuration used in 2009 is pictured in the figure above.

### ***Exportable Instrumentation System Phases I through III***

The exportable instrumentation system equipment was funded in three Phases, at a total cost of approximately \$18.9 million. The key components of the Phase I and Phase II exportable instrumentation system are three HELAM shelters, three Global Hawk core systems, and five RBSs. Phase III key components are an additional three HELAM shelters, three RBSs, and other miscellaneous key components.

On December 23, 2009, PEO STRI contracting officials modified the Warfighter FOCUS contract to support Phase I and Phase II system components with \$11.9 million FFP CLINs for a base and nine option periods ending October 31, 2017. The FFP CLINs were for the service and material to support all systems, including maintenance support, and up to four exportable training rotations per year.

On February 1, 2012, PEO STRI contracting officials modified the JMRC task order to incorporate a \$331,639 time-and-materials<sup>4</sup> CLIN for 1 year ending January 31, 2013. The time-and-materials CLIN was to administer, maintain,

<sup>4</sup> A time-and-materials contract provides for acquiring supplies or services on the basis of direct labor hours and actual cost of materials.

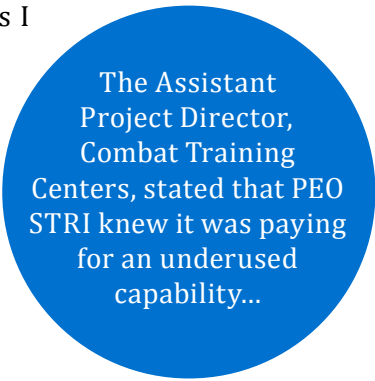
and account for the exportable instrumentation system. The exportable instrumentation system's time-and-materials CLINs are awarded each year for maintenance of the Phase III system components. The approximate award total for this work is \$941,333 through January 31, 2015.

### ***Exportable Instrumentation System Future Unknown***

Since 2011, JMRC's future use of the exportable instrumentation system was uncertain. On October 12, 2011, the LCPD sent an e-mail to JMRC officials that stated PEO STRI decided to fund the Phase III exportable instrumentation system administration, maintenance, and accountability as a time-and-materials CLIN because the future of the system was unknown. Federal Acquisition Regulation (FAR) 16.601 "Time-and-materials contracts," states that a time-and-materials contract may be used only when it is not possible at the time of placing the contract to estimate accurately the extent or duration of the work or to anticipate costs with any reasonable degree of confidence. The LCPD correctly recommended that the initial award of Phase III support should be a time-and-materials CLIN because of the uncertain future of the exportable instrumentation system. However, the LCPD did not provide direction on the contract type that should be used to support the exportable instrumentation system Phases I and II.

### ***Task Order Type Not Changed***

PEO STRI officials awarded FFP options to support Phases I and II system components, even though the LCPD knew the exportable instrumentation system's future was uncertain. The Assistant Project Director, Combat Training Centers, stated that PEO STRI knew it was paying for an underused capability; however, PEO STRI officials stated it would be too labor-intensive and time-consuming to change the existing contract type and that it was easier to maintain the existing contract terms. Additionally, the LCPD stated it was not a PEO STRI responsibility to determine the requirements for the exportable instrumentation system. PEO STRI awarded 3 option years with a period of performance of May 1, 2012 through April 30, 2015, valued at approximately \$4.0 million, for unnecessary FFP exportable instrumentation system services, because the contracting office did not modify the exportable instrumentation system contract type to reflect the training environment.



The Assistant Project Director, Combat Training Centers, stated that PEO STRI knew it was paying for an underused capability...

A different contract type would have been more economical to the Government for the Phase I and Phase II support of the exportable instrumentation system.

A different contract type would have been more economical to the Government for the Phase I and Phase II support of the exportable instrumentation system.

A cost-reimbursement contract can be used when circumstances do not allow the agency to define its requirements or uncertainties involved in contract performance do not permit costs to be estimated accurately. For example, a time-and-materials contract is used when it is not possible to accurately estimate the extent or duration of work or to estimate costs with a reasonable degree of confidence.

A time-and-materials contract type is more appropriate for Phase I and II maintenance, given the uncertain future of the exportable instrumentation system.

According to FAR 17.207, "Exercise of Options," the contracting officer may exercise options only after determining the requirement covered by the option fulfills an existing Government need, and the exercise of the option is the most advantageous method of fulfilling the Government's need, price, and other factors considered. PEO STRI officials should not have exercised options for the support of the exportable instrumentation system unless the Government still needed the system and the options were the most advantageous way of fulfilling that need. The contracting officer should ensure the exportable instrumentation system FFP CLIN supports recurring known needs after the Commander Operations Group, Joint Multinational Readiness Center determines the requirement for the exportable instrumentation system and components. Additionally, the contracting officer should select the most advantageous contract type to support the uncertain future of the exportable instrumentation system—specifically, for the Phase I and Phase II maintenance costs.

### ***System's Changing Requirements Not Supported***

JMRC did not use the exportable instrumentation system as originally intended. According to the JMRC performance work statement, April 24, 2008, the contractor is responsible for providing services and materiel to support the exportable instrumentation system to include up to four exportable training rotations per year. The contractor's technical proposal for the exportable instrumentation system FFP CLINs states the following assumptions:

- JMRC will deploy the exportable instrumentation system to conduct instrumental force-on-force, mission rehearsal exercise or other training at least four times a year.<sup>5</sup>

<sup>5</sup> Although the technical proposal assumption states at least four times per year, the performance work statement states up to four times per year.



- The deployable exercises are 4-6 weeks in duration inclusive of site preparation, exercise operations, and site tear-down.
- Pre-deployment operations require detailed planning including site reconnaissance by Raytheon personnel.
- Deployment pack-out operations require approximately 10 working days to complete.
- Post deployment/recovery operations are approximately 10 days long.

Because JMRC did not fully deploy the exportable instrumentation system after 2009, the contractor's assumptions used to price the FFP exportable instrumentation system CLINs were no longer accurate. Although the contractor proposed over 13,200 annual labor hours (approximately 6 full-time-equivalent employees) to maintain the exportable instrumentation system, as of February 2014, the exportable instrumentation system lead technician stated only three contractors were maintaining the system: a lead technician and two maintenance workers. Furthermore, the lead technician stated that exportable instrumentation system maintenance contractors were also performing other contract work.

...JMRC did not fully deploy the exportable instrumentation system after 2009...

Since August 10, 2009, JMRC officials have used components of the exportable instrumentation system to augment the JMRC instrumentation system during rotational training at JMRC and the surrounding areas. As of April 2, 2014, the HELAM shelters had been used in 8 rotations and the RBSs in 26 rotations. The Global Hawks have not been used for training purposes since the Fort Bragg deployment in 2009. See Appendix B for a detailed use chart of the exportable instrumentation system after it was fully deployed in 2009. The Commander Operations Group, JMRC should review the need for the exportable instrumentation system to determine whether the Army has a valid requirement, and if a need exists, to determine whether all the components of the system are necessary.

PEO STRI paid for maintenance services by the contractor who assumed the exportable instrumentation system would deploy at least four times a year; however, the system has not fully deployed since 2009.

PEO STRI paid for maintenance services by the contractor who assumed the exportable instrumentation system would deploy at least four times a year; however, the system has not fully deployed since 2009. PEO STRI awarded \$8.4 million from November 1, 2008 through April 30, 2015, to maintain the system. If the contract is not modified, another \$3.5 million will be paid from May 1, 2015 through October 31, 2017, to maintain a system whose usage may not meet the intended requirements.

## PEO STRI Officials Did Not Adequately Monitor and Assess the Contractor

Oversight personnel did not adequately monitor and assess the contractor because PEO STRI contracting officials did not develop an adequate QASP that described methods to assess how well the contractor performed specific services. In addition, PEO STRI contracting officials did not clearly define and delegate quality assurance responsibilities in QAR appointment letters or provide clear guidance on the services the QARs were responsible for overseeing. Therefore, QARs did not adequately monitor contractor performance nor provide useful reports to the COR on contractor performance.

### ***Inadequate Quality Assurance Surveillance Plan***

The PEO STRI contracting officials prepared an inadequate QASP. The QASP was not prepared in conjunction with all performance work statements covering JMRC services and did not include metrics for monitoring contractor performance. Although JMRC services began in 2007, the LCPD had not finalized the QASP in December 2012. According to the JMRC QASP, the contracting officer makes the final determination of whether the contractor's performance meets contractual and regulatory requirements. Additionally, the contracting officer is responsible for designating and authorizing in writing the COR to perform specific technical or administrative functions.

The PEO STRI LCPD stated there were no specific metrics in the QASP because it was derived from a generic template the contracting officer provided and the LCPD was not given guidance as to what an appropriate QASP entailed. Federal acquisition regulations<sup>6</sup> state that QASPs should include all work requiring surveillance and the method of surveillance. Additionally, according to PEO STRI's COR guidance,<sup>7</sup> QASPs are prepared in conjunction with the performance work statement to ensure officials use systematic quality assurance methods, commensurate with the dollar value, risk, complexity, and criticality of the acquisition. However, the QASP did not include methods for monitoring the performance of major portions of the performance work statement: There was no methodology for assessing how well the contractor maintained the exportable instrumentation system. If specific methodology existed, PEO STRI and JMRC officials might have realized the system was not being used as intended and that PEO STRI was paying for an underused system.

<sup>6</sup> FAR Subpart 46.4, "Government Contract Quality Assurance."

<sup>7</sup> PEO STRI Acquisition Instruction 007B-CH-1, "COR-Training, Nomination, Appointment, and Termination," March 15, 2013.

Additionally, the QASP did not provide surveillance methods or quality requirements for additional services that were contracted using time-and-materials contracts, a more risky contract type for the Government. For example,

...the QASP did not provide surveillance methods or quality requirements for additional services that were contracted using time-and-materials contracts, a more risky contract type for the Government.

one performance work statement required the contractor to perform technical integration of a system that controlled data movement between classified and unclassified networks. The QASP, however, did not include surveillance requirements or ways to verify the contractor adequately performed these services. Another performance work statement required the contractor to provide all labor and travel needed for interorganizational training at JMRC; in these training scenarios, contractor employees stand in for relevant personnel to support tactical field exercises and staff training. Although the

performance work statement stated that surveillance would be in accordance with the QASP, the QASP did not include specific surveillance requirements to assess whether the contractor efficiently supported the training scenarios. The contracting officer, working with the COR and LCPD, needs to update and revise the QASP to include all contract work requiring surveillance; surveillance responsibilities commensurate to the capabilities of oversight personnel; and specific methods to observe and document contractor performance.

### ***QAR Appointment Letters Did Not Clearly Define Quality Assurance Responsibilities***

The PEO STRI contracting officials prepared appointment letters for 11 QARs on the JMRC task order. The language in the letters was general and did not provide adequate guidance or designate clear oversight responsibilities for the QARs. Specifically, none of the appointment letters was tailored to the capabilities and areas of responsibility for the individual it appointed, which would have enabled the appointee to adequately assess contractor performance. Additionally, not all the tasks listed in the appointment letters were within the scope of the QARs' day-to-day responsibilities at JMRC.

...none of the appointment letters was tailored to the capabilities and areas of responsibility for the individual it appointed...

### ***Unclear Guidance Led to Inadequate Contract Monitoring***

JMRC QARs received unclear guidance from PEO STRI officials on the services they were responsible for overseeing; therefore, QARs did not adequately monitor

contractor performance. Of 13 individuals performing QAR functions, 7 stated that they received no guidance on how to complete the oversight reports, which some described as too vague and not entirely applicable to the areas they were assigned to oversee. Four QARs assigned to training and simulation activities stated that they did not think that the reports accurately portrayed the adequacy of the services the contractor performed. One QAR, responsible for mission command simulations, stated that there was “no matrix to determine whether the contractor is doing what they are required to do per the contract terms.”

PEO STRI officials did not clearly define responsibilities in appointment letters and provided unclear guidance to QARs. As a result, nine QARs stated they did not complete monthly oversight or rotation reports, and four QARs kept no documentation validating their oversight reports. However, we determined the lack of reports was not important, because the oversight reports PEO STRI created were ineffective.

### *Oversight Reports Were Ineffective*

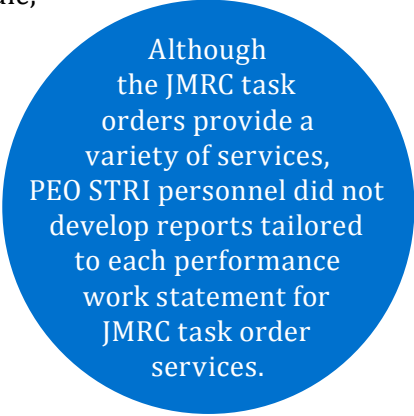
PEO STRI contracting officials did not develop appropriate contract oversight and surveillance reports to ensure oversight personnel were effective in determining whether the Government obtained quality services in accordance with contract terms. Specifically, the monthly surveillance reports and rotational contractor observation reports the QARs submitted to the COR were not tailored to the different services provided at JMRC. The monthly surveillance reports provided only blank spaces for the QAR to provide general comments and ratings for contractor performance, with no guidance. The rotational contractor observation reports addressed overall contractor performance areas with two questions: Did the contractors conduct themselves in a professional manner, and did the contractors meet or exceed performance standards? The reports did not indicate specific performance requirements the QAR was to report on. Furthermore, although the QASP included performance metrics for FFP services, these metrics were not incorporated into the rotational contractor observation reports.

...although the QASP included performance metrics for FFP services, these metrics were not incorporated into the rotational contractor observation reports...

Neither the monthly surveillance reports nor the rotational contractor observation reports were tailored to monitor contractor performance at JMRC. The FAR<sup>8</sup> requires the Government to conduct contract quality assurance to determine that

<sup>8</sup> FAR Subpart 46.4, “Government Contract Quality Assurance.”

services conform to contract requirements. Army regulations<sup>9</sup> state that all Army personnel must ensure, through appropriate contract oversight and surveillance techniques, that the Government obtains quality services on time and at the level and prices specified in the contract. Army regulations also state that contractor performance should be monitored against cost, schedule, and performance requirements identified in the contract or in the QASP. Although the JMRC task orders provide a variety of services, PEO STRI personnel did not develop reports tailored to each performance work statement for JMRC task order services. PEO STRI contracting personnel should obtain recommendations from the QARs as to the specific surveillance methods applicable to the tasks specified in each JMRC performance work statement and issue appointment letters that correlate to these specific tasks.



Although the JMRC task orders provide a variety of services, PEO STRI personnel did not develop reports tailored to each performance work statement for JMRC task order services.

## Conclusion

PEO STRI awarded \$8.4 million FFP services for maintenance of an exportable instrumentation system assuming that system deployment would occur up to four times a year; however, the exportable instrumentation system in its entirety has not been used since 2009 and it is questionable whether there is a requirement for this system. Although PEO STRI officials prepared a QASP to provide oversight for the JMRC task order, the QASP did not provide adequate guidance to direct and support oversight for the different services provided by the contractor to support the JMRC mission. Furthermore, JMRC oversight personnel did not adequately monitor contract performance because PEO STRI officials did not clearly define oversight responsibilities. QARs were unable to perform adequate surveillance because their appointment letters were general, they did not have specific reports tailored to the services performed by the contractor, and the reports they provided to the COR were insufficient for assessing contractor performance. As a result, there is no assurance that PEO STRI received the services it has paid for since 2007, in accordance with the contract terms.

## Management Comments on the Finding and Our Response

### *Management Comments on the Exportable Instrumentation System*

The Deputy Assistant Secretary of the Army for Procurement, responding for the Principal Assistant Responsible for Contracting at PEO STRI, agreed but stated that

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<sup>9</sup> Army Regulation 70-13, "Management and Oversight of Service Acquisitions."



the customer/end user determines requirements, not the PEO STRI Project Director for Field Operations. The JMRC exportable instrumentation system deployed to the Continental United States to conduct a Combat Training Center event at the home station of the brigade combat teams; however, the demand for the system declined as a result of a reduction in deploying forces to Iraq and Afghanistan. The exportable instrumentation system did not deploy to the home stations of brigade combat teams after the Fort Bragg, North Carolina, deployment in 2009 because JMRC did not receive a mission from the Army to deploy the system. Since 2009, JMRC has used the exportable instrumentation system components to extend the training capability of the existing JMRC instrumentation system. The exportable instrumentation components are primarily used during the brigade combat team rotations. When JMRC uses the exportable instrumentation system components to support a JMRC instrumentation system rotation, JMRC encounters very few problems. The exportable instrumentation system allows JMRC to receive rotation data from training areas outside of the Hohenfels Training Area, demonstrating the contractor is providing the required services in the Warfighter FOCUS contract.

### *Our Response*

We understand that the PEO STRI Project Director for Field Operations does not determine the requirement for an exportable instrumentation system. However, until the Army determines the requirement for an exportable instrumentation system, the Army will continue to pay for services that may not be necessary.

## **Recommendations, Management Comments, and Our Response**

### ***Redirected Recommendations***

As a result of management comments, we redirected Recommendations 1.a and 1.b to the Commanding General, U.S. Army Europe, in conjunction with the Commanding General, Joint Multinational Training Command, who has the authority to implement the recommendations.

### ***Recommendation 1***

**We recommend the Commanding General, U.S. Army Europe, in conjunction with the Commanding General, Joint Multinational Training Command:**

- a. Review the need for the exportable instrumentation system to determine whether the Army has a valid requirement;**

- b. If a need for the exportable instrumentation system exists, determine whether all components of the system are necessary. Specifically determine whether there is a requirement for:**

- (1) six hardside expandable light air-mobile shelters;**
- (2) three Global Hawks;**
- (3) eight remote base station vehicles; and**
- (4) miscellaneous components of the exportable instrumentation system.**

### *U.S. Army Europe Comments*

The Director, Internal Review and Audit Compliance for U.S. Army Europe, responding for the Commanding General, U.S. Army Europe, agreed, stating U.S. Army Europe will conduct an analysis of the exportable instrumentation system.

### *Our Response*

Comments from the Director, Internal Review and Audit Compliance for U.S. Army Europe, addressed all specifics of the recommendations. The proposed actions meet the intent of the recommendation, and no further comments are required.

## **Recommendation 2**

**We recommend that the Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation require the Warfighter Field Operations Customer Support contracting officer to:**

- a. Ensure the exportable instrumentation system firm-fixed-price contract line item number supports recurring known needs after the Commander Operations Group, Joint Multinational Readiness Center determines the requirement for the exportable instrumentation system and components.**

### *Deputy Assistant Secretary of the Army for Procurement Comments*

The Deputy Assistant Secretary of the Army for Procurement, responding for the Principal Assistant Responsible for Contracting at PEO STRI, agreed, stating that the Principal Assistant Responsible for Contracting issued a stop-work order, in conjunction with the procurement contracting officer, on September 16, 2014, with an effective date of September 17, 2014. The stop-work order applied to the FFP portion of the exportable instrumentation system support to suspend further expenditures until JMRC could conduct further analysis. Additionally, the Assistant Project Director for Combat Training Centers sent an e-mail to the JMRC

Deputy Commander Operations Group on September 17, 2014, requesting that JMRC identify its rotation requirements on the exportable instrumentation system Combat Training Centers by October 15, 2014. The JMRC requirements will scope the exportable instrumentation system components that are required to execute a brigade combat team rotation.

### *Our Response*

Comments from the Deputy Assistant Secretary of the Army for Procurement addressed all specifics of the recommendation. The proposed actions meet the intent of the recommendation, and no further comments are required.

- b. Select the most advantageous contract type to support the uncertain future of the exportable instrumentation system—specifically, for the Phase I and Phase II maintenance costs.**

### *Deputy Assistant Secretary of the Army for Procurement Comments*

The Deputy Assistant Secretary of the Army for Procurement, responding for the Principal Assistant Responsible for Contracting at PEO STRI, agreed, stating the time and materials support remains in place to provide maintenance as required to support current JMRC rotation exercises through January 2015. Additionally, PEO STRI will renegotiate the services contracted for under the FFP CLIN using the contract type most advantageous to the Government.

### *Our Response*

Comments from the Deputy Assistant Secretary of the Army for Procurement addressed all specifics of the recommendation. The proposed actions meet the intent of the recommendation, and no further comments are required.

- c. Update and revise the quality assurance surveillance plan in accordance with Federal Acquisition Regulation 46.4, “Government Contract Quality Assurance.” The revised quality assurance surveillance plan should include:**
  - (1) all contract work requiring surveillance;**
  - (2) appropriate surveillance responsibilities commensurate to the capabilities of oversight personnel; and**
  - (3) Specific methods to observe and document contractor performance.**

*Deputy Assistant Secretary of the Army for Procurement Comments*

The Deputy Assistant Secretary of the Army for Procurement, responding for the Principal Assistant Responsible for Contracting at PEO STRI, agreed, stating the Project Director Field Operations COR and on-site customer service representative are working with the JMRC leadership and designated QARs to establish a more effective QASP. The revised QASP will include specific methods of surveillance; frequency of surveillance; a checklist providing detailed surveillance information specific to each effort for the QARs; and a matrix tying performance measures back to the performance work statement.

*Our Response*

Comments from the Deputy Assistant Secretary of the Army for Procurement addressed all specifics of the recommendation. The proposed actions meet the intent of the recommendation, and no further comments are required.

- d. Collaborate with Joint Multinational Readiness Center quality assurance representatives to create specific reports for each performance work statement, and update their appointment letters accordingly.**

*Deputy Assistant Secretary of the Army for Procurement Comments*

The Deputy Assistant Secretary of the Army for Procurement, responding for the Principal Assistant Responsible for Contracting at PEO STRI, agreed. He stated that following the DoDIG visit in early 2014, the customer service representative started a series of meetings with the QARs to better define surveillance methods to be employed on exportable instrumentation system requirements. Additionally, QAR appointment letters will be updated to include revised surveillance methods to ensure compliance with the FAR and best business practices. PEO STRI will employ this methodology for all requirements executed on the task order supporting the JMRC.

*Our Response*

Comments from the Deputy Assistant Secretary of the Army for Procurement addressed all specifics of the recommendation. The proposed actions meet the intent of the recommendation, and no further comments are required.

## Finding B

### Defense Hotline Contract Administration Allegations and Responses

We received multiple Defense Hotline allegations in 2010, 2011, and 2013 regarding contracting, oversight, and invoicing for the Warfighter FOCUS contract. Allegations received in 2011 and 2013 centered on the JMRC program in Hohenfels, Germany. The audit team may perform future work on other allegations. For this audit, we reviewed PEO STRI's contract administration processes and procedures for the JMRC program. The Defense Hotline allegations included the following:

- PEO STRI did not document problems raised at meetings between PEO STRI and the contractor.
- PEO STRI provided little to no oversight.
- The contractor was paid for time-and-materials work even though it did not provide enough staff to support the original FFP contract.

We determined one allegation was substantiated, one allegation was partially substantiated, and the last allegation was unsubstantiated.

The allegations are discussed below.

### Allegations

#### ***Allegation 1. PEO STRI Does Not Monitor or Track Contractor Actions***

PEO STRI does not document problems raised at meetings between PEO STRI and the contractor.

#### *DoD IG Response*

Substantiated. The contractor action items were not monitored or tracked and therefore, there was no documentation that action items were addressed or resolved. PEO STRI officials involved in contract oversight did not establish procedures to ensure all action items were tracked and documented. Rather, the contracting officer relied on program office personnel to individually monitor and track contractor action items under their area of responsibility.

#### ***Allegation 2. No Government Oversight***

PEO STRI provided little to no oversight.



*DoD IG Response*

Partially substantiated. Although PEO STRI officials did conduct some oversight, PEO STRI officials did not conduct adequate oversight. PEO STRI officials relied on JMRC personnel to supply QARs to oversee the contract; however, the QASP and QAR delegations were not tailored to the specific services surveyed, or to the responsibilities of oversight personnel. (Discussed in Finding A)

***Allegation 3. Contractor Not Providing Enough Staff to Support Firm-Fixed-Price Efforts***

The contractor was paid for time-and-materials work even though it did not provide enough staff to support the original FFP contract.

*DoD IG Response*

Not substantiated. In our analysis of this allegation, we gathered evidence from PEO STRI and JMRC officials and did not conclude there was insufficient staff to support FFP services. Therefore, we could not substantiate the allegation that the contractor was providing insufficient staff to support FFP services while being paid to perform time-and-materials work.

**Management Comments on the Finding and Our Response***Management Comments on the Allegations*

The Deputy Assistant Secretary of the Army for Procurement, responding for the Principal Assistant Responsible for Contracting at PEO STRI, agreed, stating that in regards to allegation 1, JMRC or PEO STRI personnel do not formally document all problems; however, the LCPD and customer service representative responded to all problems and concerns raised by JMRC. He also stated that in regard to allegation 2, on-site customer service representatives and QARs provide daily contract oversight through the LCPD. JMRC monitors JMRC instrumentation system performance, as augmented with components from the exportable instrumentation systems, during all rotations. In addition, JMRC tracks system deficiencies through resolution until system capabilities and performance are restored.

*Our Response*

Regarding allegation 1, we reported that documentation did not exist to support that PEO STRI addressed or resolved action items not that PEO STRI did not respond to issues and concerns. In regard to allegation 2, we reported that PEO STRI did not conduct adequate oversight not that PEO STRI performed no oversight.

## Appendix A

### Scope and Methodology

We conducted this performance audit from October 2013 through September 2014 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.

### Review of Documentation and Interviews

To evaluate whether PEO STRI contracting officials complied with appropriate Federal and DoD criteria for oversight and contract administration on contract W900KK-07-D-0001 (the Warfighter FOCUS contract), we reviewed the following criteria:

- FAR, Subpart 16.601, “Time-and-materials contracts,”
- FAR, Subpart 17.207, “Exercise of options,”
- FAR, Subpart 46.4, “Government Contract Quality Assurance,” and
- Army Regulation 70-13, “Management and Oversight of Service Acquisitions,” July 30, 2010.

We reviewed allegations raised to the Defense Hotline concerning contract W900KK-07-D-0001 task orders at JMRC concerning the adequacy of oversight and contract administration. We reviewed contract documentation and conducted interviews at the following locations:

- Program Executive Office for Simulation, Training, and Instrumentation, Orlando, Florida;
- Raytheon Technical Services Company, Orlando, Florida;
- Raytheon Technical Services Company, Hohenfels, Germany; and
- Joint Multinational Readiness Center, Hohenfels, Germany.

Additionally, we conducted teleconferences with the Army Audit Agency, and the Army Criminal Investigative Division.

To assess the allegations, we interviewed contracting officials, the contracting officer’s representative, quality assurance representatives, and program management at PEO STRI and JMRC. To validate the accuracy of the allegations, we obtained and reviewed contract documentation from the PEO STRI contracting

office and from JMRC quality assurance representatives. The documentation included contract modifications for task orders 0004 through 0604 on contract W900KK-07-D-0001, monthly and rotational contractor oversight reports, Quality Assurance Surveillance Plans, system-use charts, and appointment letters.

## **Use of Computer-Processed Data**

We did not rely on computer-processed data to support our findings or conclusions.

## **Use of Technical Assistance**

We did not use technical assistance in conducting this audit.

## **Prior Coverage**

During the last 5 years, the Department of Defense Inspector General (DoD IG) issued three reports discussing the Warfighter FOCUS contract. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>.

### ***DoD OIG***

DoD OIG Report No. DODIG-2012-115, “Improved Oversight, but No Invoice Reviews and Potential Antideficiency Act Violation May Have Occurred on the Kuwait Observer Controller Team Task Orders,” August 2, 2012

DoD OIG Report No. D-2011-113, “Improved Pricing and Oversight Needed for the Afghan Air Force Pilot and English Language Training Task Order,” September 30, 2011

DoD OIG 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

### Exportable Instrumentation System Use Through April 2, 2014

Rotation	Dates	HELAM <sup>1</sup> Shelters	Global Hawk core system	RBS <sup>2</sup>
09-04	February 17 – March 28, 2009 <sup>3</sup>	3	3	5
09-07	August 10 – September 15, 2009	0	0	4
10-01	September 30 – October 25, 2009	0	0	2
10-02a	November 9 – November 20, 2009	0	0	1
10-02b	December 1 – December 15, 2009	0	0	1
10-03	January 11 – January 27, 2010	0	0	1
10-04	March 1 – March 21, 2010	2	0	3
10-05	April 20 – June 10, 2010	0	0	1
10-06	June 12 – July 1, 2010	0	0	1
10-07	August 1 – August 26, 2010	0	0	1
11-01	September 30 – October 29, 2010	0	0	2
11-03	February 6 – March 2, 2011	0	0	1
11-04	February 25 – March 18, 2011	0	0	1
11-05	March 18 – April 10, 2011	2	0	3
11-07	August 2 – August 29, 2011	0	0	1
12-01	October 5 – October 25, 2011	2	0	4
12-02	November 2 – November 21, 2011	0	0	1
12-03A	November 28 – December 14, 2011	0	0	2
12-03B	January 9 – January 25, 2012	0	0	2
12-04	February 1 – February 24, 2012	0	0	2
12-05	March 4 – March 24, 2012	3	0	4
12-07	July 22 – August 22, 2012	0	0	0
12-08A	August 14 – September 4, 2012	0	0	1
13-01	October 1 – November 4, 2012	1	0	3
13-03	February 21 – March 21, 2013	0	0	0
13-04A	February 3 – February 14, 2013	1	0	1
13-04B	March 1 – March 23, 2013	1	0	3
13-05B	May 23 – June 15, 2013	1	0	1
14-02A	January 17 – February 1, 2014	0	0	0
14-02B	January 24 – February 28, 2014	0	0	0
14-03A	March 10 – April 2, 2014	0	0	1

<sup>1</sup> Hardside Expandable Light Air-Mobile

<sup>2</sup> Remote Base Station

<sup>3</sup> The Exportable Instrumentation System deployment to Fort Bragg.

## Management Comments

### Department of the Army



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

OCT 24 2014

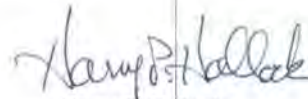
SAAL-PR

MEMORANDUM FOR THE DEPARTMENT OF DEFENSE, OFFICE OF THE  
INSPECTOR GENERAL, 4800 MARK CENTER DRIVE, ALEXANDRIA, VIRGINIA  
22350-1500

SUBJECT: The Department of Defense Inspector General (DoDIG) Draft Audit Report,  
26 September 2014, Project No. D2014-D000CN-0003.000, "Improved Contract  
Administration Needed for the Warfighter Field Operations Customer Support Contract  
at the Joint Multinational Readiness Center

1. As requested, I am providing a response to the subject draft report.
2. I concur with the Program Executive Office for Simulation, Training and Instrumentation's (PEO STRI) enclosed responses to the findings and the four PEO STRI directed recommendations. As detailed in the enclosure, PEO STRI agreed with comments to the DoDIG's findings and recommendations.
3. The point of contact is [REDACTED] or e-mail:  
[REDACTED]

Encl

  
Harry P. Hallock  
Deputy Assistant Secretary  
of the Army (Procurement)



## Department of the Army (cont'd)



REF ID: A1171014

**DEPARTMENT OF THE ARMY**  
PROGRAM EXECUTIVE OFFICE  
SIMULATION, TRAINING AND INSTRUMENTATION  
12350 RESEARCH PARKWAY,  
ORLANDO, FLORIDA 32826-3276

Enclosure 1

SFAE-STRI-PEO

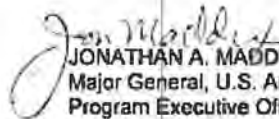
9 October 2014

MEMORANDUM FOR Department of Defense Inspector General (DoDIG), Mr.  
Timothy E. Moore, 4800 Mark Center Drive, Alexandria, VA 22350

SUBJECT: Command Response to DoDIG Draft Report on the Improved Contract  
Administration Needed for the Warfighter Field Operations Customer support Contract  
at the Joint Multinational Readiness Center (Project D2014-D000CN-0003.000)  
(FOUO)

1. Reference DoDIG, 26 September 2014, draft report on the Improved Contract  
Administration Needed for the Warfighter Field Operations Customer Support Contract  
at the Joint Multinational Readiness Center.
2. The Program Executive Office for Simulation, Training and Instrumentation (PEO  
STRI) comments to the subject draft report are enclosed.
3. Point of contact is [REDACTED]

Encl

  
JONATHAN A. MADDUX  
Major General, U.S. Army  
Program Executive Officer

CF: ASA(ALT) (w/ encl)

## Department of the Army (cont'd)

**Project:** D2014-D000CN-0003.000

**Audit Location:** PEO STRI, Orlando FL and JMRC, Hohenfels, GE

**Finding A:** JMRC Contract Administration Needs Improvement

PEO STRI officials did not properly administer JMRC task order services valued at approximately \$180.9 million awarded under the Warfighter FOCUS contract. Specifically, PEO STRI officials did not:

- Select the most advantageous contract type to support the exportable instrumentation system and its changing requirements because PEO STRI believed changing the contract type would be too labor intensive and that it was easier to maintain the existing contract terms; or
- Adequately monitor and assess contractor performance because contracting officials did not develop an adequate Quality Assurance Surveillance Plan (QASP) describing methods for on-site QARs to assess performance of specific services. In addition, contracting officials did not clearly define and delegate quality assurance responsibilities in QAR appointment letters.

**Conclusion:**

PEO STRI awarded \$8.4 million FFP services for maintenance of an exportable instrumentation system assuming that system deployment would occur up to four times a year; however, the exportable instrumentation system in its entirety has not been used since 2009 and it is questionable whether there is a requirement for this system. Although PEO STRI officials prepared a QASP to provide oversight for the JMRC task order, the QASP did not provide adequate guidance to direct and support oversight for the different services provided by the contractor to support the JMRC mission. Furthermore, JMRC oversight personnel did not adequately monitor contract performance because PEO STRI officials did not clearly define oversight responsibilities. QARs were unable to perform adequate surveillance because their appointment letters were general, they did not have specific reports tailored to the services performed by the contractor, and the reports they provided to the COR were insufficient for assessing contractor performance. As a result, there is no assurance that PEO STRI received the services it has paid for since 2007, in accordance with the contract terms.

**PEO STRI comments:**

Agree, with the following comments:

For the record, PEO STRI/PD Field OPS does not determine requirements. Requirements are determined by the customer/end user. The Exportable Instrumentation System (EIS) requirement evolved in 2004 from the Army's surge of brigade combat teams (BCTs) needed to support simultaneous operations in Iraq and Afghanistan. The CONUS maneuver Combat Training Centers (CTCs), the National

## Department of the Army (cont'd)

Training Center and the Joint Readiness Training Center, did not have the capacity to conduct the number of Mission Rehearsal Exercises (MREs) for each BCT deploying to the theater of operations. The Dept of Army provided PD Field Operations (OPS) the funding to maintain the EIS to support up to four EIS rotations per year. The EIS mission was to deploy to CONUS and conduct a CTC event at the BCT's home station. After the 2009 deployment of the EIS to Ft Bragg, NC, the demand for CTC MREs declined due to a reduction in deploying forces. By the time the EIS was completed, the surge training requirement had ended. The JMRC therefore did not receive a mission from the Army to deploy the EIS. Since 2009, EIS components have been used to extend the training capability of the existing JMRC-Instrumentation System (JMRC-IS), this usually occurs during the BCT rotations. When the EIS components are used to support a JMRC-IS rotation, very few issues are encountered; enabling the JMRC to receive rotation data (voice and player unit) from training areas outside of the Hohenfels Training Area (HTA), demonstrating the contractor is providing the required services under Warfighter FOCUS.

We acknowledge the JMRC Quality Assurance Surveillance Plan (QASP) does not provide EIS specific provisions. PEO STRI is in process of developing a more detailed QASP specifically addressing the usage of the EIS. The PD Field OPS on-site customer service representative (CSR) is working with the JMRC designated QARs to improve effectiveness of the EIS QASP. PD Field OPS, in conjunction with the Contracting Center, will prepare specific QAR appointment letters for the EIS.

### **Data corrective actions implemented:**

The contracting center and program management office are working to have corrective actions in place by 31 December 2014.

### **Recommendation 2**

We recommend that the Principal Assistant Responsible for Contracting at the Program Executive Office for Simulation, Training, and Instrumentation require the Warfighter Field Operations Customer Support contracting officer to:

#### **Recommendation 2a.**

Ensure the exportable Instrumentation system firm-fixed-price contract line item number supports recurring known needs after the Commander Operations Group, Joint Multinational Readiness Center determines the requirement for the exportable instrumentation system and components.

### **Command Comments**

Agree, with the following comments:

The PARC, in conjunction with the PCO, issued a Stop Work Order for the Firm-Fixed-Price (FFP) portion of the EIS support to mitigate further expenditures until further analysis could be conducted. The Stop Work Order was issued 16 September 2014.



## Department of the Army (cont'd)

effective 17 September 2014. Time and Materials (T&M) support remains in place to provide maintenance as required to support current JMRC rotation exercises through January 2015. On 17 September 2014 the Assistant Project Director (APD) for CTCs sent an email to the JMRC Deputy Commander Operations Group (DCOG) requesting JMRC identify their EIS CTC rotation requirements by 15 October 2014. The JMRC requirements will scope the EIS components that are required to execute a BCT rotation. The services that were contracted under the FFP CLIN will be renegotiated utilizing a contract type most advantageous to the Government.

**Date corrective actions implemented:**

16 September 2014.

**Recommendation 2b.**

Select the most advantageous contract type to support the uncertain future of the exportable instrumentation system—specifically, for the Phase I and Phase II maintenance costs.

**Command Comments**

Agree, with the following comments:

As referenced in 2a above PEO STRI is taking action to ensure the most cost effective contracting approach is employed to provide maintenance support.

**Date corrective actions implemented:**

Following receipt of a firm EIS support requirement from JMTC/JMRC (to be provided NLT 15 October 2014), the PCO will renegotiate utilizing a contract type most advantageous to the Government.

**Recommendation 2c.**

Update and revise the quality assurance surveillance plan in accordance with Federal Acquisition Regulation 46.4, "Government Contract Quality Assurance." The revised quality assurance surveillance plan should include:

- (1) All contract work requiring surveillance;
- (2) Appropriate surveillance responsibilities commensurate to the capabilities of oversight personnel; and
- (3) Specific methods to observe and document contractor performance.

**Command Comments**

Agree, with the following comments:

The PCO, with the support of Program Management, is working to improve the QASP used to surveil EIS support. Improvements include a concerted effort to ensure

## Department of the Army (cont'd)

compliance with FAR guidance and best business practices. The development of a better contract surveillance QASP is a work in progress. The PD Field OPS COR and on-site CSR are working with the JMRC leadership and designated QARs to establish a more effective QASP. The revised QASP will include specific methods of surveillance, frequency of surveillance, a checklist providing detailed surveillance information specific to each effort for the QARs, and a matrix tying performance measures back to the Performance Work Statement.

**Date corrective actions implemented:**

Revised surveillance of EIS support has begun with the on-site COR conducting regular reviews of contractor performance while the revised QASP and corresponding QAR appointment letters are updated. The contracting center and program management office are working to have corrective actions in place by 31 December 2014.

**Recommendation 2d.**

Collaborate with Joint Multinational Readiness Center quality assurance representatives to create specific reports for each performance work statement, and update their appointment letters accordingly.

**Command Comments**

Agree, with the following comments:

Following the DoDIG visit to PEO STRI in early 2014, the CSR started a series of meetings with the QARs to better define surveillance methods to be employed on EIS requirements. Appointment letters for quality assurance representatives will be updated to include revised surveillance methods.

As referenced in 2c above, PEO STRI is taking action to revise QASPs and QAR appointments to ensure FAR compliance and execution of best business practices. This methodology will be employed for all requirements executed on the task order supporting the JMRC.

**Date corrective actions implemented:**

The contracting center and program management office are working to have corrective actions in place by 31 December 2014.

## Department of the Army (cont'd)

**Project:** D2014-D000CN-0003.000

**Audit Location:** PEO STRI, Orlando FL and JMRC, Hohenfels, GE

**Finding B:** Defense Hotline Contract Administration Allegations and Responses

We received multiple Defense Hotline allegations in 2010, 2011, and 2013 regarding contracting, oversight, and invoicing for the Warfighter FOCUS contract. Allegations received in 2011 and 2013 centered on the JMRC program in Hohenfels, Germany. The audit team may perform future work on other allegations. For this audit, we reviewed PEO STRI's contract administration processes and procedures for the JMRC program. The Defense Hotline allegations included the following:

**Allegation 1.** (FOUO) PEO STRI did not document problems raised at meetings between PEO STRI and the contractor. Substantiated.

**PEO STRI comments:**

Agree, with the following comments:

All problems are not formally documented by JMRC or PEO STRI personnel; however, the Life Cycle Project Director (LCPD) and CSR respond to all issues and concerns raised by JMRC.

The LCPD, who is resident at the PEO in Orlando, provides day-to-day support for all JMRC requirements to include coordination with: (a) the PD Field OPS Program Office, (b) the customer (JMRC), (c) the contractor's Program Mgmt Office in Orlando, and (d) the PEO STRI Contracting Office.

The CSR, a PD Field OPS LCPD, is resident at the JMRC and provides day-to-day, on-site: (a) coordination of training support managed by PD Field OPS, (b) interface with the customer (JMRC), and (c) oversight and interface with contractor personnel on the ground at the JMRC.

**Allegation 2.** (FOUO) PEO STRI provided little to no oversight. Partially substantiated.

**PEO STRI comments:**

Agree, with the following comments:

Contract oversight is provided daily by the on-site CSR and QARs, and through the LCPD. The JMRC-IS performance, as augmented with EIS components, is monitored during all rotations. System deficiencies are formally tracked through resolution until system capabilities and performance is restored. The IS/EIS performance consistently remains at a high level of sustained excellence.



## Department of the Army (cont'd)

**Allegation 3.** (FOUO) The contractor was paid for time-and-materials work even though it did not provide enough staff to support the original FFP contract.  
Unsubstantiated.

**PEO STRI comments:**

No comments required as this allegation is "Unsubstantiated"

## Department of the Army (cont'd)



DEPARTMENT OF THE ARMY  
UNITED STATES ARMY EUROPE  
UNIT 29351  
APO AE 09014

AECS-IR

3 NOV14

MEMORANDUM FOR U.S. DEPARTMENT OF DEFENSE OFFICE OF INSPECTOR  
GENERAL

SUBJECT: DODIG Draft Audit Report – “Improved Contract Administration Needed for the  
Warfighter Field Operations Customer Support Contract at the Joint Multinational Readiness  
Center,” Audit Report D2014-D000CN-0003.000.

1. USAREUR appreciates the opportunity to review and provide comments to the subject draft  
report. The subject audit report has been reviewed by responsible personnel from USAREUR,  
Joint Multinational Training Command and Joint Multinational Readiness Center.
2. Enclosure 1 is our command reply.
3. If you have any questions, please contact me [REDACTED]  
[REDACTED]

Encl

A handwritten signature in cursive script that reads "Karen M. Whitten".

Karen M. Whitten, CPA  
Director, Internal Review and  
Audit Compliance Office

## Department of the Army (cont'd)

### COMMAND REPLY

#### **DODIG DRAFT AUDIT REPORT**

#### **Improved Contract Administration Needed for the Warfighter Field Operations Customer Support Contract at the Joint Multinational Readiness Center**

#### **FINDING A: JMRC Contract Administration Needs Improvement**

PEO STRI officials did not properly administer JMRC task order services valued at approximately \$180.9 million awarded under the Warfighter FOCUS contract.

PEO STRI officials did not:

- Select the most advantageous contract type to support the exportable instrumentation system and its changing requirements.
- Monitor and assess contractor performance adequately.

#### **RECOMMENDATIONS AND COMMAND COMMENTS**

**RECOMMENDATION A1** : We recommend the Commanding General USAREUR, in conjunction with the Commanding General JMTTC, review:

- a. The need for the exportable instrumentation system to determine whether the Army has a valid requirement;
- b. If a need for the exportable instrumentation system exists, determine whether all components of the system are necessary. Specifically determine whether there is a requirement for:
  - (1) six hardside expandable light air-mobile shelters;
  - (2) three Global Hawks;
  - (3) eight remote base station vehicles; and
  - (4) miscellaneous components of the exportable instrumentation system.

#### **Command Comments.**

**Concur.** USAREUR concurs with the audit recommendation and will conduct an analysis of the exportable instrument systems with an expected completion date of 31 March 2015.

**Redirected  
Recommendations  
1.a and 1.b**

## Acronyms and Abbreviations

---

<b>CLIN</b>	Contract Line Item Number
<b>COR</b>	Contracting Officer's Representative
<b>FAR</b>	Federal Acquisition Regulation
<b>FFP</b>	Firm-Fixed-Price
<b>FOCUS</b>	Field Operations Customer Support
<b>HELAM</b>	Hardside Expandable Light Air-Mobile
<b>JMRC</b>	Joint Multinational Readiness Center
<b>LCPD</b>	Life Cycle Project Director
<b>PEO STRI</b>	Program Executive Office for Simulation, Training, and Instrumentation
<b>QAR</b>	Quality Assurance Representative
<b>QASP</b>	Quality Assurance Surveillance Plan
<b>RBS</b>	Remote Base Station

# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

*The Whistleblower Protection Enhancement Act of 2012 requires the Inspector General to designate a Whistleblower Protection Ombudsman to educate agency employees about prohibitions on retaliation, and rights and remedies against retaliation for protected disclosures. The designated ombudsman is the DoD Hotline Director. For more information on your rights and remedies against retaliation, visit [www.dodig.mil/programs/whistleblower](http://www.dodig.mil/programs/whistleblower).*

## **For more information about DoD IG reports or activities, please contact us:**

### **Congressional Liaison**

[congressional@dodig.mil](mailto:congressional@dodig.mil); 703.604.8324

### **Media Contact**

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