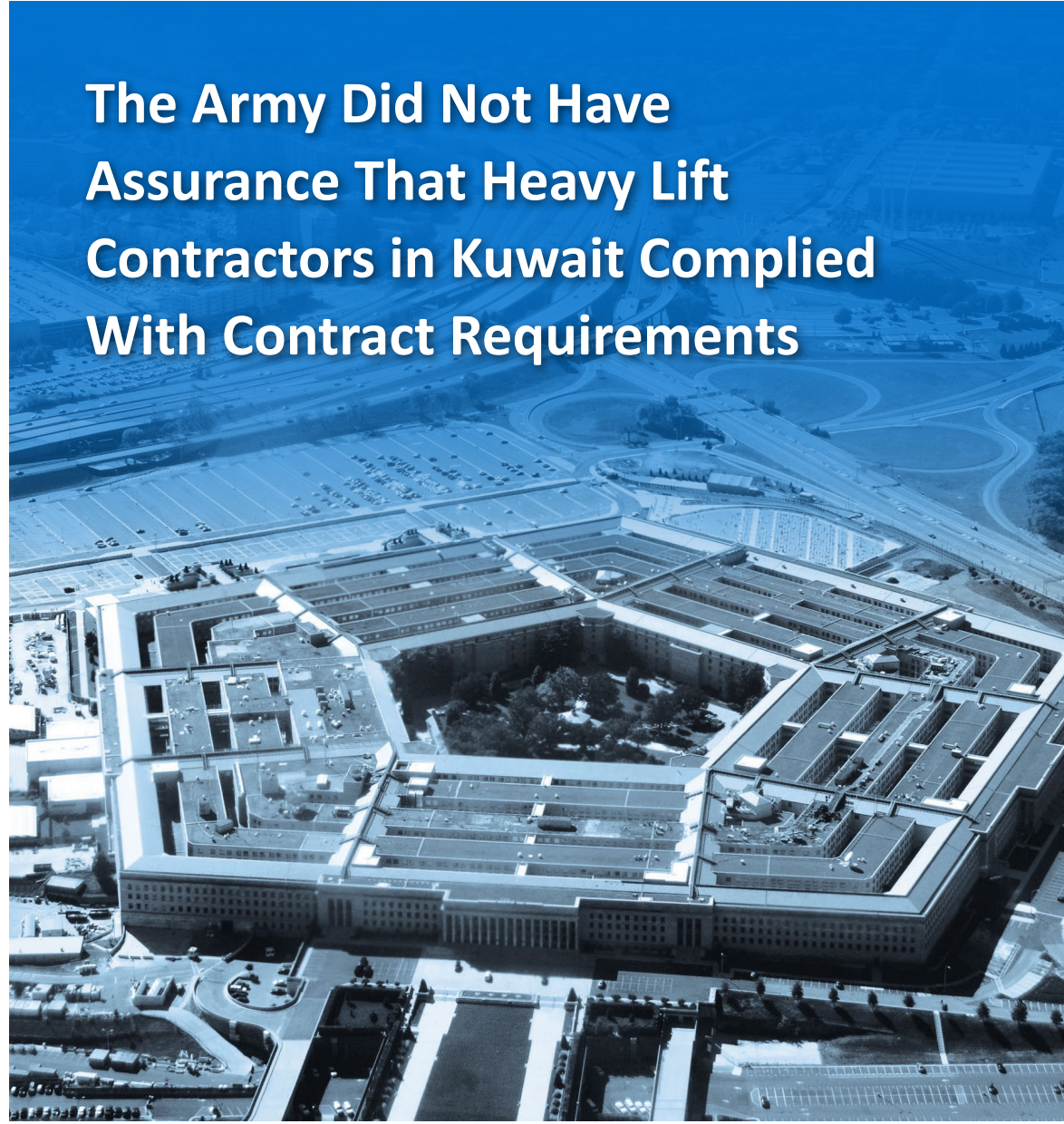




INSPECTOR GENERAL

U.S. Department of Defense

DECEMBER 15, 2016



The Army Did Not Have Assurance That Heavy Lift Contractors in Kuwait Complied With Contract Requirements

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Results in Brief

The Army Did Not Have Assurance That Heavy Lift Contractors in Kuwait Complied With Contract Requirements

December 15, 2016

Objective

We determined whether the DoD provided effective oversight of the Army Heavy Lift contracts in Kuwait. The Heavy Lift program provides commercial transportation services for moving Army equipment, cargo, and personnel throughout Kuwait. The Heavy Lift program is used in support of Operation Inherent Resolve.

The Army uses four contractors to fulfill its heavy lift transportation requirements, with each contractor performing under a separate contract. Because the Heavy Lift program is in its seventh iteration, these contracts are referred to as the Heavy Lift VII (HL7) contracts.

Findings

The Army did not provide effective oversight of the HL7 contracts in Kuwait. Specifically, HL7 contracting officer's representatives (CORs) did not perform monthly surveillance of each active contractor and each type of contracted vehicle, or use the approved checklist to document surveillance. This occurred because the administrative contracting officer (ACO) and the quality assurance specialist did not provide the CORs with a quality assurance surveillance plan (QASP) that mirrored contract requirements and instead issued verbal guidance that led to incomplete and inconsistent surveillance. Furthermore, although the HL7 CORs identified contractual deficiencies, the ACO did not address the identified deficiencies with the contractors.

Contractual deficiencies were not corrected because the ACO and the quality assurance specialist did not regularly communicate with

Findings (cont'd)

the CORs or review and analyze the COR surveillance results and customer complaints to identify systemic deficiencies to communicate with the contractors. As a result, the Army did not have reasonable assurance that HL7 contractors complied with contract requirements and that the \$205 million in services received from September 2011 to August 2016 represented the best value to the Government.

The Army also did not provide effective administration of the HL7 contracts.

- The official contract file and COR working files did not contain critical documentation, such as contract amendments and task orders, approved quality control plans, COR monthly reports, and COR surveillance results. The files were incomplete because the procuring contract officer (PCO) and the ACO did not regularly monitor the files for completeness and enforce requirements.
- The PCO did not officially assess the performance of two contractors. This occurred because the PCO prioritized other administrative activities over completing the assessments.
- The HL7 CORs were not properly trained or appointed. This occurred because the 1st Sustainment Command (Theater) (1st TSC) did not identify CORs before deployment and the 408th Contracting Support Brigade (CSB) did not actively manage COR validations or identify the full scope of each COR's surveillance responsibilities before issuing appointment letters.

As a result, the Army did not have adequate evidence to support contractor performance, which could affect the Government's position in the case of a contractual dispute. Furthermore, performance assessments provide Federal source selection officials with relevant information about a contractor's performance under previously awarded contracts. Therefore, not assessing two of the HL7 contractor's performance increases the Government's risk of acquiring services from a poor-performing contractor. In addition, without proper appointment letters, the HL7 CORs executed official surveillance on contracts that they were not authorized to oversee.



Results in Brief

The Army Did Not Have Assurance That Heavy Lift Contractors in Kuwait Complied With Contract Requirements

Recommendations

To improve the oversight of the HL7 contracts, we recommend that the Commander, 408th CSB, in coordination with the Commander, 1st TSC, update the existing QASP to tie to performance work statement requirements, implement a mechanism that tracks and resolves contractor deficiencies, and establish regular and recurring meetings with HL7 oversight staff.

To improve the administration of the HL7 contracts, we recommend that the:

- Commander, 408th CSB, and the Executive Director, ACC-RI coordinate to develop a process for routinely monitoring the official contract file and COR working files for completeness;
- Executive Director, ACC-RI ensure all contractors are rated in a timely manner and that the COR surveillance results are incorporated in the overall rating; and
- Commanders of the 1st TSC and the 408th CSB, and the Executive Director, ACC-RI coordinate to establish formal procedures for training CORs and managing HL7 oversight.

Management Actions Taken

During the audit, we advised the 1st TSC, the 408th CSB, and the ACC-RI of the deficiencies we identified related to the oversight and administration of the HL7 contracts. The 1st TSC, the 408th CSB, and the ACC-RI agreed with our observations and immediately initiated steps to address our concerns. To improve the oversight of the HL7 contracts, the 408th CSB, in coordination with the 1st TSC and the ACC-RI, updated the existing QASP to better reflect the requirements outlined

in the performance work statement, implemented a spreadsheet to track contractual deficiencies to ensure they are appropriately addressed with the contractors, and established regular and recurring meetings with the HL7 oversight team.

To improve the administration of the HL7 contracts, the 408th CSB and the ACC-RI developed guidance that assigned responsibility for maintaining and monitoring the contract files. In addition, ACC-RI officials stated that they will work with the PCO team from the respective period of performance to complete the two outstanding performance assessments by February 2017. Furthermore, the 1st TSC, in conjunction with the 408th CSB and the ACC-RI, developed standard operating procedures that specify responsibilities and processes for nominating, providing surveillance training, and validating new CORs in a timely manner. The standard operating procedures also includes a process for establishing a comprehensive and official delegation in the COR appointments.

The management actions taken addressed the causes of the deficiencies pertaining to contract surveillance and administration and were fully responsive to our proposed recommendations; therefore, we do not require any additional comment on the recommendations. However, the HL7 contracts expire in August 2017 and the Army is expected to award the Heavy Lift VIII (HL8) contracts at that time. It is critical that the recent oversight and administrative improvements initiated on HL7 are carried forward to the HL8 contracts. We addressed this concern with ACC-RI officials, who agreed that the oversight lessons learned from this audit will be carried forward to the HL8 contract.

Recommendations Table

Management	Recommendations Requiring Comment
Commander, 1st Sustainment Command (Theater)	None
Executive Director, Army Contracting Command–Rock Island	None
Commander, 408th Contracting Support Brigade	None





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

December 15, 2016

MEMORANDUM FOR DISTRIBUTION

SUBJECT: The Army Did Not Have Assurance That Heavy Lift Contractors in Kuwait Complied With Contract Requirements (Report No. DODIG-2017-035)

We are providing this final report for your information and use. The Army did not provide effective oversight and administration of the Heavy Lift VII (HL7) contracts. We conducted this audit in accordance with generally accepted government auditing standards.

During the audit, we advised the 1st Sustainment Command (Theater), the 408th Contracting Support Brigade, and the Army Contracting Command-Rock Island of the contract oversight and administration deficiencies we identified. Management agreed with our observations and immediately initiated steps to address our concerns. The actions taken during the audit were fully responsive to our proposed recommendations; therefore, we do not require any additional comments on the recommendations. We obtained and considered feedback on a discussion draft when preparing the final report.

We appreciate the courtesies extended to the staff. Please direct questions to me at Michael.Roark@dodig.mil, (703) 604-9187 (DSN 664-9187).

A handwritten signature in black ink, appearing to read "M. Roark", is positioned above the typed name.

Michael J. Roark
Assistant Inspector General
Contract Managements and Payments

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Introduction

Objective

We determined whether the DoD provided effective contract oversight of the Army Heavy Lift contracts in Kuwait. The Army uses four contractors to fulfill its heavy lift transportation requirements, with each contractor performing under a separate contract. The Heavy Lift contracts are used in support of Operation Inherent Resolve. Because the Heavy Lift program is in its seventh iteration, these contracts are referred to as the Heavy Lift VII (HL7) contracts. Our audit focused solely on these HL7 contracts. See the Appendix for a discussion of the scope and methodology and prior audit coverage related to the audit objective.

Background

Heavy Lift VII Program for Transportation in Kuwait

The Army Contracting Command–Rock Island (ACC-RI) issued the four HL7 contracts on May 12, 2011, to provide commercial transportation services for moving Army equipment, cargo, and personnel throughout Kuwait. HL7 is an indefinite-delivery indefinite-quantity, firm-fixed-price contract with a maximum award of \$900 million.

Four contractors were awarded HL7 contracts—El Hoss Engineering & Transport (HETCO), IAP Worldwide Services (IAP), KGL Transportation Company (KGL), and PAE Government Services (PAE). The HL7 contracts were originally scheduled to expire in August 2016, but the ACC-RI issued two 6-month extensions that extended the contracts to August 2017. The ACC-RI, in coordination with the 1st Sustainment Command (Theater) (1st TSC), is developing the Heavy Lift VIII (HL8) contract. The following table identifies the value of task orders awarded to each contractor as of August 2016.

Table. Heavy Lift VII Contracts and Task Orders

Contract No.	Contractor	Task Orders Awarded	Task Order Value (in Millions)
W52P1J11D0059	HETCO	26	\$57.3
W52P1J11D0060	IAP	6	30.3
W52P1J11D0061	KGL	31	103.4
W52P1J11D0062	PAE	4	14.0
Total		67	\$205.0

Source: ACC-RI PCO

Oversight Roles and Responsibilities

The ACC-RI, the 408th Contracting Support Brigade–Kuwait (408th CSB), and the 1st TSC oversee the HL7 contracts. Each command has specific responsibilities, but oversight responsibilities are shared. For example, creating and approving the performance work statement (PWS)¹ and quality assurance surveillance plan (QASP)² is a shared responsibility. As a result, constant communication and collaboration among all of the commands is critical to the proper oversight of the HL7 contracts.

Army Contracting Command–Rock Island

The ACC-RI provides global contracting support to the Army. The ACC-RI is the contract office that awarded the HL7 contracts and provides the procuring contracting officer (PCO)³ for the contracts. The Federal Acquisition Regulation (FAR)⁴ and Army Regulation 70-13⁵ state that the PCO is responsible for ensuring performance of all necessary actions for effective contracting, compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. This includes, but is not limited to, maintaining the official contract file, appointing contracting officer’s representatives (CORs), and conducting progress meetings with appointed oversight personnel. For the HL7 contracts, the ACC-RI delegated several responsibilities to the 408th CSB.

408th Contracting Support Brigade–Kuwait

In January 2015, the ACC-RI PCO delegated to the 408th CSB the responsibilities of providing contract administration and quality assurance services for HL7 contracts, which were responsibilities that the Defense Contract Management Agency had previously been delegated. In its role, the 408th CSB provides the administrative contracting officer (ACO) and the quality assurance specialist (QAS) for the HL7 contracts. The ACO is responsible for administering the day-to-day contractual activities, such as addressing contractual deficiencies with the contractor, appointing CORs via the DoD Contracting Officer’s Representative Tracking Tool (CORTT)⁶ and approving input on the QASP and PWS.

¹ FAR Subpart 37.6, “Performance-Based Acquisitions,” states that the PWS defines the contract’s performance requirements, which should include the identification of the required outputs, key performance indicators, and acceptance standards.

² FAR Subpart 46.4, “Government Contract Quality Assurance,” states that the QASP is prepared in conjunction with the PWS and should specify all work requiring surveillance and the method of surveillance. The Defense Contingency COR Handbook, Version 2, September 2012, states, the QASP is an organized written document specifying the methodology to be used for surveillance of contractor performance.

³ The Defense Contingency COR Handbook, Version 2, September 2012, states that the terms PCO and contracting officer can be used interchangeably. In this report, we will use the term PCO when referring to the ACC-RI contracting officer.

⁴ FAR, Subpart 1.6, “Career Development, Contracting Authority, and Responsibilities.”

⁵ Army Regulation 70-13, “Management and Oversight of Service Acquisitions,” July 30, 2010, Chapter 2-4, “Contracting officer.”

⁶ CORTT is a web-accessible management application that enables contracting personnel, a prospective COR, and COR supervisor to electronically process nomination of CORs for one or multiple contracts and provides built in workflows for the nomination process. Furthermore, CORTT provides DoD personnel with a web-based portal for all relevant COR documentation.

The Defense Contingency COR Handbook⁷ states that the QAS executes quality assurance oversight to ensure contractors comply with the contractual requirements in the PWS. To accomplish this, the QAS executes independent examinations of contractor services, reviews surveillance results, and provides input on contractor performance to the ACO. The 408th CSB personnel stated that the QAS also provides surveillance (Phase II) training to CORs, instructs the CORs on the work they are responsible for performing, validates that CORs are qualified to perform duties, and oversees COR performance.

1st Sustainment Command (Theater)

The 1st TSC provides theater sustainment mission command to Army, joint, and multinational forces in support of U.S. Central Command unified land operations. For the HL7 contract, the 1st TSC is the requiring activity, which is the entity that required the supplies or services and requested the acquisition. As the requiring activity, the 1st TSC is required to identify and nominate CORs with the right skills and experience to oversee the HL7 contracts. Furthermore, the 1st TSC is also responsible for ensuring that CORs take introductory online COR (Phase I) training.

Army Regulation 70-13⁸ and the Defense Contingency COR Handbook state that CORs function as the “eyes and ears” for the PCO by monitoring and documenting the contractor’s technical performance. CORs should conduct regular surveillance to ensure the contractor’s services meet the performance standards set forth in the contract. Upon completion of the surveillance, CORs accept or reject the work performed under the contract. If a COR identifies that the contractor is not meeting contractual requirements, the COR should communicate these deficiencies to the PCO or ACO. For each contract assigned, the COR is required to maintain a contract file in CORTT, which must include documentation of surveillance performed and the results of that surveillance. As of August 2016, one lead COR and three other CORs were assigned to the HL7 contracts, and the PCO and the ACO stated that all four CORs were responsible for oversight of each of the four contractors.

⁷ Defense Contingency COR Handbook, Version 2, September 2012, Appendix K, “Abbreviations and Definitions.”

⁸ Army Regulation 70-13, “Management and Oversight of Service Acquisitions,” July 30, 2010, Chapter 2-5. Contracting officer’s representative.



Figure. Lead COR Performing Surveillance of HL7 Contractor's Truck
Source: DoD Office of Inspector General

Contractor Performance Assessment Process

CORs compile their completed surveillance checklists into COR monthly reports, which provide the ACO and the PCO with an assessment of the contractor's performance. The ACO can use the monthly reports to address contractor deficiencies, and the PCO uses the COR assessments to provide the annual assessment of the contractor's performance in the Contractor Performance Assessment Reporting System (CPARS). CPARS ratings are used not only by the HL7 PCO to determine whether a contractor should be allowed to perform work on future task orders, but also by other Government personnel to determine whether to award new contracts to that particular contractor.

Review of Internal Controls

DoD Instruction 5010.40⁹ 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 with the oversight of the HL7 contracts in Kuwait. Specifically, the ACO and the QAS did not update the

⁹ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

QASP to mirror contract requirements, regularly communicate with HL7 CORs, or review surveillance documentation to ensure deficiencies were addressed with the contractors. In addition, we identified internal control weaknesses with the administration of the HL7 contracts. Specifically, the PCO and the ACO did not regularly monitor contract files for completeness and because of competing priorities and a large workload, did not complete performance assessment reports for two of the four HL7 contractors. Furthermore, the 1st TSC did not identify CORs before deployment, the ACO and the QAS did not actively manage COR validations, and the ACO did not identify the full scope of the HL7 CORs surveillance responsibilities before issuing appointment letters. Management initiated corrective actions to address the concerns identified during the audit to resolve the internal control weaknesses. We will provide a copy of the report to the senior official responsible for internal controls in the Army.

Finding A

Army Needs to Improve Oversight of Heavy Lift Contracts in Kuwait

The Army did not provide effective oversight of the HL7 contracts in Kuwait. Specifically, HL7 CORs did not regularly perform surveillance of each contractor or type of vehicle under contract and did not consistently document surveillance results. This occurred because the ACO and the QAS:

- did not provide the CORs with a QASP that mirrored contract requirements and complied with Federal and DoD regulations, and
- issued verbal guidance that did not require complete and consistent surveillance.

Furthermore, even when HL7 CORs identified contractual deficiencies, the ACO did not address the deficiencies with the contractors. Contractual deficiencies were not corrected because the ACO and the QAS did not regularly communicate with the CORs, or review and analyze the COR surveillance results and customer complaints to identify systemic deficiencies to communicate with the contractors.

As a result, the Army did not have reasonable assurance that HL7 contractors complied with contract requirements and that the \$205 million in services from September 2011 to August 2016 represented the best value to the Government.

The Army Did Not Properly Execute Quality Assurance Responsibilities

The Army did not provide effective oversight of the HL7 contracts. Specifically, HL7 CORs did not regularly perform surveillance of each contractor or type of vehicle under contract and did not consistently document surveillance results. In addition, even when HL7 CORs performed surveillance and identified contractual deficiencies, the ACO did not identify systemic deficiencies to address with the contractors.

CORs Did Not Perform Adequate Surveillance of HL7 Contractors

The HL7 CORs did not perform adequate surveillance of the contractors. Specifically, we identified instances where CORs did not perform consistent surveillance of the three HL7 contractors that had active task orders from August 1, 2015, through August 31, 2016. Specifically, during this period, HL7 oversight personnel did not conduct:

- any surveillance of IAP for the 13 months,
- surveillance of KGL for 8 of the 13 months, or
- surveillance of HETCO for 6 of the 13 months.

In addition, HL7 CORs did not perform surveillance on each type of contracted vehicle. For instance, there are no records of surveillance of KGL mail trucks and only one instance of surveillance of a HETCO baggage truck, even though these vehicles were contracted for the period we reviewed.

Poorly Written QASP Led to Inadequate Oversight

The Federal Acquisition Regulation (FAR)¹⁰ states that a QASP should be prepared to specify all work requiring surveillance, as well as the method of surveillance. Furthermore, the Defense Contingency COR Handbook¹¹ states the QASP should address the following topics:

- Purpose,
- Roles and responsibilities,
- Procedures,
- Methods and frequency of surveillance,
- Metrics for successful performance and remedies for poor performance,
- Certification of services,
- Sample of contract discrepancy report, and
- Complaint procedures and training instructions.

The PCO delegated quality assurance responsibilities to the ACO. However, the ACO did not review the QASP to ensure that it captured the essential contract requirements of the PWS. As a result, the HL7 CORs were

The ACO did not review the QASP to ensure that it captured the essential contract requirements of the PWS.

¹⁰ FAR, Part 46.4, "Government Contract Quality Assurance."

¹¹ Defense Contingency COR Handbook, Version 2, September 2012, Chapter 9, "Developing a Quality Assurance Surveillance Plan."

provided an incomplete QASP that was not written in accordance with the FAR¹² and the Defense Contingency COR Handbook¹³ requirements. Specifically, the QASP did not:

- mirror contract requirements,
- require surveillance on each of the contractors,
- establish the frequency CORs should perform surveillance, or
- specify the number of inspections to perform.

Therefore, the HL7 CORs and the QAS were unable to use the QASP to conduct contractor surveillance. Instead, the 408th CSB developed its own surveillance checklist for the surveillance of vehicles, which tied surveillance to the PWS requirements. However, the 408th CSB checklist did not specify roles and responsibilities, methods or frequency of surveillance, metrics for successful performance and remedies for poor performance, or complaint procedures and training as required by the Defense Contingency COR Handbook. In addition, the HL7 CORs did not consistently use the 408th CSB-developed surveillance checklist when conducting surveillance. Consequently, some of the surveillance records did not contain enough information to determine which COR performed the surveillance, when the surveillance was performed, and what types of vehicles were surveilled.

ACO and QAS Provided Verbal Guidance

Instead of an adequate QASP, the HL7 CORs relied on verbal guidance from the ACO and QAS. However, the verbal guidance did not include detailed instructions, which resulted in the CORs performing incomplete and inconsistent surveillance. For example, the ACO and the QAS stated that they instructed the HL7 CORs to perform surveillance of only eight vehicles monthly. However, the ACO and the QAS did not identify the number of vehicles that the CORs were to inspect per contractor; instead, it was left to the judgment of the CORs. This approach ultimately left multiple contractors and hundreds of vehicles exempt from surveillance. For example, in July 2016, the Lead HL7 COR completed six of the eight required monthly surveillances in one day,

The ACO and the QAS did not identify the number of vehicles that the CORs were to inspect per contractor; instead, it was left to the judgment of the CORs. This approach ultimately left multiple contractors and hundreds of vehicles exempt from surveillance.

¹² FAR, Part 46.4, "Government Contract Quality Assurance."

¹³ Defense Contingency COR Handbook, Version 2, September 2012, Chapter 9, "Developing a Quality Assurance Surveillance Plan."

inspecting only two types of vehicles from two contractors, although there were eight types of vehicles with a total quantity of 400 available among three contractors for the month.

The FAR¹⁴ requires quality assurance to be performed at such times and places as may be necessary to determine that services conform to contract requirements. Army Regulation 70-13¹⁵ states that the QASP is a document that communicates to the contractor the surveillance methods that will be used to measure its performance against the standards in the contract and provides means by which the government monitors and documents performance. The PCO and the ACO use the COR surveillance results to determine whether the contractor met the requirements of the contract and to assess the quality of the contractor's performance. Without proper surveillance of each contractor and each type of vehicle, the Army does not have reasonable assurance that each of the contractors are performing satisfactorily and that the Government is obtaining the services it paid for. To ensure that the Army complies with FAR and Defense Contingency COR Handbook requirements, COR surveillance is standardized, and CORs are overseeing all PWS requirements, the 408th CSB should coordinate with the 1st TSC to update the QASP to address the following topics:

- Purpose,
- Roles and responsibilities,
- Procedures,
- Methods (coverage of all heavy lift contracts) and frequency of surveillance,
- Metrics for successful performance and remedies for poor performance,
- Certification of services,
- Sample of contract discrepancy report, and
- Complaint procedures and training instructions.

The ACO Did Not Consistently Communicate Contractor Deficiencies for Corrective Actions

The ACO did not consistently address contractual deficiencies with the HL7 contractors so that the contractor could take corrective action. The COR surveillance results and customer complaints are the two primary methods for communicating contractual deficiencies to the ACO and the QAS. The COR surveillance results document instances where the CORs observed that the contractor did not comply with the contract requirement, while the customer complaints document deficiencies encountered by the units that requested the contractor's assistance.

¹⁴ FAR, Part 46.4, "Government Contract Quality Assurance."

¹⁵ Army Regulation 70-13, "Management and Oversight of Service Acquisitions," July 30, 2010, Chapter 3-3. "Acquisition Requirements Package Content."

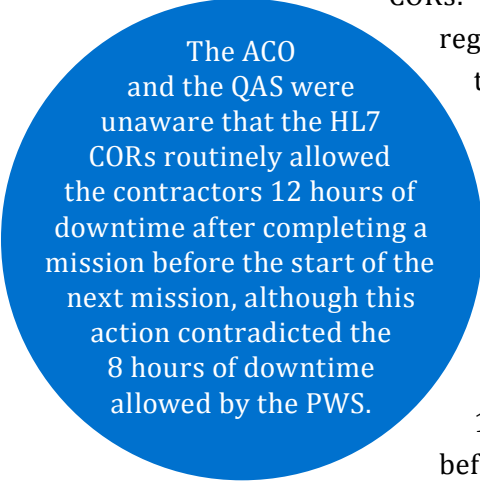
The QAS Did Not Perform Trend Analysis

According to the 408th CSB's internal standard operating procedures, the QAS is required to collect performance data on the contractor and perform trend analysis of the information on at least a semi-annual basis. Quality assurance analysis is intended to identify persistent deficiencies so that the Government can correct the deficiency and ensure the acquired services comply with contractual requirements. However, the ACO and the QAS acknowledged that they were not analyzing any of the available data on the HL7 contractors, such as the COR surveillance reports, customer complaint reports, or the monthly data reports prepared by the contractor. For example, a July 2016 COR surveillance report of KGL flatbed trucks noted that tires on three of the four vehicles did not meet PWS requirements. However, because this information was not tracked or analyzed, the QAS did not conduct research to determine whether the tire issue was an isolated occurrence or a persistent deficiency that could affect future missions.

To ensure the Government is receiving adequate services from the contractor and that systemic deficiencies are recognized and corrected, the 408th CSB should confirm that quality assurance procedures for data collection and trend analysis are enforced. Specifically, the ACO and the QAS should implement a mechanism to track and resolve pervasive contractor deficiencies reported on the COR surveillance reports, validated customer complaint reports, and the monthly data reports provided by the contractor.

The ACO Did Not Communicate with HL7 CORs

The ACO also did not address contractual deficiencies with the contractor because the 408th CSB did not establish regular and recurring communication with HL7



The ACO and the QAS were unaware that the HL7 CORs routinely allowed the contractors 12 hours of downtime after completing a mission before the start of the next mission, although this action contradicted the 8 hours of downtime allowed by the PWS.

CORs. The HL7 CORs stated that they did not have regular or recurring meetings with the ACO and the QAS. In fact, the lead HL7 COR stated that he did not begin meeting with the ACO and the QAS until after we announced this audit in May 2016. Consequently, the ACO and the QAS were not always aware of deficiencies that the HL7 CORs identified. For example, the ACO and the QAS were unaware that the HL7 CORs routinely allowed the contractors 12 hours of downtime after completing a mission before the start of the next mission, although this action contradicted the 8 hours of downtime allowed by the PWS. The ACO and the QAS stated that the conflict was not addressed with the contractors because the ACO and the QAS were not aware of the deficiency.

The HL7 CORs and the 408th CSB share the responsibility of ensuring HL7 contractors are complying with all contractual requirements, and it is critical that they function as a team to resolve contractor nonconformance and to gain efficiencies in HL7 oversight. To ensure effective oversight and promote the stewardship of Government funds, the ACO and the QAS should establish regular and recurring meetings with HL7 CORs. These meetings will provide a venue where CORs can communicate deficiencies through the proper chain of command and address concerns or improvements they may have for the PWS and the QASP.

Army Did Not Have Assurance that HL7 Contractors Complied with Contractual Requirements

Without proper oversight of the HL7 contracts, the Army did not have reasonable assurance that the HL7 contractors complied with contract requirements and that the \$205 million in services provided represented the best value to the Government. To ensure that contractors comply with contractual requirements, it is imperative that the CORs perform surveillance on each of the HL7 contractors and provide an assessment of each of the contractors. In addition, not analyzing and communicating systemic deficiencies to the contractors increases the risk of unfulfilled missions in the future.

Recommendation

Recommendation A.1

We recommend that the Commander, 408th Contracting Support Brigade, in coordination with the Commander, 1st Sustainment Command (Theater):

- a. Update the existing quality assurance surveillance plan to include performance work statement requirements.**
- b. Implement a mechanism that tracks and resolves contractor deficiencies.**
- c. Establish regular and recurring meetings with Heavy Lift VII oversight staff.**

Management Actions Taken

During the audit, we advised the 1st TSC, the 408th CSB, and the ACC-RI of the oversight deficiencies we identified. The 1st TSC, the 408th CSB, and the ACC-RI agreed with our observations and immediately initiated steps to address our concerns. Specifically, in response to our recommendations, the 408th CSB, in coordination with the 1st TSC and ACC-RI, updated the existing QASP to better reflect the requirements outlined in the PWS, implemented a spreadsheet to

track contractual deficiencies to ensure they are appropriately addressed with the contractors, and established regular and recurring meetings with the HL7 oversight team. The management actions taken addressed the causes of the deficiencies pertaining to contract surveillance and were fully responsive to our proposed recommendations; therefore, we do not require any additional comment on the recommendations.

The corrective actions implemented by the 1st TSC, the 408th CSB, and the ACC-RI during the audit will improve the oversight and execution of the HL7 contracts. We commend the commands for taking immediate action. In addition, because the HL7 contracts expire in August 2017, and the Army is expected to award the HL8 contracts at that time, it is critical that the recent oversight improvements initiated are carried forward to the HL8 contracts. We addressed this issue with ACC-RI officials, who agreed that the oversight lessons learned from this audit will be carried forward to the HL8 contract.

Finding B

Army Needs to Improve the Administration of Heavy Lift Contracts in Kuwait

The Army did not effectively administer the HL7 contracts in Kuwait.

- The official contract file was incomplete and did not contain critical documentation, such as contract amendments and task orders, approved quality control plans, COR monthly reports, and COR surveillance results. The files were incomplete because the PCO and ACO did not regularly monitor the files for completeness and enforce requirements.
- The PCO did not officially evaluate the performance of two contractors as required by the FAR. This occurred because the PCO, due to a heavy workload, prioritized other administrative activities over completing the performance assessment reports.
- The HL7 CORs were not properly trained or appointed. This occurred because the 1st TSC did not identify the CORs before deployment, and the 408th CSB did not actively manage COR validations or identify the full scope of each COR's surveillance responsibilities before issuing the appointment letters.

As a result, the Army did not have adequate evidence to support contractor performance, which could affect the Government's position in the case of a contractual dispute. Performance assessments provide Federal source selection officials with relevant information about a contractor's performance under previously awarded contracts. Therefore, not assessing two of the HL7 contractors' performance increases the Government's risk of acquiring services from a poor-performing contractor. Furthermore, without proper appointment letters, the HL7 CORs executed official surveillance on contracts that they were not authorized to oversee.

The Army Did Not Provide Effective Contract Administration

The Army did not provide effective administration of the HL7 contracts. Specifically, the official contract file and COR working files were incomplete and did not contain critical documentation, the performance of two contractors was not officially evaluated, and the CORs were not properly trained or appointed.

Contract Files and COR Working Files Were Not Complete

The HL7 official contract file, maintained in the Paperless Contract File,¹⁶ was not complete. The FAR¹⁷ requires contract files to contain the records of all contractual actions to constitute a complete history of transactions. It is imperative that the Army maintain adequate contract files for HL7, as the contract file documents proof of performance and supports contractor's assessments, provides evidence in the event of a contract dispute or an audit, and supplements institutional memory. However, after reviewing the official contract file, we identified that several key documents were missing, including contract amendments and task orders.

In addition, the contract file did not include the approved quality control plans. The Defense Contingency COR Handbook¹⁸ states that the contractor has the primary responsibility for quality control. The quality control plan, which the HL7 PWS required the contractor to provide after contract award, outlines the means by which the contractor will assure that the services it provides comply with contractual requirements. Therefore, it is critical that the PCO review these quality control plans and provide input on the adequacy of the program. The PCO stated that formal acceptance of each contractor's quality control plan was performed as part of the contract award process. However, there was no documentation that showed the PCO approved any of the contractor's quality control plans after contract award, as required by the HL7 PWS.

Furthermore, the HL7 CORs did not properly maintain COR surveillance documentation in CORTT. The Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics issued a memorandum¹⁹ that requires DoD CORs to maintain an electronic file in CORTT for each contract assigned and that those files should, at a minimum, include completed surveillance documents. However, we determined that HL7 CORTT files were missing various COR surveillance results and COR monthly reports. When we informed HL7 oversight personnel of our concerns with the CORTT files, HL7 CORs began uploading documentation to CORTT, but stated that they were several months behind. The HL7 CORs and ACO also admitted that it will be impossible to retrieve all of the required documentation because much of the historical documentation is in the possession of prior oversight personnel who had already re-deployed.

¹⁶ The Paperless Contract File is a secure, web-based, electronic records management application where acquisition officials maintain contract files.

¹⁷ FAR, Subpart 4.8, "Government Contract Files."

¹⁸ Defense Contingency COR Handbook, Version 2, Chapter 8, "Monitoring the Contractor," September 2012.

¹⁹ Under Secretary of Defense for Acquisition, Technology, and Logistics memorandum, "Update to the Department of Defense Contracting Officer Representative Tracking Tool," February 10, 2014.

As of September 2016, CORTT was still incomplete, and HL7 oversight personnel were unable to provide the documents that we requested. The ACO was unsure whether the surveillance documentation was lost or whether the surveillance was never performed.

Contract Files Were Not Routinely Monitored

The official contract file and CORTT files were incomplete because the ACC-RI and 408th CSB personnel did not have a process to monitor the contract files routinely to ensure required documents were uploaded. According to the PCO, there is no requirement that the ACC-RI develop a process for monitoring the contract file for completeness regularly. However, DoD procedures²⁰ require the PCO to, at a minimum, annually review the COR's files for accuracy and completeness. In addition, the PCO stated that incomplete COR working files were a result of the DoD transitioning from the previous system, Virtual Contract Enterprise-COR, to CORTT because Virtual Contract Enterprise-COR interfaced with the official contract file and CORTT does not. However, we identified that the official contract file was also missing several files from before CORTT was implemented in November 2015, which means that the deficiencies were not only a result of the transition.

Therefore, to ensure the official contract file and COR working files are complete going forward with HL7 and into HL8, the ACC-RI and the 408th CSB personnel should develop a process to monitor the files for completeness routinely. In addition, the 408th CSB must ensure that all COR files are updated before the redeployment of CORs from theater.

Performance of Two HL7 Contractors Was Not Officially Assessed

The Army used four contractors for commercial transportation services; however, the PCO did not complete a performance assessment for either IAP or PAE. The FAR²¹ states that agencies must assign responsibility and accountability for the completeness of past performance submissions and that agency procedures must address management controls and appropriate management reviews of past performance evaluations. Furthermore, the FAR requires assessors to prepare performance assessments at least annually and at the time the contractor completes the work, a contract should have at least one assessment for each year of the contract. Performance assessments provide Federal source selection officials with relevant information about a contractor's performance under previously

²⁰ Defense Federal Acquisition Regulation Supplement, Procedures, Guidance, and Information 201.6, "Career Development, Contracting Authority, and Responsibilities," Subpart 201.602-2, "Responsibilities."

²¹ FAR, Part 42, "Contract Administration and Audit Services."

awarded contracts. In addition, the PCO uses the assessments to determine whether a contractor should be allowed to perform work on future task orders, and other Government personnel use the assessments to determine whether to award new contracts to that particular contractor.

Contracting Officer Did Not Complete Performance Assessment Reports

The PCO stated that he did not complete performance assessment reports for two HL7 contractors because his heavy workload did not allow sufficient time to accomplish all of his day-to-day duties. Therefore, after prioritizing all of his official duties, the PCO did not have time to complete the

After prioritizing all of his official duties, the PCO did not have time to complete the performance assessments for two contractors.

performance assessments for two contractors. The FAR requires past performance information to be assessed in CPARS and requires the use of CPARS to obtain all past performance reports on contracts and orders. CPARS ratings, which should be compiled using the input from the CORs, are also used by Government personnel to determine whether to award new contracts to a particular contractor. To ensure Government personnel involved in the contract selection and award process have adequate information to make an informed decision, ACC-RI

officials should re-emphasize to the PCO the importance of completing contractor performance reports in a timely manner and that the COR surveillance results are incorporated in the overall rating.

CORs Performed Duties Without Proper Training and Appointment

The 1st TSC, the 408th CSB, and the ACC-RI did not ensure CORs assigned to the HL7 contracts were properly trained and appointed before they performed COR duties. The FAR²² and the Defense Contingency COR Handbook²³ require COR nomination and completion of Phases I and II training before appointment as a COR. Nominating replacement CORs before deployment allows the COR the opportunity to complete the required training and be aware of the responsibilities before arriving in Kuwait. In addition, it would allow the opportunity for the outgoing COR to provide on-the-job training to the incoming COR. However, incoming CORs arrived in Kuwait without being nominated.

²² FAR, Subpart 1.6, "Career Development, Contracting Authority, and Responsibilities."

²³ Defense Contingency COR Handbook, Version 2, September 2012, Chapter 2, "Roles and Responsibilities for Contract Surveillance."

In addition, the 408th CSB did not always ensure that the QAS validated the CORs in a timely manner. The Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics memorandum²⁴ also requires CORs to be assigned in CORTT. For this assignment to occur, the COR must first upload training certificates for Phases I and II in CORTT, and the 408th CSB QAS must validate that the COR is ready to perform assigned duties. However, as of July 2016, three of the four HL7 CORs had not completed the entire process in CORTT. Specifically, two CORs completed their Phase I training in March and were still waiting on the QAS validation in July 2016; one COR completed his Phase I training in January 2016 and began surveillance at that time but did not receive QAS validation until July 2016.

After the CORs receive the proper validation in CORTT, the Defense Contingency COR Handbook²⁵ states that the PCO should issue a COR appointment letter, which specifies the COR's responsibilities. All duties delegated to the COR by the PCO must be specified in the letter of appointment, otherwise that COR is not authorized to perform that particular duty. For HL7, this responsibility was delegated to the ACO. However, HL7 COR appointment letters were incomplete and did not identify inspection responsibilities that HL7 CORs and the PCO verbally confirmed they were performing. As a result, CORs were executing surveillance on HL7 contractors without official authorization.

Lack of Planning Led to Delayed COR Training and Appointments

These deficiencies occurred because the 1st TSC did not identify CORs before deployment. Instead, the 1st TSC waited until after an individual arrived in Kuwait. Consequently, this delayed the COR's introductory online (Phase I) training and caused a poor transition in the oversight of the HL7 contracts. Generally, there is overlap between the outgoing COR and the incoming COR, during which time the outgoing COR can provide valuable lessons learned on the particular contract oversight. However, instead of receiving on-the-job-training from the outgoing HL7 CORs, the newly nominated CORs spent their time completing the COR training courses.

In addition, the 408th CSB did not ensure that CORs completed the assignment process in CORTT, were provided timely validations, or were assigned inspection responsibility of each active contractor upon appointment.

²⁴ Under Secretary of Defense Acquisition, Technology, and Logistics memorandum, "Update to the Department of Defense Contracting Officer Representative Tracking Tool," February 10, 2014.

²⁵ Defense Contingency COR Handbook, Version 2, Chapter 3, "COR Responsibilities," September 2012.

To ensure there are no additional lapses in COR oversight for the remainder of the HL7 contracts, the 1st TSC, the 408th CSB, and the ACC-RI should coordinate to establish formal procedures for training CORs and managing HL7 oversight. At a minimum, the guidance should include the procedures, and the corresponding command that is responsible, for:

- identifying, nominating, and providing introductory (Phase I) training to prospective CORs before their deployment;
- ensuring re-deploying CORs have ample time to train incoming CORs on their new responsibilities and share any lessons learned;
- providing surveillance (Phase II) training and validating new CORs promptly; and
- establishing an official appointment, which is comprehensive of all of the work the COR will perform.

Not Properly Administering the HL7 Contracts Puts the Army at Risk

As a result of the inadequate contract administration, the Army did not have adequate evidence to support contractor performance, which could impact the Government's position in the case of a contractual dispute. Performance assessments provide Federal source selection officials with relevant information regarding a contractor's performance under previously awarded contracts. Therefore, not assessing two of the HL7 contractors' performance could have put the Government at risk of acquiring services from a poor-performing contractor.

In addition, the Army experienced poor transitions in its HL7 oversight responsibilities and allowed outgoing HL7 CORs to redeploy before providing on-the-job training to incoming CORs, and did not ensure the COR working files were complete. Furthermore, without proper appointment letters, HL7 CORs executed surveillance on contracts that they were not officially authorized to oversee.

Recommendations

Recommendation B.1

We recommend that the Commander, 408th Contracting Support Brigade, and the Executive Director, Army Contracting Command-Rock Island, coordinate to develop a process for routinely monitoring the official contract file and contracting officer's representative working file for completeness.

Recommendation B.2

We recommend that the Executive Director, Army Contracting Command–Rock Island, ensure all contractors are rated in a timely manner and that the contracting officer’s representative surveillance results are incorporated in the overall rating.

Recommendation B.3

We recommend that the Commanders of the 1st Sustainment Command (Theater) and the 408th Contracting Support Brigade, and the Executive Director, Army Contracting Command–Rock Island, coordinate to establish formal procedures for training contracting officer’s representatives and managing Heavy Lift VII oversight.

Management Actions Taken

During the audit, we advised the 1st TSC, the 408th CSB, and the ACC-RI of the contract administration deficiencies we identified. The 1st TSC, the 408th CSB, and the ACC-RI agreed with our observations and immediately initiated corrective actions. Specifically, in response to Recommendation B.1, the 408th CSB and the ACC-RI developed guidance that delineated responsibilities for maintaining and monitoring the official contract file. Furthermore, the PCO uploaded the quality control plans of three of the four contractors to the official contract file.

ACC-RI officials stated that they will work with the PCO team from the respective periods of performance to complete the two outstanding CPARS ratings by February 2017. In addition, the 1st TSC, in conjunction with the ACC-RI, developed standard operating procedures that specified responsibilities and processes for nominating, providing surveillance training, and validating new CORs in a timely manner. The standard operating procedures also include a process for establishing a comprehensive and official delegation in the COR appointments. The management actions taken addressed the deficiencies pertaining to the administration of the HL7 contracts and met the intent of our recommendations; therefore, we do not require any additional comment on the recommendations.

The corrective actions implemented by the 1st TSC, the 408th CSB, and the ACC-RI during the audit will improve the administration and execution of the HL7 contracts. However, the HL7 contracts expire in August 2017, and the Army is expected to award HL8 contracts at that time. Therefore, it is essential that the Army commands responsible for overseeing the HL8 contracts implement these same corrective actions to ensure that the HL8 contractors meet quality requirements. We addressed this concern with ACC-RI officials, who agreed that the oversight lessons learned from this audit will be carried forward to the HL8 contract.

Appendix

Scope and Methodology

We conducted this performance audit from May 2016 through October 2016 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 reviewed criteria to determine whether the DoD provided effective oversight of the Army Heavy Lift contracts in Kuwait. Specifically, we reviewed the Federal Acquisition Regulation, the Defense Federal Acquisition Regulation Supplement, DoD Instruction 5000.72, and the Defense Contingency COR Handbook to determine procedures for performing Government contract quality assurance and administration; nominating, appointing, and training CORs; maintaining contract files; and overseeing and documenting contractor performance. We also reviewed the HL7 oversight structure, contracts, PWS, and QASP to determine personnel involved in oversight of HL7 and HL7-specific requirements.

We conducted a site visit to Camp Arifjan, Kuwait, in July 2016 and interviewed personnel responsible for overseeing HL7 contracts to determine the adequacy of oversight. Specifically, we interviewed personnel from the 1st TSC, the CORs, and the 408th CSB ACO and QAS. We also observed the lead COR perform surveillance of two HL7 contractors, and attended enhanced COR training provided by the 408th CSB. We conducted interviews and addressed concerns with oversight personnel at the ACC-RI through teleconference and e-mail. We obtained access to HL7 electronic contract files to determine whether documentation requirements were met.

Use of Computer-Processed Data

We did not rely on computer-processed data to perform this audit.

Prior Coverage

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

DoD OIG

Report No. DODIG-2015-147, "U.S. Army Contracting Command–Rock Island Needs to Improve Contracting Officer’s Representative Training and Appointment for Contingency Contracts," July 10, 2015

This report identified that the ACC-RI controls for monitoring contractor performance supporting Operation United Assistance were generally effective. However, for one of the task orders reviewed, the PCO for ACC-RI did not appoint CORs in accordance with DoD requirements.

Report No. DODIG-2015-101, "Contingency Contracting: A Framework for Reform – 2015 Update," March 31, 2015

This report summarized systemic contingency contracting problems identified in 40 reports that were previously issued by the DoD OIG. The summary report identified problems relating to DoD officials not properly awarding, administering, or managing contingency contracts in accordance with Federal and DoD policies.

Acronyms and Abbreviations

1st TSC	1st Sustainment Command (Theater)
408th CSB	408th Contracting Support Brigade–Kuwait
ACC-RI	Army Contracting Command–Rock Island
ACO	Administrative Contracting Officer
COR	Contracting Officer’s Representative
CORTT	Contracting Office Representative Tracking Tool
CPARS	Contractor Performance Assessment Reporting System
DoD OIG	Department of Defense Office of Inspector General
FAR	Federal Acquisition Regulation
HL7	Heavy Lift VII
HL8	Heavy Lift VIII
HETCO	El Hoss Engineering & Transport
IAP	IAP Worldwide Services
KGL	KGL Transportation Company
PAE	PAE Government Services
PCO	Procuring Contracting Officer
PWS	Performance Work Statement
QAS	Quality Assurance Specialist
QASP	Quality Assurance Surveillance Plan

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