

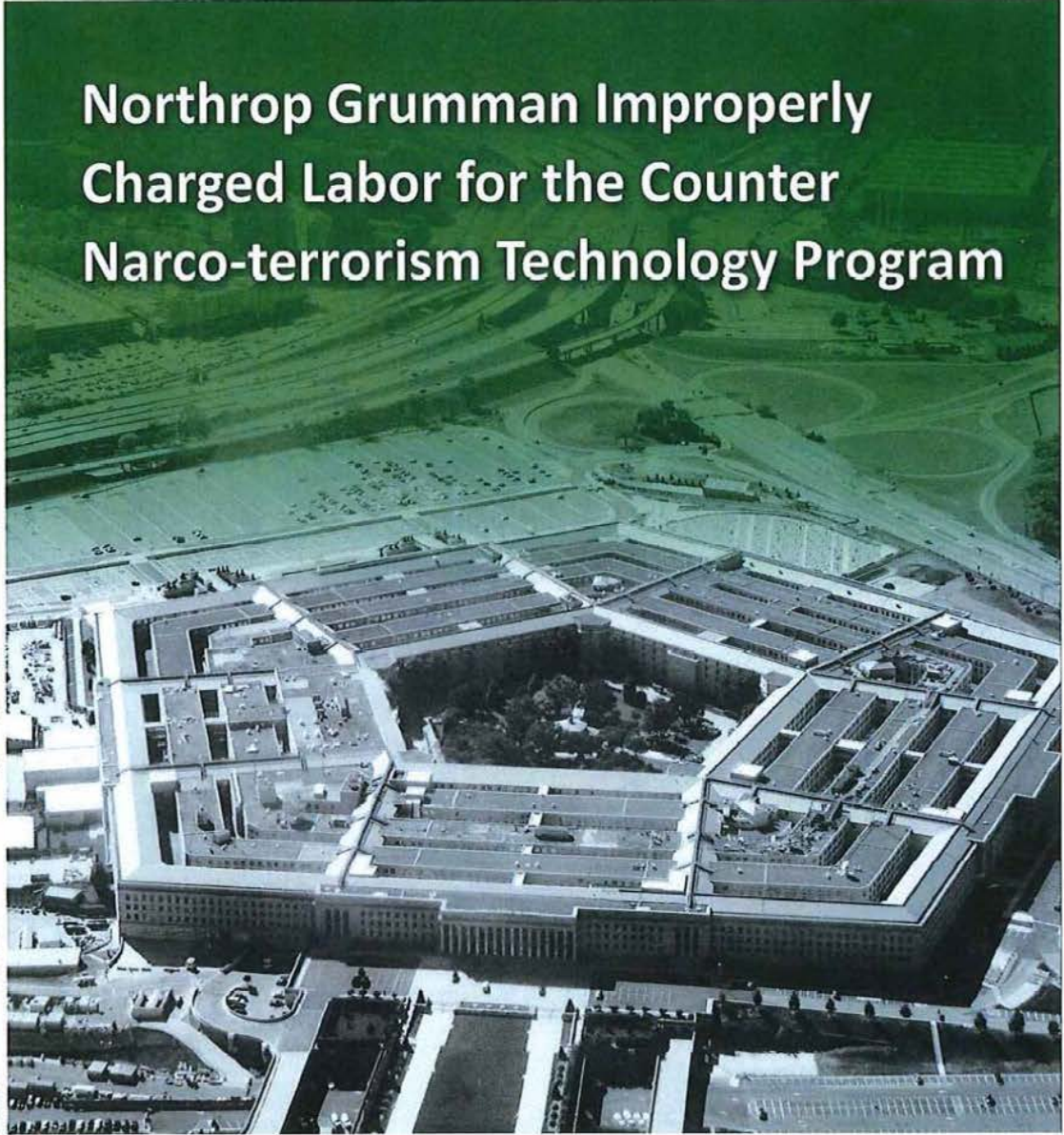
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# INSPECTOR GENERAL

*U.S. Department of Defense*

MAY 13, 2014



## Northrop Grumman Improperly Charged Labor for the Counter Narco-terrorism Technology Program

INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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## Results in Brief

### *Northrop Grumman Improperly Charged Labor for the Counter Narco-terrorism Technology Program*

May 13, 2014

### Objective

~~(FOUO)~~ This audit was conducted in response to allegations made to the Defense Hotline. The audit objective was to determine whether DoD was properly charged labor rates for the Counter Narco-terrorism Technology Program on contract W9113M-07-D-0007. From October 2007 through March 2013, Northrop Grumman officials submitted labor charges of almost \$ (b)(4) for (b)(4) DynCorp employees.

### Finding

~~(FOUO)~~ For nearly 6 years, Northrop Grumman did not properly charge labor rates for the Counter Narco-terrorism Technology Program. Specifically, Northrop Grumman submitted labor charges performed by 360 (b)(4) DynCorp employees (see Appendix D for details) that did not meet the qualifications specified in the contract. Northrop Grumman officials submitted labor charges for an additional 33 DynCorp employees that may not have met the qualifications specified in the contract. Additionally, Northrop Grumman charged Army Contracting Command–Redstone Arsenal (ACC-RSA) (b)(4) labor hours in excess of 8 hours per day.

~~(FOUO)~~ ACC-RSA representatives stated that their contracting officers did not verify contractor employees met minimum

### Finding Continued

~~(FOUO)~~ qualifications because they relied on Northrop Grumman to verify employees were qualified. Contracting officers also did not review invoices prior to approving payments. As a result, ACC-RSA authorized questionable costs of \$91.4 million for labor performed by unqualified contractor employees. ACC-RSA may have authorized additional questionable costs of \$10 million for 33 DynCorp employees that were not reviewed. Additionally, ACC-RSA authorized questionable costs of \$21.7 million for labor performed in excess of 8 hours per day, some of which were included in the questionable costs performed by unqualified contractor employees. These questionable costs are potential improper payments.

### Recommendations

~~(FOUO)~~ We recommend that the Executive Director, ACC-RSA develop procedures to validate contractor employee qualifications; review the eligibility of the (b)(4) DynCorp employees to determine if they met the labor qualifications and, if they did not, recoup improper labor charges; obtain résumés to verify the 33 remaining employees meet the qualifications and, if they did not, recoup improper labor charges; conduct a review of the potentially excessive payments of \$21.7 million and recoup improper payments; and establish a procedure to verify the accuracy of invoices and report the improper payments to the Defense Finance and Accounting Service.

### Management Comments

Comments from the Executive Deputy to the Commanding General, U.S. Army Materiel Command, responding for the Executive Director, ACC-RSA, addressed all specifics of the recommendations, and no further comments are required. Please see the recommendations table on the next page.

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***Recommendations Table***

Management	Recommendations Requiring Comment	No Additional Comments Required
Executive Director, Army Contracting Command-Redstone Arsenal		1, 2, 3, 4, and 5



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

May 13, 2014

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

**SUBJECT:** Northrop Grumman Improperly Charged Labor for the Counter Narco-terrorism  
Technology Program (Report No DODIG-2014-073)

We are providing this report for your review and use. We performed this audit in response to allegations made to the Defense Hotline. We considered management comments on a draft of this report when preparing the final report. Comments from the Executive Deputy to the Commanding General, U.S. Army Materiel Command, responding for the Executive Director, Army Contracting Command–Redstone Arsenal, 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 me at (703) 604-9077.

*Jacqueline L. Wiccarver*  
Jacqueline L. Wiccarver  
Assistant Inspector General  
Acquisition, Parts, and Inventory

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### Acronyms and Abbreviations

## Introduction

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### Objective

This audit was conducted in response to allegations made to the Defense Hotline. The audit objective was to determine whether DoD was properly charged labor rates for the Counter Narco-terrorism Technology Program on contract W9113M-07-D-0007. See Appendix A for a discussion of the scope and methodology and prior audit coverage related to the objective.

### Background

~~(FOUO)~~ On October 24, 2012, the DoD Office of Inspector General (DoD OIG) received a hotline complaint which alleged that DynCorp International (DynCorp) incorrectly and knowingly applied labor rates and categories for DynCorp employees on contract W9113M-07-D-0007, task order 20. The hotline identified that DynCorp management ignored the incorrect billings because they believed that Northrop Grumman had previously accepted DynCorp's pricing and they had no obligation to change it. The hotline also indicated that the improper application of labor rates and categories was likely occurring on all DynCorp task orders for contract W9113M-07-D-0007. As a result of this audit, the hotline was substantiated that DynCorp knowingly applied incorrect labor rates.

### ***Counter Narco-terrorism Technology Program Office***

~~(FOUO)~~ The mission of the Counter Narco-terrorism Technology Program Office (CNTPO) is to execute DoD's strategy to provide global detection, monitoring and disruption of narco-terrorist<sup>1</sup> activities through effective interagency mission support, technology, and acquisition solutions. CNTPO provides its services to DoD, other Federal agencies, partner nations, and State and local authorities engaged in counterdrug and counter Narco-terrorism operations. The Naval Surface Warfare Center, Dahlgren Division served as the primary command for CNTPO. Before January 2012, CNTPO reported to the Operations Integration Group under the Deputy Under Secretary of the Navy. On January 9, 2012, the Acting Assistant Secretary of Defense, Special Operations and Low Intensity Conflict, and the Air Force Deputy Chief of Staff, Operations, Plans and Requirements, signed a memorandum of understanding that began the transition of management and oversight responsibility of CNTPO from the Department of the Navy to the Air Force.

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<sup>1</sup> Narco-terrorism is terrorism financed by the profits from illegal drug trafficking.

## ***CNTPO Contracts***

The U.S. Army Space and Missile Defense Command, Contracting and Acquisition Management Office (SMDC CAMO),<sup>2</sup> provided contracting support for CNTPO. SMDC CAMO awarded five indefinite-delivery, indefinite-quantity contracts<sup>3</sup> for CNTPO program and operational support on August 24, 2007. The five contracts have a total program ceiling of \$15 billion with a 5-year period of performance, composed of a base year and 4 option years. In August 2013, SMDC CAMO exercised an additional option year, extending the ordering period of the contract through August 2014. The period of performance for this option year shall not exceed beyond August 2015. SMDC CAMO contracting officials issued the contracts to five prime contractors: ARINC; Lockheed Martin Integrated Systems; Northrop Grumman Space and Mission Systems Corporation (formerly The Analytic Sciences Corporation [TASC]); Raytheon Technical Services Company LLC; and U.S. Training Center (formerly Blackwater Lodge and Training). Specifically, SMDC CAMO issued contract W9113M-07-D-0007 to Northrop Grumman Space and Mission Systems Corporation (Northrop Grumman).

## ***Northrop Grumman***

According to the Northrop Grumman website,<sup>4</sup> Northrop Grumman is a leading global security company providing innovative systems, products and solutions in unmanned systems, cyber, logistics and modernization to government and commercial customers worldwide. In 2001, Northrop Grumman acquired Litton Industries which was the parent company of TASC. While a subsidiary of Northrop Grumman, TASC conducted information technology work and advisory services. However, in 2009 the Weapon Systems Acquisition Reform Act prohibited the same contractor from being both an advisor and supplier of support services to the same acquisition program. As a result, Northrop Grumman sold TASC at the end of 2009; however, Northrop Grumman retained contract W9113M-07-D-0007.

## ***Contract W9113M-07-D-0007***

Contract W9113M-07-D-0007 was established to provide critical equipment, material, and services required to support CNTPO. The services were to support the development and application of new counterdrug technologies. Additionally, the contract included support for training, operations, and logistics for military and civilian missions, and

<sup>2</sup> As of August 2011, the U.S. Army Space and Missile Defense Command/Army Forces Strategic Command transitioned all CAMO activity to the U.S. Army Materiel Command, Army Contracting Command-Redstone Arsenal. The transition included all contract and procurement activities.

<sup>3</sup> These contracts included: W9113M-07-D-0005, W9113M-07-D-0006, W9113M-07-D-0007, W9113M-07-D-0008, and W9113M-07-D-0009.

<sup>4</sup> [www.northropgrumman.com/AboutUs/Pages/default.aspx](http://www.northropgrumman.com/AboutUs/Pages/default.aspx).



professional and executive support for information operations and information technology deployment. Contract W9113M-07-D-0007 included a list of 81 labor categories required to complete the mission of the contract, as well as the qualifications required for each position. See Appendix B for a list of the 81 labor categories. According to the contract requirements, Northrop Grumman was to charge labor across all issued task orders to these categories. From August 2007 through March 2013, the U.S. Army Materiel Command, Army Contracting Command-Redstone Arsenal (ACC-RSA) issued 75 task orders on contract W9113M-07-D-0007.

### **W9113M-07-D-0007 Task Orders Subcontracted to DynCorp**

~~(FOUO)~~ We reviewed four task orders that Northrop Grumman subcontracted to DynCorp for spare parts, maintenance, and training for the Ministry of Defense, Afghan National Army Air Corps and the Afghanistan Ministry of Interior Counter-Narcotics Air Squadron in Afghanistan. From October 2007 through March 2013, Northrop Grumman officials submitted labor charges valued at almost \$ (b)(4) for (b)(4) DynCorp employees. See Table 1 for a summary of labor charged by task order.

Table 1. ~~(FOUO)~~ DynCorp Labor Hours Invoiced and Charged by Task Order

Task Order	Hours Invoiced	Labor Charged
0003	(b)(4)	(b)(4)
0015	(b)(4)	(b)(4)
0020	(b)(4)	(b)(4)
0021	(b)(4)	(b)(4)
<b>Total</b>	(b)(4)	(b)(4)

### **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 that ACC-RSA contracting officers did not verify contractor employees met minimum labor qualifications required by contract W9113M-07-D-0007 because they relied on Northrop Grumman to verify that those employees were qualified to accomplish the required work, and did not adequately review invoices prior to approving payments for labor charges. We will provide a copy of the report to the senior official responsible for internal controls in the Department of the Army.

## Finding

### Improperly Billed Contract Labor Rates for the Counter Narco-terrorism Technology Program

~~(FOUO)~~ For nearly 6 years, Northrop Grumman did not properly charge labor rates for the Counter Narco-terrorism Technology Program on contract W9113M-07-D-0007. Specifically, Northrop Grumman officials submitted labor charges performed by 360 of ~~(b)(4)~~ (see Appendix D for detail) DynCorp employees that did not meet the labor qualifications specified in contract W9113M-07-D-0007. Northrop Grumman officials submitted labor charges for an additional 33 DynCorp employees that may not have met the labor qualifications specified in the contract.<sup>5</sup> Additionally, Northrop Grumman charged ACC-RSA ~~(b)(4)~~ labor hours in excess of 8 hours per day from October 2007 through March 2013. ACC-RSA representatives stated that their contracting officers did not:

- ~~(FOUO)~~ verify contractor employees met minimum labor qualifications because they relied on Northrop Grumman to verify that those employees were qualified to accomplish the required work; or
- ~~(FOUO)~~ review invoices prior to approving payments for labor charges.

~~(FOUO)~~ As a result, ACC-RSA authorized questionable costs of \$91.4 million for labor performed by 360 unqualified contractor employees on contract W9113M-07-D-0007. ACC-RSA may have authorized additional questionable costs of \$10 million for the 33 DynCorp employees that were not reviewed. Additionally, ACC-RSA authorized questionable costs of \$21.7 million for labor performed in excess of 8 hours per day, some of which were included in the questionable costs for labor performed by unqualified contractor employees. These questionable costs are potential improper payments. See Appendix E for the chart of questionable costs.

<sup>5</sup> The 33 additional employees were not included within the labor qualification review because DynCorp did not provide résumés required to determine employee eligibility.

### Criteria on Contracting Officer Responsibilities

Federal Acquisition Regulation (FAR) 1.602-2, "Responsibilities," August 17, 2007, designates contracting officers as the individuals responsible for ensuring compliance with the terms of the contract and safeguarding the interest of the United States in their contractual relationships.

FAR 52.246-4, "Inspection of Services - Fixed-Price," August 1996, states that the Government can inspect or test the services performed by a contractor or subcontractor. If the Government determines that the service provided does not conform to the contract requirements, the Government may reduce the contract price to reflect the reduced value of services performed and, if necessary, terminate the contract for default.

## Northrop Grumman Charged Improper Labor Rates

~~(FOUO)~~ For nearly 6 years, Northrop Grumman did not properly charge labor rates for the Counter Narco-terrorism Technology Program on contract W9113M-07-D-0007. Specifically, Northrop Grumman officials submitted labor charges performed by 360 of (b)(4) DynCorp employees that did not meet the labor qualifications specified in contract W9113M-07-D-0007. Contract W9113M-07-D-0007 stated task orders could be awarded to Northrop Grumman if it was determined to be the best value provider for the requirements. Prior to the award of each task order, Northrop Grumman submitted a price proposal that identified key and non-key labor categories for employees needed to complete the task order requirements.

~~(FOUO)~~  
For nearly 6 years, Northrop Grumman did not properly charge labor rates.

### ***Labor Charges for Key Employees***

~~(FOUO)~~ Northrop Grumman officials submitted labor charges for key employees that did not meet the labor qualifications specified in contract W9113M-07-D-0007. ACC-RSA identified four key personnel labor categories: program manager, project director, integrated logistics manager, and aircrew commander. For example, at a minimum a program manager should have a bachelor's degree in engineering, computer science, systems, business, or in a scientific- or technical-related discipline, from an accredited college or university recognized by the U.S. Department of Education. The employee should also have at a minimum 12 years of relevant work experience in military design and development, which includes 5 years management and supervision of substantive military electronics hardware/software development and 5 years in systems analysis. Northrop Grumman identified a DynCorp employee as a program manager and billed (b)(4) hours over a 1 ½ -year period, totaling almost \$ (b)(4). However, the employee did not meet the program manager qualifications because he did not have a bachelor's degree.

### ***Labor Charges for Non-Key Employees***

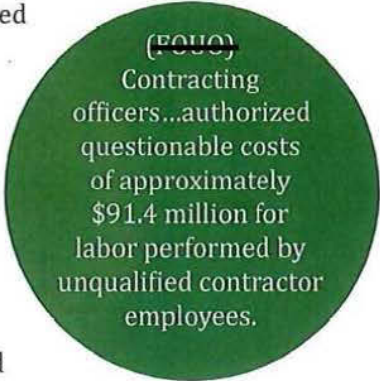
~~(FOUO)~~ Northrop Grumman officials submitted labor charges for non-key employees that did not meet the labor qualifications for some of the remaining labor categories specified in contract W9113M-07-D-0007. ACC-RSA identified the need for additional labor categories to address the requirements of the task orders. Some of the employees were identified as engineers, tradesmen, and technicians. For example, Northrop Grumman identified a single DynCorp employee as a depot aircraft mechanic, a senior general engineer, an integrated logistics manager, a quality assurance manager, a program manager, a senior pilot, and a senior technical writer. For this employee, Northrop Grumman billed 16,270 hours over a 5-year period, totaling almost \$2 million. However, the employee's work history and education only qualified him for 161 of the hours he was billed as a depot aircraft mechanic. The employee did not meet the labor qualifications for the remaining six labor categories because he did not have the required bachelor's degree and specialized work experience for these labor categories.

~~(FOUO)~~ Northrop Grumman officials submitted labor charges for an additional 33 DynCorp employees that may not have met the labor qualifications specified in the contract. A DynCorp representative stated that they could not provide the résumés because some personnel files were archived and extremely difficult to obtain. However, the contract requires Northrop Grumman to verify the qualifications of all employees for each charged labor category.

### ***Verification of Contractor Employee Qualifications***

~~(FOUO)~~ According to ACC-RSA representatives, their contracting officers did not verify contractor employees met minimum labor qualifications because they relied on Northrop Grumman to verify that those employees were qualified to accomplish the required work. Contract W9113M-07-D-0007 required Northrop Grumman to identify key employees by name within the task order proposal and provide the employee's résumé that verified they met the experience, security, and educational requirements established within the contract. Northrop Grumman's performance work statements identified nine key employees. Northrop Grumman was required to promptly notify the contracting officer of any changes in key employees and submit all proposed substitutions, in writing, at least 30 days in advance to allow the Government the opportunity to review the change. However, Northrop Grumman submitted labor charges for 98 key DynCorp employees on contract W9113M-07-D-0007 without ACC-RSA approval. ACC-RSA contracting officers indicated that Northrop Grumman never submitted any proposed substitutions for their review.

~~(FOUO)~~ ACC-RSA contracting officers also indicated that they did not verify the qualifications of non-key employees. Rather, ACC-RSA contracting officers relied on Northrop Grumman to verify that those employees were qualified to accomplish the required work. As a result of ACC-RSA's contracting officers' lack of review of contractor employee qualifications, they authorized questionable costs of approximately \$91.4 million for labor performed by unqualified contractor employees on contract W9113M-07-D-0007.



~~(FOUO)~~  
Contracting officers...authorized questionable costs of approximately \$91.4 million for labor performed by unqualified contractor employees.

ACC-RSA contracting officers may have authorized additional questionable costs of \$10 million for the additional 33 DynCorp employees that were not reviewed.

~~(FOUO)~~ ACC-RSA contracting officers are responsible for ensuring compliance with the terms of the contract, and safeguarding the interest of the United States in their contractual relationships. ACC-RSA contracting officers should have required that Northrop Grumman demonstrate the capability and experience of employees for each charged labor category as allowed by the contract. ACC-RSA should develop procedures to validate contractor employee qualifications prior to payment for the contract and future contracts. Validating contractor employee qualifications prior to payment will reduce the likelihood of ACC-RSA authorizing questionable costs to unqualified contractor employees. Contract W9113M-07-D-0007 also allows for ACC-RSA to reduce the contract price to reflect the reduced value of services performed. Therefore, ACC-RSA should review the eligibility of the (b)(4) DynCorp employees to determine if the employees met the labor qualifications specified in the contract and if they did not, obtain a refund for improper labor charges or recoup from any currently owed payments due the contractor on contract W9113M-07-D-0007. ACC-RSA should also obtain résumés to verify that the 33 remaining employees meet the labor qualifications specified in the contract and, if they did not, obtain a refund for additional improper labor charges or recoup from any currently owed payments due the contractor on contract W9113M-07-D-0007.

According to ACC-RSA representatives, ACC-RSA employed multiple contracting officers during the performance of contract W9113M-07-D-0007. The most recent contracting officer has been assigned for less than a year. Therefore, we will not make a recommendation to conduct a review of the performance of the contracting officer for contract W9113M-07-D-0007.

## Northrop Grumman Charged Excessive Labor Rates

~~(FOUO)~~ Northrop Grumman charged ACC-RSA for (b)(4) labor hours in excess of 8 hours per day from October 2007 through March 2013. The task orders defined the workweek as 40-hours per week from Saturday through Thursday. While minimizing overtime, the task orders also stated that weekly hours may exceed 40 hours based upon operations and exercises. ACC-RSA representatives were unable to identify a typical Northrop Grumman workweek in Afghanistan. However, Northrop Grumman billed (b)(4) hours in excess of 8 hours per day. Specifically, Northrop Grumman charged 29,401 hours in excess of 24 hours per day. For example, one employee billed 1,208 labor hours during a 12-day period, resulting in overpayments totaling \$176,900. See Table 2 for further detail.

Table 2. ~~(FOUO)~~ Summary of Potentially Excessive Hours Billed By Northrop Grumman

Hours per day	Hours Billed	Dollar Amount
8 > 12	(b)(4)	\$11,639,234
12 ≥ 16		3,567,670
16 ≥ 20		1,842,268
20 ≥ 24		1,500,981
Over 24		3,189,759
<b>Total</b>		<b>\$21,739,912</b>

### **Contracting Officers Did Not Adequately Review Invoices**

~~(FOUO)~~ According to ACC-RSA representatives, ACC-RSA contracting officers did not review invoices prior to approving payments for labor charges. Northrop Grumman used direct billing on contract W9113M-07-D-0007 for submitting labor charges to ACC-RSA. Direct billing allows Northrop Grumman to send invoices directly to the Defense Finance and Accounting Service through the Wide Area Workflow<sup>6</sup> system for payment. Direct billing limited ACC-RSA's oversight of the labor charges submitted by Northrop Grumman prior to payment. As a result, ACC-RSA approved \$21.7 million of potentially excessive payments. ACC-RSA should conduct a review of the \$21.7 million in potentially excessive payments and recover any improper payments or recoup from any currently owed payments due the contractor on contract W9113M-07-D-0007. ACC-RSA should also establish a procedure to verify the accuracy of invoices prior to payments for the contract and future contracts. Validating invoices prior to payment will reduce the likelihood of ACC-RSA authorizing future excessive payments.

<sup>6</sup> Wide Area Workflow is a web-based system utilized by the Defense Finance and Accounting Service to expedite the invoice process.

## Authorization of Improper Payments

~~(FOUO)~~ ACC-RSA authorized questionable costs of \$91.4 million for labor performed by unqualified contractor employees on contract W9113M-07-D-0007. ACC-RSA may have authorized additional questionable costs of up to \$10 million for the 33 DynCorp employees that were not reviewed. Finally, ACC-RSA authorized questionable costs of \$21.7 million for labor performed in excess of 8 hours per day, some of which were included in the questionable costs for labor performed by unqualified contractor employees. Public Law 111-204, "Improper Payments Elimination and Recovery Act of 2010," July 22, 2010, defines improper payments as any payment that should not have been made or that was made in an incorrect amount under contractual requirements. These questionable costs are potential improper payments because these costs were paid in an incorrect amount or should not have been paid under the contractual requirements. The Improper Payments Elimination and Recovery Act of 2010 requires DoD agencies that process payments to report improper payments to the Office of the Under Secretary of Defense (Comptroller), Accounting and Finance Policy Directorate on an annual basis for annual financial reporting. The Defense Finance and Accounting Service processes ACC-RSA approved, Northrop Grumman invoices. ACC-RSA should report the improper payments on contract W9113M-07-D-0007 to the Defense Finance and Accounting Service to ensure that improper payments are accurately reported. Also, ACC-RSA should notify DoD OIG of all identified improper payments.

## Recommendations, Management Comments, and Our Response

~~(FOUO)~~ We recommend the Executive Director, Army Contracting Command-Redstone Arsenal:

### ***Recommendation 1***

**Develop procedures to validate contractor employee qualifications prior to payment for the contract and future contracts.**

### *Department of the Army Comments*

The Executive Deputy to the Commanding General, U.S. Army Materiel Command, responding for the Executive Director, ACC-RSA, agreed stating that the ACC-RSA will send a letter to each of the multiple-award, indefinite-delivery, indefinite-quantity prime contractors reiterating the requirement to provide the certificate of performance

for each invoice as well as other required documentation. ACC-RSA completed this action during April 2014.

Additionally, the Executive Deputy stated that ACC-RSA will modify the U.S. Government-developed Quality Assurance Surveillance Plan by including oversight that will be conducted through periodic review of contractor quality control actions taken to verify that all employees supporting the contract or task order are at least minimally qualified. As part of this procedure, the ACC-RSA contracting officer or contracting officer representative will require the submission of supporting documentation, which may include résumés and licenses/certifications. ACC-RSA will also develop a procedure to determine the frequency of periodic reviews and appropriate corrective actions if errors are discovered. ACC-RSA plans to complete this action by May 30, 2014.

### ***Recommendation 2***

~~(FOUO)~~ Review the eligibility of the <sup>(b)(4)</sup> DynCorp International employees to determine if the employees met the labor qualifications specified in the contract and if they did not, obtain a refund for improper labor charges or recoup from any currently owed payments due the contractor on contract W9113M-07-D-0007. Also, obtain résumés to verify that the 33 remaining employees meet the labor qualifications specified in the contract and, if they did not, obtain a refund for additional improper labor charges or recoup from any currently owed payments due the contractor on contract W9113M-07-D-0007.

### ***Recommendation 3***

~~(FOUO)~~ Conduct a review of the \$21.7 million in potentially excessive payments and recover improper payments or recoup from any currently owed payments due the contractor on contract W9113M-07-D-0007 that were not already recovered through Recommendation 2.

#### *Department of the Army Comments*

The Executive Deputy to the Commanding General, U.S. Army Materiel Command, responding for the Executive Director, ACC-RSA, agreed with the recommendations. The U.S. Army Materiel Command will work with the ACC-RSA Contracting Center to ensure all necessary audits are conducted to assist in the potential recovery of funds.



#### ***Recommendation 4***

**Establish a procedure to verify the accuracy of invoices prior to payments for the contract and future contracts.**

##### *Department of the Army Comments*

The Executive Deputy to the Commanding General, U.S. Army Materiel Command, responding for the Executive Director, ACC-RSA, agreed, stating that the supporting documentation required for cost type invoices/vouchers is specified in the basic contract W9113M-07-D-0007. The letter referenced in their comments to Recommendation 1 will include a notification that the failure to provide proper supporting documentation will result in the rejection of the voucher/invoice. The Executive Deputy also stated that the contracting officer representative will review vouchers submitted by the contractor and verify, as practicable, that the labor, material, and other costs billed represent reasonable expenditures for the performance of the effort in accordance with the contract/task order. The contracting officer representative will review the adequacy of supporting documentation prior to payment. In cases where sufficient documentation cannot be obtained, the contracting officer representative will elevate this matter to the contracting officer for resolution. Invoices will be rejected and no payment authorized until adequate supporting documentation is provided.

#### ***Recommendation 5***

**Report improper contract W9113M-07-D-0007 payments to the Defense Finance and Accounting Service to ensure that improper payments are accurately reported. Also, notify DoD OIG of all identified improper payments.**

##### *Department of the Army Comments*

The Executive Deputy to the Commanding General, U.S. Army Materiel Command, responding for the Executive Director, ACC-RSA, agreed with the recommendation. The U.S. Army Materiel Command will work with the ACC-RSA Contracting Center to ensure all necessary audits are conducted to assist in the potential recovery of funds.

##### *Our Response*

Comments from the Executive Deputy addressed all specifics of the recommendation, and no further comments are required.

## Appendix A

### Scope and Methodology

We conducted this performance audit from May 2013 through March 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.

~~(FOUO)~~ To determine whether DoD was properly charged labor rates for the Counter Narco-terrorism Technology Program, we reviewed contract W9113M-07-D-0007, task orders 3, 6, 10, 15, 20, and 21, and invoice documentation from October 2007 through March 2013. About 3 months after our initial request, DynCorp provided a universe of nearly (b)(4) employee labor hours for task orders 3, 15, 20, and 21. DynCorp did not provide any employee labor hours for task orders 6 and 10. We did not pursue the data due to the low quantity of labor hours charged on these task orders. We combined the DynCorp universe with detailed invoices provided by Northrop Grumman to identify total charges of \$ (b)(4). The DynCorp universe included (b)(4) employees with labor charges. In addition, we reviewed the labor hours charged in excess of 8 hours per day for each DynCorp employee to identify potentially excessive charges.

~~(FOUO)~~ We requested DynCorp provide résumés for all (b)(4) employees. Again, after a delayed response, DynCorp provided résumés 2 months later for (b)(4) of the (b)(4) employees. We selected a statistical sample of 128 of the (b)(4) DynCorp employees to determine if employees met the labor qualifications specified in contract W9113M-07-D-0007. See Appendix D for the statistical sample plan. We compared résumés for the 128 DynCorp employees to labor qualifications specified in contract W9113M-07-D-0007 for each charged labor category, to identify questionable costs. We also identified criteria applicable to improper payments and contracting officer responsibilities.

To accomplish the audit objectives we interviewed:

- A Deputy Assistant Secretary of Defense Counter-Narcotics and Global Threats official to discuss assigned roles and responsibilities related to the Counter Narco-terrorism Program.

- CNTPO officials to discuss their process for verifying whether contractor employees met minimum labor qualifications and their invoice review process.
- ACC-RSA officials to discuss their contracting process and obtain documentation for contract W9113M-07-D-0007. Specifically, we obtained the price proposal and the performance work statement for contract W9113M-07-D-0007.
- Northrop Grumman officials to discuss their billing processes and obtain contract and billing documentation. Specifically, we reviewed task order proposals, DynCorp subcontract, Northrop Grumman invoices, and detailed DynCorp invoices.
- DynCorp representatives to discuss the billing process for contract W9113M-07-D-0007 and obtain a complete list of DynCorp employees. The list included the employee's name, job category, and hours charged per invoice. We also obtained résumés for most of the DynCorp employees.
- Defense Finance and Accounting Service officials to obtain the payment vouchers made to Northrop Grumman.
- Defense Contract Audit Agency and the Defense Contract Management Agency officials to discuss their roles and responsibilities for contract W9113M-07-D-0007.

## Use of Computer-Processed Data

We used computer-processed data obtained from the Electronic Document Access database, DynCorp's Cognos system, Northrop Grumman's Purchased Labor and Contracts system and Systems Applications Products system, and the Defense Finance and Accounting Service's Wide Area Workflow system. Specifically, we obtained contract documentation to include the base contract, options, and modifications from Electronic Document Access database to determine the total number of task orders issued to Northrop Grumman. We obtained detailed, DynCorp employee labor charges from Cognos. We compared the detailed-labor charges from Cognos to DynCorp invoices included in Purchased Labor and Contracts system. We obtained Northrop Grumman invoices from Systems Applications Products system and compared them to the payment vouchers from the Wide Area Workflow system. Based on our comparisons, we determined that the data were sufficiently reliable for the purposes of this report.

## Use of Technical Assistance

The DoD OIG Quantitative Methods Division assisted with the project sample selection and statistical projection of results. See Appendix D for the statistical sample plan.

## Prior Coverage

During the last 5 years, the Government Accountability Office, DoD OIG, and the Special Inspector General for Afghanistan Reconstruction issued eight reports discussing CNTPO and Afghan National Police contracts. Unrestricted Government Accountability Office reports can be accessed over the Internet at <http://www.gao.gov>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/audit/reports>. Unrestricted Special Inspector General for Afghanistan Reconstruction reports can be accessed at <http://www.sigar.mil>.

## Government Accountability Office

GAO-10-835, "DoD Needs to Improve Its Performance Measurement System to Better Manage and Oversee Its Counternarcotics Activities," July 2010

## DoD OIG

Report No. DODIG-2012-135, "Mi-17 Overhauls Had Significant Cost Overruns and Schedule Delays," September 27, 2012

Report No. DODIG-2012-036, "DoD Needs to Improve Accountability and Identify Costs and Requirements for Non-Standard Rotary Wing Aircraft," January 5, 2012

Report No. DODIG-2012-006, "Counter Narcoterrorism Technology Program Office Task Orders Had Excess Fees, and the Army Was Incorrectly Billed," November 1, 2011

Report No. D-2011-095, "Afghan National Police Training Program: Lessons Learned During the Transition of Contract Administration," August 15, 2011

Report No. D-2011-080, "DoD and DOS Need Better Procedures to Monitor and Expend DoD Funds For the Afghan Police Training Program," July 7, 2011

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

***Special Inspector General for Afghanistan Reconstruction***

SIGAR Audit 11-4, "DoD, State, and USAID Obligated over \$17.7 Billion to About 7,000 Contractors and Other Entities for Afghanistan Reconstruction During Fiscal Years 2007-2009," October 27, 2010

## Appendix B

### Chart of Contract Labor Categories

No.	Key Employee*	Security Clearance*	Labor Category
1			Analyst, Operations/Research
2			Graphics Specialist
3	Key		Manager, Integrated Logistics Support (ILS)
4			Manager, Quality Assurance
5	Key	TS-SCI	Program Manager
6			Program Analyst
7			Program Analyst, Senior
8	Key		Project Director
9			Program Specialist
10			Airframe Sheet Metal Mechanic
11			Assembler, Senior Mechanical Technician
12			Assembler, Heavy Equipment Mechanic
13			Assembler, Sheet Metal Mechanic
14			Assembler, Welder
15			Assembler, Woodcrafter
16			Assembler, Electronic Model Maker
17			Assembler, Tool & Parts Attendant
18			Depot Aircraft Electronics
19			Depot Aircraft Mechanic, Senior
20			Depot Aircraft Painter, Senior
21			Depot Quality Inspector, Rotary or Fixed-Wing Aircraft, Senior
22			Draftsperson (CAD)
23			Environmental Specialist
24			Facility Technician
25			Military Operations Specialist
26			Technician, Mechanical
27			Technician, Electronics
28			Technician, Electronics, Senior
29			Skilled Tradesman, Foundry Worker
30			Skilled Tradesman, Master Machinist

### Chart of Contract Labor Categories (cont'd)

No.	Key Employee*	Security Clearance*	Labor Category
31			Skilled Tradesman, Machinist
32			Supervisor, Maintenance
33			Systems Operator
34			Tradesman, Electrician
35			Tradesman, Electronic Technician II
36			Tradesman, Electrical Assembler
37			Tradesman, Senior Electronic Technician III
38			Tradesman, Electronic Technician I
39			ILS Specialist
40			Logistician
41			Logistician, Senior
42			Training Specialist
43			Training Specialist, Senior
44			Writer, Technical
45			Writer, Technical, Senior
46	Key		Air Crew Commander
47			Pilot
48			Production Control/Flight Dispatcher
49			Senior Pilot
50			Computer Scientist, Journeyman
51			Computer Scientist, Senior
52			Computer Systems Analyst
53			Computer Systems Analyst Senior
54			Database Specialist/Administrator
55			Data Entry Clerk
56			Functional Analyst
57			Software System Architect
58			Telecommunications Specialist
59			Telecommunications Specialist, Senior
60			Web Application Developer
61			Engineer, Aerospace
62			Engineer, Aerospace, Senior

**Chart of Contract Labor Categories (cont'd)**

No.	Key Employee*	Security Clearance*	Labor Category
63			Engineer, Computer Systems
64			Engineer, Electrical/Electronics
65			Engineer, Electrical/Electronics, Senior
66			Engineer, Environmental
67			Engineer, General, Journeyman
68			Engineer, General, Intermediate
69			Engineer, General, Senior
70			Engineer, Human Factors
71			Engineer, INFOSEC
72			Engineer, Mechanical
73			Engineer, Mechanical, Senior
74			Engineer, Quality/RAM
75			Engineer, Quality/RAM, Senior
76			Engineer, Software
77			Engineer, Software, Senior
78			Engineer, Structural
79			Engineer, Systems
80			Engineer, Systems, Senior
81			Engineer, Video

\* Cells were intentionally left blank.





~~(FOUO)~~ Northrop Grumman Invoice Excerpt (cont'd)

DFAS-COLUMBUS CENTER SOUTH ENTITLED IT OPERATIONS P.O. BOX 18364 COLUMBUS, OH 43218-2364		February 21, 2013 INVOICE ROLLUP#0: INVOICE NO.:		T323966-067R SER1658	
		FUNDED COST	\$	8,761,188.39	
		FUNDED FEE	\$	-	
		FUNDED AMOUNT	\$	8,761,188.39	
		CONTRACT NO.: W9113M07-D-0026021 BILL NO PERIOD: 6216/2013-03/2/2013 POP: 06/08/2011 - 05/31/2013 DESCRIPTION: CHTPO DO 0021			
PROJECT SUMMARY					
LABOR CATEGORY	CURRENT HOURS	CUM HOURS	BILLED RATE	CURRENT DOLLARS	CUMULATIVE DOLLARS
ENGR, AEROSPACE CORUS CONTRACTOR SITE	0.00	(b)(4)		0.00	
CONTRACT SPECIALIST	0.00			0.00	
LOGISTICIAN CUST	0.00			0.00	
LOGISTICIAN CUST	0.00			0.00	
QA MANAGER CONT	0.00			0.00	
QA MANAGER CONT	0.00			0.00	
QA MANAGER CONT	0.00			0.00	
MANAGER PROGRAM CORUS CONT	0.00			0.00	
MANAGER PROGRAM CORUS CONT	0.00			0.00	
MANAGER PROGRAM CORUS CONT	0.00			0.00	
MANAGER PROGRAM CORUS CONT	0.00			0.00	
MANAGER, ILS CORUS CONTRACTOR SITE	0.00			0.00	
PROGRAM ANALYST CORUS CONT	0.00			0.00	
PROGRAM ANALYST CORUS CONT	0.00			0.00	
PROGRAM ANALYST CORUS CONT	0.00			0.00	
MANAGER PROG OCONPAKIS GOVT SITE	0.00			0.00	
MANAGER PROG OCONPAKIS GOVT SITE	0.00			0.00	
MANAGER PROGRAM CORUS CONT	0.00			0.00	
MANAGER PROGRAM CORUS CONT	0.00			0.00	
PROJECT DIRECTOR CORUS CONT	0.00			0.00	
ENGINEER AEROSPACE OCONPAKIS GOVT SITE	0.00			0.00	
ENGINEER AEROSPACE OCONPAKIS GOVT SITE	0.00			0.00	
MANAGER QUAL ASSUR OCONPAKIS GOVT SITE	0.00			0.00	
MANAGER QUAL ASSUR OCONPAKIS GOVT SITE	0.00			0.00	
MANAGER QUAL ASSUR OCONPAKIS GOVT SITE	0.00			0.00	
MANAGER QUAL ASSUR OCONPAKIS GOVT SITE	0.00			0.00	
PROGRAM SPECIALIST OCONUS GOVT SITE	0.00			0.00	
PROGRAM SPECIALIST OCONUS GOVT SITE	0.00			0.00	
PROGRAM ANALYST OCONUS GOVT SITE	0.00			0.00	
PROGRAM ANALYST OCONUS GOVT SITE	0.00			0.00	
PROGRAM ANALYST OCONUS GOVT SITE	0.00			0.00	
MANAGER ILS OCONUS GOVT SITE	0.00			0.00	
ENGINEER AEROSPACE OCONUS GOVT SITE	0.00			0.00	
ENGINEER AEROSPACE OCONUS GOVT SITE	0.00			0.00	
ENGINEER AEROSPACE OCONUS GOVT SITE	0.00			0.00	
DEPOT AIRCRAFT MECH SR OCONUS GOVT SITE	0.00			0.00	
DEPOT AIRCRAFT MECH SR OCONUS GOVT SITE	0.00			0.00	
ILS MANAGER OCONUS GOVT SITE	0.00			0.00	
PROGRAM DIRECTOR CORUS CONT	0.00			0.00	
ENGINEER AEROSPACE OCONUS GOVT	0.00			0.00	
DEPOT QUALITY INSPECTOR, ROTARY	0.00			0.00	
QA MANAGER CONT	0.00			0.00	
QA MANAGER CONT	0.00			0.00	
PROGRAM SPECIALIST OCONUS GOVT SITE	0.00			0.00	
DEPOT AIRCRAFT MECH SR OCONUS GOVT SITE	0.00			0.00	
ENGR, AEROSPACE CORUS CONTRACTOR SITE	0.00			0.00	
PROJECT DIRECTOR CORUS CONTRACTOR SITE	0.00			0.00	
LOGISTICIAN OCONUS GOVT SITE	0.00			0.00	
ENGR, AEROSPACE SENIOR CORUS GOVT SITE	0.00			0.00	
ENGR, MECHANICAL SENIOR CORUS GOVT SITE	0.00			0.00	
WRITER, TECHNICAL SENIOR CORUS	0.00			0.00	
FUNCTIONAL ANALYST OCONUS GOVT SITE	0.00			0.00	
LOGISTICIAN SENIOR OCONUS GOVERNMENT SIT	0.00			0.00	
LOGISTICIAN SENIOR OCONUS GOVERNMENT SIT	0.00			0.00	
LOGISTICIAN SENIOR OCONUS GOVERNMENT SIT	0.00			0.00	
LOGISTICIAN SENIOR OCONUS GOVERNMENT SIT	0.00			0.00	
PROGRAM DIRECTOR CORUS CONT	0.00			0.00	
OCONUS-ENGINEER, AEROSPACE GOVERNMENT	0.00			0.00	
MANAGER PROGRAM CORUS CONT	0.00			0.00	
OCONUS-MANAGER, ILS GOVERNMENT	0.00			0.00	
PROGRAM ANALYST CORUS CONT	0.00			0.00	
PROJECT DIRECTOR CORUS CONT SITE	0.00			0.00	
MANAGER PROGRAM OCONPAKIS GOVT SITE	0.00			0.00	
PROJECT DIRECTOR CORUS CONT SITE	0.00			0.00	
PROGRAM ANALYST CORUS CONT	0.00			0.00	
QA MANAGER CONT	0.00			0.00	
PROJECT DIRECTOR OCONUS CONT SITE	0.00	(b)(4)		0.00	
OCONUS-MANAGER, PROGRAM GOVERNMENT	0.00			0.00	
QA MANAGER CONT	0.00			0.00	
PROJECT DIRECTOR CORUS CONT	0.00	(b)(4)		0.00	
MANAGER PROGRAM OCONPAKIS CONT	0.00			0.00	
MANAGER PROGRAM OCONPAKIS GOVT SITE	0.00			0.00	
PROGRAM ANALYST CORUS CONT	0.00	(b)(4)		0.00	
DEPOT AIRCRAFT MECHANIC SENIOR	0.00			0.00	
DEPOT AIRCRAFT MECHANIC SENIOR	0.00			0.00	
PROGRAM SPECIALIST	0.00			0.00	
ENGINEER, STRUCTURAL	0.00			0.00	
LOGISTICIAN SENIOR	0.00			0.00	
MOR QUAL ASSUR OCONPAKIS GOVT SITE	0.00	(b)(4)		0.00	
LOGISTICIAN SENIOR	0.00			0.00	
TOTAL LABOR	(b)(4)				
TOTAL COST CLAIMED					
FUNDED COST ADJUSTMENT				0.00	
COST CLAIMED					
TOTAL AMOUNT CLAIMED					

PLEASE INCLUDE CONTRACT NUMBER AND INVOICE NUMBER ON REMITTANCE ADVICE

## Appendix D

### Statistical Sample

~~(FOUO)~~ **Population.** The population consisted of (b)(4) DynCorp employees who worked on contract W9113M-07-D-0007, task orders 3, 15, 20, and 21. We removed 33 employees from the population because DynCorp did not provide résumés. The final population consisted of (b)(4) employees.

~~(FOUO)~~ **Sample Plan.** The DoD OIG Quantitative Methods Division designed a stratified sampling plan to determine if employees met the labor qualifications specified in contract W9113M-07-D-0007. The division stratified the population into five strata by billing cost amount and selected a random sample of 128 DynCorp employees. See Table D-1 for our sampling plan.

Table D-1. ~~(FOUO)~~ Sampling Plan

Stratum	Stratum Population Size	Stratum Sample Size
Under \$100,000	(b)(4)	20
\$100,000 to \$249,999	(b)(4)	20
\$250,000 to \$1M	(b)(4)	50
Over \$1M	(b)(4)	20
Previously Reviewed	(b)(4)	18
<b>Total</b>	(b)(4)	<b>128</b>

~~(FOUO)~~ **Analysis and Interpretation.** Table D-2 provides the Quantitative Methods Division projection of these amounts across the population at a 95-percent confidence level.

Table D-2. ~~(FOUO)~~ Projection of Unqualified Employees with Questioned Costs

	Number of Unqualified Employees	Questioned Costs (in millions)
Upper bound	(b)(4)	\$(b)(4)
Point estimate	360	\$91.4
Lower bound	(b)(4)	\$(b)(4)

## Appendix E

### Chart of Questionable Costs

Recommendation	Type of Benefit	(FOUO) Amount of Benefit
2.	Questioned costs. Recoup improper payments paid to contractor for employees that did not meet labor qualifications.	\$91,449,203
2.	Questioned costs. Recoup improper payments paid to contractor for employees that did not meet labor qualifications.	\$(b)(4)
3.	Questioned costs. Recoup improper payments paid to contractor for excessive hours and which were not already recouped in Recommendation 2.	\$(b)(4)

## Management Comments

### ~~(FOUO)~~ Department of the Army



REPLY TO  
ATTENTION OF:

DEPARTMENT OF THE ARMY  
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND  
4400 MARTIN ROAD  
REDSTONE ARSENAL, AL 35898-5000

AMCIR

MEMORANDUM FOR Department of Defense Inspector General (DoDIG), ATTN:  
Acquisition, Parts, and Inventory Division [REDACTED]  
4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Command Comments on DoDIG Draft Report, Northrop Grumman  
Improperly Charged Labor for the Counter Narco-Terrorism Technology Program,  
Project D2013AT-0166

1. The U.S. Army Materiel Command (AMC) has reviewed the subject draft report.  
AMC concurs with the report's recommendations, see enclosed comments for details.

2. [REDACTED]

[REDACTED] AMC  
will work with ACC-Redstone Contracting Center to ensure all necessary audits are  
conducted to assist in the potential recovery of funds.

3. The AMC point of contact is [REDACTED]

Encl

JOHN B. NERGER  
Executive Deputy to the  
Commanding General

~~(FOUO)~~ Department of the Army (cont'd)~~FOR OFFICIAL USE ONLY~~

HQ AMC COMMAND COMMENTS  
"Northrop Grumman Improperly Charged Labor for the  
Counter Narco-Terrorism Technology Program,"  
March 18, 2014 (Project No. D2013-D000AT-0166.000)

**Recommendation 1:**

"We recommend the Executive Director, Army Contracting Command-Redstone Arsenal . . . [d]evelop[s] procedures to validate contractor employee qualifications prior to payment for the contract and future contracts."

**Command Comments:**

**Concur:** Pursuant to the basic contract (W9113M-07-D-0007), Section G, Contract Administration Data, Invoice and Vouchering, paragraph k, Certificate of Performance, the contractor is required to certify performance for each invoice/voucher seeking partial/interim payment/reimbursement. Paragraph k states:

I certify that for the period from \_\_\_\_\_ to \_\_\_\_\_ the supplies or services claimed to have been provided under the above stated contract/TO number have been performed in accordance with the terms of the contract/TO [and] all other applicable requirements. I further certify that the supplies or services are of the quality specified and conform in all respects to the contract requirements.

The Army Contracting Command-Redstone (ACC-Redstone) will send a letter (see attachment) to each of the multiple-award indefinite-delivery indefinite-quantity (MAIDIQ) prime contractors reiterating the requirement to provide the certificate of performance for each invoice as well as other required documentation. The letters will be sent by 30APR14.

ACC-Redstone will also modify the U.S. Government-developed Quality Assurance Surveillance Plan (QASP) by including oversight that will be conducted through periodic reviews of contractor quality control actions taken to verify that all employees supporting the contract or task order are at least minimally qualified. As a part of this procedure, the ACC-Redstone Contracting Officer or Contracting Officer Representative (COR) will require submission of supporting documentation; this may include resumes and licenses/certifications. ACC-Redstone will develop a procedure to determine the frequency of periodic reviews and appropriate corrective action if errors are discovered. The QASP will be modified and the procedure developed by 30MAY14.

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~~(FOUO)~~ Department of the Army (cont'd)

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Recommendation 2:

~~(FOUO, FOIA Exemption 4)~~ We recommend the Executive Director, Army Contracting Command–Redstone Arsenal . . . [r]eview[s] the eligibility of the (b)(4) DynCorp International employees to determine if the employees met the labor qualifications specified in the contract and if they did not, obtain a refund for improper labor charges or recoup from any currently owed payments due the contractor on contract W9113M-07-D-0007. Also, obtain résumés to verify that the 33 remaining employees meet the labor qualifications specified in the contract and, if they did not, obtain a refund for additional improper labor charges or recoup from any currently owed payments due the contractor on contract W9113M-07-D-0007.

Command Comments:

Concur: 

Recommendation 3:

~~(FOUO, FOIA Exemption 4)~~ "We recommend the Executive Director, Army Contracting Command–Redstone Arsenal . . . [c]onduct[s] a review of the \$21.7 million in potentially excessive payments and recover improper payments or recoup from any currently owed payments due the contractor on contract W9113M-07-D-0007 that were not already recovered through Recommendation 2."

Command Comments:

Concur: 

Recommendation 4:

"We recommend the Executive Director, Army Contracting Command–Redstone Arsenal . . . [e]stablish[es] a procedure to verify the accuracy of invoices prior to payments for the contract and future contracts."

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~~(FOUO)~~ Department of the Army (cont'd)~~FOR OFFICIAL USE ONLY~~Command Comments:

**Concur:** The supporting documentation required for cost type invoices/vouchers is specified in the basic contract (W9113M-07-D-0007) at Section G, Contract Administration Data, Invoice and Vouchering, paragraph j. The letter referenced in the command comments on Recommendation 1, above, will include a notification that failure to provide proper supporting documentation will result in rejection of the voucher/invoice.

Pursuant to the COR appointment, the COR will review vouchers submitted by the contractor and verify, insofar as practicable, that the labor, material and other costs billed represent reasonable expenditures for the performance of the effort in accordance with the contract/task order. The COR will review the adequacy of supporting documentation prior to payment. In cases where sufficient documentation cannot be obtained, the COR will elevate this matter to the Contracting Officer for resolution. Invoices will be rejected and no payment authorized until adequate supporting documentation is provided.

Recommendation 5:

"We recommend the Executive Director, Army Contracting Command-Redstone Arsenal . . . [r]eport[s] improper contract W9113M-07-D-0007 payments to the Defense Finance and Accounting Service to ensure that improper payments are accurately reported. Also, notify DoD OIG of all identified improper payments."

Command Comments:

**Concur:** [REDACTED]

Attachment:

Sample letter

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~~(FOUO)~~ Department of the Army (cont'd)



DEPARTMENT OF THE ARMY  
ARMY CONTRACTING COMMAND - REDSTONE  
BUILDING 5303, MARTIN ROAD  
REDSTONE ARSENAL, ALABAMA 35895-5000

Army Contracting Command-Redstone, Contracting and Acquisition Management Office

SUBJECT: W9113M-07-D-0007 Invoice and Vouchering Documentation, to Include Certification of Performance

\*\*\*\*\*

Northrop Grumman Space & Mission Systems  
12900 Federal Systems Park Dr  
Fairfax, VA 22033-4421

Dear \*\*\*\*\*:

During the recent CNTPO Program Management Review (PMR) held in March 2014, we discussed the process and documentation needed for submitting proper invoices. This letter serves as a reminder of that discussion and the terms and conditions of the Basic Contract concerning the submission of invoices, to include contractor certification of performance.

Per the Invoice and Vouchering clause in Section G, direct billing is not authorized. Furthermore, the clause provides, among other things, that all "[i]nvoices/vouchers, for other than [firm-fixed-price] FFP orders, shall be accompanied by an invoice/voucher detail worksheet and supporting documentation that will be used by the Government" for the following purposes:

- (1) to support an assessment that the prices billed do not exceed those maximum unit rates set forth in Section J, Attachment 3, for labor, indirect add-ons and fee/profit and those rates included in the contractor's accepted proposal;
- (2) to demonstrate that the invoices are consistent with the progress of performance under the TO; and,
- (3) to demonstrate the actual costs incurred.

The minimum information that must be provided as part of the invoice/voucher detail worksheet and supporting documentation is clearly specified in the Invoice and Vouchering clause. In addition to providing the required spreadsheet that "effectively replicates" the labor, materials, other direct costs (ODCs), travel and Defense Base Act (DBA) information from the contractor's proposal, the contractor shall ensure that "[d]ocumentation to evidence of actual expenditures/payment such as individual daily job timecards, subcontractor/vendor invoices and payment receipts, travel and per diem receipts, or other substantiation specified by the Contracting Officer shall be maintained and made readily available for audit purposes."

Lastly, contractor certification of performance is required and must be submitted to the COR for each invoice/voucher seeking partial/interim payment/reimbursement. The certification form is set forth in the Invoice and Vouchering clause and it requires the contractor to certify that "the supplies or services claimed to have been provided under the above stated contract/TO number

~~(FOUO)~~ Department of the Army (cont'd)

SUBJECT: W9113M-07-D-0007 Invoice and Vouchering Reminder

have been performed in accordance with the terms of the contract/TO, [and] all other applicable requirements. . . . [and] are of the quality specified and conform in all respects to the contract requirements.”

The importance of providing sufficient details to support task order invoicing cannot be stressed enough. Equally important is the contractor’s certification of performance. Should your invoices not represent proper supporting documentation and certification of performance, the invoice will be rejected and payment will not be authorized until adequate supporting documentation, to include certification of performance, are received.

If there are any questions related to this matter, please contact the cognizant task order contracting officer. Questions concerning the basic contract may be directed to the undersigned at [REDACTED]

Sincerely,

[REDACTED]  
Contracting Officer

---

## Acronyms and Abbreviations

---

<b>ACC-RSA</b>	Army Contracting Command–Redstone Arsenal
<b>CNTPO</b>	Counter Narco terrorism Program Office
<b>FAR</b>	Federal Acquisition Regulation
<b>SMDC CAMO</b>	U.S. Army Space and Missile Defense Command, Contracting and Acquisition Management Office

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## **Whistleblower Protection**

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

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

### **Congressional Liaison**

Congressional@dodig.mil; 703.604.8324

### **Media Contact**

Public.Affairs@dodig.mil; 703.604.8324

### **Monthly Update**

dodigconnect-request@listserve.com

### **Reports Mailing List**

dodig\_report@listserve.com

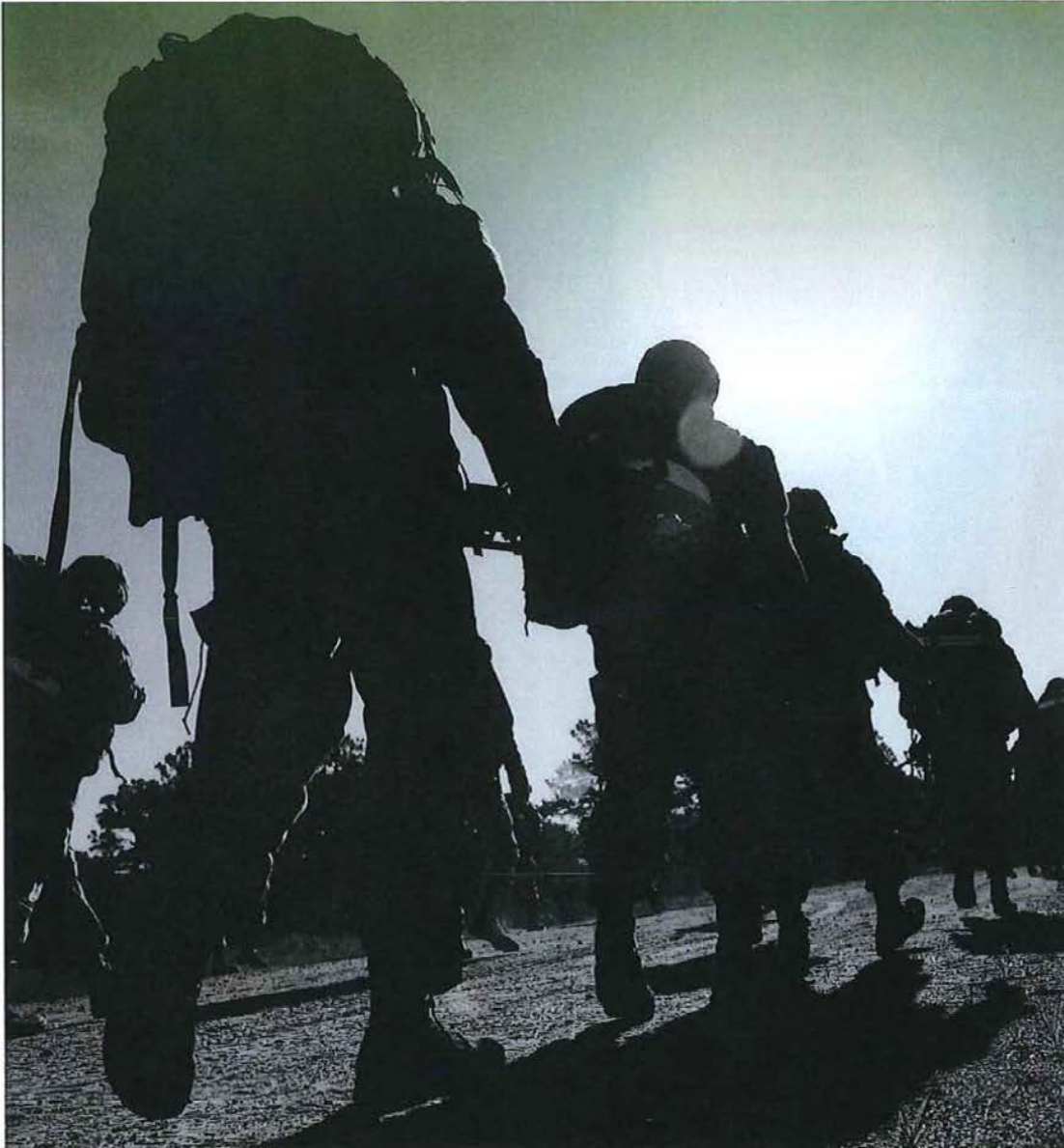
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DEPARTMENT OF DEFENSE | INSPECTOR GENERAL

4800 Mark Center Drive  
Alexandria, VA 22350-1500

[www.dodig.mil](http://www.dodig.mil)

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