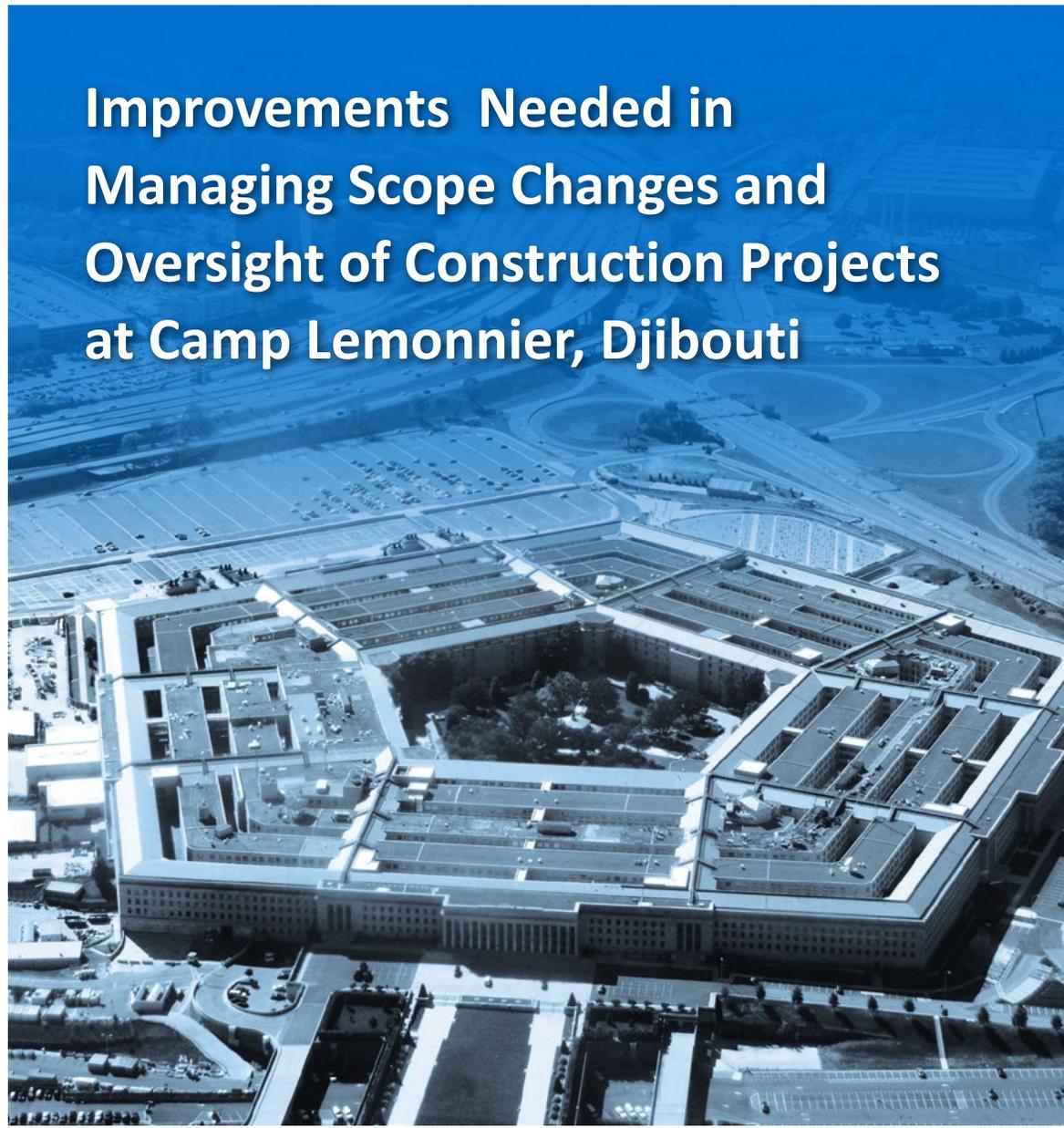




INSPECTOR GENERAL

U.S. Department of Defense

SEPTEMBER 30, 2016



Improvements Needed in Managing Scope Changes and Oversight of Construction Projects at Camp Lemonnier, Djibouti

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Results in Brief

Improvements Needed in Managing Scope Changes and Oversight of Construction Projects at Camp Lemonnier, Djibouti

September 30, 2016

Objective

We determined whether DoD was constructing facilities in accordance with legislative authorities (Federal law) and if DoD was providing adequate quality assurance and oversight of military construction projects at Camp Lemonnier, Djibouti. We nonstatistically selected 2 of 17 projects, P920, Bachelor Enlisted Quarters and P220, Ammunition Supply Point, with combined estimated costs of \$65.2 million, for audit. This is one in a series of reports on military construction (MILCON) projects at Camp Lemonnier, Djibouti.

Findings

Naval Facilities Engineering Command (NAVFAC) Atlantic constructed the Bachelor Enlisted Quarters project in accordance with the Federal law. However, NAVFAC officials did not obtain Navy approval and initiate the congressional notification process for the Ammunition Supply Point project scope changes as required by Federal law and Navy guidance. The scope changes were needed because the project planner did not properly apply explosives safety standards when developing the DD Form 1391¹, which incorrectly combined the inert storage facility and receive, segregate, storage issue functions as one primary facility. The program manager stated that approval was not obtained and congressional notification was not initiated for the scope changes because she applied the Federal law and

¹ DD Form 1391 is used to request military construction authorization and funds from Congress.

Findings (cont'd)

Navy requirements to the total Ammunition Supply Point project scope and not to the scope for each primary facility. Although the scope changes will ultimately result in a facility that meets mission requirements, unapproved scope changes to the other 15 FY 2010 through FY 2013 projects could result in construction of facilities that are not consistent with the intent of the Navy, Office of the Secretary of Defense, and Congress. In addition, officials at NAVFAC Camp Lemonnier, Djibouti, did not provide adequate oversight for the Bachelors Enlisted Quarters and Ammunition Supply Point projects. Specifically, the officials did not establish and implement adequate quality assurance oversight plans or maintain contract files in accordance with the Federal and Navy guidance. This occurred because the Facilities Engineering and Acquisition Division Director, construction managers, and quality assurance representatives stated that they did not see value in developing quality assurance plans and did not have procedures for archiving old contract files. The Director stated that maintaining contract files was secondary to construction completion.

As a result, there is an increased risk that construction will not meet contract requirements and that DoD will not receive what it paid for. Further, without complete contract files, DoD may not have adequate information in the event of disputes or litigation. Additionally, because of the constant turnover of contracting officials and QA representatives at Camp Lemonnier, the lack of complete contract files could limit the oversight ability of personnel subsequently assigned to manage and oversee contracts.

Recommendations

We recommend the Commander, NAVFAC Atlantic, submit a request for approval to reduce the scope of the inert storage facility; build the receive, segregate, storage, issue as a new primary facility; and initiate the congressional notification process for the Ammunition Supply Point scope changes. We also recommend that the Commander, establish local policies and procedures for contracting officials and quality assurance representatives to execute their roles and responsibilities and implement a process to consistently maintain complete contract files.



Results in Brief

Improvements Needed in Managing Scope Changes and Oversight of Construction Projects at Camp Lemonnier, Djibouti

Management Comments and Our Response

The Commander, Naval Facilities Engineering Command, responding for the Commander, Naval Facilities Engineering Command Atlantic, did not address the recommendations to initiate the congressional notification process and request approval from Navy officials for the scope changes made to the Ammunition Supply Point project. Comments from the Commander addressed the recommendations to establish and implement a consistent process to maintain contract files; however, the Commander did not address the recommendation to establish procedures for contracting officials and quality assurance representatives in executing their roles and responsibilities.

We request the Commander, NAVFAC Atlantic, provide comments in response to this report. Please see the Recommendations Table on the following page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, Naval Facilities Engineering Command Atlantic	A.1, A.2, A.3, B.2.a	B.1, B.2.b

Please provide Management Comments by October 31, 2016.





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

September 30, 2016

MEMORANDUM FOR COMMANDER, NAVAL FACILITIES ENGINEERING COMMAND
COMMANDER, NAVAL FACILITIES ENGINEERING COMMAND ATLANTIC
NAVAL INSPECTOR GENERAL

SUBJECT: Improvements Needed in Managing Scope Changes and Oversight of Construction
Projects at Camp Lemonnier, Djibouti (Report No. DODIG-2016-141)

We are providing this final report for review and comment. Naval Facilities Engineering Command Atlantic did not obtain approval from Office of the Chief of Naval Operations, Commander Naval Installations, and Naval Facilities Engineering Command and initiate the congressional notification process for scope changes to the Ammunition Supply Point project as required by Federal law and Navy guidance. In addition, officials from Naval Facilities Engineering Command Camp Lemonnier, Djibouti, did not provide adequate oversight for the Bachelors Enlisted Quarters and Ammunition Supply Point projects. Although the information we analyzed was from FY 2014, the report remains relevant because Navy approval and congressional notification are still required for military construction scope changes that exceed certain thresholds. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report when preparing the final report. DoD Instruction 7650.03 requires that recommendations be resolved promptly. The comments from the Commander, Naval Facilities Engineering Command, responding for the Commander, Naval Facilities Engineering Command Atlantic, addressed all specifics of Recommendations B.1 and B.2.b but did not address the specifics of Recommendations A.1, A.2, A.3 and B.2.a. Therefore, we request that the Commander, Naval Facilities Engineering Command Atlantic, comment on Recommendations A.1, A.2, A.3 and B.2.a by October 31, 2016.

Please send a PDF file containing your comments to audrco@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 699-7331 (DSN 499-7331). If you desire, we will provide a formal briefing on the results.

A handwritten signature in black ink, reading "Carol N. Gorman".

Carol N. Gorman
Assistant Inspector General
Readiness and Cyber Operations

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Introduction

Objective

Our audit objective was to determine whether DoD was constructing facilities in accordance with legislative authorities (Federal law²) and providing adequate quality assurance (QA) and oversight of military construction (MILCON) projects at Camp Lemonnier, Djibouti (CLDJ). Specifically, we nonstatistically selected and evaluated 2 of 17 CLDJ MILCON projects with combined estimated costs of \$65.2 million: P920, Bachelor Enlisted Quarters (BEQ) and P220, Ammunition Supply Point (ASP).

This is one in a series of reports on CLDJ MILCON projects. See Appendix A for the audit scope and methodology and Appendix B for prior coverage related to the audit objective.

Background

CLDJ is a Navy installation in the Horn of Africa region that provides critical support for U.S. Africa Command operations. The CLDJ mission is to provide, operate, and sustain service to support regional and combatant command requirements, and CLDJ enables operations in the Horn of Africa while fostering positive U.S.-African nation relations.

In May 2014, the United States finalized a 10-year lease agreement with the government of Djibouti for \$63 million per year to allow the United States to keep personnel and equipment at CLDJ. The agreement includes an option to extend the lease for another 10-year term without the requirement to renegotiate the terms, and a provision to extend for an additional 10-year term at a renegotiated rate.

Military Construction

MILCON includes any construction, development, conversion, or extension of any kind on any military facility or installation. According to 10 United States Code (U.S.C.) § 2801, a facility is defined as a building, structure, or other improvement to real property. Naval Facilities Engineering Command (NAVFAC) is responsible for Navy MILCON design and construction and is the construction agent for North Africa, excluding Egypt. NAVFAC Atlantic, a subordinate command to NAVFAC, has seven facility engineering commands, one of which is NAVFAC Europe, Africa, and Southwest Asia, that manages CLDJ facility project planning and design.

² For this report, the term Federal law denotes 10 United States Code § 2853, as amended October 2009.

NAVFAC Europe, Africa, and Southwest Asia provides oversight of CLDJ MILCON projects. Specifically, oversight is conducted by the administrative contracting officer (ACO), construction manager, and engineering technician. Specific oversight responsibilities are described below.

ACO:

- serves as the operational focal point with the contractor and assumes responsibility for administering the day-to-day contractual activities after contract award,
- issues modifications and processes contractor invoices, and
- conducts annual reviews of the contracting officers' representative files.

Construction Manager:³

- performs duties and responsibilities of a contracting officers' representative,
- serves as the project lead upon construction contract award through contract closeout, and
- serves as the primary Government representative for the supported commands and as the primary support to the ACO.

Engineering Technician:⁴

- serves as the project's QA representative,
- monitors jobsite progress, and
- reviews daily submissions as necessary to keep up with construction site activities.

DD Form 1391

During the requirements development process, the DD Form 1391, "FY __ Military Construction Project Data," expresses the user's facility needs. It is the principal project justification document to request MILCON authorization and funds from Congress. The DD Form 1391 should provide detailed, informative statements as to why the project is needed and must identify each primary and supporting facility required to complete the construction project and the unit of measure, unit quantity, and unit cost for each facility.

³ Per NAVFAC Atlantic Instruction 4280.1, "Centralization of Military Construction Design Execution in the Atlantic Area of Responsibility," March 10, 2014, and NAVFAC Instruction 4200.1, "Contracting Officer's Representative," September 18, 2013.

⁴ Per NAVFAC BMS B-1.4.6.3.2.3, "Manage the Construction Process," September 11, 2012.

For projects that require Congressional notification or approval, the Federal law establishes legal requirements for staying within the project scope approved by Congress. According to Federal law, a MILCON project's scope of work may not be reduced by more than 25 percent and may not be increased from the justification data provided to Congress on the DD Form 1391.

CLDJ Military Construction Projects

The 2014 update to the CLDJ Master Plan⁵ includes MILCON projects to be completed over the next 25 years, at an estimated value of \$781 million. In May 2014, NAVFAC officials provided us a list of 29 CLDJ MILCON projects funded for FY 2010 through FY 2013, however we identified 17 MILCON projects based on the completion status of the project, potential access issues, and the type of project.⁶ From the list of 17 MILCON CLDJ projects, we nonstatistically selected two MILCON projects. Specifically, we selected partially completed vertical projects awarded under separate contracts. The two projects' DD Forms 1391 had combined estimated costs of \$65.2 million and the expended funds as of July 9, 2015, were \$45.8 million. The projects selected were:

- **Project No. P920 BEQ.** The BEQ project was one of two MILCON projects awarded September 26, 2012, on contract N33191-12-C-0614. The project's DD Form 1391 stated that the purpose of the BEQ project was to construct a 6,000 square-meter, multi-story concrete unit with 125 rooms to provide housing for up to 250 military personnel, and the installation and relocation of 100 containerized living units (CLU).⁷ The project's estimated cost was \$43.5 million. As of July 9, 2015, the BEQ project expended funds were \$34.2 million; the project was completed and accepted by the Government on June 15, 2015.
- **Project No. P220 ASP.** The ASP project was one of three MILCON projects awarded September 10, 2012, on contract N62470-12-C-2008. The project's DD Form 1391 stated that the purpose of the ASP project was to construct three primary facilities: earth-covered magazines, inert storage facility (ISF), and weapons assembly pad⁸ with an estimated cost of \$21.7 million. As of April 18, 2016, the ASP project was not completed and expended funds were \$12.3 million.

⁵ Senate Report 112-29 directed the Secretary of the Navy to submit a comprehensive CLDJ master plan outlining the future of the camp. The plan must identify requirements, provide a schedule consistent with those requirements, summarize the relevant costs, and it must be updated annually.

⁶ Type of project refers to whether the project was a repair or replace as opposed to new construction and whether the MILCON projects were horizontal (paving and fencing) or vertical (barracks and dining facilities). We selected vertical projects.

⁷ A CLU is a 320 square-foot cargo container that is divided into two 160 square-foot units. Each living unit is air conditioned and accommodates up to two people.

⁸ Magazines store high explosive munitions; the ISF stores inert (inactive) materials and provides minimal administrative space; and the weapons assembly pad is used to assemble munitions.

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 within the NAVFAC process to initiate congressional and Navy notification of MILCON scope changes, establish and implement Quality Assurance Surveillance Plans (QASPs), and maintain complete contract files. We will provide a copy of the report to the senior official responsible for internal controls in the Navy and NAVFAC.

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

Finding A

Scope Changes to Ammunition Supply Point Project Not Properly Approved or Reported

Although scope changes to the BEQ project did not require Navy¹⁰ approval and congressional notification, NAVFAC officials did not obtain Navy approval and initiate the congressional notification process for the ASP project scope changes as required by Federal law and Navy guidance.¹¹ The scope changes were needed because the project planner did not properly apply explosives safety standards¹² when developing the DD Form 1391, which incorrectly combined the ISF and receive, segregate, storage, issue (RSSI)¹³ functions as one primary facility.¹⁴ The NAVFAC Atlantic Program Manager stated that approval was not obtained and congressional notification was not initiated for the scope changes because she applied the Federal law and Navy requirements to the total project scope listed on the DD Form 1391 and not to the scope for each primary facility.

Although the ASP project scope changes will ultimately result in a facility that meets CLDJ mission requirements, unauthorized changes to the other 15 FY 2010 through FY 2013 MILCON projects could result in construction of facilities that are not consistent with the intent of the Navy, Office of the Secretary of Defense, and Congress.

Scope Change to Bachelor Enlisted Quarters in Accordance With Federal Law

NAVFAC Atlantic officials constructed the BEQ project in accordance with the Federal law provisions. The BEQ project's DD Form 1391 included one primary facility totaling 6,000 square meters. The request for proposal and contract description of work included one primary facility totaling 6,000 square meters, and the design drawings included one primary facility totaling 5,978 square meters. Although the scope was decreased by 22 meters (0.4 percent), the decrease was within the 25-percent scope decrease allowed by Federal law.

¹⁰ Office of the Chief of Naval Operations, Commander Naval Installations and Naval Facilities Engineering Command.

¹¹ Office of the Chief of Naval Operations Instruction 11010.20G, "Facilities Projects Instruction," October 14, 2005, section 2.12.1, "Definition of MILCON Project Scope" and section 2.12.3, "MILCON Project Scope Changes."

¹² Naval Sea Systems Command OP-5 Volume 1, Seventh Revision "Ammunition and Explosives Safety Ashore," January 15, 2014, superseded Volume 1, Sixth Revision, March 1, 1995, section 7-13.1, "Administrative and Industrial Areas."

¹³ The RSSI building is located next to the weapons assembly pad and will be used to stage munitions during assembly.

¹⁴ According to 10 U.S.C. § 2801, last amended in October, 2008, a facility is defined as a building, structure, or other improvement to real property.

Navy guidance in effect when the BEQ scope was decreased¹⁵ was contradictory with respect to project scope changes. Paragraph 2.12.3 of that guidance stated, “All changes to the scope of a MILCON project must first be approved by Office of the Chief of Naval Operations (OPNAV) N46,¹⁶ Commander Naval Installations (CNI) N4 (MILCON),¹⁷ and NAVFAC MILCON.” However, paragraph 2.12.3.c. stated, “A request must first be submitted to OPNAV N46, CNI N4 (MILCON), and NAVFAC MILCON whenever a scope decrease is in excess of 25 percent.”

Because the guidance was not clear whether Navy approval was required for “any” scope change or changes in excess of 25 percent, we did not consider the BEQ scope decrease in violation of Navy guidance. On May 16, 2014, OPNAV officials issued a revised Instruction,¹⁸ which states that only scope decreases exceeding 25 percent of the original scope be submitted for Navy approval. Because the revised Instruction provides clear guidance regarding scope decreases requiring Navy approval, we are not making recommendations to update the Instruction.

Scope Changes to Ammunition Supply Point Not in Accordance With Federal Law or Navy Guidance

NAVFAC Atlantic officials did not obtain approval and initiate the congressional notification process for a scope decrease and the construction of a new primary facility through a redefinition of scope to the ASP project in accordance with Federal law and Navy guidance.

The DD Form 1391 for the ASP project included three primary facilities: magazines, ISF, and weapons assembly pad. However, the request for proposal, contract description of work, and design drawings included four primary facilities: magazines, weapons assembly pad, ISF, and RSSI building.

Scope decreases to the magazines and weapons assembly pad were within the 25-percent scope decrease limit in accordance with Federal Law. As mentioned in the BEQ project discussion above, Navy guidance in effect at the time the scope changes were made, was contradictory with respect to whether Navy approval was required. However, the revised 2014 Instruction¹⁹ clearly states that only scope decreases that exceed 25 percent require Navy approval. Therefore, we are not making any recommendations to update the Instruction.

¹⁵ OPNAVINST 11010.20G, October 14, 2005.

¹⁶ OPNAV Shore Installation Management Division.

¹⁷ CNI Facilities and Environment Division.

¹⁸ OPNAVINST 11010.20H, “Navy Facilities Projects,” May 16, 2014.

¹⁹ OPNAVINST 11010.20H, “Navy Facilities Projects,” May 16, 2014.

However, the ISF scope decrease exceeded the 25-percent limit and, therefore, the decrease required Navy approval and Congressional notification. Specifically, the ISF scope was decreased by 40.5 percent from the amount approved on the DD Form 1391. In addition, a portion of the ISF scope reduction was used to build the RSSI, which was not identified on the DD Form 1391 as a separate primary facility. See the Table below for the specific scope changes.

Table. Scope Changes of Primary Facilities to the Ammunition Supply Point Project

Primary Facilities	DD Form 1391 Scope (m2)	Design Drawings Scope (m2)	Change in Scope (m2)	Percent Change
ISF	1,738.96	1,035.28	(703.68) ¹	(40.47)
RSSI	0 ²	686.98	686.98	100
Magazines	927.17	802.72	(124.45)	(13.42)
Weapons Assembly Pad	111.50	110.63	(0.87)	(0.78)

¹ Figures in parenthesis represent negative values.

² The facility was not identified as a primary facility on the DD Form 1391.

Note: m2 represents square meters.

NAVFAC Atlantic officials stated that the ISF scope decrease was necessary because explosive safety standards require the ISF and RSSI functions be conducted in separate facilities. The project planner had erroneously included the RSSI function in the ISF building on the DD Form 1391. The planner became aware of the explosives safety standards during the design phase, and NAVFAC Atlantic officials were required to decrease the ISF scope and construct the RSSI as a separate primary facility. As a result, the scope of the ISF decreased by 703.68 square meters (40.5 percent).

The need to separate the ISF and RSSI functions through a redefinition of scope resulted in the construction of the RSSI as a new primary facility, which was not identified on the DD Form 1391 and approved by Congress as a separate primary facility.²⁰ Therefore, NAVFAC Atlantic officials need to obtain approval and initiate the congressional notification process for a scope decrease and the construction of a new primary facility through a redefinition of scope to the ASP project in accordance with Federal law and Navy guidance.

²⁰ There were no additional costs associated with the scope changes to the ISF and RSSI.

Inadequate Development of DD Form 1391

The ASP project scope changes were needed because the NAVFAC project planner did not properly apply explosives safety standards when developing the DD Form 1391, and incorrectly included the ISF and RSSI functions in one primary facility. The Navy explosive safety standard is one of the items in the NAVFAC “MILCON checklist,” which is a guide for project planners to use in completing a DD Form 1391.

Our first audit report²¹ in this series focused on the requirements development process and completion of DD Forms 1391 for CLDJ MILCON projects. In that report, we made recommendations to strengthen controls over the requirements development process, to include requiring NAVFAC project planners to use the MILCON checklist. Navy officials agreed to require use of the checklist starting with the Program Objective Memorandum FY 2017.²² Therefore, we are not making a similar recommendation in this report.

Scope Variation Criteria Not Followed

The NAVFAC Atlantic Program Manager did not obtain Navy approval or request congressional notification for the scope decrease to the ISF building and the construction of the RSSI as a separate primary facility. The program manager stated that she applied the Federal law and Navy requirements to the total scope listed on the DD Form 1391 and not to the scope for each primary facility. Therefore, she determined that the scope decrease to the overall ASP project was only 5.11 percent,²³ which was less than the 25-percent threshold and, therefore, did not require further approval. However, during a follow-on meeting the program manager agreed that she should have requested approval for the ISF scope decrease. According to the Federal law and Navy guidance, the program manager should have considered the scope changes to each of the ASP project facilities separately, not the overall ASP project, when determining whether approval was required.

Application of the Federal law on overall square meters to each primary facility was previously identified in another DoD IG report.²⁴ The report identified that the Federal law did not provide clear context on the definition of scope of work. For

²¹ DoD IG Report No. DODIG-2014-074 “Navy Controls Over the Requirements Development Process for Military Construction Projects at Camp Lemonnier, Djibouti, Need Improvement,” May 16, 2014.

²² The Program Objective Memorandum (POM) is the final product of the programming process within the Department of Defense. A Component's POM displays the resource allocation decisions of the Military Department in response to, and in accordance with, the Guidance for Development of the Force and Joint Programming Guidance. The POM shows programmed needs for the next 6 years.

²³ Overall scope of the ASP project minus design drawings 2,777.63 square meters - 2635.61 square meters = 142.02 square meters for the change in scope, then the change in scope divided by the overall scope of the ASP project $142.02 / 2,777.63$ square meters for a percent change of 5.11 percent.

²⁴ DoD IG Report No. DODIG-2012-057, “Guidance Needed to Prevent Military Construction Projects from Exceeding the Approved Scope of Work,” February 27, 2012.

example, the report stated that the permissible variation in scope of work could be understood to be applicable to the primary and supporting facilities listed on the DD Form 1391, the actual size of those facilities, or the construction project as a whole.²⁵ The report contained a recommendation to the Deputy Under Secretary of Defense for Installations and Environment to “issue clarifying guidance to define the scope of work outlined in 10 U.S.C. § 2853, that may not be exceeded, or reduced by 25 percent.”

In response to the report, the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD[AT&L]) issued a memorandum²⁶ to clarify the permissible variations to scope of work. The memorandum states that the “Scope variations for a military construction project shall be measured against the scope of distinct facilities²⁷ represented in Block 9 of the DD Form 1391 authorized by Congress.” Subsequently, the Navy issued a revised Instruction²⁸ to incorporate the USD(AT&L) clarification on the scope of work variations for distinct facilities. Specifically, the Instruction states that the scope variations should be applied to “each distinct facility independently (no tradeoffs of scope quantity allowed between distinct facilities).” The ISF and RSSI clearly met the definition of “distinct facilities” in accordance with the memorandum and Instruction; therefore, in accordance with the revised Instruction, the scope changes would require Navy approval and congressional notification.

Although the program manager stated that the revised Instruction clarified that scope variations should be calculated for each primary facility, the program manager also stated the revised Instruction did not require retroactive congressional notification for projects that were developed prior to the revision in 2014. However, Navy guidance applicable at the time of the ASP project scope changes stated that when a scope decrease exceeds 25 percent, a request for approval must be submitted to OPNAV N46/CNI N4 (MILCON), and a report of the facts relating to the scope reduction must be submitted to Congress. An official from USD(AT&L)/Installations and Environment agreed that NAVFAC Atlantic should notify Congress of the scope changes. NAVFAC Atlantic officials should request approval from the Navy and initiate the congressional notification process for the scope changes to the ASP project in accordance with Navy guidance and Federal law.

²⁵ 10 United States Code § 2853 was revised on January 2, 2013, to further define the term, “scope of work.”

²⁶ USD(AT&L) memorandum, “Authorized Scope of Work for Military Construction Projects,” June 24, 2013.

²⁷ The contract request for proposal refers to “primary” facilities versus “distinct” facilities that comprise a project; therefore, for consistency we used the term primary facility in this report.

²⁸ OPNAV Instruction 11010.20H, “Navy Facilities Projects,” May 16, 2014, canceled OPNAV Instruction 11010.20G, “Facilities Project Instruction,” October 14, 2005.

Approvals and Notifications Are Needed to Ensure Military Construction Projects Are Built Consistent With Department and Congressional Intent

The USD(AT&L) memorandum clarifying scope of work variations was incorporated in the revised Navy Instruction that clarified scope variations should be calculated for each primary facility. The memorandum stated that the Instruction would become effective with projects authorized in FY 2014. Nevertheless, Navy guidance applicable prior to the memorandum stated that whenever a scope decrease exceeds 25 percent, a request for approval must be submitted. The ASP project scope variations will ultimately result in a facility that meets CLDJ mission requirements. However, unapproved scope changes to the other 15 FY 2010 through FY 2013 MILCON projects could result in projects that are not consistent with the intent of the Navy, Office of the Secretary of Defense, and Congress. NAVFAC Atlantic officials should review the other 15 MILCON projects and determine whether there were any unapproved scope changes. If so, submit a request for approval from OPNAV, CNI, and NAVFAC; and initiate the congressional notification process.

Recommendations, Management Comments, and Our Response

Recommendation A.1

We recommend the Commander, Naval Facilities Engineering Command, Atlantic, submit a request for approval from the Office of the Chief of Naval Operations; Commander, Navy Installations Command; and Naval Facilities Engineering Command for the scope reduction of the inert storage facility and construction of the receive, segregate, storage, issue as a new primary facility under project P220, Ammunition Supply Point.

Commander, Naval Facilities Engineering Command Comments

The Commander, Naval Facilities Engineering Command, responding for the Commander, Naval Facilities Engineering Command Atlantic, disagreed, stating that the RSSI building is not a new primary facility under the ASP project. He stated that the RSSI building is part of the authorized primary distinct facility labeled "Inert Storage Facility" in Block 9 of the DD Form 1391 for P220; Ammo Supply Point; Camp Lemonier, Djibouti. The Commander also stated that at the time the DD Form 1391 project justification was submitted to Congress in May 2009, NAVFAC practice was to aggregate scope quantity for a project to determine compliance with 10 U.S.C. § 2853.

The Commander also stated that the aggregate scope reduction was only 5.1 percent and that a 10 U.S.C. § 2853 scope variation reduction notification to Congress was not required. However, the Commander acknowledged that NAVFAC Atlantic did not obtain approval for the scope variation as required by OPNAVINST 11010.20G Paragraph 2.12.3, which was effective at that time. The Commander further stated, under OPNAVINST 11010.20H,²⁹ there is no longer a requirement to obtain approval for all scope changes.

Our Response

The Commander's comments did not address the specifics of the recommendation. We disagree that the RSSI building is part of the ISF. In 10 U.S.C. § 2801, the term "facility" is defined as a building, structure, or other improvement to real property. As constructed, the ISF and RSSI constitute separate distinct facilities with separate functions, one of which, the RSSI, was not listed as a separate distinct facility on the DD Form 1391 and not approved by Congress. We acknowledge that the program manager considered the aggregate scope change to the ASP project. However, that consideration was not consistent with Federal law and Navy guidance which requires scope changes for each distinct facility, not aggregate scope changes. Furthermore, under the current OPNAVINST 11010.20H, a scope variance, such as a scope decrease to the ISF and construction of the RSSI, would require Navy approval and Congressional notification as the Instruction clearly states that scope variations should be separately applied to each distinct facility and that no scope tradeoffs between distinct facilities are allowed. Therefore, we request that the Commander, Naval Facilities Engineering Command, reconsider his position on the recommendation and provide comments on the final report.

Recommendation A.2

We recommend the Commander, Naval Facilities Engineering Command, Atlantic, in coordination with the Commander, Naval Facilities Engineering Command, upon Department of the Navy approval, initiate the congressional notification process, as required by Federal law and Navy guidance, for the scope reduction of the inert storage facility and construction of the receive, segregate, storage, issue as a new primary facility under project P220, Ammunition Supply Point.

²⁹ OPNAV Instruction 11010.20H, "Navy Facilities Projects," May 16, 2014, canceled OPNAV Instruction 11010.20G, "Facilities Project Instruction," October 14, 2005.

Commander, Naval Facilities Engineering Command Comments

The Commander, Naval Facilities Engineering Command, responding for the Commander, Naval Facilities Engineering Command Atlantic, disagreed, stating that NAVFAC could not find any current or past law, policy, or guidance that prohibits providing separate buildings to satisfy the approved scope authorized for a primary distinct facility listed in Block 9 of the DD1391. The approved scope authorized the ISF as consisting of an administrative function³⁰ and RSSI function.³¹ The design solution to accommodate the authorized scope for the ISF consists of two buildings: ISF Administration building at 1,035.28 square meters and ISF RSSI building at 686.98 square meters. The total square meters of both buildings to provide for the “Inert Storage Facility” authorized is 1,722.26 square meters, which is 16.70 square meters (1 percent) less than the approved quantity of 1,738.96 square meters. No primary distinct facility scope was added or increased that exceeds the authorized project scope. Since scope reduction did not exceed 25 percent, a 10 U.S.C. § 2853 reduction notification to Congress for the ISF scope variation was not required.

Our Response

The Commander’s comments did not address the specifics of the recommendation. Guidance cited in the report—10 U.S.C. § 2801, the USD(AT&L) memorandum, and OPNAV Instruction 11010.20H—does not allow tradeoffs in scope between distinct facilities. As constructed, the ISF and RSSI constitute separate distinct facilities with separate functions, therefore, the scope variation threshold was applicable to each facility separately and not in the aggregate. As stated in the report, the scope variance guidance as applied to the ISF resulted in a scope decrease of 40.5 percent. Further, because the RSSI was a new distinct facility not listed on the DD Form 1391, it was considered a scope increase, which was not permitted by the above guidance.

We acknowledge that the final facility sizes for the ASP project were revised to comply with the Naval Ordnance Safety and Security Activity Explosive Safety Manual. However, the safety provisions necessitating the scope variances for the ASP project does not preclude NAVFAC from complying with Federal and Navy guidance concerning scope changes. Therefore, we request that the Commander, Naval Facilities Engineering Command, reconsider his position on the recommendation and provide comments on the final report.

³⁰ Administrative functions include training and management of the weapons vault and weapons shop.

³¹ RSSI functions include munitions management and the turn in of spent casings.

Recommendation A.3

We recommend the Commander, Naval Facilities Engineering Command, Atlantic, review the other 15 MILCON projects that were funded and approved for FY 2010 through FY 2013 and determine whether there were any unapproved scope changes requiring approval by OPNAV, CNI, and NAVFAC, and congressional notification. If so, initiate the appropriate actions.

Commander, Naval Facilities Engineering Command Comments

The Commander, Navy Facilities Engineering Command, responding for the Commander, Naval Facilities Engineering Command Atlantic, disagreed, stating that P920 BEQ and P220 ASP have been reviewed in detail by NAVFAC and found to have been designed in accordance with Federal law and Navy policy. The Commander also stated that there is no compelling reason to assume any of the other 15 MILCON project designs violated Federal law or Navy policy. Therefore, there is no reason to expand this investigation beyond its original boundaries to those projects.

Our Response

The Commander did not address the specifics of the recommendation. NAVFAC did not comply with applicable Federal and Navy guidance concerning scope changes with respect to the ASP project. Based on the Commander's comments to this report, there are no assurances that the other projects funded and approved from FY 2010 through FY 2013 do not have unapproved scope changes. Therefore, we request that the Commander, Naval Facilities Engineering Command, reconsider his position on the recommendation and provide comments on the final report.

Finding B

Inadequate Oversight of Construction Projects

NAVFAC CLDJ contracting officials and QA representatives did not provide adequate oversight for the BEQ and ASP MILCON projects, with combined estimated costs of \$65.2 million. Specifically, NAVFAC construction managers and QA representatives did not establish and implement adequate QA oversight plans or maintain complete contract files³² in accordance with the Federal Acquisition Regulation (FAR)³³ and NAVFAC's Business Management System (BMS).³³

This occurred because the Facilities Engineering and Acquisition Division (FEAD) Director,³⁵ construction managers, and QA representatives stated they did not see value in developing QASPs, and the FEAD Director stated that maintaining contract files was secondary to construction completion.

As a result, there is increased risk that construction of the ASP project³⁶ and current and future CLDJ MILCON projects, valued at \$781 million, will not meet contract requirements and the Government will not receive what it paid for. Additionally, due to the constant turnover of contracting officials and QA representatives at CLDJ, the lack of documentation could limit the oversight ability of personnel subsequently assigned to manage and oversee the contract. Further, without a complete contract file, the Government may not have a complete history of the contract in the event of disputes or litigation.

Inadequate Quality Assurance Plans

NAVFAC CLDJ construction managers and QA representatives did not establish and implement adequate QASPs for the contracts that contained the BEQ and ASP projects in accordance with the FAR and NAVFAC BMS. Specifically, the QASP for the contract that contained the BEQ project was incomplete and the QASP for the contract that contained the ASP project was incomplete and not developed until 590 days after construction started.

³² For this report, the term contract files refers to the contracting officer representative files and QA documents.

³³ FAR Subpart 46.4, "Government Contract Quality Assurance;" and FAR Subpart 4.8, "Government Contract Files."

³⁴ NAVFAC BMS B-1.4.6.3, "Design-Build Quality Management," September 11, 2012, and S-17.4.1.2, "Contract Administration-Construction," April 22, 2013.

³⁵ The FEAD oversees the Project Management/Engineering Branch to include the construction managers and the QA representatives for MILCON projects.

³⁶ The BEQ project was completed on June 15, 2015.

FAR subpart 46.4 states that Government personnel should³⁷ prepare a QASP in conjunction with the preparation of the contract statement of work and prior to the start of construction. The plan should specify all work that requires surveillance by the Government, and the method of surveillance. NAVFAC BMS³⁸ states that the construction manager and QA representative are responsible to prepare a QASP for projects greater than \$1 million.

Quality Assurance Plan for the Contract Containing the Bachelor Enlisted Quarters Project Was Incomplete and Not Properly Implemented

The QASP for the contract that contained the BEQ project was never updated to reflect the finalized contract specifications, so the QASP did not align with the contract, and the construction managers and engineering technicians did not update the plan with dates and signatures to reflect their attendance at any of the testing conducted by the contractor. According to one construction manager, the plan was designed to be a “living” document that should be updated as actions are taken or changes occur.

The QASP included an “Administrative Items Checklist,” with 70 executable administrative items such as utility system connections, operations and maintenance training of military personnel for building equipment, and delivery of operations and maintenance manuals. The QASP also listed 29 definable features of work (DFOW)³⁹ that required preparatory and initial inspection meetings. Based on the BEQ QASP, the construction managers were required to verify whether the Government attended the meetings, and date and initial the QASP. However, the construction managers did not complete the administrative items checklist or initial and date the completed DFOWs to verify the construction managers attended meetings or validate that work was performed. For example, at the time of our site visit to CLDJ in June 2014, the BEQ foundation was complete, the first and second floor walls were being constructed, and concrete stairs were poured. The QASP included a BEQ stairs DFOW that required a field test of the cast-in-place concrete used to construct the stairs. However, there were no date and initials to support that the field test was performed.

According to the contractor’s attendance list, the construction manager and QA representative attended the preparatory phase meeting, and the QA representative attended the initial phase meeting for the structural cast-in-place concrete

³⁷ According to FAR subpart 2.1 “Definitions”, “should” means an expected course of action or a policy that is to be followed unless inappropriate for a particular circumstance.

³⁸ NAVFAC BMS, section B-1.4.6.3 “Design-Build Quality Management.”

³⁹ A DFOW is a task that is separate and primary from other tasks, requires separate quality control requirements, is identified by different trades or disciplines, and is an item or activity on the construction schedule.

forming DFOW. However, the construction manager and QA representative did not update the QASP checklist for this DFOW to verify they attended either meeting. Additionally, the construction manager and QA representative did not identify the responsible points of contact for testing or the completion due dates for any of the 70 administrative items on the checklist or the 29 DFOWs. For example, the first administrative item on the checklist was for a construction completion schedule. Construction on the BEQ project started on July 9, 2013; therefore, at a minimum, the checklist should have included the:

- responsible point of contact for the construction completion schedule;
- required due date;
- actual completion date of the construction schedule; and
- construction manager initials to verify it was completed.

Quality Assurance Plan for the Contract Containing the Ammunition Supply Point Project Was Not Developed Before the Start of Construction, Was Incomplete, and Not Properly Implemented

The QASP for the contract that contained the ASP project was not developed until 590 days after the start of construction and 695 days after the contract statement of work was prepared, and it was incomplete. The ASP project had an estimated cost of \$21.7 million; therefore, in accordance with FAR subpart 46.4 and NAVFAC BMS, a QASP should have been prepared before the start of construction.

The QA representative said he did not have a QASP for the ASP project, but started to develop the plan after our first meeting at CLDJ in June 2014. The QASP was approved on August 6, 2014; however, it did not include several required items from the BMS template and did not identify critical events. For example, the QASP did not identify Government activities that could impact progress, such as utility outages or road closures, and did not include a field test log.⁴⁰ Further, the QASP did not identify who was required to fulfill the various responsibilities that were listed such as ensuring that shop drawings and samples were submitted, reviewed, and approved or disapproved.

⁴⁰ A field test log provides a schedule of dates for all contractor-performed testing so the Government is aware of and can monitor the testing.

Incomplete Contract Files

NAVFAC CLDJ construction managers did not maintain complete contract files for the BEQ and ASP projects, as required by FAR subpart 4.8, NAVFAC Instruction 4200.1,⁴¹ NAVFAC BMS, and the construction manager designation memorandums. Specifically, files for the BEQ and ASP projects did not contain all required quality control (QC) daily reports reviewed by the QA representative and evidence of contractor three-phase inspections. In addition, the project files did not include several construction manager designation memorandums, meeting minutes for several QA meetings, and construction manager quarterly reports. According to NAVFAC Instruction 4200.1, the construction manager is required to submit a quarterly report to the contracting officer that documents the contractor's progress and identifies any performance problems.

No Procedures for Maintaining Contract Files

The CLDJ construction managers and QA representatives did not have formal and consistent procedures to maintain contract files. FAR subpart 4.805 requires agencies to establish procedures to handle, store, and dispose of contract files that contain documents in all types of media, including electronic media. Contract files for construction contracts above \$2,000 must be retained for 6 years and 3 months after final payment.

However, the construction manager for the ASP project stated that he maintained his contract file on the CLDJ shared server, and that "if a document is not on the shared server, it does not exist." The construction manager also said that if the previous construction manager or QA representatives did not maintain documents on the CLDJ shared server, it would be difficult to obtain them. In addition, the QA representative for the ASP project said he maintained QC daily reports on his desktop computer until he could upload them to the CLDJ shared server. Another QA representative said that some of his contract documents "disappeared" from the CLDJ shared server, and it was easier for him to get them from the contractor.

FAR subpart 4.8 requires documentation in Government contract files be sufficient to constitute a complete history and provide a complete background as a basis for supporting actions of reviews and investigations. Contract files furnish essential facts in the event of litigation or congressional inquiries. Contract files should contain, among others, a copy of the contract and all modifications, with supporting documents; post-award conference records; notice to proceed and stop orders; and quality assurance records. Naval Facilities Engineering Command, Atlantic, in coordination with Naval Facilities Engineering Command, Europe, Africa, and Southwest Asia contracting officials should establish and implement a consistent process to maintain contract files.

⁴¹ NAVFAC Instruction 4200.1, "Contracting Officer's Representative," September 18, 2013.

Contractor's Quality Control Daily Reports Not Maintained

The QA representatives for the BEQ and ASP projects did not always maintain the project's contractor-submitted QC daily reports as required by NAVFAC BMS. Additionally, NAVFAC Instruction 4200.1 requires NAVFAC construction managers to maintain files for each contract, which must be available for review by the contracting officer and the inspector general, and turned over to the contracting officer at the end of contract performance. The QC daily report provides details of the work completed, rework, and the QA representative's remarks. The NAVFAC BMS requires that the QA representative assure submission and review of contractor's QC daily reports to ensure progress at the construction site. The QA representative should provide QA remarks regarding any important findings during the daily reviews.

For the BEQ project, 39 of the 357 QC daily reports that should have been submitted from July 9, 2013, through June 30, 2014, were not in the contract file. For the contract that includes the ASP project, 46 of the 268 QC daily reports that should have been submitted from December 24, 2012, through June 30, 2014, were not in the contract file.⁴²

Three-Phase Inspection Documentation Not Maintained

QA representatives did not maintain the contractor's three-phase inspection checklists for the BEQ or ASP projects. The contract required that the contractor conduct three-phase inspections; preparatory, initial, and follow-up, for each DFOW.

The NAVFAC BMS requires QA representatives to assure submission of three-phase inspection checklists and attend preparatory and initial phase meetings for the DFOWs, which are critical to the success of the project. However, the QA representative for the BEQ project could only provide seven preparatory and two initial checklists for 28 DFOWs that were started. For example, the QA representative could not provide preparatory and initial checklists for inspections of the fire suppression system in the BEQ project CLUs, which was one of the critical DFOWs. The contractor did not install the fire suppression system in the BEQ project CLUs in accordance with the contract specifications.

⁴² Of the 268 reports, 46 reports could not be provided and 47 reports were provided, but had to be obtained from the contractor because the QA representative did not maintain a copy in the contract file.

When NAVFAC partially accepted the CLUs on January 24, 2014, the acceptance letter included a list of deficiencies to be corrected, at no cost to the Government, including a deficiency with the type of piping installed for the fire suppression system. The contract required black steel piping; however, the contractor installed galvanized piping with rolled grooved fittings. In an acceptance letter to the contractor, NAVFAC stated:

Galvanized piping may only be considered subject to the contractor providing a Wet Pipe Nitrogen Inerting system. Proposed Wet Pipe Nitrogen Inerting system and sprinkler system modifications must be submitted for approval. Otherwise, provide black steel as required by your approved design and contract.

According to the CLDJ Fire Chief, the fire suppression system would function without the Nitrogen Inerting System. However, due to the harsh environment in Djibouti, the galvanized piping would deteriorate over time and reduce the effectiveness of the sprinklers, perhaps as soon as six months. The contractor was required to have the integrated system installed, inspected, and tested by no later than July 31, 2014. The contractor installed, inspected, and tested the system and it was verified by the Government on July 30, 2014, 6 months and 6 days after acceptance of the CLUs.

If the QA representative had attended and documented an inspection of the fire suppression system, he may have identified that the incorrect piping was installed and the deficiency could have been corrected before acceptance and occupancy of the CLUs.

No Evidence to Support Review of Contract Files

The ACOs and the supervisory ACO did not maintain documentation of their construction manager file reviews in accordance with the Defense FAR Supplement⁴³ and NAVFAC BMS. The supervisory ACO stated that she conducted quarterly reviews of the construction manager file for each project; however, she did not document her reviews. The Defense FAR Supplement and NAVFAC BMS required the ACOs to document and maintain the result of reviews conducted of the construction manager files.

⁴³ Defense FAR Supplement and Procedures, Guidance, and Information (PGI) 201.602-2, "Responsibilities," April 23, 2008.

Lack of Emphasis on Quality Assurance Oversight and of Procedures to Archive Complete Contract Files

The construction managers and QA representatives stated they did not see value in developing QASPs and the FEAD Director stated that maintaining contract files was secondary to construction completion. According to NAVFAC BMS, the purpose of a QASP is to ensure the construction managers and QA representatives focus on quality and ensure the DFOWs are adequately monitored to provide a quality product. The NAVFAC BMS requires construction managers and QA representatives to prepare a QASP for projects greater than \$1 million. NAVFAC Engineering and Construction Bulletin 2006-04⁴⁴ identifies MILCON as a type of category I project. NAVFAC Engineering Construction Bulletin 2007-02⁴⁵ includes a table indicating that a QASP must be prepared for category I projects, regardless of the level of risk associated with the project. Additionally, NAVFAC Engineering Construction Bulletin 2007-02 contains a tool to determine overall project risk and associated QA required for each construction contract.

The BEQ project had an estimated cost of \$43.5 million, and the ASP project had an estimated cost of \$21.7 million. Therefore, according to the NAVFAC Engineering and Construction Bulletins, the BEQ and ASP projects were considered category I projects that required QASPs to be prepared. The NAVFAC BMS states that the construction managers and QA representatives are required to include items in the QASP, which, if not completed, would prevent the overall project from meeting contract requirements. In addition, NAVFAC BMS states that a QASP ensures the construction managers and QA representatives focus on quality and that the work is adequately monitored. NAVFAC officials should establish CLDJ policies and procedures for contracting personnel and QA representatives to develop and implement complete QASPs at project inception.

In addition, the construction managers and QA representatives at CLDJ did not maintain contract documents consistently because the FEAD Director stated that maintaining contract files was secondary to construction completion. Maintaining complete contract files is not only required by FAR subpart 4.8, but essential for QA oversight personnel, especially in an expeditionary environment. NAVFAC officials should establish CLDJ policies and procedures for CLDJ contracting personnel and QA representatives to maintain complete contract files.

⁴⁴ NAVFAC Engineering Construction Bulletin 2006-04, "Capital Improvements Categories of Work Classification," May 11, 2006, defines a category I project as BMS-Based Construction Quality Management Oversight projects of new construction with complex design and specifications, usually including MILCON.

⁴⁵ NAVFAC Engineering Construction Bulletin Issue No. 2007-02, "Prioritizing Construction QA using Four Categories of Work," October 17, 2006.

Increased Risk Construction Projects Will Not Meet Contract Requirements

The lack of a QASP increases the risk that construction of the ASP project, valued at an estimated cost of \$21.7 million, CLDJ approved MILCON FY 2010 through FY 2013 projects valued at \$781 million, and future CLDJ MILCON projects, may not meet contract requirements, and the Government may not receive what it paid for.

Furthermore, due to the constant turnover of contracting officials and QA representatives at CLDJ, it is important to document roles and responsibilities and execution of the QA program in the QASP. This will ensure future QA representatives rotating through CLDJ are fully aware of the project's oversight history to properly administer and monitor ongoing MILCON projects. The lack of documentation could limit the oversight ability for personnel subsequently assigned to manage and oversee the contract. Additionally, without a complete contract file the Government does not have a complete history of the contract in the event of disputes or litigation and to support reviews, investigations, or to respond to congressional inquiries.

Management Comments on the Finding and Our Response

Commander, Naval Facilities Engineering Command Comments

The Commander, Naval Facilities Engineering Command, responding for the Commander Naval Facilities Engineering Command Atlantic, disagreed with Finding B. With respect to QASPs, he stated that the word "should," as used in FAR 46.401, is an expected action, unless inappropriate for a particular circumstance. The Commander also stated that NAVFAC's position is that QASPs for construction were inappropriate in this particular circumstance, and therefore, NAVFAC is in compliance with the FAR. The Commander also stated that QASPs cannot be prepared in conjunction with the statement of work because the contractor and the construction "means and methods" are unknown when the statement of work is prepared. The Commander added that the previous NAVFAC policy did not require every MILCON project greater than \$1 million to have a QASP, but instead that the construction manager's QA risk analysis would determine whether a QASP should be prepared. He also stated that NAVFAC has internal control processes in place, to include the contractor's 3-week look-ahead schedule, which ensures adequate QA is provided. The Commander further stated that NAVFAC recommends the "Inadequate Quality Assurance Plans" section of the report be omitted.

With respect to COR files, the Commander stated that NAVFAC Instruction 4200.1, which requires that COR files be maintained, was issued after the BEQ and ASP projects were awarded. He stated that the NAVFAC Instruction does not require all contract items be physically located in the COR file as long as the COR file references the item's location. The Commander stated that NAVFAC concurs that the CLDJ COR files and some elements of the official contract file were deficient, but that during the audit, the CLDJ FEAD established a process to archive the contract files electronically. He stated that the effort to archive the files was ongoing and that the CLDJ officials will maintain oversight of the process to ensure compliance. The Commander stated that NAVFAC recommends the report be revised to state that COR files for the BEQ and ASP projects did not contain some of the required documents, but since the start of both projects, NAVFAC has implemented NAVFAC Instruction 4200.1 and currently has internal control processes in place to reduce the risk of non-compliance.

The Commander also disagreed with the statement that the lack of a QASP increases risk that construction of the ASP project and future CLDJ MILCON projects may not meet contract requirements and that the Government may not receive what it paid for. He stated that there is no evidence that the Government received an inferior product and that NAVFAC recommends the "Increased Risk Construction Projects Will Not Meet Contract Requirements," be omitted.

Our Response

We agree that FAR Part 2 defines "should," as an expected course of action or policy that is to be followed unless inappropriate for a particular circumstance. However, we do not agree with NAVFAC's position that QASPs are inappropriate for construction contracts and cannot be prepared in conjunction with the preparation of the statement of work. FAR subpart 46.4 states government contract quality assurance shall be performed to determine that supplies and services conform to contract requirements and QASPs should be prepared in conjunction with the preparation of the statement of work. FAR Subpart 2.101 defines contract as a mutually finding legal relationship obligating the seller to furnish the supplies and services (including construction). Since services include construction and FAR guidance requires QASPs be prepared for services, QASPs should be prepared for construction projects. In addition, the Office of the Secretary of Defense for Acquisition, Technology, and Logistics published the DoD COR Handbook, March 22, 2012, that defines an Acquisition as acquiring supplies and services to include construction and also defines a QASP as being mandatory for contracts, to include construction contracts, over the simplified threshold. The COR Handbook defines Quality Assurance as a process consisting of planned, systemic actions

necessary to provide confidence that adequate technical requirements are established; supplies and services conform to established technical requirements; and, satisfactory performance is achieved and a QASP as a guide that describes the contract monitoring methods in detail. The Handbook also states that the QASP is usually written by the same team that develops the work statement and is used in monitoring a contract. A QASP is mandatory for contracts, task orders, or delivery orders over the simplified acquisition threshold, including service contracts and construction contracts.

The Commander stated that QASPs are inappropriate and cannot be developed because the contractor is unknown. However, according to the DoD COR Handbook, the statement of work should include sufficient information to develop a QASP. The DoD Handbook for Preparation of the Statement of Work, MIL-HDBK-245D, April 3, 1996, states that the statement of work should specify in clear, understandable terms the work to be done in developing or producing the goods to be delivered or services to be performed by a contractor. The Handbook further states that after contractor selection and contract award, the contract statement of work becomes a standard for measuring contractor performance. The statement of work for the BEQ and ASP projects contained general construction requirements and outlined DFOWs for utility system connections and project-specific work that required preparatory and initial inspections. Based on those requirements, a baseline QASP could have been developed and later updated with specific items on the contractor's construction schedule or when the specific construction "mean and methods" were known.

The Commander stated that the NAVFAC BMS was updated to state QASPs are not necessary. However, the NAVFAC BMS, current at the time of our review required the use of QASPs for contracts with a value in excess of \$1 million where required by risk analysis. Also, the 2012 DoD COR Handbook states a QASP is mandatory for contracts, task orders, or delivery orders over the simplified acquisition threshold, including service contracts and construction contracts. In addition, NAVFAC Engineering and Construction Bulletin 2006-04, defines MILCON as a category I project and contains examples of typical category I work. The examples include "Magazines" and "Multi Story Transient Lodgings," which directly relate to the ASP and BEQ projects. In addition, NAVFAC Engineering and Construction Bulletin 2007-02, includes a table indicating that a QASP must be prepared for category I projects, regardless of the level of risk associated with the project.

Without QASPs, NAVFAC officials limited their ability to determine whether contractor services conform to contract requirements. While NAVFAC officials may include other means to perform QA, such as the "contractor's 3-week-look-ahead schedule," NAVFAC must still meet FAR Subpart 46.4, "Government Contract

Quality Assurance” requirement to prepare a QASP in conjunction with the statement of work. The BEQ and ASP projects both had multiple construction managers and QA representatives since construction started. As discussed in the Finding, construction managers and QA representatives must effectively manage and document their execution of the QA program to ensure that subsequent construction managers and QA representatives will have the information necessary to properly monitor MILCON projects.

We commend NAVFAC for taking steps to address the COR file deficiencies. Establishing a process to electronically archive and maintain contract files will ensure that project oversight history is available for future QA representatives.

Recommendations, Management Comments, and Our Response

Recommendation B.1

We recommend the Commander, Naval Facilities Engineering Command, Atlantic, in coordination with Commander, Naval Facilities Engineering Command, Europe, Africa, and Southwest Asia establish and implement a consistent process to maintain contract files.

Commander, Naval Facilities Engineering Command Comments

The Commander, Naval Facilities Engineering Command, responding for the Commander, Naval Facilities Engineering Command Atlantic, disagreed and suggested that the recommendation be revised to state “NAVFAC currently has internal control processes in place to reduce risk of non-compliance.” However, the Commander concurred that some elements of the CLDJ’s official files had deficiencies with content and were missing quality control reports. The Commander also stated that every construction project has a file and the CLDJ office established a process to archive contract files electronically. Additionally, the Commander stated the CLDJ Supervisory official will maintain oversight to ensure compliance with applicable regulations, laws and directives.

Our Response

Although the Commander disagreed, the actions taken and proposed for electronically archiving and maintaining contract files meets the intent of our recommendation, and no further comments are required.

Recommendation B.2

We recommend the Commander, Naval Facilities Engineering Command, Atlantic, in coordination with Commander, Naval Facilities Engineering Command, Europe, Africa, and Southwest Asia establish local policies and procedures at Camp Lemonnier, Djibouti, for contracting officials and quality assurance representatives to execute their quality assurance oversight roles and responsibilities to include, but not limited to:

- a. Developing and implementing complete quality assurance plans at project inception and update the plan as needed during the project.**
- b. Maintaining complete contract files.**

Commander, Naval Facilities Engineering Command Comments

The Commander, Naval Facilities Engineering Command, responding for the Commander, Naval Facilities Engineering Command Atlantic, disagreed. He suggested the recommendation be revised to state, “NAVFAC currently has internal control processes in place to reduce risk of noncompliance. NAVFAC should continue to align its existing policies and processes with the FAR and applicable regulations, laws, and directives.”

Our Response

The Commander’s response did not address the specifics of Recommendation B.2.a. While the Commander indicated that NAVFAC officials have established internal control processes to reduce the risk of noncompliance, the comments did not state whether the internal control processes address the development and implementation of QASPs at the project’s inception. Therefore, we request that the Commander, Naval Facilities Engineering Command reconsider his position on Recommendation B.2.a and provide comments on the final report.

With respect to Recommendation B.2.b, although the Commander disagreed, the actions taken NAVFAC to establish a process to archive contract files electronically and maintain oversight to ensure compliance meets the intent of our recommendation, and no further comments are required.

Appendix A

Scope and Methodology

We conducted this performance audit from April 2014 through September 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.

On May 19, 2014, we received a universe of FY 2010-2013 MILCON projects from NAVFAC that contained 29 projects. Of the 29 projects, we identified 17 MILCON projects based on the completion status of the project, potential access issues, and the type of project.⁴⁶ We then nonstatistically selected 2 of the 17 Navy MILCON projects, with combined estimated costs of \$65.2 million, for review. The two Navy MILCON projects were:

- Project P920, BEQ – Contract N33191-12-C-0614
- Project P220, ASP – Contract N62470-12-C-2008

We interviewed officials from:

- Deputy Under Secretary of Defense for Installations and Environment;
- Office of the Under Secretary of Defense (Comptroller)/Chief Financial Officer, DoD;
- Office of the Under Secretary of Defense for Policy;
- Joint Staff;
- OPNAV;
- CNI;
- NAVFAC;
- NAVFAC Atlantic; and
- NAVFAC Europe, Africa, and Southwest Asia.

We conducted site visits to CLDJ and NAVFAC Atlantic, obtained source documentation, and observed ongoing military construction. After completion of our on-site audit work, we briefed the preliminary audit results to CLDJ personnel.

⁴⁶ Type of project refers to whether the project was a repair or replace versus MILCON and whether the MILCON projects were horizontal (paving and fencing) or vertical (barracks and dining facilities). We selected vertical projects.

We obtained and analyzed criteria documents, to include:

- Sections 114, 2801, 2802, 2804, 2807, 2811, and 2853, title 10, U.S.C.
- Sections 1301 and 1502, title 31, U.S.C.
- FAR Subparts 46.4, “Government Contract Quality Assurance”
- FAR Subpart 4.8, “Government Contract Files”
- FAR Subpart 2.1, “Definitions”
- Defense FAR Supplement 201.6, “Career Development, Contracting Authority, and Responsibilities”
- Defense FAR Supplement 204.8, “Contract Files”
- Defense FAR Supplement 246.1, “Quality Assurance”
- DoD Directive 4270.5, “Military Construction,” February 12, 2005
- Deputy Under Secretary of Defense for Installations and Environment Policy memorandum, “Authorized Scope of Work for MILCON Projects,” June 24, 2013
- Defense Contingency Contracting Officer’s Representative Handbook, Version 2, September 2012
- DoD Contracting Officer’s Representative Handbook, March 22, 2012
- Defense FAR Supplement Procedures, Guidance, and Information Subpart 201.6, “Career Development, Contracting Authority, and Responsibilities”
- OPNAV Instruction 11010.20G, “Facilities Projects Instruction,” Change 1, September 2, 2010
- OPNAV Instruction 11010.20H, “Navy Facilities Projects,” May 16, 2014
- NAVFAC P-445, “Construction Quality Management Program,” June 8, 2000
- NAVFAC Instruction 4200.1, “Contracting Officer’s Representative,” September 18, 2013
- Unified Facilities Criteria 1-200-01, “General Building Requirements,” Change 1, September 1, 2013
- Unified Facilities Criteria 3-600-01, “Fire Protection Engineering for Facilities,” Change 3, March 1, 2013

We obtained project documentation for each project to include copies of the DD Forms 1391, request for proposals, contract statement of work, contract modifications, QA and QC Plans, QC daily reports, and other data pertinent to the projects. Specifically, we:

- reviewed project documentation that included requests for proposals and design drawings;
- compared the requirements, cost, or period of performance between the DD Form 1391, request for proposal, contract statement of work, contract modifications, and design drawings;
- interviewed CLDJ officials to discuss QA oversight for the two MILCON projects; and
- verified the adequacy of contract files.

Use of Computer-Processed Data

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

Use of Technical Assistance

The DoD Office of Inspector General Technical Assessment Division assisted with the audit. However, we did not use the results of their assessment in the report.

Appendix B

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO) and the Department of Defense Inspector General (DoD IG) issued 14 reports discussing the future of CLDJ and MILCON. Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>.

GAO

GAO-10-504, Defense Management: “DoD Needs to Determine the Future of Its Horn of Africa Task Force,” April 15, 2010

DoD IG

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Management Comments

Commander, Naval Facilities Engineering Command Comments



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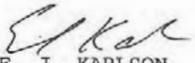
From: Commander, Naval Facilities Engineering Command
To: Department of Defense Inspector General (Attn: Program
Director, Readiness and Cyber Operations)

Subj: NOTIFICATION OF SCOPE CHANGES AND CONTRACT OVERSIGHT
OF CONSTRUCTION PROJECTS AT CAMP LEMONNIER, DJIBOUTI, NEED
IMPROVEMENT (Project NO. D2014-D000RE-0157.000)

Encl: (1) Management response to DoDIG Draft Audit Report
Project No. D2014-D000RE-0157.000

1. Enclosure (1) is submitted in response to subject audit report.

2. The NAVFAC Headquarters' point of contact is Ms. Willette Reeves. Ms. Reeves can be reached on 202-685-9112 or email Willette.reeves@navy.mil. Please note Ms. Reeves will be out of the office until 20 August 2016. Should you have any questions, please call (202) 685-9100.


E. J. KARLSON
Commander, CEC, U.S. Navy
Inspector General

Commander, Naval Facilities Engineering Command Comments (cont'd)

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The following are NAVFAC comments on Findings A and B and Recommendations A and B identified in DoD IG Draft Report titled "Notification of Scope Changes and Contract Oversight of Construction Projects at Camp Lemonnier, Djibouti, Need Improvement" dated 05/18/2016 (Project No. D2014-D000RE-0157.000):

DoD IG Recommendation A.1:

We recommend the Commander, Naval Facilities Engineering Command, Atlantic submit a request for approval from the Office of the Chief of Naval Operations; Commander, Navy Installations Command; and Naval Facilities Engineering Command for the scope reduction of the inert storage facility and construction of the receive, segregate, storage, issue as a new primary facility under project P220, Ammunition Supply Point.

NAVFAC response to DoD IG Recommendation A.1: Disagree

- a) The Receipt (versus Receive), Segregate, Stowage (versus Storage), and Issue (RSSI) building is not a new primary facility under project P220, Ammunition Supply Point. The RSSI building is part of the authorized primary distinct facility labeled "Inert Storage Facility" in Block 9 of the DD1391 for FY2010 MCON P220; Ammo Supply Point; Camp Lemonnier, Djibouti. See discussion under NAVFAC Comment on DoD IG Recommendation A.2 for further clarification.
- b) Appears that DoD IG intent for Recommendation A.1 is to address the fact that NAVFAC Atlantic did not comply with OPNAVINST 20G Paragraph 2.12.3 which states:
 - All changes to the scope of a MILCON project must first be approved by OPNAV N46, CNI N4 (MILCON), and NAVFAC MILCON.
- c) At the time the DD1391 project justification was submitted to Congress in May 2009, NAVFAC practice (not prohibited by available laws, policy, or guidance) was to aggregate scope quantity for a project to determine compliance with 10USC2853. The design solution to provide for the As Enacted DD1391 aggregated scope is 2,635.61 m² which is 142.02 m² (5.1%) less than the As Enacted aggregated quantity of 2,777.63 m². Since scope reduction does not exceed 25%, no 10USC2853 scope variation reduction notification to Congress is required. However, it is acknowledged that NAVFAC Atlantic did not get approval as required by OPNAVINST 11010.20G Paragraph 2.12.3 which was effective at that time. Note that under OPNAVINST 11010.20H, there is no longer a requirement to obtain approval for all changes in scope.

DoD IG Recommendation A.2:

We recommend the Commander, Naval Facilities Engineering Command, Atlantic, in coordination with the Commander, Naval Facilities Engineering Command, upon Department of the Navy approval, initiate the congressional notification process, as required by Federal law and Navy guidance, for the scope reduction of the inert storage facility and construction of the receive, segregate, storage, issue as a new primary facility under project P220, Ammunition Supply Point.

NAVFAC response to DoD IG Recommendation A.2: Disagree

- a) NAVFAC has been unable to find any current or past law, policy, or guidance that prohibits providing separate buildings to satisfy the As Enacted scope authorized for a primary distinct facility line item in Block 9 of the DD1391.
- b) The Receipt (versus Receive), Segregate, Stowage (versus Storage), and Issue (RSSI) building is not a new primary facility under project P220, Ammunition Supply Point. The RSSI building is part of the authorized primary distinct facility labeled "Inert Storage Facility" in Block 9 of the DD1391 for FY2010 MCON P220; Ammo Supply Point; Camp Lemonnier, Djibouti.
- c) The As Enacted scope authorized a primary distinct facility line item in Block 9 of the DD1391 labeled "Inert Storage Facility" (ISF) consisting of an administrative function (with training and office administrative areas, a weapons vault, and weapons shop) and a Receipt, Segregate, Stowage, and Issue (RSSI) function (for handling of munitions and spent casings being returned). The design solution to accommodate the authorized scope for

Commander, Naval Facilities Engineering Command Comments (cont'd)

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the ISF consists of 2 buildings: ISF Administration building at 1,035.28 m2 and ISF RSSI building at 686.98 m2. Total of both buildings to provide for the "Inert Storage Facility" authorized is 1,722.26 m2 which is 16.70 m2 (1.0%) less than the As Enacted quantity of 1,738.96 m2.

- No primary distinct facility scope was added or increased that exceeds the authorized project scope.
 - Since scope reduction does not exceed 25%, no 10USC2853 scope variation reduction notification to Congress is required for the "Inert Storage Facility".
- d) The current Recommendation A.2 (and associated Finding A) assumes implementation of a new law, policy, or guidance that prohibits providing separate buildings to satisfy the As Enacted scope authorized for a primary distinct facility line item in Block 9 of the DD1391. If implemented, this would result in:
- Increased need for funding and time to prepare DD1391 project justification documentation with no value added.
 - Delays that may impact warfighter readiness.
 - Encouragement of suboptimal design solutions that do not achieve the lowest Total Ownership Cost with the lowest life cycle cost.

DoD IG Recommendation A.3:

We recommend the Commander, Naval Facilities Engineering Command, Atlantic review the other 15 MILCON projects that were funded and approved for FY 2010 through FY 2013, and determine whether there were any unapproved scope changes requiring approval by OPNAV, CNI, and NAVFAC, and congressional notification. If so, initiate the appropriate actions.

NAVFAC response to DoD IG Recommendation A.3: Disagree

- a) P920 BEQ and P220 ASP have been reviewed in detail by NAVFAC and found to have been designed in accordance with Federal law and DON policy and regulations.
- b) There is no compelling reason to assume any of the other 15 MILCON projects' designs violated Federal law or DON policy and regulations, and therefore no reason to expand this investigation beyond its original boundaries to those projects.

NAVFAC Response to DoD IG Finding B:

Inadequate Oversight of Construction Projects

Specifically, NAVFAC construction managers and QA representatives did not establish and implement adequate QA oversight plans or maintain complete contract files²⁸ in accordance with the Federal Acquisition Regulation (FAR) and NAVFAC's Business Management System (BMS).

NAVFAC does not concur with this finding as written.

1. See below.

Inadequate Quality Assurance Plans

- NAVFAC CLDJ construction managers and QA representatives did not establish and implement adequate QA plans for the contracts that contained the BEQ and ASP projects in accordance with the FAR and NAVFAC BMS.
- FAR subpart 46.4 states that Government personnel should prepare a QA plan in conjunction with the preparation of the contract statement of work and prior to the start of construction.

NAVFAC does not concur with this finding as written.

1. NAVFAC agrees that FAR 46.401 states "Quality assurance surveillance plans should be prepared in conjunction with the preparation of the statement of work."
 - a. The term "should" is advisory, it is not mandatory (i.e. shall/must).

Commander, Naval Facilities Engineering Command Comments (cont'd)

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- b. NAVFAC agrees "should" is an "expected...action....unless inappropriate for a particular circumstance."
- c. NAVFAC's position is that QA surveillance plans for construction are inappropriate in this particular circumstance:
 - i. Please note the complete context is that QA surveillance plans should be prepared *"in conjunction with the preparation of the statement of work."*
 - ii. Ultimately, for construction contracts, QA surveillance plans CAN NOT be prepared in conjunction with the statement of work, because
 - a) It is impossible to know which Contractor will be selected at the preparation of the statement of work, and
 - b) It is impossible to know how the contractor (who has not been selected at the preparation of the statement of work) is going to build the facility. The Contractor owns/determines the "means and methods" of construction. The contractor's means and methods (e.g. cast-in-place, pre-cast, tilt-up, slip-form, modular or an infinite number of options/combinations) are unknown at the preparation of the statement of work, and (as such)
 - c) It is impossible to determine the required surveillance activities (when the contractor's means and methods are not known at the preparation of the statement of work).
2. Therefore, NAVFAC is in compliance with the FAR and has updated its BMS to state that QA Plans are not necessary under these circumstances.
3. FAR subpart 46.4 DOES NOT state that QA plans are required "prior to the start of construction."
4. Also note, although QA plans for construction are not required by the FAR (as indicated above), NAVFAC currently has internal control processes in place to reduce the risk of non-compliance with applicable regulations, laws, and directives:
 - a. NAVFAC requires use of the contractor's 3-Week Look-ahead schedule and uses a risk-based approach to plan surveillance activities to ensure adequate QA is provided, per FAR.
5. NAVFAC recommendation:
 - a. The section regarding "Inadequate Quality Assurance Plans" should be omitted, as discussed above (i.e. QA plans are not mandated by FAR).

Incomplete Contract Files

- NAVFAC CLDJ construction managers did not maintain complete contract files for the BEQ and ASP projects, as required by FAR subpart 4.8, NAVFAC Instruction 4200.1,37 NAVFAC BMS, and the construction manager designation memorandums.
- Specifically, files for the BEQ and ASP projects did not contain all required quality control (QC) daily reports reviewed by the QA representative and evidence of contractor three-phase inspections. In addition, the project files did not include several construction manager designation memorandums, meeting minutes for several QA meetings, and construction manager quarterly reports.

NAVFAC does not concur with this finding as written.

1. The NAVFAC INST 4200.1 (requiring COR files) was issued September 18, 2013, after the September 2012 award of both Djibouti projects (P920 BEQ; P220 ASP).
2. NAVFAC INST 4200.1 (pgs. 11-12) provides that "the COR File may be maintained as a hardcopy file, but may also be maintained electronically or a combination of both if organized and cross referenced, as long as it is accessible for audit purposes and posting is to an access restricted portal or other electronic data storage system that is approved for use. Not all items need be physically in the COR file as long as the COR file references the location and availability of the document."

Commander, Naval Facilities Engineering Command Comments (cont'd)

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3. Compliance is monitored and verified during NAVFAC Headquarters' internal Process Management and Audit Program (PMAP) as well as FEC Capital Improvements Business Line (CIBL) Construction Assist Visits, both of which are conducted on a periodic basis. As such, NAVFAC has internal control processes in place to ensure compliance with applicable regulations, laws, and directives.
4. NAVFAC concurs that the reviewed CLDJ COR files and some elements of the official contract file appeared to have had some deficiencies with content (particularly if the contract file was missing daily QC/production reports and the Supervisory CS did not document review of the COR files). CLDJ FEAD has indicated that after the DoDIG visit, the office has established a process to archive contract files electronically, and is close to migrating all projects to the new system. Every construction project has a file and when completed is moved to the archived inactive projects folder. This will be an ongoing process but emphasis is on new contract awards and continuous improvement on current active contracts. The CLDJ Supervisory CS will maintain oversight of this process to ensure compliance.
5. NAVFAC recommendations:
 - a. The statement should read: "For the BEQ and ASP projects, NAVFAC CLDJ CMs and QA representatives maintained a COR file. The COR file did not contain some of the required QC daily reports and other contractor required documents. However, since the start of both projects, NAVFAC has implemented NAVFACINST 4200.1, and NAVFAC currently has internal control processes in place to reduce risk of non-compliance."

Lack of Emphasis on Quality Assurance Oversight and of Procedures to Archive Complete Contract Files

- NAVFAC BMS requires construction managers and QA representatives to prepare a QA plan for projects greater than \$1 million.

NAVFAC does not concur with this finding as written.

1. The DoD IG report does not provide a correct interpretation of the previous NAVFAC BMS process that was applicable at the time of the two projects. The previous NAVFAC policy stated, "Prepare a Quality Assurance (QA) plan for projects greater than \$1M where required by risk analysis reflecting the QA responsibilities for the contract."
 - a. This is not to be interpreted as "EVERY project > \$1M requires a QA plan."
 - b. The NAVFAC BMS requirement for QA plan is dependent on the CM's Quality Assurance Risk Analysis (which is part of the "Disciplined Quality Assurance Matrix").
 - c. Under the referenced BMS, for example, for projects > \$1M, with reduced contract risk and reduced contractor performance risk, a QA plan is NOT required.
2. Contrary to the statement in the report, NAVFAC Engineering and Construction Bulletin (ECB) 2006-04 DOES NOT define "MILCON as a Category I project." ECB 2006-04 states:
 - a. Category I – Multi-Discipline Design, BMS-Based CQM Oversight (Usually MCON, MILCON, BRAC, HSG, large O&M,&N)
 - b. Category II – Tailored Design, BMS-Based CQM Oversight (Usually large O&M,&N/Special Project, but could be MCON, MILCON, BRAC, HSG)
3. NAVFAC recommendations:
 - a. The DoD IG should identify the CM's QA risk analysis. The CM's QA risk analysis will determine whether a QA plan should have been prepared.
 - b. However, as discussed above, QA plans are not mandated by the FAR. This section should be omitted.

Increased Risk Construction Projects Will Not Meet Contract Requirements

Commander, Naval Facilities Engineering Command Comments (cont'd)

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- The lack of a QA plan increases the risk that construction of the ASP project, valued at an estimated cost of \$21.7 million, CLDJ approved MILCON FY 2010 through FY 2013 projects valued at \$781 million, and future CLDJ MILCON projects, may not meet contract requirements, and the Government may not receive what it paid for.

NAVFAC does not concur with this finding as written.

1. The statement that the lack of a QA plan "increases risk" is an opinion that is not supported by the evidence provided. For example, under the previous section, the DoD IG report provides the example that the contractor installed galvanized pipe for the fire protection system (whereas black steel pipe was required in the contract). However, galvanized pipe is more expensive than, more durable than, and requires less maintenance than black steel pipe. Further, the nitrogen inerting system is an acceptable alternative and is in compliance with the fire protection code. As such, there is no evidence that the Government received an inferior product with less value or less durability.
2. NAVFAC recommendation:
 - a. Since the finding is not supported by the evidence, NAVFAC recommends this section be omitted.

DOD IG Recommendation B.1:

We recommend the Commander, Naval Facilities Engineering Command, Atlantic, in coordination with Commander, Naval Facilities Engineering Command, Europe, Africa, and Southwest Asia establish and implement a consistent process to maintain contract files.

NAVFAC Response to DoD IG Recommendation B.1:

- As provided above, NAVFAC does not concur with this recommendation as written.
- The recommendation should read "NAVFAC currently has internal control processes in place to reduce risk of non-compliance. NAVFAC should continue to align its existing policies and processes with the FAR and applicable regulations, laws, and directives."

DOD IG Recommendation B.2:

We recommend the Commander, Naval Facilities Engineering Command, Atlantic, in coordination with Commander, Naval Facilities Engineering Command, Europe, Africa, and Southwest Asia establish local policies and procedures at Camp Lemonnier, Djibouti, for contracting officials and quality assurance representatives to execute their quality assurance oversight roles and responsibilities to include, but not limited to:

a. Developing and implementing complete quality assurance plans at project inception and update the plan as needed during the project.

- As provided above, NAVFAC does not concur with this recommendation as written.
- The recommendation should read "NAVFAC currently has internal control processes in place to reduce risk of non-compliance. NAVFAC should continue to align its existing policies and processes with the FAR and applicable regulations, laws, and directives."

b. Maintaining complete contract files.

- As provided above, NAVFAC does not concur with this recommendation as written.
- The recommendation should read "NAVFAC currently has internal control processes in place to reduce risk of non-compliance. NAVFAC should continue to align its existing policies and processes with the FAR and applicable regulations, laws, and directives."

Glossary

Construction Manager. The project lead upon construction contract award through contract closeout and performs duties and responsibilities of a Contracting Officer's Representative.

Containerized Living Unit. A steel container that is configured for use as a living unit for personnel.

Contracting Officer's Representative. Monitors the performance of work and maintains a file for each contract assigned.

Definable Features of Work. A task that is separate and primary from other tasks, requires separate quality control requirements, is identified by different trades or disciplines, and is an item or activity on the construction schedule.

Facilities Engineering and Acquisition Division Director. Oversees the Project Management/Engineering Branch to include the contracting officer's representatives and the quality assurance representatives for military construction projects.

Inert Storage Facility. Stores inert (inactive) materials and provides minimal administrative space.

Magazines. Facilities that store high explosive munitions.

Military Construction Projects. Includes all military construction work necessary to produce a complete and usable facility and further defines a facility as a building, structure, or other improvement to real property.

Quality Assurance Representative. Monitors jobsite progress and reviews daily submissions as necessary to keep up with issues at the construction site.

Weapons Assembly Pad. Used to assemble munitions.

Acronyms and Abbreviations

ACO	Administrative Contracting Officer
ASP	Ammunition Supply Point
BEQ	Bachelor Enlisted Quarters
BMS	Business Management System
CLDJ	Camp Lemonnier, Djibouti
CLUs	Containerized Living Units
CNI	Commander Navy Installations
DFOW	Definable Feature of Work
FAR	Federal Acquisition Regulations
FEAD	Facilities Engineering and Acquisition Division
ISF	Inert Storage Facility
MILCON	Military Construction
NAVFAC	Naval Facilities Engineering Command
OPNAV	Office of the Chief of Naval Operations
QA	Quality Assurance
QASP	Quality Assurance Surveillance Plan
QC	Quality Control
RSSI	Receive, Segregate, Storage, and Issue
U.S.C.	United States Code
USD(AT&L)	Office of the Under Secretary of Defense (Acquisition, Technology, & Logistics)

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