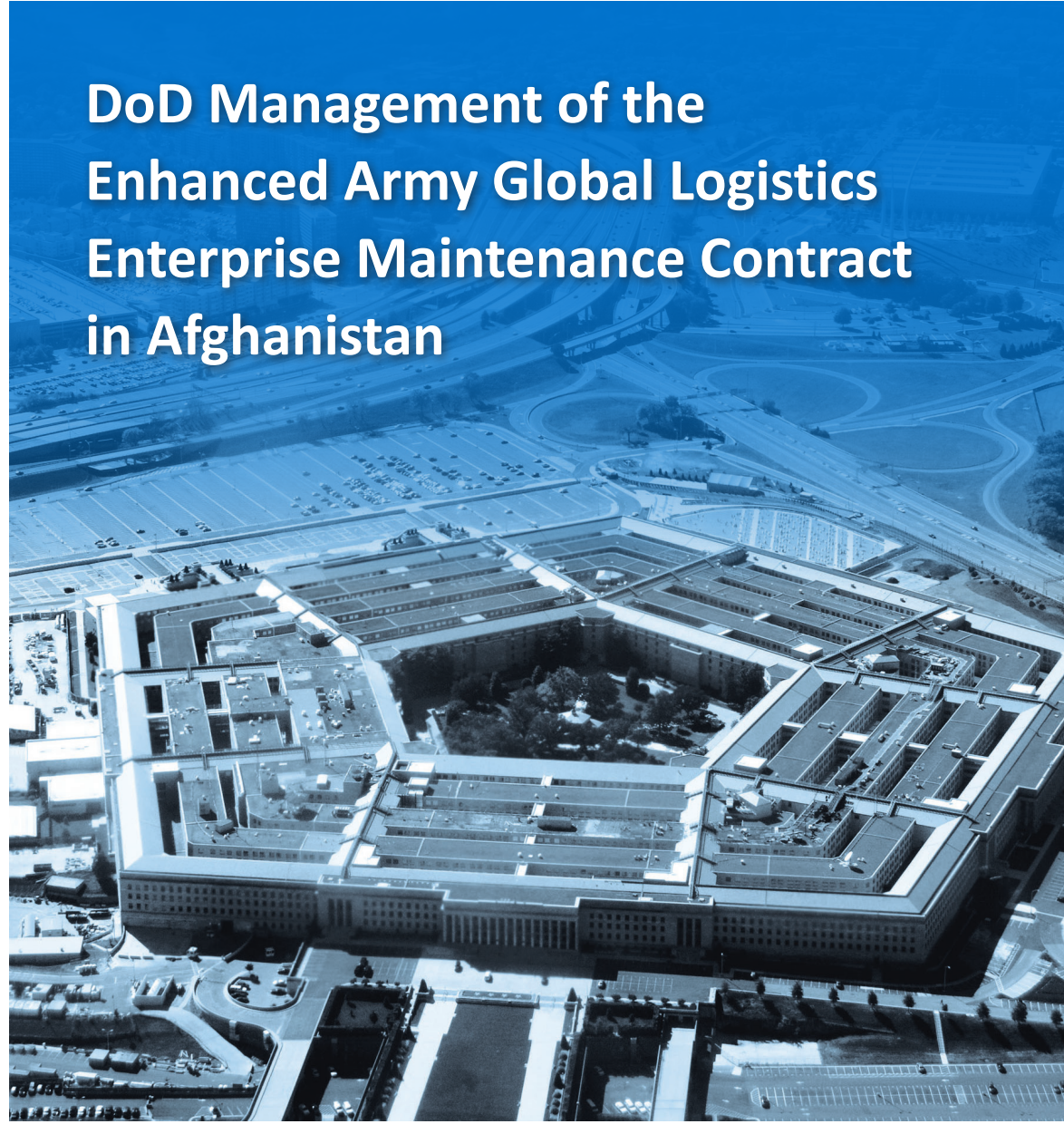




INSPECTOR GENERAL

U.S. Department of Defense

JULY 23, 2018



DoD Management of the Enhanced Army Global Logistics Enterprise Maintenance Contract in Afghanistan





Results in Brief

DoD Management of the Enhanced Army Global Logistics Enterprise Maintenance Contract in Afghanistan

July 23, 2018

Objective

We determined whether the Army monitored contractor performance and costs of the Enhanced Army Global Logistics Enterprise–Afghanistan (EAGLE-AFG) maintenance contract to ensure that the contractor maintained tactical vehicles and weapons in accordance with contract requirements while keeping costs to a minimum.

Background

EAGLE-AFG contract W52P1J-12-G-0048, task order 0002, is a cost-plus-fixed-fee contract that provides maintenance, supply, and transportation services to the U.S. and Coalition partners throughout Afghanistan. The contractor provides maintenance for vehicles, such as armored security vehicles and Mine-Resistant Ambush Protected vehicles. The contractor also provides maintenance services for weapons, such as machine guns. The contract is valued at \$429 million, with 1 base year and 4 option years.¹ As of May 24, 2018, the contract was in Option Year 2, and the Army had paid \$77.8 million.

Army Contracting Command–Afghanistan (ACC-Afghanistan) is primarily responsible for overseeing the contract. The administrative contracting officer (ACO) and quality assurance specialist oversee the contracting officer’s representatives (CORs) who perform monthly surveillance to observe and document contractor performance.

¹ This is the contract value as of modification 21, March 29, 2018.

Findings

We determined that ACC-Afghanistan did not monitor contractor performance of certain critical requirements or monitor contractor costs for the EAGLE-AFG task order to ensure that vehicles and weapons were maintained in accordance with contract requirements. Specifically, CORs did not:

- determine actual contractor performance for specific critical requirements, such as maintenance turnaround time, because the Army’s maintenance system of record, Global Combat Support System–Army, did not produce regular reports for performance requirements, and ACC-Afghanistan did not develop alternate methods for CORs to verify contractor performance, such as gathering customer feedback;
- conduct consistent sampling of contractor documentation to determine compliance with contract requirements because the quality assurance specialist did not provide CORs with sampling guidance and procedures necessary for reviewing contractor documentation; and
- monitor contractor invoices, as required by the EAGLE-AFG Purchasing and Invoicing Guide, because the ACO did not appoint a COR to perform invoice reviews.

As a result, the Army does not have reasonable assurance that the EAGLE-AFG contractor complied with certain critical requirements of the contract. Without engaging with customers, the CORs were unable to identify customer dissatisfaction with contractor maintenance turnaround time. In addition, without consistent contractor oversight, the ACO could not provide the procuring contracting officer with sufficient evidence to accurately rate the contractor’s performance and potentially assess any reductions of the fee payable to the contractor for noncompliance with contract requirements. Furthermore, the Army does not have reasonable assurance that costs billed, valued at \$77.8 million, were allowable in accordance with the terms of the contract.



Results in Brief

DoD Management of the Enhanced Army Global Logistics Enterprise Maintenance Contract in Afghanistan

Recommendations

We recommend that the ACC-Afghanistan Commander:

- instruct the ACO to document and distribute requirements for CORs to use to evaluate contractor compliance with turnaround time requirements;
- update COR surveillance checklists to include alternate methods of surveillance, such as customer feedback, to evaluate contractor performance and compliance;
- update the quality assurance surveillance plan with sampling guidance to ensure that CORs perform consistent monthly surveillance procedures; and
- confirm that the ACO completes a designation letter to require a COR to perform invoice reviews and validation as detailed in with the contract's special invoicing requirement and identify these responsibilities in the COR's designation letter.

We recommend that the 401st Army Field Support Battalion–Afghanistan (AFSBn-AFG) Commander nominate a COR to perform invoice and validation reviews as required by the contract's special invoicing procedures.

We recommend that the Army Contracting Command–Rock Island (ACC-RI) Director, in coordination with the 401st AFSBn-AFG Commander, modify the contract to establish a timeframe requirement for the contractor to complete final inspections of vehicles and weapons.

Management Actions

During the audit, we briefed ACC-Afghanistan and 401st AFSBn-AFG officials on the performance and financial oversight deficiencies of the EAGLE-AFG contract. ACC-Afghanistan and 401st AFSBn-AFG officials agreed with our recommendations and took the following actions to address the oversight deficiencies.

- ACC-Afghanistan officials and the contractor determined a suitable turnaround time for maintenance services in Afghanistan's contingency environment. The turnaround time requirement would remain 5, 8, or 30 days based on the priority of the work order. The ACO stated the CORs will be evaluating the turnaround time requirement in June 2018.
- On June 20, 2018, the ACO sent an e-mail to the CORs directing them to place flyers with their contact information at the locations where work orders are processed. The ACO also instructed the CORs to review survey comments submitted each month for their respective bases. Also, the COR monthly status report includes direction that require the CORs to review customer satisfaction surveys.
- ACC-Afghanistan officials updated the quality assurance surveillance plan to include the sampling procedures and distributed the new guidance to the CORs. This action is sufficient to close our recommendation.



Results in Brief

DoD Management of the Enhanced Army Global Logistics Enterprise Maintenance Contract in Afghanistan

Management Actions (cont'd)

These actions are sufficient to close our recommendations:

- ACC-Rock Island and ACC-Afghanistan contracting officials revised the Purchasing and Invoicing Guide and drafted internal ACC-Afghanistan procedure for conducting EAGLE-AFG invoice reviews. According to the ACO, he is reviewing all invoices for the EAGLE-AFG contract until a COR is nominated by the requiring activity and appointed, in writing, by the ACO appoints in writing a COR.
- Officials from 401st AFSBN-AFG identified a COR to review and validate the contractor's invoices and expect to nominate the new COR in July 2018. Until then, the ACO will perform the COR duties.
- The ACC-Afghanistan ACO provided a draft performance work statement that included a 72-hour timeframe requirement for the contractor to complete final inspections. As of June 25, 2018, ACC-Rock Island officials stated that they provided the revised performance work statement to Army Sustainment Command for review and will update the contract with the requirement once it is approved.

These actions resolve our recommendations. We will close the recommendations once we verify that the planned actions are fully implemented.

Please see the Recommendations Table on the next page for the status of the recommendations.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director, Army Contracting Command-Rock Island	None	3	None
Commander, Army Contracting Command-Afghanistan	None	1.d	1.a, 1.b, 1.c
Commander, 401st Army Field Support Battalion Afghanistan	None	2, 3	None

Note: The following categories are used to describe agency management’s comments to individual recommendations.

- **Unresolved** – Management has not agreed to implement the recommendation or has not proposed actions that will address the recommendation.
- **Resolved** – Management agreed to implement the recommendation or has proposed actions that will address the underlying finding that generated the recommendation.
- **Closed** – OIG verified that the agreed upon corrective actions were implemented.



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

July 23, 2018

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION AND SUSTAINMENT
UNDER SECRETARY OF DEFENSE FOR POLICY
UNDER SECRETARY OF DEFENSE (COMPTROLLER)/CHIEF FINANCIAL
OFFICER, DOD
COMMANDER, U.S. CENTRAL COMMAND
COMMANDING GENERAL, U.S. ARMY MATERIEL COMMAND
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: DoD Management of the Enhanced Army Global Logistics Enterprise Maintenance
Contract in Afghanistan (Report No. DODIG-2018-139)

We are providing this report for your review. We conducted this audit in accordance with generally accepted government auditing standards. Army officials took prompt action to resolve each concern identified; therefore, we will not make any additional recommendations in this report.

We appreciate the cooperation and assistance received during the audit. Please direct questions to me at Michael.Roark@dodig.mil, (703) 604-9187 (DSN 664-9187).

A handwritten signature in black ink that reads "Michael J. Roark".

Michael J. Roark
Assistant Inspector General
Readiness and Global Operations

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Acronyms and Abbreviations

Introduction

Objective

We determined whether the Army monitored contractor performance and costs of the Enhanced Army Global Logistics Enterprise–Afghanistan (EAGLE-AFG) maintenance contract to ensure that the contractor maintained tactical vehicles and weapons in accordance with contract requirements while keeping costs to a minimum. See the Appendix for a discussion of the scope, methodology, and prior audit coverage related to the objective.

Background

Enhanced Army Global Logistics Enterprise Contract in Afghanistan

On August 4, 2016, Army Contracting Command–Rock Island (ACC-Rock Island) awarded the EAGLE-AFG contract to AC First, LLC, to provide contract services in support of the Army Sustainment Command.² EAGLE-AFG provides maintenance, supply, and transportation services to the U.S. and Coalition partners at several locations in Afghanistan, including Kandahar and Bagram Airfields. The contractor provides maintenance for vehicles, such as armored security vehicles and Mine-Resistant Ambush Protected vehicles to U.S. and Coalition forces (customers). The contractor also provides maintenance services on weapons, such as machine guns.

EAGLE-AFG is a cost-plus-fixed-fee contract valued at \$429 million with 1 base year and 4 option years.³ Cost-plus-fixed-fee contracts provide payment to the contractor for allowable costs, as well as a fixed-fee payable throughout the contract period of performance. Because cost-type contracts offer minimal incentive for the contractor to control costs, Federal Acquisition Regulation (FAR) 16.301-3 requires “Government surveillance of cost-type contracts to ensure that the contractor uses efficient methods and effective cost controls.”⁴ According to the FAR and the contract, the Government may reduce the fee payable if the contractor does not meet contract requirements.⁵

² Contract W52P1J-12-G-0048 task order 0002.

³ This is the contract value as of modification 21, March 29, 2018.

⁴ FAR Part 16.301-3, “Cost Reimbursement Contracts—Limitations,” January 13, 2017.

⁵ FAR Part 16.307, “Contract Clauses,” January 13, 2017; FAR Part 52.216-8, “Fixed Fee,” January 13, 2017; and contract W52P1J-12-G-0048, task order 0002, August 4, 2016.



Figure. AC First, LLC, Employees Perform Maintenance on a Mine-Resistant Ambush Protected Vehicle in Bagram, Afghanistan
Source: The DoD Office of Inspector General.

Oversight Roles and Responsibilities

ACC-Rock Island, Army Contracting Command–Afghanistan (ACC-Afghanistan), and 401st Army Field Support Battalion–Afghanistan (AFSBn-AFG) oversee the EAGLE-AFG contract. Each command has specific responsibilities, but they share oversight responsibilities. For example, creating and approving the performance work statement and quality assurance surveillance plan (QASP) is a shared responsibility. The EAGLE-AFG performance work statement outlines critical performance requirements and metrics, allowing the 401st AFSBn-AFG to improve combat capability and enhance overall unit readiness. Additionally, the QASP provides a means for the Government to monitor and evaluate contractor performance to ensure that the contractor complies with contract and performance work statement requirements. Therefore, constant communication and collaboration among the commands is critical to the proper oversight of the contract.

Army Contracting Command–Rock Island

ACC-Rock Island, which provides global contracting support to the Army, assigned a procuring contracting officer (PCO) to award the EAGLE-AFG contract. The FAR states that the contracting officer is responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the term of the contract and for safeguarding the interests of the United States in its

contractual relationships.⁶ The contracting officer performs contracting actions, such as issuing task orders and contract modifications. Furthermore, according to the ACC-Rock Island EAGLE-AFG Purchasing and Invoicing Guide (the Guide), the PCO for EAGLE-AFG is also responsible for reviewing and validating contractor invoices and purchase requests.⁷ In December 2016, the PCO delegated some contracting officer responsibilities to an administrative contracting officer (ACO).

Army Contracting Command–Afghanistan

ACC-Afghanistan provides contract administration services for the EAGLE-AFG contract. In December 2016, the PCO delegated authority to ACC-Afghanistan to provide contract administration, quality assurance oversight, and property administration services. To fulfill this role, ACC-Afghanistan provided an ACO and quality assurance specialist (QAS) for contract oversight.

The ACO administers the contract and enforces its provisions. In addition, the ACO can make administrative changes to the contract, such as issuing letters of technical direction to the contractor. In addition, the ACO ensures compliance with contract quality assurance requirements. The ACO is also responsible for appointing contracting officer’s representatives (CORs) and ensuring they perform contract oversight in Afghanistan.

The QAS provides functional expertise in contract quality assurance and contract oversight, and holds the contractor accountable for contract performance and quality control. In addition, the QAS is responsible for monitoring and overseeing COR surveillance. This includes assisting with developing and updating the COR surveillance checklist based on contract requirements, ensuring CORs submit monthly status reports and surveillance checklists, and reviewing and approving COR documentation. The QAS also updates the QASP to ensure that it complies with the FAR, the contract, and the performance work statement. Furthermore, the QAS issues reports to document deficiencies and prompt corrective action when the contractor does not comply with contract requirements. The QAS reports any COR or contractor-related issues to the ACO for mitigation.

⁶ FAR Part 1, “Federal Acquisition Regulations System,” Subpart 1.6, “Career Development, Contracting Authority, and Responsibilities,” November 6, 2017. The contracting officer can be a PCO or an administrative contracting officer with delegated authorities from the PCO.

⁷ Contract W52P1J-12-G-0048, task order 0002, attachment 0002, “Enhanced Acquisition Global Logistics Enterprise (EAGLE) Afghanistan (AFG) Task Order W52P1J-12-G-0048-0002 Guide for Government Approval & Oversight of Contractor Purchasing & Invoicing,” August 4, 2016.

401st Army Field Support Battalion–Afghanistan

The 401st AFSBn-AFG is the requiring activity for the EAGLE-AFG contract. Located at Bagram Airfield, the 401st AFSBn-AFG is responsible for ensuring combat capability and unit readiness for all U.S. and Coalition forces in Afghanistan. As the requiring activity, the 401st AFSBn-AFG is responsible for developing contract support requirement packages, including identifying, defining, and validating requirements to ensure that they are within the scope of the 401st AFSBn-AFG mission. The 401st AFSBn-AFG is also responsible for nominating and providing trained CORs to the ACO to perform contract oversight.

Contracting Officer's Representatives

The ACO approves COR nominations and designates CORs to conduct contractor surveillance. CORs verify whether the contractor is fulfilling contract requirements and document contractor performance. Therefore, CORs function as the eyes and ears of the contracting officer and as liaisons between the Government and contractors. CORs are military or civilian employees designated in accordance with the FAR and authorized in writing by the contracting officer to perform specific technical or administrative functions.⁸ In addition, DoD Instruction 5000.72 states that contracting officers will designate a COR for all service contracts unless the contracting officer retains and executes contract oversight responsibilities when certain conditions exist.⁹ The ACC-Afghanistan Quality Assurance Plan requires the COR to perform surveillance and document contractor performance for each monthly reporting cycle for each contract.¹⁰ Specifically, CORs perform surveillance of the contract by completing a surveillance checklist each month and submitting it to the QAS for review.

The COR surveillance checklist includes a series of questions based on the QASP that helps the CORs determine whether the contractor is meeting contract requirements. The QASP requires the COR to validate each contract requirement by either reviewing contractor documentation or observing the contractor perform the requirements. The COR then enters “Yes,” “No,” or “Not Observed” responses on the checklist for each contract requirement. After the COR completes the surveillance checklist, the QAS reviews it for completeness and accuracy. The QAS then returns the reviewed checklist to the COR, and the COR uploads it into the COR Tracking Tool.¹¹ Between November 2017 and January 2018, nine CORs provided contract oversight for the maintenance of tactical vehicles and weapons.¹²

⁸ FAR Part 1.602-2, “Contracting Officers-Responsibilities,” November 6, 2017.

⁹ DoD Instruction 5000.72, “DoD Standards for Contracting Officer’s Representative (COR) Certification,” March 26, 2015.

¹⁰ “Army Contracting Command–Afghanistan Quality Assurance Plan (QAP),” October 2, 2017.

¹¹ The COR Tracking Tool is a web-accessible management application designed to track CORs and maintain COR files.

¹² As of February 13, 2018, 27 CORs were responsible for providing oversight on maintenance, supply, and transportation oversight for the EAGLE-AFG contract.

Review of Internal Controls

DoD Instruction 5010.40 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.¹³

We identified internal control weaknesses in ACC-Afghanistan's performance and financial oversight processes. Specifically, CORs did not determine contractor performance for certain critical requirements, or conduct consistent sampling procedures to determine contractor compliance with contract requirements. Additionally, CORs did not review and validate contractor invoices as detailed in the contract's special invoicing procedures. We will provide a copy of the report to the senior officials responsible for internal controls.

¹³ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding

The Army Did Not Monitor Contractor Performance of Certain Critical Requirements or Monitor Costs for the EAGLE-AFG Maintenance Contract

ACC-Afghanistan did not monitor contractor performance of certain critical requirements or monitor contractor costs for the EAGLE-AFG task order to ensure that vehicles and weapons were maintained in accordance with contract requirements. Specifically, CORs did not:

- determine actual contractor performance for specific critical requirements, such as maintenance turnaround time, because the Army's maintenance system of record, Global Combat Support System-Army (GCSS-Army), did not produce regular reports for performance requirements, and ACC-Afghanistan did not develop alternate methods for CORs to verify contractor performance, such as gathering customer feedback;
- conduct consistent sampling of contractor documentation to determine compliance with contract requirements because the QAS did not include sampling procedures in the QASP necessary for reviewing contractor documentation; and
- review and validate contractor invoices, as required by the EAGLE-AFG Purchasing and Invoicing Guide, because the ACO did not appoint a COR to perform invoice reviews.

As a result, the Army does not have reasonable assurance that the EAGLE-AFG contractor complied with certain critical requirements of the contract. Without engaging with customers, the CORs were unable to identify customer dissatisfaction with contractor maintenance turnaround time. In addition, without consistent contractor oversight, the ACO could not provide the PCO with sufficient evidence to accurately rate the contractor's performance and potentially assess any reductions of the fee payable to the contractor for noncompliance with contract requirements. Furthermore, the Army does not have reasonable assurance that costs billed, valued at \$77.8 million, were allowable in accordance with the terms of the contract.

ACC–Afghanistan Officials Did Not Monitor Contractor Performance of Certain Critical Requirements or Monitor Contract Costs

ACC-Afghanistan officials did not monitor contractor performance of certain critical requirements or monitor costs for the EAGLE-AFG maintenance contract in accordance with contract requirements. Specifically, CORs did not determine contractor performance for certain critical requirements, conduct consistent sampling procedures, or review and validate contractor invoices.

CORs Did Not Determine Contractor Performance for Certain Critical Requirements

CORs did not determine contractor performance for certain critical contract requirements, such as maintenance turnaround time. The performance work statement required the contractor to follow Army standards for turnaround time. According to Army Regulation 750-1, turnaround time is the period of time that elapses between the time the maintenance organization accepts a unit work order and the time the work order is closed.¹⁴ Army Regulation 750-1 establishes three turnaround time standards—5, 8, or 30 days based on the priority of maintenance work required.

Four of the nine EAGLE-AFG CORs assigned to monitor vehicle and weapon maintenance requirements between November 2017 and January 2018 did not determine whether the contractor met the contractually required turnaround times for maintenance work orders. The remaining five CORs documented in their surveillance checklists that they verified the contractor met the turnaround time requirement. Furthermore, one COR stated that he verified the turnaround time using the individual maintenance work orders.

Army's System of Record Limited Performance Reporting

The QASP required the CORs to validate contractor performance by reviewing contractor documentation or observing the contractor perform the requirements. For some contract requirements, such as turnaround time, evaluating contractor performance can only be accomplished through the review of documentation—specifically, reviewing contractor documentation to determine the number of days it took to perform vehicle maintenance.

The EAGLE-AFG performance work statement required the contractor to use the Army's system of record, GCSS-Army, to manage and report on maintenance services performed under the contract. The GCSS-Army system was designed to track Army equipment and supply, as well as schedule equipment maintenance.

¹⁴ Army Regulation 750-1, "Army Materiel Maintenance Policy: Maintenance of Supplies and Equipment," August 3, 2017.

According to ACC-Afghanistan officials, GCSS-Army is able to produce certain reports, such as daily maintenance statuses, for equipment being serviced; however, GCSS-Army could not generate the report necessary for the CORs to evaluate contractor turnaround time performance. Specifically, ACC-Afghanistan officials stated that the system could not generate a performance report with clear results, such as turnaround time calculation. Therefore, the contractor could not produce a GCSS-Army report to provide the required turnaround time report data to CORs. Although this limitation did not prohibit the CORs from evaluating contractor performance, some CORs accepted the system limitation and did not verify turnaround time by another method.

CORs Did Not Develop Alternate Surveillance Methods

Although GCSS-Army did not generate performance reports required by the performance work statement, the system did generate data that the CORs could have used to evaluate contractor performance. For example, according to one COR, he developed alternate surveillance methods to determine contractor performance. In his surveillance checklist he stated that work order opened and closed dates helped him to verify the contractor's compliance with the turnaround time requirement. Additionally, the COR's surveillance checklist showed that he used GCSS-Army to verify whether service delays were due to other factors, such as not receiving parts. According to 401st AFSBn-AFG officials and EAGLE-AFG customers, waiting on the delivery of parts is a common issue in Afghanistan, which contributes to the overall maintenance turnaround time.

The ACO and QAS did not ensure that all CORs used alternate methods to verify contractor performance. Specifically, in the absence of performance reports from GCSS-Army, four CORs documented the reporting limitation in their surveillance checklists. Two of the four CORs gave the contractor satisfactory ratings until ACC-Afghanistan could resolve the reporting issue. The remaining two CORs documented the reporting limitation and gave the contractor an unsatisfactory rating. However, these two CORs also checked the "Not Observed" box in the surveillance checklist; therefore, according to the ACO, the contractor's overall rating for the monthly surveillance cycle was not impacted. To properly evaluate contractor performance, the ACC-Afghanistan ACO and QAS should instruct CORs to develop alternative procedures to evaluate the contractor's compliance with turnaround time requirements.

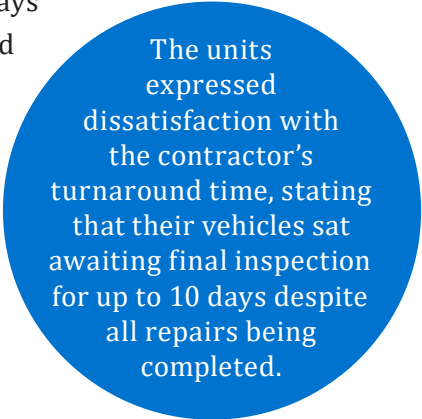
CORs Did Not Use Customer Feedback

The CORs did not use customer feedback as a method of surveillance to identify significant maintenance problems or trends. According to the QASP, customer feedback is another method of surveillance the Government can use to determine

whether the contractor is meeting requirements. Customer feedback would have revealed potential weaknesses in contractor performance. For example, during the audit, we met with three units in Afghanistan that received maintenance services from the contractor to gather feedback about contractor performance. The units expressed dissatisfaction with the contractor's turnaround time, stating that their vehicles sat awaiting final inspection for up to 10 days despite all repairs being completed. The ACO should include customer feedback in the surveillance process as an alternate method of evaluating contractor compliance.

Contracting Officials Did Not Establish Requirements to Complete Timely Final Inspections

Although delayed final inspections directly affect turnaround time and ultimately the mission, CORs cannot rate the contractor's performance of timely final inspections during their monthly audits because the requiring activity did not establish a timeframe requirement for the contractor to complete final inspections before the PCO awarded the contract. ACC-Afghanistan and 401st AFSBn-AFG officials could improve turnaround time by including a timeframe requirement for final inspections in the performance work statement. Additionally, the ACO and QAS should instruct the CORs to develop alternative procedures for evaluating the contractor's compliance with turnaround time, such as excluding delivery delays for parts. The PCO or ACO could also instruct the contractor to develop alternate methods to provide the CORs with turnaround time. Establishing a timeframe requirement for the contractor to perform final inspections, as well as developing alternative procedures to verify turnaround time compliance, would enable the COR to hold the contractor accountable for not meeting contract performance requirements, help ensure that customers have mission-essential and mission-capable equipment when needed, and ensure that the contractor can meet requirements for Afghanistan's operating environment. Therefore, the ACC-Rock Island PCO should, in coordination with 401st AFSBn-AFG officials, update the performance work statement and modify the contract to formally establish a requirement for the contractor to complete final inspections within a specific timeframe.



The units expressed dissatisfaction with the contractor's turnaround time, stating that their vehicles sat awaiting final inspection for up to 10 days despite all repairs being completed.

CORs Did Not Conduct Consistent Sampling Procedures

CORs did not conduct consistent sampling of contractor documentation, such as work orders. The QASP states that the Government has a responsibility to be objective, fair, and consistent when evaluating contractor performance. Additionally, the QASP states that the Government may use random sampling

as a method of surveillance to evaluate contractor performance. The Defense Contingency COR Handbook states that random sampling is the preferred surveillance method because it provides an efficient, unbiased evaluation of the contractor's performance.¹⁵ Furthermore, the Handbook states that random sampling works best when the number of supplies or service deliveries is very large, allowing a statistically valid sample to be obtained. With random sampling, CORs can review a limited amount of contractor work items that can provide information about the entire group of items, allowing the CORs to make an overall determination about contractor performance without reviewing all documentation.

Five of the nine CORs stated in their surveillance checklists that they conducted random sampling procedures to evaluate contractor performance, with two of the five CORs stating that their sampling followed a sampling plan. Additionally, one COR stated that he selected his own sampling size without following a sampling plan. Of the remaining three CORs, one stated that he completed 100-percent reviews of contractor work because the number of work items was small, and two did not comment on sampling procedures in their surveillance checklists. According to a February 2018 e-mail between the QAS and the CORs, the QAS and CORs routinely discussed sampling a proper amount to determine contractor compliance with requirements.

Quality Assurance Surveillance Plan Lacked Sampling Guidance

CORs did not perform consistent sampling procedures because the QAS did not provide the CORs with a standardized sampling methodology. Instead, CORs developed their own sampling procedures. Without consistent sampling guidance and implementation, contracting officers could not ensure that all CORs reviewed enough contractor documentation to make an accurate determination of performance. Therefore, ACC-Afghanistan officials should update the QASP with sampling guidance to ensure that CORs conduct consistent sampling procedures.

¹⁵ "Defense Contingency COR Handbook, Version 2," September 2012.

CORs Did Not Monitor Contract Costs

CORs did not monitor contract costs in accordance with the contract's special invoicing instructions. The Guide details the processes and responsibilities for overseeing contractor invoicing.¹⁶ The Guide states that CORs and the PCO are responsible for reviewing and validating invoices before the contractor submits them for review and payment authorization. Specifically, the Guide requires CORs to validate invoices, as well as confirm the receipt of services and supplies included in the invoices. The PCO then provides concurrence on the invoices validated by the CORs and notifies the contractor to submit the invoices in Wide Area WorkFlow for payment.¹⁷ However, the CORs did not review or validate invoices from the contractor as required by the Guide. According to the ACO, the PCO reviewed costs before the contractor submitted invoices for payment to determine whether costs were for a legitimate need, within the scope of the contract, and fair and reasonable. However, the PCO did not perform cost reviews onsite in Afghanistan.

Army Contracting Officials Did Not Appoint a COR to Review and Validate Invoices

CORs did not review and validate invoices because the ACO did not appoint a COR to perform these responsibilities. In addition, the ACO did not ensure that the requiring activity identified a COR to perform invoicing requirements, as required by the contract. The ACO should have ensured a COR was identified and appointed to perform invoice reviews. To ensure that costs billed represent work performed and address the risks associated with contract performance in Afghanistan, the 401st AFSBn officials should identify and nominate a COR to perform invoice reviews detailed in the contract's special invoicing instructions (the Guide). In addition, the ACO should appoint the COR and include the contract's special invoicing instruction (the Guide) responsibilities in the COR's designation letter.

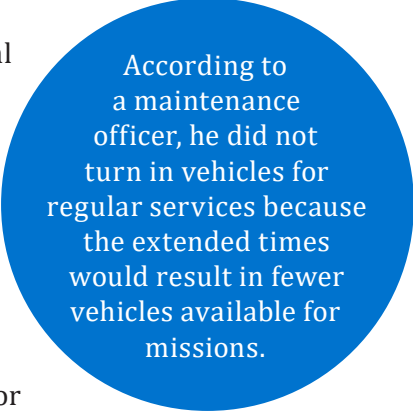
Army Does Not Have Assurance Contract Requirements Were Met or Costs Were Commensurate With Work Performed

Without contractor oversight, the Army does not have reasonable assurance that the EAGLE-AFG contractor complied with certain critical contract requirements and that the contractor provided services proportionate to the \$77.8 million it billed to the Government. Specifically, the CORs did not identify that the customers were not satisfied with the contractor's maintenance turnaround time

¹⁶ Enhanced Acquisition Global Logistics Enterprise (EAGLE)–Afghanistan Task Order (W52P1J-12-G-0048-0002) Guide for Government Approval and Oversight of Contractor Purchasing and Invoicing,” August 4, 2016.

¹⁷ The contractor must submit invoices into Wide Area WorkFlow for Defense Contract Audit Agency review and approval in order to receive payment.

and expressed concerns about operational readiness capability. For example, according to one operational unit's maintenance officer, he did not always turn in vehicles for regularly scheduled maintenance because he knew that the extended wait times would result in fewer vehicles available for missions. In addition, the PCO did not have sufficient evidence to accurately rate the contractor's performance and assess any reductions of the fee payable, if appropriate, to the contractor for noncompliance with contract requirements.



According to a maintenance officer, he did not turn in vehicles for regular services because the extended times would result in fewer vehicles available for missions.

Additionally, due to the absence of contractor invoice reviews, the Army does not have reasonable assurance that costs billed were allowable in accordance with the terms of the contract.

Recommendations and Management Actions Taken

Recommendation 1

We recommend that the Army Contracting Command–Afghanistan Commander:

- a. Instruct the Administrative Contracting Officer to document and distribute requirements for Contracting Officer's Representatives to use to evaluate the contractor's compliance with turnaround time requirements.**
- b. Update Contracting Officer's Representative surveillance checklists to include alternate methods of surveillance, such as customer feedback, to evaluate contractor performance and compliance.**
- c. Update the Quality Assurance Surveillance Plan with sampling guidance to ensure that Contracting Officer's Representatives perform consistent monthly surveillance procedures.**
- d. Confirm that the Administrative Contracting Officer completes a designation letter to require a Contracting Officer's Representative to perform invoice reviews and validation as detailed in the contract's special invoicing requirement and identify these responsibilities in the Contracting Officer's Representative's designation letter.**

Management Actions Taken to Address Recommendation 1

During the audit, we briefed ACC-Afghanistan and 401st AFSBn-AFG officials on the performance and financial oversight deficiencies of the EAGLE-AFG contract. The officials agreed with our findings and initiated corrective actions. As of May 27, 2018, ACC-Afghanistan officials and the contractor determined a suitable turnaround time for maintenance services in Afghanistan's

contingency environment. The solution stipulates that the turnaround time requirement will remain 5, 8, or 30 days based on the priority of the work order. However, turnaround time will begin when the contractor receives parts at the performance location, and end when the contractor completes the final inspection. On June 25, 2018, the ACO instructed the contractor to provide the maintenance CORs with turnaround time and on July 7, 2018, the contractor provided turnaround time data. The ACO stated the CORs will be evaluating the turnaround time requirement in July. This action is sufficient to close our recommendation.

As of May 27, 2018, the ACO stated that he is working with the ACC-Afghanistan Quality Office, the EAGLE-AFG QAS, and the 401st AFSBn-AFG to incorporate customer feedback into the COR surveillance process. Specifically, the ACO stated officials are:

1. establishing Government customer feedback boxes at each contractor performance location for serviced equipment;
2. including questions in the CORs' monthly status reports to verify whether the CORs received, reviewed, and reported customer comments; and
3. ensuring that there is a picture of the COR and contact information for the COR at each corresponding contractor performance location.

On June 20, 2018, the ACO sent an e-mail to the CORs directing them to place flyers with their contact information at the location where work orders are processed. The ACO also instructed the CORs to review survey comments submitted each month for their respective bases. In addition, the COR's monthly status reports now include direction that require the CORs to assess the contractor based on review of customer satisfaction surveys. These actions are sufficient to close Recommendation 1.b.

On February 20, 2018, the QAS sent an e-mail to the CORs with sampling guidance to provide a reference document for sampling to determine contractor performance. On March 8, 2018, ACC-Afghanistan officials updated the QASP to incorporate the sampling guidance. The actions taken are sufficient to close Recommendation 1.c.

On March 15, 2018, ACC-Rock Island and ACC-Afghanistan contracting officials provided the audit team with a revised Purchasing and Invoicing Guide and a draft of internal ACC-Afghanistan procedures for conducting EAGLE-AFG invoice reviews. ACC-Rock Island modified the EAGLE-AFG contract on March 19, 2018, to include the revised Purchasing and Invoicing Guide, which clearly identifies PCO, ACO, and COR responsibilities for invoice reviews. The revised Purchasing and Invoicing Guide requires the COR—or, in the absence of a COR, the ACO—to review and validate contractor purchase order requests and invoices. As of May 27, 2018, the ACO stated that he is conducting reviews of all contractor invoices and communicating the results with the contractor and the PCO.

Furthermore, the ACO stated that, by performing the invoice reviews, he discovered that the contractor overbilled the Government. Specifically, by reviewing Option Year 1 invoices, the ACO identified that the contractor did not use an approved purchase order and invoiced the Government at labor rates higher than those negotiated for the contract.¹⁸ On April 3, 2018, ACC-Afghanistan officials issued the contractor a nonconformance report and, according to the ACO, the contractor will reimburse the Government more than \$18,000. According to the ACO, his discovery of these deficiencies prevented more than \$100,000 of erroneous charges to the task order. The ACO will continue to review invoices until 401st AFSBn-AFG nominates, and the ACO appoints, in writing a COR to perform these duties. The actions planned are sufficient to resolve Recommendation 1.d. We will close the recommendation when we verify that a COR was designated to perform contractor invoice review.

Recommendation 2

We recommend that the 401st Army Field Support Battalion–Afghanistan Commander nominate a Contracting Officer’s Representative to perform invoice review and validation reviews as detailed in the contract’s special invoicing procedures.

Management Actions Taken to Address Recommendation 2

During the audit, we briefed ACC-Afghanistan, and 401st AFSBn-AFG officials on the financial oversight deficiency related to the EAGLE-AFG contract. The 401st AFSBn-AFG officials agreed with our findings and initiated corrective actions. As of May 27, 2018, the ACO is performing the COR duties to review and validate contractor invoices. The 401st AFSBn-AFG officials identified a potential COR expected to arrive in Afghanistan between June and July 2018. Until the new COR arrives, the ACO will continue to perform COR duties. The actions planned are sufficient to resolve Recommendation 2. We will close the recommendation when we verify that the 401st AFSBn-AFG officials nominated a COR.

Recommendation 3

We recommend that the Army Contracting Command–Rock Island Director, in coordination with the 401st Army Field Support Battalion–Afghanistan Commander, modify the contract to establish a timeframe requirement for the contractor to complete final inspections.

¹⁸ The period for Option Year 1 is August 5, 2017 through August 4, 2018.

Management Actions Taken to Address Recommendation 3

During the audit, we briefed ACC-Afghanistan and 401st AFSBn-AFG officials on the performance oversight deficiency related to the EAGLE-AFG contract. Officials agreed with our findings and initiated corrective actions.

On May 27, 2018, the ACC-Afghanistan ACO provided the audit team with a draft performance work statement, which included a requirement to complete final inspections with 72 hours of completion of all maintenance work. According to the ACO, the contractor agreed with the requirement and ACC-Rock Island officials will incorporate the requirement into a contract modification once it is approved. As of June 25, 2018, ACC-Rock-Island officials stated that they have provided the revised performance work statement to Army Sustainment Command for review. The actions taken are sufficient to resolve the recommendation. We will close the recommendation when we verify that ACC-Rock Island completes the contract modification to establish a requirement for the contractor to complete final inspections within a specific timeframe.

Appendix

Scope and Methodology

We conducted this performance audit from January through July 2018 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted this audit at U.S. Forces Afghanistan; ACC-Afghanistan, and 401st AFSBn-AFG facilities at Bagram Airfield, Afghanistan.

Methodology for Determining Performance and Cost Oversight Effectiveness

We reviewed criteria to determine whether the Army monitored performance and costs of the EAGLE-AFG contract. Specifically, we reviewed FAR Subpart 37.6, “Performance-Based Acquisitions,” which sets forth policies and procedures for acquiring services using performance-based methods. We also reviewed the EAGLE-AFG contract, the Defense Contingency COR Handbook, performance work statement, QASP, and Purchasing and Invoicing Guide to determine the performance and financial oversight requirements.

During the course of the audit, we interviewed EAGLE-AFG contract oversight personnel, including the PCO, ACO, and QAS to determine their oversight roles and responsibilities. We also interviewed personnel from 401st AFSBn-AFG (the requiring activity) to discuss the contractor’s performance. Additionally, we interviewed seven of the nine CORs who provided maintenance oversight for the EAGLE-AFG contract between November 2017 and January 2018. We reviewed 48 COR surveillance checklists completed between November 2017 and January 2018 to determine whether CORs monitored contractor performance in accordance with contract requirements. We also conducted walk-throughs with two CORs to observe the surveillance process. Finally, we interviewed EAGLE-AFG customers to determine their feedback about contractor performance.

Use of Computer-Processed Data

We did not use computer-processed data.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), the DoD Office of the Inspector General (DoD OIG), and the Army Audit Agency (AAA) issued eight reports discussing contingency or Army contract oversight.

Unrestricted GAO reports can be accessed at <http://www.gao.gov>. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>. Unrestricted Army Audit Agency reports can be accessed from .mil and gao.gov domains at <https://www.aaa.army.mil/>.

GAO

Report No. GAO-17-457, "Army Contracting: Leadership Lacks Information Needed to Evaluate and Improve Operations," June 2017

GAO determined that Army leadership did not consistently evaluate the efficiency and effectiveness of contracting operations. Specifically, Army leaders did not establish timeliness, cost savings, and contractor quality metrics to evaluate contracting operations against cost, schedule, and performance objectives. Additionally, Army leadership did not evaluate the effects of major organizational changes on contracting operations.

DoD OIG

Report No. DODIG-2016-131, "Designation of Contracting Officer's Representatives and Oversight Framework Could Be Improved for Contracts in Afghanistan," August 30, 2016

The DoD OIG determined that CORs in Afghanistan generally met training requirements. However, CORs were not properly appointed after COR designation guidelines were revised. Additionally, on 4 of 16 contracts, the contracting activities did not establish an effective oversight framework to ensure that contracted services met established requirements.

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

The DoD OIG determined that ACC-Rock Island generally established controls to monitor contractor performance for seven task orders supporting Operation United Assistance. However, for one of the seven task orders, the ACC-Rock Island PCO did not properly appoint the assigned CORs and did not ensure that all CORs received the required training.

Report No. DODIG-2015-126, "Contract Oversight for Redistribution Property Assistance Team Operations in Afghanistan Needs Improvement," May 18, 2015

The DoD OIG determined that Defense Contract Management Agency and 401st Army Field Support Brigade officials did not provide effective contract oversight at Redistribution Property Assistance Team sites in Afghanistan. Oversight officials did not agree on whether the contractor performed contract services in accordance with the performance work statement requirements.

This occurred because the U.S. Army Sustainment Command modified an existing performance work statement, but did not clearly define roles and responsibilities. Additionally, 401st Army Field Support Brigade personnel did not follow Army regulations to initiate property loss investigations, when appropriate.

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

The DoD OIG determined that the DoD had ongoing contingency contracting problems. The DoD OIG reviewed 40 prior audit reports and identified nine systemic contingency contracting problems. The DoD OIG recommended that DoD officials review the systemic problems identified and develop a framework to achieve better contracting performance for future contingency operations.

Report No. DODIG-2014-095, "Enhanced Army Global Logistics Enterprise Basic Ordering Agreements and Task Orders Were Properly Executed and Awarded," July 25, 2014

The DoD OIG determined that ACC-Rock Island officials executed 10 EAGLE basic ordering agreements and awarded five task orders in accordance with Federal and DoD guidelines.

Report No. DODIG-2014-043, "The Army Needs to Improve Property Accountability and Contractor Oversight at Redistribution Property Assistance Team Yards in Afghanistan," March 4, 2014

The DoD OIG determined that the Redistribution Property Assistance Teams did not have effective procedures in place to process and safeguard retail and wholesale equipment at the Redistribution Property Assistance Team yards. Specifically, Redistribution Property Assistance Team personnel did not accurately record 37.2 percent of equipment, valued at \$157.4 million, in the accountability systems or maintain sufficient documentation to support items that had been transferred between Redistribution Property Assistance Team yards.

Army Audit Agency

Report No. A-2015-0019-ALC, "Service Contract Oversight Material Weakness," December 18, 2014

The AAA determined that the Army made significant progress in addressing service contract material weaknesses, but found that the Army still had significant oversight problems. In the report, the AAA found weaknesses with the COR training and appointment processes, and with the QASP and inspection processes.

Acronyms and Abbreviations

ACC	Army Contracting Command
ACO	Administrative Contracting Officer
AFG	Afghanistan
AFSBn	Army Field Support Battalion
COR	Contracting Officer's Representative
EAGLE	Enhanced Army Global Logistics Enterprise
FAR	Federal Acquisition Regulation
PCO	Procuring Contracting Officer
QAS	Quality Assurance Specialist
QASP	Quality Assurance Surveillance Plan



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