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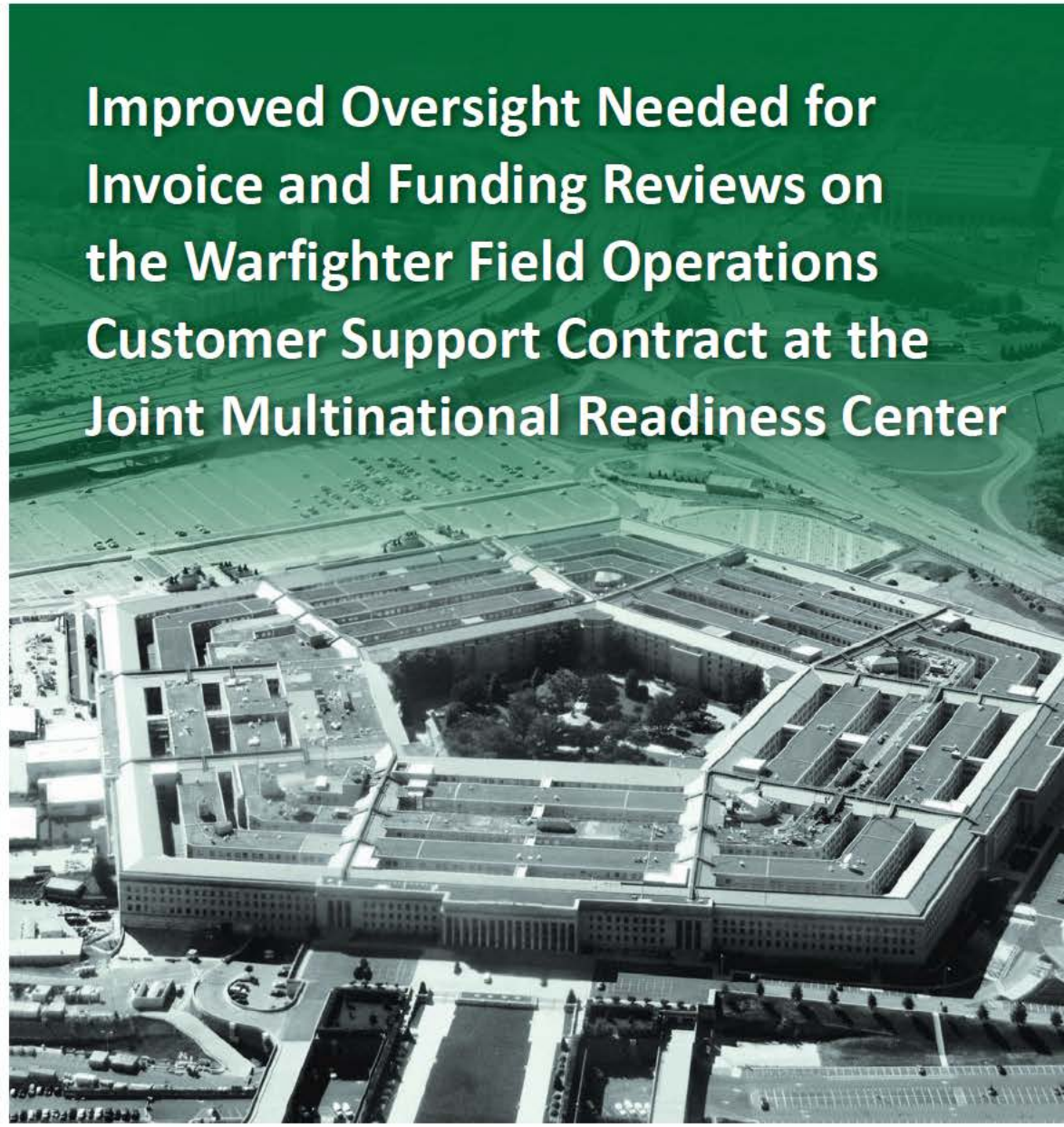
# INSPECTOR GENERAL

*U.S. Department of Defense*

DECEMBER 14, 2015



## Improved Oversight Needed for Invoice and Funding Reviews on the Warfighter Field Operations Customer Support Contract at the Joint Multinational Readiness Center



INTEGRITY ★ EFFICIENCY ★ ACCOUNTABILITY ★ EXCELLENCE

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## Mission

*Our mission is to provide independent, relevant, and timely oversight of the Department of Defense that supports the warfighter; promotes accountability, integrity, and efficiency; advises the Secretary of Defense and Congress; and informs the public.*

## Vision

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



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# Results in Brief

## *Improved Oversight Needed for Invoice and Funding Reviews on the Warfighter Field Operations Customer Support Contract at the Joint Multinational Readiness Center*

December 14, 2015

### Objective

We determined whether there were sufficient controls over the funding and invoice reviews for Joint Multinational Readiness Center (JMRC) task order services issued against the Warfighter Field Operations Customer Support contract in accordance with Federal and DoD guidelines. We performed the audit in response to multiple Defense Hotline allegations.

### Findings

~~(FOUO)~~ Contracting personnel did not review 360 JMRC contractor time and material interim invoices, valued at \$86.6 million as of June 2, 2015, to verify if services billed were reasonable, necessary, and delivered before payment.

This occurred because the contracting officer and contracting officer's representative used a quality assurance surveillance plan that did not require invoice reviews; the contracting officer's representative did not perform invoice reviews; on-site quality assurance representatives were not required to review invoices; and Program Executive Office for Simulation, Training, and Instrumentation (PEO STRI) officials relied on Defense Contract Audit Agency personnel to perform invoice reviews. As a result, PEO STRI paid time and material invoices with no assurance that the invoices accurately reflected services delivered to JMRC.

### Findings (cont'd)

PEO STRI contracting personnel used appropriate funds for JMRC services selecting the appropriate funding type for 16 contract line items, valued at \$4.3 million. However, on one contract line item the contracting officer incorrectly obligated \$1.2 million of FY 2007 Operation and Maintenance, Army funds rather than Other Procurement, Army funds on a JMRC task order for services that significantly upgraded the performance of JMRC's instrumentation system.

This occurred because the certifying official for PEO STRI funds did not properly verify the purpose of the requirement to be funded in accordance with guidance before the contracting officer obligated the funds on the task order. As a result, PEO STRI did not use funds in accordance with guidance and law, which may have led to a potential violation of the Antideficiency Act.

### Recommendations

We recommend that the Army revise the JMRC task order quality assurance surveillance plans; revise the quality assurance representatives' delegation letters; and conduct a preliminary Antideficiency Act review to determine if a violation may have occurred.

### Management Comments and Our Response

We did not receive comments to the draft report. We request that the U.S. Army Contracting Command-Orlando Procuring Contracting Officer and the Assistant Secretary of the Army (Financial Management and Comptroller) provide comments to the final report. Please see the Recommendations Table on the back of this page.

### ***Recommendations Table***

Management	Recommendations Requiring Comment	No Additional Comments Required
U.S. Army Contracting Command–Orlando Procuring Contracting Officer	A.1.a, A.1.b	
Assistant Secretary of the Army (Financial Management and Comptroller)	B.1.a, B.1.b	

Please provide Management Comments by January 14, 2016.





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

December 14, 2015

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

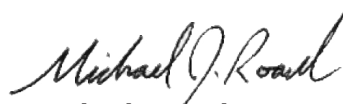
SUBJECT: Improved Oversight Needed for Invoice and Funding Reviews on the  
Warfighter Field Operations Customer Support Contract at the Joint  
Multinational Readiness Center (Report No. DODIG-2016-033)

~~(FOUO)~~ We are providing this report for review and comment. Contracting personnel at U.S. Army Contracting Command–Orlando did not review 360 Joint Multinational Readiness Center contractor time and material interim invoices, valued at \$86.6 million, to verify that services billed for the task orders were reasonable and necessary and had been delivered before payment. Additionally, the Program Executive Office for Simulation, Training, and Instrumentation used appropriate funds for 16 contract line items; however, for one contract line item, the contracting officer incorrectly obligated \$1.2 million of FY 2007 Operations and Maintenance, Army funds rather than Other Procurement, Army funds. The one contract line item was on a Joint Multinational Readiness Center task order that significantly upgraded the performance of Joint Multinational Readiness Center’s instrumentation system resulting in a potential Antideficiency Act violation. We conducted this audit in accordance with generally accepted government auditing standards.

DoD Instruction 7650.03 requires that recommendations be resolved promptly. The U.S. Army Contracting Command–Orlando Procuring Contracting Officer and the Assistant Secretary of the Army (Financial Management and Comptroller) did not provide comments to the draft report. Please provide comments that state whether you agree or disagree with the findings and recommendations. If you agree with our recommendations, describe what actions you have taken or plan to take to accomplish the recommendations and include the completion dates of your actions. If you disagree with the recommendations or any part of them, please give specific reasons why you disagree and propose alternative action if that is appropriate. You should also comment on the internal control weaknesses discussed in the report. Therefore, we request comments on the recommendations and internal control weaknesses by January 14, 2016.

Please send a PDF file containing your comments to [audcmp@dodig.mil](mailto:audcmp@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) 604-9187 (DSN 664-9187).

A handwritten signature in black ink, reading "Michael J. Roark". The signature is fluid and cursive, with the first name "Michael" and last name "Roark" being clearly legible.

Michael J. Roark  
Assistant Inspector General  
Contract Management and Payments

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### Acronyms and Abbreviations





# Introduction

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## Objective

We determined whether there were sufficient controls over the invoice and funding reviews for Joint Multinational Readiness Center (JMRC) task order services issued against the Warfighter Field Operations Customer Support (FOCUS) contract in accordance with Federal and DoD guidelines. This report is the second in a series of reports on JMRC task orders for the Warfighter FOCUS contract. See Appendix A for the scope and methodology and prior coverage related to the objective.

We received multiple Defense Hotline allegations in 2013 regarding invoices and funding. Rather than focus on specific allegations, we performed an audit on controls over the invoice and funding reviews. For invoices, we determined whether the Warfighter FOCUS contracting officer reviewed Time and Material (T&M) invoices since the contract's inception on June 6, 2007, through June 17, 2015. For funding, we reviewed all Operation and Maintenance, Army (OMA)-funded services that related to the procurement of lifecycle<sup>1</sup> and exportable instrumentation system equipment<sup>2</sup> from December 21, 2007, through September 21, 2011.

## Background

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

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

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<sup>1</sup> Lifecycle replacement is defined as replacing an asset that has been deemed unserviceable and uneconomically repairable.

<sup>2</sup> The JMRC instrumentation system provides equipment for tracking personnel, vehicles, and aircraft during training exercises and the capability to produce training after-action reports to meet commanders' training objectives. The exportable instrumentation system includes all major subcomponents of the JMRC instrumentation system but also enables training a brigade combat team anywhere in the world.

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

ACC-Orlando<sup>3</sup> awarded contract W900KK-07-D-0001, the Warfighter FOCUS contract, on June 6, 2007, to Raytheon Technical Services Company, with a contract ceiling of approximately \$11.2 billion. The Warfighter FOCUS contract was structured as an indefinite-delivery indefinite-quantity<sup>4</sup> contract that included 1 base year and 9 option years. The period of performance began on November 1, 2007, and ends on October 31, 2017. The contracting officer awards JMRC task orders before each lot year, which is from May 1 through April 30 of the following year.

ACC-Orlando awarded the Warfighter FOCUS contract to provide operations, maintenance, systems integration, and engineering support services to the U.S. Army for the following three types of training:

- Live training—involves real people operating real systems.
- Virtual training—involves real people operating simulated systems.
- Constructive training—involves simulated people operating simulated systems.

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

JMRC, located in Hohenfels, Germany, is a combat maneuver training center. It uses the JMRC instrumentation system to provide training to U.S. joint forces and multinational partners, from individuals to brigade combat teams. As of April 30, 2015, ACC-Orlando officials issued seven task orders using the Warfighter FOCUS contract to provide services and materiel for the JMRC instrumentation system and exportable instrumentation system. The seven task orders, valued at \$207.4 million, had periods of performance from December 21, 2007, through April 30, 2015. JMRC task orders include firm-fixed price and T&M services. The contractor submits T&M invoices bi-weekly and firm-fixed price invoices monthly.

<sup>3</sup> PEO STRI awarded the contract in 2007; however its contracting command transitioned and is operating as ACC-Orlando as of February 2015, while all other functions remain under PEO STRI.

<sup>4</sup> Indefinite-delivery indefinite-quantity contracts provide an indefinite quantity of services for a fixed time.

## ***Roles and Responsibilities***

The following lists roles and responsibilities for each position to conduct invoice reviews.

- Contracting officer<sup>5</sup> is required to:
  - ensure performance of all necessary actions for effective contracting and compliance with the terms of the contract;
  - ensure a quality assurance surveillance plan (QASP) is prepared to facilitate assessment of contractor performance for service contracts<sup>6</sup>; and
  - monitor<sup>7</sup> invoice payments according to the contract.
- Contracting officer's representative (COR) and alternate COR are located at PEO STRI<sup>8</sup> in Orlando, Florida and are required to:
  - assist in the technical monitoring and administration of the contract; and
  - (may) review contractor invoices.
- Quality assurance representatives (QARs) are nominated by JMRC officials, appointed by the contracting officer, and required to:
  - provide contractor oversight at JMRC in Hohenfels, Germany.
  - have in-depth knowledge of an area of contractor performance and be considered subject-matter experts.
  - function as the technical representative in the administration of the contract and monitor the performance work statement in accordance with the QASP.
- Defense Contract Audit Agency (DCAA) is required to:
  - verify claimed costs and approve interim invoice payments using a sample method for T&M contracts;<sup>9</sup> and
  - approve interim invoices for payment based on DCAA's Contract Audit Manual, which states that an auditor's review is a high-level review of the interim invoice to verify that the amounts claimed are not more than the amount due to the contractor in accordance with the terms of the contract prior to approval of a provisional payment.

<sup>5</sup> As of February 2015, the contracting officer is located at ACC-Orlando.

<sup>6</sup> The activity responsible for technical requirements should provide the contract office any specifications for inspection, testing, and other contract quality requirements essential to ensure the integrity of the services.

<sup>7</sup> DoD COR Handbook, "Voucher and Invoice Review" section, March 22, 2012.

<sup>8</sup> As of September 2015, an alternate COR is located at JMRC in Hohenfels, Germany.

<sup>9</sup> As required by the DoD Financial Management Regulation (FMR), volume 10, chapter 10, paragraph 100302 and Defense Federal Acquisition Regulation Supplement" (DFARS) 242.803(b).



The following officials were responsible for funding reviews to determine the correct appropriation.

- Contracting officer:
  - obligates funds that are available and suitable for the service acquired; and
  - ensures decisions to obligate funds comply with the provisions of the Antideficiency Act by careful review and examination of the facts before obligating the funds.
- PEO STRI funds certifying official:
  - provides contracting officials with a purchase request to indicate if the funds are currently available and suitable for the purpose set forth in the purchase request.
- PEO STRI Life Cycle Project Director in Orlando, Florida:
  - executes project direction and integrated logistics support for JMRC for the Warfighter FOCUS contract;
  - integrates new requirements, re-procurements, and securing support; and
  - serves as the director for systems and components being modified.

## Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified weaknesses with internal controls over invoice reviews and funding of JMRC task orders. The contracting officer and COR used a QASP that did not require invoice reviews, and did not verify the purpose of the funding before obligating funds on one contract line item number resulting in a potential Antideficiency Act violation. We will provide a copy of the report to the senior officials responsible for internal controls at ACC-Orlando, PEO STRI, and the Department of the Army.

## Finding A

### PEO STRI Did Not Review Interim Invoices

~~(FOUO)~~ The contracting officer and COR did not review 360 JMRC contractor T&M interim invoices,<sup>10</sup> valued at \$86.6 million as of June 2, 2015, to verify that services billed for the task orders were reasonable and necessary<sup>11</sup> and had been delivered before payment.

This occurred because the contracting officer and COR used a QASP that did not require invoice reviews;<sup>12</sup> the COR did not perform invoice reviews;<sup>13</sup> and on-site QARs were not required to review invoices. In addition, PEO STRI officials relied on DCAA to perform invoice reviews; however, DCAA only performed high-level reviews on a small sample of invoices. As a result, PEO STRI paid T&M invoices with no assurance that the invoices accurately reflected services delivered to JMRC.

<sup>10</sup> Interim invoices refers to contractor-submitted invoices for payment on JMRC time and material contracts. For this audit, the term “invoice” refers to interim invoice.

<sup>11</sup> For this audit, reasonable and necessary services are defined as a reasonable number of labor hours billed for services that were necessary to accomplish the JMRC mission.

<sup>12</sup> Only two QASPs were reviewed because the other ones were not in the contract file.

<sup>13</sup> The requirement to perform invoice reviews was removed from the COR appointment letter in May 2014.

### Oversight of Contractor Time and Material Invoices Was Insufficient

~~(FOUO)~~ The contracting officer and COR did not review 360 T&M invoices, valued at \$86.6 million as of June 2, 2015, to verify that services billed to the task orders were actually reasonable and necessary before submission for payment. Additionally, as of October 23, 2014, DCAA auditors only reviewed 12 T&M invoices, valued at \$5.1 million, to determine whether the costs were allowable.

### Task Order Quality Assurance Surveillance Plans Could Be Improved

The contracting officer and COR used a QASP that did not include procedures for invoice reviews. The Federal Acquisition Regulation (FAR)<sup>14</sup> requires that Government contract quality assurance shall be performed at such times and places as may be necessary and a QASP should be prepared in conjunction with the preparation of the statement of work. The plan should specify all work that

<sup>14</sup> FAR Subpart 46.401, “Government Contract Quality Assurance-General.”

requires surveillance and the method of surveillance. Before April 2013, PEO STRI officials only prepared an overall QASP for the entire Warfighter FOCUS contract for both firm-fixed price and T&M. As of April 2013, PEO STRI officials have prepared a QASP specific to each JMRC task order; however, the QASPs did not establish roles and responsibilities for invoice reviews.

## COR Did Not Perform Invoice Reviews

The COR did not conduct invoice reviews. Before May 2014, the COR appointment letters required CORs to review invoices for labor hour contracts or task orders to ensure charges were reasonable and necessary for the work performed. However, the contracting officer could not explain why she removed the requirement to conduct invoice reviews from the COR appointment letters.

The DoD COR Handbook states that CORs may review invoices, and it is vital that billing statements are reviewed thoroughly and on time to ensure the Government receives what it pays for. The contracting officer, COR, and alternate COR stated they were not involved in the review process of JMRC T&M interim invoices as of November 20, 2014, and no invoice review process existed at their level.

...contracting officer could not explain why she removed the requirement to conduct invoice reviews from the COR appointment letters.

## Quality Assurance Representatives Are in the Best Position to Perform Invoice Reviews

On-site QARs were not required to review invoices even though they were in the best position to perform invoice reviews. The CORs were located at Orlando, Florida, but designated QARs were located at training centers, such as JMRC in Hohenfels, Germany, and report contractor performance to the CORs. The QARs should review the T&M invoices because they are located on site, have in-depth knowledge of contractor performance, and are considered to be subject-matter experts. QARs should be delegated the responsibility to review contractor T&M invoices although not required in their current delegation letter.

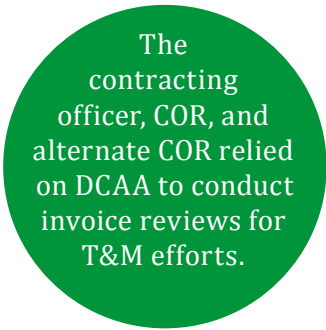
On-site QARs were not required to review invoices even though they were in the best position to perform invoice reviews.



Also, QARs have the responsibility to function as the technical representative in the administration of the subject contract and monitor contractor's performance. The ACC-Orlando procuring contracting officer should revise the JMRC Warfighter FOCUS task order QASPs to require in-country oversight personnel (QARs) review contractor invoices before payment, or within 30 days of receipt of a proper invoice to determine whether the services invoiced were necessary and reasonable to perform the task order and whether DoD received them. Additionally, the ACC-Orlando procuring contracting officer should revise the QAR delegation letters to require T&M invoice reviews be performed.

### ***PEO STRI Relied Solely on DCAA Invoice Reviews***

The contracting officer, COR, and alternate COR relied on DCAA to conduct invoice reviews for T&M efforts. However, as of October 23, 2014, DCAA only reviewed 12 JMRC T&M invoices that were from March 2011 through June 2014. Before 2011, the contractor's T&M invoice payments were submitted directly to the paying offices under the direct bill program. The DCAA review consisted of high-level reviews of invoices in accordance with DFARS 242.803(b).



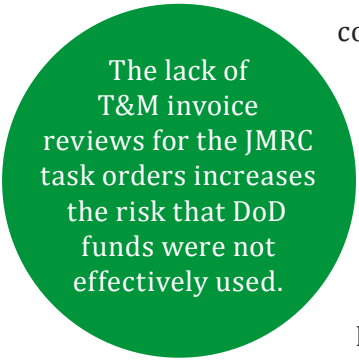
The contracting officer, COR, and alternate COR relied on DCAA to conduct invoice reviews for T&M efforts.

According to DFARS 242.803(b) and DoD Directive 5105.36, contract auditors at DCAA are the authorized representatives of the contracting officer to approve invoices selected using sampling methodologies for provisional payment and sending them to the disbursing office after a pre-payment review. Invoices not selected for a pre-payment review are considered provisionally approved and are sent directly to the disbursing office. A DCAA Supervisory Auditor explained that DCAA uses a risk-based approach to select a sample for interim voucher review.

DCAA performed a high-level review of some invoices to verify that the amounts claimed on the invoices were not more than the amount due to the contractor in accordance with the terms of the contract. However, they did not perform invoice reviews to verify that the costs, to include labor, travel, supplies, other direct, and subcontract, occurred. Therefore, contracting personnel should perform invoice reviews to ensure that the Government is only paying for services received.

## PEO STRI Did Not Have Assurance That Invoice Payments Were Reasonable

DoD paid T&M invoices with no assurance that the invoices accurately reflected services delivered to JMRC. Proper oversight of service contracts is essential to receive services in a cost effective and timely manner. Cost-reimbursement contracts, such as T&M, require more in-depth reviews of invoices to ensure that costs relate to progress under the contract. The lack of T&M invoice reviews for the JMRC task orders increases the risk that DoD funds were not effectively used. JMRC in-country oversight personnel (QARs) are in the best position to assess reasonableness of costs and expenditures on invoices.



The lack of T&M invoice reviews for the JMRC task orders increases the risk that DoD funds were not effectively used.

### Recommendation

#### ***Recommendation A.1***

**We recommend that the U.S. Army Contracting Command–Orlando Procuring Contracting Officer:**

- a. **Revise the Joint Multinational Readiness Center Warfighter Field Operations Customer Support task order quality assurance surveillance plans to require in-country oversight personnel (Quality Assurance Representatives) review of contractor invoices before payment, or within 30 days of receipt of a proper invoice to determine whether the services were necessary and reasonable to perform the task order and whether DoD received them.**
- b. **Revise the Quality Assurance Representatives delegation letters to require time and material invoice reviews be performed.**

### Management Comments Required

The U.S. Army Contracting Command–Orlando Procuring Contracting Officer did not respond to the recommendations in the report. We request they provide comments on the final report.

## Finding B

### PEO STRI Generally Used the Correct Appropriation to Fund JMRC Task Orders

PEO STRI contracting personnel correctly used OMA funds for JMRC services for 16 contract line items, valued at \$4.3 million. However, on one contract line item the contracting officer incorrectly obligated \$1.2 million of FY 2007 OMA funds rather than Other Procurement, Army funds on a JMRC task order for services that significantly upgraded the performance of JMRC's instrumentation system.

This occurred because the PEO STRI funds certifying official did not properly verify the purpose of the requirement to be funded in accordance with guidance before the contracting officer obligated the funds on the task order. As a result, PEO STRI did not use funds in accordance with the DoD FMR<sup>15</sup> and the Purpose Statute, 31 U.S.C. 1301, which could create a potential violation of the Antideficiency Act.

<sup>15</sup> DoD FMR, volume 2A, chapter 1, paragraph 010201 "Criteria for Determining Expense and Investment Costs."

### Correct Funding Appropriation Selected for 16 JMRC Contract Line Items

PEO STRI funds certifying officials determined the appropriate funding type for 16 OMA funded JMRC contract line items valued at \$4.3 million. Specifically, PEO STRI contracting officials used OMA funds for 16 of 17 JMRC contract line items in accordance with the DoD FMR guidelines for determining correct appropriations. The services for the 16 contract line items included 15 equipment replacements and one procurement of equipment for the exportable instrumentation system.

### Incorrect Funding Appropriation Used for System Modification

For one contract line item, the contracting officer incorrectly obligated \$1.2 million of FY 2007 OMA funds rather than Other Procurement, Army funds on a JMRC task order for services to upgrade JMRC's instrumentation system. According to the PEO STRI purchase request and description document, this \$1.2 million procurement upgraded the performance of the JMRC instrumentation system by increasing the system's training capability. Therefore, this contract line item should be funded by the procurement appropriation in accordance with the DoD FMR.



On December 21, 2007, the contracting officer incorrectly obligated \$1.2 million of OMA funds on contract W900KK-07-D-0001, task order 0004, contract line item number 0003, to purchase, upgrade, and integrate the necessary hardware and software to allow up to 15 Range Data Measuring Subsystems into the Core Data Management Exchange for JMRC's instrumentation system. According to JMRC's QAR, the Range Data Measuring Subsystems were simulated players, which covered engagement activity similar to a laser tag game that used Multiple Integrated Laser Engagement System equipment. The QAR further stated that the Range Data Measuring Subsystems sent the information they captured through radio frequency to the Core Data Management Exchange to display the information on workstations. Additionally, the QAR stated that the hardware and software acquired for this effort replaced previous hardware and software; however, it increased the number of Range Data Measuring Subsystems, which could be connected to the Core Data Management Exchange to extend the range of JMRC's instrumentation system.

...the contracting officer incorrectly obligated \$1.2 million of OMA funds on contract W900KK-07-D-0001, task order 0004, contract line item number 0003...

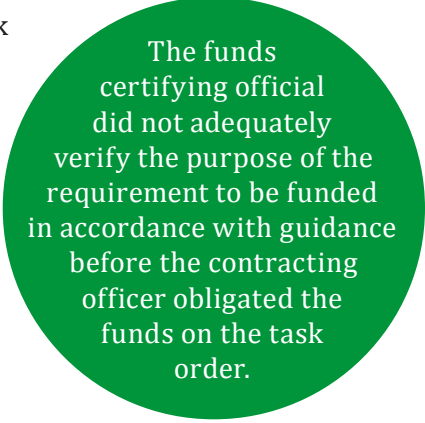
The upgrade to the JMRC instrumentation system should have been classified as an investment and funded by the Other Procurement, Army funds instead of the OMA funds. According to the DoD FMR,<sup>16</sup> continuous technology refreshment is the intentional incremental insertion of newer technology to improve reliability, improve maintainability, reduce cost, and add minor performance enhancement. A technology refreshment that significantly changes the performance envelope of the end item is considered a modification and, therefore, an investment and should be funded by the Other Procurement, Army appropriation.

The upgrade to the JMRC instrumentation system should have been classified as an investment and funded by the Other Procurement, Army funds instead of the OMA funds.

<sup>16</sup> DoD FMR, volume 2A, chapter 1, paragraph 010201 "Criteria for Determining Expense and Investment Costs."

## Funds Certifying Official Did Not Properly Verify the Funding Purpose

The funds certifying official did not adequately verify the purpose of the requirement to be funded in accordance with guidance before the contracting officer obligated the funds on the task order. Specifically, on March 10, 2015, the funds certifying official, who was in place since 2007, stated procurement funding should have been used for this effort. At a later date, he stated he could not remember why OMA funds were used for the lifecycle effort. However, on April 20, 2015, the funds certifying official stated he made his decision based on a document that included the description of the effort attached to the purchase request and conversations he must have had but could not remember with the Life Cycle Project Director.



The funds certifying official did not adequately verify the purpose of the requirement to be funded in accordance with guidance before the contracting officer obligated the funds on the task order.

The funds certifying official authorized the use of OMA funds although the description document and purchase request did not support his final rationale. The funds certifying official stated that all funding personnel (budget analyst, program analyst, and the funds certifying officials) review the description document and purchase request to decide which funding appropriation to use for each service. According to the funds certifying official, the only documentation attached to the purchase request for the lifecycle effort was one page from the Life Cycle Project Director that explained the requirement and related Warfighter FOCUS statement of work references.

Specifically, the description document stated “the effort was for the integration of site interconnection on the Data Management Exchange which could interconnect the total sites deployed by JMRC Operations Group at the various local training areas.” Additionally, the description document, provided by the Life Cycle Project Director cited a systems integration paragraph of the Warfighter FOCUS basic statement of work which stated, “The contractor shall execute the integration of new systems and capabilities.” Although the funds certifying official classified the effort as maintenance, repair, overhaul, or rework of equipment, the Life Cycle Project Director’s explanation of the requirement clearly documented that the lifecycle effort was to integrate new capabilities into JMRC’s instrumentation system.

## PEO STRI Use of O&M Funds Instead of Procurement Funds May be an Antideficiency Act Violation

PEO STRI did not use funds in accordance with the DoD FMR and likely violated the law<sup>17</sup> by incorrectly obligating \$1.2 million of FY 2007 OMA funds instead of

The contracting officer used funds for a purpose other than intended by law and, as a result, potentially violated the Antideficiency Act.

Other Procurement, Army funds on the task order for an upgrade to JMRC's instrumentation system. The contracting officer used funds for a purpose other than intended by law and, as a result, potentially violated the Antideficiency Act.<sup>18</sup> The Assistant Secretary of the Army (Financial Management and Comptroller) should initiate a preliminary review in accordance with DoD FMR, volume 14, chapter 3 to determine whether a potential violation of the Antideficiency Act may have occurred as a result of using OMA funds for contract W900KK-07-D-0001, task order 0004, contract line item number 0003, and if so advise the DoD OIG whether the Army intends to conduct a formal investigation.

## Recommendation

### ***Recommendation B.1***

We recommend that the Assistant Secretary of the Army (Financial Management and Comptroller):

- a. Initiate a preliminary review in accordance with DoD 7000.14-R, "DoD Financial Management Regulation," volume 14, chapter 3, to determine whether a potential violation of the Antideficiency Act may have occurred as a result of using Operation and Maintenance, Army funds for contract W900KK-07-D-0001, task order 0004, contract line item number 0003.
- b. Complete the preliminary review as required by Regulation and provide the results to the DoD Office of Inspector General.

## Management Comments Required

The Assistant Secretary of the Army (Financial Management and Comptroller) did not respond to the recommendations in the report. We request they provide comments on the final report.

<sup>17</sup> Section 1301, title 31, United States Code, known as the Purpose Statute, requires that appropriations be used only for the purpose that Congress intended.

<sup>18</sup> The Antideficiency Act, prescribed in sections 1341 and 1511 through 1517, title 31, United States Code, prohibits obligations and expenditures in excess of or before an appropriation.

## Appendix A

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### Scope and Methodology

We conducted this performance audit from September 2014 through November 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

### Review of Documentation and Interviews

To evaluate whether contracting personnel complied with appropriate Federal and DoD criteria for reviews of invoices and controls over funding on contract W900KK-07-D-0001 (the Warfighter FOCUS contract), we reviewed:

- 31 U.S.C. 1301, "Application"
- 31 U.S.C. 1341, "Limitations on expending and obligating amounts"
- 31 U.S.C. 1511 through 1517, "Apportionment"
- 31 U.S.C. 1558, "Availability of Funds Following Resolution of a Formal Protest or Other Challenge"
- DoD FMR, volume 2A, chapter 1, "General Information," October 2008
- DoD FMR volume 10, chapter 10, "Payment Vouchers–Special Applications," June 2012
- FAR Subpart 16.601, "Time-and-Materials Contracts"
- DFARS 242.8, "Disallowance of Costs," August 2012
- DFARS 246.4, "Government Contract Quality Assurance," October 2010
- DFAS-IN Manual 37-100-08, Appendix A, "Expense/Investment Criteria," August 2007
- DFAS-IN Manual 37-100-15, 21\*2020, "Operation and Maintenance, Army," August 2014
- DFAS Manual 37-100-15, A0-2035, "Other Procurement, Army," August 2014
- DFAS-IN Manual 37-100-15, A0-2093, "Joint Improvised Explosives Devices Defeat Fund," August 2014
- DoD COR Handbook, March 22, 2012



We reviewed documentation and conducted interviews at the following locations:

- PEO STRI, Orlando, Florida;
- Raytheon Technical Services Corporation, Orlando, Florida;
- Raytheon Technical Services Corporation, Dallas, Texas; and
- DCAA, Dulles, Virginia.

We interviewed the contracting officer, the COR, alternate COR, QAR, and program management at PEO STRI and JMRC. We reviewed contract documentation that included the QASP and the COR appointment letters.

We obtained seven task orders and 267 modifications, valued at \$207.4 million, relating to JMRC from the Electronic Document Access system. Because of allegations on the misappropriation of funds for the exportable instrumentation system and lifecycle equipment procurements, the audit team reviewed the seven task orders and 267 modifications. The allegation indicated that the Government may be using OMA funding for procurement; therefore, the audit team limited the scope to the 17 contract line item numbers, valued at \$5.5 million, for which the OMA appropriation was used.

We reviewed criteria and the Warfighter Request for Pricing to determine whether PEO STRI used the correct appropriation for each of the 17 contract line item numbers. We identified 1 of the 17 contract line items as a potential misappropriation of funds; therefore, we interviewed PEO STRI officials to determine whether contracting personnel used the correct appropriation for this contract line item number.

## Use of Computer-Processed Data

We did not rely on computer-processed data for our findings and conclusions.

## Prior Coverage

During the last 5 years, the Department of Defense Inspector General (DoD IG) issued four reports and the Army Audit Agency (AAA) issued three reports discussing the Warfighter FOCUS contract. Unrestricted DoD IG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>. Unrestricted AAA reports can be accessed at <https://www.aaa.army.mil/reports.htm>.

**DoD OIG**

DoD OIG Report No. DODIG-2015-042, "Improved Contract Administration Needed for the Warfighter Field Operations Customer Support Contract at the Joint Multinational Readiness Center," November 26, 2014

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

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

DoD OIG Report No. D-2011-066, "Incomplete Contract Files for Southwest Asia Task Orders on the Warfighter Field Operations Customer Support Contract," June 1, 2011

**Army**

AAA Report No., A-2014-0056-ALE, "Property Accountability in the Warfighter Field Operations Customer Support Contract," March 27, 2014

AAA Report No., A-2013-0162-ALE, "Agreed-Upon Procedures Attestation of Contractor Billings on Contract W900KK-07-D-0001," September 30, 2013

AAA Report No., A-2012-0159-ALS, "Property Accountability of Training Aids, Devices, Simulators, and Simulations Equipment During Fielding," August 14, 2012

## Appendix B

### Joint Multinational Readiness Center Services Reviewed

	Lifecycle Effort	Task Order	Total Estimated Value
1	Joint Multinational Readiness Center Range Data Measuring Subsystem Data Management Exchange Integration	004	\$1,200,038
2	Lifecycle Day Night Thermal Camera Replacement	004	1,005,459
3	Lifecycle Gigabit Backbone Phase 1	004	499,803
4	Lifecycle Intrusion Detection & Prevention Appliance Replacement	004	445,714
5	Joint Multinational Readiness Center Lifecycle Compiler	004	385,762
6	Joint Multinational Readiness Center Lifecycle Replacement of Site Shelters	004	215,873
7	Joint Multinational Readiness Center Lifecycle Gigabit Phase II	004	164,845
8	Joint Multinational Readiness Center Completion of After Action Review Trailer 4 & 5 and Electronics	004	137,492
9	Lifecycle Replacement of Media and Government Local Area Network Personal Computers	004	55,340
10	Joint Multinational Readiness Center Lifecycle Scanner	004	42,623
11	Lifecycle #3 Site Shelters	004	351,189
12	Lifecycle Replacement of Site Communication Shelters	104	493,716
13	Exportable Instrumentation System Portable Tower	104	211,091
14	Lifecycle Antenna Replacement Observer Controller Communication Systems Coverage	104	94,013
15	Lifecycle Building 856 Classroom and Conference Room Equipment Replacement and Sustainment	104	32,346
16	Lifecycle Protective Distribution System	204	97,919
17	Building 100 Access Control	204	77,384
	<b>Total:</b>		<b>\$5,510,607</b>

## Acronyms and Abbreviations

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<b>ACC</b>	Army Contracting Command
<b>COR</b>	Contracting Officer's Representative
<b>DCAA</b>	Defense Contract Audit Agency
<b>DFARS</b>	Defense Federal Acquisition Regulation Supplement
<b>FAR</b>	Federal Acquisition Regulation
<b>FMR</b>	Financial Management Regulation
<b>FOCUS</b>	Field Operations Customer Support
<b>JMRC</b>	Joint Multinational Readiness Center
<b>OMA</b>	Operation and Maintenance, Army
<b>PEO STRI</b>	Program Executive Office for Simulation, Training, and Instrumentation
<b>QAR</b>	Quality Assurance Representative
<b>QASP</b>	Quality Assurance Surveillance Plan
<b>T&amp;M</b>	Time and Material





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