Report No. DODIG-2020-060

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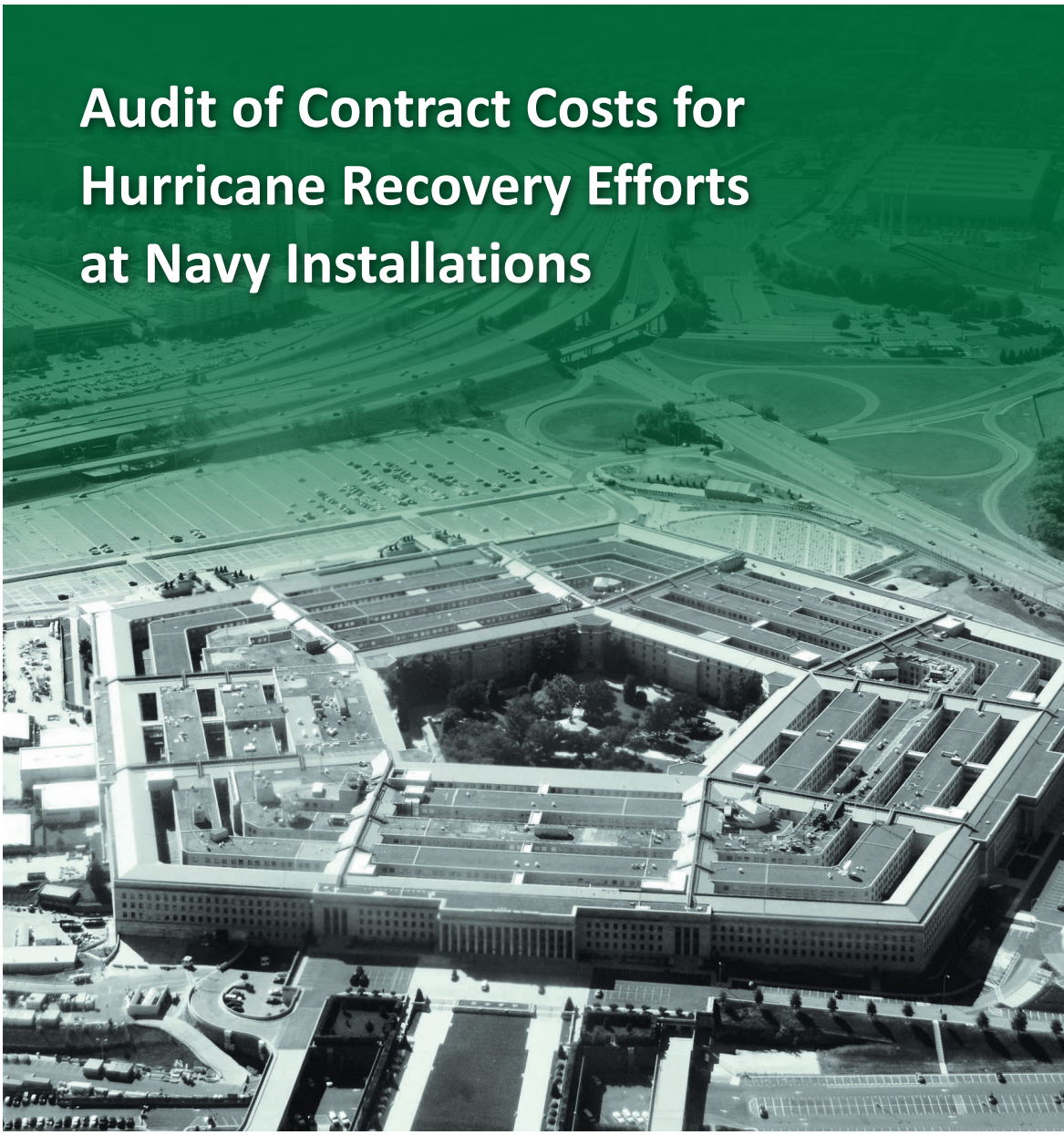
INSPECTOR GENERAL

U.S. Department of Defense

FEBRUARY 12, 2020

Audit of Contract Costs for Hurricane Recovery Efforts at Navy Installations



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Results in Brief

Audit of Contract Costs for Hurricane Recovery Efforts at Navy Installations

February 12, 2020

Objective

The objective of this audit was to determine whether the Navy controlled costs for the Global Contingency Construction Contract task orders issued to support the military base recovery efforts from the 2017 and 2018 hurricanes.

We announced the audit to review task orders issued by the Navy and Air Force. After announcing the audit, we determined that the Air Force contracting officials were still reviewing the contractor's pricing proposal and negotiating prices with the contractor, which is the basis for contract cost control. Therefore, we removed the Air Force task order from the scope of our audit and focused only on the task orders issued by the Navy for the 2017 and 2018 hurricanes. See the Appendix for the scope, methodology, and prior audit coverage.

Background

In 2017 and 2018, five major hurricanes made landfall in the United States and its territories, causing an estimated total of $314 billion in damage for the United States. The 2017 and 2018 hurricanes caused significant damage to Puerto Rico and military bases in four states. In 2017, Hurricanes Harvey, Irma, and Maria made landfall within a month of each other. In 2018, Hurricanes Florence and Michael made landfall in the United States.

On June 14, 2013, Naval Facilities Engineering Command (NAVFAC) Atlantic awarded the Global Contingency Construction-Multiple Award

Background (cont'd)

Contract (GCC-MAC) to four companies, including Environmental Chemical Corporation and URS Group (a subsidiary of AECOM). The GCC-MAC was an indefinite-delivery indefinite-quantity contract with a base year and four option years. Under the GCC-MAC, NAVFAC could award cost-plus-award fee and firm-fixed-price task orders. As of September 23, 2019, NAVFAC awarded $1.25 billion in task orders under the GCC-MAC. Specifically, NAVFAC awarded 24 task orders valued at $973.9 million for recovery efforts for Hurricanes Matthew, Harvey, Irma, Maria, Florence, and Michael. We reviewed the $35.9 million task order to recover Naval Air Station Key West in south Florida after Hurricane Irma and the $89.3 million task order to recover Camp Lejeune and Marine Corps Air Station Cherry Point after Hurricane Florence.

Findings

We determined that NAVFAC Southeast (SE) contracting officials did not control costs when awarding and administering the GCC-MAC task order issued to recover Naval Air Station Key West after Hurricane Irma. Specifically, the NAVFAC SE contracting officials did not:

- include detailed and specific contract requirements in the task order;
- request, obtain, or analyze a cost proposal from the prime contractor;
- document their determination of fair and reasonable prices; or
- limit the task order to the initial recovery efforts.

This occurred because NAVFAC SE assigned three task orders for hurricane recovery to the same contracting officer within 2 weeks, even though the contracting officer was already responsible for other contracts. In addition, the NAVFAC SE contracting officials chose not to implement NAVFAC contracting procedures when planning, awarding, and administering the task order for the initial recovery work. The NAVFAC SE contracting officials also developed their own procedures in an attempt to convert the cost-plus-award fee task order to firm-fixed-price. However, the NAVFAC SE

Results in Brief

Audit of Contract Costs for Hurricane Recovery Efforts at Navy Installations

Findings (cont'd)

contracting officials did not formally modify the contract using a Standard Form 30, "Modification of Contract," to convert any of the contract terms or conditions from cost-plus-award fee to firm-fixed, in accordance with the Federal Acquisition Regulation.

~~(FOUO)~~ As a result, without a cost proposal or documentation of NAVFAC SE's determination of fair and reasonable prices for the initial $9.3 million of the $35.9 million hurricane recovery, we could not verify that the NAVFAC SE contracting officials obtained fair and reasonable prices. Furthermore, the procedures that NAVFAC SE used may have created an illegal cost-plus-percentage-of-cost contracting system that did not incentivize the contractor to complete the contract efficiently or effectively. The United States Code, the Federal Acquisition Regulation, and the Government Accountability Office prohibit the use of cost-plus-percentage-of-cost system of contracting. The cost-plus-percentage-of-cost contracting system is a contracting system where the Government contracts to pay costs, undetermined when the contract was awarded and to be incurred in the future, plus a commission based on a percentage of the future costs. Consequently, NAVFAC SE may have incorrectly paid the prime contractor $[redacted] million of profit, which increased proportionally with the contractor's costs.

~~(FOUO)~~ In addition, we determined that NAVFAC Mid-Atlantic (MIDLANT) contracting officials and the Camp Lejeune Public Works Department implemented several best practices when developing, awarding, and overseeing the initial GCC-MAC task order issued to recover Camp Lejeune and Cherry Point after Hurricane Florence. For example, the officials developed detailed disaster recovery plans, prepositioned contractors, provided extensive oversight, and limited the task order to the initial recovery efforts. However, the NAVFAC MIDLANT contracting officials did not control costs when evaluating the prime contractor's proposal and negotiating the task order modifications.

~~(FOUO)~~ Specifically, the contracting officer did not effectively assess the prime contractor's cost and pricing proposals or verify that the proposals were complete and accurate, in accordance with Federal and DoD acquisition regulations. This occurred because the NAVFAC MIDLANT contracting officials conducted an expedited proposal analysis themselves, without requesting expert assistance. The DoD acquisition regulations state that the DoD has a cadre of experts who can help contracting officers analyze prices, such as the Navy Price Fighters. As a result, the NAVFAC MIDLANT contracting officials paid excessive prices [redacted], which caused the Government to pay the prime contractor at least $[redacted] million of excess profit.

Recommendations

Among other recommendations, we recommend that the Commander of NAVFAC Atlantic:

- review the task orders that NAVFAC SE issued for Hurricanes Matthew, Harvey, and Michael and request a Defense Contract Audit Agency (DCAA) audit to review the allowability of all costs and profit paid; and
- re-evaluate the GCC-MAC procedures to ensure that they are clear, concise, and easy to implement during a disaster situation.

We recommend that the Commander of NAVFAC SE request a DCAA audit to review the allowability of all costs and profit paid, due to the cost-plus-percentage-of-cost contracting system and request a refund for any excess payment identified.

~~(FOUO)~~ We recommend that the Commander of NAVFAC MIDLANT request a DCAA post-award audit to review all costs paid under the initial task order and subsequent follow-on task orders [redacted] and request a refund for the excess payment identified.

Results in Brief

Audit of Contract Costs for Hurricane Recovery Efforts at Navy Installations

Management Comments and Our Response

This report contains 14 recommendations addressed to the NAVFAC Atlantic Commander; the NAVFAC SE Commander; and the NAVFAC MIDLANT Commander. Of the 14 recommendations, 10 were resolved but will remain open until further actions are taken, and 4 were closed. Below is a description of NAVFAC Atlantic's comments to nine of the recommendations.

The NAVFAC Atlantic Vice Commander responded for the Commanders of NAVFAC Atlantic, NAVFAC SE, and NAVFAC MIDLANT. The Vice Commander agreed with all 14 recommendations. Specifically, the Vice Commander stated that NAVFAC requested DCAA audits of the initial task orders that we reviewed and the subsequent follow-on task orders awarded by NAVFAC MIDLANT. Comments from the Vice Commander addressed the specifics of the recommendations to request DCAA audits; therefore, the recommendations are closed. The Vice Commander stated that NAVFAC SE and NAVFAC MIDLANT will request refunds or price adjustments, if appropriate, based on the results of the DCAA audits. The comments addressed the specifics of the recommendations to request refunds based on the results of the DCAA audits; therefore, those recommendations are resolved but will remain open. We will close the recommendations once NAVFAC SE and NAVFAC MIDLANT provide documentation that they requested refunds from the contractors, if appropriate.

The Vice Commander stated that NAVFAC Atlantic will review the NAVFAC SE hurricane recovery task orders with the NAVFAC SE Inspector General. The Vice Commander stated that, based on the results of the review, NAVFAC SE will request DCAA audits to determine the allowability of all costs and profit paid to the contractors and will request refunds or price adjustments, if necessary. The comments addressed the specifics of the recommendations to review the other NAVFAC SE hurricane recovery task orders and request DCAA audits, if necessary; therefore, the recommendations are resolved but will remain open. We will close the recommendations once NAVFAC Atlantic provides documentation that it reviewed the contracts and if applicable, requested DCAA audits.

The Vice Commander stated that NAVFAC Atlantic will conduct a workshop with all relevant GCC-MAC stakeholders. The Vice Commander also stated that the workshop will include discussions about requesting assistance when needed, augmenting staff when multiple natural disasters occur within a short period, the findings of this report, lessons learned during hurricane efforts, and an in-depth discussion on better planning, documentation, and best practices. The Vice Commander stated that, based on the results of the workshop, NAVFAC Atlantic will develop and update the GCC-MAC procedures and guidance. The Vice Commander's comments addressed the specifics of the recommendation to re-evaluate the GCC-MAC procedures; therefore, the recommendation is resolved but will remain open. We will close the recommendation when NAVFAC Atlantic provides documentation that it conducted the GCC-MAC workshop and reviewed, updated, and developed guidance.

All of the recommendations, summaries of management's comments to the recommendations, and our responses are located in the "Recommendations, Management Comments, and Our Response" sections of the report. Please see the Recommendations Table on the next page for the status of the recommendations.

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Commander, Naval Facilities Engineering Command Atlantic		A.1.a, A.1.b, A.1.c, A.1.d, A.1.e, B.1	
Commander, Naval Facilities Engineering Command Southeast		A.2.b	A.2.a, A.2.c
Commander, Naval Facilities Engineering Command Mid-Atlantic		B.2.b, B.2.c, B.2.e	B.2.a, B.2.d

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

February 12, 2020

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE NAVY

SUBJECT: Audit of Contract Costs for Hurricane Recovery Efforts at Navy Installations (Report No. DODIG-2020-060)

This final report provides the results of the DoD Office of Inspector General's audit. We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

The Vice Commander of Naval Facilities Engineering Command (NAVFAC) Atlantic, responding for the Commanders of NAVFAC Atlantic, NAVFAC Southeast, and NAVFAC Mid-Atlantic, agreed with all of the recommendations. Of the 14 recommendations in our report, 4 recommendations are closed, and the remaining 10 recommendations are resolved and will remain open. As described in the Recommendations, Management Comments, and Our Response section of this report, the recommendations may be closed when we receive adequate documentation showing that all agreed-upon actions to implement the recommendations have been completed. Therefore, please provide us your responses concerning specific actions in process or completed on the recommendations by the completion dates you provided for these actions in your comments to the draft report. Your response should be sent to followup@dodig.mil.

If you have any questions, please contact me at [redacted]

Theresa S. Hull
Assistant Inspector General for Audit
Acquisition, Contracting, and Sustainment

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Introduction

Objective

The objective of this audit was to determine whether the Navy controlled costs for the Global Contingency Construction Contract task orders issued to support the military base recovery efforts from the 2017 and 2018 hurricanes.

We announced the audit to review task orders issued by the Navy and Air Force. However, the Air Force awarded the task order for Hurricane Michael as an undefinitized contract action, and it was still reviewing the contractor's pricing proposal and negotiating prices with the contractor, which is the basis for contract cost control.[1] Therefore, we removed the Air Force task order from the scope of our audit and focused only on the task orders issued by the Navy for the 2017 and 2018 hurricanes. See the Appendix for the scope, methodology, and prior audit coverage.

Background

In 2017 and 2018, five major hurricanes made landfall in the United States and its territories, causing an estimated total of $314 billion in damage for the United States. The 2017 and 2018 hurricanes caused significant damage to Puerto Rico and military bases in four states.

In 2017, Hurricanes Harvey, Maria, and Irma were, respectively, the second, third, and fifth most costly hurricanes in United States history. All three hurricanes made landfall within a month of each other. Hurricane Harvey made landfall on August 25, 2017, as a Category 4 hurricane, dropping more than 60 inches of rain over southeastern Texas and causing an estimated $125 billion in damage. On September 10, 2017, within just over 2 weeks of Hurricane Harvey, Hurricane Irma made landfall in Florida as a Category 4 hurricane, causing an estimated $50 billion in damage. Hurricane Irma made seven landfalls; four landfalls were identified as a Category 5 hurricane, across the northern Caribbean Islands. On September 20, 2017, less than 2 weeks later, Hurricane Maria made landfall in Puerto Rico as a high-end Category 4 hurricane, causing an estimated $90 billion in damage to Puerto Rico and the U.S. Virgin Islands. Puerto Rico and the U.S. Virgin Islands experienced severe flooding and mudslides, with some areas experiencing rainfall as high as 38 inches and combined storm surge and storm tide as high as 9 feet above ground level.

[1] Undefinitized contract actions are agreements that allow a contractor to begin work and incur costs before the Government and the contractor have reached a final agreement on contract terms, specifications, or price.

In 2018, the United States experienced two significant hurricanes. Hurricane Florence made landfall in North Carolina on September 14, 2018, as a Category 1 hurricane, with some areas experiencing rainfall as high as 36 inches causing $24 billion in damage across North and South Carolina. Many areas set new records for rainfall. A month later, on October 10, 2018, Hurricane Michael made landfall in the Florida Panhandle as a Category 5 hurricane with a maximum sustained wind speed of 140 knots. Wind and storm surge caused an estimated $25 billion in damage, particularly in the Panama City Beach to Mexico Beach areas. See Table 1 for information on the 2017 and 2018 hurricanes, including the military installations affected and the overall estimated damage.

Table 1. Summary of 2017 and 2018 Hurricanes

Landfall Date	Category	Hurricane Name	Landfall Location	Military Installation Affected	Estimated Damage (in Billions)
8/25/2017	4	Harvey	Texas	Naval Air Station Corpus Christi	$125
9/10/2017	4	Irma	Florida	Naval Air Station Key West and Naval Air Station Jacksonville	50
9/20/2017	4	Maria	Puerto Rico and the U.S. Virgin Islands	N/A	90
9/14/2018	1	Florence	North Carolina	Camp Lejeune and Marine Corps Air Station Cherry Point	24
10/10/2018	5	Michael	Panama City Beach/ Florida Panhandle	Tyndall Air Force Base	25
Total					**$314**

Source: The DoD OIG.

Naval Facilities Engineering Command

Naval Facilities Engineering Command (NAVFAC) is the facilities engineering organization of the Department of the Navy. NAVFAC manages the planning, design, construction, contingency engineering, real estate, environmental, and public works support for the Navy, Marine Corps, and other Federal agencies. NAVFAC's products and services include acquisition and disposal of real property, facilities planning, project development, construction, design, disaster support, and contract management. Annually, NAVFAC delivers more than $11 billion in products and services. NAVFAC Atlantic is one of NAVFAC's major support commands. NAVFAC Atlantic's responsibility is to provide support for all Navy

and Marine Corps infrastructure and support facilities in the United States and abroad. NAVFAC Atlantic has six regional Facilities Engineering Commands, including NAVFAC Mid-Atlantic (MIDLANT) and NAVFAC Southeast (SE) that provide the facilities engineering and acquisition support for the Navy, Marine Corps, and other Federal agencies. NAVFAC MIDLANT manages the planning, design, and construction of shore facilities for the Navy from Maine to North Carolina, executing over $1.8 billion a year in construction, professional engineering, and facilities services. NAVFAC SE manages operations on Navy installations from Charleston, South Carolina, to Corpus Christi, Texas, and south to Guantanamo Bay, Cuba. In FY 2017, NAVFAC SE's volume of business reached $1 billion.

Global Contingency Construction-Multiple Award Contract

On June 14, 2013, NAVFAC Atlantic awarded the Global Contingency Construction-Multiple Award Contract (GCC-MAC) to four companies—CH2M Hill, Environmental Chemical Corporation (ECC), Kellogg Brown and Root, and URS Group (a subsidiary of AECOM). The GCC-MAC was a not-to-exceed $800 million indefinite-delivery indefinite-quantity contract with a base year and four option years. From December 2018 to December 2019, NAVFAC awarded modifications that increased the contract value to $1.24 billion. Under the GCC-MAC, NAVFAC could award cost-plus-award fee (CPAF) and firm-fixed-price (FFP) task orders. As of September 23, 2019, NAVFAC awarded $1.25 billion in task orders under the GCC-MAC.[2] Specifically, NAVFAC awarded 24 task orders valued at $973.9 million for recovery efforts for Hurricanes Matthew, Harvey, Irma, Maria, Florence, and Michael.

Typically, when a hurricane is imminent, NAVFAC Atlantic is the procuring contracting office that uses the GCC-MAC to solicit and award initial task orders for a contractor's planning management team (PMT) to help plan the response for the hurricane damage recovery. To solicit proposals for the PMT, NAVFAC Atlantic issues a request for proposal by e-mail to each of the four prime contractors. NAVFAC Atlantic then reviews each proposal and makes a selection based on best value, lowest price technically acceptable, or low price. When possible, NAVFAC Atlantic awards an FFP task order for the PMT before the hurricane makes landfall. NAVFAC Atlantic also administers award fee payouts and has its own contracting officer's representative (COR) who oversees the overarching GCC-MAC. Once a hurricane makes landfall, NAVFAC MIDLANT and NAVFAC SE are responsible for awarding and administering GCC-MAC task orders for hurricane recovery in their respective regions. NAVFAC MIDLANT was responsible for task orders issued in

[2] On March 29, 2019, NAVFAC Atlantic awarded a new GCC-MAC to six companies. The new contract included a base period, plus four 1-year option periods, with a total not-to-exceed value of $975 million.

response to Hurricane Florence's relief efforts, while NAVFAC SE was responsible for task orders issued in response to relief efforts for Hurricanes Harvey, Irma, Maria, and Michael. NAVFAC MIDLANT and NAVFAC SE each appoint a COR responsible for oversight of the repair work performed by the contractors and may deploy a Contingency Engineering Response Team (CERT) to the hurricane's location before or immediately following the hurricane. Once the hurricane makes landfall, the CERT or local engineering support works with the contractor's PMT to assess hurricane damage and develop recovery and repair requirements. After the development of the requirements, NAVFAC MIDLANT and SE use the requirements to award task orders for hurricane damage repairs. Typically, the contractor that was awarded the PMT task order was also awarded the logical follow-on work for the repairs, as a sole-source award.

For our audit, we selected two GCC-MAC task orders for review. We selected task order N69450-17-F-0077, valued at $35.9 million, which NAVFAC SE awarded for Hurricane Irma recovery efforts at Naval Air Station Key West, Florida. We also selected task order N40085-18-F-6819, valued at $89.3 million as of September 20, 2019, which NAVFAC MIDLANT awarded for Hurricane Florence recovery efforts at Camp Lejeune and Marine Corps Air Station (MCAS) Cherry Point, North Carolina. Both task orders required the contractor to:

- obtain equipment, materials, and labor to perform the repairs;
- perform construction, design/build construction, and engineering services; and
- supervise the hurricane recovery efforts.

Federal and DoD Regulations for Controlling Costs

Natural disasters provide unique opportunities for fraud, abuse, and mismanagement that would deprive affected individuals the full benefit and use of Federal funds designated for relief and recovery. Therefore, DoD contracting officials have a responsibility to identify, and ultimately avoid, waste and abuse of resources and taxpayer dollars. The Federal Acquisition Regulation (FAR), the Defense Federal Acquisition Regulation Supplement (DFARS), Office of Management and Budget (OMB), the DoD Contingency Contracting Handbook, and NAVFAC guidance provide policies and procedures to help contracting officers make sound business decisions when purchasing supplies and services. Specifically, the FAR and DFARS require contracting officers to purchase supplies and services from responsible sources at fair and reasonable prices.[3] To help contracting officers obtain fair and reasonable prices, the FAR and DFARS define procedures for developing clear contract requirements, obtaining and analyzing cost proposals,

[3] FAR 15.402, "Pricing policy"; DFARS 215.371-3 "Fair and Reasonable Price."

and negotiating and documenting determinations of fair and reasonable prices.[4] For example, the FAR requires contracting officers to obtain certified cost or pricing data for acquisitions that exceed the Truthful Cost or Pricing Data Act [formerly known as the Truth in Negotiations Act (TINA)] threshold and do not meet certain exceptions.[5] The National Defense Authorization Act for FY 2018 increased the TINA threshold from $750,000 to $2 million for contracts awarded after June 30, 2018. Certified cost and pricing data means cost or pricing data the contractors are required to certify as accurate, complete, and current before submitting to the contracting officer, in accordance with the FAR.[6]

In addition, OMB issued the Emergency Acquisitions Guide, and the DoD issued the Defense Contingency Contracting Handbook.[7] The Emergency Acquisitions Guide and the Defense Contingency Contracting Handbook provide strategies for effective acquisition planning, and best practices that agencies developed in response to past natural disasters and military contingencies. Furthermore, NAVFAC developed policies and procedures for planning, awarding, and administering the GCC-MAC contract that supplement existing contracting regulations. In particular, NAVFAC GCC-MAC guidance states that reliable cost estimates form the basis for controlling costs and that unconstrained cost limits may result in needless expenditure of resources and funds.

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.[8] We identified internal control weaknesses with NAVFAC's cost control procedures when awarding and administering GCC-MAC task orders. Specifically, the NAVFAC SE contracting officials did not comply with FAR or NAVFAC procedures for developing clear contract requirements, obtaining and analyzing cost proposals, and negotiating and documenting determinations of fair and reasonable prices. In addition, the NAVFAC MIDLANT contracting officials did not comply with the FAR and DFARS procedures for controlling costs when assessing the prime contractor's cost and price proposals. We will provide a copy of the report to the senior official responsible for internal controls at NAVFAC.

[4] FAR 15.402; FAR 16.505, "Ordering"; FAR 15.406-1, "Prenegotiation objectives"; FAR 15.405, "Price negotiation"; FAR 15.404-1, "Proposal analysis techniques"; FAR 15.406-3, "Documenting the negotiation"; FAR 16.103(c); DFARS 215.371-3.

[5] FAR 15.403-4, "Requiring Certified Cost or Pricing Data."

[6] FAR 15.403-4.

[7] OMB Memorandum, "Emergency Acquisitions Guide," January 14, 2011; "Defense Contingency Contracting Handbook, Version 5," April 2017.

[8] DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding A

Cost Controls Not Implemented for Hurricane Irma Recovery

NAVFAC SE contracting officials did not control costs when awarding and administering the GCC-MAC task order issued to recover Naval Air Station Key West after Hurricane Irma. Specifically, the NAVFAC SE contracting officials did not:

- include detailed and specific contract requirements in the task order;
- request, obtain, or analyze a cost proposal from the prime contractor;
- document their determination of fair and reasonable prices; or
- limit the task order to the initial recovery efforts.

This occurred because NAVFAC SE assigned three task orders for hurricane recovery to the same contracting officer within 2 weeks, even though the contracting officer was already responsible for other hurricane recovery contracts. In addition, the NAVFAC SE contracting officials chose not to implement NAVFAC contracting procedures when planning, awarding, and administering the task order for the initial recovery work, and the NAVFAC SE contracting officials developed their own procedures in an attempt to convert the CPAF task order to FFP. However, the NAVFAC SE contracting officials did not formally modify the contract using a Standard Form 30, "Modification of Contract," to convert any of the contract terms or conditions from CPAF to FFP, in accordance with the FAR.

~~(FOUO)~~ As a result, we could not verify that the NAVFAC SE contracting officials obtained fair and reasonable prices for the initial $9.3 million of the $35.9 million hurricane recovery. Furthermore, the procedures that NAVFAC SE used may have created an illegal cost-plus-percentage-of-cost (CPPC) contracting system that did not incentivize the contractor to complete the contract efficiently or effectively.[9] Consequently, NAVFAC SE incorrectly paid the prime contractor $[redacted] million of profit, which increased proportionally with the contractor's costs.

[9] The CPPC contracting system is a contracting system where the Government contracts to pay costs, undetermined when the contract was awarded and to be incurred in the future, plus a commission based on a percentage of the future costs.

NAVFAC SE Did Not Control Costs

The NAVFAC SE contracting officials did not control costs when awarding and administering the GCC-MAC task order issued to recover Naval Air Station Key West after Hurricane Irma, in accordance with the FAR.[10] The FAR states that contracting officers must purchase supplies and services from responsible sources at fair and reasonable prices.[11] The FAR defines procedures for developing clear contract requirements, obtaining and analyzing cost proposals, and negotiating and documenting determinations of fair and reasonable prices. In addition, the GCC User's Guide states that a mutual understanding of the statement of work, based on the contractor's proposal and an independent estimate, facilitates a reliable cost estimate that forms the basis for controlling costs. The guide further states that it is important to negotiate costs as precisely as possible, because unconstrained limits may result in needless expenditure of resources and funds. However, the NAVFAC SE contracting officials did not include detailed and specific contract requirements in the task order. Without detailed and specific contract requirements, NAVFAC SE contracting officials did not request or obtain a cost proposal or conduct proposal analysis. The officials also did not document their price negotiations or determination of fair and reasonable prices. Finally, the NAVFAC SE contracting officials did not limit the task order to the initial recovery efforts.

A reliable cost estimate forms the basis for controlling costs.

Contract Requirements Not Defined

NAVFAC SE did not include detailed and specific contract requirements in the task order that established what the contractor was expected to deliver, in accordance with the FAR.[12] The FAR states that individual orders must clearly describe the services to be performed or supplies to be delivered so the full cost or price for the performance of the work can be established when the order is placed. However, NAVFAC SE's recovery task order did not include site-specific or event-specific contract requirements. While NAVFAC Atlantic awarded a PMT task order to define contract requirements for the follow-on recovery task order, NAVFAC SE included the same generic contract requirements in the follow-on task order that were in NAVFAC Atlantic's 3-person PMT task order.

NAVFAC SE's task order did not include site-specific or event specific contract requirements.

[10] FAR 15.402; FAR 16.505; FAR 15.406-1; FAR 15.405; FAR 15.404-1; FAR 15.406-3; FAR 16.103.

[11] FAR 15.402.

[12] FAR 16.505.

On September 8, 2017, NAVFAC Atlantic awarded a task order to URS for a PMT located at URS's offices, to work with NAVFAC SE Operations and Contingency staff to plan for the Hurricane Irma recovery work at Naval Air Station Key West, Florida. The task order directed the contractor to provide a plan for Electrical Power Generation and Distribution, Debris Clearing and Removal, Stabilization of Damaged Facilities, and Mold Remediation. The task order stated that requirements were "unknown at this time" for the electrical, debris, and stabilization tasks, while there "may" be a requirement to manage and conduct mold remediation. The task order stated that NAVFAC SE and the contractor's management team will further define the requirements.

~~(FOUO)~~ NAVFAC Atlantic contracting officials explained that the expectation for the PMT task order was for the contractor to work with the NAVFAC SE contracting officials to develop specific and measurable contract requirements for the follow-on task order that would shorten the recovery work. However, URS contracting officials admitted that they did not develop the plans required by NAVFAC Atlantic's PMT task order. The URS officials stated that the PMT provided little value, and they waited for the Government to provide requirements and directions through the CERT. According to the NAVFAC SE "Deployment and Operations Guide," the primary purpose of the CERT is to assess damage, develop scopes of work and cost estimates, establish work priorities, and provide contract oversight as required to complete mission essential repair work. NAVFAC SE contracting officials stated that the CERT arrived on September 13, 2017, and took 2 weeks to assess 356 buildings. The CERT review developed a quick, initial estimate of $[redacted] million for the repair costs, but NAVFAC SE did not use the CERT review to develop specific or measurable contract requirements. Instead, NAVFAC SE used the CERT review to identify priorities for repairing buildings and funding requests.

URS contracting officials admitted that they did not develop the plans required by NAVFAC Atlantic's task order.

On September 15, 2017, NAVFAC SE awarded the follow-on CPAF task order to URS, 5 days after Hurricane Irma made landfall in Florida and 7 days after NAVFAC Atlantic awarded the PMT task order. Although NAVFAC Atlantic intended for the PMT task order to develop specific and measurable contract requirements, the follow-on task order's contract requirements were nearly identical to the requirements listed in the PMT task order. For example, the requirements stated that the contractor "may be required" to perform Electrical Power Generation and Distribution, Debris Clearing and Removal, and Mold Remediation, and "shall" provide Stabilization of Damaged Facilities. Like the PMT task order, the NAVFAC SE task order stated that the requirements were unknown and that NAVFAC SE

and the contractor's management team would further define the requirements. However, NAVFAC SE issued seven contract modifications to the task order, which did not include any additional contract requirements.

The generic contract requirements in the recovery task order did not correlate to the initial recovery tasks. For example, contracting officials from both NAVFAC SE and URS stated that the top priorities during the initial recovery efforts were providing immediate needs, such as potable water, generators, portable latrines, and temporary shower and laundry facilities. However, the task order's contract requirements did not discuss these immediate needs. Without detailed and specific contract requirements that clearly described all services and supplies to be delivered, NAVFAC SE and URS could not establish the full cost or price for the performance when the task order was awarded.

Cost Proposal Was Not Received

The NAVFAC SE contracting officials did not request or obtain a cost proposal for the initial recovery work. Without a cost proposal, the NAVFAC SE contracting officials also did not conduct a proposal analysis, which could include cost or price analysis, in accordance with the Truth in Negotiations Act (TINA), the FAR, and the GCC-MAC requirements.[13] To establish fair and reasonable prices, the FAR requires contracting officers to obtain certified cost or pricing data, in accordance with TINA. TINA requires the prime contractor to provide certified cost or pricing data for any task order or modification that is above the $750,000 threshold, unless certain exceptions apply.[14] One of the TINA exceptions is for contract prices that are based on adequate competition. When TINA does not apply, the FAR still requires contracting officers to obtain data related to the prices to support a price reasonableness determination.[15] Additionally, the GCC-MAC required contractors with CPAF task orders or contract modifications to provide a detailed cost estimate showing direct and indirect costs in sufficient detail to permit an analysis of all material, labor, equipment, subcontract, and overhead costs, as well as award fee, for all work involved in the project.

The GCC-MAC required contractors to provide a detailed cost estimate showing direct and indirect costs in sufficient detail to permit an analysis.

NAVFAC SE awarded the follow-on task order as a sole-source contract to avoid delays in meeting urgent needs and in the interest of economy and efficiency, which the FAR permits as long as the order is the logical follow-on to an order already

[13] Section 2306(a), title 10, United States Code, "truth in negotiations"; FAR 15.402.

[14] TINA states that the threshold to provide certified cost or pricing data for prime contracts entered into on or before June 30, 2018, is $750,000. The threshold for prime contracts entered into after June 30, 2018, is $2 million.

[15] FAR 15.402.

issued under the contract.[16] Although NAVFAC SE awarded the follow-on task order for $300,000, NAVFAC SE later awarded five sole-source contract modifications to the task order for dollar amounts that were over the TINA threshold. See Table 2 for a list of the contract modifications and their dollar values.

Table 2. Task Order Modifications that Exceeded the TINA Threshold

Contract Action	Date	Cost of Modification
Modification 1	September 20, 2017	$6,050,000
Modification 2	September 28, 2017	$8,350,000
Modification 3	September 30, 2017	$802,000
Modification 4	December 21, 2017	$8,000,000
Modification 5	March 22, 2018	$12,498,000

Source: The DoD OIG.

The NAVFAC SE contracting officials stated they did not request or obtain a cost proposal from URS because the task order was a logical follow-on to the PMT task order that NAVFAC Atlantic awarded. Specifically, the NAVFAC SE contracting officials stated that the cost or pricing data requirements in TINA did not apply to the follow-on task order because NAVFAC Atlantic obtained adequate competition for the initial task order. However, NAVFAC SE awarded the follow-on task order and modifications as sole-source contracts, without adequate competition or a cost proposal to establish an agreed-upon price. Therefore, in accordance with TINA, the NAVFAC SE contracting officer was required to obtain certified cost or pricing data proposals, and the proposals should have included a breakdown of all material, labor, equipment, subcontract, and overhead costs, as well as award fee associated with the work, for all work involved in the project.[17]

NAVFAC SE awarded the follow-on task order and modifications as sole-source contracts.

Without obtaining a cost or pricing proposal, the NAVFAC SE contracting officials could not perform a proposal analysis for the initial recovery work, in accordance with the FAR. The FAR states that the objective of proposal analysis is to ensure that the final agreed-upon price is fair and reasonable. Additionally, the proposal analysis supports the Government's initial negotiation position.[18] Therefore, without a cost proposal and cost or pricing data, the NAVFAC SE contracting officer could not effectively negotiate target costs, or document his determination of fair and reasonable prices for the initial recovery work.

[16] FAR 16.505.
[17] FAR 15.402 and FAR 15.403-4.
[18] FAR 15.406-1 and FAR 15.405.

Contract Actions Not Documented in Contract File

The NAVFAC SE contracting officials did not document the important elements of any negotiations conducted with the URS officials, in accordance with the FAR.[19] The FAR states that the contracting officer must document the principal elements of the negotiated agreement in the contract file. The documentation, typically a price negotiation memorandum, must include the extent to which the contracting officer relied on certified cost or pricing data in negotiating the price; a summary of the contractor's proposal; determination of fair and reasonable pricing; and the basis for the profit or fee. Additionally, if the contracting officer used cost analysis in the determination of fair and reasonable pricing, the summary of the contractor's proposal must address each major cost element. NAVFAC's GCC procedures reiterate the requirement to document and maintain records of all contractual actions and supporting documents. The FAR explains that documentation must be sufficient to establish a complete history of the contract for the purpose of providing information for reviews and investigations and providing essential facts in the event of litigation or congressional inquiries.[20]

However, we observed that the contracting officer's contract file contained only the contract, modifications, and funding documents. The contract file lacked important documents like the appointment letter for the COR and a price negotiation memorandum, which documents the negotiations and the contracting officer's determination of fair and reasonable prices. Instead, the contracting officer stated that the only documentation he had for initial negotiations were his handwritten notes, which were not in the contract file. Therefore, the contracting officer did not document the agreed-upon costs for the initial $9.3 million of recovery efforts, including temporary roofing, debris removal, electrical generation, and other immediate needs.

The contract file lacked important documents.

Task Order Was Not Limited to Initial Recovery

The NAVFAC SE contracting officials did not issue separate task orders for the initial recovery and permanent repairs, using defined statements of work and re-competing the task order to get lower prices, in accordance with the FAR, NAVFAC procedures, and OMB's Emergency Acquisitions Guide. The FAR states that in the course of a contract, changing circumstances may make a different contract type appropriate in later periods than that used at the onset. In particular, contracting officers should avoid protracted use of a cost-reimbursement or

[19] FAR 15.406-3.
[20] FAR 4.801.

time-and-materials contract after experience provides a basis for firmer pricing.[21] According to the NAVFAC SE "Deployment and Operations Guide," all work being performed utilizing a cost-plus type of contract should be moved to a deliberate fixed-price contract as soon as possible. The Emergency Acquisitions Guide further adds that contract pricing, terms, and conditions will vary depending on the emergency environment, and that the pricing, terms, and conditions that may be suitable for immediate post-disaster needs will be different from those negotiated for follow-on reconstruction efforts. If time does not permit adequate acquisition planning and market research, an agency should carefully consider limiting the value and length of a contract to address only the immediate needs. This approach allows the agency to strategically plan for ongoing requirements and minimize risk to the Government.[22]

The NAVFAC SE officials included both the initial recovery and the permanent repairs in the same CPAF task order, which NAVFAC SE awarded to URS on a sole-source basis. By not using the CERT assessment to develop detailed statements of work for permanent repairs, the NAVFAC SE officials missed the opportunity to re-compete the permanent repairs and award an FFP task order, which could have reduced the costs and risks to the Government. Instead, the NAVFAC SE contracting officials used a higher risk CPAF contract for initial recovery and permanent repairs, which took 2 years to complete. Therefore, the NAVFAC SE contracting officials did not limit the value and length of the CPAF contract to the immediate initial recovery needs, which, according to the FAR, the Emergency Acquisitions Guide, and NAVFAC's procedures, may have led to needless expenditure of resources and funds.

NAVFAC SE officials included both the initial recovery and the permanent repairs in the same task order.

Multiple Hurricanes Affected Same NAVFAC Regional Office

In a 2-week period, NAVFAC SE officials assigned three task orders for hurricane recovery work to the same contracting officer. The DoD Contingency Contracting Handbook acknowledges that natural disasters create increased workloads for contracting officers for prolonged periods. Therefore, the handbook suggests detailing additional personnel to the contracting branch until workloads return to normal. In addition, NAVFAC's organizational procedures state that NAVFAC Headquarters and NAVFAC Atlantic are responsible for providing additional capacity, capability, and technical expertise when and where needed to support

[21] FAR 16.103(c).

[22] OMB Emergency Acquisitions Guide, January 14, 2011.

their commands, which NAVFAC refers to as reach-back capability. Specifically, NAVFAC Atlantic is responsible for determining appropriate reach-back capabilities when requested through the chain of command.

Although NAVFAC SE had multiple contracting officers, the NAVFAC SE contracting officials explained that their regional office assigned contingency contracts to only one division, and the division assigned the contingency contracts to only one contracting officer. The contracting officials further stated that the other contracting officers in the NAVFAC SE office were busy closing out contracts for the end of the fiscal year. Therefore, the NAVFAC SE officials assigned all three hurricane task orders to the same contracting officer, who awarded the first task order on August 28, 2017, to repair facilities in Texas that were damaged by Hurricane Harvey. As Hurricane Irma made its way across the Caribbean, NAVFAC officials decided to split the recovery efforts into two separate task orders to repair facilities in Northern and Southern Florida. On September 8, 2017, NAVFAC Atlantic delegated these two task orders to the same contracting officer, who then awarded the task orders on September 15, 2017, and September 17, 2017. The task orders were worth $21 million, $35.9 million, and $27 million, respectively. In addition to the three hurricane task orders, the contracting officer also had other existing responsibilities, including two task orders for Hurricane Matthew recovery that were awarded on October 19, 2016, and August 1, 2017. See Table 3 for a list of the hurricane recovery task orders assigned to the NAVFAC SE contracting officer.

The NAVFAC SE officials assigned all three hurricane task orders to the same contracting officer.

Table 3. Hurricane Recovery Task Orders Assigned to the NAVFAC SE Contracting Officer

Task Order Number	Date	Hurricane	Location	Contract Type	Dollar Amount
N69450-17-F0075	Aug. 1, 2017	Matthew	Andros Island	FFP	$2,727,403
N69450-17-F-0076	Aug. 28, 2017	Harvey	Texas	CPAF	21,468,698
N69450-17-F-0077	Sept. 15, 2017	Irma	South Florida	CPAF	35,898,815
N69450-17-F-0078	Sept. 17, 2017	Irma	North Florida	CPAF	27,000,000
Total					**$87,094,916**

Source: The DoD OIG.

While working on the task orders for Hurricane Harvey and Hurricane Irma, the NAVFAC SE regional office and the contacting officer responsible for the task orders were required to evacuate when Hurricane Irma approached Jacksonville, Florida. The contracting officials stated that NAVFAC SE did not designate them as mission-essential employees, and they were required to evacuate. The NAVFAC SE

Commander closed Naval Air Station Jacksonville on September 9, 2017, and authorized administrative leave on September 11 and September 12, 2017, for all personnel assigned to the base.

The 2017 hurricane season was an anomaly, with three major hurricanes making landfall in the United States and its territories within a 1-month period. Further compounding the challenges presented from three major storms, all three storms affected the area of responsibility for one NAVFAC regional office, which had only one contracting officer for contingency contracting, who also had to evacuate when Hurricane Irma approached Jacksonville, Florida. For this reason, NAVFAC or NAVFAC Atlantic should have considered detailing additional resources to NAVFAC SE until its workload returned to normal, in accordance with the DoD Contingency Contracting Handbook and NAVFAC's organizational procedures. Although the NAVFAC Atlantic officials stated that NAVFAC has policies for contracting officials to request assistance from NAVFAC Headquarters, the NAVFAC Atlantic officials stated that NAVFAC SE did not request assistance. While NAVFAC SE did not request assistance, NAVFAC Atlantic was responsible for providing reach-back capability to provide additional capacity, capability, and technical expertise when and where needed to support NAVFAC Atlantic's commands. Therefore, NAVFAC Atlantic should reiterate procedures for its regional commands to request assistance and develop procedures to augment staff if multiple natural disasters occur within the same area of responsibility in a short period.

NAVFAC Atlantic should have considered detailing additional resources to NAVFAC SE.

NAVFAC SE Chose Not to Implement NAVFAC Procedures

The NAVFAC SE contracting officials chose not to implement NAVFAC contracting procedures when planning, awarding, and administering the task order for the initial recovery work. NAVFAC Atlantic re-evaluated and updated its procedures for the GCC-MAC based on recommendations from a previous DoD Office of Inspector General (DoD OIG) audit report.[23] The prior report recommended that NAVFAC Atlantic re-evaluate its procedures for obtaining rapid emergency construction and engineering services needed to support hurricane recovery. In response, NAVFAC updated its procedures for using the GCC-MAC contract. Specifically, the NAVFAC procedures required contracting personnel to request and obtain cost estimates with sufficient detail to determine price reasonableness, evaluate proposals and associated data, and document the principal elements of

[23] Report No. D-2008-097, "Hurricane Relief Effort Costs on the Navy Construction Capabilities Contract," May 23, 2008.

the negotiated agreement in the contract file. For example, the GCC-MAC contract required contractors to provide detailed cost proposals that explain in sufficient detail all costs associated with material, labor, equipment, subcontracts, overhead, and fee. NAVFAC's procedures also break down the GCC-MAC award process into a step-by-step process that refers to the associated FAR and Naval Facilities Acquisition Standards for each step.

The NAVFAC SE contracting officials stated that they did not use NAVFAC's procedures because they felt the procedures were not sufficient for meeting the urgent needs during the months following the initial hurricane impact. Specifically, the NAVFAC SE contracting officials stated that the procedures did not include communication with the contractor until the last step in the process. The officials stated that they prefer to communicate with the contractor as early in the process as they can. Therefore, the NAVFAC SE contracting officials explained that they used their own procedures to plan, award, and administer the task order. Although the NAVFAC procedures are not streamlined for emergency acquisition contracts, NAVFAC developed the GCC-MAC procedures to ensure controls are in place for its contracting officers to negotiate emergency construction and engineering contracts at fair and reasonable prices. By not complying with the NAVFAC GCC-MAC procedures, the NAVFAC SE contracting officials did not design a contracting environment for cost control.

NAVFAC Atlantic should develop and implement a peer review process to verify that contracting officers from the regional commands comply with Federal and NAVFAC procedures. In addition, because the NAVFAC SE contracting officials stated that the procedures were not sufficient, NAVFAC Atlantic should also re-evaluate the GCC-MAC procedures to ensure that the procedures are clear, concise, and easy to implement.

NAVFAC SE Used Concurrence Memorandums in an Attempt to Convert the Initial Recovery Contract to FFP

To control costs after the initial recovery efforts, the NAVFAC SE contracting officials created their own process that they stated converted the CPAF contract to individual, small scope, FFP tasks using concurrence memorandums. However, the NAVFAC SE contracting officials did not formally convert any of the contract terms or conditions from CPAF to FFP, in accordance with the FAR. The FAR permits contracting officials to use sound business judgement to develop innovative procedures that are in the best interest of the Government, as long as the procedures are consistent with law and within the

NAVFAC SE contracting officials did not formally convert any of the contract terms or conditions from CPAF to FFP.

limits of the contracting officials' authority.[24] The FAR states that CPAF contracts are cost-reimbursement contracts that provide payment of allowable incurred costs and an award fee amount sufficient to provide motivation for excellence in contract performance. The award fee amount is fixed at the inception of the contract and is awarded based upon the Government's judgmental evaluation of the contractor's overall cost, schedule, and technical performance.[25] CPAF contracts require adequate Government resources and surveillance during performance to provide reasonable assurance that efficient methods and effective cost controls are used.[26] Conversely, the FAR states that FFP contracts have prices that are set when the contract is awarded and the prices are not subject to any adjustment based on the contractor's cost in performing the contract. FFP contracts place maximum risk and full responsibility for all costs and resulting profit or loss upon the contractor, creating incentive for the contractor to control costs and perform effectively, while imposing minimum administrative burden on the Government.[27] Furthermore, the FAR requires the use of standard forms when modifying contracts, and prohibits agencies from using any other form for the same purpose without receiving an exception in advance.[28] Yet, the NAVFAC SE contracting officials stated that they converted the CPAF task order to an FFP contract using the concurrence memorandums.

On September 20, 2017, the NAVFAC SE contracting officials required the URS officials to start developing concurrence memorandums for individual tasks. Specifically, the NAVFAC SE contracting officer provided the URS officials with a concurrence memorandum template that included language to request concurrence for a specific task, the cost of the task, and the value of the award fee that would apply to the task. A URS Vice President forwarded the concurrence memorandum direction from NAVFAC SE to his employees and stated that initial recovery efforts, such as tear-out, drying, expedient roofing, and contingency repairs would continue to be CPAF work. However, he directed his employees to write FFP concurrence memorandums for permanent repairs.

~~(FOUO)~~ URS wrote the concurrence memorandums to request that the NAVFAC SE contracting officials concur with the proposed costs that URS would charge NAVFAC SE for the work that URS's subcontractors would perform. In the concurrence memorandums, URS contracting officials provided NAVFAC SE their fixed-fee proposal that included the costs for the subcontractor that URS

[24] FAR 1.102-4 "Role of the Acquisition Team."
[25] FAR 16.305, "Cost-plus-award-fee contracts."
[26] FAR 16.301-3, "Limitations."
[27] FAR 16.202, "Firm-fixed-price contracts."
[28] FAR 53.243, "Contract modifications (SF30)"; FAR 43.301, "Use of forms"; and FAR 53.103, "Exceptions."

~~(FOUO)~~ recommended and a[redacted] percent profit for URS. The NAVFAC SE and URS officials explained that the procedures for developing concurrence memorandums started with NAVFAC Key West officials identifying which buildings needed priority repairs. The officials explained that the NAVFAC Key West officials would walk through damaged facilities with the URS officials to identify repairs and develop an initial statement of work for the individual tasks. After developing the initial statement of work, the URS officials identified and invited subcontractors to visit the damaged buildings to assess the cost of repairs. Based on the discussions with subcontractors, the URS officials updated the statement of work, if necessary, then obtained and reviewed subcontractor proposals. After reviewing subcontractor proposals, the URS officials wrote a concurrence memorandum for each small scope task, such as replacing the roof of one building. Each concurrence memorandum contained:

- the statement of work that URS wrote;
- subcontractor proposals;
- URS's analysis of the subcontractors' proposals, including their determination of fair and reasonable prices;
- a recommendation to award an FFP subcontract to the best value subcontractor; and
- a summary of URS's overhead and profit related to the individual task.

According to the NAVFAC SE contracting officials, URS wrote the concurrence memorandums and submitted them to NAVFAC SE for review, approval, and signature. URS contracting officials and NAVFAC SE officials stated that the NAVFAC SE contracting officer typically did not question the concurrence memorandums, but the COR sometimes requested changes to the statements of work. The NAVFAC SE contracting officer, the COR, and a URS contracting official signed the memorandums signifying concurrence with the proposed costs. The NAVFAC SE and URS officials stated that after the contracting officer signed the concurrence memorandums, the contractor could begin the work.

On October 7, 2017, the NAVFAC SE contracting officer signed the first concurrence memorandum, nearly 1 month after NAVFAC SE awarded the CPAF task order. According to the NAVFAC SE contracting officials, NAVFAC SE paid $9.3 million under the initial CPAF portion of the task order, while NAVFAC SE contracting officials signed 94 concurrence memorandums valued at $26.4 million. While the concurrence memorandums requested NAVFAC SE's concurrence for URS's subcontractor costs and URS's added profit, this did not change the CPAF contractual relationship that NAVFAC SE

While the concurrence memorandums requested NAVFAC SE's concurrence, this did not change the CPAF contractual relationship.

had with URS because the NAVFAC SE contracting officials did not formally change any of the contract terms or conditions. Therefore, the concurrence memorandums were a way for URS to notify NAVFAC SE of its costs to complete work for the CPAF contract.

NAVFAC SE Could Not Justify Initial Recovery Cost

Until the NAVFAC SE contracting officials started using concurrence memorandums, the contracting officials did not obtain cost proposals or document negotiations and their determination of fair and reasonable prices. Therefore, the NAVFAC SE contracting officials could not justify the costs for the initial $9.3 million of the hurricane recovery. Natural disasters provide a unique opportunity for fraud, abuse, and mismanagement, which DoD contracting officials have a responsibility to avoid. Thus, NAVFAC defined cost control procedures for the GCC-MAC. Specifically, the GCC User Guide states that a mutual understanding of the statement of work, based on the contractor's proposal and an independent estimate, facilitates a reliable cost estimate that forms the basis for controlling costs. The guide further states that it is important to negotiate costs as precisely as possible, because unconstrained limits may result in needless expenditure of resources and waste of funds. However, the NAVFAC SE contracting officials did not implement the cost control procedures that the FAR and NAVFAC guidance require.

Without establishing a basis for controlling costs on the cost reimbursement contract, the COR documented that, in his opinion, the initial stabilization effort in Key West was ineffective and costly. Specifically, the COR stated that URS was unprepared to handle the massive stabilization effort during the initial recovery. In addition, the COR documented that URS could not verify the actual time and materials expensed by subcontractors and tracking costs became difficult to prove to NAVFAC. For example, on September 28, 2017, the NAVFAC SE contracting officials requested a summary of daily costs from URS. However, the URS officials could not provide costs for their subcontractors. Instead, they could provide only the cost of their rental equipment.

Furthermore, without documentation to support the decisions of NAVFAC SE contracting officials, we could not verify the complete history for the task order to determine whether the NAVFAC SE contracting officials negotiated or purchased supplies and services from a responsible source at fair and reasonable prices for the initial recovery. As a result, we have little assurance that the NAVFAC SE contracting officials awarded and administered the task order in the best interests of the Government for the initial $9.3 million recovery effort.

Concurrence Memorandums Potentially Created Illegal CPPC Contract

While the NAVFAC SE contracting officials used concurrence memorandums to control costs for permanent repairs, the contracting officials did not convert any of the contract terms or conditions from CPAF to FFP. Therefore, the use of concurrence memorandums by NAVFAC SE contracting officials may have created an illegal CPPC contracting system, as defined by Federal laws and the FAR. The United States Code, the FAR, and the Government Accountability Office (GAO) prohibit the use of a CPPC system of contracting.[29] The GAO defines a CPPC contract as a contract where the Government agrees to pay contractor costs, which are undetermined at the time the contract is made and to be incurred in the future, plus a commission based on a percentage of the future costs. The GAO further explained that the CPPC system of contracting provides contractors with temptation and opportunity to increase profit by carelessly or deliberately increasing cost at the expense of the Government. Therefore, the GAO created a four-point test to help determine whether a contract is a CPPC system of contracting.

A CPPC is a contract where the Government agrees to pay contractor costs, which are undetermined, plus a commission based on a percentage of future costs.

1. Payment of profit is based on a predetermined percentage rate.
2. The predetermined percentage rate is applied to actual performance costs.
3. The contractor's entitlement is uncertain at the time of contracting.
4. The contractor's entitlement increases commensurately with increased performance costs.[30]

~~(FOUO)~~ Using the four-point test, we determined that the use of concurrence memorandums by NAVFAC SE contracting officials may have created an illegal CPPC contracting system that did not incentivize the prime contractor to complete the contract effectively or efficiently. As a result, the NAVFAC SE contracting officials incorrectly paid the prime contractor $[redacted] million of profit, which increased proportionally with the contractor's costs.

[29] Section 2306(a), title 10, United States Code; FAR 16.102(c); and Comptroller General Decision 35 Comp. Gen. 434, B-126794 (January 27, 1956).

[30] Comptroller General Decision 62 Comp. Gen. 337, B-211213 (April 21, 1983).

NAVFAC SE May Have Created a CPPC Contracting System

~~(FOUO)~~ The NAVFAC SE contracting officials potentially created an illegal CPPC contracting system. The concurrence memorandums included a fixed percentage rate for profit that URS applied to its costs. Specifically, the NAVFAC SE and URS contracting officials agreed on applying a fixed [redacted] percent profit for the FFP concurrence memorandums. The NAVFAC SE contracting officials stated that they pre-negotiated the [redacted] percent profit rate with URS on a previous contract for Hurricane Matthew in December 2016. Therefore, the profit that URS applied to the concurrence memorandums was a predetermined percentage rate.

~~(FOUO)~~ URS applied the fixed [redacted] percent profit rate to its actual performance costs. NAVFAC SE contracting officials awarded the task order as a CPAF contract. The NAVFAC SE contracting officials stated that they converted the CPAF task order to FFP using the concurrence memorandums. Specifically, the NAVFAC SE contracting officials stated that the concurrence memorandums are their contract file for the FFP portion of the contract. However, the NAVFAC SE contracting officials did not formally convert the contract to FFP. Instead, all of the contract documentation and modifications identify the contract as CPAF. Without formally converting the contract to FFP, NAVFAC SE and URS have a CPAF contract, where NAVFAC SE agreed to pay URS's costs to perform the contract, which were unknown at the time NAVFAC SE awarded the contract and contract modifications.

All of the contract documentation and modifications identify the contract as CPAF.

~~(FOUO)~~ The NAVFAC SE contracting officials approved adjustments to the cost of the concurrence memorandums based on URS's cost in performing the contract. The concurrence memorandums explained and included supporting documentation for URS's costs, such as direct labor, overhead, and subcontractor costs. Yet, we determined that the cost of the concurrence memorandums fluctuated from the original agreed upon costs. For example, of the 94 concurrence memorandums that URS wrote, URS requested 62 change orders that increased or decreased the value of the tasks. The change orders included additional funding for taxes, bonds, or changes to the original statement of work. Therefore, the NAVFAC SE contracting officials used the concurrence memorandums to monitor and concur with URS's actual cost in performing the contract. However, each of the concurrence memorandums included the [redacted] percent profit applied to all of URS's costs. See Table 4 for an example of the change orders for one of the concurrence memorandums.

~~(FOUO)~~ *Table 4. Summary of Change Orders for Concurrence Memorandum 12*

~~(FOUO)~~ Concurrence Memorandum	Date	Task	Subcontractor Costs	URS's Fixed Profit	Total
12	Oct. 11, 2017	Warehouse Roof Replacement	$[redacted]	$[redacted]	[redacted]
12a	Nov. 20, 2017	Additional Repairs Identified	[redacted]	[redacted]	[redacted]
12b	Dec. 13, 2017	Additional Repairs Identified	[redacted]	[redacted]	[redacted]
12c	Jan. 1, 2019	Add Sales Tax	[redacted]	[redacted]	[redacted]
12c	Jan. 1, 2019	Credit for Bond	[redacted]	[redacted]	[redacted]
Total			$[redacted]	$[redacted]	$[redacted] ~~(FOUO)~~

Source: The DoD OIG.

~~(FOUO)~~ URS's profit increased commensurately as NAVFAC SE assigned additional recovery tasks for concurrence memorandums. Specifically, as the NAVFAC SE officials assigned small scope tasks to URS, URS's profit increased proportionately to the contract costs. By directly tying a percentage of profit to the cost of completing the contract, NAVFAC SE contracting officials created a risk that URS could have increased profit by carelessly or deliberately increasing cost at the expense of the Government, in accordance with the GAO's definition of CPPC contracting systems. Therefore, the NAVFAC SE contracting officials may have created an illegal CPPC contracting system that did not incentivize URS to complete the contract tasks efficiently or effectively. Had the NAVFAC SE contracting officials used the concurrence memorandums to direct only CPAF type work, without including the fixed-profit percentage, the concurrence memorandums would not have created an illegal contracting system. However, the fixed [redacted] percent profit that URS applied to all of its costs associated with the concurrence memorandums may have created the illegal CPPC contracting system.

Furthermore, the NAVFAC SE contracting officials stated that they used the same procedures for other task orders issued to support hurricane recovery. Specifically, the NAVFAC SE contracting officials used the concurrence memorandum process to convert CPAF task orders to FFP on several other task orders, including task orders issued to support hurricane recovery work for Hurricanes Matthew (2016), Harvey (2017), Irma in North Florida (2017), and Michael (2018). See Table 5 for a list of the contracts and hurricanes that the NAVFAC SE contracting officials used the concurrence memorandum process for FFP tasks.

Table 5. Hurricane Recovery Task Orders That Used Concurrence Memorandums

Task Order Number	Date	Hurricane	Contractor	Contract Type	Dollar Amount
JM01	Oct. 19, 2016	Matthew	URS	CPAF	$3,031,791
N69450-17-F-0076	Aug. 28, 2017	Harvey	CH2M Hill	CPAF	21,468,698
N69450-17-F-0077	Sept. 15, 2017	Irma	URS	CPAF	35,898,816
N69450-17-F-0078	Sept. 17, 2017	Irma	URS	CPAF	27,000,000
N69450-19-F-0075	Oct. 10, 2018	Michael	URS	FFP	NTE 42,510,000*

*NTE stands for not-to-exceed. Contract N69450-19-F-0075 states that it is FFP, but it also states that it has a not-to-exceed price threshold.
Source: The DoD OIG.

NAVFAC SE Did Not Incentivize Efficient or Effective Performance

The NAVFAC SE contracting officials did not incentivize URS to perform efficiently or effectively, in accordance with the FAR. The FAR states that contracting officers should negotiate a contract type and price (or estimated cost or fee) that will result in reasonable contractor risk and provide the contractor with the greatest incentive for efficient and economical performance.[31] Both the Government and contractor should be concerned with profit as a motivator of efficient and effective contract performance. Negotiation of extremely low profits, use of historical averages, or automatic application of predetermined percentages to total estimated costs does not provide proper motivation for optimum contract performance.[32] Under a CPAF contract, the amount of profit or fee payable is not predetermined but based on a judgmental evaluation of the contractor's performance, using performance evaluation factors defined in the contract.

~~(FOUO)~~ The NAVFAC SE contracting officials awarded the task order as a CPAF contract and set the available award fee at [redacted] percent of the contract costs, which was the maximum award fee permitted by the GCC-MAC contract. The GCC-MAC contract defined four performance evaluation factors for the Government's determination of the award fee amount that URS could earn through contract performance. Specifically, the GCC-MAC contract states that NAVFAC officials would evaluate URS's performance for Contract Management, Cost Control, Schedule, and Technical Performance. A contractor that exceeded almost all of the award fee criteria could earn 91 percent to 100 percent of the available award fee, while a contractor that did not meet overall requirements would earn no award fee.

[31] FAR 16.103, "Negotiating contract type."
[32] FAR 15.404-4 "Profit."

~~(FOUO)~~ However, NAVFAC SE stopped maintaining the available award fee, thereby reducing the award fee's ability to incentivize URS. Once the NAVFAC SE contracting officials required URS to develop concurrence memorandums with [redacted] percent profit, the NAVFAC SE contracting officials stopped maintaining the [redacted] percent of the total contract cost that was available for the award fee. Initially, the NAVFAC SE contracting officials increased the available award fee whenever they increased the value of the task order. However, in December 2017, the contracting officials started increasing the task order value without increasing the available award fee. The contracting officials eventually increased the task order's total value to $35.9 million, but the available award fee was only $375,000, or 1 percent of the total contract value. As of August 29, 2019, contracting officials from both NAVFAC SE and URS stated that NAVFAC had not evaluated the award fee for payment to URS. URS contracting officials stated that they have not requested NAVFAC to pay the award fee, because the potential award fee was a small value and a low priority for URS.

~~(FOUO)~~ The award fee was intended to incentivize URS by tying profit to an evaluation based on URS's performance. However, the NAVFAC SE contracting officials paid URS 100 percent of the [redacted] percent profit that URS included in the concurrence memorandums, regardless of URS's actual performance. Consequently, NAVFAC SE contracting officials documented challenges with URS's performance during the first year of the contract. On October 6, 2017, the NAVFAC SE contracting officials issued a letter of concern to URS, which detailed poor performance in the first month of the contract. Specifically, the letter of concern explained that URS's subcontractors were slow to install temporary roofing, causing extra rework whenever rain damaged building interiors that other URS subcontractors had already repaired. In March 2018, the NAVFAC SE contracting officials documented their evaluation of URS's performance, which included schedule, quality, safety, cost control, and management performance deficiencies. Many of these same issues were documented by the COR in his May 2018 award fee assessment of URS's performance. In the assessment, the COR rated URS as [redacted] for Contract Management, Cost Control, Schedule, and Technical Performance. On a five scale rating system, [redacted] is the [redacted] rating. The COR recommended an award fee of only [redacted] percent.

The award fee was intended to incentivize URS by tying profit to an evaluation based on URS's performance.

~~(FOUO)~~ The NAVFAC SE contracting officials may have created a CPPC contract system that tied the contractor's profit to the contractor's actual costs of performance, rather than linking profit to an evaluation of contractor performance. The NAVFAC SE contracting officials paid URS all of the [redacted] percent profit for the

~~(FOUO)~~ $26.4 million of concurrence memorandums, despite NAVFAC SE's documentation of URS's performance challenges in the first year of the contract. Therefore, the NAVFAC SE contracting officials created little incentive for URS to control costs.

NAVFAC SE Overpaid Contractor

~~(FOUO)~~ The NAVFAC SE contracting officials inappropriately paid the prime contractor $[redacted] million of profit for the $26.4 million of concurrence memorandums, which increased proportionally with the contractor's costs. The NAVFAC SE contracting officials deviated from the FAR and NAVFAC guidance when converting the CPAF contract to individual small scope, FFP tasks. The NAVFAC SE contracting officials stated that their use of concurrence memorandums to convert the contract from CPAF to FFP was an innovative procedure, in accordance with the FAR. The FAR states that in the absence of specific policy or procedures, contracting officers are permitted to use sound business judgement to develop innovative procedures that are in the best interest of the Government, but the procedures must be consistent with law.[33] However, the procedures that NAVFAC SE contracting officials used may have resulted in an illegal CPPC contracting system that did not incentivize the contractor to complete the recovery efforts efficiently. Without incentive to meet contractual performance metrics, URS had performance challenges during the first year of the recovery. Despite the contractor's performance challenges in the first year of the contract, the NAVFAC SE officials increased URS's potential profit from an award fee that was valued at [redacted] percent of the contract's cost, to a [redacted] percent fixed profit paid to URS for all of its costs, regardless of performance. As a result, the NAVFAC SE contracting officials incorrectly paid URS at least $[redacted] million of fixed profit that URS requested in the concurrence memorandums.

As an additional consideration, the NAVFAC SE contracting officials stated that they used the same procedures for the task orders for Hurricanes Matthew, Harvey, Irma, and Michael. Therefore, the NAVFAC SE Commander should request assistance from the Defense Contract Audit Agency (DCAA) to review the allowability of all costs and profit paid to URS for the task order to recovery Naval Air Station Key West after Hurricane Irma. Based on the review, the NAVFAC SE Commander should recoup any excess payments made to URS. In addition, the NAVFAC Atlantic Commander should review the task orders for Hurricanes Matthew, Harvey, Irma, and Michael to determine whether the NAVFAC SE contracting officials created illegal CPPC

The NAVFAC SE contracting officials stated that they used the same procedures for Hurricanes Matthew, Harvey, Irma, and Michael.

[33] FAR 1.102-4(e).

contracting systems. If the NAVFAC SE contracting officials created illegal CPPC contracting systems for these contracts, then NAVFAC Atlantic should request assistance from the DCAA to determine the allowability of the costs paid to the contractors to identify and recoup excess payments. Finally, the NAVFAC SE Commander should review the concerns addressed in this report, including the performance of the contracting officer and the Acquisition Division Director, and if appropriate, initiate any administrative actions warranted by the review.

Recommendations, Management Comments, and Our Response

Recommendation A.1

We recommend that the Commander of Naval Facilities Engineering Command Atlantic:

a. **Reiterate procedures for Naval Facilities Engineering Command Atlantic's regional commands, including Naval Facilities Engineering Command Southeast, to request assistance when needed, and develop and implement procedures to augment staff at the regional commands if multiple natural disasters occur within the same area of responsibility in a short period.**

Naval Facilities Engineering Command Atlantic Comments

The NAVFAC Atlantic Vice Commander, responding for the NAVFAC Atlantic Commander, agreed with the recommendation, stating that NAVFAC Atlantic will conduct a Global Contingency Construction-Multiple Award Contract (GCC-MAC) workshop with its stakeholders. The Vice Commander stated that during the GCC-MAC workshop, NAVFAC Atlantic will reiterate procedures for Regional Commands to request assistance when needed. Additionally, the Vice Commander stated that NAVFAC Atlantic will develop procedures to augment staff at its Regional Commands when multiple natural disasters occur within the same area of responsibility during a short period of time. The Vice Commander stated that NAVFAC Atlantic will issue updated guidance by June 30, 2020.

Our Response

Comments from the Vice Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once NAVFAC Atlantic provides documentation that it conducted a GCC-MAC workshop with its Regional Commands, which included a discussion to reiterate procedures for requesting assistance when needed, and documentation that NAVFAC Atlantic developed procedures to augment staff when multiple natural disasters occur in a short period.

b. Develop and implement a peer review process to verify that contracting officers from the Naval Facilities Engineering Command regional commands, including Naval Facilities Engineering Command Southeast and Mid-Atlantic, are complying with Federal Acquisition Regulations and Naval Facilities Engineering Command procedures.

Naval Facilities Engineering Command Atlantic Comments

The NAVFAC Atlantic Vice Commander, responding for the NAVFAC Atlantic Commander, agreed with the recommendation, stating that NAVFAC Atlantic is developing and will implement procedures to perform both pre- and post-award peer reviews for future hurricane actions. The Vice Commander stated that the procedures and peer review process will be accomplished and communicated by April 30, 2020.

Our Response

Comments from the Vice Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once NAVFAC Atlantic provides documentation that it developed procedures to include a requirement to perform both pre- and post-award peer reviews for future hurricane actions and has implemented a peer review process that includes random samplings at the pre- and post-award phases of GCC-MAC use.

c. Coordinate with all relevant stakeholders, including officials from Naval Facilities Engineering Command Southeast, Mid-Atlantic, and the other regional commands, to re-evaluate the Global Contingency Construction-Multiple **Award Contract procedures for emergency construction and engineering services, and, if needed, develop clear and concise implementation guidance for use during a disaster.**

Naval Facilities Engineering Command Atlantic Comments

The NAVFAC Atlantic Vice Commander, responding for the NAVFAC Atlantic Commander, agreed with the recommendation, stating that NAVFAC Atlantic will conduct a workshop with stakeholders focusing on the DoD OIG report findings, lessons learned during hurricane efforts, and an in in-depth discussion on better planning, documentation, and best practices. The Vice Commander stated that NAVFAC Atlantic will update its guidance on the use of the GCC-MAC, emphasizing compliance with regulations, statutes, quality documentation, and recommended best practices. The Vice Commander stated that NAVFAC Atlantic will issue updated guidance, if applicable, no later than June 30, 2020.

Our Response

Comments from the Vice Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once NAVFAC Atlantic provides documentation that it conducted a GCC-MAC workshop with its Regional Commands and updated its guidance to include an emphasis on compliance with regulations, statutes, quality documentation, and recommended best practices.

d. Review the task orders that Naval Facilities Engineering Command Southeast issued for Hurricanes Matthew, Harvey, Irma in North Florida, and Michael to determine whether Naval Facilities Engineering Command Southeast contracting officials awarded and administered the contracts in accordance with the Federal Acquisition Regulation and Naval Facilities Engineering Command standard operating procedures for the Global Contingency Construction contract.

Naval Facilities Engineering Command Atlantic Comments

The NAVFAC Atlantic Vice Commander, responding for the NAVFAC Atlantic Commander, agreed with the recommendation, stating that NAVFAC Atlantic will conduct a review of the hurricane recovery task orders concurrently with a NAVFAC SE Inspector General inspection from April 26 to May 1, 2020. The Vice Commander stated that NAVFAC Atlantic estimates its review will be completed by May 30, 2020.

Our Response

Comments from the Vice Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once NAVFAC Atlantic provides documentation that it conducted a review of the task orders NAVFAC SE issued for Hurricanes Matthew, Harvey, Irma in North Florida, and Michael and determines whether NAVFAC SE contracting officials awarded and administered the contracts in accordance with the FAR and NAVFAC standard operating procedures for the GCC-MAC.

e. **Based on the results of Recommendation A.1.d, request a Defense Contract Audit Agency audit to review the allowability of all costs and profit paid to the prime contractors, and request a refund for any excess payments made to the prime contractors.**

Naval Facilities Engineering Command Atlantic Comments

The NAVFAC Atlantic Vice Commander, responding for the NAVFAC Atlantic Commander, agreed with the recommendation, stating that if NAVFAC Atlantic's review of files identified in Recommendation A.1.d indicates non-compliance with the FAR and NAVFAC standard operating procedures for the GCC-MAC, then NAVFAC SE will request DCAA to determine the allowability of all costs and profit paid to the contractors under the referenced hurricane task orders. The Vice Commander also stated that, if appropriate, NAVFAC SE will issue requests for refunds to the affected contractors. The Vice Commander stated that the estimated completion date for NAVFAC SE to request DCAA audits is June 15, 2020, and that the estimated completion date to request refunds from affected contractors is contingent on the DCAA audit findings and completion.

Our Response

Comments from the Vice Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once NAVFAC Atlantic provides documentation that it requested DCAA audits to determine the allowability of all costs and profit paid to the contractors under the referenced hurricane task orders, if appropriate, and that NAVFAC SE issued requests for refunds to the affected contractors upon the completion of the DCAA audits, if necessary.

Recommendation A.2

We recommend that the Commander of Naval Facilities Engineering Command Southeast:

a. **Request a Defense Contract Audit Agency audit to review the allowability of all costs and profit paid to URS under task order N69450-17-F-0077.**

Naval Facilities Engineering Command Southeast Comments

The NAVFAC Atlantic Vice Commander, responding for the NAVFAC SE Commander, agreed with the recommendation, stating that on November 22, 2019, NAVFAC SE requested a DCAA audit to review the allowability of all costs and profit paid to URS under task order N69450-17-F-0077.

Our Response

Comments from the Vice Commander addressed all specifics of the recommendation; therefore, the recommendation is closed.

b. ~~(FOUO)~~ Request a refund from URS for any excess payment identified by the Defense Contract Audit Agency audit, which could include the $[redacted] million of profit incorrectly paid to the prime contractor.

Naval Facilities Engineering Command Southeast Comments

The NAVFAC Atlantic Vice Commander, responding for the NAVFAC SE Commander, agreed with the recommendation, stating that NAVFAC SE is waiting for the DCAA to complete its analysis and provide a report to NAVFAC SE. The Vice Commander stated that NAVFAC SE will issue a demand letter for any excess payment DCAA identifies, if applicable. The Vice Commander stated that the estimated completion date for the DCAA audit is April 15, 2020.

Our Response

Comments from the Vice Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once NAVFAC SE provides documentation that it issued a request for refunds to URS in the amount identified during the DCAA audit, if appropriate.

c. Review the concerns identified in this report, including the actions of the Acquisition Division Director and the contracting officer, and take administrative actions, if necessary.

Naval Facilities Engineering Command Southeast Comments

The NAVFAC Atlantic Vice Commander, responding for the NAVFAC SE Commander, agreed with the recommendation, stating that the NAVFAC SE Commanding Officer examined the current processes and is already instituting changes and improvements for contracting and oversight. In addition, the Vice Commander stated that after careful consideration of the facts, the NAVFAC SE Commanding Officer determined that disciplinary action was not appropriate. The Vice Commander stated the actions were completed on December 23, 2019.

Our Response

Comments from the Vice Commander addressed all specifics of the recommendation; therefore, the recommendation is closed.

Finding B

Camp Lejeune Officials Defined Contract Requirements for Hurricane Florence, but Contracting Officials Could Improve Analysis

~~(FOUO)~~ The NAVFAC MIDLANT contracting officials and the Camp Lejeune Public Works Department (PWD) implemented several best practices when developing, awarding, and overseeing the initial GCC-MAC task order issued to recover Camp Lejeune and Cherry Point after Hurricane Florence. However, the NAVFAC MIDLANT contracting officials did not control costs when evaluating the prime contractor's proposal and negotiating the task order modifications. Specifically, the contracting officer did not effectively assess the prime contractor's cost and pricing proposals or verify that the proposals were complete and accurate, in accordance with Federal and DoD acquisition regulations.[34] This occurred because the NAVFAC MIDLANT contracting officials conducted an expedited proposal analysis, without requesting expert assistance. As a result, the NAVFAC MIDLANT contracting officials paid excessive prices [redacted], which caused the Government to pay the prime contractor at least $[redacted] million of excess profit.[35]

Best Practices Implemented

The NAVFAC MIDLANT contracting officials and the Camp Lejeune PWD used several best practices during the initial Hurricane Florence recovery task order for Camp Lejeune and MCAS Cherry Point. The Defense Contingency Contracting Handbook and the OMB Emergency Acquisitions Guide provide guidance and suggestions for contracting officials to use during natural disasters, such as hurricanes. The NAVFAC MIDLANT contracting officials and the Camp Lejeune PWD implemented many of the suggestions, such as developing detailed disaster recovery plans, prepositioning contractors, providing extensive oversight, and limiting the task order to the initial recovery efforts.

[34] FAR 15.402; FAR 15.403; FAR 15.404, "Proposal Analysis"; DFARS 215.404, "Proposal Analysis." FAR 15.406 states that the contractor's pricing proposal must be complete, accurate, and current as of the price agreement date.

[35] We selected a sample of contract line items to review, which included mold remediation, subcontractor mobilization/demobilization, electrical restoration, and per diem. These line items account for $40.0 million of the $89.3 million task order. We did not review roofing, debris removal, PMT, or the general requirements, among other contract line items. See the Appendix for a discussion of our scope and methodology.

The Camp Lejeune PWD defined the contract requirements based on past hurricane experience. The Defense Contingency Contracting Handbook suggests contracting officials should develop a plan that includes response procedures in areas susceptible to hurricanes. The handbook states that contracting officials should tailor the plan to fit the specific needs of the operating location. The Camp Lejeune PWD developed a Destructive Weather Plan that it updates annually to reflect lessons learned from past events. The plan includes hurricane response procedures specific to Camp Lejeune. The hurricane procedures detail the responsibilities that Camp Lejeune officials must take before, during, and after a hurricane. The procedures assign responsibilities based on the magnitude of the hurricane. The Camp Lejeune Destructive Weather Plan included prepositioning contractors and using defined crews, both of which the NAVFAC MIDLANT contracting officials and the Camp Lejeune PWD incorporated into the initial Hurricane Florence recovery task order.

The Camp Lejeune PWD developed a Destructive Weather Plan that it updates annually to reflect lessons learned from past events.

The task order required Environmental Chemical Corporation (ECC) to preposition a PMT, four electrical crews, and five roofing crews at Camp Lejeune and Cherry Point. The Camp Lejeune PWD stated that the roads leading to the base flood during storms, so it was important to have the PMT and crews on base before the hurricane. However, by prepositioning only a limited number of crews the NAVFAC MIDLANT contracting officials reduced the financial burden if the storm path shifted and did not affect the bases. An additional benefit was that the PMT was co-located in the same building with the Camp Lejeune and Cherry Point PWDs at their respective bases.[36] The PWD and ECC personnel stated that being co-located before the hurricane contributed to the successful execution of the initial recovery efforts. Specifically, the NAVFAC MIDLANT contracting officials, the PWD, and the PMT were able to familiarize the PMTs with the bases and develop plans to implement immediately following the hurricane. Additionally, prepositioning electrical and roofing crews allowed the PWD and PMT to carry out their plan and expedite the recovery efforts. For example, the officials stated that the electrical crews began working as soon as wind speeds reduced to a safe level, which resulted in restoring the power within 2 days at Camp Lejeune. By comparison, the Camp Lejeune PWD officials stated that it took the community outside of Camp Lejeune over a week to restore fully its main power supply. Likewise, by prepositioning roofing crews, Camp Lejeune was able to quickly apply temporary roofing and prevent additional damage to the interior of buildings.

[36] In comparison, the members of the PMT for Hurricane Irma were required to call into meetings from their office, which resulted in the PMT not developing the required response plans.

The Camp Lejeune PWD also used past hurricane experience to develop the use of defined work crews. By purchasing a defined number of crews for a set number of days, the Camp Lejeune PWD was able to move crews as priorities shifted or new needs were identified. For example, the Camp Lejeune PWD stated that there were instances when roofing crews were instructed to apply tarps to certain buildings. However, as the engineers inspected buildings across the base, they determined that it would be more cost-effective to replace some buildings instead of repairing them. In these instances, the PWD could easily shift the roofing crews to begin working on different buildings. Had the PWD assigned crews to perform work on a specific building with a statement of work specific to that building, it would have been more difficult to move them to a different job. By using defined crews at a fixed price, the Camp Lejeune PWD created flexibility in completing the initial recovery efforts based on priorities.

The PWD also provided extensive oversight to the prime contractor and subcontractors, in accordance with the OMB Emergency Acquisitions Guide. The guide states that during emergencies, appropriate surveillance is needed to ensure timely and satisfactory contract performance. The Camp Lejeune PWD assigned between 30 and 40 oversight personnel with expertise to oversee the subcontractor crews. For example, PWD personnel with electrical backgrounds oversaw the electrical crews. The PWD assigned one oversight person per electrical crew. The oversight personnel assisted the subcontractors with navigating the base, locating electrical components, and providing on the spot guidance and input. This contributed to restoring the main power source within 2 days at Camp Lejeune. For other crews, such as debris removal crews, the PWD assigned oversight personnel to a region of the base. The oversight personnel were responsible for the oversight of all debris removal crews in their regions.

The PWD also provided extensive oversight to the prime contractor and subcontractors.

Finally, the NAVFAC MIDLANT contracting officials and the Camp Lejeune PWD awarded the task order for the initial recovery efforts only, as recommended in the OMB Emergency Acquisitions Guide. The guide states that agencies should limit the value and length of a contract to address only immediate needs when time does not allow adequate planning. Given the urgency to begin working following Hurricane Florence, the NAVFAC MIDLANT contracting officials and the Camp Lejeune PWD awarded the task order for only the initial recovery, which included restoring power, temporary roof repairs, dry-out and mold remediation of buildings, and debris removal. Initial repairs were awarded to the GCC-MAC contractor, and then NAVFAC MIDLANT contracting officials awarded permanent repairs as separate contracts. The FAR and DFARS require contracting officials to compete contracts

to obtain fair and reasonable prices.[37] By focusing only on the initial recovery efforts, contracting officials were able to develop more defined statements of work for follow-on work. Defined statements of work and competition assist the Government with controlling cost by obtaining fair and reasonable prices.

NAVFAC MIDLANT's Proposal Evaluation Did Not Control Costs

Although the NAVFAC MIDLANT contracting officials and the Camp Lejeune PWD used several best practices during the initial Hurricane Florence recovery task order, the NAVFAC MIDLANT contracting officials did not control cost when evaluating the prime contractor's proposals and negotiating the task order modifications. The FAR and DFARS require the contracting officer to award contracts with fair and reasonable prices.[38] To assist contracting officers, the FAR requires the contracting officer to obtain cost and pricing data and perform a proposal analysis to establish fair and reasonable prices.[39] Specifically, the FAR requires contracting officers to obtain certified cost or pricing data for acquisitions exceeding the TINA threshold.[40] Certified cost or pricing data means cost or pricing data that contractors are required to certify as accurate, complete, and current before submitting to the contracting officer, in accordance with the FAR.[41] The FAR defines cost or pricing data as all facts that prudent buyers and sellers would reasonably expect to affect price negotiations significantly.[42] Cost or pricing data are factual and verifiable. It is all the facts that can be reasonably expected to contribute to the soundness of estimates of future costs and to the validity of determinations of costs already incurred. Therefore, cost and pricing data could include vendor quotes, bids, and any information on management decisions that could have a significant bearing on costs.

In accordance with TINA, ECC was required to provide accurate, complete, and current cost proposals for the Hurricane Florence task order modifications to recover Camp Lejeune and MCAS Cherry Point. Specifically, 9 of the 10 contract modifications issued for the task order exceeded the $2 million TINA threshold and were awarded to ECC as sole-source modifications. Therefore, ECC provided detailed cost estimate spreadsheets for the contract modifications that exceeded the TINA threshold and were awarded to ECC as sole-source modifications. For example, for

9 of the 10 contract modifications issued for the task order exceeded the TINA threshold.

[37] FAR 15.305, "Proposal Evaluation," and DFARS 215.371-3, "Fair and Reasonable Price."

[38] FAR 15.402, "Pricing Policy"; DFARS 215.371-3.

[39] FAR 15.402, and FAR 15.404-1, "Proposal Analysis Techniques."

[40] The National Defense Authorization Act for FY 2018 increased the TINA threshold from $750,000 to $2 million, for contracts awarded after June 30, 2018.

[41] FAR 15.403-4, "Requiring Certified Cost or Pricing Data," and FAR 15.403-5, "Instructions for Submission of Certified Cost or Pricing Data and Data Other Than Certified Cost or Pricing Data."

[42] FAR 2.1, "Definitions."

contract modification 1, ECC provided a cost estimate spreadsheet and subcontractor cost proposals. The cost estimate spreadsheet included ECC's subcontractor price analysis, ECC's personnel and overhead cost estimates, and calculations of ECC's proposed costs of each contract line item. See Table 6 for the values of the base task order and contract modifications.

Table 6. Task Order and Modifications

Task Order/Modification	Date Signed	Amount
Base Task Order	September 11, 2018	$234,899
Modification 1	September 24, 2018	5,515,806
Modification 2	September 29, 2018	6,885,228
Modification 3	September 30, 2018	35,842,149
Modification 4	September 30, 2018	700,000
Modification 5	November 19, 2018	23,129,091
Modification 6	December 6, 2018	3,487,373
Modification 7	December 11, 2018	4,234,075
Modification 8	May 22, 2019	4,586,996
Modification 9	May 30, 2019	2,547,761
Modification 10	September 20, 2019	2,146,005
Total		**$89,309,383**

Source: The DoD OIG.

Although the NAVFAC MIDLANT contracting officials stated that they reviewed and analyzed the ECC cost proposals and negotiated fair and reasonable prices, the contracting officer did not perform a cost analysis or verify that the proposal was complete and accurate, in accordance with FAR and DFARS.[43] The FAR states that when certified cost or pricing data is required, the contracting officer must perform a cost analysis, evaluating the individual cost elements that make up the proposal. The FAR defines cost analysis as the review and evaluation of separate cost elements to determine fair and reasonable prices, while price analysis is the process of examining and evaluating proposed prices without evaluating the separate cost elements. DFARS further requires the contracting officer to perform an analysis of support equipment where a comparison of the item description and the proposed price indicate a potential for overpricing. However, the NAVFAC MIDLANT contracting officials did not assess the prime contractor's cost and pricing proposals or verify that the proposals were complete and accurate, in accordance with the FAR and DFARS.

[43] FAR 15.402; FAR 15.404-1; FAR 15.406-2, "Certificate of Current Cost or Pricing Data"; DFARS 215.404-1, "Proposal Analysis Techniques."

NAVFAC MIDLANT Contracting Officer Did Not Effectively Evaluate Proposal

The NAVFAC MIDLANT contracting officials did not effectively evaluate ECC's cost and pricing data proposal, in accordance with the FAR and DFARS.[44] The contracting officials stated that they did not review the individual cost elements. Instead, the contracting officials stated that they reviewed only the lump sum prices. Specifically, the officials stated that the analysis verified that ECC charged only the agreed-upon percentages for profit, overhead, and General and Administrative (G&A) expenses, and evaluated the total lump sum costs proposed by subcontractors. While the NAVFAC MIDLANT contracting officials questioned some of ECC's proposed costs, such as an inappropriate contingency fee, the contracting officials did not identify excessive pass-through costs, mobilization and demobilization rates, or per diem.

Excessive Pass-Through Costs

Without evaluating the reasonableness of individual subcontractor cost elements, the NAVFAC MIDLANT contracting officials did not effectively evaluate or negotiate subcontract prices, in accordance with the FAR and DFARS.[45] The FAR states that contracting officers are responsible for determining fair and reasonable prices for the prime contract, including subcontract costs. In addition, the DFARS requires the contracting officer to, at a minimum, perform an analysis of support equipment where a comparison of the item description and the proposed price indicate a potential for overpricing. However, the NAVFAC MIDLANT contracting officials stated that they performed an analysis that looked at only the lump sum prices for subcontractors. Specifically, the contracting officer stated she was not going to question subcontractor costs because ECC obtained competition for the subcontracts. Therefore, the NAVFAC MIDLANT contracting officials did not identify unsupported subcontractor costs, such as equipment and labor.

The DFARS requires the contracting officer to, at a minimum, perform an analysis of support equipment where a comparison of the item description and the proposed price indicate a potential for overpricing.

We found that ECC's subcontractor equipment and labor rates were high because ECC used third-tier subcontractors to perform the electrical restoration work, which resulted in paying pass-through costs to two companies. The GCC-MAC and ECC's subcontract include FAR clause 52.215-23, "Limitations on Pass-Through Charges," Alternate I, which states that the Government will not pay excessive

[44] FAR 15.402, FAR 15.404-1, DFARS 215.404-1.

[45] FAR 15.404-3 "subcontract pricing considerations"; DFARS 215.404-1.

pass-through costs. The FAR also states that if a contractor intends to subcontract more than 70 percent of the work under a task order, the contractor must justify in its proposal the value added by the pass-through subcontractors. Alternate I of FAR Clause 52.215-23 states that there will be no excessive pass-through charges provided the Contractor performs the disclosed value-added functions. The FAR states that value added includes the contractor performing subcontract management functions that the contracting officer determines are a benefit to the Government, such as managing multiple sources for contract requirements. Alternatively, the FAR states that excessive pass-through costs occurs when a contractor that provides no value to the contract charges the Government profit or fee on work performed by a subcontractor.

Value added includes performing subcontract management functions such as managing multiple sources for contract requirements.

~~(FOUO)~~ ECC selected Anders Environmental (Anders) as its electrical restoration subcontractor. We found that Anders subcontracted all of the electrical restoration work to Young General Contracting Inc. (Young). However, Young also subcontracted all of the work to JCL Power, which actually performed the electrical restoration at Camp Lejeune and MCAS Cherry Point. JCL Power officials stated that Young and Anders did not provide any value, such as a management team, or perform any of the electrical work at Camp Lejeune or MCAS Cherry Point. Although Anders and Young both stated that they provided administrative services to JCL Power, Young and Anders were pass-through companies because they did not provide value added, in accordance with the FAR clause in the contract. Young and Anders increased the prices for the electrical restoration by adding their own profit to JCL Power's equipment and labor rates. For example, JCL Power proposed a price of $[redacted] per day for each electrical crew's pickup truck, which it owned. Young and Anders both added profit to JCL Power's price. Therefore, Anders' proposed price was $[redacted] per day for each pickup truck. ECC then added profit and G&A expense to the subcontractor prices, which resulted in the NAVFAC MIDLANT contracting officials paying $[redacted] per day, per pickup truck for trucks owned by the subcontractor. The NAVFAC MIDLANT contracting officials acknowledged that the price of the pickup truck was a high price, but stated that they did not review the individual cost elements for ECC's subcontractors. Anders and Young's pass-through costs also resulted in similar excessive prices with Anders' electrical restoration labor rates.

Young and Anders increased the prices for the electrical restoration by adding their own profit to JCL Power's rates.

~~(FOUO)~~ While contracting officials from NAVFAC MIDLANT, ECC, and the subcontractor all stated that during an emergency, such as a hurricane, equipment and labor rates might increase, we compared the rates to prices the Government paid during hurricane recovery efforts in Puerto Rico. Specifically, for electrical restoration in Puerto Rico, the Government paid $[redacted] per day for subcontractor pickup trucks, or $224.16 less per day, per pickup truck than NAVFAC MIDLANT paid. Although JCL Power's initial prices were still higher than the prices paid for the hurricane recovery efforts in Puerto Rico, the JCL Power officials stated that they could have negotiated lower prices, if requested. NAVFAC MIDLANT's payment of $[redacted] per day for pickup trucks was the result of excessive pass-through costs from Anders and Young. As a result, the NAVFAC MIDLANT contracting officials paid excessive subcontractor pass-through costs of at least $178,578 for the electrical restoration crews, which included the pickup trucks, two bucket-trucks, a digger truck, a pole trailer, and six crewmembers.[46] See Table 7 for the pass-through cost added to the electrical restoration crew costs.

~~(FOUO)~~ Table 7. Electrical Restoration Crew Pass-Through Cost

~~(FOUO)~~	JCL Rates	Young Markup Rates	Anders Markup Rates	Total Pass-Through Cost	ECC Profit and G&A on Pass-Through	Total Excessive Pass-Through Cost*
Foreman	$[redacted]	$[redacted]	$[redacted]	$[redacted]	$[redacted]	$352
Lineman (2)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	644
Apprentice Lineman	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	268
Equipment Operator	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	263
Mechanic	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	272
Pickup Truck	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	63
Bucket Truck (2)	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	824
Digger Truck	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	159
Pole Trailer	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	36
Total	$[redacted]	$[redacted]	$[redacted]	$[redacted]	$[redacted]	**$2,880**
			Total Crew Days Purchased:			**62 Days**
			Total Excessive Pass-Through Cost:			**$178,578* ~~(FOUO)~~**

*Totals Are Rounded
Source: The DoD OIG.

[46] Although we did not review the debris removal contract line items, ECC also selected Anders Environmental for the work. Therefore, the debris removal contract line item may include unreasonable pass through costs, as well.

The NAVFAC MIDLANT contracting officials stated that they were not going to question subcontractor costs because ECC obtained competition for the subcontracts. However, had the NAVFAC MIDLANT contracting officials performed a cost analysis or followed the DFARS proposal evaluation procedures, which require the contracting officer to perform an analysis of support equipment that could indicate overpricing, the officials could have identified the excessive or wasteful subcontractor costs. Therefore, without performing an effective analysis, the contracting officer missed the opportunity to control costs by negotiating reasonable prices, such as eliminating the excessive pass-through costs, in accordance with the FAR.[47]

Excessive Mobilization and Demobilization Cost

Without analyzing the individual cost elements for subcontractor costs, the NAVFAC MIDLANT contracting officer did not effectively negotiate subcontractor mobilization and demobilization rates for contract modification 1. For contract modification 1, ECC provided subcontractor bids and proposals that included individual cost elements that the subcontractors used to develop the rates. The ECC officials used the subcontractor bids and proposals to develop a price analysis spreadsheet comparing the subcontractors' prices, which they included in their cost proposal. One of the cost elements in the spreadsheet was the cost for subcontractors to mobilize their people and equipment to Camp Lejeune and MCAS Cherry Point, and then, ultimately demobilize back to the subcontractors' home office location. Therefore, ECC obtained and provided separate quotes to NAVFAC MIDLANT for mobilizing roofing, debris removal, and electrical restoration subcontractors. However, the ECC contracting officials used only the electrical restoration subcontractor's mobilization and demobilization rates to develop the contract prices for all three job categories in contract modification 1.

The ECC contracting officials used only the electrical restoration subcontractor's mobilization and demobilization rates to develop the contract prices.

An ECC official explained that mobilizing electrical restoration crews was significantly more expensive than mobilizing roofers or debris removal crews. The official explained that the cost for electrical restoration crews was significantly higher because of the equipment that they needed to bring. Specifically, each electrical restoration crew needs two bucket-trucks with required equipment and materials to restore power, a truck to dig holes for installing new utility poles, a

[47] FAR 52.215-23, "Limitations on Pass-Through Charges."

pickup truck, and a utility pole trailer. However, the ECC official explained that roofers typically just needed to mobilize people with small hand tools, which would be significantly less expensive than mobilizing electrical restoration crews.

~~(FOUO)~~ We found that the mobilization and demobilization rates for the electrical restoration crews were nearly double the cost of the roofing and debris removal crews, due in part to the excessive pass-through costs for the electrical restoration rates. As previously stated, ECC selected Anders for the electrical restoration crews and for the subcontractor mobilization and demobilization rates. Anders' proposal stated that it would cost $[redacted] to mobilize each electrical crew. In comparison, the roofing subcontractor proposed $[redacted] per crew, and the debris removal subcontractor proposed $[redacted] per crew.[48] Ultimately, ECC charged NAVFAC MIDLANT the inflated electrical restoration rate for 72 roofing and debris removal crews to mobilize and then demobilize.

The mobilization and demobilization rates for the electrical restoration crews were nearly double the cost of the roofing and debris removal crews.

During negotiations for contract modification 1, the NAVFAC MIDLANT contracting officer requested that the ECC officials break out a separate engineering mobilization rate from the engineering daily rate, because ECC officials had combined the two. However, the NAVFAC MIDLANT contracting officials did not request that the ECC officials develop separate contract line items for roofing, debris removal, and electrical restoration mobilization and demobilization. Yet, the ECC officials stated that if the NAVFAC MIDLANT contracting officer requested that they break out the different rates, they could have done it. Therefore, without performing an effective analysis, the contracting officer did not control costs by negotiating reasonable prices for subcontractor mobilization and demobilization. As a result, the NAVFAC MIDLANT contracting officials paid ECC at least $955,679 for excessive subcontractor mobilization and demobilization rates. See Table 8 for a summary of the excess mobilization and demobilization charge.

The ECC officials stated that if the NAVFAC MIDLANT contracting officer requested that they break out the different rates, they could have.

[48] The proposed mobilization and demobilization rate for debris removal crews consisted only of equipment costs.

~~(FOUO)~~ Table 8. Excess Mobilization and Demobilization Costs

~~(FOUO)~~ Crew Type	Subcontractor Proposed Rate (W/ ECC Markup)	Number of Days Mobilization/ Demobilization	Total Using Subcontractor Proposed Rate	Total Using ECC's Proposed Rate	Excess Cost
Roofing Camp Lejeune	$[redacted]	[redacted]	$425,010	$851,090	$426,080
Roofing Cherry Point	[redacted]	[redacted]	303,716	600,124	296,408
Debris Removal	[redacted]	[redacted]	116,880	350,072	233,192
Electrical Camp Lejeune	[redacted]	[redacted]	50,064	50,064	0.00
Electrical Cherry Point	[redacted]	[redacted]	250,052	250,052	0.00
Total		[redacted]	**$1,145,722**	**$2,101,402**	**$955,680** **~~(FOUO)~~**

Source: The DoD OIG.

Excessive Per Diem

Without analyzing the individual cost elements for ECC's per diem line item, the NAVFAC MIDLANT contracting officials did not identify that ECC's per diem exceeded the maximum allowable daily rate. The GCC-MAC and the FAR require contractors to comply with the Joint Travel Regulation and U.S. General Services Administration (GSA) per diem rates.[49] Specifically, the GCC-MAC contract and the FAR state that per diem will be reimbursed to the contractor as long as it does not exceed the maximum per diem rates in effect at the time of travel.[50] The FAR also states that there could be special situations where actual costs may exceed the per diem rates, but the contractor would need to obtain prior written approval from the contracting officer to exceed the GSA per diem rate. However, ECC did not obtain approval to exceed the approved per diem rates. Therefore, in accordance with the FAR, the maximum allowable per diem for Camp Lejeune and MCAS Cherry Point was $144 per day in FY 2018 and $149 per day in FY 2019.

The GCC-MAC contract states that per diem will be reimbursed as long as it does not exceed the maximum per diem rates at the time.

[49] Joint Travel Regulation, "Uniformed Service Members and DoD Civilian Employees," September 1, 2019.
[50] FAR 31.205-46, "Travel Cost."

~~(FOUO)~~ The NAVFAC MIDLANT contracting officials stated that they reviewed ECC's application of profit, overhead, and G&A, but the analysis by the contracting officials was not effective. In the price negotiation memorandum, the NAVFAC MIDLANT contracting officials stated that [redacted]. However, the task order and modifications included per diem rates of $[redacted] per day for FY 2018 and $[redacted] per day for FY 2019. We reviewed ECC's cost and pricing data spreadsheet, which included the per diem contract line item. ECC used the maximum allowable per diem rate of $144 per day for contract modification 1, but ECC added profit and G&A expense to the per diem before calculating the daily costs found in the contract. The NAVFAC MIDLANT contracting officials stated they were not aware that the contract included higher rates than the GSA rate, but added that per diem costs should not have included profit or G&A expense.

NAVFAC MIDLANT contracting officials stated they were not aware that the contract included higher rates than the GSA rate.

~~(FOUO)~~ Therefore, the inaccurate statement in the price negotiation memorandum that the per diem was $144 per day, in accordance with the Joint Travel Regulation, indicates that the contracting officials either did not conduct a thorough cost analysis that looked at individual cost elements, or did not understand the cost and pricing data spreadsheet that ECC provided them. However, by not performing an effective analysis, the contracting officer did not control ECC's per diem costs in accordance with the GCC-MAC contract requirements and the FAR.[51] The NAVFAC MIDLANT contracting officials paid ECC for at least [redacted] days of per diem.[52] As a result, NAVFAC MIDLANT paid more than $427,183 in excess per diem cost above the permitted rate over the life of the contract.

NAVFAC MIDLANT Contracting Officer Did Not Verify That the Proposal Was Accurate and Complete

The NAVFAC MIDLANT contracting officer did not verify that ECC's cost and pricing data were complete and accurate, in accordance with the FAR.[53] The FAR requires the contractor to provide certified cost or pricing data for task orders and modifications that exceed the TINA threshold of $2 million.[54] The FAR states that certified data must be complete, accurate, and current. While the contractor is required to certify the data, the contracting officer maintains a responsibility to ensure the data are complete, accurate, and current.

[51] FAR 31.205-46.

[52] We verified 16,539 days of per diem in the contract. Contract modification 9 included additional days of per diem. However, the structure of the line item prevented us from determining the exact number of days purchased.

[53] FAR 15.406-2.

[54] The National Defense Authorization Act for FY 2018 increased the TINA threshold from $750,000 to $2 million for contracts awarded after June 30, 2018.

We found that ECC did not provide complete cost proposals for each of the contract modifications. As previously stated, ECC provided detailed cost proposal spreadsheets for the contract modifications that exceeded the TINA threshold. For example, for contract modification 1, ECC's cost proposal included a price analysis spreadsheet and supporting subcontractor proposals. We verified that the subcontractor pricing proposals matched the data in ECC's cost proposal for contract modification 1. However, for contract modifications 2 through 6, ECC did not provide the NAVFAC MIDLANT contracting officials with the required supporting documentation for its subcontractors, such as vendor quotes, bids, and any information on management decisions that could have a signification bearing on costs. Instead, ECC provided only a spreadsheet with its price analysis of the subcontractor prices. In particular, ECC did not provide subcontractor proposals or supporting documentation for the mold remediation work, which accounted for more than $33.7 million of the $89.3 million task order.[55] Additionally, ECC contracting officials stated that the Government does not typically question subcontractor cost. Therefore, ECC's cost proposals for contract modifications 2 through 6, including the mold remediation work, were not complete because they did not contain subcontractor proposals or supporting documentation, which prevented the contracting officer from verifying that over one third of the cost of the task order was complete and accurate, in accordance with the FAR.

ECC did not provide supporting documentation for more than $33.7 million of the $89.3 million task order.

~~(FOUO)~~ [redacted]

[55] Mold remediation includes identifying moisture, removing water damaged flooring and drywall, and having a certified industrial hygienist inspect the mold remediation work to ensure that there are no traces of mold remaining.

[56] ~~(FOUO)~~ [redacted]

~~(FOUO)~~ [redacted] .

~~(FOUO)~~ [redacted] .

[57] ~~(FOUO)~~ [redacted] .

(~~FOUO~~) Table 9. Summary of [redacted]

~~(FOUO)~~ [redacted]					
	[redacted]		[redacted]		
	[redacted]	[redacted]	[redacted]	[redacted]	
[redacted]	$[redacted]	$[redacted]	$[redacted]	$[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	
[redacted]	$[redacted]	$[redacted]	$[redacted]	$[redacted]	
					[redacted]
[redacted]					$[redacted]
[redacted]					[redacted]
[redacted]					$[redacted]
[redacted]					
[redacted]					$[redacted]
[redacted]					[redacted]
[redacted]					[redacted]
[redacted]					[redacted]
[redacted]					[redacted]
[redacted]					[redacted]
[redacted]					$[redacted] ~~(FOUO)~~

*[redacted]

Source: The DoD OIG.

NAVFAC MIDLANT Conducted Proposal Analysis

The NAVFAC MIDLANT contracting officials conducted an expedited proposal analysis due to the urgency created by the hurricane. The FAR requires contracting officers to perform a proposal analysis, which includes a cost analysis

when certified cost or pricing data is required. To assist contracting officers with their analysis, the FAR states that contracting officers may request the advice and assistance of experts to ensure that an appropriate analysis is performed. DFARS adds that the contracting officer may consult with the DoD cadre of experts who are available to provide expert advice to the acquisition workforce in assisting with price reasonableness determinations. For example, one of the DoD cadre of experts is the Navy Price Fighters, which is a division of the Naval Supply Systems Command located in Norfolk, Virginia.

The NAVFAC MIDLANT contracting officials expedited their proposal analysis due to the urgency created by the hurricane. For example, the contracting officials received ECC's cost proposal spreadsheet for contract modification 1 on September 19, 2018, and negotiated the modification on September 21, 2018. The NAVFAC MIDLANT contracting officials stated that the first time they saw ECC's cost proposal spreadsheet was when they received ECC's proposal for contract modification 1. Therefore, the contracting officials had only 3 days to understand the spreadsheet, conduct an analysis, and negotiate the contract modification.

The NAVFAC MIDLANT contracting officials stated that they conducted their proposal analysis themselves because NAVFAC MIDLANT did not have dedicated cost or price analysts to assist contracting officers. In the price negotiation memorandum, the NAVFAC MIDLANT contracting officials stated that they performed an analysis to evaluate the reasonableness of individual cost elements, as required by the FAR. However, the contracting officials stated that they actually looked at only lump sum prices for subcontractors, instead of individual cost elements because the contracting officer stated that she was not going to question subcontractor costs. Specifically, the officials stated that the analysis verified that ECC charged only the agreed-upon percentages for profit, overhead, and G&A expenses, and evaluated the total lump sum costs proposed by subcontractors in ECC's price analysis.

NAVFAC MIDLANT did not have dedicated cost or price analysts to assist contracting officers.

~~(FOUO)~~ The NAVFAC MIDLANT contracting officials stated that they conducted only a limited analysis because they did not fully understand ECC's cost proposal spreadsheets. To understand ECC's proposal better, the NAVFAC MIDLANT contracting officials had the ECC officials walk them through the spreadsheets over the phone. During the walkthrough, the contracting officials stated that they gained a better understanding of ECC's spreadsheet and calculations for the contract line items. However, the inaccurate statements in the price negotiation memorandum indicate that the contracting officials did not fully understand the

~~(FOUO)~~ cost and pricing data. Therefore, the contracting officials' analysis did not identify the excessive pass-through costs, mobilization and demobilization rates, and excess per diem, [redacted].

The NAVFAC MIDLANT contracting officials did not request proposal analysis assistance, as outlined in the FAR and DFARS. The FAR and DFARS state that contracting officers may request the advice and assistance of experts to ensure that an appropriate analysis is performed and to assist with price reasonableness determinations. The NAVFAC MIDLANT contracting officials could have requested assistance from DoD resources, such as the Navy Price Fighters. The Navy Price Fighters provide expert services, such as cost analysis, proposal evaluations, and negotiation advice. The Navy Price Fighters officials stated that if NAVFAC MIDLANT had an agreement in place before to hurricane season, they could have assisted the contracting officials immediately upon receiving a request during an emergency contracting situation. Had the NAVFAC MIDLANT contracting officials requested expert assistance for proposal evaluation, such as requesting assistance from the Navy Price Fighters, they could have reduced the risk of waste, abuse, and mismanagement of taxpayer funds. Therefore, NAVFAC Atlantic should establish or reiterate procedures to ensure that its contracting officers can get assistance when performing cost and price analysis during contingency situations, which could include creating agreements with the Navy Price Fighters.

Prime Contractor Received Excess Profit

~~(FOUO)~~ The NAVFAC MIDLANT contracting official's cost and price analysis resulted in NAVFAC MIDLANT paying at least $[redacted] million in excess profit, or [redacted] percent more than negotiated.[58] Specifically, by not questioning high subcontractor prices or identifying the excessive per diem, the NAVFAC MIDLANT contracting officials agreed to pay at least $1.6 million in excessive profit to ECC. In particular, NAVFAC MIDLANT paid at least $178,578 in excessive pass-through cost for third-tier electrical contractors, and $955,679 for excess mobilization and demobilization costs for roofing and debris removal subcontractors. NAVFAC MIDLANT also paid more than $427,183 in per diem cost that exceeded the approved GSA rate. [redacted]. See Table 10 for a summary of the excess payments made to ECC.

[58] ~~(FOUO)~~ We selected a sample of contract line items to review, which included mold remediation, subcontractor mobilization/demobilization, electrical restoration, and per diem. These line items account for $40.0 million of the $89.3 million task order. The $[redacted] million represents only excess profit we identified in our sample.

~~(FOUO)~~ *Table 10. Summary of the Amount of Excess Profit*

~~(FOUO)~~ Issue	Excess Profit
Excessive Pass-Through	$178,578
Excessive Mobilization and Demobilization	955,679
Excessive Per Diem Cost Over Allowed Limit	427,183
[redacted]	[redacted]
[redacted]	[redacted]
Total	**$**[redacted] **~~(FOUO)~~**

Source: The DoD OIG.

~~(FOUO)~~ [redacted].

- [redacted].
- [redacted].
- [redacted].
- [redacted].
- [redacted].

~~(FOUO)~~ ECC provided cost and pricing data proposals to NAVFAC MIDLANT for nine contract modifications that exceeded the TINA threshold of $2 million.[59] We found that ECC did not provide complete and accurate cost or pricing data in their proposals. For example, ECC's cost proposal for mold remediation did not include the subcontractor proposals, bids, or agreements. ECC obtained BMS Cat's pricing proposal on September 14, 2018, and the BMS Cat officials signed a subcontract with ECC on September 26, 2018. ECC officials used BMS Cat's pricing proposal to develop their cost and pricing data that they provided to the NAVFAC MIDLANT contracting officials on September 27, 2018, before signing the contract modification on September 29, 2018. [redacted]

[59] The National Defense Authorization Act for FY 2018 increased the TINA threshold from $750,000 to $2 million, for contracts awarded after June 30, 2018.

~~(FOUO)~~ [redacted]. Table 11 shows the dates that ECC received data from BMS Cat compared to the date ECC provided the cost and pricing data to NAVFAC MIDLANT and signed the contract modification.

Table 11. Timelines of BMS Cat and ECC Proposals to NAVFAC MIDLANT

Event	Date
BMS Cat Provided Pricing Proposal to ECC	September 14, 2018
BMS Cat Officials Signed Subcontract with ECC	September 26, 2018
ECC Submitted Pricing Proposal to NAVFAC MIDLANT	September 27, 2018
NAVFAC MIDLANT and ECC Officials Signed Contract Modification	September 29, 2018

Source: The DoD OIG.

~~(FOUO)~~ [redacted].

~~(FOUO)~~ Although the NAVFAC MIDLANT contracting officials awarded ECC nine contract modifications that exceeded the TINA threshold, the contracting officer did not require ECC to provide a certificate of certified cost and pricing data, in accordance with the TINA and the FAR.[60] However, while ECC did not certify its cost and pricing proposals, in accordance with TINA, ECC was still required to provide accurate, complete, and current data as of the date of the contract agreements for contracts and modifications over TINA. [redacted].

~~(FOUO)~~ [redacted] the FAR define legal remedies for [redacted] excessive subcontractor pass-through costs. [redacted]

[60] FAR 15.403-4.

~~(FOUO)~~ [redacted]. Finally, the FAR states that the Government is also entitled to a price adjustment for excessive pass-through charges included in the contract price.

~~(FOUO)~~ Therefore, in addition to the review we completed of the contract line items for the task order, the NAVFAC MIDLANT Commander should request assistance from the DCAA to conduct a post-award [redacted] audit that reviews all costs paid under this task order [redacted]. Based on the DCAA review, the Commander should require the contracting officer to request a refund or a price adjustment for the excess payment identified during the DCAA's review, [redacted]. The NAVFAC MIDLANT Commander should also review the actions of the contracting officer detailed in this report and take administrative actions, if necessary.

~~(FOUO)~~ In addition, in December 2018 and January 2019, NAVFAC MIDLANT awarded two sole-source task orders to ECC as logical follow-on contracts to the initial Hurricane Florence recovery task order. As of September 30, 2019, the FFP task orders were valued at $439.3 million and $50.8 million, respectively. The NAVFAC MIDLANT Commander should also request assistance from the DCAA to conduct a post-award [redacted] audit that reviews all costs paid under these task orders [redacted]. Based on the DCAA review, the Commander should require the contracting officer to request a refund or a price adjustment for the excess payment identified during the DCAA's review. See Table 12 for a summary of the Camp Lejeune and MCAS Cherry Point follow-on task orders.

Table 12. Summary of the Camp Lejeune and MCAS Cherry Point Follow-On Task Orders

Task Order	Award Date	Number of Modifications	Contract Type	Total Value (As of Sept. 30, 2019)
N40085-19-F-4464	Dec. 31, 2018	14	FFP	$439,296,459
N40085-19-F-4465	Jan. 03, 2019	12	FFP	50,764,583
Total				**$490,061,042**

Source: The DoD OIG.

Recommendations, Management Comments, and Our Response

Recommendation B.1

We recommend that the Commander of Naval Facilities Engineering Command Atlantic establish or reiterate procedures to ensure that contracting officers for Naval Facilities Engineering Command Atlantic regional commands can get assistance when performing cost and price analysis during contingency situations, which could include creating annual agreements with the Navy Price Fighters.

Naval Facilities Engineering Command Atlantic Comments

The NAVFAC Atlantic Vice Commander, responding for the NAVFAC Atlantic Commander, agreed with the recommendation, stating that NAVFAC Atlantic will discuss the procedures to request assistance for cost and price analysis during a GCC-MAC workshop. Specifically, the Vice Commander stated that NAVFAC Atlantic will reiterate, improve, and implement procedures for regional commands to request assistance for cost and price analysis during contingency situations. The Vice Commander stated that the recommended procedures may include establishing agreements with the Navy Price Fighters. The Vice Commander stated that NAVFAC Atlantic will issue updated guidance by no later than June 30, 2020.

Our Response

Comments from the Vice Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once NAVFAC Atlantic provides documentation that it conducted a GCC-MAC workshop with its regional commands, which included a discussion on requesting assistance for cost and price analysis, and documentation that it updated procedures to include guidance for its regional commands to request assistance on cost and price analysis during contingency situations.

Recommendation B.2

We recommend that the Commander of Naval Facilities Engineering Command Mid-Atlantic:

a. **~~(FOUO)~~ Request assistance from the Defense Contract Audit Agency to conduct a post-award audit that reviews all costs paid under task order N40085-18-F-6819, [redacted].**

Naval Facilities Engineering Command Mid-Atlantic Comments

The NAVFAC Atlantic Vice Commander, responding for the NAVFAC MIDLANT Commander, agreed with the recommendation, stating that NAVFAC MIDLANT requested a DCAA audit on December 12, 2019.

Our Response

Comments from the Vice Commander addressed all specifics of the recommendation; therefore, the recommendation is closed.

b. ~~(FOUO)~~ Require the contracting officer to request a refund or a price adjustment for the excess payment identified for Recommendation B.2.a, which could include the $[redacted] million we identified [redacted]

Naval Facilities Engineering Command Mid-Atlantic Comments

The NAVFAC Atlantic Vice Commander, responding for the NAVFAC MIDLANT Commander, agreed with the recommendation, stating that NAVFAC MIDLANT will formally take appropriate action to request a refund or pricing adjustment once the DCAA completes its analysis and provides report to NAVFAC MIDLANT. The Vice Commander estimated that NAVFAC MIDLANT will request refunds by May 31, 2020, upon the completion of the DCAA audit.

Our Response

Comments from the Vice Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once NAVFAC MIDLANT provides documentation that it took appropriate action to request a refund or price adjustment once it received the results of the DCAA audit.

c. Review the actions of the contracting officer detailed in this report, and take administrative actions, if necessary.

Naval Facilities Engineering Command Mid-Atlantic Comments

The NAVFAC Atlantic Vice Commander, responding for the NAVFAC MIDLANT Commander, agreed with the recommendation, stating that a review of current processes and actions is being conducted. The Vice Commander stated that based on the findings, NAVFAC MIDLANT will implement any changes/improvements, along with respective training, for contracting and oversight. The Vice Commander further stated that administrative actions will be taken, when appropriate. The Vice Commander stated that these actions will be completed by June 30, 2020.

Our Response

Comments from the Vice Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once NAVFAC MIDLANT provides documentation that it completed its review of the contracting officer's actions and the NAVFAC MIDLANT Commander determines if administrative action is necessary.

d. ~~(FOUO)~~ Request assistance from the Defense Contract Audit Agency to conduct a post-award audit that reviews all costs paid under task orders N40085-19-F-4464 and N40085-19-F-4465 [redacted].

Naval Facilities Engineering Command Mid-Atlantic Comments

The NAVFAC Atlantic Vice Commander, responding for the NAVFAC MIDLANT Commander, agreed with the recommendation, stating that NAVFAC MIDLANT requested a DCAA audit of each contract on January 6, 2020.

Our Response

Comments from the Vice Commander addressed all specifics of the recommendation; therefore, the recommendation is closed.

e. ~~(FOUO)~~ Require the contracting officer to request a refund or a price adjustment for the excess payment identified for Recommendation B.2.d, [redacted]

Naval Facilities Engineering Command Mid-Atlantic Comments

The NAVFAC Atlantic Vice Commander, responding for the NAVFAC MIDLANT Commander, agreed with the recommendation, stating that NAVFAC MIDLANT will formally take action to request refunds or price adjustments once the DCAA completes its analysis and provides a report to NAVFAC MIDLANT. The Vice Commander estimated that NAVFAC MIDLANT will request refunds by May 31, 2020, upon the completion of the DCAA audit.

Our Response

Comments from the Vice Commander addressed all specifics of the recommendation; therefore, the recommendation is resolved but will remain open. We will close the recommendation once NAVFAC MIDLANT provides documentation that it took appropriate action to request refunds or price adjustments following the results of the DCAA audits.

Appendix

Scope and Methodology

We conducted this performance audit from February 2019 through October 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed DoD OIG Report No. D-2008-097, "Hurricane Relief Effort Costs on the Navy Construction Capabilities Contract," May 23, 2008, which identified deficiencies in NAVFAC's cost control and award fee determination procedures for task orders issued to repair Navy facilities damaged from Hurricanes Ivan and Katrina. We determined that NAVFAC Atlantic awarded the GCC-MAC as the follow-on contract to the Navy Construction Capabilities contract reviewed in Report No. D-2008-097. We determined that the GCC-MAC provides construction and related engineering services to the Navy and Marine Corps for hurricane damage support. Therefore, to determine how the Army and Air Force obtain hurricane recovery support, we searched the Federal Procurement Data System and identified one Air Force task order issued under the Air Force Contract Augmentation Program IV contract for Hurricane Michael recovery. We did not identify any task orders issued to repair Army facilities. Using the Electronic Document Access (EDA) website, we obtained GCC-MAC and Air Force Contract Augmentation Program IV contracts and related task orders.

As of February 8, 2019, we identified and evaluated 22 GCC-MAC task orders and 1 Air Force Contract Augmentation Program IV task order issued for Hurricanes Harvey, Irma, Maria, Florence, and Michael recovery efforts. We then identified the task orders with the highest risk and dollar values. Specifically, we selected two task orders awarded by NAVFAC SE and NAVFAC MIDLANT, and one task order awarded by the 772nd Enterprise Sourcing Squadron. NAVFAC SE and NAVFAC MIDLANT awarded the task orders to prime contractors URS and ECC for Hurricanes Irma and Florence, respectively. The task orders were issued for initial recovery work and were therefore higher risk to the government. We determined that the GCC-MAC task orders awarded to URS and ECC are valued at $35.9 million and $89.3 million, respectively, as of September 20, 2019.

After we announced the audit in February 2019, we determined that the Air Force contracting officials were still reviewing the contractor's pricing proposal and negotiating prices with the contractor, which is the basis for contract cost control.

The Air Force awarded the Air Force Contract Augmentation Program IV task order for Hurricane Michael recovery as an undefinitized contract action. An undefinitized contract action is a contract, which the specifications, terms, or price are not agreed upon until after the contract performance begins, due to an urgent or compelling need. The Hurricane Michael task order included a schedule for finalizing negotiations with the contractor. Specifically, the Air Force anticipated finalizing negotiations by February 11, 2019. However, the Air Force contracting officials did not complete their negotiations until June 26, 2019. Therefore, to maintain our independence, in accordance with the generally accepted government auditing standards, we decided to remove the Air Force task order from the scope of our audit and focus only on the task orders issued by the Navy for the 2017 and 2018 hurricanes.

To evaluate NAVFAC's cost control procedures, we reviewed applicable regulations and guidance for contract planning, pricing, documentation, and negotiations, including:

- Section 2306(a), title 10, United States Code, "Truth in negotiations";
- FAR 15, "Contracting by Negotiation";
- FAR 16, "Types of Contracts";
- FAR 31.2, "Contracts with Commercial Organizations";
- DFARS 215, "Contracting by Negotiation";
- Joint Travel Regulations, "Uniformed Service Members and DoD Civilian Employees," September 1, 2019;
- NAVFAC Atlantic, "Global Contingency Construction (GCC) User's Guide," revised December 2008;
- NAVFAC Business Management System Global Contingency Construction Contract procedures, updated July 3, 2017;
- OMB Memorandum, "Emergency Acquisitions Guide," January 14, 2011; and
- Defense Contingency Contracting Handbook, Version 5, April 2017.

To understand their contracting and oversight procedures, we interviewed officials and obtained, reviewed, and analyzed contract files from:

- NAVFAC Atlantic;
- NAVFAC SE;
- NAVFAC MIDLANT;
- the Naval Air Station Key West PWD; and
- the Camp Lejeune and Cherry Point PWD.

To understand how the contractor developed proposals, negotiated with the Government and subcontractors, and provided oversight of subcontractors, we interviewed officials and obtained, reviewed, and analyzed contract files from:

- URS (a subsidiary of AECOM) at its corporate headquarters and in Key West; and
- ECC at its corporate headquarters and at Camp Lejeune.

For the NAVFAC SE task order awarded to URS, we obtained and reviewed the 156 concurrence memorandums, including the change orders. We also obtained and reviewed URS's contract files for tasks that were not documented in Concurrence Memos. For the NAVFAC MIDLANT task order awarded to ECC, we judgmentally selected contract line items for review based on a risk assessment. Specifically, we selected the contract line items for mold remediation because they were valued at $33.7 million of the total $89.3 million task order. We also selected the electrical restoration contract line items because a review of the individual cost descriptions in the subcontractors' bid compared to their prices indicated a high risk for overpricing. Therefore, to understand how ECC's subcontractors developed the labor and equipment rates that they proposed to ECC, we interviewed officials and obtained, reviewed, and analyzed contract files from:

- BMS Cat;
- Cotton Commercial USA, Inc.;
- Anders Environmental;
- Young General Contracting Inc.; and
- JCL Power.

To determine whether the contracting officials negotiated fair and reasonable prices, we conducted market research, in accordance with the FAR. Specifically, we evaluated national labor rate averages that the Bureau of Labor Statistics published, equipment rental rates from internet searches, and national GSA contract rates. In addition, we compared the power restoration contract line item prices for Camp Lejeune and MCAS Cherry Point to prices from a comparable contract that the U.S. Army Corps of Engineers awarded to restore power in Puerto Rico after Hurricane Maria.

Finally, officials from URS, ECC, BMS Cat, Anders Environmental, Young General Contracting Inc., and JCL Power reviewed and commented on relevant portions of the draft report and their comments were considered in preparing the report.

Use of Computer-Processed Data

We used computer-processed data during this audit from the EDA website. Specifically, we obtained contract documents, including the GCC-MAC contract, task orders, and contract modifications from the EDA website. To assess the reliability of the EDA data, we compared the documents obtained from EDA to documents obtained from the contracting offices. As a result, we determined that the EDA computer-processed data were sufficiently reliable to support our findings and conclusions.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), DoD Office of Inspector General (DoD OIG), and U.S. Army Audit Agency issued six reports discussing the DoD's oversight of contracting costs for disaster recovery. 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 U.S. Army Audit Agency reports can be accessed at https://www.army.mil/aaa.

GAO

Report No. GAO-18-335, "2017 Disaster Contracting: Observations on Federal Contracting for Response and Recovery Efforts," February 2018

> This report provides background information on federal contract obligations for hurricanes Harvey, Irma and Maria response and recovery efforts as of December 2017. The GAO identified that the Navy awarded 2 percent and 5.9 percent of the total contract obligations for Hurricanes Harvey and Irma, respectively. The GAO also identified that all other DoD agencies awarded 4.7 percent, 7.1 percent, 2.1 percent combined for Hurricanes Harvey, Irma, and Maria, respectively.

DoD OIG

Report No. DODIG-2019-128, "Audit of the U.S. Army Corps of Engineers Oversight of Contracts for Repair and Restoration of Electric Power Grid in Puerto Rico," September 30, 2019

> This report identified that the U.S. Army Corps of Engineers did not adequately monitor contractor labor hours worked or accurately review invoices for the Puerto Rico power grid repair and restoration contracts. Specifically, the DoD OIG identified that U.S. Army Corps of Engineers Huntsville and U.S. Army Corps of Engineers Jacksonville officials did not adequately monitor

contractor labor hours worked or adequately review invoices to ensure contractor invoices corresponded to actual work performed for three power grid repair and restoration contracts. Therefore, the DoD OIG identified that U.S. Army Corps of Engineers paid at least $50.1 million of unsupported and potentially unallowable labor costs.

Report No. DODIG-2019-086, "Audit of the DoD's Preparation for Natural Disasters," May 16, 2019

The report identified the extent that the DoD prepared to respond to future natural disasters within U.S. Northern Command's area of responsibility. The DoD OIG determined that the DoD is preparing for natural disasters by developing a framework specifically for natural disaster preparedness. The framework includes guidance, recurring exercises in disaster scenarios, corrective action programs that incorporate lessons learned and after-action reports, training, advanced contracts, and agreements.

Report No. DODIG-2019-043, "U.S. Army Corps of Engineers Oversight of Temporary Emergency Power Contracts Awarded for Hurricanes Harvey and Irma," January 3, 2019

This report identified that the COR for three contracts reviewed for Hurricanes Harvey and Irma relief efforts did not properly monitor or document their assessments of the contractors' performance and did not maintain required files documenting oversight efforts. As a result, U.S. Army Corps of Engineers oversight personnel did not know whether the contractors complied with contract requirements and whether the Government received the services that it paid $19 million for from August to December 2017 to support temporary emergency power for Hurricanes Harvey and Irma.

Report No. DODIG-2016-028, "U.S. Army Corps of Engineers, New York District Monitoring of a Hurricane Sandy Contract Needs Improvement," December 3, 2015

This report identified that CORs effectively monitored contractor performance for two of the three Hurricane Sandy contracts reviewed. However, the COR for the third contract made minimal visits to the project site, did not maintain contract documentation in his COR file and did not prepare timely or accurate monthly reports as required by the FAR. As a result, the procuring contracting officer and COR put the Government at risk by not effectively ensuring that the contractor complied with the terms and conditions of the contract.

Army Audit Agency

Report No. A-2019-0052-IEE, "2017 California Wildfires-Southern Mission," March 12, 2019

This report determined that quality assurance and payment processes of the Los Angeles District of the U.S. Army Corps of Engineers provided reasonable assurance that risks were sufficiently mitigated for debris removal contracts. However, manual reporting processes allowed contractors to change debris disposal information and allowed input errors, which affected the reliability of U.S. Army Corps of Engineers database used to report the cubic yards of debris disposed of and to verify delivery before processing payments.

Management Comments

Naval Facilities Engineering Command Atlantic

DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND
1322 PATTERSON AVENUE, SE SUITE 1000
WASHINGTON NAVY YARD DC 20374-5065

5740
Ser 09IG/001
10 January 2020

From: Commander, Naval Facilities Engineering Command
To: Department of Defense Office of the Inspector General, Program Director for Audit Acquisition, Contracting, and Sustainment

Subj: MANAGEMENT RESPONSE TO DOD OIG AUDIT D2019-D000AG-0110.000, AUDIT OF THE NAVY HURRICANE RECOVERY EFFORT COSTS

Ref: (a) SECNAVINST 5200.34E
(b) DOD OIG Draft Report of 17 December 2019

Encl: (1) Management Response to Draft Report

1. Per references (a) and (b), enclosure (1) is submitted. NAVFAC Headquarters concurs with NAVFAC Atlantic's response.

2. Please refer questions to [redacted], NAVFAC Headquarters Audit Liaison Chief, at [redacted] or email [redacted].

JASON B. FAUNCE
Captain, CEC, U.S. Navy
Inspector General

Copy to:
NAVAUDSVC
NAVFAC Atlantic

Naval Facilities Engineering Command Atlantic (cont'd)

DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND, ATLANTIC
6506 HAMPTON BLVD
NORFOLK VA 23508-1278

IN REPLY REFER TO:
5041
09IG/Ser 003
7 Jan 20

From: Commander, Naval Facilities Engineering Command, Atlantic
To: Commander, Naval Facilities Engineer Command (IG)

Subj: FOLLOW-UP RESPONSE TO DODIG DRAFT AUDIT REPORT #D2019-D000AG-0110.000 "AUDIT OF THE NAVY HURRICANE RECOVERY EFFORTS"

Encl (1) NAVFAC Atlantic Response to DoDIG Draft Audit Report Recommendations

Ref: (a) DoDIG Draft Audit Report D2019-D000AG-0110.000

1. Per reference (a), enclosure (1) is provided. NAVFAC ATLANTIC is recommending closure of the following recommendations from SOUTHEAST and MIDLANT.

   a. A.2.a and A.2.c (SE)
   b. B.2.a and B.2.d (ML)

2. For any questions concerning this matter, please contact [redacted], Command Inspector General, at [redacted], DSN [redacted], or e-mail: [redacted].

J. D. LENGKEEK
Vice Commander

Copy to:
NAVFAC MIDLANT
NAVFAC SOUTHEAST

~~FOR OFFICIAL USE ONLY~~

Naval Facilities Engineering Command Atlantic (cont'd)

NAVAL FACILITIES ENGINEERING COMMAND (NAVFAC)
FOLLOW-UP RESPONSE TO DODIG DRAFT AUDIT REPORT #D2019-D000AG-0110.000,
"AUDIT OF THE NAVY HURRICANE RECOVERY EFFORTS",
DATED 17 DEC 2019

RECOMMENDATION A.1.a: Commander, Naval Facilities Engineering Command Atlantic: Reiterate procedures for Naval Facilities Engineering Command Atlantic's regional commands, including Naval Facilities Engineering Command Southeast, to request assistance when needed, and develop and implement procedures to augment staff at the regional commands if multiple natural disasters occur within the same area of responsibility in a short period.

CURRENT STATUS: NAVFAC Atlantic concurs. NAVFAC Atlantic will reiterate procedures for Regional Commands to request assistance when needed. Additionally, NAVFAC Atlantic will develop procedures to augment staff at Regional Commands when multiple natural disasters occur within the same area of responsibility in a short period of time. This will be accomplished through a GCC workshop and issuance of updated guidance, by no later than June 30, 2020.

DATE COMPLETED/ESTIMATED COMPLETION DATE: Estimated completion date is June 30, 2020.

RECOMMENDATION A.1.b: Commander, Naval Facilities Engineering Command Atlantic: Develop and implement a peer review process to verify that contracting officers from the Naval Facilities Engineering Command regional commands, including Naval Facilities Engineering Command Southeast and Mid-Atlantic, are complying with Federal Acquisition Regulations and Naval Facilities Engineering Command procedures.

CURRENT STATUS: NAVFAC Atlantic concurs. NAVFAC Atlantic is developing procedures to perform both pre and post award peer reviews for future hurricane actions. NAVFAC Atlantic will implement a peer review process that includes random samplings at the pre and post-award phases of GCC use. This will be accomplished and communicated, no later than April 30, 2020.

DATE COMPLETED/ESTIMATED COMPLETION DATE: Estimated completion date is April 30, 2020.

RECOMMENDATION A.1.c: Commander, Naval Facilities Engineering Command Atlantic: Coordinate with all relevant stakeholders, including officials from Naval Facilities Engineering Command Southeast, Mid-Atlantic, and the other regional commands, to re-evaluate the Global Contingency Construction-Multiple Award Contract procedures for emergency construction and engineering services, and, if needed, develop clear and concise implementation guidance for use during a disaster.

CURRENT STATUS: NAVFAC Atlantic concurs. Plans are underway to conduct a workshop with stakeholders focusing on this DoDIG report findings, lessons learned during hurricane efforts, and in depth discussions on better planning/documentation and best practices. The goal is

Enclosure (1)

Naval Facilities Engineering Command Atlantic (cont'd)

to provide an updated publication for all NAVFAC Regional offices on the use of the GCC MAC vehicle, with an emphasis on compliance with regulations/statutes, quality documentation, and recommended best practices. Issuance of updated guidance, if applicable, will be accomplished no later than June 30, 2020.

DATE COMPLETED/ESTIMATED COMPLETION DATE: Estimated completion date June 30, 2020.

RECOMMENDATION A.1.d: Commander, Naval Facilities Engineering Command Atlantic: Review the task orders that Naval Facilities Engineering Command Southeast issued for Hurricanes Matthew, Harvey, Irma in North Florida, and Michael to determine whether Naval Facilities Engineering Command Southeast contracting officials awarded and administered the contracts in accordance with the Federal Acquisition Regulation and Naval Facilities Engineering Command standard operating procedures for the Global Contingency Construction contract.

CURRENT STATUS: NAVFAC ATLANTIC concurs. NAVFAC Atlantic will be conducting a NAVFAC SE IG Inspection from April 26 – May 1, 2020. It is our intent to conduct this review concurrent with the IG Inspection.

DATE COMPLETED/ESTIMATED COMPLETION DATE: Estimated completion date is May 30, 2020.

RECOMMENDATION A.1.e: Commander, Naval Facilities Engineering Command Atlantic: Based on the results of Recommendation A.1.d, request a Defense Contract Audit Agency audit to review the allowability of all costs and profit paid to the prime contractors, and request a refund for any excess payments made to the prime contractors.

CURRENT STATUS: NAVFAC ATLANTIC concurs. If review of files identified in Recommendation A.1.d indicates lack of compliance with Federal Acquisition Regulation and Naval Facilities Engineering Command standard operating procedures for the Global Contingency Construction contract, NAVFAC SE will request DCAA audits to determine the allowability of all costs and profit paid to the contractors under the referenced hurricane task orders. If appropriate, requests for refunds will be issued to the affected contractor(s).

DATE COMPLETED/ESTIMATED COMPLETION DATE: Estimated completion date to request audits is June 15, 2020. Requests for refunds, if required, are contingent upon DCAA audit findings and completion.

RECOMMENDATION A.2.a: Commander, Naval Facilities Engineering Command Southeast: Request a Defense Contract Audit Agency audit to review the allowability of all costs and profit paid to URS under task order N69450-17-F-0077.

CURRENT STATUS: NAVFAC Southeast concurs. DCAA Audit request was issued on November 22, 2019 (Attachment A). A conference call was held with the case auditor on December 5, 2019.

2

Naval Facilities Engineering Command Atlantic (cont'd)

COMPLETION DATE: Completed audit request November 22, 2019.

RECOMMENDATION A.2.b: Commander, Naval Facilities Engineering Command Southeast: ~~(FOUO)~~ Request a refund from URS for any excess payment identified by the Defense Contract Audit Agency audit, which could include the $[redacted] of profit incorrectly paid to the prime contractor.

CURRENT STATUS: NAVFAC Southeast concurs. Awaiting DCAA case auditor to complete their analysis and provide report to SE. A demand letter will be issued to URS for excess payment identified by the DCAA audit, if applicable.

DATE COMPLETED/ESTIMATED COMPLETION DATE: Estimated completion date NLT April 15, 2020.

RECOMMENDATION A.2.c: Commander, Naval Facilities Engineering Command Southeast: Review the concerns identified in this report, including the actions of the Acquisition Division Director and the contracting officer, and take administrative actions, if necessary.

CURRENT STATUS: NAVFAC Southeast concurs. The NAVFAC SE CO has examined current processes and is already instituting changes/improvements for contracting and oversight. After careful consideration of the facts, we have determined that disciplinary action is not appropriate.

DATE COMPLETED/ESTIMATED COMPLETION DATE: Date completed December 23, 2019.

RECOMMENDATION B.1: Commander, Naval Facilities Engineering Command Atlantic: Establish or reiterate procedures to ensure that contracting officers for Naval Facilities Engineering Command Atlantic regional commands can get assistance when performing cost and price analysis during contingency situations, which could include creating annual agreements with the Navy Price Fighters.

CURRENT STATUS: NAVFAC Atlantic concurs. NAVFAC Atlantic will reiterate, improve and implement procedures to Regional Commands for requesting assistance on cost and price analysis during contingency situations, recommended procedures may include establishing agreements with Navy Price Fighters. This will be accomplished through a GCC workshop and issuance of updated guidance, by no later than June 30, 2020.

DATE COMPLETED/ESTIMATED COMPLETION DATE: Estimated completion date, June 30, 2020.

RECOMMENDATION B.2.a: Commander, Naval Facilities Engineering Command Mid-Atlantic: ~~(FOUO)~~ Request assistance from the Defense Contract Audit Agency to conduct a post-award audit that reviews all costs paid under task order N40085-18-F-6819, [redacted]

3

Naval Facilities Engineering Command Atlantic (cont'd)

CURRENT STATUS: NAVFAC Mid-Atlantic concurs. ~~(FOUO)~~ A [redacted] request was issued to DCAA on December 12, 2019 (Attachment B). We were notified on December 18, 2019 that DCAA opened the assignment and started performing a post award risk assessment.

COMPLETION DATE: Audit request completed December 12, 2019.

RECOMMENDATION B.2.b: Commander, Naval Facilities Engineering Command Mid-Atlantic: ~~(FOUO)~~ Require the Contracting Officer to request a refund or a price adjustment for any excess payment identified by Recommendation B.2.a, [redacted]

CURRENT STATUS: NAVFAC Mid-Atlantic concurs. Awaiting DCAA to complete their analysis and provide report to NAVFAC Mid-Atlantic. NAVFAC MIDLANT will formally take appropriate action for any refunds or adjustments following the results of the DCAA audits.

DATE COMPLETED/ESTIMATED COMPLETION DATE: Estimated completion date is May 31, 2020 pending completion of DCAA audit.

RECOMMENDATION B.2.c: Commander, Naval Facilities Engineering Command Mid-Atlantic: Review the actions of the contracting officer detailed in this report, and take administrative actions, if necessary.

CURRENT STATUS: NAVFAC Mid-Atlantic concurs. A review of current processes and actions is being conducted. Based on the findings, NAVFAC Mid-Atlantic will implement any changes/improvements, along with respective training, for contracting and oversight. Administrative actions will be taken, when appropriate.

DATE COMPLETED/ESTIMATED COMPLETION DATE: Estimated completion date is June 30, 2020.

RECOMMENDATION B.2.d: Commander, Naval Facilities Engineering Command Mid-Atlantic: ~~(FOUO)~~ Request assistance from the Defense Contract Audit Agency to conduct a post-award audit that reviews all costs paid under task orders N40085-19-F-4464 and N40085-19-F-4465 [redacted]

CURRENT STATUS: NAVFAC Mid-Atlantic concurs. ~~(FOUO)~~ A [redacted] request was issued to DCAA on January 6, 2020. (Attachments C, and D respectively)

DATE COMPLETED/ESTIMATED COMPLETION DATE: Audit request completed January 6, 2020.

4

Naval Facilities Engineering Command Atlantic (cont'd)

RECOMMENDATION B.2.e: Commander, Naval Facilities Engineering Command Mid-Atlantic: ~~(FOUO)~~ Require the Contracting Officer to request a refund or a price adjustment for any excess payment identified for Recommendation B.2.d, [redacted]

CURRENT STATUS: NAVFAC Mid-Atlantic concurs. Awaiting DCAA to complete their analysis and provide report to NAVFAC Mid-Atlantic. NAVFAC MIDLANT will formally take appropriate action for any refunds or adjustments following the results of the DCAA audits.

DATE COMPLETED/ESTIMATED COMPLETION DATE: Estimated completion date is May 31, 2020 pending completion of DCAA audit.

5

Naval Facilities Engineering Command Atlantic (cont'd)

November 22, 2019

From: Contract Specialist, Acquisition Department, Support Branch, Naval Facilities Engineering Command Southeast (NAVFAC SE), Jacksonville, Florida.

To: [redacted], Defense Contract Audit Agency (DCAA), Financial Liaison Advisor

Subj: TASK ORDER CONTRACT N69450-17-F0077 – HURRICAN IRMA RECOVERY

Ref: (a) MULTIPLE AWARD CONTRACT N62470-13-D-6022

1. NAVFAC SE is requesting DCAA assistance to perform audit to incurred costs on the subject task order to determine if there was any overpayment of award fee and/or profit to the contractor. Please forward this request to the cognizant DCAA for this action.

2. The contractor on this task order is URS Group, Inc, Cage Code 1N4E1, 1600 Perimeter Park drive, Suite 400, Morrisville, NC 27560-8421.

3. Task Order was issued on September 15, 2017 with contract completion date (CCD) September 30, 2019. Modification P00008 extended the CCD to November 29, 2019.

4. Total contract value to date is $35,898,815.65.

5. Payment made to URS to date is $33,138,302.29.

6. Request that the cognizant DCAA conducting this audit acknowledge receipt of this request and provide estimated time required to complete the audit to [redacted] at [redacted] or by email at [redacted].

7. Please address any questions or communication relating to this request to [redacted] at [redacted] or by email at [redacted] or to [redacted] at [redacted] or by email at [redacted].

[redacted]

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attachment (A)

Naval Facilities Engineering Command Atlantic (cont'd)

DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND, MID-ATLANTIC
9324 VIRGINIA AVENUE
NORFOLK, VIRGINIA 23511-3095

December 12, 2019

Defense Contract Audit Agency
Attn: [redacted], Branch Manager
Silicon Valley Branch Office
2105 S. Bascom Avenue, Suite 310
Campbell, CA 95008-3295

SUBJ: Request for [redacted] Audit for Environmental Chemical Corporation, Hurricane Florence Recovery at MCI East in North Carolina, Contract Number N6247013D6020, Task Order Number N4008518F6819

REF: (a) Task Order N4008518F6819
(b) Modifications P00001 – P00014

[redacted],

Per the references (a) and (b) above, the contractor's actuals call into question whether the data submitted by Environmental Chemical Corporation (ECC) for the FY18 and FY19 proposals were accurate, complete, and current. The data submitted by the contractor formed the basis for negotiations and subsequent awards for Hurricane Florence Recovery at Marine Corps Installations East in North Carolina.

The Naval Inspector General audit team is completing Project No. D2019-D000AG-0110.00, an audit of the Navy and Air Force Hurricane Recovery Efforts, Encl (1). An official draft report is anticipated in December 2019, with an official final report to be released in second quarter FY20. As a result of the aforementioned audit, [redacted]

Any questions regarding this letter should be immediately submitted to the undersigned via email at [redacted] or via phone at [redacted].

Sincerely,

[redacted]
Contracting Officer

Encl: (1) Memorandum dated 11 February 2019 regarding Audit of the Navy and Air Force Hurricane Recovery Effort Costs

Attachment (B)

Naval Facilities Engineering Command Atlantic (cont'd)

Encl (1)

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

February 11, 2019

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISTION AND SUSTAINMENT
NAVAL INSPECTOR GENERAL
AUDITOR GENERAL, DEPARTMENT OF THE AIR FORCE

SUBJECT: Audit of the Navy and Air Force Hurricane Recovery Effort Costs (Project No. D2019-D000AG-0110.000)

We plan to begin the subject audit in February 2019. Our objective is to determine whether the Navy and Air Force controlled costs for the Global Contingency Construction Contract and the Air Force Contract Augmentation Program task orders issued to support the military base recovery efforts from the 2017 and 2018 hurricanes. We will consider suggestions from management on additional or revised objectives.

We will perform the audit at Naval Facilities Engineering Command Atlantic, Mid-Atlantic, and Southeast; and at the 772nd Enterprise Sourcing Squadron, Tyndall Air Force Base. We will also perform the audit at prime and subcontractor locations. We may identify additional locations during the audit.

Please provide us with a point of contact for the audit within **5 days** of the date of this memorandum. The point of contact should be a Government employee—a GS-15, pay band equivalent, or the military equivalent. Send the contact's name, title, grade/pay band, phone number, and e-mail address to audacs@dodig.mil.

You can obtain information about the Department of Defense Office of Inspector General from DoD Directive 5106.01, "Inspector General of the Department of Defense (IG DoD)," April 20, 2012, as amended; DoD Instruction 7600.02, "Audit Policies," October 16, 2014, as amended; and DoD Instruction 7050.03, "Office of the Inspector General of the Department of Defense Access to Records and Information," March 22, 2013. Our website is www.dodig.mil.

If you have any questions, please contact [redacted], ([redacted], or [redacted], ([redacted].

Theresa S. Hull
Assistant Inspector General
Acquisition, Contracting, and Sustainment

attachment (B)

Naval Facilities Engineering Command Atlantic (cont'd)

DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND, MID-ATLANTIC
9324 VIRGINIA AVENUE
NORFOLK, VIRGINIA 23511-3095

January 6, 2020

Defense Contract Audit Agency
Attn: [redacted], Branch Manager
Silicon Valley Branch Office
2105 S. Bascom Avenue, Suite 310
Campbell, CA 95008-3295

SUBJ: Request for [redacted] Audit for Environmental Chemical Corporation, Hurricane Florence Recovery at MCB Camp Lejeune, MCAS New River, and outlying MCI East Facilities in North Carolina, Contract Number N6247013D6020, Task Order Number N4008519F4464

REF: (a) Task Order N4008519F4464
(b) Modifications P00001 – P00014

[redacted],

The Naval Inspector General audit team is completing Project No. D2019-D000AG-0110.00, an audit of the Navy and Air Force Hurricane Recovery Efforts, Encl (1). An official draft report has been completed, with an official final report to be released in second quarter FY20. As a result of the aforementioned audit, [redacted] The data submitted by the contractor formed the basis for negotiations and subsequent awards for Hurricane Florence Recovery at Marine Corps Base Camp Lejeune, Marine Corps Air Station New River, and outlying Marine Corps Installation East facilities in North Carolina. Due to the preliminary nature of the report, additional details must be obtained directly from the audit team at this time.

[redacted]

Any questions regarding this letter should be immediately submitted to the undersigned via email at [redacted] or via phone at [redacted].

Sincerely,

[redacted]
Contracting Officer

Encl: (1) Memorandum dated 11 February 2019 regarding Audit of the Navy and Air Force Hurricane Recovery Effort Costs

Attachment (C)

Naval Facilities Engineering Command Atlantic (cont'd)

DEPARTMENT OF THE NAVY
NAVAL FACILITIES ENGINEERING COMMAND, MID-ATLANTIC
9324 VIRGINIA AVENUE
NORFOLK, VIRGINIA 23511-3095

January 6, 2020

Defense Contract Audit Agency
Attn: [redacted], Branch Manager
Silicon Valley Branch Office
2105 S. Bascom Avenue, Suite 310
Campbell, CA 95008-3295

SUBJ: Request for [redacted] Audit for Environmental Chemical Corporation, Hurricane Florence Recovery at MCAS Cherry Point in North Carolina, Contract Number N6247013D6020, Task Order Number N4008519F4465

REF: (a) Task Order N4008519F4465
(b) Modifications P00001 – P00015

[redacted],

The Naval Inspector General audit team is completing Project No. D2019-D000AG-0110.00, an audit of the Navy and Air Force Hurricane Recovery Efforts, Encl (1). An official draft report has been completed, with an official final report to be released in second quarter FY20. As a result of the aforementioned audit, [redacted] The data submitted by the contractor formed the basis for negotiations and subsequent awards for Hurricane Florence Recovery at Marine Corp Air Station Cherry Point in North Carolina. Due to the preliminary nature of the report, additional details must be obtained directly from the audit team at this time.

[redacted]

Any questions regarding this letter should be immediately submitted to the undersigned via email at [redacted] or via phone at [redacted].

Sincerely,

[redacted]

Contracting Officer

Encl: (1) Memorandum dated 11 February 2019 regarding Audit of the Navy and Air Force Hurricane Recovery Effort Costs

attachment (0)

Acronyms and Abbreviations

CERT	Contingency Engineering Response Team
COR	Contracting Officer's Representative
CPAF	Cost-Plus-Award-Fee
CPPC	Cost-Plus-Percentage-of-Cost
DFARS	Defense Federal Acquisition Regulation Supplement
ECC	Environmental Chemical Corporation
EDA	Electronic Document Access
FAR	Federal Acquisition Regulation
FFP	Firm-Fixed-Price
G&A	General and Administrative
GAO	Government Accountability Office
GCC-MAC	Global Contingency Construction-Multiple Award Contract
GSA	General Services Administration
MCAS	Marine Corps Air Station
NAVFAC	Naval Facilities Engineering Command
NAVFAC MIDLANT	Naval Facilities Engineering Command Mid-Atlantic
NAVFAC SE	Naval Facilities Engineering Command Southeast
OMB	Office of Management and Budget
PMT	Planning Management Team
PWD	Public Works Department
TINA	Truth in Negotiations Act

Whistleblower Protection
U.S. Department of Defense

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For more information about DoD OIG reports or activities, please contact us:

Congressional Liaison
703.604.8324

Media Contact
public.affairs@dodig.mil; 703.604.8324

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DEPARTMENT OF DEFENSE | OFFICE OF INSPECTOR GENERAL

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