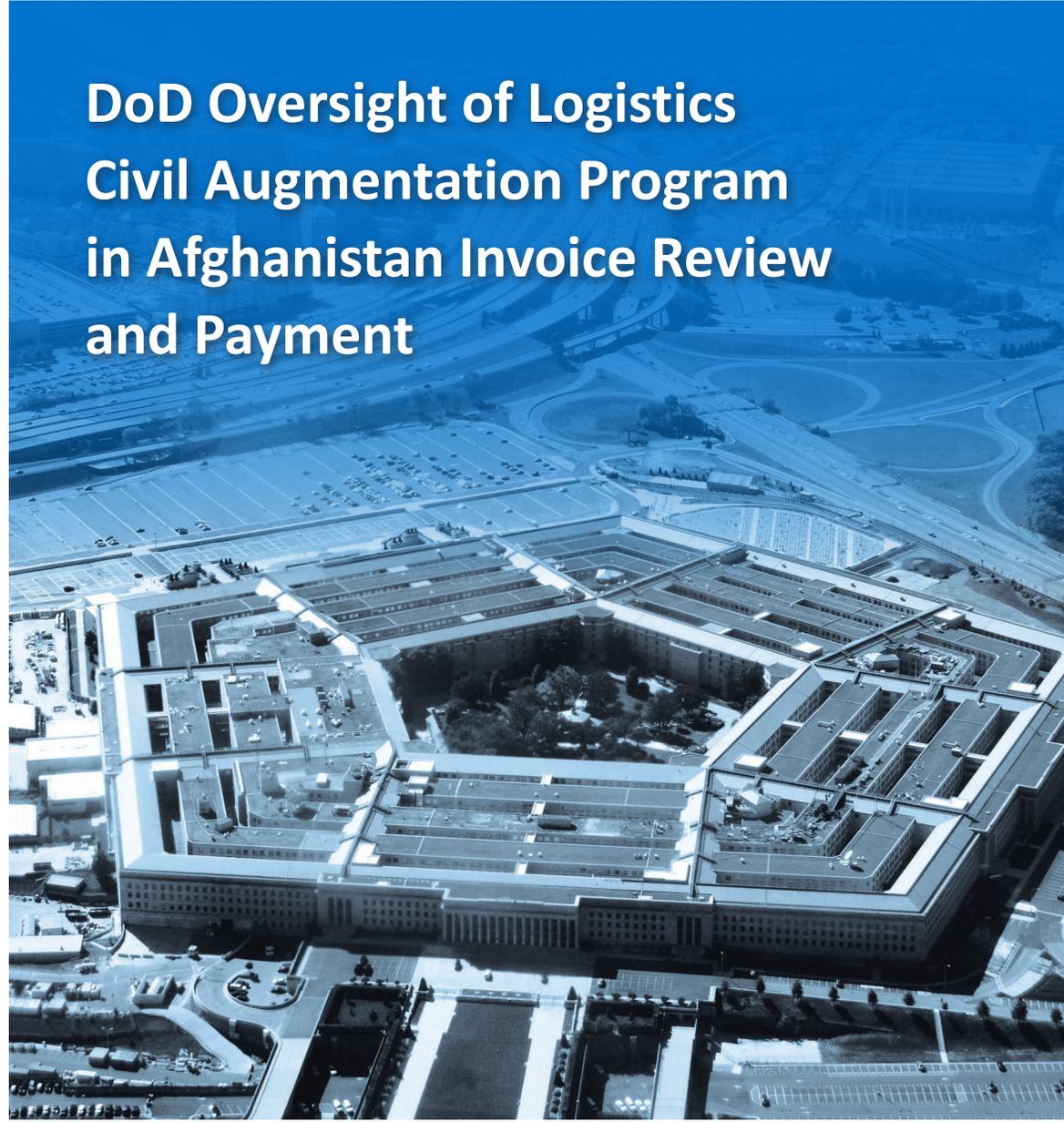




INSPECTOR GENERAL

U.S. Department of Defense

MAY 11, 2018



DoD Oversight of Logistics Civil Augmentation Program in Afghanistan Invoice Review and Payment

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Results in Brief

DoD Oversight of Logistics Civil Augmentation Program in Afghanistan Invoice Review and Payment

May 11, 2018

Objective

We determined whether the DoD adequately monitored contractor performance and conducted sufficient invoice reviews for services provided under the Logistics Civil Augmentation Program (LOGCAP) IV contract in Afghanistan.

Background

LOGCAP is an Army program, established in 1992, which uses contractors to provide logistical and sustainment services to deployed forces, such as dining and laundry facilities, housing, construction, transportation, facilities maintenance, and fire and emergency services.

On July 7, 2009, the Army Contracting Command–Rock Island awarded two cost-reimbursable task orders for LOGCAP services in Afghanistan. Cost-reimbursable contracts provide payment of allowable incurred costs and require contractors to submit interim vouchers to obtain payments for costs they incurred to perform the contract.

Findings

We determined that DoD officials did not conduct sufficient voucher reviews for services provided under the LOGCAP IV contract. Specifically, Army Contracting Command and Defense Contract Audit Agency (DCAA) officials did not adequately monitor all 128 LOGCAP IV vouchers submitted from 2015 to 2017 for questionable and potentially unallowable costs.

Findings (cont'd)

This inadequate monitoring occurred because DoD policy regarding voucher reviews did not clearly state what role contracting officials should have in reviewing vouchers or establish an expectation of how the contract administration office could augment DCAA voucher reviews. In addition, DoD policy established DCAA prepayment reviews as the sole method of voucher oversight prior to payment; however, prepayment reviews are cursory reviews not sufficient for preventing reimbursement to the contractor for all potentially unallowable costs.

As a result, the Army paid all 128 LOGCAP vouchers the LOGCAP contractors submitted from 2015 to 2017, valued at \$2.4 billion, with little or no examination of the supporting documentation. We identified at least \$536 million of the \$2.4 billion billed on vouchers that were supported by questionable documentation that warranted further analysis. Specifically, the contractor provided supporting documentation for labor, employee travel, and employee bonuses that did not contain sufficient detail for us to determine how the contractor calculated costs. In addition, we identified a \$32 million voucher the contractor submitted for labor and expenses, which did not include accounting transactions that supported the costs billed. Furthermore, we identified at least \$26 million in direct labor for employees who were not physically present in Afghanistan. We also identified \$422,825 in costs that, based on the description of the costs in contractor's accounting data, may not be allowable.

In addition, the Army Contracting Command–Afghanistan (ACC-A) did not monitor all contract requirements. For example, CORs did not determine whether contractors were fulfilling contract requirements to meet DoD Fire and Emergency Services Program standards or food service sanitation standards.

This inadequate monitoring occurred because ACC-A officials used a program-wide LOGCAP Quality Assurance Surveillance Plan (QASP), which contained generic surveillance checklists not designed to monitor specific LOGCAP services used by the Army in Afghanistan.



Results in Brief

DoD Oversight of Logistics Civil Augmentation Program in Afghanistan Invoice Review and Payment

Findings (cont'd)

As a result, ACC-A officials did not have reasonable assurance that the contractor performed all 28 active LOGCAP IV services in Afghanistan in accordance with contract requirements. Using generic surveillance checklists resulted in CORs conducting quality assurance inspections that did not identify deficiencies in contractor performance because they did not identify specific requirements for high-risk services, such as procedures for verifying response times for fire and emergency services and food preparation and storage requirements for dining facilities. This increased health and safety risks to U.S. and Coalition personnel.

Recommendations

To improve voucher oversight, we recommend that the:

- Defense Procurement and Acquisition Policy (DPAP) Director issue clarifying guidance establishing the contract administration office's responsibilities for monitoring contractor billings;
- Army Contracting Command–Rock Island Executive Director delegate additional voucher review responsibilities to the Army Contracting Command–Afghanistan and modify the LOGCAP IV contract to require contractors to submit transaction-level accounting data that accurately represent the costs billed on vouchers in the DoD's Invoicing, Receipt, Acceptance, and Property Transfer application of the Wide Area Workflow;
- Army Contracting Command–Afghanistan Principal Assistant Responsible for Contracting (PARC) develop a standard operating procedure to monitor contractor billings and communicate the results with the Procuring Contracting Officer and responsible Defense Contract Audit Agency office;
- Defense Contract Audit Agency Director review the Logistics Civil Augmentation Program contractor's labor billing practices and, at a minimum, review \$422,825 we found which may not have been necessary to meet contract requirements; and

Recommendations (cont'd)

- ACC-A PARC create a new QASP specific to task order 0004 and 0005 requirements in Afghanistan and develop detailed checklists for the CORs to use when conducting contract oversight to improve monitoring of contractor performance on the LOGCAP IV Afghanistan task orders.

Management Actions

On November 28, 2017, we met with the DPAP Director and DCAA officials to discuss concerns we identified during the audit. According to the Director, the current COR Handbook does not address communication between the COR and DCAA, and his staff indicated they would update the COR Handbook to include procedures to correct this. This action addresses our recommendation and the recommendation will be closed when we verify the planned actions are fully implemented.

On January 8, 2018, we met with senior DCAA policy officials to discuss the costs we identified as supported by questionable documentation. The DCAA officials were responsive to our concerns and took immediate action. Specifically, to address our concern over clustered costs, the DCAA obtained from the contractor more detailed cost data from its accounting system, which matched the total amount and total hours that were billed on four clustered transactions we provided to DCAA as examples of clustered transactions.¹ In addition, DCAA began to investigate the \$422,825 we found to be potentially unallowable and stated that it has not found any significant unallowable costs. This action addresses our recommendation and will be closed when we verify the planned actions are fully implemented.

¹ DCAA officials used the term clustered costs to describe the contractor's method of grouping costs into one line item in the accounting data that the contractor provided in support of billed costs.



Results in Brief

DoD Oversight of Logistics Civil Augmentation Program in Afghanistan Invoice Review and Payment

Management Actions (cont'd)

During the audit, we also advised the ACC-A PARC that deficiencies existed in contractor performance oversight. The PARC agreed with our observations and took immediate action to resolve our concerns. Specifically, ACC-A officials created a new QASP specific to LOGCAP IV, task orders 0004 and 0005. We reviewed the updated QASP and determined that the updated surveillance checklists included surveillance steps to improve oversight of the contract. In addition, the new QASP identifies the criteria for each service, including high risk-services. This action addressed our concern and this recommendation is closed.

Management Comments and Our Response

The Defense Procurement and Acquisition Policy Director agreed with our recommendation and stated that he will issue clarifying guidance on the responsibilities of the contract administration office to monitor contractor billings and will update the Contracting Officer's Representative Handbook to include procedures for more effective communication between Contracting Officer's Representatives and the Defense Contract Audit Agency. Therefore, this recommendation is resolved and will be closed when we verify the planned actions are fully implemented.

The Deputy to the Commanding General, Army Contracting Command, agreed to:

- improve communication and coordination with DCAA when DCAA performs contractor risk assessments;
- coordinate with the DCAA to ensure transparent supporting documentation is provided with each submitted voucher; and
- develop a cost control evaluation guide for the contract administration office to monitor the contractor's cost control performance.

Management Comments and Our Response (cont'd)

Therefore, these recommendations are resolved and will be closed once we verify the planned actions are fully implemented.

The Defense Contract Audit Agency Director agreed with the recommendation and stated that the Defense Contract Audit Agency did not find any significant unallowable costs during its review of the \$422,825 in costs we identified as potentially unallowable. Therefore, this recommendation is resolved and will be closed when we verify the DCAA completes its review.

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

Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Director, Defense Procurement and Acquisition Policy	None	A.1	None
Director, Defense Contract Audit Agency	None	A.4	None
Executive Director, Army Contracting Command-Rock Island	None	A.2.a, A.2.b	None
Principal Assistant Responsible for Contracting, Army Contracting Command-Afghanistan	None	A.3	B.1

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**

May 11, 2018

MEMORANDUM FOR DISTRIBUTION

SUBJECT: DoD Oversight of Logistics Civil Augmentation Program Invoice Review and Payment
(Report No. DODIG-2018-119)

We are providing this report for information and use. We conducted this audit in accordance with generally accepted Government auditing standards.

We considered management comments on a draft of this report when preparing the final report. Comments from the Defense Procurement and Acquisition Policy Director, the Deputy to the Commanding General, Army Contracting Command and comments from the Defense Contract Audit Agency Director addressed all of the recommendations and conformed to DoD Instruction 7650.03. Therefore, no written response to this report is required.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9187.

A handwritten signature in cursive script, reading "Michael J. Roark".

Michael J. Roark
Assistant Inspector General
Readiness and Global Operations

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Introduction

Objective

We determined whether the DoD adequately monitored contractor performance and conducted sufficient invoice reviews for services provided under the Logistics Civil Augmentation Program (LOGCAP) IV contract. Specifically, we determined whether the Army Contracting Command–Afghanistan (ACC-A) developed procedures to ensure that contracting officer’s representatives (CORs) monitored all LOGCAP requirements. In addition, we determined whether the Defense Contract Audit Agency (DCAA), the Army Contracting Command (ACC), and the ACC-A reviewed LOGCAP vouchers prior to payment to determine if the costs were allowable.

Background

Logistics Civil Augmentation Program

LOGCAP is an Army program, established in 1992, which uses contractors to provide logistical and sustainment services to deployed forces. Since 1992, the Army has issued four LOGCAP contracts to provide sustainment support to U.S. operations around the world, including Afghanistan. Services provided in the Afghanistan LOGCAP contract include dining and laundry facilities, housing, construction, transportation, facilities maintenance, and fire prevention services. The LOGCAP contracts use task orders to provide sustainment services at different locations around the world.²

LOGCAP IV Contract

In June 2007, the Army Sustainment Command (ASC) awarded the LOGCAP IV base contract to three contractors. In 2008, the ACC was established and assumed contracting responsibilities from the ASC for LOGCAP IV. On July 7, 2009, the Army Contracting Command–Rock Island (ACC-RI) awarded two cost-plus-award-fee task orders for LOGCAP services in Afghanistan—task order 0004 to one contractor for the Southern Afghanistan Area of Responsibility, which includes Kandahar Airfield, and task order 0005 to a second contractor for the Northern Afghanistan Area of Responsibility, which includes Bagram Airfield.³

² FAR 2.101, “Definitions of Words and Terms,” January 13, 2017, defines a task order as an order for services placed against an established contract or with Government sources.

³ A cost-plus-award-fee contract provides payment of allowable incurred costs. The fee consists of a fixed base amount and an award amount that is based on the contractor’s performance.

In 2013, ACC-RI converted the LOGCAP IV Afghanistan task orders from cost-plus-award-fee to cost-plus-fixed-fee task orders. Cost-plus-fixed-fee contracts provide payment of allowable incurred costs; however, the Government pays the contractor a fixed fee with no adjustment for performance. Cost-type contracts offer minimal incentive for the contractor to control costs; therefore, Federal Acquisition Regulation (FAR) 16.301-3 requires Government surveillance for these types of contracts to ensure that the contractor uses efficient methods and effective cost controls.⁴

For task orders 0004 and 0005, the periods of performance were initially from July 7, 2009, to July 31, 2015, but the ACC-RI extended both task orders to June 30, 2018. Table 1 shows the cumulative obligated amounts of each task order. The Army plans to award and transition to the LOGCAP V contract in June 2018.

Table 1. Cumulative Obligated Amounts for Each Task Order

LOGCAP Task Orders	Period of Performance	Cumulative Obligated Amounts as of January 30, 2018
Task Order 0004: Southern Afghanistan	July 7, 2009, to June 30, 2018	\$6.8 billion
Task Order 0005: Northern Afghanistan	July 7, 2009, to June 30, 2018	\$10.8 billion
Total		\$17.6 billion

Source: The DoD OIG.

Defense Procurement and Acquisition Policy

Defense Procurement and Acquisition Policy (DPAP) is responsible for all pricing, contracting, and procurement policy matters for the DoD. DPAP administers the Defense Federal Acquisition Regulation Supplement (DFARS)—the DoD’s supplement to the FAR—and issues relevant procedures, guidance, and information (PGI) in the DFARS PGI. Additionally, DPAP provides resources and issues policy to DoD contracting activities for specific DoD business environments, such as contracting during contingency operations. DPAP resources include the Defense Contingency Contracting Handbook and the Defense Contingency COR Handbook (COR Handbook).

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

Voucher Review Responsibilities for a Cost-Reimbursement Contract

Under cost-reimbursement contracts, such as LOGCAP IV, contractors submit interim vouchers to obtain payments for costs they incurred to perform the contract.⁵ Contractors must submit claims for reimbursement on an approved Government form and in accordance with contract terms.⁶ Contractors may submit their vouchers up to twice per month through the DoD's Invoicing, Receipt, Acceptance, and Property Transfer (iRAPT) application of the Wide Area Workflow.⁷ The costs paid on these vouchers are considered provisionally paid and subject to audit prior to the approval of the final voucher submitted upon contract completion.⁸ The DFARS and the COR Handbook detail the voucher-review responsibilities for the Defense Contract Audit Agency (DCAA) contract auditor and the COR, respectively.⁹

Defense Contract Audit Agency

DoD Directive 5105.36 designates contract auditors from the DCAA as authorized representatives of the contracting officer to provisionally approve vouchers for payment.¹⁰ Each DCAA office approves, disapproves, or suspends costs claimed on vouchers contractors submit for reimbursement. To fulfill its voucher review responsibilities, DCAA conducts prepayment reviews as an advisory service and audits paid vouchers. Additionally, DCAA conducts audits of annual incurred cost claims submitted by contractors. DCAA offices perform billing oversight and audits for all contracts awarded to the contractor assigned to their office. A specific DCAA office is responsible for task order 0004 and task order 0005 billing oversight for LOGCAP IV. Each office performs all of the following advisory and audit services.

Prepayment Reviews

During voucher prepayment reviews, DCAA auditors ensure that contractor-submitted vouchers contain correct administrative data, such as the contract number; display current and cumulative costs; are free of mathematical errors; and match the total cost on the voucher to the total cost in a contractor-provided summary of the claimed costs. Prepayment reviews are not

⁵ Throughout this report we use the term "voucher" to refer to contractor-submitted interim vouchers for payment on cost-reimbursable contracts.

⁶ Standard Form 1034, "Public Voucher for Purchases of Services Other Than Personal, Standard Form 1035, Continuation Sheet," or equivalent.

⁷ Wide Area Workflow is a website which hosts multiple business applications available to DoD contracting personnel.

⁸ Provisionally paid refers to costs paid on vouchers are subject to audit at a later date, and may be reduced by the contracting officer for amounts found to be unallowable or adjusted for previous over or underpayments.

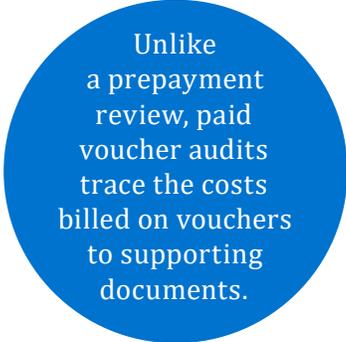
⁹ DFARS 242.803(b), "Auditor Receipt of Voucher," August 29, 2012. "Defense Contingency COR Handbook," Version 2, September 2012.

¹⁰ DoD Directive 5105.36, "Defense Contract Audit Agency," January 4, 2010.

audits; therefore, the auditor does not trace billed costs to source documents.¹¹ However, DCAA auditors do ensure that costs in the voucher correspond to the contractor's billing system and that the costs claimed are in accordance with contract terms and the contract period of performance. In addition, to meet requirements of the Prompt Payment Act, the DCAA requires its field offices to approve the vouchers it selects for prepayment within 5 business days.¹²

Paid Voucher Audits

Unlike a prepayment review, paid voucher audits trace the costs billed on vouchers to supporting documents. DCAA currently requires its resident offices to test at least one voucher per quarter from the universe of vouchers previously subject to a prepayment review. According to DCAA officials, the procuring contracting officer (PCO) or administrative contracting officer (ACO) may request additional paid voucher audits. Since paid voucher audits are designed to perform limited transaction testing, DCAA auditors develop testing procedures based on their assessed risk of the contractor. Examples of potential testing procedures include tracing labor charges billed to timecards or tracing material charges to accounting records and supporting documentation to determine if it complies with contract terms and the FAR.



Unlike a prepayment review, paid voucher audits trace the costs billed on vouchers to supporting documents.

Incurred Cost Audits

DCAA audits the costs that the contractor incurred and claimed for reimbursement in the previous year. For these incurred cost audits, DCAA auditors develop testing procedures by cost element, such as direct labor, based on prior audit results, materiality, and risk. If a cost element is selected for testing, DCAA auditors identify a sample of transactions from the cost element and trace costs to supporting documentation to ensure that the costs are allowable, allocable, and reasonable per contract terms, the FAR, and the DFARS.¹³ Although contractors

¹¹ Source documents are the original record containing the details to substantiate a transaction entered into the accounting system. An example of a source document is a vendor invoice for supplies.

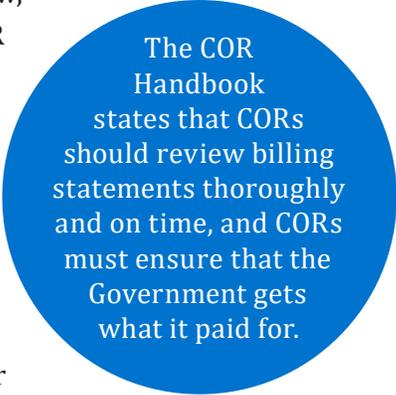
¹² Title 5 Code of Federal Regulations (CFR) Part 1315, "Prompt Payment" (2017) requires the Government to pay contractors no later than 30 days after the contractor requests payment. DCAA directs its offices to approve vouchers within 5 business days to ensure that potential delays between voucher acceptance and funds disbursement do not exceed 30 days. FAR 32.9, "Prompt Payment" January 13, 2017.

¹³ DCAA uses both non-statistical and statistical sampling for incurred cost audits. FAR 31.201-4, "Contracts With Commercial Organizations," January 13, 2017, states that a cost is allocable to a Government contract if it (1) is incurred specifically for the contract, (2) benefits both the contract and other work and can be distributed in reasonable proportion, or (3) is necessary for the overall operation of business.

submit incurred costs claims annually, audits may not occur until years after the costs were paid. For the LOGCAP IV contract, the DCAA resident offices responsible for task orders 0004 and 0005 completed their 2012 incurred cost audits in 2017. According to DCAA officials, each office responsible for LOGCAP task orders in Afghanistan will complete incurred cost audits for 2013 through 2015 by September 2018.

Contracting Officer's Representatives

According to the COR Handbook, CORs can review, but not approve, vouchers for payment. The COR Handbook states that CORs should review billing statements thoroughly and on time, and CORs must ensure that the Government gets what it paid for. Additionally, the DPAP Director issued a 2008 memorandum to clarify DoD policy that CORs cannot approve vouchers for cost-reimbursement contracts but could review contractor vouchers as part of their contractor surveillance efforts.¹⁴ For example, the



The COR Handbook states that CORs should review billing statements thoroughly and on time, and CORs must ensure that the Government gets what it paid for.

DPAP memorandum stated that CORs could review vouchers to determine if billed labor charges accurately reflected the work performed. Although the LOGCAP COR designation letters required CORs to complete acceptance and receiving documents for contract payments in accordance with the Prompt Payment Act, FAR 32.905(c) does not require Government officials to perform acceptance or receiving of contractor invoices on cost reimbursable service contracts.¹⁵ Therefore, the DoD does not perform acceptance or receiving of contractor invoices on the LOGCAP IV contract because it is a cost-reimbursable service contract.

Performance Oversight Responsibilities for LOGCAP IV

The Army Materiel Command (AMC) is responsible for ensuring that the LOGCAP contract meets the sustainment requirements of U.S. Forces Afghanistan (USFOR-A). The AMC manages the LOGCAP IV contract through the following subordinate commands and with the assistance of USFOR-A.

¹⁴ "Approving Payments under Cost-Reimbursement, Time and Materials, and Labor-Hour Contracts," April 14, 2008.

¹⁵ FAR 32.9, "Prompt Payment Act" and FAR 32.905(c), "Payment Documentation and Process," January 13, 2017.

Army Contracting Command–Rock Island

The ACC-RI provides global contracting support to the Army. The ACC-RI awarded the LOGCAP IV task orders for Afghanistan and assigned the PCO. The PCO executed contracting actions, such as issuing task orders and contract modifications, for USFOR-A.

Army Contracting Command–Afghanistan

The ACC-A provides contract administration services for LOGCAP IV task orders in Afghanistan. The PCO delegated contract administration tasks, such as quality assurance oversight, cost monitoring, and property administration to the ACC-A. ACC-A trains the CORs performing contract oversight in Afghanistan and ensures that the CORs are performing their duties.

U.S. Forces–Afghanistan Supporting Activities

USFOR-A is the requiring activity for LOGCAP services. The majority of the CORs for LOGCAP IV services in Afghanistan come from two supporting activities, the Area Support Group-Afghanistan and the Resolute Support Sustainment Brigade. As of August 2017, these two supporting activities provided 100 CORs to oversee services performed under task orders 0004 and 0005.

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.¹⁶

We identified internal control weaknesses in voucher reviews and in the oversight of contractor performance. For voucher reviews, DoD policy did not require PCO reviews of vouchers or require the contract administration office (CAO) to augment DCAA voucher reviews. In addition, DFARS 242.803 established DCAA prepayment reviews as the sole method of voucher approval or rejection; however, DFARS does not require prepayment reviews to analyze contractor supporting documentation prior to the payment of a voucher. For contractor performance oversight ACC-A officials relied on a Quality Assurance Surveillance Plan (QASP) that was not tailored to task orders 0004 and 0005 in Afghanistan. We will provide a copy of the report to the senior officials responsible for internal controls for voucher reviews.

¹⁶ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding A

The DoD Should Improve the Review of LOGCAP Vouchers for Task Orders in Afghanistan

DoD officials did not conduct sufficient voucher reviews for services provided under the LOGCAP IV contract in Afghanistan. Specifically, ACC and DCAA officials did not adequately monitor all 128 LOGCAP IV vouchers submitted from 2015 to 2017 for potentially unallowable costs.

LOGCAP vouchers were not adequately reviewed because DoD policy did not require PCO reviews of vouchers or require the CAO to augment DCAA voucher reviews.

For example, DoD Directive 5105.36 established DCAA as the responsible agency for reviewing vouchers, and an April 2008 DPAP policy memorandum expressly prohibited CORs from approving vouchers. This led ACC officials to believe that the contract administration office should not review contractor vouchers either prior to, or after, payment.

In addition, DFARS 242.803 established DCAA prepayment reviews as the sole method of voucher approval or rejection; however, DFARS does not require prepayment reviews to analyze contractor supporting documentation prior to the payment of a voucher. Furthermore, DCAA prepayment reviews are advisory services not designed to identify all potentially unallowable costs, and not all vouchers are subject to prepayment reviews.

Consequently, the Army paid 128 LOGCAP vouchers submitted from 2015 to 2017, valued at \$2.4 billion, with little or no examination of the contractors' supporting documentation. At least \$536 million of the \$2.4 billion billed on the task order 0005 vouchers were supported by questionable documentation. Specifically, the contractor provided supporting documentation for labor, employee travel, and employee bonuses that presented costs for hundreds of employees as a single sum for only one employee. In addition, for task order 0005, we identified a \$32 million voucher submitted by the contractor, which did not include accounting transactions that supported the costs, and we identified at least \$26 million in direct labor for employees not physically present in Afghanistan. Finally, we identified at least \$422,825 in costs that, based on the description of the costs in contractor's accounting data, may not be allowable.

The DoD Did Not Conduct Effective LOGCAP IV Voucher Reviews

DoD officials did not conduct sufficient invoice reviews for services provided under the LOGCAP IV contract. Specifically, ACC and DCAA officials did not monitor all 128 LOGCAP IV vouchers submitted by contractors from 2015 to 2017 for questionable and potentially unallowable costs.

Contracting Officials Did Not Review Vouchers

The PCO and contracting officials in Afghanistan, including ACC-A officials and the CORs appointed to oversee the LOGCAP IV contractors, did not conduct thorough reviews of the 128 vouchers that contractors for both task orders submitted between January 1, 2015, and August 1, 2017. Instead, the PCO conducted cursory reviews of vouchers that DCAA officials selected for prepayment review. In addition, neither ACC-A officials nor the CORs conducting contract oversight reviewed any vouchers to determine if the contractors' vouchers reflected the actual work performed.¹⁷

DCAA Officials Did Not Monitor Vouchers for Potentially Unallowable Costs

During prepayment reviews, DCAA officials did not analyze the supporting accounting transactions that the contractors provided with their vouchers to identify potentially unallowable costs. Instead, the voucher reviews were designed to reconcile the total amount the contractor claimed for reimbursement to the contractor's supporting accounting transactions submitted with its vouchers. However, this reconciliation did not examine the supporting documents to determine how the contractor calculated the claimed reimbursement costs. DCAA auditors did examine supporting documents when they conducted paid voucher audits; however, DCAA offices were only required to select a minimum of one voucher per quarter from all of the contractors' contracts with the Government, not just the LOGCAP IV contract. For example, in 2015, the office responsible for task order 0005 conducted one paid voucher audit per quarter, all for LOGCAP task order 0005. In 2016, the office responsible for task order 0005 conducted one paid voucher audit for per quarter, but none were for task order 0005.

¹⁷ The Defense Contract Management Agency (DMCA) administered LOGCAP task orders in Afghanistan until January 2016. We did not determine if DCMA reviewed vouchers during their time as the LOGCAP task order 0004 and 0005 contract administrator.

DoD Policy Did Not Require Frequent or Thorough Voucher Reviews

DoD policy did not require PCO reviews of vouchers or require the CAO to augment DCAA voucher reviews. In addition, DoD policy established DCAA prepayment reviews as the sole method of voucher oversight prior to payment. According to ACC officials, they believed that the CAO and CORs should not review contractor vouchers either prior to, or after, payment because it was DCAA's responsibility to review vouchers and that any reviews by contracting officials in theater would be a duplicative effort that does not align with current DoD policy. In addition, DCAA's prepayment reviews are cursory reviews insufficient for preventing reimbursement to the contractor for potentially unallowable costs. Therefore, vouchers that are not selected for a prepayment review will not be reviewed by contracting officials, either before or after payment and vouchers that are subject to a prepayment review are reviewed without closely examining the contractor's claimed costs.

DoD Policy Did Not Require Contract Oversight Personnel to Review Vouchers

DoD Directive 5105.36 establishes DCAA's responsibility to approve or reject vouchers on cost-reimbursable contracts in accordance with the DFARS. No DoD policy requires the PCO, CAO, or the COR to review vouchers. A DPAP policy memorandum and the COR Handbook allow the COR to review, but not approve, vouchers; however, neither document addresses how CORs on a large service contract such as LOGCAP can augment DCAA's role as the approving authority on vouchers.

DCAA Established as the Contract Auditor

DoD Directive 5105.36 establishes the roles and responsibilities of the DCAA as the contract auditor regarding voucher reviews on cost reimbursable contracts. Specifically, the directive states that DCAA shall:

Perform all necessary contract audits for the Department of Defense and provide accounting and financial advisory services regarding contracts and subcontracts to all DoD Components responsible for procurement and contract administration.

The directive also explains DCAA's responsibility for reviewing cost-reimbursement vouchers:

Approve, suspend, or disapprove costs on reimbursement vouchers received directly from contractors, under cost-type contracts, transmitting the vouchers to the cognizant Disbursing Officer.

DPAP Policy Memorandum and COR Handbook Guidance Regarding Cost Reimbursement Voucher Oversight

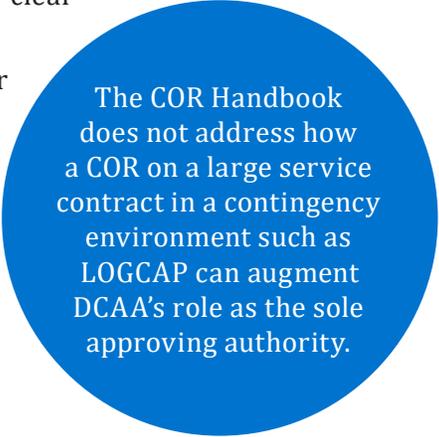
The DPAP Director issued a memorandum on April 2008 clarifying the DoD's position on approving cost-reimbursement vouchers. Specifically, the memorandum stated, "DCAA has sole authority for verifying claimed costs and approving interim payment requests." Furthermore, the memorandum clarified the DoD's position on COR involvement in voucher reviews. Specifically,

Contracting Officer's Representatives (CORs) shall not be delegated authority to approve these types of payments. In accordance with Defense Federal Acquisition Regulations Supplement (DFARS) 242.803, these functions are the responsibility of DCAA and ACOs. Although CORs may review contractor billings as part of their contract performance surveillance (e.g., hours billed and labor mix are commensurate with contract effort performed/accomplished), the COR is expected to coordinate with DCAA when any cost verification of data is necessary in support of the COR's surveillance responsibilities.

In addition, the COR Handbook provided additional guidance regarding the COR's role in voucher reviews. Specifically, the Handbook states, "for cost reimbursement, time and materials (T&M), and labor-hour, CORs can review—but not approve—invoices."

The DPAP memorandum and COR Handbook are clear that CORs are allowed to review vouchers on cost-reimbursement contracts. However, neither document specifically requires the COR to review vouchers and the COR Handbook does not address how a COR on a large service contract in a contingency environment such as LOGCAP can augment DCAA's role as the sole approving authority. For example, there are more than 100 CORs assigned to the LOGCAP IV contract overseeing the contractors' work at various sites throughout Afghanistan.

The DPAP Director acknowledged that the DoD needs to develop a reasonable expectation of a COR in a contingency environment and ensure that CORs daily observations are used to enhance DCAA's reviews.



The COR Handbook does not address how a COR on a large service contract in a contingency environment such as LOGCAP can augment DCAA's role as the sole approving authority.

DoD Policy Does Not Require the Review of All Vouchers or the Examination of Voucher Supporting Detail

DFARS 242.803 does not require DCAA to conduct prepayment reviews of all vouchers or examine the contractor's supporting documentation prior to payment. DCAA's prepayment reviews are advisory services and not designed to identify all potentially unallowable costs billed on the contract. The purpose of DCAA prepayment reviews is to ensure that vouchers are prepared in accordance with contract terms and identify potential overbillings and overpayments. These reviews are limited in scope because DCAA auditors must approve or reject the voucher within 5 days to comply with Prompt Payment Act requirements. In addition, each contractor submits vouchers to DCAA for all of its DoD cost-reimbursement contracts, not just LOGCAP. Therefore, each responsible DCAA office may receive a different number of total vouchers. For example, in 2016, the DCAA office responsible for the LOGCAP task order 0004 contractor received a total of 811 vouchers, while the office responsible for task order 0005 received a total of 44 vouchers. Because of the Prompt Payment Act time restriction, DCAA's prepayment review process does not analyze the detailed accounting transactions to identify potentially unallowable costs billed. Furthermore, because the responsible DCAA office at each contractor establishes a prepayment review sampling methodology based on risk factors specific to that contractor, not all vouchers are subject to these reviews prior to payment. Risk factors include the overall dollar value of the contractor's DoD contracts and the results of prepayment reviews and incurred costs audits. For example, a DCAA office may select fewer vouchers for a prepayment review if the contractor consistently submits vouchers which are prepared according to contract terms and are free of administrative and mathematical errors.



DCAA's prepayment reviews are advisory services and not designed to identify all potentially unallowable costs billed on the contract.

DFARS Did Not Require DCAA to Perform Prepayment Reviews on All Vouchers

DFARS establishes that DCAA must perform prepayment reviews, but does not require a specific number or percentage of all vouchers on a contract to be reviewed. DFARS states that contractors with approved accounting systems must submit their vouchers through iRAPT and that these vouchers will either be directly routed to DFAS for payment or selected by the responsible DCAA office for a prepayment review. Specifically, DFARS 242.803(b) states that the DCAA contract auditor is responsible for:

Approving interim vouchers, that were selected using sampling methodologies for provisional payment and sending them to the disbursing office after a prepayment review. Interim vouchers not selected for a pre-payment review will be considered to be provisionally approved and will be sent directly to the disbursing office. All provisionally approved interim vouchers are subject to a later audit of actual costs incurred.

To determine sampling methodologies, DCAA auditors request feedback from contracting officers and evaluate the results of prior audits and prepayment reviews of the contractor's vouchers.¹⁸ Because there is no DoD or DCAA policy which mandates how frequently these reviews are conducted, each DCAA office may conduct different numbers of reviews for the same contract. For example, between 2015 and 2017, for task order 0004, DCAA reviewed 64 of 65 vouchers. However, during the same period, for task order 0005, DCAA reviewed 7 of 63 vouchers. According to DCAA officials, the office responsible for task order 0005 has not found significant unallowable costs during its prepayment reviews or incurred cost audits and that this office appropriately considered risk when determining its sample plan.

During prepayment reviews, auditors make the determination to approve or reject a voucher, within 5 days to comply with prompt payment requirements, based on a standard DCAA checklist. Auditors use this checklist to evaluate the accuracy of the voucher and to perform a high level comparison of the voucher to supporting documents. Specifically, auditors are supposed to verify that the:

- costs billed were incurred within the period of performance;
- voucher includes current and cumulative amounts billed; and
- current and cumulative costs billed reconcile to the contractor's accounting records.

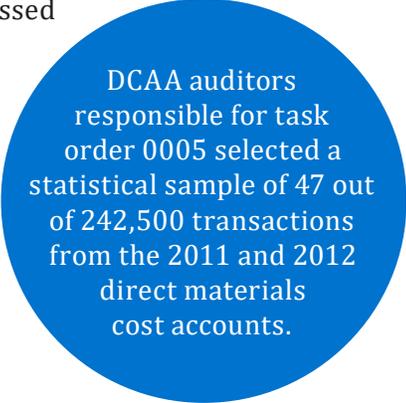
Although auditors reconcile current and cumulative costs billed to supporting accounting transactions, they do not perform a detailed analysis of the accounting transactions to identify potentially unallowable costs. For example, DCAA auditors approved a task order 0005 voucher without requiring the contractor to provide additional support for two employees' labor charges that totaled 62,487 hours without specifying the time frame these hours were worked and which were valued at \$1.3 million. DCAA auditors approved this voucher because the total cost of the accounting transactions matched the total costs the contractor claimed in iRAPT.

¹⁸ In this instance, we are using the term "contracting officer" to refer to all of the contracting officers that a DCAA office may contact during its annual risk assessment. Specifically, DCAA asks the PCO and DCMA's DACO and CACO for feedback regarding the contractor's vouchers.

Incurred Cost Audits Do Not Examine Vouchers

DFARS specifically states that vouchers provisionally approved for payment are subject to a later audit of actual costs incurred; however, this statement is confusing because incurred cost audits do not examine vouchers. Instead, DCAA incurred cost audits examine select transactions billed throughout the year by the contractor on their DoD cost-reimbursable contracts. For example, the contractor records and claims all labor incurred on all of its contracts, including contracts with other Government agencies and commercial contracts during the year, in its direct labor accounts. DCAA auditors then develop procedures to examine the labor transactions recorded and claimed on cost-reimbursable DoD contracts in those specific accounts. Therefore, during incurred cost audits, DCAA does not examine the total costs billed on a voucher, but instead selects transactions for testing that the contractor billed on vouchers throughout the year.

Since cost accounts can contain thousands of transactions, auditors select sample transactions, based on assessed risk and materiality, to compare to source documents. For example, in its most recently completed incurred cost audit, DCAA auditors responsible for task order 0005 selected a statistical sample of 47 out of 242,500 transactions from the 2011 and 2012 direct materials cost accounts. Because the scope of testing covers all of the contractor's cost-reimbursement DoD contracts, auditors simply cannot trace the majority of actual costs incurred to source documents for a large number of transactions. Therefore, the structure and execution of incurred cost audits alone do not provide the level of review needed to identify potentially unallowable costs on a specific cost-reimbursable contract.



DCAA auditors responsible for task order 0005 selected a statistical sample of 47 out of 242,500 transactions from the 2011 and 2012 direct materials cost accounts.

The DoD Needs to Develop a More Comprehensive Approach to Billing Oversight for the LOGCAP Contract in Afghanistan

Based on the DPAP memorandum and COR Handbook, we concluded that DPAP expects CORs to participate in voucher reviews. However, because DoD policy prohibits "approval" of a voucher and does not indicate that CORs "must" conduct voucher reviews, the PCO did not delegate additional contract administration office functions to contract oversight personnel in-country to conduct voucher reviews. DCAA is the designated contract auditor and has the auditing and contractor knowledge necessary to approve the voucher. However, in-country oversight personnel are in the best position to augment DCAA prepayment reviews and audits by determining that the Government is only paying for work the contractor actually performs. Furthermore, because DCAA advisory and audit services rely

on the sampling of vouchers and cost transactions for multiple DoD contracts at a specific contractor and cannot identify all potentially unallowable costs, contracting officials need to develop and implement procedures to better monitor contractor billings.

More than 100 CORs are assigned to the LOGCAP IV task orders in Afghanistan. Because CORs are assigned to specific service areas, it may be impractical to assign all of them to review vouchers. For example, a laundry COR would not be able to separate the laundry costs from another COR's area, such as waste management services, because the vouchers do not clearly identify costs billed by service area. However, the CAO could take steps to implement delegated voucher review responsibility, such as assigning a LOGCAP ACO or contract specialist to review paid vouchers for any costs that appear to be unallowable or to verify contractor labor hours against daily personnel status reports to identify if all labor charges were for services performed in Afghanistan. Additionally, if the contract administration officials have greater situational awareness over the contents of a contractor's voucher, they could provide more informed perspective to the DCAA when DCAA is conducting a prepayment review of a LOGCAP voucher.

To strengthen voucher oversight and contract management, and to ensure that the PCO, CAO, and DCAA complement each other's efforts, we recommend that DPAP issue clarifying guidance establishing the CAO's responsibilities for monitoring contractor billings. In addition, the ACC-RI should delegate additional voucher review responsibility to the ACC-A and the ACC-A should develop procedures to monitor contractor billings and communicate results with the PCO and the responsible DCAA office.

Army Paid More Than \$536 Million in Costs Supported By Questionable Supporting Documents

The Army paid 128 LOGCAP vouchers submitted from 2015 to 2017, valued at \$2.4 billion, with little or no analysis of the supporting documentation. We determined that at least \$536 million of the \$2.4 billion billed on the vouchers was supported by questionable documentation that warranted further review.

For example, the contractor provided supporting documentation for 2,531 transactions totaling \$536 million for labor, employee travel, and employee bonuses that did not contain sufficient detail for us to determine how the contractor calculated the costs.¹⁹

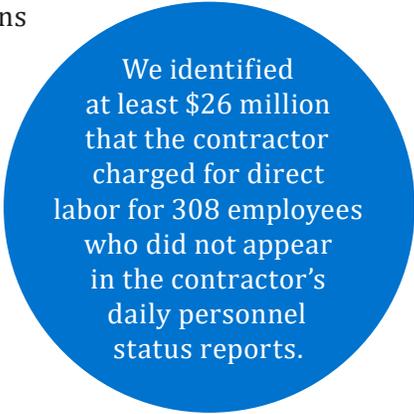
¹⁹ See Appendix A, "Scope and Methodology" for a breakdown of the \$536 million in costs supported by questionable voucher support.

Examples of costs supported by questionable supporting documentation included:

- labor hours for one employee reported at 195,000 hours for a single pay period;
- travel costs for one employee reported at \$1.9 million; and
- one employee's bonus reported at \$1.5 million.

According to DCAA officials, the contractor did not intend these line items to be literal representations of the costs claimed in the contractor's voucher. DCAA officials stated that the contractor clustered these line items, and thousands of similar line items in the contractor's billing support, under one employee identification number. DCAA officials explained that the contractor billed in this manner to reduce the number of files attached to the vouchers. However, the contractor's presentation of cost data in such a manner lacks transparency and reduces contracting and auditing officials' ability to determine whether costs are allowable. To ensure that future vouchers include supporting documentation that accurately represents the nature of the claimed cost, ACC-RI should modify the LOGCAP IV contract to require contractors to submit transaction-level accounting data that accurately represents the costs billed on vouchers in iRAPT.

In addition, we identified a \$32 million voucher submitted by the contractor without accounting transactions that supported the costs billed. Furthermore, we identified at least \$26 million that the contractor charged for direct labor for 308 employees who did not appear in the contractor's daily personnel status reports, which records the exact number and names of each employee by location in Afghanistan. Direct labor charges for employees not physically present in Afghanistan must support LOGCAP task order 0004 and 0005 requirements.



We identified at least \$26 million that the contractor charged for direct labor for 308 employees who did not appear in the contractor's daily personnel status reports.

Finally, we identified \$422,825 in costs that may not be allowable. According to FAR 31.201-2, costs must be reasonable and allocable to the contract in order to be allowable.²⁰ Based on the description of these costs in the voucher supporting documentation, we believe these costs may not be reasonable or allocable to the LOGCAP contract. Examples of the potentially unallowable costs included:

²⁰ FAR 31.201-2, "Determining Allowability," January 13, 2017. Specifically, FAR 31.201-2 states allowability is based on the cost's compliance with reasonableness, allocability, cost accounting standards, contract terms, and any additional limitations noted in FAR subpart 31.2.

- \$74,022 for one employee's Afghanistan visa application;
- \$37,728 for rent and utilities expenses in Dubai for a Morale, Welfare, and Recreation worker who, according to personnel reports, was deployed to Bagram Airfield;
- \$7,128 for Ruth's Chris Steakhouse in the United States;
- \$2,713 for convenience store purchases in the United States;
- \$715 for a carwash; and
- \$513 for Domino's Pizza.

To ensure these costs were allowable, we recommend that DCAA conduct a review of the LOGCAP contractor's labor billing practices and, at a minimum, review the \$422,825 we found in potentially unallowable costs.

Recommendations, Management Comments, and Our Response

Recommendation A.1

We recommend that the Defense Procurement and Acquisition Policy Director issue clarifying guidance establishing the contract administration office's responsibilities for monitoring contractor billings as a DoD best practice and update the Contingency Contracting Officer's Representative Handbook accordingly.

Defense Procurement and Acquisition Policy Comments

The Defense Procurement and Acquisition Policy Director agreed with our recommendation and stated that he will issue clarifying guidance on the responsibilities of the contract administration office to monitor contractor billings and will update the Contracting Officer's Representative Handbook to include procedures for more effective communication between Contracting Officer's Representatives and the Defense Contract Audit Agency.

Our Response

Comments from the Director addressed all specifics of the recommendation. Clarifying that the contract administration office should monitor contractor billings as a best practice and updating the Contracting Officer's Representative Handbook to foster effective communication between the Contracting Officer's Representatives and the Defense Contract Audit Agency will improve voucher oversight. Therefore, the recommendation is resolved and will be closed once we verify the planned actions are fully implemented.

Recommendation A.2

We recommend that the Army Contracting Command–Rock Island Executive Director:

- a. Delegate voucher review responsibilities to the Army Contracting Command–Afghanistan.**

Army Contracting Command Comments

The Deputy Commanding General, Army Contracting Command, responding for the Commanding General, Army Contracting Command, agreed to improve communication and coordination with DCAA when DCAA performs contractor risk assessments and stated that the ACC will implement a new process for improved communications with DCAA. In addition, the Deputy stated that the ACC will reassess whether DCAA's paid voucher audits are meeting the Government's needs and whether providing support to DCAA's paid voucher audits is feasible. The Deputy stated that voucher reviews are not normally a delegated administrative function in accordance with the FAR, and that DCAA, not contracting officers, has the responsibility and expertise for voucher reviews and billing oversight. The new process for improving communications will be in place by the end of the first quarter FY 2019.

Our Response

Although the ACC did not agree to delegate voucher reviews to the Army Contracting Command-Afghanistan, the Deputy's comments were responsive to our recommendation. Therefore, this recommendation is resolved and will be closed once we verify the planned actions are fully implemented. No further comments are required. DCAA uses contractor risk assessments to determine the frequency of prepayment reviews for each contractor. Increased coordination between the ACC and the DCAA will enable DCAA to understand the contracting officer's specific concerns and conduct more effective risk assessments. Paid voucher audits subject the contractor's vouchers to a more thorough examination. We believe that ACC coordinating with DCAA to enhance paid voucher audits is an important step, which will improve voucher oversight. We agree with the Deputy's comment that the DCAA has the responsibility and expertise for voucher reviews and billing oversight. However, we believe in-theater awareness of the contractor's vouchers will improve oversight of vouchers and provide a greater degree of certainty that the Government is only reimbursing the contractor for allowable costs. Therefore, we urge the ACC to consider delegating voucher reviews to the ACC-A.

- b. Modify the Logistics Civil Augmentation Program IV contract to require contractors to submit transaction-level accounting data that accurately represents the costs billed on vouchers in the Invoicing, Receipt, Acceptance, and Property Transfer system.**

Army Contracting Command Comments

The Deputy Commanding General, Army Contracting Command, responding for the Commanding General, Army Contracting Command, did not agree that the contractor should be required to submit transaction-level accounting data accurately representing the costs billed on vouchers. The Deputy stated that a lack of accounting detail in iRAPT should not indicate that the accounting detail does not exist. In addition, the contractor is already required to substantiate its costs with appropriate records as part of the accounting system requirements. The Deputy stated that modifying the contract to require the contractor to provide transaction-level accounting data would be an uncommon practice and may not provide significant value. The Deputy further stated that the contractor has an approved accounting system and stated that the Defense Contract Management Agency Divisional Administrative Contracting Officer requested DCAA to perform an accounting system audit on December 27, 2017, with a requested report date of March 30, 2018. The Deputy stated that, pending the findings of the audit, ACC-RI will coordinate with DCAA to ensure transparent supporting documentation is provided with each submitted voucher.

Our Response

Although the Deputy did not agree to implement the recommendation, the ACC's plan to wait for the results of the DCAA's audit of the contractor's accounting system before coordinating with DCAA to require transparent billing detail from the contractor is an appropriate alternative. Therefore, this recommendation is resolved and will be closed once we verify the planned actions are fully implemented. No further comments are required. We agree that the contractor has an approved accounting system, which is required to record transaction-level detail readily available to the Government at the Government's request and that approved accounting systems are designed to mitigate risks associated with cost-reimbursement contracts. Therefore, we agree it is appropriate to determine if the contractor's accounting system is sufficient before the ACC determines a corrective action.

Recommendation A.3

We recommend that the Army Contracting Command–Afghanistan Principal Assistant Responsible for Contracting develop a standard operating procedure to monitor contractor billing and communicate the results to the Procuring Contracting Officer and the responsible Defense Contract Audit Agency office.

Army Contracting Command Comments

The Deputy Commanding General, Army Contracting Command, responding for the Army Contracting Command–Afghanistan Principal Assistant Responsible for Contracting, agreed to develop a cost control evaluation guide to monitor the contractor’s performance. The Deputy stated that more effective cost control evaluation will provide transparency for the contractor’s performance, and that DCAA can use the information as a part of its risk assessments and audit plans. The Deputy stated that cost control evaluation in theater will use in-theater resources to communicate oversight results to the PCO and the responsible DCAA office. The Deputy stated this is a more practical approach than our recommendation because the CAO oversees contractor performance but does not have the responsibility or requisite skill sets to provide proper billing oversight. The new cost control evaluation guide will be in place by the end of the first quarter FY 2019.

Our Response

Although the Deputy did not agree to implement the recommendation, the ACC’s plan to develop a cost control evaluation guide is an appropriate alternative action. Therefore, this recommendation is resolved and will be closed once we verify the planned actions are fully implemented. No further comments are required. We agree that a cost control evaluation guide will enable the ACC-A to conduct more comprehensive oversight of the contractor’s cost-control procedures and provide more informed input to the PCO and DCAA. We believe this alternate action proposed by the ACC will foster more comprehensive voucher oversight that brings observations from theater to the PCO and the DCAA offices in the United States responsible for reviewing LOGCAP contractors’ vouchers.

Recommendation A.4

We recommend that the Defense Contract Audit Agency Director review the Logistics Civil Augmentation Program contractors' labor billing practices and, at a minimum, review the \$422,825 we found that may not have been necessary to meet contract requirements.

Defense Contract Audit Agency Comments

The Defense Contract Audit Agency Director agreed with the recommendation and stated that the Defense Contract Audit Agency did not find any significant unallowable costs during its review of the \$422,825 in costs we identified as potentially unallowable.

Our Response

Comments from the Defense Contract Audit Agency Director addressed the recommendation. The Director stated that the contractor was able to provide support for costs we identified as potentially unallowable. Therefore, the recommendation is resolved and will be closed once we verify the DCAA completes its review of all the costs.

Finding B

ACC-A Needs to Improve Contractor Performance Oversight for LOGCAP in Afghanistan

CORs assigned to task orders 0004 and 0005 did not conduct surveillance of all contract requirements. For example, quality assurance checklists were not sufficiently detailed to allow CORs to determine whether contractors were meeting DoD Fire and Emergency Services Program standards or food service sanitation standards.

The ACC-A did not effectively monitor contractor performance because ACC-A officials used the overall LOGCAP program QASP that contained generic surveillance checklists not designed to monitor LOGCAP services used by the Army in Afghanistan.

As a result, ACC-A did not have reasonable assurance that the contractor performed all 28 main LOGCAP IV services in Afghanistan in accordance with contract requirements. CORs who used non-specific surveillance checklists to conduct quality assurance inspections could not identify deficiencies in contractor performance for high-risk services because they did not identify specific requirements, such as procedures to verify response times for fire and emergency services and food preparation and storage requirements for dining facility operations, which increased health and safety risks to U.S. and Coalition personnel.

CORs Did Not Conduct Surveillance of All Contract Requirements

The ACC-A did not effectively monitor contractor performance of LOGCAP IV task orders in Afghanistan. Specifically, CORs assigned to task orders 0004 and 0005 did not conduct surveillance of all contract requirements, and quality assurance checklists were not sufficiently detailed to allow CORs to determine whether contractors were meeting DoD Fire and Emergency Services Program standards or food service sanitation standards. For example, according to CORs with food service experience, contractors did not always follow requirements for storing cooked meat or for thawing frozen meat prior to preparation. According to these CORs, a COR using a quality assurance checklist with insufficient detail who also lacks expertise in food services would not know these requirements existed. In addition, according to the Fire Service COR, a COR without firefighting experience or the guidance provided in a proper quality assurance checklist may not know the proper way to calculate or verify the contractor's fire and emergency response times.

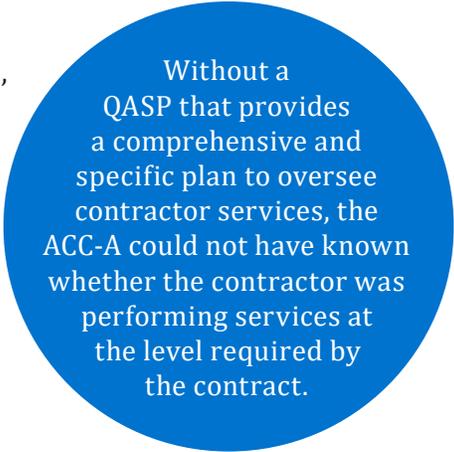
ACC-A Relied Upon the Program-Wide LOGCAP QASP

ACC-A officials used the overall LOGCAP program QASP, which included surveillance checklists that were not tailored to task orders 0004 and 0005 in Afghanistan, to assess contractor performance. The program-wide LOGCAP QASP states: “The scope and breadth of LOGCAP operations requires the COR (with the assistance of the Team LOGCAP Forward and ACC-A) to further define this QASP at the point of execution to ensure surveillance is sufficient to accurately identify contractor performance at the task order level.”

However, the quality assurance checklist for some services, including high-risk areas such as dining facility services, did not contain sufficient details for the COR to perform a thorough observation of services. Specifically, the food service operations surveillance checklist stated, “The Contractor shall ensure the DFAC [Dining Facility] food safety, sanitation, and food storage standards shall be accomplished 100% of the time.” However, the surveillance checklist provided to the CORs did not define what specific food safety, sanitation, and food storage standards the contractor needed to meet. Instead, it referred the COR to Army Regulations and other DoD food service criteria listed in the technical exhibit of the performance work statement. The food service operations surveillance checklist contained more than 20 different requirements, most referring to the technical exhibit in a similar manner.

For other high-risk services, inexperienced CORs were provided a QASP with only general technical standards for providing oversight. For example, the fire protection surveillance checklist stated, “The Contractor shall provide firefighting services IAW [in accordance with] Technical Exhibit I.” However, Technical Exhibit I contained a list of six publications comprising hundreds of pages of criteria. Many CORs, who are performing COR duties as a secondary responsibility to their full-time position in Afghanistan, do not possess the subject-matter expertise necessary to determine contractor compliance with the regulatory requirements that contractors are required to follow.

Without a QASP that provides a comprehensive and specific plan to oversee contractor services, the ACC-A could not have known whether the contractor was performing services at the level required by the contract. The lack of comprehensive checklists was compounded by a lack of technically qualified CORs who were overseeing certain services that were already high-risk in nature. A lack of technically qualified CORs is common in



Without a QASP that provides a comprehensive and specific plan to oversee contractor services, the ACC-A could not have known whether the contractor was performing services at the level required by the contract.

a contingency environment, making a surveillance checklist increasingly important for a thorough inspection. Therefore, to ensure CORs are conducting a thorough surveillance of contractor performance, the ACC-A should develop a Quality Assurance Surveillance Plan specific to Task Orders 0004 and 0005 in Afghanistan. This new Quality Assurance Surveillance Plan should contain detailed surveillance checklists for the CORs to use when conducting contract oversight to ensure contractor compliance with contract requirements.

Inadequate QASPs Increased the Risk of Health and Safety of U.S. and Coalition Personnel

As a result of ineffective performance oversight, the ACC-A did not have reasonable assurance that the contractor performed all 28 main LOGCAP IV services as of August 2017 in accordance with contract requirements. Using non-specific surveillance checklists resulted in CORs conducting surveillance inspections that would not identify deficiencies in contractor performance for high-risk services, such as fire-prevention and dining facility services, which could result in increased health and safety risks to U.S. and Coalition personnel.

Recommendation

Recommendation B.1

We recommend that the Principal Assistant Responsible for Contracting, Army Contracting Command–Afghanistan, create a new Quality Assurance Surveillance Plan specific to task order 0004 and 0005 requirements in Afghanistan. This new Quality Assurance Surveillance Plan should contain detailed surveillance checklists for the Contracting Officer’s Representatives to use when conducting contract oversight.

Management Actions Taken

During the audit, we informed the Principal Assistant Responsible for Contracting, ACC-A, that deficiencies existed in contractor performance oversight. Specifically, CORs were using checklists that did not contain sufficient detail to determine if the contractor met contract requirements. The Principal Assistant agreed with our observations and immediately took steps to resolve our concerns. Specifically, the ACC-A officials created a QASP specific to LOGCAP IV, task orders 0004 and 0005. We reviewed the updated QASP and determined that the updated surveillance checklists included surveillance steps to improve oversight of the contract. The new QASP provides the CORs detailed surveillance checklists based on performance requirements established on the performance work statement. In addition, the new QASP identifies the criteria for each service, including

high risk-services. For example, the updated food service and fire-fighting surveillance checklists now cite the specific sections of DoD regulations that contractors must follow. This action addressed our concern and this recommendation is now closed.

In addition to improvements in LOGCAP IV oversight, the ACC-A implemented an additional measure to improve oversight for all of its contracts in Afghanistan. Specifically, ACC-A officials developed an oversight plan that established goals, expectations, and functional requirements for quality assurance. The plan established the roles and responsibilities of the contracting officers, contract specialists, and CORs in Afghanistan who provide oversight on ACC-A-administered contracts and defined the extent of surveillance that the Government provides on contracts. ACC-A officials developed the oversight plan to establish a quality assurance program that will withstand the high-turnover of personnel endemic to a contingency environment and that will verify and determine whether the services provided by the contractor conform to contract requirements.

Management actions taken addressed our concern and this recommendation is closed.

Appendix A

Scope and Methodology

We conducted this performance audit from July 2017 through February 2018 in accordance with generally accepted Government auditing standards.

Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted this performance audit at DCAA offices in Greenville, South Carolina, and Fort Worth, Texas, and at USFOR-A and ACC-A facilities at Bagram Airfield.

Methodology for Determining Voucher Review Effectiveness

To understand the guidance for voucher submittal, review, and approval for cost-reimbursement contracts, we reviewed the following policy and guidance.

- FAR 32.905 Payment Documentation and Process
- FAR 42.3 Contract Administration Office Functions
- FAR 42.803 Disallowance of Costs
- DFARS Subpart 232.9 Prompt Payment Act
- DFARS Subpart 232.70 Electronic Submission and Processing of Payment Requests and Receiving Reports
- DFARS Subpart 242.8 Disallowance of Costs
- DFARS Subpart 242.75 Contractor Accounting Systems and Related Controls
- DFARS 252.232-7006 Wide Area WorkFlow Payment Instructions
- DFARS 252.242-7006 Accounting System Administration
- DoD Financial Management Regulation, Volume 10: Contract Payment Policy, Chapter 8: Commercial Payment Vouchers and Supporting Documentation
- DoD Directive 5105.36 Defense Contract Audit Agency
- DoD Contingency COR Handbook
- DoD Contingency Contracting Handbook
- OUSD(AT&L) Memorandum, Approving Payments under Cost-Reimbursement, Time-and-Materials, and Labor-Hour Contracts, April 14, 2008
- LOGCAP IV base contract, task order 0004, and task order 0005 award and modifications for billing instructions

We interviewed the DPAP Director and DPAP staff members; DCAA Headquarters personnel; DCAA resident office staff members; the ACC-RI LOGCAP PCO; the ACC-A Contingency Contract Administration Service Coordinator; the ACC-A LOGCAP theater ACO; DCMA contracting officers (CACO and DACO); and DCMA policy personnel.

To identify the total LOGCAP IV vouchers submitted from 2015 to 2017, we extracted a list of vouchers that were submitted in iRAPT between January 1, 2015 and August 1, 2017, for task order 0004 (65 vouchers) and task order 0005 (63 vouchers). We interviewed ACC contracting officials and DCAA officials to identify the billing oversight procedures that applied to the 128 vouchers. Using the “voucher type” from the list, we identified the number and value of DCAA prepayment reviews conducted during this period for each task order.

Methodology for Determining Unsupported Costs

Separately, we used the listing of 128 vouchers to identify vouchers that were directly paid without a DCAA prepayment review between January 1, 2015 and August 1, 2017. We identified a total of 57 vouchers that were directly paid, 1 task order 0004 and 56 task order 0005 vouchers, and performed a 100 percent review of each voucher and supporting documentation attached in iRAPT.

During our review of the 57 vouchers, we identified 4 vouchers, 1 task order 0004 voucher and 3 task order 0005 vouchers that did not contain detailed accounting data for us to conduct further testing. Three of the four vouchers, one task order 0004 and two task order 0005 vouchers, were paid because of instructions from the PCO and were the result of contract modifications, therefore, no voucher supporting documents were necessary. The remaining task order 0005 voucher did not include the accounting data supporting the costs billed when submitted in iRAPT for payment; therefore, in addition to the costs noted below, we believe this \$32 million voucher also requires greater examination because there was no accounting data supporting the costs at the time the voucher was submitted.

All 53 of the remaining vouchers we selected for review were for task order 0005.

We examined cost categories noted in the contractor’s accounting data to determine whether the costs billed were adequately supported by transaction-level detail from the accounting system and provided reasonable assurance that the costs billed were necessary for contract performance. In developing our cost-specific testing procedures, we considered information readily available to contracting officials that could help identify potentially unallowable costs billed to the contract. Specifically, we:

- compared direct labor by employee identification number to personnel reports to verify that labor costs billed were for employees performing LOGCAP IV services in Afghanistan;
- tested subcontract costs billed to determine if vendors with costs exceeding the contracting officer's approval threshold were approved subcontractors; and
- performed a review of the contractor's description of other direct cost transactions to identify any unusual or potentially unallowable costs that did not appear to directly relate to the performance of base life support services in Afghanistan.

During the examination of the accounting data for the labor, subcontracts, and other direct costs, we identified 2,570 transactions that did not include enough detail to determine how the contractor calculated the costs billed. Therefore, these transactions required more examination based on our review of the support provided at the time of billing. Specifically, we identified:

- labor transactions for 2,283 individual employees with more than 1,000 hours worked in a single pay period totaling \$461 million;
- bonuses and allowances for 231 employees totaling \$58 million;
- labor transactions for 308 individuals not located in Afghanistan totaling \$26 million; and
- travel for 56 employees totaling \$17 million.

While performing our review of the contractor's description of costs for other direct costs billed, we identified 87 transactions totaling \$422,825 that do not appear to be directly related to the performance of base life support services in Afghanistan. We made this determination based on our review of the vendor name, description, and related data fields for each transaction.

Methodology for Determining Performance Oversight Effectiveness

To determine the adequacy of contractor oversight, we interviewed ACC-A officials responsible for overseeing task order 0004 and 0005 contractor performance. Specifically, we spoke with the LOGCAP Theater ACO, the ACC-A Senior Procurement Analyst, ACC-A Theater Quality Chief, Lead Quality Assurance Specialists, and 11 CORs. We accompanied three CORs during one of their monthly surveillance visits to the contractor. Additionally, we met with Area Support Group and Resolute Support Sustainment Brigade officials, the two requiring activities responsible for nominating CORs to oversee services

provided under task orders 0004 and 0005. Furthermore, we obtained access to the DoD's Contracting Officer Representative Tracking Tool and downloaded CORs' designation letters, training certificates, and monthly quality surveillance checklists. Finally, we observed the QASP provided to the CORs, and we reviewed the July 2016 QASP and October 2017 QASP provided by ACC-A officials.

Use of Computer-Processed Data

We used computer processed-data from the iRAPT system and the contractor's daily personnel status reports. iRAPT is a secured DoD web-based acquisition application used to create electronic invoices, receipts, and acceptance reports. We used iRAPT to obtain LOGCAP IV task order 0004 and 0005 contractor vouchers and billing supporting data. We coordinated with DCAA officials to determine that our universe of task order 0004 and 0005 vouchers was complete and that the contractor's billing data attached to each voucher was an accurate representation of the data that the contractors submitted. We used the billing supporting data found in iRAPT to provide examples of supporting cost data submitted by the contractor. As a result, we determined that the data obtained from iRAPT were sufficiently reliable. Personnel status reports are a physical headcount of personnel by company and location, and LOGCAP IV contractors provide these reports to the PCO. Personnel status reports are generated from the contractor's accounting system, which has been evaluated and approved by Defense Contract Management Agency and DCAA officials. Therefore, we determined the personnel status reports were reasonably reliable for determining how many personnel each contractor employed in Afghanistan.

Prior Coverage

During the last 5 years, the DoD Office of Inspector General and Army Audit Agency have issued six reports related to the audit objective. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>. Unrestricted Army Audit Agency reports can be accessed from .mil and gao.gov domains at <https://www.aaa.army.mil/>.

DoD OIG**DODIG-2016-131, “Designation of Contracting Officer’s Representatives and Oversight Framework Could Be Improved for Contracts in Afghanistan”**

August 30, 2016

The objective of the audit was to determine whether contracting officer’s representatives were properly appointed and trained, and effectively performed oversight responsibilities for contracts in Afghanistan. The audit determined that CORs in Afghanistan generally met training requirements but were not properly appointed after COR designation guidelines were revised. Specifically, COR designation letters did not include certification that the COR met qualifications, did not identify all required contractual information or address standards of conduct or conflicts of interest, and were not signed by the COR’s management.

DODIG-2016-004, “Army Needs to Improve Contract Oversight for the Logistics Civil Augmentation Program’s Task Orders” October 28, 2015

The objective of the audit was to determine whether the Army was providing sufficient contract oversight for Logistics Civil Augmentation Program (LOGCAP) task orders issued to support Operation United Assistance. The audit determined that, while the Army appointed an adequate number of CORs to oversee the task order, the Army did not ensure that CORs provided sufficient oversight for the LOGCAP task order issued to support Operation United Assistance.

DODIG-2015-101, “Contingency Contracting: A Framework for Reform” March 31, 2015

The objective of the audit was to provide the DoD field commanders and contract managers with information on contracting problems related to contingency operations that the DoD Office of Inspector General identified and reported, from April 1, 2012, through December 31, 2014. The five most prevalent problems the audit found related to oversight and surveillance, requirements, property accountability, financial management, and contract pricing.

DODIG-2013-137, “DoD Is Not Properly Monitoring the Initiation of Maintenance of Facilities at Kandahar Airfield, Afghanistan” September 30, 2013

The objective of the audit was to determine whether the DoD was properly monitoring the transition of newly constructed or remodeled facilities to the Logistics Civil Augmentation Program IV Density List at Kandahar Airfield, Afghanistan. The audit found that the DoD did not properly monitor

the transition of newly constructed or remodeled facilities reviewed at Kandahar Airfield to the LOGCAP IV Density List. Four of the facilities on the Density List required significant repairs and experienced deficiencies with critical fire detection and fire suppression systems and 19 additional facilities had deficiencies that prevented them from being added to the Density List.

DODIG-2012-115, “Improved Oversight, but No Invoice Reviews and Potential Anti-deficiency Act Violation May Have Occurred on the Kuwait Observer Controller Team Task Orders” August 2, 2012

The objective of this audit was to determine whether the U.S. Army Program Executive Officer for Simulation, Training, and Instrumentation obtained fair and reasonable prices and appropriately developed surveillance and oversight processes and procedures for the Kuwait Observer Controller Team task orders, valued at \$195.2 million. The audit found that personnel from the Program Executive Office for Simulation, Training, and Instrumentation negotiated fair and reasonable prices for goods and services and generally developed appropriate contractor surveillance and oversight procedures. However, personnel did not review contractor interim invoices totaling \$192.7 million because the contracting officer used a Quality Assurance Surveillance Plan that did not include procedures for reviewing contractor invoices.

Army Audit Agency

A-2016-0108-ALC, “Impact of the Defense Contracting Management Agency Mission Transfer” July 14, 2016

The objective of the audit was to verify that the Army had processes in place to assume the additional contracting support responsibilities resulting from the transfer of contingency contract administration services previously provided by the Defense Contract Management Agency. The audit found that the Army did have the processes in place. Additionally, Army Contracting Command assessed contract oversight risk, identified contract workload and personnel requirements, and developed training to fill identified skill gaps. However, the audit found that the Army was still at risk of not successfully performing the mission in the Kuwait and Afghanistan regions.

Appendix B

Potential Monetary Benefits

Table 2 identifies the total amount of LOGCAP task order 0005 transactions, which were not supported by adequate documentation at the time we conducted the audit.

Table 2. LOGCAP IV Task Order 0005 Questioned Costs

Recommendations	Type of Benefit	Amount of Benefit	Account
1-4	Unsupported Costs	\$594,000,000	Multiple accounts will be impacted

Source: The DoD OIG.

Management Comments

Defense Procurement and Acquisition Policy



ACQUISITION
AND SUSTAINMENT

OFFICE OF THE UNDER SECRETARY OF DEFENSE
3000 DEFENSE PENTAGON
WASHINGTON, DC 20301-3000

APR 06 2018

MEMORANDUM FOR ASSISTANT INSPECTOR GENERAL, READINESS AND GLOBAL
OPERATIONS

THROUGH: DIRECTOR, ACQUISITION RESOURCES AND ANALYSIS

NS
4/9/18

SUBJECT: Response to DoDIG Draft Report on DoD Oversight of Logistics Civil
Augmentation Program in Afghanistan Invoice Review and Payment
(Project No. D2017-D000JB-0171.00)

As requested, I am providing our response to the general content and recommendation
contained in the subject report.

Recommendation A.1:

We recommend that the Director, Defense Procurement and Acquisition Policy (DPAP) issue
clarifying guidance establishing the contract administration office's responsibilities for
monitoring contractor billings as a DoD best practice and update the Contingency Contracting
Officer's Representative Handbook accordingly.

Response A.1: Concur. DPAP will issue clarifying guidance on the contract administration
office's responsibilities on monitoring contractor billings. In addition, DPAP will update the
Contracting Officer's Representative Handbook to include procedures for more effective
communication related to monitoring contractor billings between the Contracting Officer's
Representative and the Defense Contract Audit Agency.

Please contact [REDACTED] if additional
information is required.

Shay D. Assad
Director, Defense Pricing/Defense
Procurement and Acquisition Policy

Army Contracting Command



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

AMCIR

29 APR 2018

MEMORANDUM FOR Department of Defense Inspector General (DODIG/Mr. Kevin T. O'Connor), Program Director, Readiness and Global Operations, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Command Comments on DoDIG Draft Report, DoD Oversight of Logistics Civil Augmentation Program in Afghanistan Invoice Review (Project: D2017-D000JB-0171.000)

1. The U.S. Army Materiel Command has reviewed the subject draft report and the response from the U.S. Army Contracting Command. The U.S. Army Materiel Command endorses the enclosed U.S. Army Contracting Command response.

2. The U.S. Army Materiel Command point of contact is [REDACTED]

[REDACTED] or email: [REDACTED]

Encl


LISHA H. ADAMS
Executive Deputy to the
Commanding General

Army Contracting Command (cont'd)



DEPARTMENT OF THE ARMY
U.S. ARMY CONTRACTING COMMAND
4505 MARTIN ROAD
REDSTONE ARSENAL, AL 35898-5000

AMSCC-IR

MEMORANDUM FOR Mr. Brett Mulinix, Director, Internal Review and Audit Compliance Office, Headquarters, U.S. Army Materiel Command, 4400 Martin Road, Redstone Arsenal, AL 35898

SUBJECT: Draft Report: Department of Defense, Department of Defense Oversight of Logistics Civil Augmentation Program Invoice Review and Payment (Project Number D2017-D000JB-0171.000) (D1740) (62740)

1. DODIG Report, DoD Inspector General, 23 March 2018, subject: same as above.
2. The Army Contracting Command (ACC) provides the enclosed comments in response to the referenced document.
3. The ACC POC is [REDACTED] Internal Review and Audit Compliance Office.

Encl


JOHN M. LYLE
Deputy to the Commanding General

Army Contracting Command (cont'd)

Headquarters – Army Contracting Command Comments
Audit of DoD Oversight of Logistics Civil Augmentation Program in Afghanistan Invoice
Review and Payment
(D2017-D000JB-0171)

Recommendation A2a:

DoD IG Recommendation: We recommend that the Executive Director, Army Contracting Command–Rock Island: Delegate voucher review responsibilities to the Army Contracting Command–Afghanistan.

Response: Concur. The Army Contracting Command – Rock Island agrees with the premise that additional coordination and communication between the Contract Administrative Office (ACC-A), the Procuring Contracting Office and DCAA can improve. However, DCAA, not the contracting officers, have the responsibility and expertise for voucher reviews and billing oversight which is why it is not a normally delegated task IAW FAR 42.302. Reassessing if the current paid voucher tests are meeting the Government needs is prudent. Supporting DCAA's paid voucher tests is feasible. We agree to improving communication and coordination with DCAA. Improved communication will assist with DCAA's risk assessments. A new process for improved communications with DCAA will be place by the end of the 1st quarter fiscal year 2019.

Recommendation A2b:

DoD IG Recommendation: We recommend that the Executive Director, Army Contracting Command–Rock Island: Modify the Logistics Civil Augmentation Program IV contract to require contractors to submit transaction-level accounting data that accurately represents the costs billed on vouchers in the Invoicing, Receipt, Acceptance, and Property Transfer system.

Response: Non-concur. The lack of a record uploaded into the system should not indicate those records do not exist. In discussions with DCAA, this is low risk. Since the auditor conducts the review in CONUS, they have access to the contractors accounting records. In addition, the interim voucher review process does not verify individual costs. Testing of costs does not occur until a post-payment audit or incurred cost audit. Furthermore, the Contractor is required to substantiate their costs with appropriate records as part of their accounting system requirements. Modifying the contract would be outside the norm and may not provide any significant value added. On face value, we agree with the IG that the contractor's rational for clustering costs – that it takes too long to run the report – is not acceptable. The contractor currently has an approved accounting system as of the last audit on September 26, 2018. DCMA

Army Contracting Command (cont'd)

DACO requested DCAA to perform an Accounting System audit on December 27, 2017 with a requested report date of March 30, 2018. Pending the findings of this audit, ACC-RI will coordinate with DCAA to ensure transparent supporting documentation is provided with each submitted voucher. Planned changes outlined in the Center's response will be in place by the end of the 1st quarter fiscal year 2019.

Recommendation A3:

DoD IG Recommendation: We recommend that the Principal Assistant Responsible for Contracting, Army Contracting Command–Afghanistan, develop a standard operating procedure to monitor contractor billing and communicate the results to the Procuring Contracting Officer and the responsible Defense Contract Audit Agency office.

Response: Concur. DCAA, in coordination with the DCMA CACO/DACO, is responsible for accounting and billing oversight. However, the contracting office, in coordination with the requiring activity, is responsible for cost control evaluation. Therefore, ACC will develop a cost control evaluation guide to better oversight the contractor's performance. Better cost control evaluation will provide better transparency into performance, which DCAA can then use as part of their risk assessments and audit plans for their oversight activities. We believe the CAO cost control evaluation in theater will more effectively utilize the resources within theater to communicate oversight results to the Procuring Contracting Officer and the responsible Defense Contract Audit Agency office. This is a more practical and beneficial approach as the CAO has visibility and oversight of contractor performance but does not have the responsibility, requisite skill sets or insight into the contractor's billing practices to properly provide that oversight. The new cost control evaluation guide will be in place by the end of the 1st quarter fiscal year 2019.

Recommendation B1:

We recommend that the Principal Assistant Responsible for Contracting, Army Contracting Command–Afghanistan, a new Quality Assurance Surveillance Plan specific to task order 0004 and 0005 requirements in Afghanistan. This new Quality Assurance Surveillance Plan should contain detailed surveillance checklists for the Contracting Officer's Representatives to use when conducting contract oversight.

Response: Concur. During the audit, the audit team informed the Principal Assistant Responsible for Contracting, ACC-A, that deficiencies existed in contractor performance oversight. Specifically, CORs were using checklists that did not contain sufficient detail to determine if the contractor met contract requirements. The Principal Assistant agreed with the team's observations and immediately took steps to resolve our concerns. Specifically, the ACC-A officials created a QASP specific to LOGCAP IV,

Army Contracting Command (cont'd)

task orders 0004 and 0005. The auditors reviewed the updated QASP and determined that the updated surveillance checklists included surveillance steps to improve oversight of the contract. The new QASP provides the CORs detailed surveillance checklists based on performance requirements established on the performance work statement. In addition, the new QASP identifies the criteria for each service, including high risk-services. For example, the updated food service and firefighting surveillance checklists now cite the specific sections of DoD regulations that contractors must follow. This action addressed our concern and this recommendation is now closed.

In addition to improvements in LOGCAP IV oversight, the ACC-A implemented an additional measure to improve oversight for all of its contracts in Afghanistan. Specifically, ACC-A officials developed an oversight plan that established goals, expectations, and functional requirements for quality assurance. The plan established the roles and responsibilities of the contracting officers, contract specialists, and CORs in Afghanistan who provide oversight on ACC-A administered contracts and defined the extent of surveillance that the government provides on contracts. ACC-A officials developed the oversight plan to establish a quality assurance program that will withstand the high-turnover of personnel endemic to a contingency environment and that will verify and determine whether the services provided by the contractor conform to contract requirements. Management actions taken addressed the audit team's concern and the recommendation is closed.

Defense Contract Audit Agency



IN REPLY REFER TO

DEFENSE CONTRACT AUDIT AGENCY
DEPARTMENT OF DEFENSE
8725 JOHN J. KINGMAN ROAD, SUITE 2135
FORT BELVOIR, VA 22060-6219

March 28, 2018

MEMORANDUM FOR DEPUTY INSPECTOR GENERAL FOR ASSISTANT INSPECTOR
GENERAL FOR READINESS AND GLOBAL OPERATIONS,
OFFICE OF THE INSPECTOR GENERAL, DEPARTMENT OF
DEFENSE

SUBJECT: Response to Office of Inspector General, Department of Defense, Report on DoD
Oversight of Logistics Civil Augmentation Program in Afghanistan Invoice Review
and Payment

Thank you for the opportunity to respond to the subject draft report. As noted in the draft report, certain contractor costs were not readily determinable to be allowable to meet contract requirement. We obtained detailed information from the contractor and found that the contractor was able to support its billed costs for the transactions reviewed (see Enclosure).

If you should have any questions in relation to our response, please contact [REDACTED]
[REDACTED] Assistant Director, Policy and Plans, a [REDACTED] or
[REDACTED] Chief, Policy Accounting and Cost Principles Division at
[REDACTED]

A handwritten signature in black ink that reads "Anita F. Bales".

Anita F. Bales
Director

Enclosure:
a/s

[REDACTED]

Defense Contract Audit Agency (cont'd)

Recommendation A.4

We recommend that the Defense Contract Audit Agency Director review of the Logistics Civil Augmentation Program contractors' labor billing practices and, at a minimum, review the \$422,825 we found which may not have been necessary to meet contract requirements.

Management Actions Taken

On January 9, 2018, we met with senior DCAA policy officials to discuss the costs we identified as supported by questionable documentation. The DCAA officials were responsive to our concerns and took immediate action. Specifically, to address our concern over clustered costs, the DCAA obtained detailed cost data from the contractor which matched the total amount and total hours billed on four transactions we provided as examples of clustered costs. In addition, DCAA began to investigate the \$422,825 we found to be potentially unallowable and stated that they have not found any significant unallowable costs.

DCAA Response: Concur. DCAA obtained documentation from the contractor which supports the billed costs that you reported as unclear. The contractor was able to support its billed costs for the transactions reviewed.

Acronyms and Abbreviations

ACC	Army Contracting Command
ACC-A	Army Contracting Command-Afghanistan
ACC-RI	Army Contracting Command-Rock Island
ACO	Administrative Contracting Officer
AMC	Army Materiel Command
ASC	Army Sustainment Command
CACO	Corporate Administrative Contracting Officer
COR	Contracting Officer's Representative
DACO	Divisional Administrative Contracting Officer
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DFAC	Dining Facility
DFARS	Defense Federal Acquisition Regulation Supplement
DPAP	Defense Procurement and Acquisition Policy
FAR	Federal Acquisition Regulation
iRAPT	Invoicing, Receipt, Acceptance, and Property Transfer
LOGCAP	Logistics Civil Augmentation Program
PCO	Procuring Contracting Officer
PGI	Procedures, Guidance, and Information
QASP	Quality Assurance Surveillance Plan
USFOR-A	U.S. Forces-Afghanistan
WAWF	Wide Area Workflow

Whistleblower Protection

U.S. DEPARTMENT OF DEFENSE

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