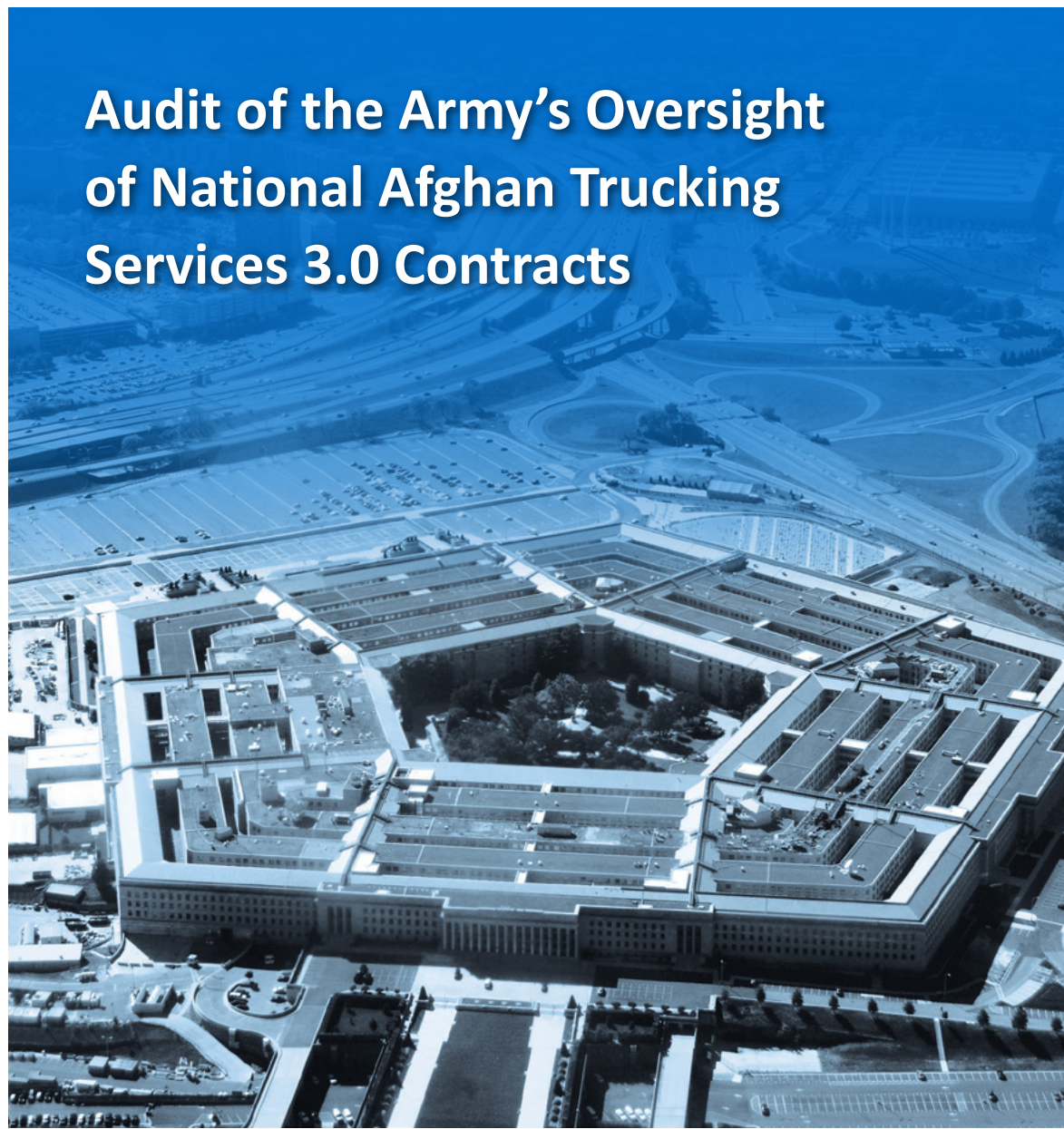




# INSPECTOR GENERAL

*U.S. Department of Defense*

APRIL 1, 2019



## **Audit of the Army's Oversight of National Afghan Trucking Services 3.0 Contracts**

INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE







# Results in Brief

## *Audit of the Army's Oversight of National Afghan Trucking Services 3.0 Contracts*

April 1, 2019

### Objective

We determined whether the Army provided adequate oversight of the National Afghan Trucking Services 3.0 (NAT 3.0) contracts.

### Background

The purpose of the National Afghan Trucking program is to provide U.S. and Coalition forces with secure and reliable means of distributing reconstruction material, security equipment, fuel, miscellaneous dry cargo, and life support assets to and from forward operating bases and distribution sites throughout Combined Joint Operations Area-Afghanistan.

The NAT 3.0 contractors provide personnel, equipment, tools, materials, supervision, and other items necessary to provide the safe, timely, and reliable ground transportation of supplies and assets. On March 14, 2017, Army Contracting Command (ACC)-Rock Island awarded two firm fixed price contracts to two Afghan trucking companies. ACC-Rock Island awarded an additional contract to a third Afghan trucking company on February 2, 2018. The NAT 3.0 service contracts are multiple-award, indefinite-delivery indefinite-quantity contracts with a maximum combined value not to exceed \$93 million.<sup>1</sup>

ACC-Rock Island, ACC-Afghanistan, and the Resolute Support Sustainment Brigade (RSSB) oversee the NAT 3.0 contracts.

### Background (cont'd)

ACC-Rock Island, which provides global contracting support to the Army, assigned a contracting officer to award the NAT 3.0 contracts.

On April 19, 2017, ACC-Rock Island delegated oversight responsibilities and contract administration to ACC-Afghanistan. As a result, ACC-Afghanistan is responsible for ensuring contractor compliance with contractual quality assurance requirements and for reviewing and evaluating contractor performance. ACC-Afghanistan appointed an administrative contracting officer (ACO) to execute these responsibilities.

The RSSB, located in Afghanistan, is the requiring activity for the NAT 3.0 contracts. The RSSB is responsible for nominating and providing trained contracting officer's representatives (CORs) that provide contractor oversight and assess whether contractor performance is in accordance with a detailed monitoring plan known as a quality assurance surveillance plan. This oversight includes reviewing invoices and transportation movement requests to verify accurate costs associated with NAT 3.0 missions.

### Finding

We determined that the Army did not fully monitor contractor costs or provide continuous oversight of contractor performance for the NAT 3.0 contracts. Specifically, the CORs did not:

- review or verify all transportation movement request data submitted by the contractors before the contracting officer approved invoices because the ACO and CORs did not develop a review process to ensure that the costs associated with all transportation movement requests were accurate, and the CORs did not have the specialized experience necessary to conduct these reviews;<sup>2</sup> and

<sup>1</sup> Indefinite-delivery indefinite-quantity contracts may be used to acquire supplies and services when the exact times and exact quantities of future deliveries are not known at the time of contract award.

<sup>2</sup> A transportation movement request represents a single mission and includes mission information, such as the required delivery date, required truck type, and origin and destination locations.



# Results in Brief

## *Audit of the Army's Oversight of National Afghan Trucking Services 3.0 Contracts*

### **Finding (cont'd)**

- complete monthly surveillance checklists from March to October 2017, or monthly status reports from March to September 2018, because the ACOs accepted only one form of surveillance, instead of ensuring the CORs completed the surveillance checklist and monthly status report, which are required for conducting surveillance.

As a result, the Army does not have assurance that the NAT 3.0 contractors' services, valued at \$41.3 million as of December 2018, complied with contract requirements for the delivery of supplies and assets. Without reviewing and validating all invoice data before approving invoices, the Army may overpay the NAT 3.0 contractors. For instance, the Army relied upon contractor-submitted data instead of e-mails maintained by the ACO and CORs to verify that, for missions that required a security escort, contractors requested the escort by the mission start date. If the contractor requested the escort by the mission start date, and the contractor misses the required delivery date due to a security escort delay, no deductions are applied to the contractor. However, the Army waived \$1.3 million in deductions for contractors missing required delivery dates from June through August 2018 without verifying that the contractors requested a security escort by the mission start date and were eligible to have the deduction waived. In addition, the Army used an incorrect performance work statement to determine payment amounts on the May and June 2018 invoices, resulting in overpayments to the contractors. Furthermore, without conducting the required surveillance, the Army cannot hold contractors accountable based on performance and may award future task orders to non-performing contractors.

### **Recommendations**

We recommend that the ACC-Afghanistan Commander:

- Instruct the CORs and ACO to review and update the quality assurance surveillance plan to include approved oversight guidance for invoice reviews that establishes procedures for reviewing transportation movement requests to determine whether costs are accurate.
- Develop a program and requirement to train NAT 3.0 CORs responsible for reviewing invoices or designate a qualified official to perform invoice reviews to verify that costs associated with the contractor performance are accurate.
- Review the May and June 2018 invoices to determine the amount overpaid to the contractors as a result of using the incorrect performance work statement and request a return of the funds overpaid.
- Develop procedures that identify the required surveillance documents the ACO should review each month, and ensure that CORs perform the required monthly surveillance and upload the documents to COR Tracking Tool as required.

### **Management Actions Taken**

During the audit, we briefed ACC-Afghanistan and RSSB officials on the oversight deficiencies we identified. The officials agreed with our findings and immediately initiated corrective actions.

Specifically, on November 4, 2018, the ACC-Afghanistan quality assurance specialist provided the audit team a draft of the updated quality assurance surveillance plan. In January 2019, the NAT 3.0 lead COR was further updating the quality assurance surveillance plan with procedures and specific guidance for conducting invoice reviews. In addition, on January 21, 2019,



# Results in Brief

## *Audit of the Army's Oversight of National Afghan Trucking Services 3.0 Contracts*

### **Management Actions Taken (cont'd)**

the ACC-Rock Island contracting officer issued a memorandum requiring the use of statistical sampling methods in evaluating mission performance data for the NAT 3.0 monthly invoices. According to the contracting officer, due to the volume of transportation movement requests, it would be impractical to examine all mission performance data; therefore, statistical sampling methods should be used instead. On March 28, 2019, the ACC-Afghanistan Deputy provided an updated quality assurance surveillance plan which included the approved sampling procedures. The action taken is sufficient to close the recommendation.

As of March 28, 2019, ACC-Afghanistan officials were in the process of hiring two contract price/cost analysts who will be responsible for training and assisting CORs on ACC-Afghanistan contracts.<sup>3</sup> Specifically, the contract price/cost analysts will assist with reviewing invoices and developing tools, such as spreadsheets and pivot tables, to improve the CORs' ability to review, track, and analyze invoices and payments. In addition, ACC-Afghanistan officials are in the process of finalizing a training program and requirement to train NAT 3.0 CORs responsible for reviewing invoices. The action taken is sufficient to resolve the recommendation. We will close the recommendation when we verify that ACC-Afghanistan officials have appointed a qualified official to train CORs to perform invoice reviews or finalized the program and requirement to train NAT 3.0 CORs responsible for reviewing invoices.

On January 27, 2019, the ACO issued a notice to the contractors for the overpayment that resulted from using the incorrect performance work statement in May and June 2018. The notice informed the contractors that the U.S. Government intended to recoup the amounts overpaid through deductions to future invoices. The U.S. Government will recoup a total of \$323,988.87 from the three contractors. As of March 18, 2019, two of the three NAT 3.0 contractors have agreed to repay the U.S. Government. ACC-Afghanistan is working to recoup the overpayment made to the third contractor who is no longer on the contract. The actions taken are sufficient to resolve the recommendation. We will close the recommendation when we verify the funds have been recouped from the contractors.

On December 21, 2018, the NAT 3.0 ACO provided a draft Administrative Contracting Officer COR Tracking Matrix. The matrix identifies the required surveillance documents the ACO should review and ensure are uploaded in COR Tracking Tool. On March 16, 2019, the ACC-Afghanistan Commander provided the approved surveillance matrix. The action taken is sufficient to close the recommendation.

<sup>3</sup> The GS-1102 series includes positions for managing, supervising, and developing policies for Government contracting. This series includes the position titles such as contract specialist, contract administrator, and contract price/cost analyst.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Commander, Army Contracting Command–Afghanistan	None	1.b and 1.c	1.a and 1.d

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

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



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

April 1, 2019

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

SUBJECT: Audit of Army Oversight of National Afghan Trucking Services 3.0 Contract  
(Report No. DODIG-2019-069)

We are providing this final report for your information and use. Army officials took prompt actions to resolve each concern that we identified; therefore, we will not make any additional recommendations in this report. We conducted this audit from July 2018 through March 2019, in accordance with generally accepted government auditing standards.

We appreciate the cooperation and assistance received during the audit. Please direct questions to me at [Troy.Meyer@dodig.mil](mailto:Troy.Meyer@dodig.mil), (703) 604-8905.

A handwritten signature in black ink, reading "Troy M. Meyer", is positioned above the printed name.

Troy Meyer  
Principal Assistant Inspector General  
For Auditing

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## **Acronyms and Abbreviations**



# Introduction

## Objective

We determined whether the Army provided adequate oversight of the National Afghan Trucking Services 3.0 (NAT 3.0) contracts.

## Background

The purpose of the National Afghan Trucking program is to provide U.S. and Coalition forces with secure and reliable means of distributing reconstruction material, security equipment, fuel, miscellaneous dry cargo, and life support assets to and from forward operating bases and distribution sites throughout Combined Joint Operations Area–Afghanistan. Figure 1 shows NAT 3.0 trucks at the NAT Yard waiting to load and unload cargo.



Figure 1. NAT 3.0 Trucks at the National Afghan Trucking Yard  
Source: The DoD Office of Inspector General (OIG).

## ***National Afghan Trucking 3.0 Service Contractors***

The NAT 3.0 contractors provide the personnel, equipment, tools, materials, supervision, and other items necessary to provide safe, timely, and reliable ground transportation of supplies and assets throughout Afghanistan. Contractors use fuel tankers, 20- to 40-foot containers, and flatbed trucks to transport items, such as

fuel, food, temperature-sensitive cargo, and oversized equipment. The contractors are responsible for the entire transportation process and the protection of the cargo from loss or damage while in their care. The contractors are also required to provide in-transit visibility transponders that fully integrate with the Global Distribution Management System used by the Army, which tracks trucking missions throughout Afghanistan.<sup>4</sup>

On March 14, 2017, Army Contracting Command (ACC)–Rock Island awarded two firm-fixed-price contracts to two Afghan trucking companies. ACC-Rock Island awarded an additional contract to a third Afghan trucking company on February 2, 2018. The three NAT 3.0 service contracts are multiple-award, indefinite-delivery indefinite-quantity contracts with a maximum combined value not to exceed \$93 million.<sup>5</sup> The Table provides a summary of the NAT 3.0 contracts.

*Table. NAT 3.0 Contracts*

Contract Number	Contractor	Period of Performance*	Customer (Task Order 1)	Customer (Task Order 2)	Expenditures as of December 2018
W52P1J-17-D-4000	EBITC	March 16, 2017–March 15, 2021*	USG	CSTC-A	\$17,375,200
W52P1J-17-D-4001	DNL	March 16, 2017–March 15, 2021*	USG	CSTC-A	\$16,721,140
W52P1J-18-D-4002	RBT	March 16, 2018–March 15, 2021*	USG	CSTC-A	\$7,237,223

**Legend:**

CSTC-A = Combined Security Transition Command–Afghanistan

USG = U.S. Government

EBITC = ETIFAQ Bamyan International Transportation Company

DNL = Durukhshesh Noor Logistics Services

RBT = Red Bobtail Transport

\*Contingent based on availability of funds

Source: The DoD OIG.

According to the NAT 3.0 performance work statement, the U.S. Government issues transportation movement requests to the contractors based on the contractors' rankings, which are determined, in part, by their past performance.<sup>6</sup> Therefore, the contractor with better ratings will receive more transportation movement requests.

<sup>4</sup> Global Distribution Management System is a map-centric software application that tracks commercial trucks by using transponders placed on the truck. NAT 3.0 contracting officer's representatives use the Global Distribution Management System to track the NAT 3.0 contractors' transportation movements.

<sup>5</sup> Indefinite-delivery indefinite-quantity contracts may be used to acquire supplies and services when the exact times and exact quantities of future deliveries are not known at the time of contract award.

<sup>6</sup> A transportation movement request represents a single mission and includes mission information, such as the required delivery date, required truck type, and origin and destination locations.

Certain cargo movements, such as missions in high-risk locations and those involving sensitive equipment, require security escort services. When a transportation movement request requires a security escort, the NAT 3.0 contractors subcontract with the Afghan Public Protection Force to perform the required security escort services. The Afghan Public Protection Force is an Afghan government-owned organization and the only contractor authorized to provide this service in Afghanistan.

### ***Contract Oversight Responsibilities***

ACC-Rock Island, ACC-Afghanistan, and the Resolute Support Sustainment Brigade (RSSB) oversee the NAT 3.0 contracts. As the requiring activity, the RSSB developed a quality assurance surveillance plan (QASP) as the guide for the contracting officer's representatives (CORs) to assess performance and ensure contractor compliance. A QASP provides the detailed process for continuous oversight and covers what will be monitored, how monitoring will take place, who will conduct the monitoring, and how the monitoring efforts and results will be documented. ACC-Afghanistan provided an administrative contracting officer (ACO) and quality assurance specialist responsible for assisting the requiring activity with developing the QASP to ensure that it complies with the Federal Acquisition Regulation.<sup>7</sup>

### ***Army Contracting Command***

ACC-Rock Island, which provides global contracting support to the Army, assigned a contracting officer to award the NAT 3.0 contracts. According to the Federal Acquisition Regulation, the contracting officer is responsible for ensuring performance of all necessary actions for effective contracting and compliance with the contract terms.<sup>8</sup> The contracting officer performs contracting actions, such as issuing task orders and contract modifications. On April 19, 2017, ACC-Rock Island delegated oversight responsibilities and contract administration to ACC-Afghanistan. As a result, ACC-Afghanistan is responsible for ensuring contractor compliance with contractual quality assurance requirements, and for reviewing and evaluating contractor performance.

<sup>7</sup> Federal Acquisition Regulation Part 46, "Quality Assurance," Subpart 46.4, "Government Contract Quality Assurance," 46.401, "General," states that the QASP should be prepared in conjunction with the statement of work. The plans should specify all work requiring surveillance and the method of surveillance.

<sup>8</sup> Federal Acquisition Regulation Part 1, "Federal Acquisition Regulations System," Subpart 1.6, "Career Development, Contracting Authority, and Responsibilities."

ACC-Afghanistan provided an ACO to ensure contract compliance. The ACO is responsible for managing CORs and ensuring that they perform contract oversight. According to the QASP, the ACO should ensure performance of all necessary actions for effective contracting and serve as the final authority for determining the final assessment of the contractor's performance. As a result of 6 to 9 month rotations, three different ACOs have overseen the NAT 3.0 contracts as of October 2018.

### *Resolute Support Sustainment Brigade*

The RSSB, located in Afghanistan, is the requiring activity for the NAT 3.0 contracts. The RSSB is responsible for nominating and providing trained CORs that provide contractor oversight and assess whether contractor performance is in accordance with a detailed monitoring plan known as a QASP. As of October 2018, one lead COR and two alternate CORs were responsible for overseeing the NAT 3.0 contracts in Afghanistan.

According to the QASP, CORs are responsible for providing continuous oversight of the contractors' performance. This oversight includes reviewing invoices and transportation movement requests to verify that costs associated with NAT 3.0 missions are accurate. CORs also verify whether the contractors fulfill contract requirements and document each contractor's performance.

### *Contract Officer's Representative Surveillance Responsibilities*

To provide surveillance, the QASP requires CORs to monitor the NAT 3.0 contractors' performance and complete a monthly status report that summarizes the contractors' performance. CORs monitor performance work statement requirements by conducting inspections and using reports to determine whether the contractor met the performance work statement requirements. For example, CORs evaluate whether the contractor provided the requested truck and equipment necessary to accomplish the assigned mission. The QASP further states that the CORs are required to provide the ACO monthly status reports, which must be uploaded into COR Tracking Tool (CORT Tool). The CORT Tool is a web-based application designed to track COR related documents. Figure 2 shows a COR verifying that vehicle turn signals worked as part of a truck maintenance inspection.





Figure 2. COR Performs Maintenance Inspection on a NAT 3.0 Truck  
Source: The DoD OIG.

### *Contract Officer's Representative Invoice Review Responsibilities*

In addition to surveillance responsibilities, the CORs perform monthly invoice reviews for each contractor to verify that costs associated with the missions are accurate and to validate the invoices submitted by the contractors for payment. According to the NAT 3.0 contracts, the contractors submit monthly invoices to the CORs with all transportation movement request information, such as contractor-claimed dates and requested amounts to be paid.<sup>9</sup>

The CORs review the invoices and determine whether deductions should be made because the contractor failed to meet a contract requirement, such as required dates. The performance work statement defines the required dates, including the:

- spot date (the date the contractor is required to be at the mission origin location);
- load date (the date the contractor is required to be ready to load the cargo); and

<sup>9</sup> The dates the contractors provide include the dates the contractors claim to have arrived at the origin and destination and loaded and unloaded the cargo.

- delivery date (the date the contractor is required to deliver the cargo at the destination).

The contractor receives a 25-percent deduction for each missed date, with a maximum possible deduction of 75-percent for missing all three dates.

The contractors may dispute deductions and provide supporting documentation that indicates the actual dates of transportation movements to support claims that deductions should not be applied. CORs can review Global Distribution Management System data to determine whether a contractor met the contract requirement. After the CORs review all supporting documentation and determine whether a deduction is necessary, the CORs submit the invoice to the ACO for final payment determination. The ACO then submits the invoice to the ACC-Rock Island contracting officer, who reviews and approves the invoice for payment processing. Each NAT 3.0 contractor submits one or two invoices to the CORs each month. Each invoice can contain more than 450 transportation movement requests.

In June 2018, the ACC-Rock Island contracting officer updated the performance work statement to authorize the CORs and ACO to waive deductions from a contractor's payment for delays attributed to Afghan Public Protection Force security escorted movements. When a security escort is needed, the contractors are required to request a security escort from the Afghan Public Protection Force by the required spot date. If the escort request is made by the spot date, and the mission is delayed as a result of the Afghan Public Protection Force, no deductions are applied to the contractor.

## Review of Internal Controls

DoD Instruction 5010.40 requires DoD Components to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.

We identified internal control weaknesses with ACC-Afghanistan's oversight of the NAT 3.0 contracts. Specifically, the CORs did not review or verify all transportation data submitted by the contractors before the contracting officer approved invoices because the ACO and CORs did not develop a process for reviewing transportation movement requests invoiced by the contractors to ensure that the costs were accurate. Furthermore, CORs did not have the expertise necessary to conduct these reviews. In addition, the CORs did not complete monthly surveillance checklists and monthly status reports because the ACOs accepted one form of surveillance instead, of the surveillance checklists and monthly status reports, which are required for conducting surveillance. We will provide a copy of the report to the senior official responsible for internal controls in the Department of the Army.

## Finding

### The Army Did Not Provide Complete Oversight of the National Afghan Trucking Services 3.0 Contracts

We determined that the Army did not fully monitor contractor costs or provide continuous oversight of contractor performance for the NAT 3.0 contracts.

Specifically, the CORs did not:

- review or verify all transportation movement request data submitted by the contractors before the contracting officer approved invoices because the ACO and CORs did not develop a review process to ensure that the costs associated with all transportation movement requests were accurate, and CORs did not have the specialized experience necessary to conduct these reviews; and
- complete monthly surveillance checklists from March to October 2017, or monthly status reports from March to September 2018, because the ACOs accepted only one form of surveillance, instead of ensuring the CORs completed the surveillance checklist and monthly status report, which are required for conducting surveillance.

As a result, the Army does not have assurance that the NAT 3.0 contractors' services, valued at \$41.3 million as of December 2018, complied with contract requirements for the delivery of supplies and assets. Without reviewing and validating invoice data before approving invoices, the Army may overpay the NAT 3.0 contractors. For instance, the Army relied upon contractor-submitted data instead of e-mails maintained by the ACO and CORs to verify that, for missions that required a security escort, contractors requested a security escort by the required spot date. As a result, the Army waived \$1.3 million in deductions for contractors missing required delivery dates from June through August 2018 without verifying that the contractors requested a security escort by the required spot date and were eligible to have the deduction waived. In addition, without conducting the required surveillance, the Army cannot hold contractors accountable based on performance and may award future task orders to non-performing contractors.

## The Army Did Not Fully Monitor Contractor Cost or Contractor Performance

The Army did not fully monitor contractor costs or provide continuous oversight of contractor performance for the NAT 3.0 contracts. Specifically, the CORs did not review or verify all transportation movement requests data submitted by contractors before the contracting officer approved invoices, or complete monthly surveillance checklists and status reports.

### CORs Did Not Review or Verify All Contractor Data Before Approving Invoices

*The CORs did not review all transportation movement requests in the contractor-submitted invoices.*

The QASP and the contracts require CORs to review invoices and transportation movement requests to determine whether costs are accurate. However, the CORs did not review all transportation

movement requests in the contractor-submitted invoices. Specifically, the CORs only reviewed transportation movement requests in which the contractors identified missed spot dates or missed delivery dates, and approved payments for “on-time” transportation movements without verifying the accuracy of contractors’ invoices. For instance, the CORs approved a transportation movement request on a June 2018 invoice for which the contractor claimed to have met all required dates; however, the contractor missed the delivery date and should have received a 25-percent deduction. In addition, because the CORs did not review the transportation movement request, the CORs missed that the contractor double invoiced the costs associated with this transportation movement request. The Army improperly paid the contractor twice for the same mission, an improper payment of \$2,226.93.

The CORs also approved costs that were not allowed by the contract. CORs approved mission unit costs that were not allowed by the contract for 3 of the 11 transportation movement requests

*The CORs approved costs that were not allowed by the contract.*

we reviewed. According to the NAT 3.0 contracts the Army pays a transportation movement request based on the number of mission units assigned to the request. The assigned mission units are based upon the distance between mission origin and destination. Mission units represent the only payable road distance calculation for a mission. When a transportation movement request requires a security escort, the Afghan Public Protection Force fees are included in the mission unit rate. However, the CORs approved transportation movement request payments that included reimbursement for Afghan Public Protection Force fees that exceeded



the mission units assigned to the transportation movement request. For example, for a transportation movement request on a June 2018 invoice, a contractor requested reimbursement for two additional mission units, valued at \$440, that the contractor claimed were based on charges from the Afghan Public Protection Force. The contractor claimed that the Afghan Public Protection Force charged 12 mission units. However, the transportation movement request was assigned only 10 mission units, valued at \$5,144.40, so the CORs should not have reimbursed the contractor for the 2 additional units. An alternate COR stated he did not notice the excess mission units during their review. The CORs' error resulted in the contractor being paid two additional mission units, an improper payment of \$440.

In addition, the CORs approved transportation movement requests using contractor-provided data to verify contractor charges and determine deductions. According to the contracts, contractors receive a 25-percent deduction for missing the required delivery date. The CORs can waive the deduction if the contractor missed the required delivery date due to delays caused by the Afghan Public Protection Force providing a security escort. The CORs evaluate the basis for the delay and determine whether the contractor requested the Afghan Public Protection Force by the required spot date. If the escort was requested on or before the required spot date, the CORs waive the 25-percent deduction. When the contractors request security escorts, they include the ACO and CORs on the request e-mails to the Afghan Public Protection Force. The date of the e-mail provides evidence of the escort request date. However, the CORs did not use these e-mails in their reviews of transportation movement requests. Instead, the CORs relied on unverified, contractor-submitted performance reports to determine whether the contractor requested the escort by the required spot date. For example, between June and August 2018, the CORs waived the 25-percent deduction, valued at \$1.3 million, for missing the required delivery date for 1,363 Afghan Public Protection Force-escorted transportation movement requests, based upon contractor-provided performance reports.<sup>10</sup> The CORs did not compare the contractor performance reports to e-mail dates to verify that the contractors requested escorts from the Afghan Public Protection Force by the required spot date.

*Between June and August 2018, the CORs waived the 25-percent deduction, valued at \$1.3 million, based upon contractor-provided performance reports.*

<sup>10</sup> \$1.3 million is 25 percent of the dollar value of the 1,363 Afghan Public Protection Force escorted transportation movement request that missed the required delivery date. The total dollar value of the 1,363 transportation movement requests was \$5,183,491.28.

Furthermore, the CORs used an incorrect performance work statement to calculate payment amounts for the May and June 2018 invoices. A new performance work statement became effective on June 1, 2018. However, the CORs incorrectly used the June performance work statement to calculate deductions for transportation movement request performed in May 2018. This resulted in overpayments to the contractors.

## The CORs and ACO Did Not Develop an Invoice Review Process to Verify Costs and CORs Lacked Specialized Experience

The CORs did not review and verify all of the transportation movement requests data submitted by the contractor before approving invoices because the CORs and ACO did not develop a process for reviewing transportation movement requests that ensured the cost associated the transportation movement requests were accurate. Instead, the CORs relied on training provided by the previous CORs and informal procedures described in the RSSB Continuity Book.<sup>11</sup> However, the RSSB Continuity Book did not provide guidance on reviewing invoices and transportation movement requests to verify accurate costs. For example, the RSSB Continuity Book did not require CORs to review transportation movements that were “on-time” or verify the type of truck used, security escort type, or assigned mission units, all of which are factors used to determine the costs associated with a transportation movement request. Furthermore, the RSSB Continuity Book included guidance that was outdated and no longer applied to the current contracts, such as the performance work statement requirement for determining whether to apply a deduction for missing the required delivery date when escorted by the Afghan Public Protection Force.<sup>12</sup> In addition, the QASP did not include procedures to guide

*The QASP did not include procedures to guide the CORs in performing transportation movement request reviews.*

the CORs in performing transportation movement request reviews. Specifically, the QASP did not specify the volume and data within the transportation movement request that should be reviewed. It is

vital that CORs thoroughly review all invoices for accuracy and compliance with contract terms. The ACC-Afghanistan Commander should instruct the CORs and ACO to review and update the quality assurance surveillance plan to include approved oversight guidance for invoice reviews that establishes procedures for reviewing transportation movement requests to determine whether costs are accurate.

<sup>11</sup> The RSSB Continuity Book is a document that contains procedures to guide CORs in how to conduct invoice reviews.

<sup>12</sup> In June 2018, the ACC-Rock Island contracting officer updated the performance work statement to authorize the CORs and ACO to waive deductions from a contractor’s payment for delays attributed to Afghan Public Protection Force security escorted movements. The update was not reflected in the procedures outlined in the RSSB COR Continuity Book.

In addition, the CORs did not have the specialized experience necessary to review monthly invoices and transportation movement requests. The CORs assigned to the NAT 3.0 contract were military personnel trained to perform logistics and tasks related to motor transportation. Although the CORs had the experience necessary to perform oversight related to logistics, transportation, and maintenance, the CORs did not possess the experience necessary to review invoices and transportation movement requests as they related to verifying accurate contract costs. Therefore, the ACC-Afghanistan Commander should develop a program and requirement to train NAT 3.0 CORs responsible for reviewing invoices, or designate a qualified official to perform invoices reviews to verify the costs associated with the contractors' performance are accurate. In addition, the ACC-Afghanistan Commander should instruct the ACO to review the May and June 2018 invoices to determine the amounts overpaid and request that the contractors return the funds paid in error.

## **CORs Did Not Perform All Required Contract Surveillance**

The CORs did not complete surveillance checklists and monthly status reports from March 2017 through October 2018. The QASP is the primary tool for guiding the COR's surveillance and documentation requirements to ensure that the contractor performance is effectively monitored, documented, and compliant with the contract requirements. However, the CORs did not follow the requirements and surveillance methods outlined in the QASP.

### ***CORs Did Not Complete Monthly Surveillance Checklist and Monthly Status Reports***

CORs did not complete surveillance checklists and monthly status reports to evaluate the contractors' performance. According to the QASP, the contractor performance objectives should form the foundation of the COR's surveillance checklist. Performance objectives for the NAT 3.0 contracts include the required spot date, required delivery date, required load date, in-transit visibility, and maintenance inspections. However, from March to October 2017, the CORs did not complete surveillance checklists indicating that they monitored these performance objectives. Specifically, the CORs did not maintain surveillance checklists in CORT Tool, the DoD's system of record for maintaining COR files. The surveillance checklist items should be inspected monthly. However, the CORs only completed monthly status reports, which are a standardized form used for all contracts administered by ACC-Afghanistan and are not specific to individual contract requirements. The monthly status reports were the only surveillance documents maintained in CORT Tool during that timeframe. In addition, the ACO and CORs assigned to the NAT 3.0 contracts in October 2018 could not locate surveillance

checklists that may have been stored in other locations. Without documentation, the ACO and CORs could not confirm that the quality of each contractor's performance was inspected and validated monthly from March to October 2017.

In addition, the CORs did not complete monthly status reports from March to September 2018. The QASP states that the COR will document the contractor's performance by completing a monthly status report in CORT Tool. However, the CORs completed and documented only the monthly surveillance checklists from March to September 2018. The COR monthly status report is a summary of the surveillance checklists and includes a written narrative providing an overview of the contractor's performance for the reporting month. The report is used to rate the contractor's quality of work as satisfactory or unsatisfactory. The CORs should have completed monthly status reports to summarize contractor performance and provide an overall rating for each of the three contractors.

### ***ACOs Accepted Only One Form of Surveillance***

The ACOs accepted only one form of surveillance, instead of ensuring that CORs completed the surveillance checklist and monthly status report each month as specified in the QASP. For example, one ACO accepted only monthly status reports from the CORs from March through October 2017; therefore, it is unclear whether the CORs performed surveillance inspections to ensure that the contractors met the contract requirements.

*Although the ACO helped develop and approved the QASP, the ACO did not require the CORs to use the surveillance methods outlined in the QASP.*

Another ACO who provided oversight of the NAT 3.0 contracts only accepted surveillance checklists. Although the ACO helped develop and approved the QASP, the ACO did not require the CORs to use the surveillance methods

outlined in the QASP. According to the lead COR, the ACO and quality assurance specialist instructed the CORs to use the monthly surveillance checklist instead of the monthly status report because the checklist included specific contract requirements. However, the QASP states that the CORs will document the contractor's performance by completing a monthly status report in CORT Tool that should be reviewed and approved by the ACO. Each monthly status report includes a Services Statement, which is not addressed in the monthly surveillance checklist. The statement requires the COR to certify whether, during that month, the COR observed a Government employee improperly supervising a contractor or asking a contractor to perform a personal service, such as performing work outside the scope of the contract or hire or fire a particular contractor. Because they did not complete the monthly status reports, the CORs did not certify on a monthly basis



whether they observed a personal service performed on the NAT 3.0 contracts. The performance of personal services on the NAT 3.0 contracts would be a violation of the Federal Acquisition Regulation.<sup>13</sup>

In October 2017, ACC-Afghanistan issued a Quality Assurance Plan (the Plan) that provides guidance, expectations, and requirements for quality assurance across the command. The Plan states that the COR should inspect surveillance checklist items on a monthly basis. The COR should upload the completed inspection checklist into CORT Tool, along with the monthly status report. The Plan identifies the monthly status report and surveillance checklist as two independent documents that the CORs must upload into CORT Tool each month. The Plan does not give ACOs the authority to eliminate either document. The ACC-Afghanistan Commander should develop procedures that identify the required surveillance documents the ACO should review each month and ensure that CORs perform the required monthly surveillance and upload the documents to COR Tracking Tool as required.

## The Army Does Not Have Assurance That Contractors Complied With Contract Requirements

*The Army does not have assurance that the NAT 3.0 contractors' services, valued at \$41.3 million as of December 2018, complied with contract requirements for the delivery of supplies and assets.*

The Army does not have assurance that the NAT 3.0 contractors' services, valued at \$41.3 million as of December 2018, complied with contract requirements for the delivery of supplies and assets. Without thoroughly reviewing and validating invoice

data before approving invoices the Army may overpay the NAT 3.0 contractors. For instance, the Army relied upon contractor-submitted data, instead of using e-mails maintained by the ACO and CORs, to verify that contractors requested the security escort by the required spot date for certain missions. As a result, the Army waived \$1.3 million in deductions for contractors missing the delivery dates from June through August 2018 without verifying that the contractors requested a security escort by the required spot date and were eligible to have the deductions waived. We did not make a recommendation for the ACC-Afghanistan to determine whether the Army improperly waived deductions for contractors missing required delivery dates from June through August 2018, because we determined that supporting documentation to verify the deductions does not exist. In addition, ACC-Afghanistan has taken actions to improve the invoice verification process. See the management actions taken section of the report for more details.

<sup>13</sup> The Federal Acquisition Regulation defines a non-personal services contract as a contract under which the personnel rendering the services are not subject, either by the contract's terms or by the manner of its administration, to the supervision and control usually prevailing in relationships between the Government and its employees.

In addition, the Army used an incorrect performance work statement to determine payment amounts on the May and June 2018 invoices, resulting in overpayments being made to the contractors. Until Army personnel develop and document a thorough invoice review process, they may continue to make improper payments over the remaining 2 years of the NAT 3.0 contracts.<sup>14</sup>

In addition, without conducting the required surveillance, the Army cannot be certain that the contractors were properly evaluated each month. Since contractors are awarded future work based on their past performance, accurate performance ratings are critical. One of the most important factors in administering a contract is maintaining accurate and complete contract administration and surveillance files. It is essential to keep comprehensive and accurate documentation of all surveillance activities because documentation is the only way to substantiate claims of non-performance against a contractor and to determine proper payments. Without conducting the required surveillance, the Army cannot hold contractors accountable based on performance and may award future task orders to non-performing contractors.

## Recommendations

**We recommend that the Army Contracting Command–Afghanistan Commander:**

- a. Instruct the contracting officer’s representatives and administrative contracting officer to review and update the quality assurance surveillance plan to include approved oversight guidance for invoice reviews that establishes procedures for reviewing transportation movement requests to determine whether costs are accurate.**
- b. Develop a program and requirement to train National Afghan Trucking 3.0 contracting officer’s representatives responsible for reviewing invoices, or designate a qualified official to perform invoice reviews to verify that costs associated with contractors’ performance are accurate.**
- c. Review the May and June 2018 invoices to determine the amount overpaid to as a result of using the incorrect performance work statement and request that the contractors return the funds paid in error.**
- d. Develop procedures that identify the required surveillance documents the administrative contracting officer should review each month, and to ensure that contracting officer’s representatives perform the required monthly surveillance and upload the documents to Contracting Officer’s Representatives Tracking Tool as required.**

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<sup>14</sup> The contracts are contingent on the availability of funds.

## Management Actions Taken

During the audit, we briefed ACC-Afghanistan and RSSB officials on the oversight deficiencies we identified. The ACC-Afghanistan Commander and Resolute Support Sustainment Brigade officials agreed with our findings and immediately initiated corrective actions. On November 4, 2018, the ACC-Afghanistan quality assurance specialist provided the audit team a draft of the updated quality assurance surveillance plan. In January 2019, the NAT 3.0 lead COR was further updating the quality assurance surveillance plan with procedures and specific guidance for conducting invoice reviews. On January 21, 2019, the ACC-Rock Island contracting officer issued a memorandum requiring the use of statistical sampling methods to evaluate mission performance data for the NAT 3.0 monthly invoices. According to the contracting officer, due to the volume of transportation movement requests, it is impractical to examine all mission performance data; therefore, statistical sampling methods should be used instead. On March 28, 2019, the ACC-Afghanistan Deputy provided an updated QASP which included the approved sampling procedures. The actions taken are sufficient to close Recommendation 1.a.

As of March 28, 2019, ACC-Afghanistan officials were in the process of hiring two GS-1102 officials, contract price/cost analysts who will be responsible for training and assisting CORs on ACC-Afghanistan contracts. The contract price/ cost analyst will assist with reviewing invoices and developing tools, such as spreadsheets and pivot tables, to improve the CORs' ability to review, track, and analyze invoices and payments. Cost/price analysts can also monitor contractor's policies, procedures, and practices for managing and controlling contract costs, and can review technical and audit reports on cost elements to determine whether they are reasonable in terms of risk. In addition, ACC-Afghanistan officials are in the process of finalizing a training program and requirement to train NAT 3.0 CORs responsible for reviewing invoices. The actions taken are sufficient to resolve Recommendation 1.b. We will close the recommendation when we verify that ACC-Afghanistan officials have appointed a qualified official to train CORs to perform invoice reviews or finalized the program and requirement to train NAT 3.0 CORs responsible for reviewing invoices.

On January 27, 2019, the ACO issued a notice to the contractors for the overpayment that resulted from using the incorrect performance work statement in May and June 2018. The notice informed the contractors that the U.S. Government intended to recoup the amounts overpaid through deductions to future invoices. The U.S. Government will recoup a total of \$323,988.87 from the three contractors. As of March 18, 2019, two of the three NAT 3.0 contractors have agreed to repay

the U.S. Government. ACC-Afghanistan is working to recoup the overpayment made to the third contractor who is no longer on the contract. The actions taken are sufficient to resolve Recommendation 1.c. We will close the recommendation when we verify the funds have been recouped from the contractors.

On December 21, 2018, the NAT 3.0 ACO provided a draft ACO COR Tracking Matrix. The matrix identifies the required surveillance documents that the ACO should review and ensure are uploaded in CORT Tool. On March 16, 2019, the ACC-Afghanistan Commander provided the approved surveillance matrix. The actions taken are sufficient to close Recommendation 1.d.



## Appendix A

### Scope and Methodology

We conducted this performance audit from July 2018 through March 2019 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We conducted this audit at ACC-Afghanistan and RSSB facilities at Bagram Airfield, Afghanistan.

### ***Methodology for Determining Contract Oversight Effectiveness***

We reviewed the NAT 3.0 contracts, the performance work statement, and the QASP. We interviewed personnel responsible for oversight of the NAT 3.0 contracts. Specifically, we interviewed the ACO and quality assurance specialist from ACC-Afghanistan and the three CORs from the RSSB to determine their oversight roles and responsibilities. We conducted walk-throughs with the CORs to observe the maintenance and invoice surveillance processes. We also reviewed the CORs' invoice review process to identify gaps in invoice review procedures, including the process for reviewing transportation movement requests. We obtained all paid invoices for the three contractors from January through August 2018, which was a total of 32 invoices and 6,605 transportation movement requests valued at \$20.9 million. We reviewed transportation movement requests to determine whether process the CORs used to conducting invoice reviews was sufficient to determine accurate cost. Specifically, we non-statistically selected 11 transportation movement requests valued at \$34,138.57. We selected transportation movement requests from each contractor and each service type, including dry cargo, heavy cargo, and bulk fuel. We then identified and selected duplicate transportation request numbers and questionable charges for testing. We verified whether the amount invoiced by the contractor was accurate based on the truck type, mission units, and whether the mission required a security escort. In addition, we determined whether the CORs accurately calculated deductions based on the supporting documentation maintained for each transportation movement request reviewed. Finally, we obtained access to NAT 3.0 electronic contract files to determine whether surveillance documentation requirements were met from March 2017 through October 2018.

We also reviewed Federal, DoD, and Army criteria to determine whether the Army provided oversight of the NAT 3.0 contracts. Specifically, we reviewed the following:

- Federal Acquisition Regulation Subpart 1.6, “Career Development, Contracting Authority, and Responsibilities”
- Federal Acquisition Regulation Part 46, “Quality Assurance”
- DoD Instruction 5000.72, “DoD Standard for Contracting Officer’s Representative (COR) Certification,” March 26, 2015
- Defense Contingency COR Handbook, September 2012
- Army Regulation 70-13, “Management and Oversight of Service Acquisitions,” July 30, 2019
- ACC-Afghanistan Quality Assurance Plan.

## Use of Computer-Processed Data

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

## Prior Coverage

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

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**

Report No. DODIG-2018-139, “DoD Management of the Enhanced Army Global Logistics Enterprise Maintenance Contract in Afghanistan,” July 23, 2018

The DoD OIG determined that ACC–Afghanistan did not monitor contractor performance of certain critical requirements or monitor contractor cost for the Enhanced Army Global Logistics Enterprise–Afghanistan task order to ensure that vehicles and weapons were maintained in accordance with contract requirements. Specifically, CORs did not determine actual contractor performance for specific critical requirements, conduct consistent sampling of contractor documentation, and review and validate contractor invoices.

Report No. DODIG-2017-095, "U.S. Army's Management of the Heavy Lift VII Commercial Transportation Contract Requirements in the Middle East," June 26, 2017

The DoD OIG determined that the Army did not adequately manage the Heavy Lift VII (HL7) contract requirements. Specifically, the Army ordered an average of 39 percent more assets than it needed throughout the life of the HL7 contracts.

Report No. DODIG-2017-062, "The Army Did Not Effectively Monitor Contractor Performance for the Kuwait Base Operations and Security Support Services Contract," March 7, 2017

The DoD OIG determined that the Army did not effectively monitor contractor performance for the Kuwait Base Operations and Security Support Services Contract. Specifically, the Area Support Group-Kuwait, ACC-Rock Island, and 408th Contracting Support Brigade-Kuwait did not ensure that the QASP and the surveillance checklists were updated to reflect current contract requirements, CORs provided consistent surveillance of the contractor, and contractor ratings within the monthly performance evaluation meeting were accurate.

Report No. DODIG-2017-035, "The Army Did Not Have Assurance That Heavy Lift Contractors in Kuwait Complied With Contract Requirements," December 15, 2016

The DoD OIG determined that the Army did not provide effective oversight of the HL7 contracts in Kuwait. Specifically, HL7 CORs did not regularly perform surveillance of each contractor or type of vehicle under contract and did not consistently document surveillance results. In addition, the Army did not effectively administer the HL7 contracts in Kuwait. Specifically, the official contract file was incomplete and did not contain critical documentation, the procuring contracting officer did not officially evaluate the performance of two contractors as required by the Federal Acquisition Regulation, and the HL7 CORs were not properly trained or appointed.

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

This report summarized 40 reports and identified nine systemic contracting problem areas related to contingency operations. "Oversight and Surveillance" was one of five prevalent problem areas reported. The DoD OIG provided recommendations for improving oversight and surveillance. Specifically, program and contracting officials must ensure a well-documented surveillance approach is in place. In addition, program and contracting officials should make sure the QASPs and surveillance logs are measurable and documented to show the quality and quantity of actual surveillance performed.

### ***Army Audit Agency***

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

The Army Audit Agency found that QASPs and contract surveillance reports input in the COR Module showed that 69 percent of QASPs did not have a detailed list of what items CORs should inspect, 64 percent of the QASPs did not contain an inspection schedule, and 56 percent of CORs did not regularly send surveillance reports to the contracting officer.

## Appendix B

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### Potential Monetary Benefits

Recommendation	Type Of Benefit	Amount Of Benefit	Account
1.c	Questioned Costs	\$323,988.87	Multiple contracts will be impacted



## Acronyms and Abbreviations

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<b>ACC</b>	Army Contracting Command
<b>ACO</b>	Administrative Contracting Officer
<b>COR</b>	Contracting Officer's Representative
<b>CORT Tool</b>	Contracting Officer's Representative Tracking Tool
<b>NAT 3.0</b>	National Afghan Trucking 3.0
<b>QASP</b>	Quality Assurance Surveillance Plan
<b>RSSB</b>	Resolute Support Sustainment Brigade

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