



Office of Inspector General  
United States Department of State

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Office of Audits

April 2019

# Lessons Learned from Office of Inspector General Audits Concerning the Review and Payment of Contractor Invoices Supporting Overseas Contingency Operations

MIDDLE EAST REGION OPERATIONS



# HIGHLIGHTS

Office of Inspector General  
United States Department of State

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## What OIG Audited

Between March 2017 and June 2018, the Office of Inspector General (OIG) issued a series of audit reports assessing the invoice review process used by four bureaus that relied on contracted support to conduct their missions in Iraq and Afghanistan: the Bureau of Near Eastern Affairs (NEA), International Narcotics and Law Enforcement Affairs (INL), South and Central Asian Affairs (SCA), and Diplomatic Security (DS). At the time OIG conducted these audits, the combined value of the contracts reviewed was more than \$6.6 billion.

OIG conducted this review to determine the (1) common challenges identified in its series of invoice review audits, (2) best practices across the bureaus that can be implemented across the Department of State (Department) to improve invoice review accuracy, and (3) invoice review practices of other U.S.

Government agencies involved in overseas contingency operations that could be adopted by the Department to improve the efficacy of its invoice review process.

## What OIG Recommends

OIG made seven recommendations to strengthen the invoice review process throughout the Department. On the basis of the Department's responses to a draft of this report, OIG considers all the recommendations resolved pending further action. A synopsis of management's comments regarding the recommendations and OIG's reply follow each recommendation in the Audit Results section of the report. Management's responses to a draft of this report are reprinted in their entirety in Appendices B through D.

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April 2019

OFFICE OF AUDITS

Middle East Region Operations

## Lessons Learned from Office of Inspector General Audits Concerning the Review and Payment of Contractor Invoices Supporting Overseas Contingency Operations

### What OIG Found

In its series of audits involving NEA, INL, SCA, and DS, OIG identified three common challenges that confronted these bureaus during the invoice review process. First, OIG found that NEA, INL, and DS experienced staffing shortages, which hampered their efforts to thoroughly review invoices. Second, OIG found that NEA and INL were not fully prepared to monitor contractor performance, which increased the risk that the Department paid for services that did not meet contract requirements. Third, OIG found that the use of cost reimbursable contracts had a significant effect on the workload of the invoice reviewers because of the complexity of the invoices.

In addition, OIG identified two best practices that, if adopted Department-wide, could improve the invoice review process and the accuracy of such reviews. First, CGFS independently conducts periodic quality control reviews to verify the accuracy of bureau invoices approved for payment. CGFS then communicates the results of these reviews directly to the bureau involved. This practice helps the Department recover improper payments, address weaknesses, and improve the invoice review process. Second, NEA developed and implemented contract-specific training that improved the accuracy of its invoice review process. This training enhanced reviewers' familiarity with the contracts' unique terms and conditions and contributed to increasing the accuracy of the review process. In addition, DS implemented training for its invoice review personnel specific to the Worldwide Protective Service contract.

OIG also found that the invoice review process of the Department of Defense and the U.S. Agency for International Development differed from that of the Department. Therefore, OIG did not identify any invoice review practices from either that could be adopted to improve the Department's invoice review process.

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## OBJECTIVE

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The Office of Inspector General (OIG) conducted this review to determine the (1) common challenges identified in its series of invoice review audits, (2) best practices across the bureaus that can be implemented across the Department of State (Department) to improve invoice review accuracy, and (3) invoice review practices of other U.S. Government agencies involved in overseas contingency operations that could be adopted by the Department to improve the efficacy of its invoice review process. See Appendix A for additional details relating to the purpose, scope, and methodology of this audit.

## BACKGROUND

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Between March 2017 and June 2018, OIG issued four audit reports assessing the invoice review processes and procedures used to support overseas contingency operations in the Department. Specifically, in March 2017, OIG issued a report on the Bureau of Near Eastern Affairs (NEA) invoice review policies and procedures for its contracts in Iraq.<sup>1</sup> In June 2017, OIG issued a report on the Bureau of South and Central Asian Affairs (SCA) invoice review policies and procedures for its Afghanistan Life Support Services (ALiSS) contract.<sup>2</sup> In February 2018, OIG issued a report on the Bureau of International Narcotics and Law Enforcement Affairs (INL) invoice review policies and procedures for its contracts in Afghanistan.<sup>3</sup> Finally, in June 2018, OIG issued a report on the Bureau of Diplomatic Security's (DS) invoice review policies and procedures for its Worldwide Protective Services (WPS) contracts.<sup>4</sup> At the time OIG conducted these audits, the combined value of the contracts reviewed was more than \$6.6 billion, as shown in Table 1.

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<sup>1</sup> Aspects of the Invoice Review Process Used by the Bureau of Near Eastern Affairs To Support Contingency Operations in Iraq Need Improvement (AUD-MERO-17-33, March 2017).

<sup>2</sup> Audit of the Bureau of South and Central Affairs Invoice Review Process for the Afghanistan Life Support Services Contract (AUD-MERO-17-47, June 2017).

<sup>3</sup> Audit of the Bureau of International Narcotics and Law Enforcement Affairs Invoice Review Process for Contracts in Afghanistan (AUD-MERO-18-30, February 2018).

<sup>4</sup> Audit of the Bureau of Diplomatic Security's Invoice Review Process for Worldwide Protective Services Contracts (AUD-MERO-18-47, June 2018).

**Table 1: Value of Contracts Included in OIG’s Invoice Review Process Audits**

<b>Bureau</b>	<b>Contracts</b>	<b>Place of Performance</b>	<b>Value* (thousands)</b>
Near Eastern Affairs	Medical Support Services-Iraq Contract, the Operations and Maintenance Support Services Contract, and the Baghdad Life Support Services Contract (BLISS)	Iraq	\$4,000,000
South and Central Asian Affairs	Afghanistan Life Support Services Contract	Afghanistan	750,000
International Narcotics and Law Enforcement Affairs	Nine active contracts as of December 2016 for programmatic support and evaluation	Afghanistan	202,000
Diplomatic Security	Worldwide Protective Services Contract, Task Orders 10 and 12	Iraq and Afghanistan	1,678,100
<b>Total</b>			<b>\$6,630,100</b>

\* Maximum contract value at time of audit.

Source: OIG prepared with information obtained from OIG audit reports.

### **Contract Administration and Oversight Responsibilities**

The Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management (AQM), is responsible for the award and administration of the majority of the Department’s contracts in Iraq and Afghanistan. According to the Federal Acquisition Regulation (FAR), Contracting Officers are responsible for awarding, administering, modifying, or terminating contracts.<sup>5</sup> The Contracting Officer is responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interest of the United States in contractual relationships.<sup>6</sup> The Contracting Officer has the authority to designate and authorize in writing and in accordance with agency procedures Contracting Officer’s Representatives (COR) to assist in fulfilling these responsibilities.<sup>7</sup> The Contracting Officer may also designate assistant or alternate CORs to act for the COR.<sup>8</sup>

### **Federal Regulations and Department Guidance Regarding Invoice Reviews**

The FAR, the Department’s Foreign Affairs Manual (FAM) and Foreign Affairs Handbook (FAH), and bureau-issued standard operating procedures (SOP) establish guidance for reviewing invoices and determining whether an invoiced cost is allowable, allocable, and reasonable.

<sup>5</sup> FAR 1.602-1(a), “Contracting Officers,” FAR 43.102(a) “Policy.”

<sup>6</sup> 14 FAH-2 H-141 a, “Roles and Responsibilities in the Contracting Process” (“Responsibilities of the Contracting Officer”) (August 24, 2017).

<sup>7</sup> FAR 1.602-2(d), “Responsibilities;” Department of State Acquisition Regulation 642.270, “Contracting Officer’s Representative.”

<sup>8</sup> Because NEA Alternate CORs are delegated authorities from the Contracting Officer similar to those of CORs, OIG considers the Alternate CORs equivalent to the CORs in terms of oversight responsibilities. Accordingly, the observations in this report regarding CORs generally apply to the Alternate CORs as well.

## *Federal and Department Guidance*

Federal regulations and Department guidance that direct the invoice review process include the following standards:

- FAR Subpart 32.905 states that payment will be based on receipt of a proper invoice and satisfactory contract performance. The FAR subpart lists the 10 elements necessary for a proper invoice. Unless the contract specifies otherwise, FAR 32.904 also requires agencies to pay invoices within 30 days after the receipt of a proper invoice or Government acceptance of supplies or performance.
- 4 FAM 425, "Voucher Prepayment Examination," states, "[P]repayment examination consists of checking for proper, legal, and correct payment, and for proper supporting documentation." 4 FAM 424, "Voucher Approval" also states that a certifying officer may make payment only after obtaining approval of the voucher from an officer having knowledge of the receipt of the goods or services covered by the voucher. This approval "shall be in the form of a signature on either the voucher, the invoice, or the documents attached to the voucher."<sup>9</sup>
- 4 FAH-3 H-423.5-1, "Supporting Documentation, Purpose and Scope," requires documentation to ensure that all payments are authorized, accurate, legal, and correct and that the goods were actually received or services were actually performed. According to the FAH, supporting documentation for voucher processing includes purchase orders and contracts, invoices and vouchers, receiving reports, and approvals.

## *Bureaus' Standard Operating Procedures for Invoice Review*

The SOPs for invoice reviews are specific to each issuing bureau, but they all begin when the contractor submits an invoice to the Bureau of the Comptroller and Global Financial Services (CGFS), Office of Claims, which then forwards the invoice to the COR. If the COR approves the invoice, the COR sends it back to CGFS for processing and payment. If the COR rejects the invoice, the COR provides a memorandum to the contractor that explains the reasons for the rejection.

In addition to these similarities, each bureau also has its own specific procedures for the COR invoice approval process. For example,

- NEA's Regional Contract Support Office (RCSO), formerly the Contract Management Office Frankfurt (CMO-Frankfurt), reviews invoices for the contracts supporting the bureau's mission in Iraq. NEA's RCSO developed an SOP for its invoice review process, "*Invoice Review Processes and Procedures*," that details the manner in which invoices

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<sup>9</sup> For the purpose of this review, the terms voucher and invoice are synonymous.

are reviewed and processed.<sup>10</sup> Voucher examiners conduct the initial invoice review and then forward the invoice package and a recommendation to approve, reject, or partially pay an invoice to the RCSO Alternate COR, who has the authority to approve or reject invoices. RCSO uses a sampling methodology when reviewing supporting documentation for time and material and cost reimbursable invoices.

- SCA's ALiSS contract invoice review SOP, "*Afghanistan Life Support Services Contract Invoice Review Processes and Procedures*," describes the roles and responsibilities of the different entities involved in the invoice review process as well as invoice procedures. According to the SOP, SCA/Kabul is responsible for managing invoice processing, tracking contract expenditures by contract line item, and validating individual charges. To minimize the administrative tasks associated with the invoice review process, the contractors provide the ALiSS COR with draft copies of invoices before official submission. The COR (or Alternate COR in the COR's absence) reviews the draft invoice and addresses any questions or discrepancies with the contractor. Upon clarification, the COR or Alternate COR notifies the contractor to submit the invoice.
- INL's invoice review SOP, "*INL Standard Operating Policy/Procedure on Certification of Invoice, Number 4040*," establishes the standards and rules to guide pre-payment voucher examination. The INL/Kabul voucher examiner performs an initial review of the invoice package for completeness and the presence of proper supporting documentation. The COR performs a second review of the invoice package and reviews the voucher examiner's comments. Both the COR and the voucher examiner are required to review 100 percent of invoice line items.
- DS's invoice review SOP, "*Invoice Processing for the WPS Program-[Acquisition Management Analysts (AMA)] and Desk Officers*," details the process by which invoices are to be received, reviewed, and paid; lists the documents required for a proper invoice; and describes the responsibilities of the various participants who review invoices. These participants include Acquisition Management Analysts (AMA), who determine if the invoice package contains supporting documentation and check whether sufficient funding is available to pay the invoice, and desk officers, who conduct a detailed review of the invoice package, including verifying supporting documentation. Within DS's Office of Overseas Protective Operations, two divisions share WPS invoice review responsibility: the Operational Support Division, where the AMAs reside, and the WPS Division, where the Desk Officers reside. The WPS Division branch and division chiefs are the CORs and approve invoices for payment. DS's invoice review SOP requires that all supporting documentation for cost reimbursable invoices be reviewed.

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<sup>10</sup> CMO-Frankfurt became the RCSO in March 2017. According to Department officials, the current invoice review SOP, revision 7.2 dated March 30, 2017, is largely the same SOP that was used by CMO-Frankfurt.

## *The Importance of CORs in the Invoice Review Process*

When delegated by the Contracting Officer, CORs are authorized to review invoices and when they identify unallowable or unsupported costs, they can reject the invoice. In each report in its series of audits, OIG identified examples of these practices, including:<sup>11</sup>

- In the audit of NEA’s invoice review process for Iraq contracts, OIG reported that NEA identified \$3.7 million in unallowable charges in the invoices it reviewed since September 2014.<sup>12</sup> Furthermore, an additional \$2.9 million that had been paid was later recouped or was in the process of being recouped on the basis of subsequent invoice review findings. Subsequently, during FYs 2017 and 2018, NEA RCSO alternate CORs processed 2,922 invoices valued at \$879.4 million and rejected \$22.7 million in invoiced costs. Reasons for rejection included lack of supporting documentation and costs incurred outside the period of performance.
- In the audit of SCA’s invoice review process for the ALiSS contract, OIG reported that CORs reduced invoice payments when contractual requirements were not being fulfilled.<sup>13</sup> The COR stated that the contractor usually submits draft invoices for the full amount as it is performing or providing the required services because all services are firm fixed price. In a few instances, the contractor was not fully staffed during the period invoiced and the COR requested and received a reduction in the invoiced amount for services not provided. For example, an invoice for the food services included pay for a “knowledge management specialist,” but the position had been vacant for a few weeks. The COR ultimately accepted the contractor’s proposal to reduce the invoiced amount by \$17,804.
- In the audit of INL’s invoice review process for contracts in Afghanistan, OIG reported that between May 2016 and May 2017, INL’s CORs rejected 60 of 285 invoices related to 3 contracts because of unallowable costs.<sup>14</sup> For example, one invoice totaling more than \$1 million was rejected because the danger pay was incorrectly calculated and an invoice totaling more than \$90,000 was rejected because the contractor used the wrong currency conversion rate, which resulted in incorrect lodging and per diem calculations.
- In the audit of DS’s invoice review process for the WPS contract, OIG reported that DS determined that \$178,200 in invoiced labor costs was unallowable because the vendor

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<sup>11</sup> OIG has also identified instances when CORs approved invoices for payment even though the invoices contained unallowable or unsupported costs. Specifically, since 2014 OIG has issued 14 audit reports that collectively questioned \$166.7 million in costs incorrectly approved by the CORs for payment (see Appendix A, Table A1, for additional details).

<sup>12</sup> AUD-MERO-17-33, 10.

<sup>13</sup> AUD-MERO-17-47, 9-10.

<sup>14</sup> AUD-MERO-18-30, 8-9.

exceeded the allowable days that could be invoiced.<sup>15</sup> The COR rejected the unallowable costs, which were subsequently deducted from the final paid invoice.

## AUDIT RESULTS

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### **Finding A: OIG's Audits of Invoice Review Processes Identified Common Challenges**

In its series of audits involving NEA, INL, SCA, and DS, OIG identified three common challenges that confronted the invoice review process. First, OIG found that NEA, INL, and DS experienced staffing shortages, which hampered their efforts to thoroughly review invoices. Second, OIG found that NEA and INL were not fully prepared to monitor contractor performance, which increased the risk that the Department would pay for services that did not meet contract requirements. Third, OIG found that the use of cost reimbursable contracts had a significant effect on the workload of the invoice reviewers because of the complexity of the invoices.

#### *Staffing Challenges Hampered Invoice Review and Contract Oversight*

OIG found that NEA, INL, and DS faced a common challenge in the invoice review process because of staffing levels that were inadequate to permit a thorough review. This hindered the invoice review process and allowed for invoices containing questioned costs to be approved. Moreover, the staffing challenges experienced by INL and DS were magnified by the Department-wide hiring freeze that was in effect from April 2017 through May 2018. To mitigate the effects of these shortages, two of the bureaus, NEA and DS, reviewed a sample of invoiced items rather than reviewing 100 percent of these documents. At the times of the respective audits, only SCA had the appropriate number of qualified staff members available to oversee the single contract for which it was responsible (the ALiSS contract).<sup>16</sup>

#### *Bureau of Near Eastern Affairs*

NEA faced staffing challenges from November 2011 through October 2016.<sup>17</sup> During that period, CMO-Frankfurt (now known as the Regional Contract Support Office [RCSO]) had, at times, only two full-time invoice reviewers and two part-time invoice reviewers to assist in overseeing all the bureau's major contracts in Iraq. The lack of staff contributed to a backlog of pre-approved invoices awaiting post payment review, which grew to 138 invoices valued at approximately \$14 million in December 2016. NEA authorized overtime for its invoice examiners to clear the backlog, which was cleared in summer 2017. In addition, NEA's SOP for invoice review allows for a sample of invoice line items and requires that 25 percent to 30

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<sup>15</sup> AUD-MERO-18-47, 8.

<sup>16</sup> OIG audited SCA's invoice review process at Embassy Kabul between December 2016 and February 2017. Other contracts supporting operations at U.S. Embassy Kabul, Afghanistan, are overseen by different Department bureaus. For example, the operations and maintenance support contract is managed and overseen by the Bureau of Overseas Buildings Operations, Office of Facilities Management.

<sup>17</sup> OIG's audit of NEA's invoice review process for contracts in Iraq occurred between August and December 2016. OIG notes that, as of August 2018, NEA considered itself fully staffed.

percent of line items selected for review represent 80 percent or more of the total costs billed. This method of sampling helped NEA to process the invoices and avoid prompt payment penalties when staffing levels were lacking and focus on those invoiced line items that represented the greatest dollar amounts.

#### *Bureau of International Narcotics and Law Enforcement Affairs*

According to INL officials, the optimal number of its CORs working at U.S. Embassy Kabul is four. However, during FY 2017, all three permanent CORs INL assigned to the embassy departed. As a result, INL had to rely on temporary duty CORs from Washington, DC, and other locations who had to travel to Embassy Kabul to oversee the contracts. These CORs lacked invoice review training for the contracts they were assigned to oversee. Efforts to hire new permanent CORs were hindered by the Department-wide hiring freeze, which was put in place in April 2017.<sup>18</sup> In May 2018, the Department lifted the hiring freeze, and in October 2018, INL informed OIG that it had filled all COR positions.

#### *Bureau of Diplomatic Security*

Within DS's Office of Overseas Protective Operations, the two offices charged with WPS contract oversight responsibilities, the WPS Division and Operational Support Division, were operating with 24 of 93 positions authorized vacant (26 percent) in November 2017. This shortage was due, in part, to the Department-imposed hiring freeze in addition to staffing challenges that predated the hiring freeze. Moreover, even after the hiring freeze had been lifted, a personnel cap was placed on the bureau's hiring in September 2018; that cap was lower than the pre-hiring freeze authorized staffing levels. DS's Office of Overseas Protective Operations was authorized to backfill 10 positions, including two AMA positions and two Financial Management Specialist positions. No Desk Officer positions were included, however, and DS was ultimately left with 20 vacancies within the Office of Overseas Protective Operations, WPS Division, and Operational Support Division.

Because Desk Officers review contractor submitted invoices, in cases of staffing shortages, DS Desk Officers developed an unofficial rule of sampling 10 percent to 20 percent of the invoice supporting documentation rather than reviewing all the documentation associated with those invoices. When OIG informed DS managers of this practice and recommended that DS determine whether it wanted to permit sampling, the managers stated that sampling was not permitted and that DS would require a 100-percent review of the supporting documentation for every invoice. DS subsequently completed and provided OIG with a new SOP directing a 100-percent review of labor invoices and, during a 6-month period, a 100-percent review of travel and Additional & Emergency hours invoices. On the basis of DS's response, OIG considered the recommendation resolved and closed it. In August 2018, DS also advised OIG

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<sup>18</sup> In October 2017, INL obtained a waiver to hire two CORs to fill the vacant positions. INL believed that it could fill these positions and have the CORs in Kabul by January 2018. Because the waiver was requested before the third COR departed in October 2017, INL had not made plans to hire his replacement. In November 2017, INL requested another exemption from the hiring freeze to hire two additional CORs and to bring its number of CORs in Kabul to four.

that it had been authorized to fill two AMA positions but not Desk Officer positions. As of February 2019, DS informed OIG that it had three Desk Officer vacancies and was in the process of filling two of them but provided no timeframe for doing so. Because Desk Officers review the invoice package, including verifying supporting documentation, OIG believes that it will be challenging to conduct a 100-percent review of supporting documentation while avoiding prompt payment penalties when Desk Officer positions remain vacant.

### ***Addressing Unforeseen Staffing Challenges***

CORs serve as the Contracting Officer's eyes and ears to ensure that the Department receives high-quality supplies and services on time, within the agreed-upon price, and in accordance with all contract requirements. They play an essential role in safeguarding the Department's resources. Accordingly, it is, of course, preferable to have an adequate workforce of CORs as well as invoice examiners. OIG recognizes that this condition may not always exist in overseas contingency operations, as OIG discovered during its series of invoice review audits involving NEA, INL, and DS. When staffing challenges are encountered, it is prudent to modify the invoice review approach to focus invoice reviews on mission critical, high-risk invoiced line items representing the greatest dollar amounts. This approach was employed by NEA and it helped avoid prompt payment penalties and focus on invoiced line items that represented the greatest dollar amounts. DS also employed a modified approach to sampling supporting documentation; however, according to DS managers, sampling was not permitted even though DS had significant contract oversight staff shortages. OIG concludes that under specific circumstances, it is prudent to modify an invoice review process to focus on high-risk invoiced line items until vacant contract oversight positions can be filled. Furthermore, because staffing shortages to support contract oversight of overseas contingency operations are likely to recur because of the unpredictable security environment, OIG is offering the following recommendation to prepare for that contingency.

**Recommendation 1:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, develop, implement, and issue guidance for the bureaus to use in modifying invoice review standard operating procedures, including the circumstances when it is appropriate to execute the modified procedures.

**Management Response:** A/OPE agreed with the recommendation, stating that it "understands from the report the OIG's primary concern is it is prudent to modify an invoice review approach to focus on mission critical, high-risk invoiced line items representing the greatest dollar amounts until vacant contract oversight positions can be filled." A/OPE further stated that "[guidance] issued by [A/OPE] will focus on this concern to provide flexibility during unforeseen staffing challenges."

**OIG Reply:** On the basis of A/OPE's concurrence and planned action, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that A/OPE has issued

guidance modifying invoice review standard operating procedures, including the circumstances when it is appropriate to execute the modified procedures.

### ***Lack of Contractor Performance Metrics and Inspection Reports***

Another challenge OIG identified in its audits of the invoice review process was a series of lapses in contractor performance monitoring. Specifically, OIG found that NEA and INL were not fully prepared to monitor contractor performance, which increased the risk that the Department would pay for services that did not meet contract requirements.

#### ***Bureau of Near Eastern Affairs***

OIG found that NEA did not develop contract performance metrics or a methodology to assess penalties when requirements were not met in the Operations and Maintenance Support Services and BLiSS contracts supporting Mission Iraq. These Mission Iraq support contracts were valued at \$2 billion and \$1 billion, respectively.<sup>19</sup> When OIG reviewed NEA's invoice review process, NEA lacked Quality Assurance Surveillance Plans—tools agencies use to assess the quality of contractor-provided services. NEA, in concert with AQM, subsequently developed and tested a quality assurance surveillance plan for the BLiSS contract. However, as of September 2018, NEA had not developed a quality assurance surveillance plan for the Operations and Maintenance Support Services contract but stated that it intended to use the plan developed for the BLiSS contract to do so.

OIG also found instances in which NEA paid invoices in questionable circumstances. In examining invoices and monthly COR reports, OIG noted instances between April 2016 and September 2016 in which invoices were paid without evidence that the contractor's performance met requirements. This occurred because NEA did not have sufficient staff to conduct required inspections. Other invoices were paid despite inspections that identified subpar performance. In discussions with NEA and AQM, OIG was told that they lacked performance metrics that could be used to hold the contractor accountable for inadequate performance and a methodology to reduce payments.

#### ***Bureau of International Narcotics and Law Enforcement Affairs***

INL was not fully prepared to monitor contractor performance because its oversight personnel lacked a robust process for reviewing, verifying, and documenting that contractor deliverables met contract terms and conditions. In addition, INL CORs were not consistently reviewing monthly contractor-submitted spreadsheets that provide contractor performance data. These contract oversight lapses increased the risk that INL would pay for services that do not meet contract requirements.

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<sup>19</sup> OIG notes that, in October 2016, it identified a similar deficiency with the operations and maintenance contract supporting mission Afghanistan. See *Management Assistance Report: Contract Management—Lessons Learned from Embassy Kabul, Afghanistan, Operations and Maintenance Contract* (AUD-MERO-17-04, October 2016).

*Award of Diplomatic Platform Support Services Contract Offers Opportunities To Establish Contractor Performance Metrics Using Task Orders*

AQM is presently preparing to award a Diplomatic Platform Support Services (DPSS)<sup>20</sup> contract, which will provide life support services, logistics services, and operations and maintenance services to embassies and posts worldwide. AQM expected to award the contract by February 2019, but as of the issuance of this report, the contract had not been awarded. The Department anticipates a large portion of the DPSS contract will focus on locations in the Middle East and South Central Asia contingency environments. The upcoming award accordingly provides an opportunity to enhance the bureau's ability to monitor contracts. In particular, as part of the submission process for bid proposals for the associated DPSS task orders, AQM could require potential contractors to address the metrics that will be used to evaluate contractor performance during task order execution. This information would be helpful in evaluating and selecting the appropriate contractor for the task order. In addition, the performance metrics offered by the contractor could inform the development of the Quality Assurance Surveillance Plan by the relevant bureau. For example, in the upcoming DPSS contract, AQM will require the contractor to "perform project quality management to determine quality policies, objectives, and responsibilities so that the project satisfies the needs for which it is undertaken." If potential contractors for the task orders were required to specifically address the performance metrics in their bid for the task orders, this information could be used to evaluate contractor performance during task order execution.

**Recommendation 2:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, require contractors responding to task order solicitations under the new Diplomatic Platform Support Services contract to propose performance metrics against which they will be measured in the execution of the task order.

**Management Response:** A/OPE concurred with the recommendation.

**OIG Reply:** On the basis of A/OPE's concurrence, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that contractors responding to task order solicitations under the new DPSS contract are required to propose performance metrics against which they will be measured in the execution of the task order.

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<sup>20</sup> The contract's period of performance is for 5 years (1 base year and 4 option years).

### *Use of Cost Reimbursable Contracts Increases Invoice Review Workload*

OIG found that the type of contract used to obtain support services had a significant effect on the amount of time needed to fully review the invoice.<sup>21</sup> According to NEA's RCSO, invoice reviews can take anywhere from 15 minutes to 8 hours or more depending on whether the invoices are firm fixed price or cost reimbursable. Firm-fixed-price contracts are relatively less time consuming to review because fewer documents are required to support the invoice charges because of the "fixed price" nature of the contract. Similarly, in its audit of DS's invoice review process for the cost reimbursable WPS contract, OIG noted labor invoices that were more than 1,000 pages long and travel invoices that were more than 100 pages. This occurred because the invoices must itemize each component for which payment is requested.<sup>22</sup> Cost reimbursable invoices require the contractor to provide supporting documentation for the charges, and that supporting documentation must be reviewed to substantiate the costs charged, which is a time-consuming process.

The use of cost reimbursable contracts is common among NEA, INL, DS, and SCA, in part because of the unpredictable security environment in which the bureaus work. To cope with the increased invoice review workload, DS invoice reviewers told OIG that, for cost reimbursable invoices such as labor and travel-related invoices, they developed an unofficial rule of sampling 10 percent to 15 percent of the supporting documentation. According to the invoice reviewers, they did not review all supporting documentation primarily because of limited staff, invoice review time, and the need to comply with the Prompt Payment Act.<sup>23</sup> However, this practice, although understandable to avoid penalties for delayed payment, essentially led to a situation in which supporting documentation was not reviewed for approximately 85 percent to 90 percent of the invoices received prior to payment. As noted previously, although it may be appropriate in some circumstances to modify standard procedures, doing so in an ad hoc way increases the risk of errors or improper payments.

AQM officials told OIG that firm-fixed-price contracts are best suited for stable environments where the contractor has a complete understanding of the relevant costs and risks. As the security environment in Afghanistan and Iraq permits, bureaus are using firm-fixed-price contracts. For example, the original award for the food services task order under the ALiSS contract supporting mission Afghanistan was cost reimbursable for food and consumables because of high uncertainty regarding the logistic supply chain and the availability of

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<sup>21</sup> A wide selection of contract types is available to the Government and contractors in order to provide needed flexibility in acquiring the large variety and volume of supplies and services required by agencies. The contract types are grouped into two broad categories: fixed-price contracts and cost-reimbursement contracts. A firm-fixed-price contract provides for a price that is not subject to any adjustment on the basis of the contractor's cost experience in performing the contract. Cost-reimbursement contracts provide for payment of allowable incurred costs, to the extent prescribed in the contract.

<sup>22</sup> AUD-MERO-18-47, 7-8.

<sup>23</sup> The Prompt Payment Act (31 U.S.C. §§ 3901-3907) requires the Government to pay all invoices as specified by the contract or within 30 days of receipt of a proper invoice or of Government acceptance of supplies delivered or services performed. Interest penalties are computed if invoices are not paid in accordance with FAR 32.904, "Determining Payment Due Dates," which implements the Act's requirements.

commercial sources.<sup>24</sup> After 18 months' experience in country and the establishment of competitive commercial sources, SCA concluded that it could convert food supplies and consumables to firm fixed price. With this change, the amount of time required to review the invoices has decreased because the risk of fluctuations in food cost rests with the contractor, and less supporting documentation is required to substantiate invoice charges. The Department is currently using contracts in Iraq that contain both cost-reimbursable and fixed-price elements. These include firm-fixed price for labor, fixed-unit price for fuel, and cost reimbursable for food and travel.

Selecting the appropriate contract type involves several considerations, including the security environment, a clear understanding of the services to be provided, the ability to control the service quality, and sufficient data to perform a cost benefit analysis to inform decisions. Because the Department now has more than a decade of experience in administering and managing contracts that support overseas contingency operations, OIG encourages the Department to continue expanding the use of firm-fixed-price contracts when practicable. The award of the DPSS worldwide support services contract offers AQM the opportunity to consider and incorporate more firm-fixed-price elements into these contracts. This, in turn, will significantly reduce the administrative burden associated with reviewing invoices and allow greater attention to contractor performance as conditions permit.

**Recommendation 3:** OIG recommends that, in exercising option years of task orders under the new Diplomatic Platform Support Services contract, the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, review relevant considerations, including the security situation, and engage in an appropriate cost benefit analysis to determine if it would be feasible to convert cost reimbursable task order elements to firm-fixed-price elements.

**Management Response:** A/OPE concurred with the recommendation.

**OIG Reply:** On the basis of A/OPE's concurrence with the recommendation, OIG considers the recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that in exercising option years of task orders under the new DPSS contract, AQM put in place procedures requiring review of relevant considerations, including the security situation, and engaged in an appropriate cost benefit analysis to determine if it would be feasible to convert cost reimbursable task order elements to firm-fixed-price elements.

## **Finding B: Quality Control Reviews and Invoice Review Training Are Best Practices That Can Improve Invoice Review Accuracy Across the Department**

OIG identified two best practices that, if adopted Department-wide, could improve the invoice review process and the accuracy of such reviews. First, CGFS independently conducts periodic quality control reviews to verify the accuracy of bureau invoices approved for payment and

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<sup>24</sup> AUD-MERO-17-47, 7.

provides the results to the bureau involved and to the CORs who reviewed the invoices. This practice helps the Department recover improper payments, address weaknesses, and improve the invoice review process. CGFS's efforts could be even more effective if the Department maintained a list of CORs by contract and encouraged bureau feedback on how those CORs used CGFS reviews to improve their procedures and to assist CGFS in understanding the nuances of their contracts. Second, NEA and DS held training for its CORs that was specific to the details of the contract, which enhanced familiarity with the contract's unique terms and conditions and contributed to increased accuracy of the review process.

### *Invoice Quality Control Reviews*

CGFS has two formal quality control programs: one within the Office of Claims and one within the Office of Oversight and Management Analysis/Financial Oversight and Quality Assurance (FOQA). As part of their quality control process, both offices review approved invoices to ensure that costs were allowable and supported with required documentation.

#### *Office of Claims*

The Office of Claims conducts monthly post payment reviews from a sample of recently paid invoices and conducts pre-audits of invoices that are sent on to the bureaus for processing before they are approved for payment. The Office of Claims focuses its reviews on recently paid invoices because it is easier to recoup improper payments if they are quickly identified. These reviews also make it easier to identify errors that led to the improper payment and that could be avoided when the next invoice is reviewed. To conduct its work, the Office of Claims randomly selects 200 invoices that were paid in the previous month and then replicates the CORs' invoice review. Invoices, receiving reports, purchase orders, and other supporting documents are reviewed for accuracy and timeliness. The Office of Claims comments on the quality of invoice reviews and logs the review in its computer system. This allows the Office of Claims to identify problems with invoice reviews, develop trend analyses, and communicate the results to the bureaus.

## *Financial Oversight and Quality Assurance (FOQA)*

FOQA conducts quarterly improper payment reviews on random post payment vouchers for the Department.<sup>25</sup> These reviews, which occur several months after the invoices have been processed, are conducted in accordance with the requirements of the Improper Payments Elimination and Recovery Act.<sup>26</sup> The objective of the review is to verify the accuracy of invoice reviews and determine whether unallowable or unsupported costs can be recaptured.<sup>27</sup> In FYs 2017 and 2018, an average of 161 invoices were reviewed each quarter.<sup>28</sup>

To do its work, the FOQA reviewer replicates the invoice review that the COR conducted and compares the costs invoiced against the contract line item numbers, the approval form, and the supporting documentation. The FOQA reviewer obtains the supporting documentation, the invoice approval form, and a copy of the invoice from the Global Financial Management System (GFMS).

Following FOQA's quality control review, it provides the results to the corresponding bureaus. When FOQA discovered that the bureaus had not been sending the results of the quality control reviews to the COR who conducted the invoice review, FOQA began to do so itself. This allows the COR to remedy any shortcomings identified in the review or expand upon helpful practices. However, CGFS cannot share its results with the current COR because CORs rotate frequently and the COR tracking database maintained by the Bureau of Administration/Office of Procurement Executive (A/OPE) cannot link CORs to their assigned contract. OIG discussed these limitations with the A/OPE and CGFS and learned that GFMS has this capacity, but, to do so, COR data must be shared between the A/OPE COR database and GFMS. Because A/OPE is the system owner of the COR database and CGFS is the system owner for GFMS, determining how best to keep the COR database up to date and share information requires a collaborative effort between the two bureaus.

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<sup>25</sup> Separate reviews are conducted for domestic and overseas claims. Invoices processed for work performed under contracts for services in Iraq and Afghanistan are examined as part of the domestic program because they are submitted domestically with the Office of Claims.

<sup>26</sup> An improper payment is one that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. When an agency is unable to discern whether a payment was proper as a result of insufficient or lacking documentation, the payment must be considered an improper payment.

<sup>27</sup> The Improper Payments Elimination and Recovery Act of 2010 (Public Law 111-204) requires agencies to conduct "recovery audits" in which improper payments are recovered by the agency. Greater detail about these audits is contained within OMB Circular A-123, Appendix C Requirements for Effective Estimation and Remediation of Improper Payments (M-18-20, page 39, June 26, 2018). OMB states that a recapture audit is "not an audit in the traditional sense. Rather it is a detective and corrective control activity designed to identify and recapture overpayments and, as such, is a management function and responsibility." In addition, 1 FAM 611.3 gives CGFS the legal authority under Improper Payments Elimination and Recovery Act of 2010 to take action to reduce improper payments and recover funds.

<sup>28</sup> CGFS uses IDEA, a data analysis software, to draw its samples. The Office of Claims personnel input criteria into IDEA to select the types of invoices to include in the sample. Criteria can include the number of invoices from moderate risk programs, the dollar value of the invoice, and bureaus or vendors of interest.

Because of the benefits that could result if CORs were consistently made aware of the quality control review results, particularly areas for improvement, OIG is making the following recommendation.

**Recommendation 4:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive (A/OPE) and the Bureau of Comptroller and Global Financial Services form a working group to explore how best to keep A/OPE's Contracting Officer's Representative (COR) database up to date and share information between the COR database and the Global Financial Management System.

**Management Response:** A/OPE and CGFS concurred with the recommendation. CGFS further stated that it "will work with A/OPE to explore how best to keep A/OPE's COR database up to date and share information between the COR database and [GFMS]."

**OIG Reply:** On the basis of A/OPE and CGFS concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that A/OPE and CGFS has formed a working group and developed a plan to explore how best to keep the A/OPE COR database up to date and share information between the COR database and the Global Financial Management System.

#### *CGFS Communication With Other Bureaus*

Notwithstanding the positive steps taken by CGFS, more communication between CGFS and the other bureaus would further improve the quality control process. This is particularly important because none of the four bureaus whose invoice review process OIG reviewed had an internal quality control function to check the accuracy of CORs' invoice reviews. Accordingly, more frequent communication could help FOQA better address their requests for information to the proper personnel, help the bureaus become more familiar with what FOQA does during its reviews, and help FOQA better understand the complexities of large-scale support contracts at high-threat posts.

**Recommendation 5:** OIG recommends that the Bureau of Comptroller and Financial Services (CGFS) advise all relevant Department of State bureaus of the potential benefits of the CGFS invoice review quality control program to each bureau's invoice review process and encourage the relevant Department bureaus to provide CGFS with relevant information regarding specific contracts, particularly at high-threat posts.

**Management Response:** CGFS concurred with the recommendation.

**OIG Reply:** On the basis of CGFS concurrence with the recommendation, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that CGFS has advised all relevant Department bureaus of the potential benefits of the CGFS invoice review quality

control program to each bureau's invoice review process and encouraged the relevant Department bureaus to provide CGFS with relevant information regarding specific contracts, particularly at high-threat posts.

### *Contract-Specific Invoice Review Training*

Another best practice identified by OIG during its series of audits of the invoice review process involved contract-specific invoice review training employed by NEA and DS. Specifically, NEA conducted contract-specific training for its CORs that enhanced the CORs familiarity with the contract's unique terms and conditions and subsequently contributed to the accuracy of the invoice review process. In addition, DS implemented training for its CORs specific to the Worldwide Protective Service contract. SCA and INL, on the other hand, relied solely on the training provided by the Foreign Service Institute (FSI).<sup>29</sup>

#### *Bureau of Near Eastern Affairs Invoice Review Training*

NEA has a training course for its CORs and alternate CORs deploying to Iraq. It is a 3-day program that covers NEA's major Iraq contracts and teaches the participants, among other tasks, how to perform quality assurance; find information in the contract, the FAR, and Department guidance; and inspect and accept services. The training material NEA used at the time of OIG's audit of its invoice review process included information on the specific invoicing methods used by the contractors, which helped the voucher examiners become familiar with the invoices before they reviewed those documents. A "step-by-step" guide detailed each part of the invoice review process. In addition, there was guidance for conducting sampling of supporting documentation. This training material also included information on applicable sections of the FAR, the Department of State Acquisition Regulation, and the Prompt Payment Act. In a subsequent audit, OIG reported that the training improved the accuracy of NEA's invoice review, finding that the accuracy of invoices approved for payment increased over time to 99 percent in 2016.<sup>30</sup> OIG concluded that this improvement can be attributed, in part, to NEA's invoice review training.

#### *Bureau of Diplomatic Security Invoice Review Training*

DS also has an in-house training program for its invoice review personnel on the Worldwide Protective Services contract—this is a 2-week course referred to as a Boot Camp. It is provided to all its new AMAs and desk officers. The first week of this training program is a combined class for AMAs and desk officers and offers an overview of the bureau and of MetaStorm (a searchable web-based system used to track and process invoices). In the second week, the class

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<sup>29</sup> The Foreign Service Institute offers a course that provides an overview of COR responsibilities and duties, including contract oversight and the Government acquisition process. An individual must take this course to become a COR. The Institute also offers the Basic Voucher Examiners course that provides information on such topics as the voucher review process, the legal and Department authorities for the voucher review and processing, and the role of the voucher examiner.

<sup>30</sup> Audit of Baghdad Diplomatic Support Center Task Orders Awarded Under Operations and Maintenance Support Services Contract SAQMMA12D0165, 5-6 (AUD-MERO-17-45, June 2017).

is split into AMA- and desk officer-specific sections. The AMAs receive instruction on checking contract line item funding availability and how to track the status of funds. The desk officers receive instruction on reviewing different types of invoices as well as the supporting documentation requirements.

*Bureaus of International Narcotics and Law Enforcement Affairs and South and Central Asian Affairs Invoice Review Training*

INL and SCA rely solely on FSI for COR training, which gives an overview of the invoice review process but does not provide detail regarding individual contracts within those bureaus. In its audits of INL's and SCA's invoice review processes, OIG recommended that the bureaus develop and implement invoice review training for its oversight staff with a focus on their contracts. Both bureaus agreed to the recommendations. In June 2018, INL stated that it had updated its policies and procedures, providing additional guidance to CORs and voucher examiners to use when reviewing invoices. As of June 2018, SCA has not developed or implemented a program. SCA stated that the CORs in Kabul are organized to overlap and to "receive on-the-job mentoring and training, knowledge transfer, and records transfer." As discussed earlier, NEA currently has a 3-day COR course that can serve as a guide to SCA to train its personnel.

NEA and SCA share an Executive Office that provides financial management, general services operations, human resources, IT, and post management support functions. As part of the post management support functions of the NEA/SCA Executive Office, NEA's RCSO could serve as a resource for SCA COR and invoice review training on its Afghanistan contracts.

**Recommendation 6:** OIG recommends that the Bureau of Near Eastern Affairs update its Contracting Officer's Representative and invoice review training modules to include information specific to the new Diplomatic Platform Support Services contract as it relates to task orders in support of U.S. Mission Iraq.

**Management Response:** The NEA and SCA Executive Office concurred with the recommendation, stating that its "[RCSO] in Frankfurt will update the [COR] and invoice review training modules to include specific [DPSS information] once the contract and related task orders are awarded by [AQM]."

**OIG Reply:** On the basis of NEA's concurrence with the recommendation and planned actions, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation demonstrating that NEA's RCSO in Frankfurt has updated the COR and invoice review training modules to include information specific to DPSS once the contract and related task orders in support of U.S. Mission Iraq are awarded by the AQM.

**Recommendation 7:** OIG recommends that the Bureaus of Near Eastern Affairs and South and Central Asian Affairs Executive Office direct the Regional Contract Support Office in Frankfurt, Germany, to provide Contracting Officer's Representative training support to the Bureau of South and Central Asian Affairs staff performing at U.S. Mission Afghanistan.

**Management Response:** The NEA and SCA Executive Office stated that it has taken the recommendation “under advisement, and will explore the possibility of RCSO providing COR training support.” It further stated that “[if] requested, NEA's RCSO stands ready to provide such support.”

**OIG Reply:** Although the NEA and SCA Executive office did not expressly concur with the recommendation, OIG considers this recommendation resolved pending further action on the basis of information obtained during the exit conference as well as its statement that it will explore RCSO providing COR training support when requested. This recommendation will only be closed, however, when OIG receives and accepts documentation demonstrating that the NEA and SCA Executive Office directed the RCSO in Frankfurt, Germany, to provide COR training support to the SCA staff performing at U.S. Mission Afghanistan.

### **Finding C: Each Lead Inspector General Agency Has Unique Invoice Review Processes That Are Not Applicable to the Department**

In January 2013, Congress created the Lead Inspector General framework for oversight of overseas contingency operations.<sup>31</sup> This legislation requires the Inspectors General from the Department of Defense (DoD), Department of State and the U.S. Agency for International Development (USAID) to work jointly and with other oversight partners throughout the Government to ensure effective oversight of U.S. Government activities related to overseas contingency operations. These entities all rely on contract support to execute their missions. OIG found the invoice review process of DoD and USAID—two key U.S. Government agencies involved in overseas contingency operations—differed from that of the Department in ways that precluded application of practices from those agencies. Accordingly, OIG did not identify any invoice review practices from either entity that could be adopted to improve the Department’s invoice review process.

#### ***Department of Defense***

During the last two decades of DoD operations in the Balkans, Iraq, and Afghanistan, the U.S. military’s use of contracted support was unprecedented in both scope and scale. Contracted support capabilities ranged from armed private security, distribution, and base camp services to translation and training. The number of contractors in the operational environment often exceeded the uniformed military force.

With respect to its invoice review process, DoD CORs are authorized to approve invoices on fixed price contracts but are not authorized to approve invoices on cost reimbursement, time and materials, or labor-hour contracts. For these types of contract, the Defense Contract Audit Agency (DCAA) is responsible for reviewing and approving the invoices. DCAA provides audit and financial advisory services to DoD and helps ensure that contractor-submitted invoices contain correct administrative data (such as the contract number), show current and

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<sup>31</sup> 5 USC App 8L: Special Provisions Concerning Overseas Contingency Operations.

cumulative costs, are free of mathematical errors, and match the total cost in a contractor-provided summary of the submitted costs.<sup>32</sup> As of FY 2017, DCAA had a professional workforce of about 4,600 employees and about 300 offices located throughout the United States, Europe, and the Middle East.

OIG concludes, as a result of the fact that DoD can rely on DCAA to address invoice reviews, the overall invoice process employed by DoD differs too significantly from that of the Department for its practices to be relevant here. First, the Department's CORs are typically authorized to approve both fixed cost invoices as well as cost reimbursement, time and materials, or labor-hour contracts. In addition, the Department is not typically afforded opportunities to outsource the invoice review process to an organization similar to DCAA. Accordingly, given the complexity of and effort required to review invoices associated with cost reimbursable contracts, it is all the more critical that Department CORs assigned to such contracts possess expertise, are well trained, and are provided resources and support to carry out this vital function.

### ***U.S. Agency for International Development***

For more than a decade, USAID has extensively used contractors to support its mission in contingency operations, such as those in Iraq and Afghanistan. With respect to its invoice review process, USAID CORs provide what USAID terms administrative approval for payment, verifying that contracted goods or services were received and conformed to contract requirements and noting any deductions that should be taken from the invoice. The Agency's paying offices then complete invoice processing. Although CORs do not have the authority to approve invoices, a COR who identifies any improper claims can suspend payment pending resolution.

In contrast to the Department, USAID does not require contractors to submit supporting documentation with its invoices, unless required in the terms of the contract. USAID's directive on payables management states that it is the policy of the Chief Financial Officer to request only the documentation that the payment clause in the contract requires.<sup>33</sup> This policy does not imply that CORs cannot resolve with the contractor obvious anomalies in the invoice. The directive further states that it is not appropriate to request on a routine, recurring basis all the supporting documentation for a contractor's invoice. Contractors are subject to annual audits, which provide reasonable assurance that they are claiming for reimbursement only eligible, supported costs. This practice is different from the Department's, which typically requires contractors to provide supporting documentation for all invoices. Again, because of this

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<sup>32</sup> DoD Oversight of Logistics Civil Augmentation Program in Afghanistan Invoice Review and Payment, 3 (DOD IG 2018-119, May 2018).

<sup>33</sup> USAID, Automated Directive System Chapter 630, *Payables Management*, section 630.3.2.3, *COR's Requests for Additional Information from Designated Payees*. The Automated Directives System contains the organization and functions of USAID, along with the policies and essential procedures that guide the Agency's programs and operations.

fundamentally different approach, OIG did not identify any invoice review practices at USAID that could be adopted to improve the Department's invoice review process.

## RECOMMENDATIONS

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**Recommendation 1:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, develop, implement, and issue guidance for the bureaus to use in modifying invoice review standard operating procedures, including the circumstances when it is appropriate to execute the modified procedures.

**Recommendation 2:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, require contractors responding to task order solicitations under the new Diplomatic Platform Support Services contract to propose performance metrics against which they will be measured in the execution of the task order.

**Recommendation 3:** OIG recommends that, in exercising option years of task orders under the new Diplomatic Platform Support Services contract, the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, review relevant considerations, including the security situation, and engage in an appropriate cost benefit analysis to determine if it would be feasible to convert cost reimbursable task order elements to firm-fixed-price elements.

**Recommendation 4:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive (A/OPE) and the Bureau of Comptroller and Global Financial Services form a working group to explore how best to keep A/OPE's Contracting Officer's Representative (COR) database up to date and share information between the COR database and the Global Financial Management System.

**Recommendation 5:** OIG recommends that the Bureau of Comptroller and Financial Services (CGFS) advise all relevant Department of State bureaus of the potential benefits of the CGFS invoice review quality control program to each bureau's invoice review process and encourage the relevant Department bureaus to provide CGFS with relevant information regarding specific contracts, particularly at high-threat posts.

**Recommendation 6:** OIG recommends that the Bureau of Near Eastern Affairs update its Contracting Officer's Representative and invoice review training modules to include information specific to the new Diplomatic Platform Support Services contract as it relates to task orders in support of U.S. Mission Iraq.

**Recommendation 7:** OIG recommends that the Bureaus of Near Eastern Affairs and South and Central Asian Affairs Executive Office direct the Regional Contract Support Office in Frankfurt, Germany, to provide Contracting Officer's Representative training support to the Bureau of South and Central Asian Affairs staff performing at U.S. Mission Afghanistan.

## APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

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The Office of Inspector General (OIG) for the Department of State (Department) and the U.S. Agency for Global Media conducted this review to determine the (1) common challenges identified in the series of invoice review audits issued by OIG, (2) best practices across the bureaus that can be implemented across the Department to improve invoice review accuracy, and (3) invoice review practices of other U.S. Government agencies involved in overseas contingency operations that could be adopted by the Department to improve the efficacy of its invoice review process.

OIG conducted fieldwork from July 2018 to October 2018 in Washington, DC, Arlington, VA, Charleston, SC, and Frankfurt, Germany. This report relates to overseas contingency Operation Inherent Resolve and Operation Freedom's Sentinel and was completed in accordance with OIG's oversight responsibilities described in Section 8L of the Inspector General Act of 1978, as amended. OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives. Issuance of this report was delayed because of the lapse in OIG's appropriations that occurred from 11:59 p.m. December 21, 2018, through January 25, 2019.

To answer the objectives, OIG reviewed audit reports issued between March 2017 and June 2018 assessing the invoice review process used by four bureaus that relied on contracted support to conduct their missions in Iraq and Afghanistan: the Bureaus of Near Eastern Affairs (NEA), International Narcotics and Law Enforcement Affairs (INL), South and Central Asian Affairs (SCA), and Diplomatic Security (DS). In addition, OIG reviewed another 15 audit reports OIG issued since 2014 relating to the Department's invoice review process as well as the Department of Defense and the U.S. Agency for International Development process for reviewing invoices. In Washington, DC, OIG interviewed officials from the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, and the Bureaus of Diplomatic Security, Near Eastern Affairs, South and Central Asian Affairs, and International Narcotics and Law Enforcement Affairs. OIG also interviewed officials from the Bureau of the Comptroller and Global Financial Services in Charleston, SC, and from the Bureau of Near Eastern Affairs in Frankfurt, Germany. OIG also reviewed Department of Defense and U.S. Agency for International Development directives regarding invoice reviews and their respective Inspectors General reporting on processes and requirements for approving invoices.

### **Prior Reports**

Table A1 lists the 19 reports that OIG reviewed for this report. For each report, OIG also listed the amount of questioned costs identified, if any.

**Table A1: OIG Reports on the Department’s Invoice Review Process**

<b>Report Title</b>	<b>Report Date</b>	<b>Questioned Costs (thousand)</b>
<i>Audit of the Bureau of Diplomatic Security’s Invoice Review Process for Worldwide Protective Services Contracts (AUD-MERO-18-47)*</i>	June 2018	n/a
<i>Audit of the Bureau of Overseas Buildings Operations Process for Reviewing Invoices for the Construction of the U.S. Embassy in Islamabad, Pakistan (AUD-MERO-18-46)</i>	June 2018	n/a
<i>Audit of Costs Invoiced Under the Afghanistan Life Support Services Contracts (AUD-MERO-18-35)</i>	April 2018	\$822
<i>Audit of the Administration and Oversight of Fuel Contracts at U.S. Embassy Amman, Jordan (AUD-MERO-18-33)</i>	March 2018	8,300
<i>Management Assistance Report: Cost Controls for Food Services Supporting Department of State Operations in Iraq Require Attention (AUD-MERO-18-31)</i>	March 2018	45,000
<i>Audit of the Bureau of International Narcotics and Law Enforcement Affairs Invoice Review Process for Contracts in Afghanistan (AUD-MERO-18-30)*</i>	February 2018	n/a
<i>Management Assistance Report: Contract Terms and Guidance for Approving Student Training Expenses Relating to the Justice and Corrections Programs in Afghanistan Require Attention (AUD-MERO-18-14)</i>	October 2017	5,000
<i>Audit of the Bureau of South and Central Asian Affairs Invoice Review Process for the Afghanistan Life Support Services Contract (AUD-MERO-17-47)*</i>	June 2017	n/a
<i>Audit of Baghdad Diplomatic Support Center Task Orders Awarded Under Operations and Maintenance Support Services Contract SAQMMA12D0165 (AUD-MERO-17-45)</i>	June 2017	4,500
<i>Audit of the Department of State’s Contract to Monitor Foreign Assistance Programs in Iraq (AUD-MERO-17-41)</i>	May 2017	3,054
<i>Aspects of the Invoice Review Process Used by the Bureau of Near Eastern Affairs to Support Contingency Operations in Iraq Need Improvement (AUD-MERO-17-33)*</i>	March 2017	n/a
<i>Audit of the Oversight of Fuel Acquisition and Related Services Supporting Department of State Operations in Iraq (AUD-MERO-17-16)</i>	December 2016	64,000
<i>Audit of Task Orders for the Union III Compound Awarded Under the Operations and Maintenance Support Services Contract (AUD-MERO-16-41)</i>	July 2016	500
<i>Improvements Needed To Strengthen Vehicle-Fueling Controls and Operations and Maintenance Contract (AUD-MERO-16-35)</i>	April 2016	1,201
<i>Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 8 – Security Services at U.S. Consulate Erbil (AUD-MERO-16-30)</i>	March 2016	10,800
<i>Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 3 – Baghdad Embassy Security Force (AUD-MERO-16-28)</i>	February 2016	7,200

<b>Report Title</b>	<b>Report Date</b>	<b>Questioned Costs (thousand)</b>
<i>Audit of the Bureau of International Narcotics and Law Enforcement Affairs Aviation Support Services Contract in Iraq (AUD-MERO-15-35)</i>	July 2015	933
<i>Audit of the U.S. Mission Iraq Medical Services (AUD-MERO-15-25)</i>	May 2015	6,773
<i>Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 10 Kabul Embassy Security Force (AUD-MERO-15-03)</i>	October 2014	8,642
<b>Total</b>		<b>\$166,725</b>

\* These are the series of reports OIG issued between March 2017 and June 2018 assessing the invoice review process used by NEA, INL, SCA, and DS that relied on contracted support to conduct their missions in Iraq and Afghanistan, and upon which this lessons learned report is predominately based.

Source: OIG.

## **Work Related to Internal Controls**

OIG performed steps to assess the adequacy of internal controls related to the invoice review process. In the 19 reports OIG reviewed for this lessons-learned capstone audit, internal controls relating to the invoice review process were assessed. In particular, OIG assessed whether the bureaus' internal controls relating to the invoice review process detected unallowable and unsupported invoiced costs from being approved. Common deficiencies, as well as best practices OIG identified, are presented in the Audit Results section of those reports.

## **Use of Computer-Processed Data**

This audit drew from previously issued OIG reports. As a result, OIG did not use any computer-processed data to support the findings and conclusions presented in this report.

## **Detailed Sampling Methodology**

OIG conducted a 100-percent review of the audit universe of 19 reports issued since 2014 on invoice processes and invoiced costs. OIG reviewed the analyses completed on prior audits and made conclusions on the basis of those findings.

## APPENDIX B: BUREAU OF ADMINISTRATION RESPONSE

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United States Department of State

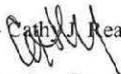
Washington, D.C. 20520

UNCLASSIFIED

March 05, 2019

### MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: A/OPE –  Cathleen Read

SUBJECT: Draft Report on *Lessons Learned from Office of Inspector General Audits Concerning the Review and Payment of Contractor Invoices Supporting Overseas Contingency Operations*

Thank you for the opportunity to provide a management response on the subject draft report. The point of contact for this report is the OPE Front Office ([A-OPEFrontOfficeAssistants@state.gov](mailto:A-OPEFrontOfficeAssistants@state.gov)).

**Recommendation 1:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, develop, implement, and issue guidance for the bureaus to use in modifying invoice review standard operating procedures, including the circumstances when it is appropriate to execute the modified procedures.

**Management Response to Draft Report (03/05/2019):** The Office of the Procurement Executive (OPE) concurs with the recommendation to issue guidance. OPE understands from the report the OIG's primary concern is it is prudent to modify an invoice review approach to focus on mission critical, high-risk invoiced line items representing the greatest dollar amounts until vacant contract oversight positions can be filled. Guidance issued by OPE will focus on this concern to provide flexibility during unforeseen staffing challenges.

**Recommendation 2:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, require contractors responding to task order solicitations under the new Diplomatic Platform Support Services contract to propose performance metrics against which they will be measured in the execution of the task order.

**Management Response to Draft Report (03/05/2019):** OPE concurs with the recommendation.

**Recommendation 3:** OIG recommends that, in exercising option years of task orders under the new Diplomatic Platform Support Services contract, the Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management, review relevant considerations, including the security situation, and engage in an appropriate cost benefit analysis to determine if it would be feasible to convert cost reimbursable task order elements to firm fixed price elements.

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**Management Response to Draft Report (03/05/2019):** OPE concurs with the recommendation.

**Recommendation 4:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive (A/OPE) and the Bureau of Comptroller and Global Financial Services form a working group to explore how best to keep A/OPE's COR database up to date and share information between the COR database and the Global Financial Management System.

**Management Response to Draft Report (03/05/2019):** OPE and the Bureau of the Comptroller and Global Financial Services (CGFS) concur with the recommendation.

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## APPENDIX C: BUREAU OF THE COMPTROLLER AND GLOBAL FINANCIAL SERVICES RESPONSE

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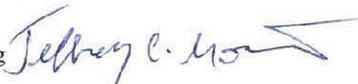


United States Department of State  
Comptroller  
Washington, DC 20520  
MAR 14 2019

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### MEMORANDUM

TO: OIG/AUD – Naomi Snell

FROM: CGFS – Jeffrey C. Mounts, Acting 

SUBJECT: Lessons Learned from OIG Audits Concerning the Review and Payment of Contractor Invoices Supporting Overseas Contingency Operations Draft Report, February 2019

The Bureau of the Comptroller and Global Financial Services (CGFS) appreciates the opportunity to provide comments on the Lessons Learned from Inspector General's Audits Concerning the Review and Payment of Contractor Invoices Supporting Overseas Contingency Operations Draft Report.

**Recommendation 4:** OIG recommends that the Bureau of Administration, Office of the Procurement Executive (A/OPE) and the Bureau of Comptroller and Global Financial Services form a working group to explore how best to keep A/OPE's COR database up to date and share information between the COR database and the Global Financial Management System.

**Management Response:** CGFS concurs with the OIG recommendation and will work with A/OPE to explore how best to keep A/OPE's COR database up to date and share information between the COR database and the Global Financial Management System.

**Recommendation 5:** OIG recommends that the Bureau of Comptroller and Financial Services (CGFS) advise all relevant Department of State bureaus of the potential benefits of the CGFS invoice review quality control program to each bureau's invoice review process and encourage the relevant Department bureaus to provide CGFS with relevant information regarding specific contracts, particularly at high-threat posts.

**Management Response:** CGFS concurs with the OIG recommendation to improve contractor invoice processing.

The operational point of contact is Paul McVicker. He may be reached by email at [mcvickerpj@state.gov](mailto:mcvickerpj@state.gov) or by phone at (843) 202-3858.

## APPENDIX D: BUREAUS OF NEAR EASTERN AFFAIRS AND SOUTH AND CENTRAL ASIAN AFFAIRS EXECUTIVE OFFICE RESPONSE

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United States Department of State

Washington, D.C. 20520

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March 7, 2019

### INFORMATION MEMO FOR OIG/AUD NORMAN P. BROWN

FROM: NEA-SCA/EX - Elizabeth Moore Aubin 

SUBJECT: NEA-SCA/EX Management Follow Up to Draft Report on *Lessons Learned from Office of Inspector General Audits Concerning the Review and Payment of Contractor Invoices Supporting Overseas Contingency Operations*

BLUF: This memorandum provides NEA-SCA/EX comments to Recommendations 6 and 7 of the subject draft report.

Thank you for the opportunity to provide a management response on the subject draft report. The points of contact for this report are NEA-SCA/EX Post Management Officers Pam Cobb and Jonathan Korach.

**Recommendation 6:** OIG recommends that the Bureau of Near Eastern Affairs update its Contracting Officer's Representative and invoice review training modules to include information specific to the new Diplomatic Platform Support Services contract as it relates to task orders in support of U.S. Mission Iraq.

**Management Response to Draft Report (03/07/2019):** NEA's Regional Contract Support Office in Frankfurt will update the Contracting Officer's Representative and invoice review training modules to include specific Diplomatic Platform Support Services (DiPSS) once the contract and related task orders are awarded by the Office of Acquisitions Management. Until that time, any information as to the specifics of DiPSS would be speculative.

**Recommendation 7:** OIG recommends that the Bureaus of Near Eastern Affairs and South and Central Asian Affairs Executive Office direct the Regional Contract Support Office (RCSO) in Frankfurt, Germany, to provide Contracting Officer's Representative (COR) training support to the Bureau of South and Central Asian Affairs (SCA) staff performing at U.S. Mission Afghanistan.

**Management Response to Draft Report (03/07/2019):** NEA-SCA/EX has taken the recommendation for further training specific to SCA, i.e. the Afghanistan Life Support Services (AliSS) contract, under advisement, and will explore the possibility of RCSO providing COR training support. If requested, NEA's RCSO stands ready to provide such support.

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## ABBREVIATIONS

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AQM	Bureau of Administration, Office of the Procurement Executive, Office of Acquisitions Management
A/OPE	Bureau of Administration, Office of the Procurement Executive
ALiSS	Afghanistan Life Support Services
CGFS	Bureau of the Comptroller and Global Financial Services
CMO-Frankfurt	Contract Management Office-Frankfurt
COR	Contracting Officer's Representative
DPSS	Diplomatic Platform Support Services
DS	Bureau of Diplomatic Security
FAH	Foreign Affairs Handbook
FAM	Foreign Affairs Manual
FAR	Federal Acquisition Regulation
FOQA	Office of Oversight and Management Analysis/Financial Oversight and Quality Assurance
FSI	Foreign Service Institute
INL	Bureau of International Narcotics and Law Enforcement
NEA	Bureau of Near Eastern Affairs
OCO	Overseas Contingency Operation
QASP	Quality Assurance Surveillance Plan
RCSO	Regional Contract Support Office
SCA	Bureau of South and Central Asian Affairs
SOP	Standard Operating Procedure
WPS	Worldwide Protective Services

## OIG AUDIT TEAM MEMBERS

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