



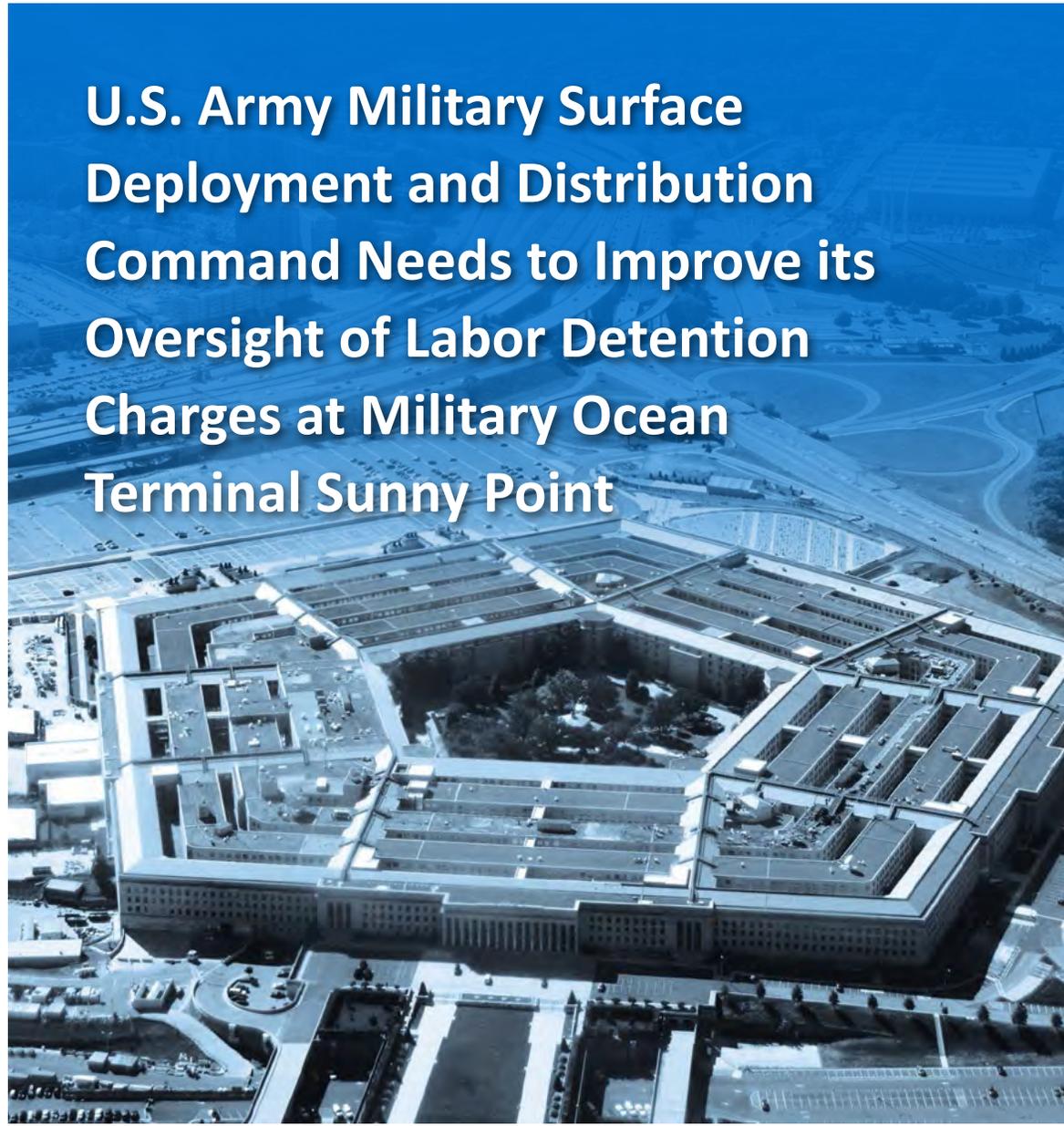
INSPECTOR GENERAL

U.S. Department of Defense

MARCH 16, 2016



U.S. Army Military Surface Deployment and Distribution Command Needs to Improve its Oversight of Labor Detention Charges at Military Ocean Terminal Sunny Point



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Results in Brief

U.S. Army Military Surface Deployment and Distribution Command Needs to Improve its Oversight of Labor Detention Charges at Military Ocean Terminal Sunny Point

March 16, 2016

Objective

We determined whether the U.S. Army Military Surface Deployment and Distribution Command (SDDC) effectively planned and managed terminal operations to minimize the amount of labor detention charges incurred. Labor detention charges incurred when contractors were unable to perform their work because of factors beyond their control.

Finding

SDDC did not effectively plan and manage Military Ocean Terminal Sunny Point (MOTSU) terminal operations to minimize the amount of labor detention charges. We reviewed a statistical sample of 120 out of 1,260 service dates for which MOTSU incurred labor detention charges and identified that SDDC:

- erroneously paid for contractor safety briefings as labor detention charges because the 596th Transportation Brigade (BDE) Contracting Officer's Representative (COR) did not ensure that charges billed for the briefings were in accordance with the contract terms;
- did not ensure contractor labor detention charge entries were accurate and complete because the 596th BDE COR did not effectively review the time records that supported labor detention charge invoices; and
- did not recoup labor detention charges caused by other entities because

Finding (cont'd)

SDDC resource management personnel misapplied a legal interpretation concerning installation service charge recoupments to the labor detention charges.

As a result, of the \$3.1 million in labor detention charges incurred at MOTSU and paid by SDDC in FYs 2013 and 2014, SDDC improperly paid \$1.2 million to the MOTSU's terminal contractor and did not question for recoupment \$438,562 in charges from other at-fault parties. The amount of improper payments and lost recoupment would likely be greater if all labor detention charges on the contract were reviewed.

Recommendations

We recommend that the Contracting Officer, U.S. Transportation Command:

- direct the 596th BDE COR to ensure that charges billed for safety briefings are in accordance with the contract terms and take action to recoup costs from the contractor for safety briefings erroneously charged as detention time; and
- ensure that the 596th BDE COR or other Brigade personnel properly review time records that support labor detention charge invoices.

In addition, we recommend that the Deputy Chief of Staff for Resource Management, SDDC: direct all BDEs to process and submit claims to the Deputy Chief for recouping detention charges caused by other entities; work with the Contracting Officer, U.S. Transportation Command and BDE CORs to review time records for ongoing MOTSU terminal contracts to identify labor detention charges subject to recoupment; and take action to recoup these costs.

Management Comments and Our Response

The Chief of Staff, United States Transportation Command, addressed all specifics of the recommendations, and no further comments are required. Please see the Recommendations Table on the next page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Contracting Officer, U.S. Transportation Command		1.a., 1.b., 2.
Deputy Chief of Staff for Resource Management, U.S. Army Military Surface Deployment and Distribution Command		3.a., 3.b.



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

March 16, 2016

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR
ACQUISITION, TECHNOLOGY, AND LOGISTICS
COMMANDER, U.S. TRANSPORTATION COMMAND
COMMANDER, U.S. ARMY MILITARY SURFACE DEPLOYMENT
AND DISTRIBUTION COMMAND
DIRECTOR, DEFENSE FINANCE AND ACCOUNTING SERVICE
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: U.S. Army Military Surface Deployment and Distribution Command Needs to Improve its Oversight of Labor Detention Charges at Military Ocean Terminal Sunny Point (Report No. DODIG-2016-061)

We are providing this report for your information and use. The U.S. Army Military Surface Deployment and Distribution Command did not effectively plan and manage the Military Ocean Terminal Sunny Point terminal operations to minimize the amount of labor detention charges. As a result, the U.S. Army Military Surface Deployment and Distribution Command improperly paid \$1.2 million to the Military Ocean Terminal Sunny Point contractor and did not question for recoupment \$438,562 in charges from other at-fault parties. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report when preparing the final report. Comments from the Chief of Staff, United States Transportation Command, addressed all specifics of the recommendations and conformed to the requirements of DoD Instruction 7650.03; therefore, we do not require additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 699-7331 (DSN 499-7331).

A handwritten signature in black ink, reading "Carol N. Gorman".

Carol N. Gorman
Assistant Inspector General
Readiness and Cyber Operations

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Acronyms and Abbreviations

Introduction

Objective

Our audit objective was to determine whether the U.S. Army Military Surface Deployment and Distribution Command (SDDC) effectively planned and managed terminal operations to minimize the amount of labor detention charges incurred. We focused our audit on terminal operations at the Military Ocean Terminal Sunny Point (MOTSU), North Carolina, which accounted for \$3.1 million (49 percent) of the \$6.3 million in labor detention charges incurred by SDDC in FYs 2013 and 2014.

Background

SDDC is the Army service component command of the U.S. Transportation Command (USTRANSCOM) and is a major subordinate command to the U.S. Army Materiel Command. SDDC's mission includes conducting ocean terminal operations through 5 subordinate Transportation Brigades (BDEs) and 12 Transportation Battalions to move cargo in support of U.S. forces worldwide. SDDC's ocean terminal operations include the receipt and transfer of rail- and truck-delivered cargo to ocean going vessels, and the receipt and transfer of vessel-delivered cargo to rail and truck carriers. SDDC contracts for stevedore services through various Stevedore and Related Terminal Service (S&RTS) contracts. Stevedores operate the cranes, container handlers, flatbed trucks, forklifts, and other equipment to load and unload, stage, temporarily store, and repackage cargo during terminal operations.

Labor Detention Charges

During terminal operations, stevedores may be unable to perform their work because of factors beyond their control. In accordance with the S&RTS contract terms and conditions, SDDC must pay the contractor for this "idle" time, which is referred to as labor detention time. Reasons for labor detention time include, but are not limited to:

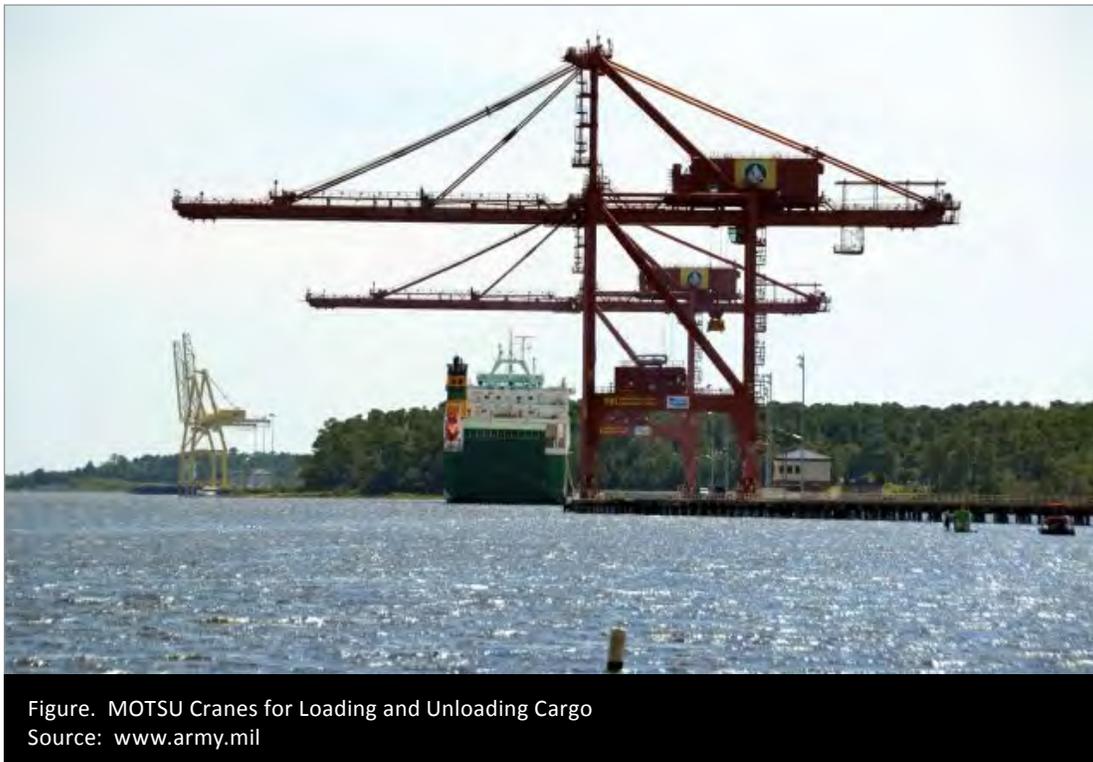
- inclement weather;
- inoperable vessel equipment;
- inoperable Government-furnished equipment;
- nonreadiness of vessel;
- late arrival of vessel to the terminal; and
- late arrival of the cargo to the terminal.

If the labor detention time was caused through the fault of the vessel, rail, or truck carrier, SDDC may recoup the labor detention time paid from the responsible entity. SDDC does not pay labor detention time if the S&RTS contractor was at fault.

Military Ocean Terminal Sunny Point Stevedore Contract

MOTSU's S&RTS contract (No. W81GYE-10-D-0002) was awarded in 2009 for \$11.6 million. The contract is an indefinite delivery indefinite quantity¹ contract, which had an initial 1-year period of performance plus 3 option years. However, the contract was extended multiple times and according to the Deputy to the Commander, 596th BDE, will now expire in April 2016.

USTRANSCOM administers and serves as the contracting officer for the S&RTS contracts. The Contracting Officer, USTRANSCOM, appointed the Deputy to the Commander, 596th BDE, as the Contracting Officer's Representative (COR) to oversee the contractor performance at MOTSU. Specifically, the COR verifies that the contractor performs the technical requirements of the contract in accordance with contract terms, conditions, and specifications. The COR is required to record and report to the contracting officer incidents of faulty or nonconforming work, delays, and problems. The COR also reviews contractor invoices to ensure that labor hours are accurate.



¹ An indefinite delivery indefinite quantity contract provides for an indefinite quantity of services within stated limits during a fixed time period.

Labor Detention Charge Sample Selection and Analysis

We accessed SDDC's Cargo and Billing System (CAB)² and selected a statistical sample of 120 dates of service³ (representing \$771,720 in labor detention charges) from a universe of 1,260 dates of service for which MOTSU incurred labor detention charges in FYs 2013 and 2014, totaling \$3.1 million.

We tested the validity and accuracy of the labor detention charges in CAB by comparing the entries with contractor timesheets. During our analysis, we identified errors in other labor charges that affected the labor detention charges. Therefore, we expanded our analysis to include other types of labor charges when there was a direct effect on the labor detention charges.

Review of Internal Controls

DoD Instruction 5010.40⁴ requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses related to USTRANSCOM and SDDC oversight of the MOTSU labor detention charges for FYs 2013 and 2014. We will provide a copy of the report to the senior official responsible for internal controls in USTRANSCOM and SDDC.

² SDDC uses CAB to pay commercial transportation providers for movement of DoD surface cargo.

³ MOTSU can have several different stevedoring operations on any given day. Therefore, one calendar day could have multiple dates of service representing different operations.

⁴ DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," May 30, 2013.

Finding

SDDC Did Not Effectively Minimize Labor Detention Charges

SDDC did not effectively plan and manage MOTSU terminal operations to minimize the amount of labor detention charges incurred. Specifically, SDDC:

- erroneously paid for contractor safety briefings as labor detention charges because the 596th BDE COR did not ensure that charges billed for the briefings were in accordance with the contract terms;
- did not ensure contractor labor detention charge entries were accurate and complete because the 596th BDE COR did not effectively review the time records that supported the contractor invoices; and
- did not recoup labor detention charges caused by other entities because SDDC resource management personnel misapplied a legal interpretation concerning installation service charge recoupments to the labor detention charges.

As a result, of the \$3.1 million in labor detention charges incurred at MOTSU and paid by SDDC in FYs 2013 and 2014, SDDC improperly paid⁵ \$1.2 million to the MOTSU's S&RTS contractor and did not question for recoupment \$438,562 in charges from other at-fault parties (see Appendix B for details of our sample analysis). The amount of improper payments and lost recoupment would likely be greater if all the labor detention charges on Contract No. W81GYE-10-D-0002 were reviewed.

Safety Briefings Erroneously Charged as Labor Detention

SDDC erroneously paid for contractor safety briefings as labor detention charges. The performance work statement (PWS) for Contract No. W81GYE-10-D-0002 requires the contractor to conduct daily safety briefings for its employees. The PWS states that the labor time associated with contractor safety briefings is one of the components of the commodity charge⁶ paid to the contractor. However, our analysis identified that SDDC paid \$635,141 for contractor safety briefings charges as labor detention in FYs 2013 and 2014.

⁵ Improper payments occurred when the recipient of the payment received the incorrect amount of funds (either an underpayment or overpayment).

⁶ Commodity charge is the price quoted for handling a ton (weight or measurement) of the specified commodity.

This occurred because the 596th BDE COR did not ensure that charges billed for these briefings were in accordance with the terms of the contract. The contracting officer's COR appointment letter states that it is essential for the COR to familiarize himself with the contents of the contract. However, the 596th BDE COR stated that he thought the commodity charge only applied to time the contractor spent moving cargo. The Contracting Officer, USTRANSCOM, should direct the 596th BDE COR to ensure that charges billed for safety briefings are in accordance with Contract No. W81GYE-10-D-0002, including the proper designation of contractor safety briefings as part of the commodity charge. The Contracting Officer, USTRANSCOM, should also take action to recoup any past charges for contractor safety briefings erroneously charged as detention time.

SDDC Invoice Review Process Did Not Detect Errors Before Payment of Invoices

SDDC did not ensure contractor labor detention charges were accurate and complete. Specifically, we identified CAB entries that had the incorrect number of employees, line item codes, and hours worked. In addition, the amounts paid had substantial errors compared to the contractor time records. Our analysis also identified unsupported CAB entries that were recorded in the CAB system (See Table 1 for error rates).

Table 1. CAB Entry Error Rates (based on statistical sample projections)

Category	Percentage Error Rate
Number of Employees	1.7
Line Item Code	13.7
Hours Worked	14.4
Unsupported CAB Entries	12.2
Unrecorded Timekeeper Data	14.3

For FYs 2013 and 2014, the absolute value⁷ of the entry errors for labor detention charges at MOTSU totaled \$534,188. Some entry errors were egregious in nature. For example, a 30-minute contractor detention time log entry for 2 employees was entered into CAB as 21 employees, causing an overpayment of \$822. In another example, a 15-minute contractor detention time log entry was entered into CAB as 23 hours and 15 minutes, causing a detention overpayment of \$2,081.

⁷ The absolute value of a number is the value of that number, stated as a positive, regardless of whether the original number was positive or negative.

The errors occurred because the 596th BDE COR did not effectively review the contractor time records that supported contractor invoices. 596th BDE guidance⁸ requires military timekeepers to keep and reconcile their time records with contractor time records during operations to ensure contractor time records are accurate. However, according to the 596th BDE COR, the 596th BDE was forced by resource limitations in 2004 to cut the military timekeepers—

A review of 310 contractor time records from FY 2013 and FY 2014 identified that only 125 time records were certified by Government personnel.

leaving no one to generate Government time records for the COR's use in validating contractor time records.

Additionally, a review of 310 contractor time records from FY 2013 and FY 2014 identified that only 125 time records were certified by Government personnel. The 596th BDE COR stated that he did not review the labor charge entries in CAB to ensure the entries aligned with the contractor time records and, instead, only certified in CAB that the contractor work was complete. Because the COR is responsible for

ensuring that the contractor invoices are accurate, the COR, in conjunction with the contracting officer, should have developed an alternative method for ensuring labor detention charges were accurate. The Contracting Officer, USTRANSCOM, should ensure the 596th BDE COR or other Brigade personnel properly review contractor time records and that data entered into billing systems fully supports labor detention charges.

SDDC Did Not Recoup Labor Detention Charges Caused by Other Entities

SDDC did not recoup labor detention and other labor charges caused by other entities. SDDC guidance for terminal operations⁹ requires the Military Sealift Command¹⁰ to reimburse SDDC if the detention time is the fault or failure of the vessel company. Instructions for the BDE's to recoup the costs were provided in an SDDC Accounting and Systems Division memorandum dated August 9, 2012. However, our analysis of contractor time records identified \$438,562 in detention

⁸ 596th BDE Regulation 55-7, "Handling and Stowing Cargo," January 6, 2009.

⁹ Military Traffic Management Command (MTMC, now SDDC) Regulation 56-69, "Surface Transportation Terminal Operations," August 15, 1989.

¹⁰ The Military Sealift Command provides ocean transportation, including ocean movement to DoD components as directed by USTRANSCOM.

labor charges incurred in FYs 2013 and 2014 that SDDC could question for possible recoupment. In addition, a 596th BDE official stated that by his estimate, the 596th BDE could save up to \$100,000 per year by recouping labor detention and other labor charges from vessel companies for providing line handling services during missions at MOTSU.

SDDC did not recoup the charges because, according to USTRANSCOM and SDDC officials, SDDC resource management personnel misapplied a legal interpretation of the August 9, 2012, memorandum. Specifically, USTRANSCOM Judge Advocate General (JAG) and SDDC JAG officials reviewed the memorandum for legal sufficiency and agreed that SDDC could not recoup installation service charges¹¹ but could recoup the labor detention charges. However, the SDDC Resource Management Directorate misinterpreted this opinion to mean that nonrecoupment applied to both installation services and detention charges, prompting the Resource Management Directorate to notify CORs of all affected BDEs on April 1, 2014, to cease processing recoupment claims. The SDDC Resource Management Directorate should direct all BDE CORs to process and submit claims for recouping labor detention charges. Also, the SDDC Resource Management Directorate should work with the Contracting Officer, USTRANSCOM, and BDE CORs to review time records for ongoing S&RTS contracts to identify labor detention charges subject to recoupment, and take action to recoup these costs.

Labor Detention Charges Improperly Paid

Of the \$3.1 million in labor detention charges paid by SDDC in FYs 2013 and 2014, SDDC improperly paid \$1.2 million to the S&RTS contractor and did not question for recoupment \$438,562 in labor detention charges from other at-fault parties. The total amount of improper payments and lost recoupment would likely be greater if all invoices on Contract No. W81GYE-10-D-0002 were reviewed. Until corrective action is taken, there will continue to be a high risk that improper labor detention charges are paid to the contractor.

¹¹ Examples of these charges include providing vessels with potable water, electricity, and trash removal.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Contracting Officer, U.S. Transportation Command:

- a. **Direct the U.S. Army Military Surface Deployment and Distribution Command, 596th Transportation Brigade Contracting Officer's Representative to ensure that charges billed for safety briefings are in accordance with all terms of Contract #W81GYE-10-D-0002, including the proper designation of contractor safety briefings as part of the commodity charge.**

United States Transportation Command Comments

The Chief of Staff, U.S. Transportation Command, responding for the Contracting Officer, U.S. Transportation Command, agreed, stating that the Contracting Officer has directed the 596th Transportation Brigade Contracting Officer's Representative to ensure that charges billed for safety briefings are in accordance with the terms of Contract #W81GYE-10-D-002. The Chief of Staff also stated that in February 2016, the U.S. Transportation Command and U.S. Army Surface Deployment and Distribution Command began providing periodic Contracting Officer's Representative training workshops to address Stevedore and Related Terminal Service contract requirements.

Our Response

Comments from the Chief of Staff, U.S. Transportation Command, addressed all specifics of the recommendation and no further comments are required.

- b. **Take action to recoup charges for time charged as safety briefings erroneously charged as labor detention time.**

United States Transportation Command Comments

The Chief of Staff, U.S. Transportation Command, responding for the Contracting Officer, U.S. Transportation Command, agreed, stating that the Contracting Officer will work with the U.S. Transportation Command Office of the Staff Judge Advocate to pursue improperly charged safety briefings.

Our Response

Comments from the Chief of Staff, U.S. Transportation Command, addressed all specifics of the recommendation and no further comments are required.

Recommendation 2

We recommend that the Contracting Officer, U.S. Transportation Command, ensure the 596th Transportation Brigade Contracting Officer's Representative or other Brigade personnel properly review contractor time records to ensure that data entered into billing systems fully supports labor detention invoices.

United States Transportation Command Comments

The Chief of Staff, U.S. Transportation Command, responding for the Contracting Officer, U.S. Transportation Command, agreed, stating that the Contracting Officer will provide Contracting Officer's Representatives for Stevedore and Related Terminal Service contracts additional training in the proper review of contractor time records and add that training to future Contracting Officer's Representative contract-specific training and group training workshops to ensure Contracting Officer's Representatives fully understand invoice review responsibilities.

Our Response

Comments from the Chief of Staff, U.S. Transportation Command, addressed all specifics of the recommendation and no further comments are required.

Recommendation 3

We recommend that the Deputy Chief of Staff for Resource Management, U.S. Army Surface Deployment and Distribution Command:

- a. Direct the Transportation Brigades to process and submit claims for recouping labor detention charges caused by other entities.**

United States Transportation Command Comments

The Chief of Staff, U.S. Transportation Command, responding for the Deputy Chief of Staff for Resource Management, U.S. Army Military Surface Deployment and Distribution Command, agreed, stating that the process change was made and communicated to all ports in October 2015.

Our Response

Comments from the Chief of Staff, U.S. Transportation Command, addressed all specifics of the recommendation and no further comments are required.

- b. Work with the Contracting Officer, U.S. Transportation Command, and Transportation Brigade Contracting Officer's Representatives to review time records for ongoing Stevedore and Related Terminal Services contracts to identify labor detention charges subject to recoupment, and take action to recoup these costs.**

United States Transportation Command Comments

The Chief of Staff, U.S. Transportation Command, responding for the U.S. Army Surface Deployment and Distribution Command Deputy Chief of Staff for Resource Management, agreed, stating that a review of applicable Stevedore and Related Terminal Service contracts is underway, demand letters will be issued to the applicable vendor, and the vendor will be given 30 days to pay the debt. The Chief of Staff stated that debts unpaid after 30 days will be recouped via administrative offset of open payable transactions, and provided a July 31, 2016 completion date for this action.

Our Response

Comments from the Chief of Staff, U.S. Transportation Command, addressed all specifics of the recommendation and no further comments are required.

Appendix A

Scope and Methodology

We conducted this performance audit from June 2015 through February 2016 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 objective.

We reviewed relevant Federal and DoD guidance on labor detention charges and management roles and responsibilities. We requested access rights to CAB and obtained the labor detention charges incurred on S&RTS contracts during FYs 2013 and 2014. We selected a statistical sample of 120 dates of service valued at \$771,720 from the universe of 1,260 dates of service for which MOTSU incurred labor detention charges in FYs 2013 and 2014, totaling \$3.1 million.

To determine the accuracy of the contractor labor detention charges, we conducted a site visit to MOTSU at Sunny Point, North Carolina to obtain the S&RTS contractor invoices, timesheets, and logs. Because there were no Government-generated time records to reconcile with contractor time records, we compared labor detention time (hours, number of employees, line item codes) from contractor timesheets and logs to COR-certified information in CAB.

To understand the payment process for labor detention charges and associated roles and responsibilities, we visited USTRANSCOM and SDDC at Scott Air Force Base, Illinois and at MOTSU. During the site visits we interviewed the MOTSU COR; the Contracting Officer, USTRANSCOM; and SDDC terminal operations personnel. In addition, we obtained and reviewed the MOTSU S&RTS contract, SDDC terminal operations guidance, and MOTSU standard operating procedures concerning labor detention.

Use of Computer-Processed Data

We used computer-processed data extracted from CAB to determine whether labor detention charges were accurate and complete. Specifically, we compared data from contractor time records for hours worked, number of workers, types of workers, and work codes with the man-hour workload data outputs from CAB. Based on our analysis, we identified that errors in CAB were due to data entry input errors as discussed in our finding, not CAB processing deficiencies. Therefore, we determined that the data in CAB were sufficiently reliable for our purposes.

Use of Technical Assistance

We obtained support from DoD OIG Quantitative Methods Division (QMD) to develop the statistical sample from 1,260 service dates of labor detention charges. In addition, QMD developed a quantitative plan to support our audit objective. See Appendix B for more details on the universe and how we selected our sample.

Prior Coverage

No prior coverage has been conducted on labor detention charges during the last 5 years.

Appendix B

QMD Sample Design for Labor Detention Charges

QMD developed a statistical sample from the population of labor detention charges incurred at MOTSU during FYs 2013 and 2014. Specifically, QMD separated 1,260 dates of service—obtained from CAB and consisting of all labor detention charges incurred—into four strata (groups) based on the total amount of labor detention charges for a certain date of service. Then, QMD used the RAND (random)¹² function within Microsoft Excel 2010 to randomize the dates of service within the four strata. Finally, QMD selected a statistical sample of 120 dates of service across the four strata. Table 2 shows the labor detention charges sample design.

Table 2. Labor Detention Charges Sample Design

Strata	Strata Range	Population	Population	Sample#	Sample\$
1	≥ \$10,000	76	\$1,054,126	31	\$459,927
2	≥ \$3,000, < \$10,000	233	1,346,947	51	275,792
3	≥ \$1,000, < \$3,000	266	448,982	16	27,980
4	\$0, < \$1,000	685	231,739	22	8,021
Total		1,260	\$3,081,794	120	\$771,720

Population

QMD selected a statistical sample of 120 service dates from CAB (representing \$771,720 in labor detention charges) from a universe of 1,260 dates of service for which MOTSU incurred labor detention charges in FYs 2013 and 2014, totaling \$3.1 million.

Measures

1. Variables: For each service date, determine whether amounts paid for labor detention were accurate.
2. Attributes: “1” if in error; else “0” for the number of workers, rate code, hours, unsupported activity, and unsupported CAB entries.

Parameters

QMD used a 90-percent confidence level for the statistical estimates.

¹² The RAND function returns an evenly distributed random real number greater than or equal to 0 and less than 1.

Statistical Projections and Interpretations

The planned analysis included making projections based on the discrepancies identified from the sample results. The discrepancies included the absolute value of the CAB and timesheet differences, the amount paid for safety briefings, the amounts to question for recoupment, and the combined absolute value of CAB and timesheet differences and safety briefings. Table 3 summarizes the sample results from our fieldwork.

Table 3. Fieldwork Summary (by Strata)

Strata		Absolute Value of CAB and Timesheet Differences	Amount Paid For Safety Briefings	Costs Questioned for Recoupment	Combined Absolute Value of CAB and Timesheet Differences and Amount Paid for Safety Briefings
1	≥ \$10,000	\$83,902	\$68,873	\$63,553	\$152,775
2	≥ \$3,000, < \$10,000	46,268	56,907	38,738	103,775
3	≥ \$1,000, < \$3,000	6,494	8,994	3,965	15,488
4	\$0, < \$1,000	294	1,824	1,280	2,118
Total		\$136,958	\$136,598	\$107,536	\$273,556

QMD then used the sample results in Table 3 to project the variables:

- absolute value of CAB and timesheet differences;
- amount paid for safety briefings;
- costs questioned for recoupment; and
- combined absolute value of CAB and timesheet differences and amount paid for safety briefings.

See Tables 4, 5, 6, and 7 below for a breakdown of the variable statistical projections.

Table 4. Absolute Value of CAB and Timesheet Differences

Absolute Value of CAB and Timesheet Difference		
Lower Bound	Point Estimate	Upper Bound
\$376,345	\$534,188	\$692,032

Table 5. Amount Paid for Safety Briefs

Safety Brief		
Lower Bound	Point Estimate	Upper Bound
\$560,166	\$635,141	\$710,115

Table 6. Costs Questioned for Recoupment

Recoupment		
Lower Bound	Point Estimate	Upper Bound
\$334,006	\$438,562	\$543,118

Table 7. Combined Absolute Value of CAB and Timesheet Differences and Safety Briefs

Combined Absolute Value of CAB and Timesheet Difference and Safety Briefs		
Lower Bound	Point Estimate	Upper Bound
\$994,585	\$1,169,329	\$1,344,074

See Tables 8, 9, 10, 11, and 12 below for a breakdown of the attribute statistical projections. We divided each of the point estimate amounts by the 1,260 service dates to obtain the percentage error rates shown in Table 1 on page 5.

Table 8. Erroneous Number of Workers

Erroneous Number of Workers		
Lower Bound	Point Estimate	Upper Bound
5	21	38
0.4%	1.7%	3.0%

Table 9. Erroneous Line Item Codes

Erroneous Line Item Codes		
Lower Bound	Point Estimate	Upper Bound
70	173	277
5.6%	13.7%	22.0%

Table 10. Erroneous Number of Hours Worked

Erroneous Number of Hours Worked		
Lower Bound	Point Estimate	Upper Bound
114	181	249
9.0%	14.4%	19.8%

Table 11. Unsupported CAB Entries

Unsupported CAB Entries		
Lower Bound	Point Estimate	Upper Bound
92	154	216
7.3%	12.2%	17.1%

Table 12. Unrecorded Timekeeper Data

Unrecorded Timekeeper Data		
Lower Bound	Point Estimate	Upper Bound
108	180	252
8.6%	14.3%	20.0%

Management Comments

U.S. Transportation Command



UNITED STATES TRANSPORTATION COMMAND

509 SCOTT DRIVE
SCOTT AIR FORCE BASE, ILLINOIS 62225-5357

01 March 2016

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: TCCS

SUBJECT: Draft Report, "U.S. Army Surface Deployment and Distribution Command Needs to Improve its Oversight of Labor Detention Charges At Military Ocean Terminal Sunny Point," February 10, 2016, (Project No. D2015- D000RA-0201.000)

1. The United States Transportation Command (USTRANSCOM) staff has reviewed the subject report and provided responses to recommendations 1-3 in the attachment.

2. For additional information or assistance, please contact [REDACTED], [REDACTED], at [REDACTED] or email: [REDACTED] or [REDACTED].


DAVID G. CLARKSON
Major General, USA
Chief of Staff

Attachment:

1. USTRANSCOM response

cc:

SDDC

TCAQ

U.S. Transportation Command (cont'd)

DODIG Draft Report (Project No. D2015-D000RA-0201.000)

U.S. Army Surface Deployment and Distribution Command Needs to Improve its Oversight of Labor Detention Charges at Military Ocean terminal Sunny Point

RECOMMENDATION 1:

DODIG recommends that the Contracting Officer, U.S. Transportation Command:

1a. Direct the U.S. Army Military Surface Deployment and Distribution Command, 596th Transportation Brigade Contracting Officer's Representative to ensure that charges billed for safety briefings are in accordance with all terms of Contract #W81GYE-10-D-0002, including the proper designation of contractor safety briefings as part of the commodity charge.

USTRANSCOM Response: Concur with comments

The Contracting Officer has directed the Contracting Officer Representative (COR) to ensure that charges billed for safety briefings are in accordance with the terms of the contract. Additionally, USTRANSCOM-AQ and SDDC will provide periodic COR training workshops for both CONUS and OCONUS S&RTS requirements. The first COR training workshop was held 8-9 February 2016 for the 596th Transportation Brigade at Ft. Eustis, VA. Additional workshops are scheduled for the 595th Transportation Brigade in Bahrain (March 2016) and the 598th Transportation Brigade in Germany (May 2016).

1b. Take action to recoup charges for time charged as safety briefings erroneously charged as labor detention time.

USTRANSCOM Response: Concur with comments

The Contracting Officer shall work with the USTRANSCOM Office of the Staff Judge Advocate to pursue improperly charged safety briefings.

RECOMMENDATION 2:

DODIG recommends that the Contracting Officer, U.S. Transportation Command, ensure the 596th Transportation Brigade Contracting Officer's Representative or other Brigade personnel properly review contractor time records to ensure that data entered into billing systems fully supports labor change invoices.

USTRANSCOM Response: Concur with comments

U.S. Transportation Command (cont'd)

The Contracting Officer shall provide S&RTS CORs additional training in the proper review of contractor time records to ensure data entered into the billing systems fully support labor invoices. The Contracting Officer shall add Contractor Time Record Review training to future COR contract specific training and group training workshops to ensure CORs fully understand invoice review responsibilities.

RECOMMENDATION 3:

3a: The DODIG recommends that the SDDC Deputy Chief of Staff for Resource Management direct Transportation Brigades to process and submit claims for recouping labor detention charges caused by other entities.

USTRANSCOM Response: Concur; the process change was made and communicated to all ports in Oct 2015. Therefore, implementation is complete.

3b: The DODIG recommends that the SDDC Deputy Chief of Staff for Resource Management work with the Contracting Officer, U.S. Transportation Command, and Transportation Brigade Contracting Officer's Representatives to review time records for ongoing Stevedore and Related Terminal Services (S&RTS) contracts to identify labor detention charges subject to recoupment, and take action to recoup these costs.

USTRANSCOM Response: Concur; Review of applicable CONUS S&RTS contracts is underway. Demand letters will be issued by contract to the applicable vendor and the vendor will be given 30 days to pay the debt. Debts unpaid after 30 days will be recouped via administrative offset of open payable transactions. Estimated completion date for this action is July 31, 2016.

Acronyms and Abbreviations

BDE	Transportation Brigade
CAB	Cargo and Billing System
COR	Contracting Officer's Representative
MOTSU	Military Ocean Terminal Sunny Point
PWS	Performance Work Statement
QMD	Quantitative Methods Division
S&RTS	Stevedore and Related Terminal Service
SDDC	Surface Deployment and Distribution Command
USTRANSCOM	United States Transportation Command

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