



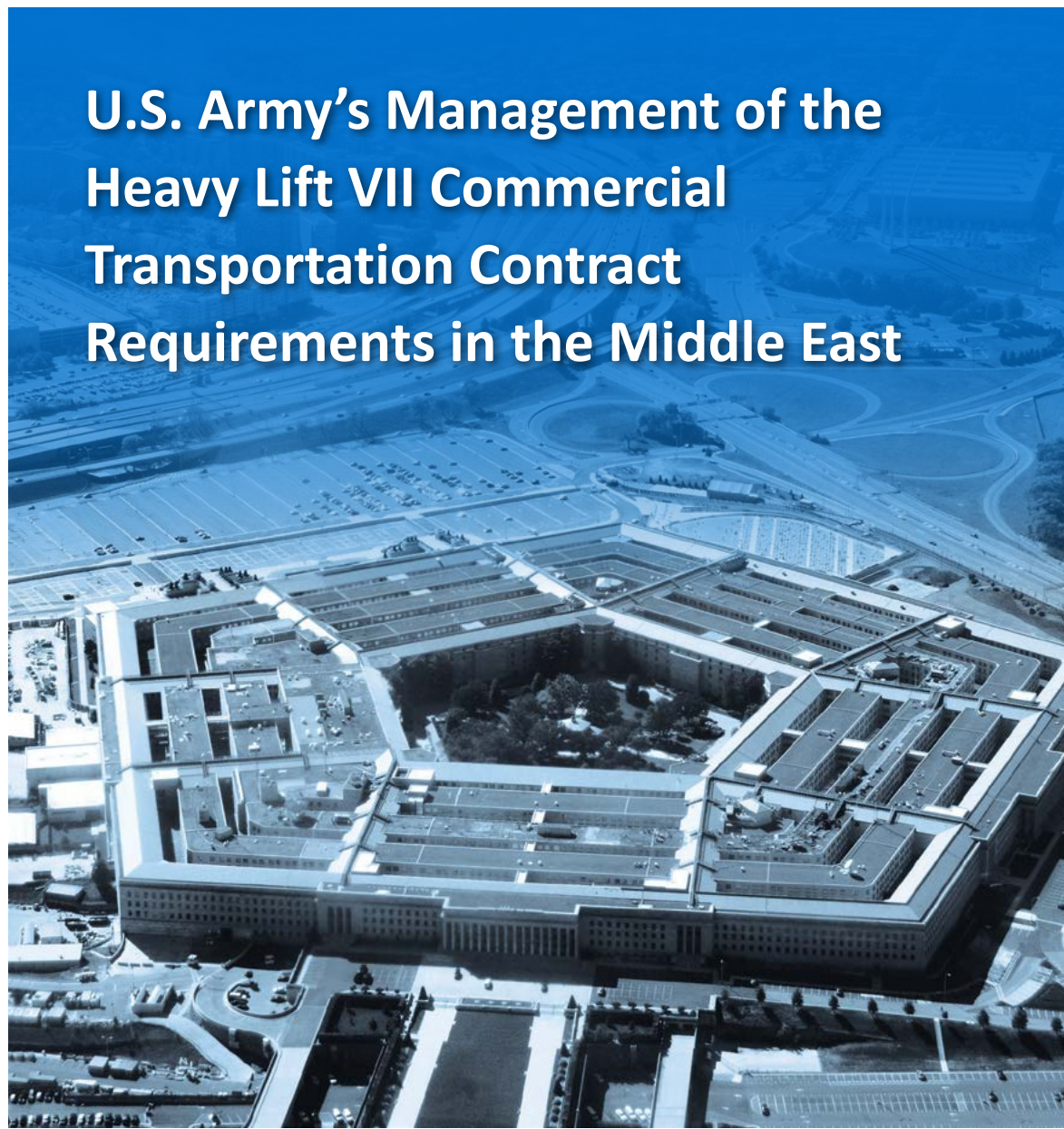
# INSPECTOR GENERAL

*U.S. Department of Defense*

JUNE 26, 2017



## U.S. Army's Management of the Heavy Lift VII Commercial Transportation Contract Requirements in the Middle East



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# Results in Brief

## *U.S. Army's Management of the Heavy Lift VII Commercial Transportation Contract Requirements in the Middle East*

June 26, 2017

### Objective

We determined whether the Army properly managed the requirements of the Heavy Lift VII (HL7) commercial transportation contracts.

### Background

The HL7 contracts provide commercial transportation for moving Army equipment, cargo, and personnel throughout the Middle East. The Heavy Lift program supports Operation Inherent Resolve. The Army uses four contractors to fulfill its heavy lift transportation requirements, with each contractor performing under a separate contract. The Heavy Lift program is in its seventh iteration, so these contracts are referred to as the HL7 contracts.

The HL7 contracts were designed to provide transportation in Kuwait, Iraq, and Saudi Arabia. In May 2016, Army Contracting Command–Rock Island (ACC-RI) awarded a \$5.95 million task order on the HL7 contracts in support of Trans-Arabian Network (TAN) ground transportation. The TAN task order expanded the capabilities of the original HL7 contracts to transport cargo between Kuwait and Jordan, Bahrain, Oman, Qatar, and United Arab Emirates.

This is the second audit on the HL7 contracts. The first audit (DODIG-2017-035) focused on the Army's oversight of HL7 contractors in Kuwait and determined that the Army did not provide effective oversight or administration of the HL7 contracts.

### Finding

The Army did not adequately manage the HL7 contract requirements. Specifically, the Army ordered an average of 39 percent more transportation assets than it needed throughout the life of the HL7 contracts.

This occurred because the 1st Sustainment Command (Theater) (1st TSC) did not

- analyze HL7 asset usage for intra-Kuwait movements and did not continuously evaluate HL7 requirements so it could increase or decrease orders based on operational need; or
- identify and correct the inefficiencies in the Army's planning and execution of theater transportation missions.

In addition, Army requirement review boards did not require adequate information in order to properly validate the number of HL7 assets requested. Also, the Army over-ordered HL7 services because it did not properly plan the TAN task order and did not take appropriate measures to ensure its full operational use. Furthermore, ACC-RI included excessive guaranteed minimum payments to each of the HL7 contractors, which prompted the Army to order services to meet the guaranteed minimums rather than what was actually required within that period of performance.

As a result, the Army wasted \$53.6 million throughout the life of the HL7 contracts on services that it did not require.<sup>1</sup>

<sup>1</sup> Appendix A contains our methodology for how we calculated the waste.





# Results in Brief

## *U.S. Army's Management of the Heavy Lift VII Commercial Transportation Contract Requirements in the Middle East*

### Recommendations

We recommend that the Commander, U.S. Central Command (CENTCOM), direct supported units to use the TAN, establish metrics for TAN movements, and perform quarterly assessments of the TAN's performance and effectiveness.

We recommend that the Commander, U.S. Army Central (ARCENT), develop procedures to ensure that requirement review boards not only validate the need for commercial transportation in the Middle East, but also validate the number of HL assets that 1st TSC requests.

We recommend that the Executive Director, ACC-RI establish a reasonable and achievable guaranteed minimum on the Heavy Lift VIII (HL8) contracts to ensure the Army does not pay for services that it will not use.

Additionally, we recommend that the Commander, 1st TSC, implement a systemic process for collecting HL asset usage and establish a consistent schedule for analyzing usage information in order to use quantitative and qualitative factors when forecasting requirement quantities on future task orders; review instances of poor mission planning and execution that resulted in ordering wasted assets and implement corrective actions to prevent those inefficiencies from re-occurring; and, update the requirement review process standard operating procedures to ensure requirements packages that are submitted to the review boards include all information necessary for the board to make an informed decision.

### Management Comments and Our Response

The Chief, CENTCOM Logistics and Engineering Directorate, Distribution Division, on behalf of the Commander, CENTCOM, agreed with our findings and recommendation to direct supported units to use the TAN, establish metrics for TAN movements, and perform quarterly assessments of the TAN's performance and effectiveness. CENTCOM issued an Execute Order during the audit that directed subordinate units to use the TAN. Furthermore, the Execute Order directed ARCENT, in coordination with the CENTCOM Deployment and Distribution Operations Center, to develop appropriate metrics to support, at a minimum, quarterly assessments of the TAN's performance and effectiveness. This recommendation is resolved and will be closed when the actions are fully implemented.

The G-4 (Chief), ARCENT Logistics, on behalf of the Commander, ARCENT, agreed with our findings and recommendation to develop procedures that ensure requirement review boards not only validate the need for commercial transportation in the Middle East, but also validate the number of HL assets that 1st TSC requests. However, the Chief, ARCENT Logistics, did not elaborate on how or when updated procedures would be developed. Therefore, the recommendation is unresolved and will remain open. We request that the Commander, ARCENT provide comments on the final report for this recommendation. We will consider the recommendation resolved once we receive the specific actions that will be taken to develop updated procedures that ensure requirement review boards are validating entire requirements.

The Chief, ARCENT Logistics, on behalf of the Commander, 1st TSC, agreed with our recommendations. During the audit, the 1st TSC began collecting and analyzing daily HL7 usage information. For a long-term



# Results in Brief

## *U.S. Army's Management of the Heavy Lift VII Commercial Transportation Contract Requirements in the Middle East*

### **Management Comments (cont'd)**

solution, the 1st TSC is implementing an auditable transportation system of record to accurately forecast HL requirements. Furthermore, in an effort to implement corrective actions to improve HL7 utilization, 1st TSC initiated a weekly working group to monitor utilization and track factors that led to inefficiencies in the program. Members of the working group are also developing standard operating procedures to document the controls needed to more effectively manage HL mission execution. In addition, during the audit, 1st TSC personnel began providing usage information to the review boards for validation and are updating the requirement review process standard operating procedure to ensure the approval authority receives all required information to make an informed decision on the requested requirement. The recommendations are resolved and will be closed when we verify that the commands have implemented the proposed actions.

The Executive Director, ACC-RI, did not respond to the recommendation to establish a reasonable and achievable guaranteed minimum on the HL8 contracts to ensure the Army does not pay for services that it will not use. However, during the audit, we discussed our observations with the ACC-RI contracting officer regarding the guaranteed minimum, and the ACC-RI contracting officer subsequently solicited for the HL8 contract with a more conservative guaranteed minimum of \$1 million per contractor. The management actions taken will address our concerns regarding guaranteed minimums and should ensure that the Army uses the services it orders with the HL8 guaranteed payments. Therefore, the recommendation is resolved and will be closed when the HL8 contract is awarded. We are not requesting additional comments from ACC-RI.

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

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Commander, U.S. Central Command		3	
Commander, U.S. Army Central	2		
Executive Director, ACC-RI		4	
Commander, 1st Sustainment Command (Theater)		1.a, 1.b, 1.c	

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

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



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

June 26, 2017

**MEMORANDUM FOR DISTRIBUTION**

**SUBJECT: U.S. Army's Management of the Heavy Lift VII Commercial Transportation Contract Requirements in the Middle East (Report No. DODIG-2017-095)**

We are providing this report for review and comment. The Army did not adequately manage the Heavy Lift VII (HL7) contract requirements. Specifically, the Army ordered an average of 39 percent more assets than it needed throughout the life of the HL7 contracts. We conducted this audit in accordance with generally accepted government auditing standards.

We considered management comments on a draft of this report. DoD Instruction 7650.03 requires that recommendations be resolved promptly.

Comments from the Chief, U.S. Central Command Logistics and Engineering Directorate, Distribution Division, on behalf of the Commander, U.S. Central Command, to Recommendation 3 and the Chief, U.S. Army Central Logistics, on behalf of the Commander, 1st Sustainment Command (Theater), to Recommendations 1.a, 1.b, and 1.c addressed all specifics of the recommendations and conformed to the requirements of DoD Instruction 7650.03. The Executive Director, Army Contracting Command-Rock Island, did not respond to Recommendation 4 in the report. However, Army Contracting Command-Rock Island initiated action during the audit that addressed the specifics of the recommendation.

The Chief, U.S. Army Central Logistics, on behalf of the Commander, U.S. Army Central, agreed with Recommendation 2, but did not describe the actions that it would take to develop procedures for the requirement review boards. The Commander, U.S. Army Central, should provide additional comments to Recommendation 2 by July 31, 2017.

Please send a PDF file containing your comments to [audcmp@dodig.mil](mailto:audcmp@dodig.mil). Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9187 (DSN 664-9077).

A handwritten signature in blue ink, appearing to read "MR", is located below the text of the memorandum.

Michael Roark  
Assistant Inspector General  
Contract Management and Payments

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AUDITOR GENERAL, DEPARTMENT OF THE ARMY



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# Introduction

## Objective

Our objective was to determine whether the Army properly managed the requirements of the Heavy Lift VII (HL7) contracts, which provide commercial transportation throughout the Middle East. The HL7 contracts support Operation Inherent Resolve. This is the second audit on the HL7 contracts. The first audit (DODIG-2017-035) focused on the Army's oversight of HL7 contractors in Kuwait. See Appendix A for a discussion of the scope and methodology and prior audit coverage related to the audit objective.

## Background

### *Heavy Lift VII Program*

The Heavy Lift program was developed to support the Theater Transportation Mission by providing line haul, heavy lift, and bus assets to fulfill U.S. Army Central (ARCENT) transportation requirements. There are seven types of transportation assets on the HL7 contracts, to include baggage trucks, 25-passenger buses, 45-passenger buses, freezer vans, mail flatbeds, heavy equipment trailers (HET), and flatbeds.

The Army Contracting Command–Rock Island (ACC-RI) issued four HL7 contracts on May 12, 2011, to provide commercial transportation services throughout Kuwait, Iraq, and Saudi Arabia.<sup>2</sup> The HL7 contracts, which commenced in September 2011, were scheduled to expire in August 2016, but the ACC-RI subsequently issued



Figure 1. HL7 Bus and Flat Bed Assets  
Source: DoD OIG.

<sup>2</sup> HL7 is an indefinite-delivery indefinite-quantity, firm-fixed-price contract with a maximum award of \$900 million. The program is in its seventh iteration, so the contracts are referred to as the HL7 contracts.

two 6-month extensions that extended the contracts to August 2017. The ACC-RI is coordinating with the 1st Sustainment Command (Theater) (1st TSC) to evaluate and award the Heavy Lift VIII (HL8) contracts.

The four contractors awarded HL7 contracts were El Hoss Engineering & Transport (HETCO), IAP Worldwide Services (IAP), KGL Transportation Company (KGL), and PAE Government Services (PAE). Table 1 lists the amounts awarded to each contractor as of January 2017.

*Table 1. Heavy Lift VII Contracts and Amounts Awarded, as of January 2017*

Contract No.	Contractor	Amount Awarded (in Millions)
W52P1J11D0059	HETCO	\$57.3
W52P1J11D0060	IAP	30.3
W52P1J11D0061	KGL	105.6
W52P1J11D0062	PAE	14.0
<b>Total</b>		<b>\$207.2</b>

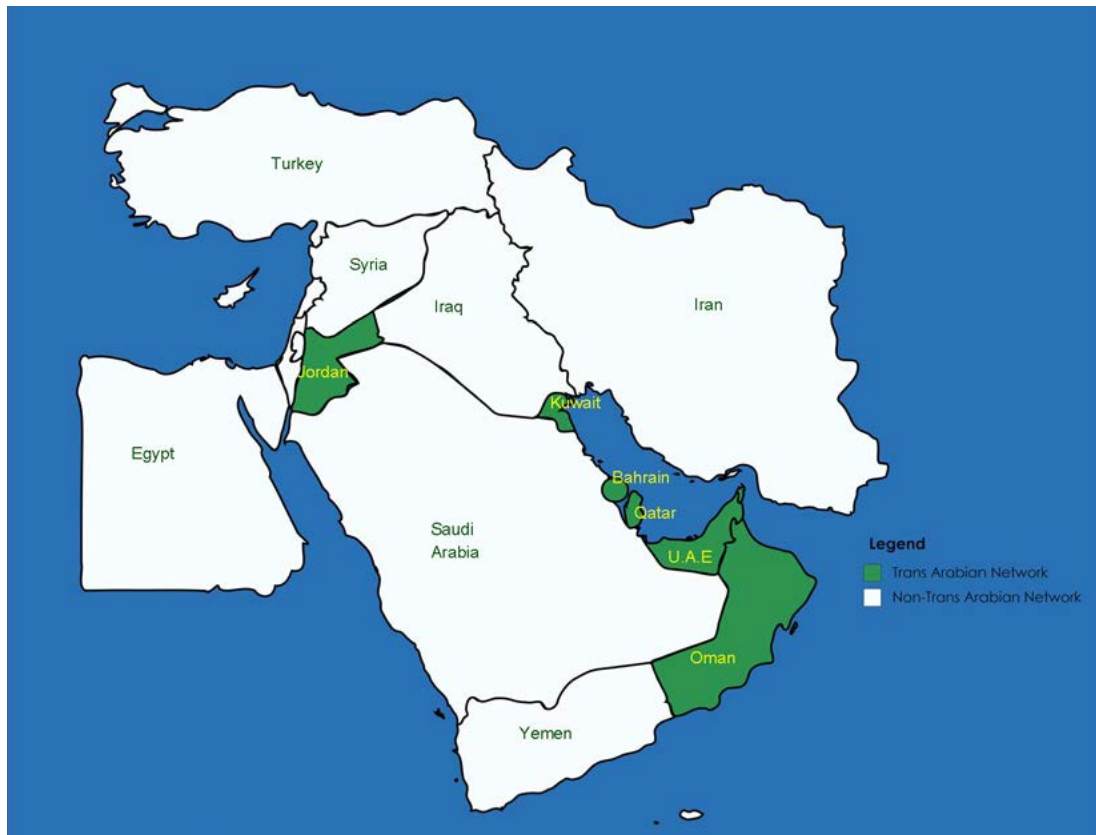
Source: ACC-RI.

### ***Trans-Arabian Network Task Order***

The HL7 contracts were designed to provide transportation in Kuwait, Iraq, and Saudi Arabia. On May 6, 2016, ACC-RI awarded a \$5.95 million task order on the HL7 contract to IAP in support of Trans-Arabian Network (TAN) ground transportation. The TAN task order expanded the capabilities of the original HL7 contracts to transport cargo between Kuwait and Jordan, Bahrain, Oman, Qatar, and United Arab Emirates (UAE). The TAN allows the Army to move equipment between select countries in the Middle East using ground transportation.

According to 1st TSC, the TAN task order was developed to support future operation plans throughout the Middle East. The 1st TSC anticipates that supply and distribution requirements could increase given the potential for increased instability in the region. 1st TSC personnel stated that the TAN must be used as frequently as mission requirements allow so that the Army can understand and develop the customs clearance process for each country. 1st TSC officials elaborated that the TAN would not be a more cost-efficient alternative to air or sea transportation until all stakeholders understand the customs processes. Furthermore, 1st TSC officials stated that not fully developing the TAN capability would negatively impact future operations and put service members at risk. The TAN task order also was intended to reduce costs, in the event of increased operations, because ground transportation is more economical than air and sea movements. Figure 2 illustrates the countries included on the TAN task order.

Figure 2. Countries Included on the TAN Task Order



Source: DoD OIG.

### ***Task Order Issuance and Award Processes***

There are seven types of assets on the HL7 contracts, and the Army's use of each asset varies. For example, the Army may order a 25-passenger bus with or without a driver. Additionally, an asset could be used for intra-Kuwait travel or for transporting equipment from Kuwait to Oman. Each of these assets and the different variations on how they can be used affects pricing. Therefore, each asset has multiple contract line item numbers (CLINs) to account for the variations in usage. See Appendix B for a listing of the HL7 CLINs.

Each CLIN's value is also affected by the period of performance. Specifically, the HL7 contracts have CLINs that allow the Army to order each asset on a daily, monthly, quarterly, semi-annual, and annual basis. Prior to contract award, each HL7 contractor was required to agree to a pricing matrix, which identified maximum prices and maximum quantities for each CLIN.

When the Army develops a new requirement for using the HL7 assets, it creates a task order and solicits bids from each contractor. The task order may include some CLINs and not others depending on the Army requirements for that period of



performance. Each contractor has the option to keep prices as they were originally submitted or may submit CLIN prices lower than the original price matrix. The contractor with the lowest bid price on each CLIN receives the award. Upon reaching the range maximum, which is the maximum number of assets that can be ordered from a single contractor on a CLIN, any remaining requirements will be awarded to the next lowest price contractor. This process continues until all requirements for the period of performance are awarded or all contractors' range maximums have been met. Each task order represents the Army's contractual obligation to purchase the total number of transportation assets (by CLIN) for the period of performance, regardless of actual usage.

For example, if the Army determined that it required 500 flatbeds and 250 HETs for one month, the contracting officer would create a task order for that requirement with a CLIN for 500 flatbeds and a CLIN for 250 HETs. The contracting officer would then solicit bids on each of the CLINs from each of the contractors and the contractor with the lowest bid on a CLIN would be awarded the work. With this method of issuing task orders, different contractors could be awarded the CLIN for flatbeds or for HETs. Notably, the contractor awarded either, or both, of the two CLINs would be entitled to the total price of the CLIN even if the Army used less than the 500 flatbeds or 250 HETS purchased for the month.

### ***HL7 Requirements Roles and Responsibilities***

There are three primary Army commands that have important roles in facilitating HL7 transportation missions in the Middle East: the ACC-RI, the 1st TSC, and the Movement Control Battalion (MCB).

#### ***Army Contracting Command–Rock Island***

The ACC-RI provides global contracting support to the Army. The ACC-RI is the contract office that awarded the HL7 contracts and provides the contracting officer for the contracts. The contracting officer issues task orders, reviews bids, and awards CLINs on each task order.

#### ***1st Sustainment Command (Theater)***

The 1st TSC provides mission command and operational-level sustainment support to Army, joint, and multinational forces in support of U.S. Central Command unified land operations. The 1st TSC is the requiring activity for HL7 services and is responsible for overseeing the contractors' performance and managing the contract requirements.

### *Movement Control Battalion*

The MCB, working under the 1st TSC, provides command and control of all ground transportation movement within Kuwait and the TAN. MCB officials are the subject matter experts for HL7 transportation services.

A military unit submits a Transportation Movement Request when it needs to move personnel or equipment. The MCB reviews the request, prioritizes the movement, and allots the assets it believes will meet the needs of the request. Allocations, which are completed based on availability of vehicles and in order of importance, can use HL7 assets or Army assets for the movement. When the MCB chooses to use HL7 services for the move, it will contact the HL7 contractor with the specifications of the move to include the number of assets needed, the start time, and the location of the move.

### **Requirement Review Board Process**

The 1st TSC standard operating procedures state that, depending on the dollar threshold of the requirement, requirements packages must go through one or more review boards prior to issuing a task order to validate the continued need for the requested service.<sup>3</sup> Review boards are intended to provide command review of all requirements packages and ensure that units have a valid need for the requested services. Specific review board requirements and approval authorities are:

- the 1st TSC Requirement Review Board, which requires the 1st TSC Chief of Staff's approval, validates packages between \$30,000 and \$249,999.99;
- the Joint Requirement Review Board, which requires the 1st TSC Deputy Commanding General's approval, validates packages between \$250,000 and \$4,999,999.99;
- the Commander's Requirement Review Board, which requires the ARCENT Deputy Commanding General's approval, validates packages between \$5 million and \$9,999,999.99; and
- the SUPER-Commander's Requirement Review Board, which requires the ARCENT Deputy Commanding General's approval, validates packages over \$10 million (Deputy Commanding General approval).

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<sup>3</sup> Requirements package refers to the documentation developed to support the need for the requested requirement, such as a letter of justification, market research, cost analysis, and legal review.

## Review of Internal Controls

DoD Instruction 5010.40 requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls.<sup>4</sup> We identified internal control weaknesses with the management of the requirements for the HL7 contracts. Specifically, the 1st TSC did not collect and analyze HL7 asset usage to determine the appropriate number of assets to order and did not have adequate controls to ensure full operational use of the TAN task order. In addition, Army requirement review boards did not require adequate information in order to properly validate the number of HL7 assets requested on task orders. Finally, the ACC-RI did not establish effective controls to ensure that guaranteed minimum payments were reasonable and would not result in the Army paying for unneeded services.

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

## Finding

### The Army Needs to Improve Its Management of the Heavy Lift Contract Requirements

The Army did not adequately manage the HL7 contract requirements. Specifically, the Army ordered an average of 39 percent more assets than it needed throughout the life of the HL7 contracts.<sup>5</sup> We assessed usage data for three of the four HL7 contractors because the Army could not provide data for the remaining contractor.

The Army's inadequate management of the HL7 contract requirements occurred because the 1st TSC did not:

- analyze HL7 asset usage for intra-Kuwait movements and did not continuously evaluate HL7 requirements so it could increase or decrease orders based on operational need; or
- identify and correct the inefficiencies in the Army's planning and execution of theater transportation missions.

In addition, Army requirement review boards did not require adequate information in order to properly validate the number of HL7 assets requested on HL7 task orders. Also, the Army over-ordered HL7 services because it did not properly plan the TAN task order and did not take appropriate measures to ensure full operational use of the TAN. Furthermore, ACC-RI included excessive guaranteed minimum payments to each of the HL7 contractors, which prompted the Army to order services to meet the guaranteed minimums rather than what was actually required within that period of performance.<sup>6</sup>

As a result, the Army wasted \$53.6 million throughout the life of the HL7 contracts on services that it did not require.<sup>7</sup> See Appendix C for a summary of potential monetary benefits.

<sup>5</sup> Life of the contract refers to the start of the contract in September 2011 to the end of our review in December 2016.

<sup>6</sup> Period of performance refers to the length of each of the task orders on the HL7 contract.

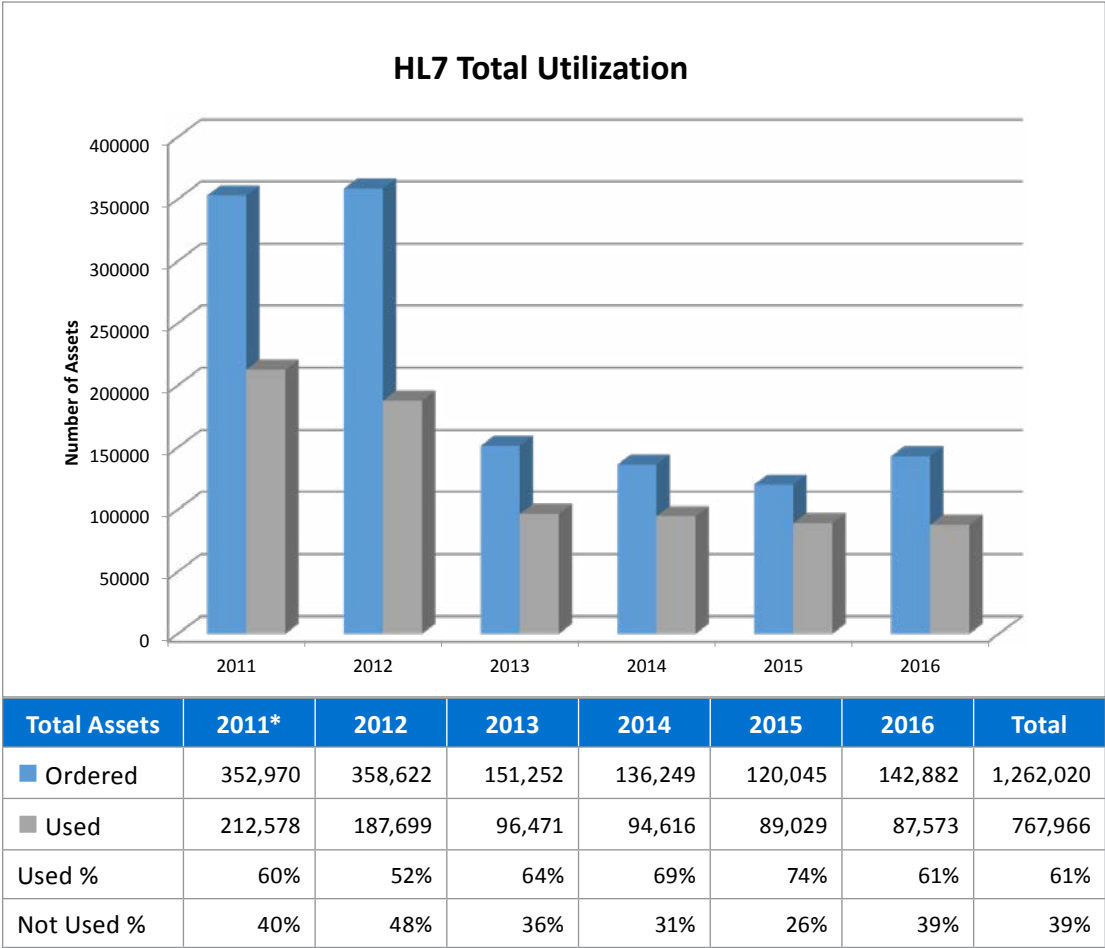
<sup>7</sup> Initially, we calculated that the Army spent \$72.9 million on HL7 services that it did not use. (See Appendix A for methodology on how the audit team calculated the waste.) However, during discussions with 1st TSC and ACC-RI officials, they stated that 100 percent usage is not realistic as all requirements cannot be accurately forecasted. 1st TSC and ACC-RI officials stated that, based upon their experience, 90 percent asset utilization is more realistic. Based upon this 90 percent utilization benchmark, we determined the Army wasted \$53.6 million on services it did not require.

## Army Consistently Over-Ordered Heavy Lift Assets

The Army did not adequately manage the HL7 contract requirements. Specifically, the 1st TSC ordered an average of 39 percent more assets than it needed throughout the life of the contracts.<sup>8</sup> We assessed usage data for three of the four HL7 contractors because the Army could not provide usage data for the remaining contractor.<sup>9</sup> Figure 3 illustrates the excessive ordering of HL assets over the life of the contracts.

1st TSC ordered an average of 39 percent more assets than it needed throughout the life of the contracts.

Figure 3. HL7 Usage Throughout the Life of the Contracts



\* Includes September through December 2011 since the first HL7 task order was issued September 2011.

Source: DoD OIG.

<sup>8</sup> Army personnel did not keep any record of HL7 usage; therefore, we relied on the daily utilization reports provided by HL7 contractors.

<sup>9</sup> We could not include PAE in our usage calculations because the contracting officer could not locate PAE HL7 utilization reports. Considering PAE has not executed commercial transportation on the HL7 contract since 2012, this deficiency only affected our utilization calculations for 2011 and 2012.



We identified 36 instances in the 22 quarters from September 2011 to December 2016 when the Army ordered more than double the number of assets it used.<sup>10</sup> This over-ordering occurred in six asset classes.

- Baggage trucks in 4 of the 22 quarters
- 45-passenger buses in 2 of the 22 quarters
- 25-passenger buses in 17 of the 22 quarters
- Freezer vans in 5 of the 22 quarters
- HETs in 6 of the 22 quarters
- Flatbeds in 2 of the 22 quarters

Furthermore, we identified 9 instances when the Army ordered at least 10 times the number of 25-passenger buses, freezer vans, and baggage trucks than it actually used in the quarter.

## **Army Did Not Have an Adequate Process to Manage the HL7 Contract Requirements**

The Army ordered more HL7 services than it needed because the 1st TSC did not:

- analyze HL7 asset usage for intra-Kuwait movements and did not continuously evaluate HL7 requirements so it could increase or decrease orders based on operational need; or
- identify and correct the inefficiencies in the Army's planning and execution of theater transportation missions.

In addition, ARCENT and 1st TSC requirement review boards did not require adequate information in order to properly validate the number of HL7 assets requested on HL7 task orders. Also, the Army over-ordered HL7 services because it did not properly plan the TAN task order and did not take appropriate measures to ensure full operational use of the TAN. Furthermore, ACC-RI included excessive guaranteed minimum payments to each of the HL7 contractors on the first task order, which prompted the Army to order services to meet the guaranteed minimums rather than what was actually required within that period of performance.

### ***The 1st TSC Did Not Analyze Intra-Kuwait Usage Data***

The 1st TSC did not establish a process for analyzing intra-Kuwait usage data from prior performance periods to forecast future requirement quantities. Instead, 1st TSC officials stated that they relied exclusively on "qualitative"

<sup>10</sup> We compiled usage data by quarter since most of the HL7 task orders were issued with a three-month period of performance.

information when ordering assets; in particular, their knowledge of the operational environment and professional judgment. We requested the Army's usage reports and analysis for the entirety of the HL7 contracts. 1st TSC

The 1st TSC did not analyze the contractor-provided monthly usage reports for either accuracy or to identify trends, such as the need to adjust the number of assets it ordered.

officials stated that they did not generate usage reports; instead, they relied on contractor-provided monthly usage reports. However, the 1st TSC did not analyze the contractor-provided monthly usage reports for either accuracy or to identify trends, such as the need to adjust the number of assets it ordered. Furthermore, the 1st TSC could not provide usage reports for one of the HL7 contractors. 1st TSC officials acknowledged that they did not collect usage data to perform quantitative analyses since their primary focus was on mission accomplishment, not mission efficiency. According to

1st TSC officials, if previous HL7 task order quantities were sufficient to complete required movements, they did not change the quantities on the following task orders. Because 1st TSC officials did not collect or analyze usage data, they did not know to decrease quantities ordered on subsequent task orders in cases in which they significantly over-ordered assets in the previous period of performance.

1st TSC officials stated that they ordered services with three-month or annual periods of performance, which provided the Army with a less expensive rate than shorter periods of performance, but also made it difficult to achieve ideal usage levels since asset demand was not consistent during the entire period of performance. 1st TSC officials further stated that there were instances of increased operational tempo that were urgent and unpredictable for which asset order quantities could not be accurately estimated that contributed to over-ordering. Changes in mission priorities, troop rotations in theater, and training schedules all had an impact on asset quantities ordered. However, 1st TSC officials were unable to provide documentation to support any specific instances of mission-related changes that explained the over-ordering of assets. In addition, many of these instances, such as troop rotations, are known in advance or occur on a consistent schedule and could be properly planned in advance.

Ordering commercial transportation in a contingency environment can be difficult. However, the 1st TSC has consistently over-ordered HL7 services each year for the past 6 years. To ensure that the Army is not ordering more services than it will

use, the 1st TSC should continuously evaluate HL7 requirements using quantitative and qualitative factors. Specifically, the Commander, 1st TSC, should develop a systemic process for collecting and analyzing HL asset usage data in order to forecast requirement quantities on future task orders.

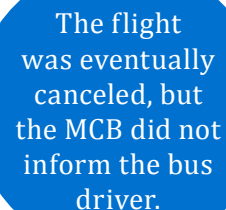
### ***The 1st TSC Did Not Identify and Address Inefficiencies in the Army's Theater Transportation Movement Processes***

The 1st TSC did not identify and correct inefficiencies within the theater transportation movement processes, which resulted in ordering more assets than actually required. The most prominent inefficiency was a Kuwait transportation rule referred to as the "12-hour rule," which stipulates that commercial truck drivers are required to have 12 hours of downtime after every 12 hours of driving time. 1st TSC officials stated that, because of contract requirements, each asset is tied to one driver; therefore, HL7 assets used for movements taking longer than 12 hours become unavailable the following day.

According to 1st TSC and 408th Contracting Support Brigade officials, poor HL7 mission planning and execution often caused missions to take longer than 12 hours. The most common instances were:

- the MCB allocated the wrong number or types of trucks for a movement;
- the Army unit that requested the movement was late to meet the contractor at the pick-up location;
- the Army unit scheduled the asset's arrival earlier than needed; and
- Army load times for convoys were excessive.

These examples illustrate inefficiencies in the Army's processes that resulted in the 1st TSC ordering more assets than required over the life of the HL7 contract because they did not account for the assets that could not be used the following day. In one instance, the MCB scheduled a bus to pick up troops from the airport several hours before the flight arrived. The flight was eventually canceled, but the MCB did not inform the bus driver. As a result, the bus sat at the airport, exceeded the 12-hour rule, and was not available the following day.



The flight was eventually canceled, but the MCB did not inform the bus driver.

1st TSC officials have continuously expressed concern over the number of assets lost due to the 12-hour rule. However, under the current procedures, the Army only tracks the number of assets that are unavailable and does not track the factors that contributed to assets exceeding the 12-hour rule. Tracking why the assets exceed the 12-hour rule would allow the 1st TSC to identify the causes that led to inefficiencies in the program. The 1st TSC cannot accurately forecast HL7 asset requirements until it identifies and corrects inefficiencies in the planning and execution of theater transportation missions.

To determine the true requirements of the HL7 program, the Commander, 1st TSC, should review instances of poor mission planning and execution that resulted in ordering assets in the HL program that were subsequently wasted, track the specific reasons for the inefficiencies, and implement corrective actions to prevent those inefficiencies from re-occurring.

### ***The ARCENT and 1st TSC Requirement Review Boards Did Not Validate the Quantity of Assets Requested***

The ARCENT and 1st TSC requirement review boards did not require sufficient information to adequately re-evaluate proposed order quantities on HL7 task orders. Review boards are intended to be an internal control in the requirements process to ensure that a unit has a valid need for its requested services, which should have included quantities of assets requested by the unit. Each review board requires that the requesting activity provide a letter of justification documenting the operational need for the requested requirement, the impact if the requirement is not approved, and any additional information required by the validation authority to make an appropriate decision. The 1st TSC provided the review boards with justification for the continued need for HL7 transportation services in the Middle East. However, 1st TSC personnel stated that they did not provide the review board with justification for the quantity of assets requested because the ARCENT requirement review board did not request justification for requirement quantities and because 1st TSC standard operating procedures did not require this information to be provided. Without information justifying the need for the quantities requested, the review boards did not receive all the information necessary to make an informed decision regarding the quantities of assets that should be ordered on proposed task orders. Therefore, this internal control over HL7 requirements was ineffective and allowed the 1st TSC to continue to order too many assets throughout the entirety of the HL7 contracts.

To ensure the requirement review boards have all the necessary information to validate not only operational needs but also quantities requested, the Commander, 1st TSC, should update the standard operating procedures to ensure that requirements packages submitted to the review boards include all information that is necessary for the validation authority to make an informed decision. Furthermore, the Commander, ARCENT, should develop updated procedures to ensure that requirement review boards are validating the entire requirement that 1st TSC is requesting.

### ***Army Did Not Properly Execute the Trans-Arabian Network Task Order***

The Army did not properly plan the TAN task order and did not take appropriate measures to ensure its full operational use. With an uncertain demand for the capability and without identifying customers that would use the TAN, the 1st TSC ordered a total of 75 assets per day on the TAN task order: 10 flatbeds and 5 HETs for each of the 5 countries in the network. In addition, the TAN

task order was written in a way that provided little flexibility



All movements were required to originate in Kuwait and would travel to the designated country ... without the option to conduct multiple stops in different countries.

for the movements. Specifically, all movements were required to originate in Kuwait and would travel to the designated country (Jordan, Qatar, Bahrain, UAE, and Oman) to deliver cargo or pick up cargo for delivery to Kuwait, without the option to conduct multiple stops in different countries. Furthermore, upon issuance of the TAN task order, U.S. Central Command (CENTCOM) did not take deliberate measures to promote TAN usage (such as

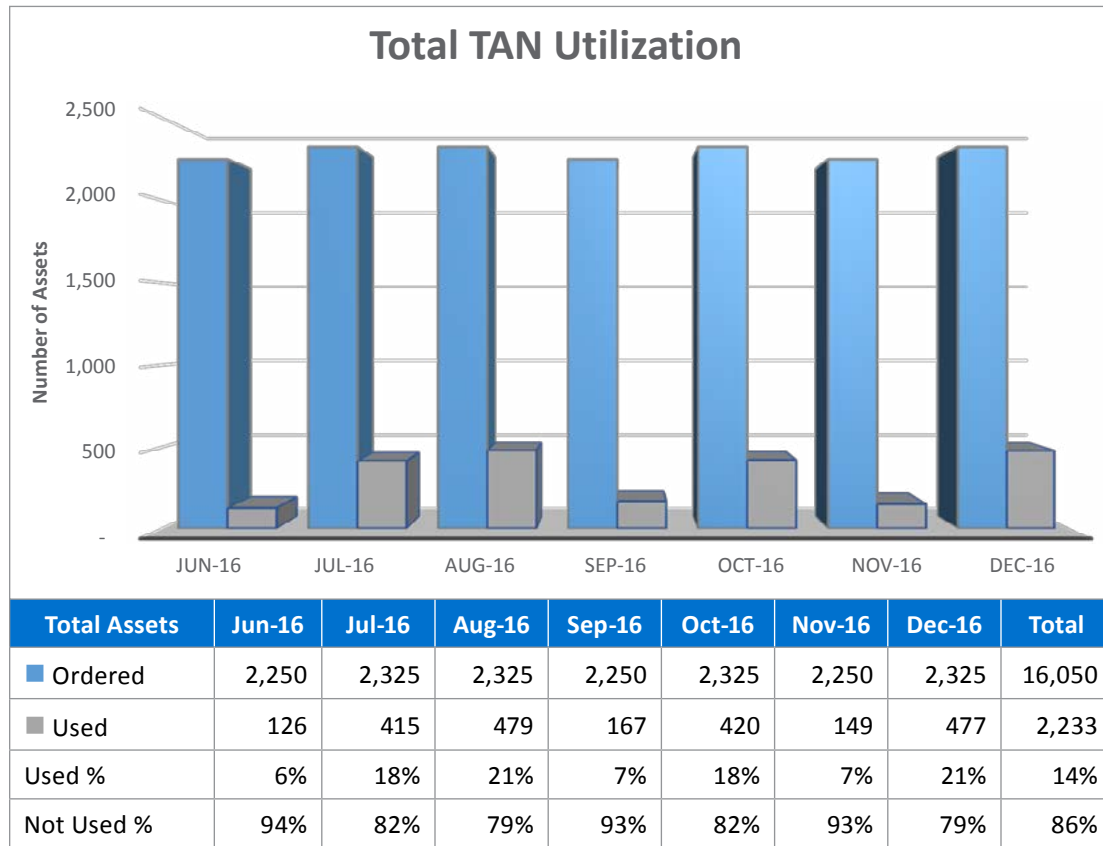
by directing components and external defense agencies, including the Defense Logistics Agency and the Defense Security Cooperation Agency, to use the TAN), and did not develop appropriate metrics to support regular and recurring assessments of the TAN's performance and effectiveness.

As a result, from June 2016 to December 2016, the 1st TSC did not use 86 percent of the flatbeds and HETs it ordered on the TAN task order. Figure 4 illustrates the under-utilization of the TAN task order during this period.<sup>11</sup>

<sup>11</sup> We calculated ordered assets by multiplying the 75 assets the 1st TSC ordered per day by the number of days in the month. The 1st TSC provided contractor data that stated how many assets were used each day.



Figure 4. TAN Utilization



Source: DoD OIG.

1st TSC officials stated that the TAN task order was intended to provide a reliable, cost-efficient alternative to air and water movements and could be critical in the future. 1st TSC officials also explained they hoped to learn customs procedures for each country in the TAN, which could result in faster ground shipments, making the TAN more acceptable to commanders who prefer air transportation. However, 1st TSC officials acknowledged that the low usage, as shown in Figure 4, impeded their opportunity to learn customs paperwork processing and border crossing procedures for TAN countries, which is essential to reducing the in-transit days on future ground movements.

To ensure the TAN is being fully used, the Commander, CENTCOM, should direct supported units to use the TAN, establish metrics for TAN movements, and perform quarterly assessments of the TAN's performance and effectiveness.

## ***ACC-RI Provided Excessive Guaranteed Minimum Payment to Heavy Lift Contractors***

ACC-RI included excessive guaranteed minimum purchases in the HL7 contracts. The Federal Acquisition Regulation (FAR) requires that the Government purchase a minimum amount of services on all indefinite-delivery indefinite-quantity (IDIQ) contracts and establishes that the minimum quantity must be more than a nominal amount but not exceed what the Government is fairly certain to order.<sup>12</sup> The FAR does not mandate when guaranteed minimums must be paid, only that the government commit to a minimum purchase during the contract's period of performance. To meet the IDIQ FAR requirements, ACC-RI chose to award each of the four HL7 contractors a \$10 million guaranteed minimum purchase on the first task order, which varied slightly by contractor but generally had a period of performance that overlapped the fourth quarter of 2011 and the first quarter of 2012. Therefore, the guaranteed minimum gave the Army only a few months to use \$40 million worth of services.

As Figure 5 illustrates, the Government awarded a total of \$52.2 million to all four of the contractors on their first task orders. However, we assessed usage rates for each of the contractor's first task orders and found that the Government did not use 44 percent of the services it ordered on those first task orders.<sup>13</sup> Therefore, it appears the ACC-RI contracting officer ordered the services to meet the guaranteed minimum requirements rather than what was actually required for theater movements.

*Figure 5. Total Awarded on First Task Order*

Vendor	Total Award on First Task Order
KGL	\$17,992,145
IAP	13,610,163
HETCO	10,400,281
PAE	10,178,680
<b>Total</b>	<b>\$52,181,269</b>

Source: DoD OIG.

The HL7 contracting officer stated that, in his professional judgment, IDIQ minimum guarantees are generally in the amount of \$1,000, \$10,000, or \$100,000, and are necessary to ensure vendor interest in bidding on a contract. More competition should result in better pricing for the Government and will ensure a

<sup>12</sup> Federal Acquisition Regulation Part 16, "Types of Contracts," Subpart 16.5, "Indefinite-Delivery Contracts."

<sup>13</sup> See Appendix A for methodology on how the audit team calculated usage rates.

broader choice of capable vendors. ACC-RI believed a high guaranteed minimum was justified because each contractor on the previous Heavy Lift VI (HL6) contracts was paid approximately \$60 million per year and U.S. forces were withdrawing from Iraq at the time HL7 was awarded. ACC-RI believed that the requirements for transportation would increase significantly because of the Iraq drawdown, and ACC-RI anticipated a logistical effort larger in scale than any since World War II. However, the contracting officer for both the HL6 and HL7 contracts stated that he extended the HL6 contracts beyond the original period of performance and most Iraq drawdown requirements were completed during the HL6 extension period. Therefore, the HL6 extension resulted in a lower demand for HL7 assets during the first task order's period of performance.

Regardless of the reason that the contracting officer thought the guaranteed minimum was appropriate, we determined that the \$10 million guaranteed minimum was in excess of the services the Army actually required from each of the four HL7 contracts during the first task order's period of performance. The minimum guarantee exceeded what the Government should have ordered and resulted in the Government paying for services that it did not need. If the guaranteed minimum was spread over a longer period, ACC-RI may not have paid for services it did not need. ACC-RI should determine a more reasonable and achievable guaranteed minimum on the soon-to-be awarded HL8 to ensure that the Army does not pay for services that it will not use, either by lowering the guaranteed minimums or by spreading the guaranteed minimum over a longer period, such as the life of the contract.

## **Army Wasted Millions on Heavy Lift Assets That Were Not Needed**

Based on 100 percent asset usage, the Army spent \$72.9 million on HL7 services that it did not use. However, 1st TSC and ACC-RI officials stated that 100 percent asset usage in a contingency environment is not realistic and that 90 percent usage would be optimal in providing mission flexibility and cost-efficiency. Even with a benchmark of 90 percent usage, which is less than the 95 percent usage ACC-RI reported on the HL6 contracts, the Army wasted \$53.6 million throughout the life of the HL7 contracts on services that it did not require.<sup>14</sup>

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<sup>14</sup> See Appendix A for methodology on how the waste was calculated.

## Recommendations, Management Comments, and Our Response

### Recommendation 1

We recommend that the Commander, 1st Sustainment Command (Theater):

- a. **Implement a systemic process for collecting heavy lift asset usage and establish a consistent schedule for analyzing usage information in order to use quantitative and qualitative factors when forecasting requirement quantities on future task orders.**

#### *Commander, 1st Sustainment Command (Theater) Comments*

The G-4 (Chief), U.S. Army Central Logistics, responding on behalf of the Commander, 1st Sustainment Command (Theater), agreed with the recommendation. The Chief stated that a tracking tool was developed to analyze daily Heavy Lift asset utilization. In addition, the Chief stated that an auditable transportation system of record is being implemented as a long-term solution to more accurately forecast task order requirements.

#### *Our Response*

Comments from the Chief, U.S. Army Central Logistics, on behalf of the Commander, 1st TSC, addressed all specifics of the recommendation. During the audit, the 1st TSC immediately took steps to begin collecting daily HL7 asset usage information for intra-Kuwait movements to aid in forecasting future requirement quantities. In addition, the 1st TSC is implementing an auditable transportation system of record as a long-term solution, in order to more accurately forecast Heavy Lift asset requirements. Therefore, the recommendation is resolved and will be closed once we verify that the new system of record has been implemented and that 1st TSC is using the historical information to forecast Heavy Lift requirement quantities.

- b. **Review instances of poor mission planning and execution that resulted in ordering wasted assets in the Heavy Lift program, track the trends that led to inefficiency in the program, and implement corrective actions to prevent those inefficiencies from re-occurring.**

#### *Commander, 1st Sustainment Command (Theater) Comments*

The Chief, U.S. Army Central Logistics, responding on behalf of the Commander, 1st Sustainment Command (Theater), agreed with the recommendation. The Chief stated that the 1st TSC, in conjunction with the Movement Control Battalion and the 408th Contract Support Brigade, established a working group to review Heavy Lift mission planning and execution in order to identify trends that led to inefficiencies in the program and to apply any necessary corrective

actions. In addition, the Chief stated that the Movement Control Battalion and the 408th Contract Support Brigade are in the process of developing a Movement Control Team standard operating procedure which will document the controls needed to more effectively manage Heavy Lift mission execution.

### *Our Response*

Comments from the Chief, U.S. Army Central Logistics, on behalf of the Commander, 1st TSC, addressed all specifics of the recommendation. During the audit, 1st TSC officials initiated a weekly working group to monitor utilization and track factors that led to inefficiencies in the program. The working group's goal is to address future planning and processes in an effort to improve HL7 utilization. In addition, the Movement Control Battalion and the 408th Contract Support Brigade are developing a standard operating procedure, which will document the controls needed to more effectively manage Heavy Lift mission execution. Therefore, the recommendation is resolved and will be closed once we receive documentation supporting 1st TSC efforts in identifying and resolving inefficiencies.

- c. Update the requirement review process standard operating procedures to ensure requirements packages that are submitted to the review boards include all information that is necessary for the validation authority to make an informed decision.**

### *Commander, 1st Sustainment Command (Theater) Comments*

The Chief, U.S. Army Central Logistics, responding on behalf of the Commander, 1st Sustainment Command (Theater), agreed with the recommendation. The Chief stated that the requirement review board standard operating procedure has been updated to include a flow chart that identifies the procedures for requesting additional Heavy Lift assets. In addition, the Chief stated that the requirement review board standard operating procedure is in the process of being updated to ensure that requirements packages presented to the board contain all required documentation for the validation authority to make an informed decision on the requirement.

### *Our Response*

Comments from the Chief, U.S. Army Central Logistics, on behalf of the Commander, 1st Sustainment Command (Theater), addressed all specifics of the recommendation. Specifically, during the audit, 1st TSC personnel stated that they began providing usage information to the requirement review boards for validation of the upcoming HL8 requirements. In addition, 1st TSC personnel updated their internal procedures to include additional information on requesting Heavy Lift assets. Furthermore, the 1st TSC is in the process of updating the requirement review process standard operating procedure to ensure that the



validation authority receives all required information to make an informed decision on requirements packages. Therefore, the recommendation is resolved and will be closed once we verify the standard operating procedures for the requirements review process have been updated.

## ***Recommendation 2***

**We recommend that the Commander, U.S. Army Central, develop updated procedures to ensure requirement review boards are validating the entire requirement that the 1st Sustainment Command (Theater) is requesting.**

### ***Commander, U.S. Army Central Comments***

The Chief, U.S. Army Central Logistics, on behalf of the Commander, U.S. Army Central, agreed with the recommendation.

### ***Our Response***

Comments from the Chief, U.S. Army Central Logistics, on behalf of the Commander, U.S. Army Central, partially addressed the recommendation. The Commander agreed with our recommendation but did not elaborate on how or when updated procedures would be developed. Therefore, the recommendation is unresolved. We request that the Commander, U.S. Army Central, describe the specific actions that will be taken to develop updated procedures that ensure requirement review boards are validating entire requirements.

## ***Recommendation 3***

**We recommend that the Commander, U.S. Central Command, direct supported units to use the Trans-Arabian Network, establish metrics for Trans-Arabian Network movements, and perform quarterly assessments of the Trans-Arabian Network's performance and effectiveness, and continue to monitor Trans-Arabian Network performance to determine whether directives had the intended impact on its usage.**

### ***Commander, U.S. Central Command Comments***

The Chief, U.S. Central Command Logistics and Engineering Directorate, Distribution Division, responding on behalf of the Commander, U.S. Central Command, agreed with the report finding and recommendation. The Chief stated that on January 20, 2017, U.S. Central Command published an Execute Order directing all U.S. Central Command components to use the Trans-Arabian Network. In addition, the Execute Order directed U.S. Army Central to provide command and control over Trans-Arabian Network movements, which includes bi-weekly status reporting of all Trans-Arabian movements. Finally, the Execute Order directed the U.S. Central Command Deployment and Distribution Operations Center to perform strategic oversight of the Trans-Arabian Network.

### *Our Response*

Comments from the Chief, U.S. Central Command Logistics and Engineering Directorate, Distribution Division, on behalf of the Commander, U.S. Central Command, addressed all specifics of the recommendation. Specifically, CENTCOM issued an Execute Order during the audit that promoted deliberate measures to fully use the TAN. The Execute Order directed CENTCOM components and external agencies to use the TAN and delineated roles and responsibilities regarding TAN movements. Furthermore, the Execute Order also required ARCENT, in coordination with CENTCOM, to develop appropriate metrics for TAN movements and to perform, at a minimum, quarterly assessments of the TAN's performance and effectiveness. Additionally, as of March 1, 2017, ACC-RI and 1st TSC personnel stated that they have revised the TAN task order to reduce the number of assets and to include staging assets at locations other than Kuwait, which should increase TAN flexibility and improve asset usage. The management actions taken and responses provided, once fully implemented, will address the concerns we identified. Therefore, the recommendation is resolved and will be closed when CENTCOM demonstrates that it has developed TAN movement metrics and is performing quarterly assessments of the TAN's performance and effectiveness.

### **Recommendation 4**

**We recommend that the Executive Director, Army Contracting Command–Rock Island, establish a more reasonable and achievable guaranteed minimum on the Heavy Lift 8 contracts to ensure the Army does not pay for services that it will not use by either lowering the guaranteed minimums or by spreading the guaranteed minimum over a longer period, such as the life of the contract.**

### *Executive Director, Army Contracting Command Comments*

The Executive Director, Army Contracting Command–Rock Island, did not respond to the recommendation in this report. However, during the audit, we discussed our observations with the ACC-RI contracting officer regarding the guaranteed minimum and the ACC-RI contracting officer subsequently solicited for the HL8 contract with a more conservative guaranteed minimum of \$1 million per contractor. The contracting officer stated that the revised guaranteed minimum was acceptable because annual spending was approximately \$30 million each year under HL7, and the HL8 Iraq requirements are expected to increase the services purchased on HL8. The management actions taken will address our concerns regarding guaranteed minimums and should ensure that the Army uses the services it orders with the HL8 guaranteed payments. Therefore, this recommendation is resolved and will be closed once ACC-RI awards HL8 with the \$1 million guaranteed minimum.

## Appendix A

### Scope and Methodology

We conducted this performance audit from December 2016 through May 2017 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

To determine whether the Army properly managed the requirements of the contracts for HL7 transportation, we compiled all of the award information from HL7 task orders issued from September 2011 through December 2016. We requested asset usage data from the 1st TSC but were informed by 1st TSC officials that they did not generate asset usage data; instead, they relied upon contractor-provided data. However, only three of the four contractors provided asset usage data to the 1st TSC. Since the Army did not track usage, we could not reconcile the contractor-provided information to Army data. However, we did compare order quantities tracked on two of the contractor's reports with quantities awarded on task orders to determine data consistency and reasonableness. Also, the 1st TSC recently began tracking daily usage metrics and our analysis has shown that the Army data generally agreed with the contractor-provided data. From these efforts, we believe the information we obtained is sufficiently reliable for the finding and conclusions made in this report.

In order to determine asset usage rates by month, quarter, and year for September 2011 through December 2016, we compared the following two sets of information.

1. Quantity of assets awarded on task orders (order quantities)
2. Quantity contractor provided as used (used quantities)

To determine the quantity ordered each month by asset type, we compiled all of the award information from HL7 task orders issued from September 2011 through December 2016 by month. Our calculations for the assets ordered each month were at both the contractor-level and at the consolidated level. We then reviewed usage reports from the three HL7 contractors, which identified how many HL assets each contractor used per month by asset type. We added together totals for each of the quantities used by contractor for each month, by asset type, in order to determine the consolidated quantities used each month. We then divided the asset quantity used by the total asset quantity ordered to determine utilization rates each month, per asset type. We used the monthly utilization rates for each asset type to determine each asset's utilization percentage for the year.

To determine the amount of waste, we compiled the dollar amounts funded on task orders awarded through January 2017 by asset type. Because we did not include PAE in our analysis, the awarded value was \$193,256,600.21. We then used the utilization rates that we calculated for each asset type in order to determine that the dollar amount used per asset was \$120,356,496.33. After determining the dollar amount used per asset, we were able to determine the dollar amount that was not used per asset (waste) by determining the difference between the two. We added together the waste from each asset type for an overall dollar amount of waste that totaled \$72,900,103.88. In order to determine waste at 90 percent utilization, we took 90 percent of the award value that we determined totaled \$173,930,940.19 (\$193,256,600.21 multiplied by .90). We then subtracted the dollar amounts we previously determined as used per asset (\$120,356,496.33) in order to determine that \$53,574,443.86 was wasted at 90 percent utilization (\$173,930,940.19 minus \$120,356,496.33).

We conducted a site visit to ACC-RI in December 2016 to determine responsibilities for management of the HL7 contracts, the task order award and issuance process, and the circumstances that led to setting the HL7 guaranteed minimum payment. We reviewed criteria in order to determine whether the HL7 contracts were properly managed. Specifically, we reviewed the following.

- FAR Part 16, “Types of Contracts,” Subpart 16.2, “Fixed Price Contracts”
- FAR Part 16, Subpart 16.5, “Indefinite Delivery Contracts”
- HL7 Source Solicitation Plan
- HL7 Acquisition Plan and Strategy
- 1st TSC standard operating procedures

In addition, we conducted a site visit to Camp Arifjan, Kuwait, in January 2017 where we interviewed 1st TSC, Operational Contract Support, Support Planning Operations, MCB, and Movement Control Team officials to determine how HL7 requirements were being managed. We also interviewed 1st TSC requirement review board members to obtain insight into the requirement review board review and decision making processes. We conducted meetings with 408th Contracting Support Brigade officials to determine their roles in the management of the HL7 requirements.

Finally, we held teleconferences with CENTCOM Deployment and Distribution Center officials in Kuwait and Air Force Central Command officials at Shaw Air Force Base to determine their roles in HL7 asset usage.

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

We did not rely on computer-generated data to form or support our conclusions during this audit.

## Prior Coverage

During the last 5 years, the Department of Defense Office of Inspector General (DoD OIG) issued three reports discussing contract management in Kuwait. Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/pubs/index.cfm>.

### **DoD OIG**

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

The Army did not effectively monitor contractor performance for the Kuwait Base Operations and Security Support Services contract. Specifically, Army personnel did not update the quality assurance surveillance plan, provide consistent surveillance of the contract; or ensure contractor ratings were accurate.

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

The Army did not provide effective oversight and administration of the HL7 contracts in Kuwait. Specifically, HL7 contracting officer’s representatives (CORs) did not regularly perform surveillance of each contractor or type of vehicle under contract and did not consistently document surveillance results. Furthermore, the administrative contracting officer (ACO) did not address COR identified deficiencies with the contractors because the ACO and the quality assurance specialist did not regularly communicate with the CORs, or review and analyze the COR surveillance results and customer complaints to identify systemic deficiencies to communicate with the contractors. Additionally, the official contract file was incomplete and did not contain critical documentation, the procuring contracting officer did not officially evaluate the performance of two contractors as required by the FAR, and the HL7 CORs were not properly trained or appointed.

Report No. DODIG-2015-101, “Contingency Contracting: A Framework for Reform–2015 Update,” March 31, 2015

This report summarized systemic contingency contracting problems identified in 40 reports that were previously issued by the DoD OIG. The summary report identified problems relating to DoD officials not properly awarding, administering, or managing contingency contracts in accordance with Federal and DoD policies.

## Appendix B

### HL7 Contract Line Item Numbers

Table 2 identifies the CLIN descriptions and travel requirements available each ordering period for the seven main assets under the HL7 contracts.

*Table 2. HL7 Contract Line Item Numbers*

CLIN Number	CLIN Type	CLIN Description	CLIN Travel Location
0001	Flatbed Truck System	Tractor Trailer System includes tractor, trailer, and driver (tractor has a minimum of 2 axles)	Kuwait to Iraq and back, or Kuwait only
0002	Flatbed Truck System	Tractor Trailer System includes tractor, trailer, and driver (tractor has a minimum of 2 axles)	Only within Kuwait
0003	Flatbed Truck System	Tractor Trailer System includes tractor, trailer, and driver (tractor has a minimum of 2 axles)	Kuwait to Saudi Arabia and back
0004	Tri-Axel Flatbed Truck System	Tractor Trailer System includes tractor, trailer, and driver (tractor has a minimum of 3 axles [1 front and 2 rear])	Only within Kuwait
0020	U.S. Mail Transport System	U.S. Mail Transport System includes tractor, trailer and driver	Kuwait to Iraq and back, or Kuwait only
0030	70 Ton Heavy Equipment Transport System	Tractor Trailer System includes tractor, trailer, and driver (tractor has a minimum of 2 axles)	Kuwait to Iraq and back, or Kuwait only
0031	70 Ton Heavy Equipment Transport System	Tractor Trailer System includes tractor, trailer, and driver (tractor has a minimum of 2 axles)	Only within Kuwait
0032	80 Ton Heavy Equipment Transport System	Tractor Trailer System includes tractor, trailer, and driver (tractor has 2 axles and trailer has 4 axles)	Kuwait to Iraq and back, or Kuwait only
0033	80 Ton Heavy Equipment Transport System	Tractor Trailer System includes tractor, trailer, and driver (tractor has 2 axles and trailer has 4 axles)	Only within Kuwait
0040	Freezer Truck System	Freezer Truck System includes tractor, van, and driver	Only within Kuwait
0041	Freezer Van without Tractor & Driver	Freezer Van only	Only within Kuwait
0050	45-Passenger Bus System	45-PAX buses includes bus and driver	Transport persons only within Kuwait
0051	Baggage Truck System	Baggage Truck System refers to the tractor, trailer/container, and driver	Only within Kuwait
0060	25-Passenger Bus	25-PAX Buses refer to the bus only	Buses will be assigned to military units for various missions within Kuwait. The Government will provide the driver.
0061	25-Passenger Bus System	25-PAX bus system includes bus and driver	Transport persons only within Kuwait
0062	Mini Baggage Truck System	Mini Baggage Truck System refers to the tractor, trailer/container, and driver	Only within Kuwait

Source: DoD OIG.

## Appendix C

### Potential Monetary Benefits

Table 3 identifies the amount wasted by the Army throughout the life of the HL7 contracts on services that it did not require.

*Table 3. HL7 Questioned Costs*

Recommendations	Type of Benefit	Amount of Benefit	Account
1 - 4	Questioned Costs	\$53,574,443.86	Multiple accounts will be impacted

Source: DoD OIG.



## Management Comments

### CENTCOM



UNITED STATES CENTRAL COMMAND  
7115 SOUTH BOUNDARY BOULEVARD  
MACDILL AIR FORCE BASE, FLORIDA 33621-5101

23 May 2017

USCENTCOM/CCJ4

MEMORANDUM FOR Program Director, Contract Management and Payments, Inspector General, Department of Defense, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: The Army Did Not Properly Manage the Requirements of the Heavy Lift VII Contracts (Project No. D2017-D000JB-0048.000)

1. IAW 22 May 2017 memorandum from Mr. Kevin T. O'Connor, Program Director, Contract Management and Payments, Inspector General, Department of Defense, regarding the subject draft report, CCJ4-Distribution is responding to the following excerpt from page 14:

*To ensure the TAN is being fully used, the Commander, CENTCOM, should direct supported units to use the TAN, establish metrics for TAN movements, and perform quarterly assessments of the TAN's performance and effectiveness (Recommendation 3).*

2. CCJ4-D reviewed the report and generally concurs with its contents to include the aforementioned recommendation. Per USCENTCOM Trans-Arabian Network (TAN) EXORD, published on 20 Jan 2017 by the CCJ3, all CENTCOM components are directed to use the TAN. Of note, ARCENT is directed to perform the lead service role for the TAN, as follows:

*PERFORM LEAD SERVICE ROLE FOR THE TAN. AS SUCH, PROVIDE C2 OVER TAN CARGO MOVEMENTS AND ENSURE TAN C2 CELL IS STAFFED WITH SUFFICIENT MANNING, RANK, AND AUTHORITY IN ORDER TO PROVIDE CONTINUOUS, EFFECTIVE, AND EFFICIENT MANAGEMENT OF THE TAN. ESTABLISH AND MAINTAIN A TAN COP: AT A MINIMUM, PROVIDE BI-WEEKLY ROLL-UP STATUS REPORTING OF ALL TAN CARGO MOVEMENTS IN PROGRESS OR IN PLANNING DURING TAN WORKING GROUP MEETINGS/SVTC.*

3. Also IAW the TAN EXORD, the CENTCOM Deployment and Distribution Operations Center (CDDOC) is directed to maintain awareness and strategic oversight over the TAN program. In addition to our Components reporting progress of their TAN EXORD tasks during bi-weekly TAN working group meetings, CCJ4-D ICW CCJ3-FD coordinate quarterly CCJ3/CCJ4 general officer-level TAN updates.

4. Point of contact for this memorandum is the undersigned at [REDACTED].

ROBERT J. NEAL, JR.  
Colonel, United States Air Force  
Chief, Distribution Division  
Logistics & Engineering Directorate

## ARCENT



**DEPARTMENT OF THE ARMY**  
UNITED STATES ARMY CENTRAL  
CAMP ARIFJAN, KUWAIT  
APO AE 09366-9900

ACCS-G4

5 June 2017

## MEMORANDUM FOR

Inspector General, United States Central Command (CENTCOM), 7115 South  
Boundary Boulevard, MacDill Air Force Base, Florida 33621-5101  
Assistant Secretary of the Army (Acquisition, Logistics and Technology, 103 Army  
Pentagon, Washington, D.C. 20310-0103

**SUBJECT: U.S. Army Central (USARCENT) Formal Response to Recommendations in  
Draft Report for DODIG 2017-DJB-0048, Audit of the Army's Management of Contracts  
for Heavy Lift VII**

1. Reference CENTCOM Task USCC1714354644 and HQDA Task 1705252166,  
provide a formal response to DODIG Draft Report with a suspense date of 6 June 2017.  
The purpose of the document is to provide concurrence with applicable  
recommendations.

## 2. Recommendation 1a:

a. Recommendation: We recommend the Commander, 1st Sustainment Command  
(Theater) (1TSC) implement a systemic process for collecting heavy lift asset usage  
and establish a consistent schedule for analyzing usage information in order to use  
quantitative and qualitative factors when forecasting requirement quantities on future  
task orders.

b. USARCENT Response: USARCENT and 1TSC concur with the recommendation  
and are already implementing this process. As an immediate measure, 1TSC  
developed an excel tracking tool that analyzes daily utilization of Heavy Lift Flatbed and  
HET usage which will be shared across the transportation enterprise and the Heavy Lift  
COR. The 1TSC is also in the process of implementing TC-AIMS II Theater Operations  
(TOPS) as the long term solution to more accurately forecast task order requirements.  
TC-AIMS II TOPS will be the auditable transportation system of record for the Operation  
Inherent Resolve, Operation Spartan Shield AORs and the Trans Arabian Network.

## 3. Recommendation 1b:

a. Recommendation: We recommend the Commander, 1TSC review instances of  
poor mission planning and execution that resulted in ordering wasted assets in the

UNCLASSIFIED

## ARCENT (cont'd)

ACCS-G4

SUBJECT: U.S. Army Central (USARCENT) Formal Response to Recommendations in Draft Report for DODIG 2017-DJB-0048, Audit of the Army's Management of Contracts for Heavy Lift VII

Heavy Lift program, track the trends that led to inefficiency in the program, and implement corrective actions to prevent those inefficiencies from re-occurring.

b. USARCENT Response: USARCENT and 1TSC concur with the recommendation and are already implementing this process. The 1TSC, in conjunction with the 354<sup>th</sup> Movement Control Battalion (MCB) and the 408<sup>th</sup> Contract Support Brigade (CSB), has established a working group to review Heavy Lift mission planning and execution data to identify movement program trends and apply corrective action where necessary. The 408<sup>th</sup> CSB and 354<sup>th</sup> MCB are in the process of developing a LOGCAP Movement Control Team standard operating procedure (SOP) which will codify the controls necessary to more effectively manage Heavy Lift mission execution. The 408<sup>th</sup> CSB will continue to provide a weekly report of transportation movement releases that exceed the Heavy Lift contractor 12 hour mission requirement. The 354<sup>th</sup> MCB will also enforce policies currently in place and directed within the Movement Control customer handbook in order to mitigate against poor planning and execution.

4. Recommendation 1c:

a. Recommendation: We recommend the Commander, 1TSC update the requirement review process standard operating procedures to ensure requirements packages that are submitted to the review boards include all information that is necessary for the validation authority to make an informed decision.

b. USARCENT Response: USARCENT and 1TSC concur with the recommendation and are already implementing this process. The 1TSC OCS SOP is updated and includes a flow chart that lays out the procedures to request additional Heavy Lift transportation assets. The 1TSC requirements review board SOP will also be updated to ensure that each requirements packet presented to the board contains all documentation required for the president of the board and the board members to make an informed decision to either approve or disapprove the requirement.

5. Recommendation 2:

a. Recommendation: We recommend that the Commander, U.S. Army Central Command develop updated procedures to ensure requirement review boards are validating the entire requirement that the 1st Sustainment Command (Theater) is requesting.

b. USARCENT Response: USARCENT concurs with the recommendation.

## ARCENT (cont'd)

ACCS-G4

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6. Point of contact for this memorandum is LTC Amy R. Thompson, ARCENT Chief, Internal Review [REDACTED]

MCCREERY.ROGER [REDACTED]

ROGER L. MCCREERY  
COL, LG  
G4

## Acronyms and Abbreviations

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<b>1st TSC</b>	1st Sustainment Command (Theater)
<b>ACC-RI</b>	Army Contracting Command–Rock Island
<b>ARCENT</b>	United States Army Central
<b>CENTCOM</b>	United States Central Command
<b>CLIN</b>	Contract Line Item Number
<b>FAR</b>	Federal Acquisition Regulation
<b>HL6</b>	Heavy Lift VI
<b>HL7</b>	Heavy Lift VII
<b>HL8</b>	Heavy Lift VIII
<b>HET</b>	Heavy Equipment Transport
<b>HETCO</b>	El Hoss Engineering and Transport
<b>IAP</b>	IAP Worldwide Services
<b>IDIQ</b>	Indefinite-Delivery Indefinite-Quantity
<b>KGL</b>	KGL Transportation Company
<b>MCB</b>	Movement Control Battalion
<b>PAE</b>	PAE Government Services
<b>TAN</b>	Trans-Arabian Network

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