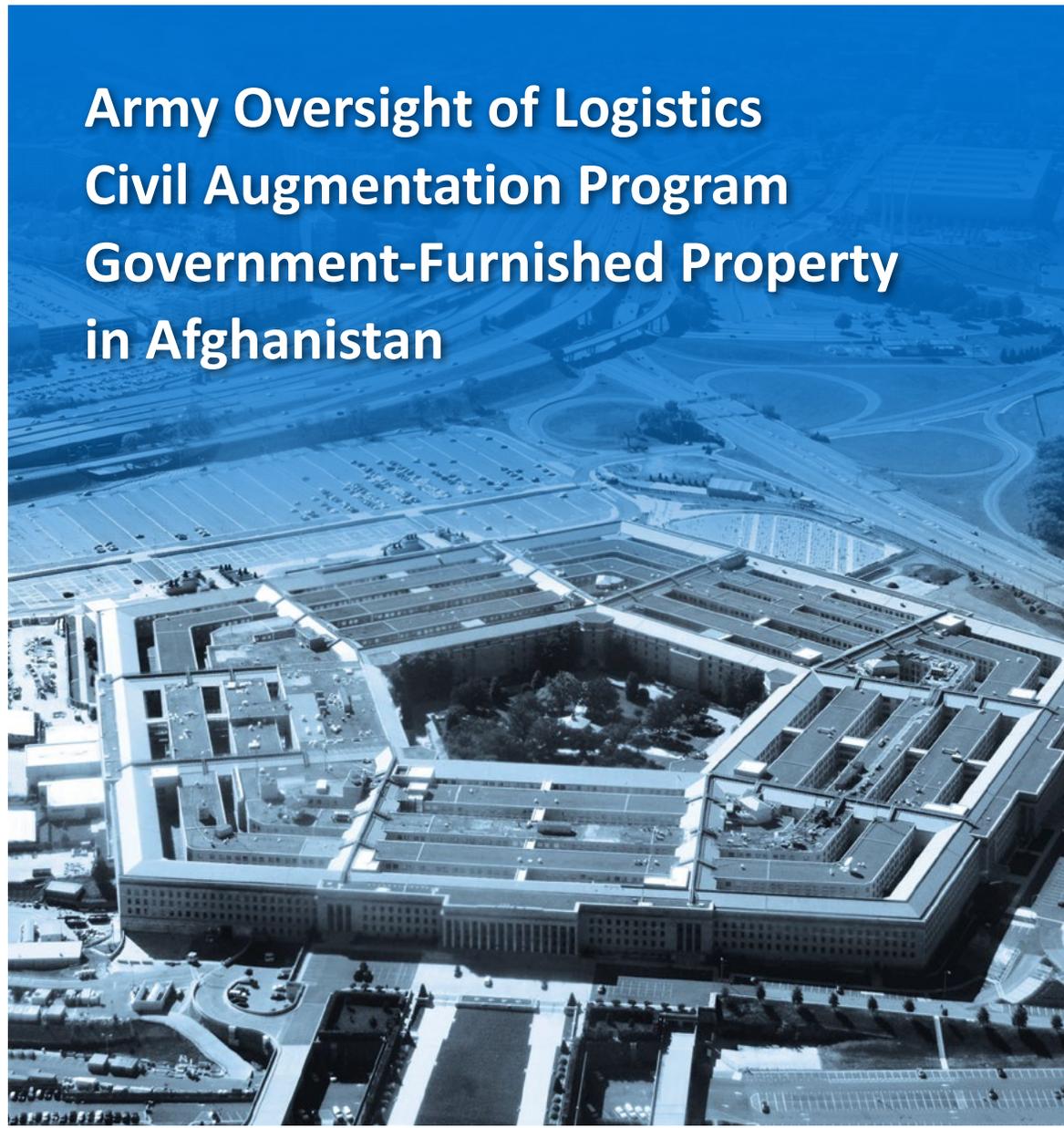




# INSPECTOR GENERAL

*U.S. Department of Defense*

DECEMBER 11, 2017



## Army Oversight of Logistics Civil Augmentation Program Government-Furnished Property in Afghanistan

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# Results in Brief

## *Army Oversight of Logistics Civil Augmentation Program Government-Furnished Property in Afghanistan*

December 11, 2017

### Objective

We determined whether the Army provided effective oversight of Logistics Civil Augmentation Program (LOGCAP) Government-furnished property (GFP) in Afghanistan.

### Background

LOGCAP is an Army program using contractors to provide logistical and sustainment services to deployed forces since 1992. The Army has issued four LOGCAP contracts to provide sustainment support to U.S. operations around the world, including Afghanistan. Services provided in the LOGCAP contract include dining and laundry facilities, housing, construction, transportation, and facilities maintenance. The Army Sustainment Command awarded LOGCAP IV in 2007.

In 2009, the Army Contracting Command–Rock Island awarded task orders for LOGCAP services in Afghanistan to DynCorp International for the Southern Afghanistan Area of Responsibility, which includes Kandahar Airfield, and to Fluor Intercontinental for the Northern Afghanistan Area of Responsibility, which includes Bagram Airfield. As part of the transition to LOGCAP IV, the LOGCAP III contractor transferred possession and accountability of GFP to DynCorp and Fluor.

Federal Acquisition Regulation Part 45 defines GFP as property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for the performance of a contract.

### Background (cont'd)

Examples of GFP furnished to LOGCAP contractors includes heating and air conditioning units; construction vehicles, such as forklifts; and power generators.

The Army Sustainment Command and Army Contracting Command execute GFP and contractor oversight responsibilities through their subordinate commands, the 401st Army Field Support Brigade and the Expeditionary Contracting Command–Afghanistan. The 401st Army Field Support Brigade provides a property book officer responsible for maintaining the Army's official accountable records for GFP. The Expeditionary Contracting Command–Afghanistan, as the contract administrator, oversees the LOGCAP contractors using administrative contracting officers and property administrators.

### Finding

The Army did not perform effective oversight of LOGCAP GFP in Afghanistan. Specifically, the Army Sustainment Command did not include at least 26,993 items provided to the LOGCAP IV contractors in the Army's accountable records.

The Army's accountable records were incomplete because the Army Contracting Command–Rock Island did not properly modify the LOGCAP IV contract for GFP transfers and did not coordinate GFP transfers with the property book officer. In addition, Army guidance did not include sufficient controls for identifying and resolving GFP accountability deficiencies.

As a result of the Army's poor accountability of LOGCAP GFP in Afghanistan, at least \$99.9 million in property was at increased risk of being lost, stolen, or unaccounted for without Army detection. LOGCAP contractors have self-reported more than \$9.7 million in GFP losses since 2012. However, without maintaining an accurate list of all GFP, Army officials cannot be certain that all contractor GFP losses have been identified, investigated, and reported. In addition, the contractors' records contained 4,019 controlled inventory items, valued at \$1.5 million, that were not included in the Army's accountable records. If enemy forces obtain certain controlled inventory



# Results in Brief

## *Army Oversight of Logistics Civil Augmentation Program Government-Furnished Property in Afghanistan*

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

items, such as personal protective equipment, they could be used against U.S. and Coalition forces. Finally, the lack of accountability of LOGCAP GFP limited the Army's ability to plan and execute base sustainment in Afghanistan. Specifically, the Army had to rely on the contractors' records for procurement-related decision making.

### **Recommendations**

We recommend that the Commanding General, Army Contracting Command, coordinate with the Commander, Expeditionary Contracting Command–Afghanistan, to:

- review and validate the contractors' Government-furnished property listings, modify LOGCAP task orders 0004 and 0005 to ensure all GFP currently possessed by the LOGCAP contractors is included on the contract, and provide the property book officer with the updated contract modification;
- develop a GFP training manual and train personnel on the Army guidance and processes for LOGCAP accountability; and
- ensure corrective actions implemented on LOGCAP IV are effectively included in the establishment and execution of the LOGCAP V contract.

We recommend that the Commanding General, Army Sustainment Command, task the Commander, 401st Army Field Support Brigade, to:

- use the contract modification referenced in the first recommendation to update the Army's official GFP accountable records; and
- update the Theater Provided Equipment standard operating procedures to require the theater property book officer coordinate with Expeditionary Contracting Command–Afghanistan to reconcile, at least twice per year, the Army GFP accountable record with the contractors' records and address any discrepancies.

### **Management Comments and Our Response**

The Deputy to the Commanding General, Army Contracting Command, responding for the Commanding General, Army Contracting Command, agreed with the recommendation to review and validate the contract Government-furnished property listings, modify the task orders accordingly, and provide modifications to the property book officer. In addition, the Deputy agreed to review established procedures and training to ensure that accountability is correctly addressed. Furthermore, the Deputy agreed to ensure corrective actions implemented on LOGCAP IV are effectively included in the establishment and execution of the LOGCAP V contract. Therefore, the recommendations are resolved and will be closed when we verify the planned actions are fully implemented.

The Executive Director, Acquisition Integration and Management Center, responding for the Commanding General, Army Sustainment Command, agreed to use the modifications provided by Army Contracting Command to update the Accountable Property System of Record and the fiduciary record. In addition, the Executive Director agreed to update the Theater Provided Equipment standard operating procedures to reflect the intent to conduct semiannual reconciliation of the Government-furnished equipment with the Expeditionary Contracting Command–Afghanistan. Therefore, the recommendations are resolved and will be closed when we verify the planned actions are fully implemented.

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

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Commanding General, Army Contracting Command	None	1.a, 1.b, 1.c	None
Commanding General, Army Sustainment Command	None	2.a, 2.b	None

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**

December 11, 2017

**MEMORANDUM FOR DISTRIBUTION**

**SUBJECT: Army Oversight of Logistics Civil Augmentation Program Government-Furnished Property in Afghanistan (Report No. DODIG-2018-040)**

We are providing this report for information and use. The Army did not provide effective oversight of Logistics Civil Augmentation Program Government-furnished property. Specifically, the Army Sustainment Command did not include at least 26,993 items provided to the Logistics Civil Augmentation Program IV contractors in the Army's accountable records. 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 Deputy to the Commanding General, Army Contracting Command and comments from the Executive Director, Acquisition Integration and Management Center, on behalf of the Commanding General, Army Sustainment Command, addressed all of the recommendations and conformed to DoD Instruction 7650.03. Therefore, no written response to this report is required.

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

A handwritten signature in black ink, reading "Michael J. Roark".

Michael J. Roark  
Assistant Inspector General  
Contract Management and Payments

***Distribution:***

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AUDITOR GENERAL, DEPARTMENT OF THE ARMY

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# Introduction

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## Objective

We determined whether the Army provided effective oversight of Logistics Civil Augmentation Program (LOGCAP) Government-furnished property (GFP) in Afghanistan. We performed this audit at Bagram Airfield and Kandahar Airfield, Afghanistan. See the Appendix for a discussion of the scope and methodology and prior audit coverage related to the audit objective.

## Background

### ***Logistics Civil Augmentation Program***

LOGCAP is an Army program using contractors to provide logistical and sustainment services to deployed forces since 1992. The Army has issued four LOGCAP contracts to provide sustainment support to U.S. operations around the world, including Afghanistan. Services provided in the Afghanistan LOGCAP contract include dining and laundry facilities, housing, construction, transportation, and facilities maintenance.

### ***LOGCAP IV Contract***

In June 2007, the Army Sustainment Command (ASC) awarded the LOGCAP IV base contract to three contractors, DynCorp International, Fluor Intercontinental, and Kellogg Brown and Root. The three contractors competed for individual task orders, resulting in a competitive environment meant to control costs and enhance quality. Each task order was evaluated and awarded based on past performance, the price in the contractors' proposals, and the contractor's technical approach, which is the degree to which the proposed approach meets or does not meet the minimum performance or capability requirements.

On July 7, 2009, the Army Contracting Command–Rock Island (ACC-RI) awarded two cost-plus-award-fee task orders for LOGCAP services in Afghanistan—task order 0004 to DynCorp for the Southern Afghanistan Area of Responsibility, which includes Kandahar Airfield, and task order 0005 to Fluor for the Northern Afghanistan Area of Responsibility, which includes Bagram Airfield.<sup>1,2</sup> As part of the transition to LOGCAP IV, the LOGCAP III contractor transferred possession and accountability of GFP to DynCorp and Fluor.

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<sup>1</sup> The ACC was established in 2008 and assumed contracting responsibilities from the ASC for LOGCAP IV.

<sup>2</sup> A cost-plus-award-fee contract provides payment of allowable incurred costs. The fee consists of a fixed base amount and an award amount that is based on the contractor's performance.

For task orders 0004 and 0005, the periods of performance were initially from July 7, 2009, to July 31, 2015, but the ACC-RI extended both task orders to June 30, 2018. As illustrated in Table 1, the cumulative budgeted amounts for the two task orders are \$6.2 billion and \$10.5 billion, respectively. The Army plans to award and transition to the LOGCAP V contract in June 2018.

*Table 1. Cumulative Budgeted Amounts for Each Task Order*

LOGCAP Task Orders	Period of Performance	Cumulative Budgeted Amounts
Task Order 0004: Southern Afghanistan	July 7, 2009, to June 30, 2018	\$6,231,017,297
Task Order 0005: Northern Afghanistan	July 7, 2009, to June 30, 2018	\$10,496,156,323
<b>Total</b>		<b>\$16,727,173,620</b>

Source: The DoD OIG.

### ***Government-Furnished Property***

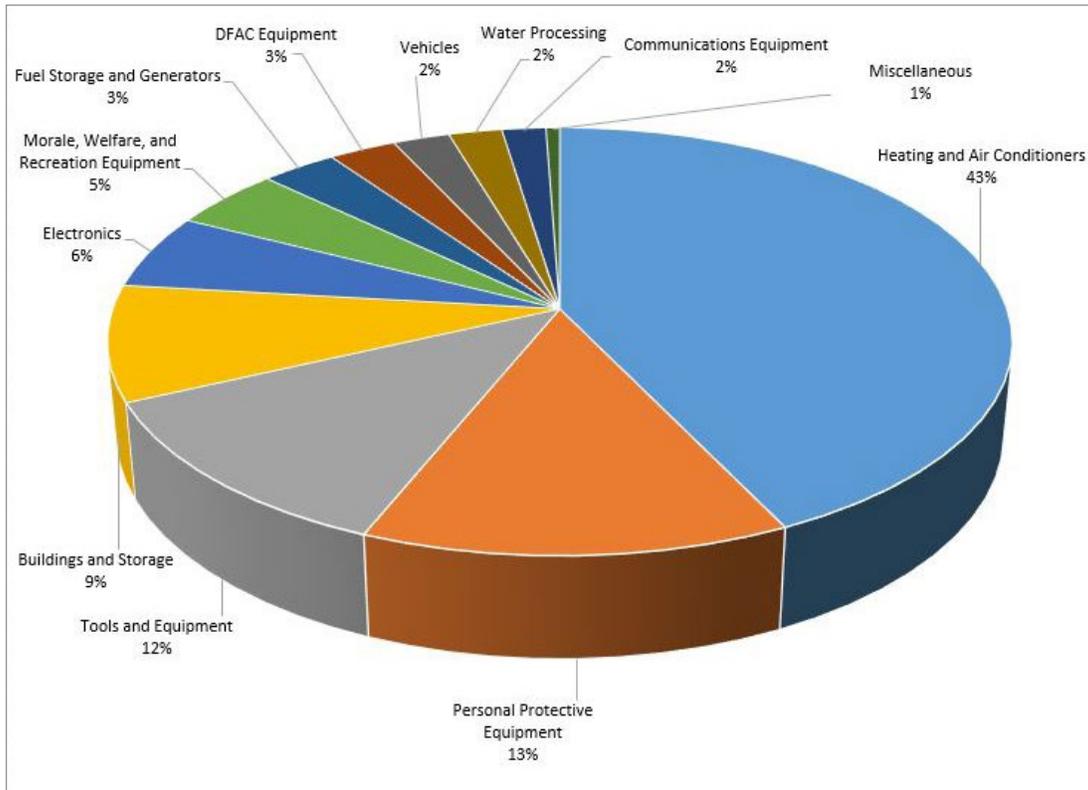
The Federal Acquisition Regulation (FAR) defines GFP as property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for the performance of a contract.<sup>3</sup> Examples of GFP furnished to LOGCAP contractors include heating and air conditioning units; construction vehicles, such as forklifts; and power generators. Figure 1 shows examples of GFP we observed in Afghanistan.



<sup>3</sup> FAR Part 45, "Government Property," Subpart 45.1, "General," 45.101, "Definitions."

Figure 2 shows the types of GFP that LOGCAP contractors reported they were using in Afghanistan as of May 2017. The percentages in the figure represent the number of items in the group compared to the total number of GFP items reported by the contractors.

*Figure 2. Types of GFP in Afghanistan*



Source: The DoD OIG.

### *Controlled Inventory Items*

According to DoD Instruction (DoDI) 5000.64, controlled inventory items are assets that must be safeguarded by special identification, accountability, and controls because of classification, sensitivity, or pilferability.<sup>4</sup> LOGCAP IV contractors were issued sensitive items, such as personal protective equipment, which are a type of controlled inventory item that pose a risk if lost or stolen. The contractors were also issued pilferable items, such as cellular phones and computers, which are another type of controlled inventory item that are at high risk of theft because they have ready resale value or personal applications.

<sup>4</sup> DoDI 5000.64, "Accountability and Management of DoD Equipment and Other Accountable Property," April 27, 2017.

## ***LOGCAP GFP Roles and Responsibilities***

The Army Materiel Command (AMC) is responsible for the LOGCAP contract to meet the sustainment requirements of U.S. Forces–Afghanistan. The AMC manages the LOGCAP IV contract through the following subordinate commands below. Each AMC subordinate command described below has specific responsibilities regarding GFP issuance and accountability. To ensure the Army maintains complete accountability of GFP furnished to contractors, it is essential that these commands communicate and coordinate effectively.

### *Army Contracting Command–Rock Island*

The ACC-RI provides global contracting support to the Army. The ACC-RI awarded the LOGCAP IV task orders for Afghanistan and assigned the procuring contracting officer (PCO). The PCO executed contracting actions, such as issuing task orders and contract modifications, for U.S. Forces–Afghanistan.

### *Expeditionary Contracting Command–Afghanistan*

The Expeditionary Contracting Command–Afghanistan (ECC-A) supports the ACC-RI with planning, resourcing, and executing LOGCAP IV contracting for U.S. Forces–Afghanistan. On January 8, 2016, the ECC-A assumed contract administration responsibilities from the Defense Contract Management Agency, which was responsible for contract administration for all of LOGCAP III and LOGCAP IV until December 2015. As the contract administrator, the ECC-A oversees the LOGCAP contractors using administrative contracting officers (ACOs) and property administrators.<sup>5</sup>

### *Army Sustainment Command*

The primary mission of the ASC is to provide sustainment support to the Army and Joint Forces in support of combatant commanders. The ASC publishes the Theater Provided Equipment standard operating procedures used by the theater property book officer (PBO).<sup>6</sup>

### *401st Army Field Support Brigade–Afghanistan*

The 401st Army Field Support Brigade supports the ASC by providing the PBO for theater provided equipment in Afghanistan, which includes LOGCAP GFP. DoDI 5000.64 assigns the PBO the responsibility for maintaining the

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<sup>5</sup> Headquarters Army Contracting Command Operation Order 17-29, “Discontinuation of the U.S. Army Expeditionary Contracting Command (ECC),” dated September 2017 states that effective with the publication of this order, the ECC-A is hereby referred to as the Army Contracting Command–Afghanistan. Throughout this report, we use ECC-A because it was the command in charge of contract administration during the fieldwork phase of our audit.

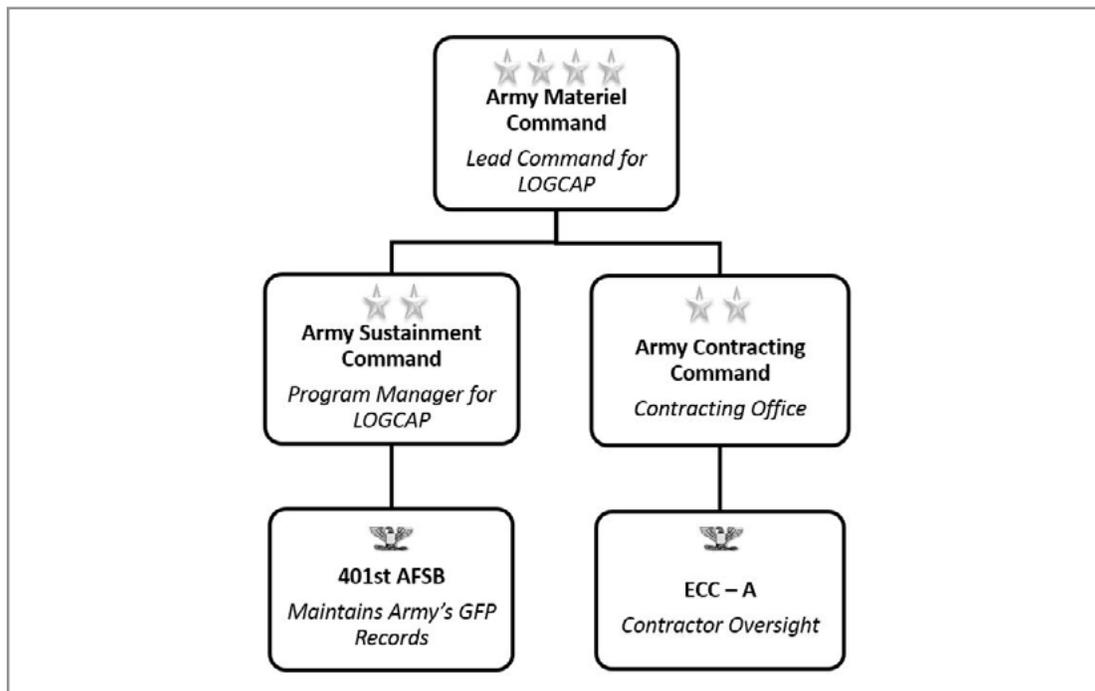
<sup>6</sup> The ASC’s Army Materiel Command Operation Resolute Support Theater Property Book Officer Standard Operating Procedures, February 2017. The ASC standard operating procedures state that theater provided equipment is designated by the Army to remain in the operating area for the duration of the mission.

Army record of GFP transferred to contractors in the Army's accountable GFP records.<sup>7</sup> Army Regulation 735-5 establishes the Property Book Unit Supply-Enhanced (PBUSE) system as the Army's official GFP record of property.<sup>8</sup> Army Regulation 735-5 also states that the PBO is responsible for establishing an asset listing in PBUSE, which will be used to identify which GFP is in each contractor's possession. The PBO is responsible for updating PBUSE:

- when the Army initially issues GFP to the contractor;
- when the PBO is notified of contractor receipt, transfer, or disposal of GFP during the contract; and
- upon termination of the contract.

Neither Army Regulation 735-5 nor the Theater Provided Equipment standard operating procedures require the PBO to conduct inventories to validate the accountable records; however, the standard operating procedures state that the theater PBO is responsible for maintaining accurate and timely property data for all GFP in Afghanistan. Figure 3 shows the organizational structure for LOGCAP GFP oversight.

*Figure 3. LOGCAP Roles and Responsibilities*



Source: The DoD OIG.

<sup>7</sup> According to DoDI 5000.64, the Army is required to maintain fiduciary records in an accountable property system of record. Throughout this report, we use the term "accountable records" to refer to the accountable property system of record.

<sup>8</sup> Army Regulation 735-5, "Property Accountability Policies," November 9, 2016.

## ***LOGCAP GFP Records***

The LOGCAP contractors and the Army are required to maintain separate, complete records of GFP. Specifically, the LOGCAP contract property clause requires contractors to maintain complete and current GFP records, and DoDI 5000.64 requires DoD agencies to maintain records for all GFP issued to contractors.<sup>9</sup> If the contractors and PBO maintain accurate and complete records, then the contractors' and Army's GFP records should match.

## ***Army Accountability of GFP***

According to the LOGCAP contract property clause, the Government must deliver to the contractor the GFP described in the contract. FAR Part 45 states that Government property transfers from one contract to another must be documented by modifications to both the gaining and losing contracts.<sup>10</sup> Furthermore, Army Federal Acquisition Regulation Supplement (AFARS) states that contracting officers must ensure that changes to Government property made over time are reflected by modifications to the contract.<sup>11</sup> Therefore, the PCO must modify the contract whenever GFP is transferred to or from the contractor. Army Regulation 735-5 states that the contracting office should notify the PBO upon contractor receipt, transfer, or disposal of any GFP during the life of the contract. The contracting office's notice enables the PBO to maintain the basic property book asset record for visibility of GFP transferred to the contractor.

## ***Contractor Accountability of GFP***

While the LOGCAP contract property clause requires the contractor to maintain a complete listing of GFP received from the contract, both the FAR and Army Regulation 735-5 also require government oversight of the contractor's records. Specifically, FAR Part 45 requires the agency responsible for contract administration to conduct an analysis of the contractor's property management policies, procedures, practices, and systems. In addition, Army Regulation 735-5 states that property administrators are responsible for administering and overseeing property accountability for GFP issued to the contractor.

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<sup>9</sup> FAR 52.245-1, "Government Property (Deviation) DARS Tracking # 2007-O0012" (June 2007).

<sup>10</sup> FAR Part 45, "Government Property," Subpart 45.1, "General," 45.106, "Transferring Accountability."

<sup>11</sup> AFARS 5145.390, "Documentation of Government Property in Solicitations and Contracts," dated 2013. This language is also used in the current AFARS.

## ***DoD Initiatives for Improving GFP Accountability***

In January 2012, the Under Secretary of Defense for Acquisition, Technology, and Logistics published a memorandum establishing a standardized methodology for DoD Components to establish a GFP baseline.<sup>12</sup> The memorandum directed the Services to develop a plan for implementing the methodology within 90 days of the publication date and stated that an outcome would be a “means to demonstrate accountability for DoD equipment, regardless of location or custodianship.”

In March 2013, the Department of the Army issued an Execute Order that directed the AMC to coordinate with U.S. Army Central to bring all GFP possessed by contractors to an accountable property system of record.<sup>13</sup> The order noted, as an end state, that all GFP within Afghanistan would be recorded in an accountable property system of record. Finally, in February 2014, the Under Secretary of Defense for Acquisition, Technology, and Logistics released another memorandum stating concerns with the Services’ lack of progress in addressing the DoD’s weaknesses in GFP records.<sup>14</sup> The memorandum required the Services to present a briefing on their status of achieving “accountability of GFP.”

## **Review of Internal Controls**

DoDI 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>15</sup> We identified internal control weaknesses with the Army’s oversight of LOGCAP GFP. Specifically, the ACC-RI did not properly modify the LOGCAP IV contract for GFP transfers and did not coordinate GFP transfers with the PBO. In addition, Army guidance did not include sufficient controls for identifying and resolving GFP accountability deficiencies. We will provide a copy of the report to the senior officials responsible for internal controls for LOGCAP GFP.

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<sup>12</sup> Under Secretary of Defense for Acquisition, Technology, and Logistics Memorandum, “Standard Equipment Data Elements for Government Furnished Property Baseline Establishment,” January 7, 2012.

<sup>13</sup> Headquarters Department of Army Execute Order 105-13, “Accountability and Control of Government Furnished Property,” March 18, 2013.

<sup>14</sup> Under Secretary of Defense for Acquisition, Technology, and Logistics Memorandum, “Implementation Status of Government Furnished Property Baseline Establishment,” February 3, 2014.

<sup>15</sup> DoDI 5010.40, “Managers’ Internal Control Program Procedures,” May 30, 2013.

## Finding

### Army Did Not Account for GFP Issued to LOGCAP Contractors in Afghanistan

The Army did not perform effective oversight of LOGCAP GFP in Afghanistan. Specifically, the ASC did not include at least 26,993 items provided to the LOGCAP IV contractors in the Army's accountable records as of May 2017.

The Army's accountable records were incomplete because the ACC-RI did not properly modify the LOGCAP IV contract for GFP transfers and did not coordinate GFP transfers with the PBO. In addition, Army guidance did not include sufficient controls for identifying and resolving GFP accountability deficiencies.

As a result of the Army's poor accountability of LOGCAP GFP in Afghanistan, at least \$99.9 million in property was at increased risk of being lost, stolen, or unaccounted for without Army detection.<sup>16</sup> LOGCAP contractors have self-reported more than \$9.7 million in GFP losses since 2012. However, without maintaining an accurate list of all GFP, Army officials cannot be certain that all contractor GFP losses have been identified, investigated, and reported.<sup>17</sup> In addition, the contractors' records contained 4,019 controlled inventory items, valued at \$1.5 million, that were not included in the Army's accountable records. Finally, the lack of accountability of LOGCAP GFP limited the Army's ability to plan and execute base sustainment in Afghanistan. Specifically, the Army had to rely on the contractors' records for procurement-related decision making.

### Army Did Not Maintain Adequate LOGCAP GFP Records

The Army did not maintain accountability of at least 26,993 items, valued at \$99.9 million.

The Army did not perform effective oversight of LOGCAP GFP. Specifically, the ASC did not maintain complete and accurate records of GFP provided to the LOGCAP IV contractors. As of May 2017, the Army's accountable records listed 887 items of GFP, valued at \$34.7 million, while the contractors' property records listed 27,880 items of GFP, valued at \$134.6 million. Therefore, the Army did not maintain accountability of at least 26,993 items, valued at \$99.9 million.<sup>18</sup>

<sup>16</sup> Because the Army did not have complete records of what GFP was issued to the LOGCAP contractors over the life of the contract, we could not determine whether the contractors' records included all GFP in their possession or given to the contractor. In addition, we did not determine the accuracy of the acquisition costs in the contractors' GFP listings. For more details, see the Appendix.

<sup>17</sup> See the Appendix, Scope and Methodology, for how we calculated the loss total.

<sup>18</sup> Value refers to the unit acquisition cost. According to FAR part 52.245-1, GFP unit acquisition cost is the dollar value assigned by the Government and identified in the contract.

Among the GFP items not accounted for in the Army's accountable records were 20 fire trucks, valued at \$8.6 million, and six semi-trucks, valued at \$1.3 million. Table 2 shows the discrepancy between the contractors' and the Army's accountable records.

*Table 2. Discrepancy between LOGCAP GFP Reported by the Contractors and the Army as of May 2017*

Area of Responsibility	GFP in Contractor System		GFP in PBUSE		Discrepancy	
	Items	Value	Items	Value	Items	Value
<b>Task Order 0005: Northern Afghanistan</b>	22,573	\$109,927,155	636	\$23,405,832	21,937	\$86,521,323
<b>Task Order 0004: Southern Afghanistan</b>	5,307	\$24,668,561	251	\$11,320,927	5,056	\$13,347,634
<b>Total</b>	<b>27,880</b>	<b>\$134,595,716</b>	<b>887</b>	<b>\$34,726,759</b>	<b>26,993</b>	<b>\$99,868,957</b>

Source: The DoD OIG analysis of contractor and Army GFP data.

## Army Contracting Officials Did Not Properly Process and Coordinate GFP Transfers

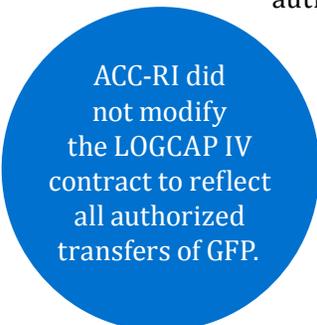
Army contracting officials did not properly process and coordinate GFP transfers throughout the LOGCAP IV period of performance.<sup>19</sup> According to the FAR and AFARS, the PCO should have modified task orders 0004 and 0005 whenever GFP was transferred to or from the contractor. Army Regulation 735-5 states that the contracting office should notify the PBO upon contractor receipt, transfer, or disposal of any GFP during the life of the contract. The contracting office's notice enables the PBO to maintain the basic property book asset record for visibility of GFP transferred to the contractor. However, these processes did not consistently occur. Specifically, Army contracting officials authorized GFP transfers without modifying the contract to add the GFP. Furthermore, the contracting office's representative did not communicate all of the transfers, whether the property was included on a modification or not, to the PBO so the PBO could update the Army's accountable records.

<sup>19</sup> Due to the constant rotation of personnel over the past 8 years, the number of agencies and commands involved, and the lack of complete contract file documentation, we could not identify the exact person or agency that was responsible; therefore, we used the term "contracting officials." In the instances where documentation was sufficient to identify the responsible party, we listed the position title.

Although the Army did not maintain complete accountability of LOGCAP GFP in the Army's accountable records, the ECC-A did ensure the contractors' records were generally complete. Specifically, ECC-A property administrators analyzed and approved the LOGCAP IV contractors' property management systems through the property management system analysis.<sup>20</sup> ECC-A property administrators conducted annual property management system analyses in order to evaluate the sufficiency of contractors' property management policies, procedures, practices, and systems. ECC-A last certified the contractors' property management systems were adequate in March 2017.

### ***ACC-RI Did Not Properly Modify the Contract for GFP Transfers***

The ACO issued letters of technical direction to authorize the transfer of GFP to the contractors, but the ACC-RI did not modify the LOGCAP IV contract to reflect all authorized transfers of GFP.<sup>21</sup> According to the FAR and AFARS, the PCO should modify the contract to reflect the property that was transferred to a contractor. From July 2009, when the contracts began, until May 2017, the PCO issued only nine GFP-related modifications to task orders 0004 and 0005. For example, the PCO modified task order 0004 in December 2011 to reflect 74 items that were provided to the contractor, including convection ovens, refrigerators, steam kettles, and braising pans. However, these nine modifications transferred only 7,244 items, valued at \$27 million, to the contractors. By comparison, as of May 2017, the contractors on task orders 0004 and 0005 listed 27,880 GFP items, valued at \$134.6 million, in their records. Furthermore, the PCO has not issued any GFP modifications since December 2011, even though the LOGCAP IV contractors have reportedly received at least 18,423 items, valued at \$109.2 million, since the last modification occurred.



ACC-RI did not modify the LOGCAP IV contract to reflect all authorized transfers of GFP.

According to the PCO, the ACC-RI has modified the contract for each updated property listing it has received. This indicates that the ACO has not properly communicated the transfers from the letters of technical direction to the PCO. Because the PCO relies on the ACO in Afghanistan to provide information regarding GFP that has been provided to the contractor, the ACO and PCO must improve communication to ensure all GFP provided to the LOGCAP contractors is included on a contract modification.

<sup>20</sup> During the property management system analysis, the property administrators evaluate the adequacy of the contractor's property management system in areas such as acquisition, records, and inventory.

<sup>21</sup> Letters of technical direction are contractual documents issued by the ACO or PCO, which provide technical direction to the contractor, such as directing the contractor to accept GFP.

### ***ACC-RI Did Not Properly Coordinate with ASC on GFP Transfers***

The ACC-RI did not properly coordinate with the ASC to ensure GFP transfers were properly updated in the Army's accountable records. Army Regulation 735-5 states that the contracting office's designated representative will notify the PBO upon contractor receipt, transfer, or disposal of any GFP during the life of the contract. The modification and notification are critical steps to ensure that all GFP transferred to the contractors is captured in the Army's accountable records.

However, even in the instances where modifications were done, Army contracting officials did not communicate all of the GFP transfers to the PBO. Not communicating contract modifications left the PBO unaware of property transfers to update in the Army's accountable records. This poor coordination between ACC and ASC officials caused the Army to underreport GFP in its accountable records by at least 26,993 items, valued at \$99.9 million.



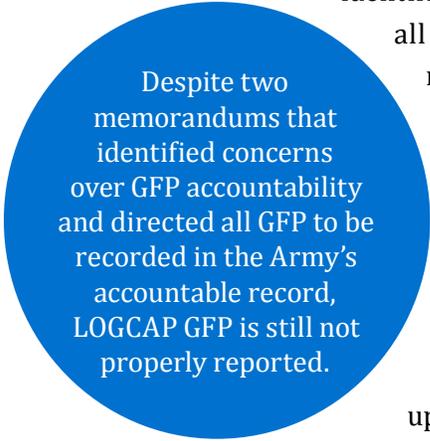
Army contracting officials did not communicate all of the GFP transfers to the PBO.

One area that was particularly problematic occurred when the ACO improperly authorized GFP transfers to LOGCAP contractors after items were found on base.<sup>22</sup> The Theater Provided Equipment standard operating procedures stated that a contractor is not authorized to add property that is found on base to its GFP records. Specifically, the standard operating procedures stated that a designated PBO representative needed to determine the owner of the equipment and, if the representative does not identify the owner, the contractor may request to add the property to its GFP records with a validated requirement. However, the ACO did not consistently follow the proper procedures for transferring property that was found on base. As a result, most of the 4,688 items that LOGCAP IV contractors reported as being found on base were not included on a contract modification or consistently communicated to the PBO so that the PBO could include the items in the Army's accountable records.

<sup>22</sup> Found on base, which is also called found on installation, refers to property the contractor finds on base that is not assigned to the contract. For example, contractors may find generators abandoned by departing military units.

## ***ACC and ASC Should Coordinate to Improve Accountability of LOGCAP GFP***

Despite two memorandums from the Under Secretary of Defense for Acquisition, Technology, and Logistics and an Execute Order from the Department of Army that



Despite two memorandums that identified concerns over GFP accountability and directed all GFP to be recorded in the Army's accountable record, LOGCAP GFP is still not properly reported.

identified concerns over GFP accountability and directed all GFP to be recorded in the Army's accountable record, LOGCAP GFP is still not properly reported.

To ensure all LOGCAP GFP is recorded in the Army's accountable records, the ACC-RI should coordinate with the ECC-A to modify the contracts to reflect all GFP currently possessed by the contractors and provide the PBO with the updated contract modification. Upon receiving the updated contract modification, the PBO should update the Army's official Government-furnished property accountable records. The ACC and ASC should

also monitor the GFP accountable records throughout the remainder of the LOGCAP IV contract to ensure all GFP transfers are appropriately modified to the contract, the transfers are properly communicated to the PBO, and the PBO is adequately updating the Army's accountable records.

In addition, in order to ensure effective coordination of transfers and to minimize GFP accountability deficiencies, it is imperative that all personnel responsible for LOGCAP GFP are knowledgeable on the guidance for GFP transfers. To ensure all personnel responsible for LOGCAP GFP accountability understand the guidance pertaining to GFP accountability, the ACC should coordinate with the ECC-A and ASC to establish a training manual on the GFP accountability requirements. Training personnel on the requirements should also improve the continuity between deploying and re-deploying personnel.

Finally, the LOGCAP IV contract expires in June 2018, and the Army is expected to award the LOGCAP V contract at that time. It is critical that the corrective actions implemented for LOGCAP IV are carried forward to the LOGCAP V contract. Therefore, the ACC and ASC should coordinate to ensure the contracting officer modifies the LOGCAP V contracts to include all GFP provided to the LOGCAP V contractor in the beginning and throughout the life of the LOGCAP V contracts, a contracting office's representative communicates those transfers to the PBO, and the PBO adequately updates the accountable records to reflect the GFP transfers.

## Army Guidance Did Not Include Internal Controls for Identifying and Resolving Variances

Army guidance did not include sufficient controls for identifying and resolving deficiencies pertaining to GFP accountability. Army Regulation 735-5 and the Theater Provided Equipment standard operating procedures require the contracting office to communicate to the PBO all transfers of GFP to the contractor. However, neither the Army Regulation 735-5 nor the Theater Provided Equipment standard operating procedures include any secondary controls for identifying and correcting deficiencies between the Army's and contractors' GFP accountability records. The Army should consider implementing additional controls to improve LOGCAP GFP accountability. For example, the PBO is not required to continuously validate whether his accountable records are accurate and complete. The ASC should consider a requirement that the PBO conduct periodic reconciliations of the LOGCAP GFP records.

A reconciliation between the contractors' and Army's accountable records would have identified GFP that existed on one record and not the other.<sup>23</sup> If the PBO identified GFP on the contractors' records not currently in the Army's records, the PBO could immediately coordinate with the contracting office to update the Army's records.

To ensure the Army has an accurate accountability record for GFP provided to the LOGCAP contractors, the ASC should update the GFP section of the Theater Provided Equipment standard operating procedures to include the requirement for reconciling the contractors' and Army's GFP records at least twice per year.



A reconciliation would have identified GFP that existed on one record and not the other.

## LOGCAP GFP Was At Increased Risk of Loss or Theft

As a result of poor oversight of LOGCAP GFP in Afghanistan, at least \$99.9 million in property was at increased risk of being lost, stolen, or unaccounted for without Army detection. While FAR Part 45 states that contractors are generally not held liable for lost, stolen, or damaged GFP under cost-reimbursement contracts like the LOGCAP contract, an accurate record of GFP would enable the Army to conduct more effective property loss investigations, and also may identify instances where the contractor was noncompliant with contractual requirements for reporting lost GFP. LOGCAP contractors have reported at least \$9.7 million in GFP losses since 2012, which requires additional internal controls and accountability to

<sup>23</sup> Reconciliation is an accounting process that uses two sets of records to ensure figures are accurate and in agreement.

ensure the stewardship of taxpayer funds. Furthermore, the PBO periodically provided a record of GFP to the contractor, and the contractor would review the record for completeness. Consequently, the contractors could determine which GFP items were not on the Army's accountable records, creating an opportunity for contractors to underreport actual GFP losses or even remove GFP from their systems undetected.

In addition, of the 26,993 GFP items unaccounted for by the Army, 4,019 were controlled inventory items, valued at \$1.5 million. If enemy forces obtain certain controlled inventory items, such as personal protective equipment, they could be used against U.S. and Coalition forces. Finally, the lack of Government oversight and accountability of LOGCAP GFP limited the Army's ability to plan and execute base sustainment in Afghanistan. Specifically, the Army had to rely on contractor-provided GFP records when deciding whether to provide the LOGCAP contractors with additional GFP.



Of  
the 26,993  
GFP items  
unaccounted for by  
the Army, 4,019 were  
controlled inventory  
items, valued at  
\$1.5 million.

## Management Comments on the Finding and Our Response

### *Acquisition Integration and Management Center Comments*

In addition to providing comments on our recommendations, the Executive Director, Acquisition Integration and Management Center, responding for the Commanding General, ASC, identified contradictions between the FAR and Army regulations relating to accountability for GFP. Specifically, the Executive Director stated that Army Regulation 735-5 indicates that accountability for GFP is the responsibility of the contracting officer; however, this is not in accordance with the FAR. In addition, the Executive Director noted that Army Regulation 735-5 requires property provided to a contractor using a DD Form 1149 (Requisition and Invoice/Shipping Document), DD Form 250 (Material Inspection and Receiving Report), or DD Form 1348-1A (Issue Release/Receipt Document). However, using any document other than a DD Form 1149 or a Standard Form 30 (contract modification) to issue, transfer, or turn in GFP is in violation of the FAR. The Executive Director also stated that the FAR does not hold the contractor financially liable for failure to assign property accountability to an individual, but Army regulations describe the levels of responsibility for property accountability and that failure to assign an individual to that role could result in financial liability.

Furthermore, the Executive Director stated that the majority of the 27,000 assets are believed to be contractor-acquired property that should have transitioned to GFP when the contract went from LOGCAP III to LOGCAP IV. However, there was no regulatory requirement for the PBO to be informed of this transition so there was no way the PBO would know what equipment needed to be converted to GFP. The Executive Director stated that the findings in our report were the result of a “failure of the regulations from every level to keep up with the needs of contracted mission requirements.”

### *Our Response*

We acknowledge that contradictions between the FAR and Army Regulation 735-5 exist; however, those contradictions did not cause the Army’s incomplete GFP records. Specifically, the Executive Director stated that Army Regulation 735-5 indicates that accountability for GFP is the responsibility of the contracting officer and that this is not in accordance with the FAR. This statement is not correct. Federal and DoD criteria deliberately establish separate GFP reporting requirements for both the contractor and the Army. Specifically, FAR Clause 52.245-1 states that the contractor must create and maintain records of all Government property accountable to the contract, including GFP. In addition, DoDI 5000.64 states that although the DoD may not have physical custody, in order to maintain effective property accountability and for financial reporting purposes, DoD Components must establish and maintain records and accountability for property of any value, given to contractors as GFP. Army Regulation 735-5 defines steps necessary, such as establishing accountable records for GFP, as a method to meet the requirements established in DoDI 5000.64. Furthermore, this distinction in responsibilities between the contractor and the Army did not cause the Army to have incomplete GFP records.

In addition, the Executive Director noted that Army Regulation 735-5 requires property provided to a contractor using a DD Form 1149 (Requisition and Invoice/Shipping Document), DD Form 250 (Material Inspection and Receiving Report), or DD Form 1348-1A (Issue Release/Receipt Document). However, the Executive Director elaborated that using any document other than a DD Form 1149 or a Standard Form 30 (contract modification) to issue, transfer, or turn in GFP violates the FAR. This statement is not accurate. The FAR does not require use of a DD Form 1149 to document issuance, transfer, or turn in of GFP. In addition, using a DD Form 1149, DD Form 250, or DD Form 1348-1A as an internal control to document property transfers does not violate the FAR. However, we agree that the FAR requires the contract to be modified to reflect those transfers and we state in our report that the ACC did not properly modify the contract to reflect property transfers.

The Executive Director also stated that the FAR does not hold the contractor financially liable for failure to assign property accountability to an individual, but Army regulations describe the levels of responsibility for property accountability and that failure to assign an individual to that role could result in financial liability. Our report does not refer to the financial liability of individuals in the possession of GFP; therefore, this difference between the FAR and Army Regulation 735-5 did not impact the Army's GFP accountability.

During our audit, we discussed with ASC and ACC officials their concern over differences between the FAR and Army Regulation 735-5. They informed us that the Army is revising Army Regulation 735-5 sections related to Army property in the possession of contractors. We have reviewed a draft of the revision and believe this revision will better align Army regulations to the FAR requirements for accountability of GFP.

Finally, the Executive Director stated that the majority of the 27,000 assets are believed to be contractor-acquired property that should have transitioned to GFP when the contract went from LOGCAP III to LOGCAP IV. Based on the documentation we reviewed during the audit, we agree that some of the items that were missing from the Army's accountable records were transfers from LOGCAP III to LOGCAP IV. However, we could not determine whether those items had previously been labeled as contractor-acquired property under LOGCAP III. As the Executive Director stated, the assets should have transitioned to GFP when the contract went from LOGCAP III to LOGCAP IV. Furthermore, the March 2013 Execute Order issued by the Department of the Army directed the AMC to coordinate with U.S. Army Central to record all GFP, whether provided by the Government or a previous contractor, in an accountable property system of record to ensure the accountability and visibility of all GFP in the area of operation.

## **Recommendations, Management Comments, and Our Response**

### ***Recommendation 1***

**We recommend that the Commanding General, Army Contracting Command, coordinate with the Commander, Expeditionary Contracting Command–Afghanistan to:**

- a. Review and validate the contractors' Government-furnished property listings, modify Logistics Civil Augmentation Program task orders 0004 and 0005 to ensure all Government-furnished property currently possessed by the Logistics Civil Augmentation Program contractors is properly reflected by modifications to the contract, and provide the property book officer with the updated contract attachment.**

### *Army Contracting Command Comments*

The Deputy to the Commanding General, Army Contracting Command, responding for the Commanding General, Army Contracting Command, agreed to review and validate the contract GFP listings, modify the task orders accordingly, and provide modifications to the PBO. The Deputy expects the recommendation will be completed by May 2018.

### *Our Response*

Comments from the Deputy addressed all specifics of the recommendation. The modification and notification are critical steps to ensure that all GFP transferred to the contractors is captured in the Army's accountable records. Therefore, the recommendation is resolved and will be closed once we verify the planned actions are fully implemented.

- b. Develop a Government-furnished property training manual and train personnel on the Army guidance and processes for Logistics Civil Augmentation Program accountability.**

### *Army Contracting Command Comments*

The Deputy to the Commanding General, Army Contracting Command, responding for the Commanding General, Army Contracting Command, agreed to review established procedures and training to ensure that accountability is correctly addressed. The Deputy expects the actions will be completed by May 2018.

### *Our Response*

Although comments from the Deputy did not address the specifics of the recommendation, the planned review of procedures and training satisfied the intent of the recommendation, and no further comments are required. To ensure effective coordination of transfers and minimize GFP accountability deficiencies, all personnel responsible for LOGCAP GFP must be knowledgeable on the guidance for GFP transfers. Training personnel on the requirements should also improve the continuity between deploying and re-deploying personnel. Therefore, the recommendation is resolved and will be closed once we verify that the Army Contracting Command has procedures and training for LOGCAP accountability.

- c. **Ensure corrective actions implemented on Logistics Civil Augmentation Program IV are effectively included in the establishment and execution of the Logistics Civil Augmentation Program V contract.**

### *Army Contracting Command Comments*

The Deputy to the Commanding General, Army Contracting Command, responding for the Commanding General, Army Contracting Command, agreed to ensure corrective actions implemented on LOGCAP IV are effectively included in the establishment and execution of the LOGCAP V contract. However, the Deputy stated the award of the LOGCAP V contract is not currently known.

### *Our Response*

Comments from the Deputy addressed all specifics of the recommendation. It is critical that the corrective actions implemented for LOGCAP IV are carried forward to the LOGCAP V contract. Therefore, the recommendation is resolved and will be closed once we verify the corrective actions implemented for LOGCAP IV are included in the establishment and execution of the LOGCAP V contract.

## **Recommendation 2**

**We recommend that the Commanding General, Army Sustainment Command, task the Commander, 401st Army Field Support Brigade, to:**

- a. **Use the contract modification referenced in Recommendation 1.a to update the Army's official Government-furnished property accountable records.**

### *Army Sustainment Command Comments*

The Executive Director, Acquisition Integration and Management Center, responding for the Commanding General, ASC, agreed to use the modifications resulting from Recommendation 1 to update the Accountable Property System of Record and the fiduciary record. The Executive Director stated that the action will be completed no later than May 1, 2018.

### *Our Response*

Comments from the Executive Director addressed all specifics of the recommendation. To ensure all LOGCAP GFP is recorded in the Army's accountable records, it is imperative that the PBO, upon receiving the contract modification, update the Army's official GFP accountable records. Therefore, the recommendation is resolved and will be closed once we verify the PBO uses the contract modification to update the Army's accountable records.

- b. Update the Theater Provided Equipment standard operating procedures to require the theater property book officer to coordinate with the Expeditionary Contracting Command–Afghanistan to reconcile, at least twice per year, the Government-furnished property accountable records with the contractors’ records and address any discrepancies.**

#### *Army Sustainment Command Comments*

The Executive Director, Acquisition Integration and Management Center, responding for the Commanding General, ASC, agreed to update the Theater Provided Equipment standard operating procedures to reflect the intent to conduct semiannual reconciliation of the GFP with the ECC-A. The Executive Director stated the first reconciliation should occur no later than December 1, 2018.

#### *Our Response*

Comments from the Executive Director addressed all specifics of the recommendation. A reconciliation between the contractors’ and the Army’s accountable records will ensure the Army has an accurate accountability record for GFP provided to the LOGCAP contractors. Therefore, the recommendation is resolved and will be closed once we verify the Theater Provided Equipment standard operating procedures are updated to reflect the semiannual reconciliation of the GFP accountable records with the contractors’ records.

## Appendix A

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### Scope and Methodology

We conducted this performance audit from April 2017 through October 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

To determine whether the Army provided effective oversight of LOGCAP GFP in Afghanistan, we reviewed the FAR, Defense Federal Acquisition Regulation Supplement, DoD Instructions, and Army regulations. In addition, we reviewed applicable ASC and ACC standard operating procedures. We conducted site visits to Bagram and Kandahar Airfields and coordinated with or interviewed personnel from the AMC, ASC, ACC-RI, ECC-A, and 401st Army Field Support Brigade. We also coordinated with the LOGCAP IV contractors.

In May 2017, we obtained a listing of GFP issued to LOGCAP IV contractors from PBUSE and the contractors' property management systems. We planned to test the accuracy and completeness of the Army's LOGCAP IV GFP records from the PBUSE listing. We compared the listings and determined that the Army's records of GFP issued to LOGCAP IV contractors were significantly less than the contractors' GFP records. Therefore, we concluded the Army's GFP records in PBUSE were not suitable for testing.

We decided to conduct tests at Bagram and Kandahar Airfields to verify GFP listed in the contractors property management systems existed and further substantiate the Army's PBUSE records were incomplete. We selected a nonstatistical sample of 45 GFP items at Bagram Airfield and 45 GFP items at Kandahar Airfield from the contractors' records, valued at \$7.8 million and \$5.9 million respectively, for book-to-floor testing. Our testing found that the contractors' records were generally complete. Using the items we selected for our sample, we determined that the GFP recorded in the contractors' property management systems existed. While physically locating items during book-to-floor testing, we nonstatistically selected a sample of 45 similar items at each testing location for floor-to-book testing. We determined whether the 90 floor-to-book sample items were recorded in the contractors' property management systems.

To derive the \$9.7 million value of contractor-reported loss data, we used property losses the contractors reported through their monthly contract data requirements list. We compiled each month's loss data and:

- eliminated property considered “damaged” or “destroyed”;
- eliminated 321 vehicles the contractor transferred back to the Government in 2013, valued at approximately \$6.7 million;
- checked for duplicate entries, to eliminate property reported as lost or stolen more than once;
- filtered the data to exclude Government-furnished material; and
- added the dollar value of each remaining line item.

To derive the \$99.9 million of GFP not included on the Army's accountable record, we used the dollar value of all GFP included on the contractors' GFP records and subtracted the dollar value of GFP on the Army's accountable record.

## Use of Computer-Processed Data

We used data from PBUSE and the LOGCAP IV contractors' property management systems to perform this audit. The data contained listings of GFP issued to LOGCAP IV contractors and required no additional processing. To test the reliability of the data obtained from the contractors, we conducted existence and completeness tests at Bagram and Kandahar Airfields. Based on our testing results, we concluded that the contractors' records were sufficiently reliable. We had planned to test the accuracy and completeness of the Army's LOGCAP IV GFP records in Afghanistan, but decided not to test after identifying that the Army's records of GFP issued to LOGCAP IV contractors contained significantly fewer items than the contractors' GFP records. The Army's incomplete GFP records did not impact the reliability of our conclusions and are further discussed in the finding of our report.

## Prior Coverage

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

## **DoD OIG**

DODIG-2017-095, "U.S. Army's Management of the Heavy Lift VII Commercial Transportation Contract Requirements in the Middle East," June 26, 2017

The objective of the audit was to determine whether the Army properly managed the requirements of the Heavy Lift VII commercial transportation contracts. The audit found that the Army did not adequately manage the Heavy Lift VII contract requirements. Specifically, the Army ordered an average of 39 percent more transportation assets than it needed throughout the life of the Heavy Lift VII contracts.

DODIG-2015-128, "Army Needs to Improve Processes Over Government-Furnished Material Inventory Actions," May 21, 2015

The objective of the audit was to determine whether the Logistics Modernization Program system correctly recorded Army inventory actions for Government-furnished material in the general ledger accounts and accountability records. The audit found that in FY 2014, the Army inappropriately expensed about \$125.2 million in Government-furnished material, preventing proper recording and accountability records in the general ledger accounts.

DODIG-2015-126, "Contract Oversight for Redistribution Property Assistance Team Operations in Afghanistan Needs Improvement," May 18, 2015

The objective of the audit was to determine whether the DoD was providing effective contract oversight at the Redistribution Property Assistance Team in Afghanistan. The audit found that Defense Contract Management Agency and 401st Army Field Support Brigade officials did not provide effective contract oversight at the Redistribution Property Assistance Team yards in Afghanistan. Specifically, Defense Contract Management Agency and 401st Army Field Support Brigade officials who oversaw the wholesale Redistribution Property Assistance Team contract did not agree on whether the contractor performed contract services in accordance with performance work statement requirements. In addition, 401st Army Field Support Brigade personnel did not follow applicable Army regulations to initiate property loss investigations.

DODIG-2014-044, "Improvements Are Needed in Contractor Oversight, Mission Security, and Personnel Safety for the Afghanistan Rotary Wing Program Contracts," March 11, 2014

The objective of the audit was to determine whether U.S. Transportation Command and U.S. Central Command officials had adequate oversight of processes and procedures for the Afghanistan Rotary Wing Transport contracts. The audit found that U.S. Transportation Command and U.S. Central Command officials did not establish adequate oversight of processes and procedures for the Afghanistan Rotary Wing Transport Contracts.

DODIG-2014-043, "The Army Needs to Improve Accountability and Oversight at Redistribution Property Assistance Team Yards in Afghanistan," March 4, 2014

The ASC, ACC-RI, and 401st Army Field Support Brigade did not have effective procedures for processing and safeguarding equipment at the Redistribution Property Assistance Team yards in Bagram and Kandahar, Afghanistan. As a result, the Army reported accumulated losses of \$586.8 million on 26 open financial liability investigation of property loss reports from May 2012 through May 2013 in retail and wholesale equipment at the nine Redistribution Property Assistance Team yards in Afghanistan. Among other recommendations, the report recommends that the Commander, AMC, revise the Operation Enduring Freedom-Theater Property Book Office standard operating procedures to establish inventory requirements for wholesale equipment at the Redistribution Property Assistance Team yard.

## **Army**

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

The objective of the audit was to verify that the Army had processes in place to assume the additional contracting support responsibilities resulting from the transfer of contingency contract administration services previously provided by the Defense Contract Management Agency.

## Appendix B

### Potential Monetary Benefits

Table 3 identifies the amount of unsupported costs for GFP throughout the life of the LOGCAP IV contract.

*Table 3. LOGCAP IV Questioned Costs*

Recommendations	Type of Benefit	Amount of Benefit	Account
1-2	Questioned Costs	99,868,956.86	Multiple accounts will be impacted

Source: The DoD OIG.

## Management Comments

### Assistant Secretary of the Army (Acquisition, Logistics and Technology)



**DEPARTMENT OF THE ARMY**  
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY  
ACQUISITION LOGISTICS AND TECHNOLOGY  
103 ARMY PENTAGON  
WASHINGTON DC 20310-0103

SAAL-ZP

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL (DODIG), MR. KEVIN T. O'CONNOR, PROGRAMS DIRECTOR, CONTRACT MANAGEMENT AND PAYMENTS, 4800 MARK CENTER DRIVE, ALEXANDRIA, VIRGINIA 22350-1500

SUBJECT: DoDIG Draft Report: Army Oversight of Logistics Civil Augmentation Program Government-Furnished Property in Afghanistan (Project No. D2017-D000JB-0129.000)

1. On behalf of the Acting Assistant Secretary of the Army (Acquisition, Logistics and Technology), the Office of the Deputy Assistant Secretary of the Army (Procurement) reviewed the draft report and I am providing the official Army position. After reviewing the draft report, I concur with the recommendations and responses. The enclosures provide the detailed responses to the recommendations.

[REDACTED]

[REDACTED]

Encls

Stuart A. Hazlett  
Deputy Assistant Secretary  
of the Army (Procurement)

## Army Materiel Command



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

AMCIR

28 NOV 2017

MEMORANDUM FOR Department of Defense Inspector General (DoDIG/Mr. Kevin T. O'Connor), Program Director, Contract Management and Payments, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Command Comments on DoDIG Draft Report, Army Oversight of Logistics Civil Augmentation Program Government-Furnished Property in Afghanistan, Project D2017JB-0129

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



Encl

  
LISHA H. ADAMS  
Executive Deputy to the  
Commanding General

## Army Contracting Command

REPLY TO  
ATTENTION OF:

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

AMSCC-IR

08 NOV 2017

MEMORANDUM FOR Ms. Ruby Price, Acting Director, Internal Review and Audit Compliance Office, Headquarters, U.S. Army Materiel Command, 4400 Martin Road, Redstone Arsenal, AL 35898

SUBJECT: DODIG Report, Army Accountability of Logistics Civil Augmentation Program Government-Furnished Property in Afghanistan, (Project No. D2017-D000JB-0129.000) (D1730) (5188)

1. DODIG Report, DoD Inspector General, 26 October 2017, subject: same as above.
2. The Army Contracting Command (ACC) provides the enclosed comments in response to the referenced document. Please update the report with this correct information:
  - Replace the Commander, Army Contracting Command with Commanding General, Army Contracting Command.
  - Replace Expeditionary Contracting Command-Afghanistan (ECC-A) with Army Contracting Command-Afghanistan (ACC-A)



JOHN M. LYLE  
Deputy to the Commanding General

Encl

## Army Contracting Command (cont'd)

**DoDIG Audit of  
Army Oversight of Logistics Civil Augmentation Program Government-Furnished  
Property in Afghanistan  
Project No. D2017-D000JB-0129.000**

**We recommend that the Commanding General, Army Contracting Command, task the Commander, Army Contracting Command–Afghanistan to:**

**Recommendation 1.a**

- Review and validate the contractors' Government-furnished property listings, modify LOGCAP task orders 0004 and 0005 to ensure all GFP currently possessed by the LOGCAP contractors is included on the contract, and provide the property book officer with the updated contract modification

**Concur.** ACC-A in coordination with ACC-RI will validate the contract Government-furnished property listings, modify the task orders accordingly, and provide modifications to the Property Book Officer. Expected completion of this recommendation is May 2018.

**Recommendation 1.b**

- Develop a GFP training manual and train personnel on the Army guidance and processes for LOGCAP accountability;

**Concur.** HQ ACC will review established procedures and training to ensure that accountability is correctly addressed. Expected completion of this recommendation is May 2018.

This recommendation should also be addressed to DA G4;

**Recommendation 1.c**

- Ensure corrective actions implemented on LOGCAP IV are effectively included in the establishment and execution of the LOGCAP V contract.

**Concur.** ACC-RI will ensure lessons learned are incorporated into LOGCAP V. Award of the LOGCAP V contract is not currently known.

# Army Sustainment Command



REPLY TO  
ATTENTION OF:

AMSAS-AIM

**UNCLASSIFIED**

DEPARTMENT OF THE ARMY  
HEADQUARTERS US ARMY SUSTAINMENT COMMAND  
1 ROCK ISLAND ARSENAL  
ROCK ISLAND IL 61299-6500

MEMORANDUM THRU US Army Materiel Command (AMCIR), 4400 Martin RD  
Redstone Arsenal AL 35898-5000

FOR: Inspector General Department of Defense 4800 Mark Center Drive Alexandria,  
Virginia 22350-1500

SUBJECT: DoDIG DRAFT Army Oversight of Logistics Civil Augmentation Program  
Government-Furnished Property in Afghanistan (Project No. D2017-D000JB-0129.000),  
Report A-2017-0XXX-ALS

1. Thank you for the opportunity to review and comment on the draft report. Our  
comments are enclosed.



Encl

CARL J. CARTWRIGHT  
Executive Director, Acquisition Integration and  
Management Center

**UNCLASSIFIED**

## Army Sustainment Command (cont'd)

**DoD Office of Inspector General  
Draft Report  
Project No. D2017-D000JB-0129.000 Audit of Army Accountability of LOGCAP  
Government Furnished Property in Afghanistan**

**General Comments:** Army Sustainment Command (ASC) is the execution branch of Army Materiel Command (AMC). The Property Book Officers (PBO) assigned to ASC use the Accountable Property System of Record (APSR), currently converting from PBUSE to GCSS-Army, to account for Government Furnished Property (GFP). This is accomplished using a fiduciary account model which is not unlike any other accountability model, except the functional execution of GFP is facilitated first and foremost by ambiguous language stipulated in the Federal Acquisition Regulations (FAR) rather than specific language stipulated in Army Regulations.

Army Regulations are very specific and ridged when dealing with accountability policies and procedures. However, language in the FAR does not support accountability requirements as stringently and often contradicts language and standard processes outlined in Army Regulations. Oftentimes language in the FAR creates an obstacle that interferes with the accurate and consistent accountability of GFP.

i.e.

AR 710-2 Table 2-1 and Table 2-2 along with DA PAM 710-2-1 (in its entirety) as well as AR 735-5 (in its entirety) provides very specific guidelines and step by step procedures that must be followed when dealing with accountability and inventory of unit property. FAR 52.245-1(f)(1)(iv) states a contractor shall periodically perform an inventory (no specifics on what periodic means) and even the end of contract inventory can be waived if deemed necessary by the Contracting Officer (KO) or Property Administrator (PA). Plus, FAR language eludes to an inventory involving only assets considered excess by the contractor. The inventory requirement is only one of the many contradictions between the FAR and Army Regulations. In large part contractor activities are governed by the FAR and not Army Regulations.

The current AR 735-5 Chap 2-5d states: "*For contracts awarded under FAR Government property clause, accountability for GFP will be transferred to the contracting office having jurisdiction over the contract; however, the property book office will create and maintain a GFP transfer listing in Property Book Unit Supply-Enhanced which will have authorization quantity and on hand quantity on the property book for fiduciary reporting and/or asset visibility purposes.*" This indicates the PBO managing the fiduciary account as a book keeper working on behalf of the KO; the KO has all the responsibility for accountability but this is actually not the case IAW the FAR. GFP is issued direct to the contractor upon KO approval and upon submission of an SF 30 (contract modification).

## Army Sustainment Command (cont'd)

AR 735-5 Chap 2-5d(1) states: "...property provided to a contractor will be accomplished by using a DD Form 1149 (Requisition and Invoice/Shipping Document) or DD Form 250 (Material Inspection and Receiving Report) or DD Form 1348-1A (Issue Release/Receipt Document)." Using any document other than a DD Form 1149 or an SF 30 to issue, transfer, or turn-in GFP is in violation of the FAR and automatically fails an internal or external audit.

The list of contradictions between the FAR and Army Regulations is endless.

Army Regulations outline levels of responsibility to property accountability to such a degree that at any given time accountability is always assigned to an individual either directly or indirectly and failure to do that could, and often does, result in financial liability. There is no such level of responsibility in the FAR nor is there language to hold a contractor liable even for gross negligence. Language in DoDI 5000.64 (section 4.4), dated April 2017, is very specific with maintaining accountability of all army equipment issued as GFP. It goes on to say that 3<sup>rd</sup> parties (the contract) have only "...stewardship responsibility, consistent with the terms and conditions of the accountable contract or third party agreement..." The document goes on to say (Section 4.4f), "Third party property management or accountability systems, e.g. custodial systems, must not supersede or replace the APSR or the accountable property records maintained by the DoD." However, in a very real sense the FAR indicates the contractors Property Management System (PMS) takes precedence because the FAR does not mention a requirement to maintain GFP on a government APSR.

There is a valid argument against the financial obligation of maintaining two distinct accountability systems for GFP. The previously referenced DoDI mandates the Government maintain documented accountability of equipment using the standard APSR. The only reason contractors are still required to maintain their PMS is because the FAR has not yet caught up with the Government's requirement to maintain accountability regardless of physical possession.

It is believed the majority of assets listed in the 27,000 pieces is Contractor Acquired Property (CAP) and it is also believed items considered as CAP should have transitioned to GFP when the contract went from LOGCAP III to LOGCAP IV. However, there was no regulatory requirement for the Theater Provided Property (TPE) PBO to be informed of this transition so there was no way the TPE PBO would know what equipment needed to be converted to GFP. Again, a failure of the regulations, not a failure of ASC TPE PBO.

Requiring the contract to reconcile records twice a year is in violation of the contract as it is currently written. Contract currently calls for validation annually. However, IAW the FAR even the annual (or semi-annual) reconciliation does not provide for an avenue to convert from CAP to GFP; this is done at the end of the contract. The TPE PBO is currently working with LOGCAP property managers to update the fiduciary account for LOGCAP GFP. TPE PBO is also working the update to the current TPE Standard Operating Procedures (SOP). The concern here is does current language in the FAR and

## Army Sustainment Command (cont'd)

the Army Regulations support the intent of consistent accountability, and required actions outlined in the planned updates of the SOP.

To say ASC has done everything right and holds no fault for the condition of GFP would be inaccurate. However, regulations from the Federal level down to DoD and DA level are inconsistent and contradict each other on a regular basis. ASC could follow the line by line specifics outlined in AR 735-5 Chap 2-5 and pass an Army focused accountability inspection, but would fail every audit and the expectation of Public Law 111-84 by doing so. We could follow the specifics of the FAR and this would not be an issue because the FAR does not require a fiduciary account, but we would still fail every audit and, more importantly, fail to meet any level of consistent and accurate accountability of GFP.

The real failure here is the failure of the regulations from every level to keep up with the needs of contracted mission requirements.

### Recommendation for the Commanding General, U.S. Army Sustainment Command

#### Recommendation 2

*We recommend that the Commander, Army Sustainment Command, task the Commander, 401st Army Field Support Brigade, to:*

*a. Use the contract modification referenced in Recommendation 1.a to update the Army's official Government-furnished property accountable records.*

*b. Update the Theater Provided Equipment standard operating procedures to require the theater property book officer to coordinate with the Expeditionary Contracting Command-Afghanistan to reconcile, at least twice per year, the Government-furnished property accountable records with the contractors' records and address any discrepancies.*

#### Command Comments:

##### Recommendation 2 a

**Concurs.** In conjunction with the Army Contracting Command (recommendation 1), ASC will conduct a review of GFE on hand. The resulting modifications to the contract, exhibit identifying GFE will be added to the APSR and the fiduciary record. The full implementation of this recommendation is contingent to the implementation of recommendation 1. It is anticipated that the action will be completed NLT 1 May 18.

##### Recommendation 2 b:

**Concurs.** ASC will update the TPE SOP to reflect the intent to conduct semiannual reconciliation of the GFE with the Expeditionary Contracting Command-Afghanistan. The first reconciliation should occur NLT 1 Dec 18.

## Acronyms and Abbreviations

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<b>ACC-RI</b>	Army Contracting Command–Rock Island
<b>ACO</b>	Administrative Contracting Officer
<b>AFARS</b>	Army Federal Acquisition Regulation Supplement
<b>AMC</b>	Army Materiel Command
<b>ASC</b>	Army Sustainment Command
<b>ECC-A</b>	Expeditionary Contracting Command–Afghanistan
<b>FAR</b>	Federal Acquisition Regulation
<b>GFP</b>	Government-Furnished Property
<b>LOGCAP</b>	Logistics Civil Augmentation Program
<b>PBO</b>	Property Book Officer
<b>PBUSE</b>	Property Book Unit Supply–Enhanced
<b>PCO</b>	Procuring Contracting Officer

# **Whistleblower Protection**

## **U.S. DEPARTMENT OF DEFENSE**

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