



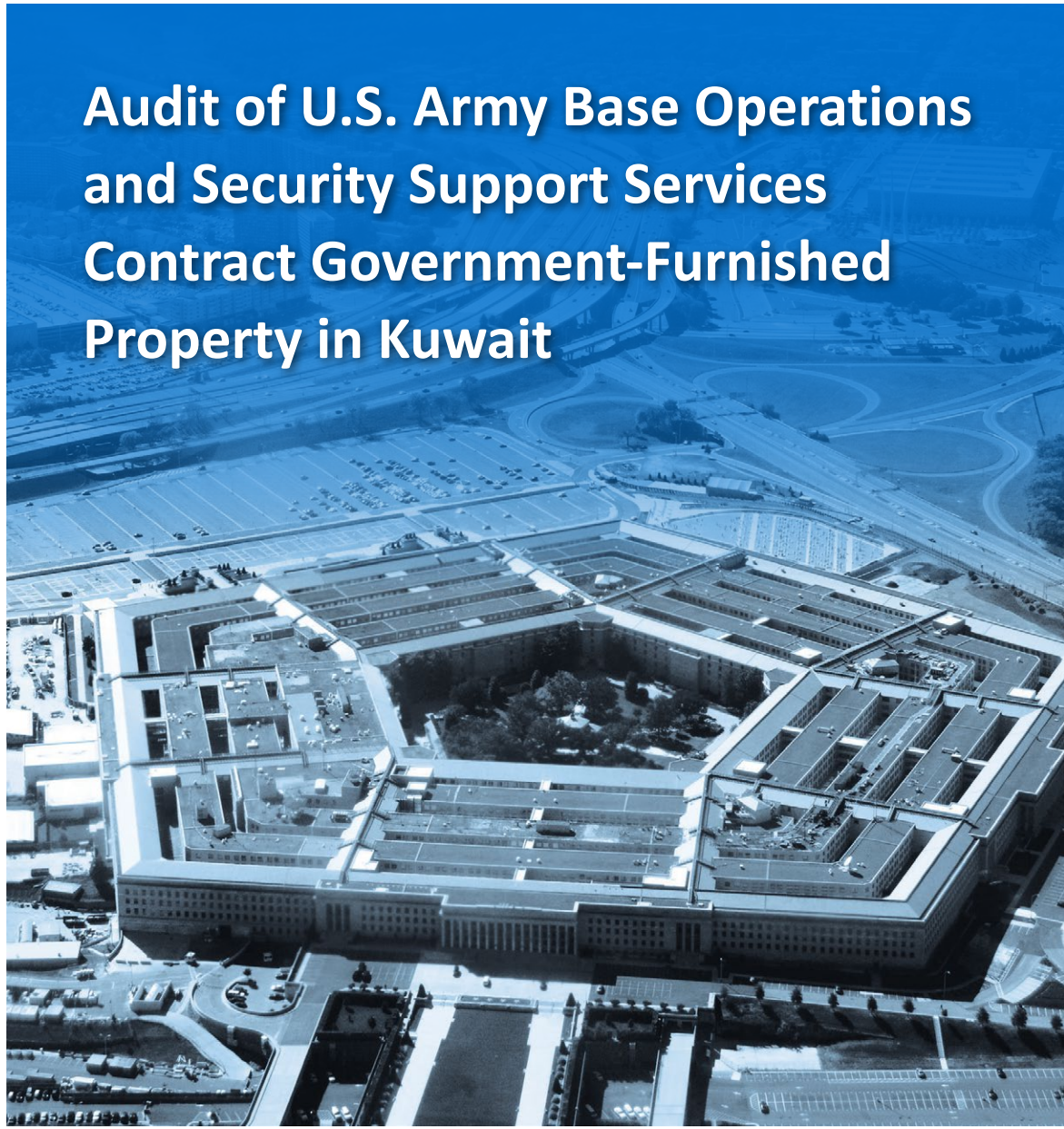
# INSPECTOR GENERAL

*U.S. Department of Defense*

JUNE 22, 2022



## **Audit of U.S. Army Base Operations and Security Support Services Contract Government-Furnished Property in Kuwait**



INTEGRITY ★ INDEPENDENCE ★ EXCELLENCE







# Results in Brief

## *Audit of U.S. Army Base Operations and Security Support Services Contract Government-Furnished Property in Kuwait*

June 22, 2022

### Objective

The objective of this audit was to determine whether the Army effectively accounted for Government-furnished property (GFP) provided to the base operations and security support services contractor in Kuwait.

### Background

Base operations support and security services provide the resources to operate bases, including food and housing, payroll support, fire protection, security protection, law enforcement, and transportation.

On September 29, 2010, Army Contracting Command–Rock Island (ACC-RI) awarded a \$75 million cost-plus-award-fee contract to provide Kuwait base operations and security support services (KBOSSS) at locations in Kuwait, including Camp Arifjan. In July 2021, the majority of KBOSSS services transitioned to the Logistics Civil Augmentation Program (LOGCAP) V contract; however, some ongoing public works projects could not be transferred, which required ACC-RI to extend the KBOSSS contract through August 28, 2022. Additionally, the KBOSSS contractor serves as the contractor for the LOGCAP V contract.

The Federal Acquisition Regulation defines GFP as property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract. GFP also includes contractor-acquired property (CAP) if the property is a deliverable under a cost-type contract when accepted by the Government for continued use. The delivered CAP

### Background (cont'd)

becomes GFP, the procuring contracting officer (PCO) must add the GFP to the GFP attachment in the contract, and the property book officer (PBO) must add the GFP to the Kuwait accountable property records within the Global Combat Support System-Army.

The primary commands responsible for accounting for KBOSSS GFP are ACC-RI, the 408th Contracting Support Brigade, and Area Support Group–Kuwait (ASG-KU). The PCO at ACC-RI is responsible for contracting actions, such as issuing contract modifications to reflect changes to GFP and CAP in the contract. To administer and oversee the contractor's management and accountability of KBOSSS GFP, the 408th Contracting Support Brigade provided an administrative contracting officer and a property administrator. Within ASG-KU, the PBO was responsible for maintaining accountable property records.

### Finding

The Army did not properly account for GFP provided to the base operations and security support services contractor in Kuwait. Specifically, the ASG-KU PBO did not ensure that the Kuwait accountable property records included:

- at least 23,374 out of 147,362 GFP items recorded by the contractor;
- all required GFP data elements, such as contract numbers for the 123,988 GFP items recorded in the Kuwait accountable property records and unique item identifiers or serial numbers for 111,877 out of the 123,988 GFP items; or
- accurate costs of GFP items for all 61 items in our nonstatistical sample.

The Kuwait accountable property records were incomplete because ASG-KU did not initially record property transferred to the contractor or establish written procedures for the PBO to conduct a reconciliation. A reconciliation of the Kuwait accountable property records with the contractor GFP records could have identified errors for the PBO to correct.



# Results in Brief

## *Audit of U.S. Army Base Operations and Security Support Services Contract Government-Furnished Property in Kuwait*

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

Furthermore, the contract GFP attachment did not include at least 13,842 out of 147,362 GFP items recorded by the contractor and 838 CAP items costing \$4.7 million. This occurred because the PCO did not properly modify the contract to update the GFP attachment for GFP transfers and convert CAP items to GFP when the Government accepted title of the property.

As a result of the Army's lack of accountability of GFP items provided to the contractor in Kuwait, the Kuwait and contractor accountable property records differed by 23,374 GFP items, which increased the risk of loss or theft of these items. In addition, the contractor used GFP outside of Camp Arifjan without the PCO's approval or knowledge, further increasing the opportunity for loss or theft to occur. According to the administrative contracting officer, the KBOSSS contractor self-reported \$13.5 million in GFP losses over the life of the contract. However, without accurate GFP accountable records, the Army cannot verify that the contractor identified and reported all contractor GFP losses.

### **Recommendations**

We recommend that the ASG-KU PBO conduct a reconciliation of Kuwait accountable property records with contractor GFP records and address discrepancies, including discrepancies in missing unique item identifiers and contract numbers.

We recommend that the Commander of ASG-KU develop written procedures for the PBO to ensure all GFP transfers are recorded in the Kuwait accountable property records; reconcile Kuwait accountable property records with contractor GFP records at least once per year; and address all discrepancies.

We recommend that the Executive Director of ACC-RI, in coordination with the Commander of the 408th Contracting Support Brigade, modify the contract to:

- Convert CAP to GFP.

- Add all GFP authorized for use on the LOGCAP V to the contract.
- Ensure all GFP not transferred to the LOGCAP V contract is properly accounted for on the KBOSSS contract, or disposed of if no longer needed for contract performance.

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

During the audit, we briefed ASG-KU, ACC-RI, and 408th Contracting Support Brigade officials on the GFP accountability deficiencies we identified. The officials agreed with our findings and initiated the following corrective actions that either resolved or closed each recommendation.

The PBO developed standard operating procedures that included requirements for GFP accountability and annual GFP records reconciliation. We reviewed the standard operating procedures and determined that they included procedures for the PBO to reconcile the Kuwait accountable property records with the contractor GFP records and the GFP contract attachment. In addition, the standard operating procedures require the PBO to track data elements such as unique item identifier and contract number. The standard operating procedures include accounting for GFP that is turned in, lost, damaged, or stolen. These actions fulfill the intent of the recommendation. Therefore, this recommendation is closed.

The PCO completed the process of modifying the KBOSSS contract to convert the remaining CAP to GFP and started the transfer of GFP to the LOGCAP V contract. We will close the recommendation when we verify that the PCO issued the contract modification for the transfer of GFP items to the LOGCAP V contract. Please see the Recommendations Table on the next page for the status of the recommendations.

## Recommendations Table

Management	Recommendations Unresolved	Recommendations Resolved	Recommendations Closed
Property Book Officer, Area Support Group–Kuwait	None	1	None
Commander, Area Support Group–Kuwait	None	None	2.a and 2.b
Executive Director, Army Contracting Command–Rock Island	None	3.b and 3.c	3.a

**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** – The DoD OIG verified that the agreed upon corrective actions were implemented.





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

June 22, 2022

MEMORANDUM FOR UNDER SECRETARY OF DEFENSE FOR ACQUISITION  
AND SUSTAINMENT  
UNDER SECRETARY OF DEFENSE FOR POLICY  
COMMANDER, U.S. CENTRAL COMMAND  
COMMANDER, U.S. ARMY CENTRAL  
DIRECTOR, JOINT STAFF  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit of U.S. Army Base Operations and Security Support Services Contract  
Government-Furnished Property in Kuwait (Report No. DODIG-2022-106)

This final report provides the results of the DoD Office of Inspector General's audit. We previously provided copies of the discussion draft report and received written comments on the recommendations. We considered comments from the Deputy to the Commander, Area Support Group-Kuwait and the Acting Executive Director, Army Contracting Command-Rock Island in finalizing the report. These comments are included in the report.

Of the six recommendations in our report, three are resolved and three are closed. As described in the Recommendations, Management Comments, and Our Response section of this report, we will close the resolved recommendations when the property book officer for Area Support Group-Kuwait and the Executive Director of the Army Contracting Command-Rock Island provide us with adequate documentation showing that all agreed-upon actions to implement the recommendations are completed. Therefore, please provide us within 90 days your response concerning specific actions in process or completed on the resolved recommendations. Send your response to either [followup@dodig.mil](mailto:followup@dodig.mil) if unclassified or [rfunet@dodig.smil.mil](mailto:rfunet@dodig.smil.mil) if classified SECRET.

We appreciate the cooperation and assistance received during the audit. If you have any questions, please contact [REDACTED] at [REDACTED] (DSN [REDACTED]).

A handwritten signature in blue ink, reading "Richard B. Vasquez", is located below the text.

Richard B. Vasquez  
Assistant Inspector General for Audit  
Readiness and Global Operations



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# Introduction

## Objective

The objective of this audit was to determine whether the Army effectively accounted for Government-furnished property (GFP) provided to the base operations and security support services contractor in Kuwait. See Appendix A for the scope and methodology and prior coverage related to the audit.

## Background

Base operations support and security services provide the resources to operate bases, including food and housing, payroll support, fire protection, security protection, law enforcement, and transportation. On September 29, 2010, Army Contracting Command–Rock Island (ACC-RI) awarded a \$75 million cost-plus-award-fee contract to provide Kuwait base operations and security support services (KBOSSS) to multiple bases in Kuwait.<sup>1</sup> The initial KBOSSS contract award included a base year plus four 1-year option periods that ACC-RI exercised. Since the end of option period 4 (September 28, 2015), ACC-RI exercised 10 extension periods for the KBOSSS contract, bringing the cumulative contract value to over \$5 billion. In July 2021, the majority of KBOSSS services transitioned to the Logistics Civil Augmentation Program (LOGCAP) V contract; however, some ongoing public works projects could not be transferred, which required ACC-RI to extend the KBOSSS contract through August 28, 2022.<sup>2</sup> Additionally, the KBOSSS contractor serves as the contractor for the LOGCAP V contract.

## GFP Overview

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 performance of a contract.<sup>3</sup> GFP also includes contractor-acquired property (CAP) if the property is a deliverable under a cost-type contract when

<sup>1</sup> A cost-plus-award-fee contract is a cost-reimbursement contract that provides for a fee consisting of a base amount fixed at inception of the contract and an award amount, based on a judgmental evaluation by the Government, sufficient to provide motivation for excellence in contract performance. ACC-RI awarded the KBOSSS contract to ITT Systems Corporation, which later changed its name to Vectrus Systems Corporation.

<sup>2</sup> According to the administrative contracting officer for the 408th Contracting Support Brigade, services still performed under the KBOSSS contract are public works projects. Public works projects include facilities maintenance and utilities. According to the procuring contracting officer at ACC-RI, Directorate of Public Works contracts are considered non-severable services, and therefore the services cannot be stopped on one contract, and then started on another.

DoD Regulation 7000.14-R, “DoD Financial Management Regulation,” volume 3, chapter 8, “Standards for Recording and Reviewing Commitments and Obligations,” states that a service contract is non-severable if performance of the service results in a single or unified outcome, product, or report that cannot be subdivided.

<sup>3</sup> FAR Part 45, “Government Property,” Subpart 45.1, “General,” Section 45.101, “Definitions,” states that Government property can include GFP, real property, material, special tooling, and special test equipment. See Appendix A for discussion of the specific property included in the scope of our audit.

accepted by the Government for continued use. CAP is property acquired, fabricated, or otherwise provided by the contractor in performance of a cost-type contract. The procuring contracting officer (PCO) must add CAP delivered by the contractor and accepted under a cost-type contract for continued use as GFP to the GFP attachment in the contract. In addition, the property book officer (PBO) must add the CAP as GFP to the Kuwait accountable property records within the Global Combat Support System-Army (Kuwait accountable property records).

Based on the contractor GFP records, as of April 25, 2021, the Army had provided the contractor with \$108.5 million of GFP to execute KBOSSS operations in support of Area Support Group–Kuwait (ASG-KU) at Camp Arifjan and Camp Buehring. Examples of GFP provided to the KBOSSS contractor include printers, refrigeration units, and vehicles. Figure 1 is an example of several refrigeration units the Army provided to the KBOSSS contractor to store and distribute ice to bases in Kuwait.



Figure 1. Refrigeration Units at Camp Arifjan  
Source: The DoD OIG.

### ***Criteria for the Accountability of GFP***

DoD Instruction 5000.64 establishes policy, assigns responsibilities, and provides requirements and procedures for accounting for tangible DoD equipment and other accountable property, including GFP.<sup>4</sup> The Instruction establishes requirements for tracking GFP within an accountable property system of record as well as required data elements for each accountable property record. Property of any value provided to a contractor as GFP must have an accountable property record in an accountable property system of record. The Instruction requires keeping accountable property

<sup>4</sup> DoD Instruction 5000.64, "Accountability and Management of DoD Equipment and Other Accountable Property," April 27, 2017, (Incorporating Change 3, June 10, 2019).

records current, including the status, cost, and condition of the property until its disposition. In addition, according to the Instruction, the accountable property records must provide a comprehensive log of transactions and serve as the authoritative source for validating the existence and completeness of GFP records. Furthermore, the Instruction requires DoD Components to establish policies and standards to achieve and sustain effective accountability of GFP.

Army Regulation 735-5 implements the requirements of DoD Instruction 5000.64 by defining the roles and responsibilities and providing policy for GFP accountability.<sup>5</sup> Army Regulation 735-5 requires that all GFP acquired by the Army be accounted for from the time of acquisition until ultimate consumption or disposal of the property. In addition, Army Regulation 735-5 requires the Army to establish an official GFP record and process to account for GFP. Although, the regulation requires the Army to maintain accountable property records, it does not expressly require the PBO to reconcile GFP on the Kuwait accountable property records with the contractor GFP records.

The FAR states that contracting officials must document GFP transferred from one contract to another by modifying both the gaining and losing contracts.<sup>6</sup> Furthermore, the Army FAR Supplement requires that PCOs modify contracts to reflect changes to GFP and CAP.<sup>7</sup>

### ***Global Combat Support System-Army***

The Army uses the Global Combat Support System-Army (GCSS-Army), a logistics and financial system that tracks supplies, spare parts, and organizational equipment. GCSS-Army tracks the transfer of KBOSSS GFP from the Army to the contractor and maintains Kuwait accountable property records over the life of the contract. GCSS-Army tracks the name, cost, and quantity of GFP, among other data points.

### ***KBOSSS GFP Accountability Roles and Responsibilities***

The Army Materiel Command manages the KBOSSS contract through its subordinate commands to meet the requirements of U.S. Army Central and its subordinate command in Kuwait, ASG-KU. Each subordinate command has specific responsibilities regarding GFP administration and accountability. In Kuwait, the primary commands responsible for accounting for KBOSSS GFP are ACC-RI, the 408th Contracting Support Brigade (CSB), and ASG-KU. To ensure that the Army

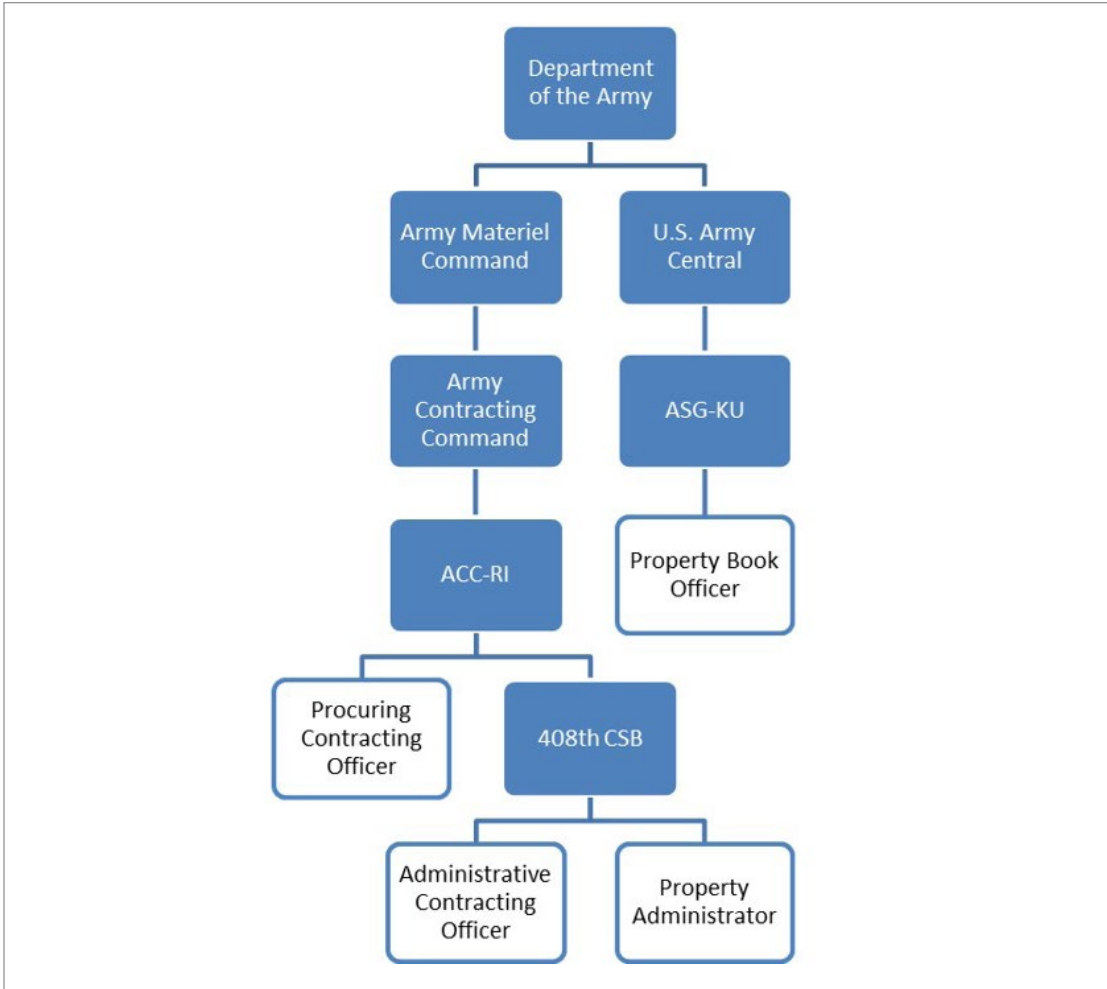
<sup>5</sup> Army Regulation 735-5, "Property Accountability Policies," November 9, 2016.

<sup>6</sup> FAR 45.106, "Transferring accountability."

<sup>7</sup> Army Federal Acquisition Regulation Supplement 5145.390, "Documentation of Government Property in Contracts."

maintains complete accountability of GFP provided to the contractor, it is essential that these commands communicate and coordinate effectively. Figure 2 shows the organizational structure of the commands responsible for KBOSSS GFP.

Figure 2. Organizational Structure for KBOSSS GFP Accountability



Source: The DoD OIG.

**Army Contracting Command–Rock Island**

ACC-RI is one of six Army Contracting Command contract centers that acquire services the Army needs to complete its missions. ACC-RI personnel are responsible for contracts related to base operations support and security services. ACC-RI assigned a PCO to award the KBOSSS contract. The PCO is responsible for



contracting actions, such as issuing contract modifications to reflect changes to GFP and CAP in the contract.<sup>8</sup> In addition, the PCO is responsible for maintaining GFP attachments in the contract.<sup>9</sup>

### *408th Contracting Support Brigade*

The Army Contracting Command's 408th CSB located at Camp Arifjan, Kuwait, plans, coordinates, and executes contract support within the U.S. Army Central area of operations. On December 11, 2014, ACC-RI delegated contract administrative responsibilities for the KBOSSS contract to the 408th CSB, including the responsibility for providing oversight of the contractor's management and accountability of KBOSSS GFP. The administrative contracting officer (ACO) and property administrator for KBOSSS worked for the 408th CSB.

The PCO delegated responsibility for administering the contract and ensuring the contractor's compliance with the terms of the contract, including the contractor's management of GFP, to the ACO. Specifically, for the KBOSSS contract, the ACO must review requests from the contractor to determine whether GFP is necessary for the performance of the contract, and provide recommendations to the PCO.

The property administrator is responsible for administering the contract requirements and obligations related to GFP. Furthermore, the Guidebook for Contract Property Administration requires the property administrator to perform annual on-site reviews of the contractor GFP records, storage, utilization, and physical inventory when sensitive GFP is provided.<sup>10</sup>

### *Area Support Group–Kuwait*

ASG-KU is a subordinate unit of U.S. Army Central and operates as both the Base Operations Support Integrator and Security Coordinator for Kuwait.<sup>11</sup> Within ASG-KU, the PBO has primary responsibility for accountability of KBOSSS GFP.

Specifically, the PBO is responsible for maintaining accountable property records for property of any value furnished to contractors as GFP. The PBO uses the Kuwait accountable property system of record, GCSS-Army, to track the transfer of GFP from the Army to the KBOSSS contractor and to maintain

<sup>8</sup> Army Federal Acquisition Regulation Supplement 5145.390, "Documentation of Government Property in Contracts."

<sup>9</sup> Defense Federal Acquisition Regulation Supplement Procedures, Guidance and Information Part 245, "Government Property," Subpart 245.1, "General," Section 103-74, "Contracting Office Responsibilities."

<sup>10</sup> Guidebook for Contract Property Administration, December 2014.

<sup>11</sup> The Base Operations Support Integrator is a designated Service Component assigned to synchronize all sustainment functions for a contingency base. The Security Coordinator is responsible for coordinating the overall security of the operational area.

the Kuwait accountable property records over the life of the contract.<sup>12</sup> The PBO is also responsible for releasing GFP to the contractor using Department of Defense Forms 1149 (DD 1149s) to document the transfer of accountability. Furthermore, the PBO is required to use DD 1149s to establish and track the items in GCSS-Army.

### ***GFP—A Longstanding Department-Wide Priority***

According to the DoD Agency Financial Report for FY 2021, in FY 2011 the DoD identified GFP in the possession of contractors as a material weakness and one of the DoD's audit priorities.<sup>13</sup> Specifically, the report states that Government property in possession of the contractor cannot be identified in the Department's property and financial systems. As a result, the DoD's financial and accountability records are incomplete. The report identifies GCSS-Army as the key component for the Army's compliance with Federal financial management and reporting requirements. The Department's target date to correct the material weakness is set for FY 2026.

## **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>14</sup> We identified internal control weaknesses with the Army's accountability of GFP. Specifically, the PBO did not have processes to reconcile the Kuwait accountable property records of KBOSSS GFP with the contractor GFP records. In addition, the ACC-RI contracting officer did not modify the KBOSSS contract to account for changes to GFP and to convert CAP to GFP. We will provide a copy of the final report to the senior officials responsible for internal controls at the Department of the Army, ACC-RI, and ASG-KU.

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<sup>12</sup> Throughout the report when we refer to the Kuwait accountable property records we are referring to the records maintained in GCSS-Army.

<sup>13</sup> A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected, on a timely basis.

<sup>14</sup> DoD Instruction 5010.40, "Manager's Internal Control Program Procedures," May 30, 2013, (Incorporating Change 1, June 30, 2020).

## Finding

### The Army Did Not Properly Account for KBOSSS GFP

The Army did not properly account for GFP provided to the base operations and security support services contractor in Kuwait. Specifically, the ASG-KU PBO did not ensure that the Kuwait accountable property records included:

- at least 23,374 out of 147,362 GFP items recorded by the contractor;
- all required GFP data elements such as contract numbers for the 123,988 GFP items recorded in the Kuwait accountable property records and unique item identifiers or serial numbers for 111,877 out of the 123,988 GFP items; or
- accurate costs of GFP items for all 61 items in our nonstatistical sample.

The Kuwait accountable property records were incomplete because ASG-KU did not initially record property transferred to the contractor or establish written procedures for the PBO to conduct a reconciliation. A reconciliation of the Kuwait accountable property records with the contractor GFP records could have identified errors for the PBO to correct.

Furthermore, the GFP contract attachment did not include at least 13,842 out of 147,362 GFP items provided to the contractor, nor 838 CAP items costing \$4.7 million. This occurred because the PCO did not properly modify the contract to update the GFP attachment for GFP transfers and convert CAP items to GFP when the Government accepted title of the property.

As a result of the Army's lack of accountability of GFP items provided to the contractor in Kuwait, the Kuwait and contractor's accountable property records differed by 23,374 GFP items, which increased the risk of loss or theft of these items.<sup>15</sup> In addition, the contractor used GFP outside of Camp Arifjan without the PCO's approval or knowledge, further increasing the opportunity for loss or theft to occur. According to the ACO, the KBOSSS contractor self-reported \$13.5 million in GFP losses over the life of the contract. However, without accurate GFP accountable records, the Army cannot verify that the contractor identified and reported all GFP losses. Finally, the lack of accountability of KBOSSS GFP limited the Army's ability to plan and execute base sustainment in Kuwait. Specifically, the Army had to rely on the contractor GFP records for procurement-related decision making.

<sup>15</sup> The difference between the Kuwait accountable property records and the contractor GFP records is \$48.4 million; however, we found that the Kuwait accountable property records contained incorrect costs.

## Army GFP Records Did Not Account For All GFP Items or Include All Required Data Elements

The Army did not properly account for GFP provided to the KBOSSS contractor. Specifically, the ASG-KU PBO did not include at least 23,374 GFP items in the Kuwait accountable property records that were included on the contractor GFP records. Furthermore, for the GFP recorded by the Army, the Army did not ensure that all of the data elements required by DoD Instruction 5000.64 were recorded in the accountable property system of record or that the cost for each item was correctly recorded.

### ***The Army Did Not Maintain Accountable Property Records***

The ASG-KU PBO did not maintain Kuwait accountable property records for all KBOSSS GFP provided to the contractor as required by DoD Instruction 5000.64 and Army Regulation 735-5. As of April 27, 2021, Kuwait accountable property records listed 123,988 GFP items with a total cost of \$156.9 million whereas the contractor GFP records contained 147,362 GFP items with a total cost of \$108.5 million.<sup>16</sup> Table 1 summarizes the KBOSSS GFP and its associated value as recorded in the Kuwait accountable property records and the contractor GFP records.

Table 1. Summary of GFP Records by Quantity and Cost

GFP Record	Number of GFP Items	GFP Cost
Kuwait accountable property records	123,988	\$156,885,848
Contractor GFP records	147,362	108,486,903
Difference	23,374	\$48,398,945

Source: The DoD OIG.

Furthermore, the discrepancies noted in Table 1 may be greater than those the audit team identified. Specifically, during our May 2021 site visits to Camp Arifjan and Camp Buehring, the PBO stated that he tracked GFP based on which contractor had the GFP in its possession and not what contract the GFP is supporting. The KBOSSS contractor also had other contracts to provide services in Kuwait, including dining facilities services at Camp Arifjan. Therefore, the Kuwait accountable property records for KBOSSS also included property from unrelated contracts, and removing those items would further increase the discrepancy in the number of GFP items while decreasing the cost discrepancy between the two sets of accountable property records.

<sup>16</sup> As we explain in this report, the Government recorded the cost of some GFP items at significantly higher values than the items’ actual value. Therefore, the Kuwait accountable property records included fewer GFP items at a higher cost than the contractor GFP records.



During our May 2021 site visits, we performed completeness testing (floor to book testing) by nonstatistically selecting 60 GFP items valued at \$2.8 million to determine whether the PBO accounted for the GFP in the Kuwait accountable property records.<sup>17</sup> Specifically, we selected 60 GFP items and compared the serial number or unique identification number to the Kuwait accountable property records and the contractor GFP records. From our completeness testing, we determined that 31 of the 60 GFP items (52 percent), which the contractor valued at \$352,627, were not in the Kuwait accountable property records, but were in the contractor GFP records.

### ***The Army Did Not Capture Required Data Elements for All KBOSSS GFP***

The ASG-KU PBO did not include all of the required data elements for GFP items in the Kuwait accountable property records. DoD Instruction 5000.64 specifies the minimum data elements that must be established in an accountable property system of record to manage and account for GFP. These required data elements include a serial number or a unique item identifier, location, and a contract number. However, the Kuwait accountable property records did not include serial numbers or unique item identifiers for 111,877 out of 123,988 GFP items (90 percent) valued at \$36.5 million out of \$156.9 million. Serial numbers or unique item identifiers are critical for the Army to conduct reconciliations between contractor GFP records and Kuwait accountable property records.

*The Kuwait accountable property records did not include serial numbers or unique item identifiers for 111,877 out of 123,988 GFP items (90 percent) valued at \$36.5 million out of \$156.9 million.*

In addition, the Kuwait accountable property records did not include the contract number for any of the 123,988 GFP items. To test the accuracy of the Kuwait accountable property records and the contractor GFP records, we selected a nonstatistical sample of 61 GFP items with the highest dollar value from the Kuwait accountable property records (that is, book-to-floor testing) and performed existence testing to verify that the 61 GFP items existed and were in the KBOSSS contractor's possession. Specifically, the contractor directed the audit team to the location of each GFP item and we verified that the serial number and description of each GFP item matched the Kuwait accountable property records as well as the contractor GFP records. We were able to locate or obtain supporting documents for all 61 GFP items we sampled.<sup>18</sup> However, 10 of the

<sup>17</sup> Completeness testing or "floor-to-book" testing involves nonstatistically selecting an item at random onsite and verifying that the item is in the GFP accountability records. The contractor GFP records stated the value of the 60 GFP items as \$2.8 million.

<sup>18</sup> We verified the existence of 55 of the 61 GFP items through physical observation and used supporting documents such as DD Form 1348-1A, "Issue Release and Receipt Document," to verify the existence of 6 of the 61 GFP items.

61 items from our nonstatistical sample were not GFP items provided for KBOSSS contract performance. Instead, the 10 GFP items were part of a separate dining facilities services contract. Without assigning the contract number to GFP items in the Kuwait accountable property records, the PBO has less assurance that it can account for all GFP and that the contractor is using the GFP items for the intended contract.

### ***The PBO Did Not Accurately Report the Cost of Several GFP Items in Accountable Property Records***

The PBO did not accurately report the cost of GFP items in the Kuwait accountable property records as required by DoD Instruction 5000.64. Of our nonstatistical sample of the 61 highest-dollar GFP items, we found that all 61 GFP items had significant variances between the costs entered in the Kuwait accountable property records, the contractor GFP records, and DD 1149s.

*The Kuwait accountable property records showed the 12 printers at a cost 277,150 percent higher than both the contractor GFP records and the DD 1149s.*

To determine whether the costs in the Kuwait accountable property records were accurate, we compared the Kuwait accountable property records to the contractor GFP records and DD 1149s. We determined that the amounts recorded for all 61 items had significant cost discrepancies in the contractor GFP records and the DD 1149s. For example, Kuwait accountable property records included 12 printers, each listed at \$1.1 million. We reviewed the contractor GFP records and DD 1149s and found that the cost of each printer was listed as no higher than \$408. The Kuwait accountable property records showed the 12 printers at a cost 277,150 percent higher than both the contractor GFP records and the DD 1149s. Table 2 provides examples of the cost disparities for the different types of GFP items from our nonstatistical sample that were listed in the Kuwait accountable property records, the contractor GFP records, and the DD 1149s. Figure 3 shows a printer similar to one of the printers listed in the Kuwait accountable property records with a cost of \$1.1 million.



Figure 3. Printer Similar to 12 Printers Recorded at \$1.1 Million in the Kuwait Accountable Property Records  
Source: The DoD OIG.

Table 2. Costs Discrepancy for GFP Items Between Different Accountable Property Records

Item	Number of Items in Our Sample	Total PBO Recorded Cost	Total Contactor and DD 1149s Recorded Cost	Discrepancy
Printers	12	\$13,574,172	\$4,896*	\$13,569,276
Refrigeration Units	17	11,084,000	410,890	10,673,110
Flight Line Rescue Simulator	1	36,253,400	499,950	35,753,450
Tanker Truck	9	3,457,170	2,340,387	1,116,783
Trailer	2	3,250,000	1,946,034	1,303,966
Fuel Tanker - Truck	4	1,584,520	1,083,972	500,548
Cargo Truck	7	2,302,440	1,484,728	817,712
Container Hauler	2	660,000	948,382	288,382**
Tractor	1	367,025	30,000	337,025
Tactical Cargo Truck	2	723,258	389,706	333,552
Tactical Cargo Truck	2	747,384	405,120	342,264
Crane Top Handler	2	874,150	660,000	214,150
<b>Totals</b>	<b>61</b>	<b>\$74,877,519</b>	<b>\$10,204,065</b>	<b>\$65,250,218</b>

\* Because the cost of the printers varied between \$314.77, \$391.12, and \$408, we used the highest cost of \$408 for the printers recorded on the contractor GFP records and the DD 1149s to be consistent in our analysis.

\*\* Although the cost in the contractor GFP records is higher than the cost in the Kuwait accountable property records, it is still considered a discrepancy and added to the discrepancy total rather than subtracted.

Source: The DoD OIG.

We identified this as a potential systemic internal control weakness related to GFP cost information in GCSS-Army, which could affect the Army's financial statements. Because this is a potential systemic internal control weakness, the DoD OIG issued a management advisory memorandum to Army officials responsible for GFP accountability and reporting to determine whether the internal control weakness we identified is systemic, and its potential impact on the Army's financial statements.<sup>19</sup> Therefore, we are not making any recommendations on the issue in this report. See Appendix B for the management advisory.

<sup>19</sup> Report No. DODIG-2022-003, "Management Advisory: Internal Control Weaknesses in the Global Combat Support System-Army and the Army Enterprise System Integration Program," October 15, 2021.

## ASG-KU Did Not Establish Procedures to Identify and Correct Errors in Accountable Property Records

The Kuwait accountable property records were incomplete because ASG-KU did not establish standard operating procedures (SOP) for the PBO to follow to ensure that the records were accurate. Specifically, ASG-KU did not have a process to reconcile and correct errors identified in the Kuwait accountable property records.

While the FAR and Army regulations contain requirements for the contractor and the Army to maintain complete records of all GFP transactions, respectively, neither expressly requires reconciliation of the two independent sets of records. However, for the PBO to maintain accurate and complete records of all property in the contractor's possession, the

PBO must record GFP transfers in the Kuwait accountable property records and reconcile them with the contractor GFP records. Before our audit, the PBO did not obtain the contractor GFP records

*Before our audit, the PBO did not obtain the contractor GFP records or the contractor's inventory list to reconcile the records or to identify potential discrepancies.*

or the contractor's inventory list to reconcile the records or to identify potential discrepancies. Comparing the contractor GFP records to the Kuwait accountable property records would provide the PBO with additional assurance that the contractor GFP records and the Kuwait accountable property records are complete and accurate, and would identify instances where GFP is missing from either set of records, or mispriced. For example, when we compared the two sets of records we realized that the contractor GFP records included at least 23,374 more GFP items than the Kuwait accountable property records; and that the Kuwait accountable property records had a total GFP value that was \$48.4 million more than the contractor's GFP value.

In addition to the requirements in the FAR and Army regulations, the Government Accountability Office's "Standards for Internal Control in the Federal Government" (commonly known as the "Green Book") states that management should perform ongoing monitoring of the design and operating effectiveness of the internal control system as part of the normal course of operations.<sup>20</sup> One example of ongoing monitoring discussed in the Green Book is reconciliations. Therefore, as a best practice and to ensure a complete and accurate list of GFP items for the LOGCAP V contract, the PBO should reconcile the Kuwait accountable property records with the contractor GFP records and address discrepancies, including discrepancies in missing serial numbers or unique item identifiers and contract numbers.

<sup>20</sup> GAO-14-704G, "Standards for Internal Control in the Federal Government," September 2014.



We recognize that the PBO's reconciliation alone will not ensure that the ASG-KU identifies all of the GFP items it provided to the KBOSSS contractor. The reconciliation will not identify all GFP items because the ASG-KU does not have accurate and complete accountable property records needed to establish a baseline. Therefore, in addition to the reconciliation, written procedures for recording GFP and identifying and correcting errors are necessary to ensure the PBO correctly updates Kuwait accountable property records as changes to GFP occur. Furthermore with PBO rotations occurring at least every year, written procedures are necessary to ensure successive PBOs have guidance to ensure all GFP items are accounted for, and the information in Kuwait accountable property records, such as serial number and cost, is accurate and complete. Therefore, the ASG-KU Commander should develop written procedures for the PBO to:

- ensure all GFP transfers are recorded in the Kuwait accountable property records when issued to the contractor and reconcile, at least once per year, Kuwait accountable property records with contractor GFP records; and
- address all discrepancies, including discrepancies among required data elements as required by DoD Instruction 5000.64, such as missing unique item identifiers, contract numbers, and updates not captured in Kuwait accountable property records such as loss, turn-in, and disposal of GFP items.

## The GFP Contract Attachment Did Not Include All GFP or CAP Items Provided to the Contractor

The GFP contract attachment did not include at least 13,842 GFP items provided to the contractor, or 838 CAP items with a cost of \$4.7 million.

The GFP contract attachment lists all GFP in the contract and authorizes the contractor to have custody of the property for contract performance.

The GFP contract attachment should include all GFP forecasted to be needed during the contract

period of performance, as required by the Defense Federal Acquisition Regulation Supplement (DFARS) Procedures, Guidance and Information.<sup>21</sup>

*The GFP contract attachment did not include at least 13,842 GFP items provided to the contractor, or 838 CAP items with a cost of \$4.7 million.*

<sup>21</sup> DFARS Procedures, Guidance and Information 245.103-72, "Government-Furnished-Property Attachments to Solicitations and Awards."

### ***The GFP Contract Attachment Did Not Include All GFP***

The PCO did not update the GFP contract attachment on the KBOSSS contract for 17 months.<sup>22</sup> The contractor GFP records dated April 25, 2021, contained 147,362 GFP items valued at \$108.5 million. However, as of April 25, 2021, the GFP contract attachment contained 133,520 GFP items valued at \$155.8 million. The DFARS Procedures, Guidance and Information requires the contracting office to maintain GFP attachments in the contract; therefore, the GFP contract attachment should have at least the same number of GFP items as the contractor GFP records. However, there was a difference of 13,842 GFP items between the two records.

### ***GFP Contract Attachment Did Not Include 838 CAP Items***

The PCO did not include 838 CAP items with a cost of \$4.7 million in the GFP contract attachment that were on the contractor GFP records dated May 6, 2021. The CAP items included forklifts, containers, and generators. According to DoD Instruction 5000.64 and the DFARS, CAP subsequently delivered and accepted by the Government for use on the same or another contract is considered GFP. For example, the contractor GFP records contained 245 CAP items that the KBOSSS contractor used for over 2 years. Furthermore, the FAR states that title to all property purchased by the contractor for which the contractor is entitled to be reimbursed as a direct item of cost under the contract shall pass to and vest in the Government upon delivery of such property.<sup>23</sup>

According to the ACO and property administrator, the Government accepted delivery and has title to the 838 CAP items because KBOSSS is a cost-reimbursable contract and the Government reimbursed the contractor for CAP purchases on a monthly basis.

In addition, according to DFARS Procedures, Guidance and Information 245.402-71, CAP cannot be transferred to another contract until delivery of the property and until the contract has been modified to convert the CAP to GFP.

### **The PCO Did Not Modify the Contract as Changes to GFP Occurred**

The GFP contract attachments were inaccurate because the PCO did not modify the contract as changes to GFP occurred. The PCO did not modify the KBOSSS contract for GFP transfers and convert CAP items to which the Government accepted title to GFP, as required by the FAR, DFARS, and the Army FAR Supplement. During

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<sup>22</sup> The last modification to add GFP to the contract was done on December 17, 2019.

<sup>23</sup> FAR Part 52, "Solicitation Provisions and Contract Clauses," Subpart 52.2, "Text of Provisions and Clauses," Section 52.245, "[Reserved]," Subsection 52.245-1, "Government Property."

the audit we met with personnel from the Office of the Under Secretary of Defense for Acquisition and Sustainment, Defense Pricing and Contracting responsible for GFP policy for the DoD, who stated that the contract should be modified before items are provided to the contractor. However, the last modification to add GFP to the KBOSSS contract was on December 17, 2019.<sup>24</sup> Therefore, from January 2020 to May 2021, the PCO had not modified the contract to reflect changes to the GFP provided to the contractor.

According to the PCO, she issues GFP-related contract modifications every 6 to 9 months, incorporating changes to GFP approved by the ACO through letters of technical direction. The PCO stated that the letters of technical direction document approval for GFP transfers to the contractor and the property administrator documents approved GFP within the GFP

contract attachment. Although the PCO stated that GFP-related contract modifications occur every 6 to 9 months, the PCO did not modify the contract to reflect additions to the GFP from January 2020 to May 2021 (17 months). The

*The PCO did not modify the contract to reflect additions to the GFP from January 2020 to May 2021 (17 months).*

audit team identified examples where the PCO did not issue a contract modification for GFP additions. For example, the PCO did not modify the contract to add two cargo vehicles with a cost of \$1,946,034 that were provided to the contractor in September 2020. Without adding the GFP items to the contract, the PBO might not know if the contractor received the items and the contractor may not have to abide by the contract terms for the GFP items.

According to the ACO and property administrator, the Government has accepted delivery and has title to, or ownership of, the 838 CAP items because KBOSSS is a cost-reimbursable contract, and the contractor is reimbursed for CAP purchases through invoices submitted to the PCO on a monthly basis. Accordingly, the PCO should have converted the 838 CAP items to GFP through a contract modification and added the CAP to the GFP contract attachment. Once the conversion was complete the PBO should have added the GFP to the Kuwait accountable property records. The KBOSSS contract is ending in August 2022; in order to ensure property accountability throughout the performance of the LOGCAP V contract, the Executive Director of ACC-RI, in coordination with the Commander of the 408th CSB, should modify the KBOSSS contract to convert CAP to GFP.

<sup>24</sup> The contract modification on December 17, 2019, added 2,109 GFP items with a cost of \$8.6 million to the contract.

## **GFP Assigned to the KBOSSS Contractor is at an Increased Risk of Loss or Theft**

As a result of the Army's lack of accountability of GFP provided to the contractor in Kuwait, at least 23,374 GFP items assigned to the KBOSSS contractor are at an increased risk of loss, theft, or being unaccounted for without detection. Because of the lack of serial numbers or unique identifiers of GFP items identified in the Kuwait accountable property records, we could not determine the exact value of at least 23,374 GFP items that were listed as GFP in the contractor GFP records but were not in the Kuwait accountable property records.

In addition, according to the contract, the contractor must obtain the PCO's approval to remove any GFP off the installation. However, on May 3, 2021, we found that one of the printers in our sample costing \$408 was located at the contractor's staff apartment outside of Camp Arifjan without the Army's knowledge. The Army's lack of accountability and oversight of location of the GFP allowed the contractor to take the printer off base without detection, further increasing the opportunity for loss or theft to occur.

Furthermore, with the transition from the KBOSSS contract to the LOGCAP V contract, the Army could provide an incomplete list of GFP on the LOGCAP V contract if the PCO does not modify the contract to convert all 838 CAP items to GFP. Those unaccounted GFP items could be lost, stolen, or become contractor property without the Army's knowledge. According to the ACO, as of June 27, 2021, the KBOSSS contractor self-reported \$13.5 million in GFP losses over the life of the contract (11 years). This shows that loss occurs, and that without accurate accountable records, the Army cannot verify all GFP losses are identified and reported by the contractor. Finally, the lack of Government oversight and accountability of KBOSSS GFP limited the Army's ability to plan and execute base sustainment in Kuwait. Specifically, the Army had to rely on contractor-provided GFP records when deciding whether to provide the KBOSSS contractor with additional GFP.



## The Transition from KBOSSS Contract to LOGCAP V Contract Impacted GFP

In July 2021, the majority of KBOSSS services transitioned to the LOGCAP V contract with some ongoing public works projects still under the KBOSSS contract. The FAR states that Government property should only be transferred from one contract to another when required for contract performance under the gaining contract. Furthermore, the FAR requires GFP transfers to be documented by modifications to both the gaining and losing contracts. In addition, the DFARS states that the contracting office is responsible for preparing and executing GFP transfers between existing contracts and the contracting office is responsible for maintaining the GFP attachment in the contract. As such, even though the KBOSSS contractor is also the LOGCAP V contractor, the PCO must determine which GFP items provided to the KBOSSS contractor are still required for use under the LOGCAP V contract. Because all former KBOSSS GFP may not be necessary for LOGCAP V performance, some GFP may be needed for other contracted services, while some GFP may need to be disposed of. Therefore, the Executive Director of ACC-RI, in coordination with the Commander of the 408th CSB, should ensure all GFP authorized to be used on LOGCAP V is added to that contract and ensure all GFP not transferred to LOGCAP V is properly accounted for on the KBOSSS contract or disposed of and recorded.

## Recommendations, Management Comments, and Our Response

### ***Recommendation 1***

**We recommend that the Area Support Group–Kuwait property book officer conduct a reconciliation of the Kuwait accountable property records with the contractor Government-furnished property records and address discrepancies, including discrepancies in missing unique item identifiers and contract numbers.**

### ***Management Actions Taken During the Audit***

During the audit, we briefed ASG-KU, ACC-RI, and 408th CSB officials on the GFP accountability deficiencies we identified. The officials agreed with our findings and initiated the following corrective actions.

ASG-KU personnel provided us with a memorandum signed by the PBO documenting completion of the reconciliation of the Kuwait accountable property records with the contractor GFP records. The memorandum stated that ASG-KU will continue to work with the contracting command to resolve discrepancies

identified during the reconciliation. In addition, ASG-KU personnel provided updated Kuwait accountable property records, which included the contract number for all of the GFP items.

### ***Deputy to the Commander, Area Support Group–Kuwait Comments***

The ASG-KU Deputy to the Commander responding for the PBO, partially agreed with the recommendation, stating that ASG-KU personnel completed a reconciliation between the Kuwait accountable property records and the contractor GFP records and continue to resolve the discrepancies identified during that reconciliation. ASG-KU personnel have also added contract numbers to all GFP items in the Kuwait accountable property records. The Deputy further stated that the PBO will request unique item identifiers or serial numbers for contractor equipment for input to blank data fields via the Army G-4 channels and provide the DoD OIG with copies of the supporting documentation to validate the actions have been accomplished. The suspense date to complete this action is September 28, 2022.

### ***Our Response***

ASG-KU actions taken during the audit and the ASG-KU Deputy to the Commander's comments are sufficient to resolve Recommendation 1. However, Recommendation 1 will remain open and we will close this recommendation once ASG-KU provides us with evidence that it corrected the discrepancies and updated Kuwait accountable property records with a serial number or unique item identifier that reconciles with the contractor GFP records.

## ***Recommendation 2***

**We recommend that the Commander of Area Support Group–Kuwait develop written procedures for the property book officer to:**

- a. Ensure all Government-furnished property transfers are recorded in the Kuwait accountable property records and reconcile, at least once per year, Kuwait accountable property records with contractor Government-furnished property records.**
- b. Address all discrepancies, including discrepancies with required data elements as required by DoD Instruction 5000.64, such as missing unique item identifiers and contract number, and updates not captured in the Kuwait accountable property records such as loss, turn-in, and disposal of Government-furnished property items.**

### ***Management Actions Taken During the Audit***

During the audit, we briefed ASG-KU, ACC-RI, and 408th CSB officials on the GFP accountability deficiencies we identified. The officials agreed with our findings and initiated the following corrective actions.

The PBO developed an SOP that expanded on GFP processes and procedures outlined in DoD Instruction 5000.64 and Army Regulation 735-5. The SOP includes procedures for the PBO to record GFP transfers and reconcile the Kuwait accountable property records with the contractor GFP records and the GFP contract attachment. The SOP also requires the PBO to track data elements required by DoD Instruction 5000.64 such as unique item identifier and contract number. In addition, the SOP includes procedures for accounting for turned-in, lost, damaged, or stolen GFP.

### ***Our Response***

The ASG-KU PBO's actions taken during the audit, specifically, the newly developed SOP, sufficiently addresses Recommendation 2.a; therefore, the recommendation is closed. Furthermore, the requirements in the SOP for tracking data elements fulfill the intent of Recommendation 2.b. Therefore, Recommendation 2.b is closed. Because management actions taken during the audit closed this recommendation, we do not require ASG-KU comments on the final report.

### ***Recommendation 3***

**We recommend that the Executive Director of the Army Contracting Command–Rock Island, in coordination with the Commander of the 408th Contracting Support Brigade, modify the Kuwait Base Operations and Security Support Services contract to:**

- a. Convert contractor-acquired property to Government-furnished property.**
- b. Ensure all Government-furnished property that is authorized to be used on the Logistics Civil Augmentation Program V contract is added to that contract.**
- c. Ensure the Government-furnished property not transferred to the Logistics Civil Augmentation Program V contract is properly accounted for in the Kuwait Base Operations and Security Support Services contract or disposed of and recorded.**

### ***Management Actions Taken During the Audit***

During the audit, we briefed ASG-KU, ACC-RI, and 408th CSB officials on the GFP accountability deficiencies we identified. The PCO initiated the following corrective actions during the audit to address issues related to converting CAP to GFP and adding GFP transfers to the contract attachment.

The PCO and property administrator provided support for the conversion of 836 CAP items to GFP and the property administrator provided disposition documentation for the remaining 2 CAP items.

In addition, the PCO stated that she had begun transitioning GFP items from the KBOSSS contract to the LOGCAP V contract. According to the ACO and property administrator, ACC-RI extended the KBOSSS contract until August 2022; the services remaining on the KBOSSS contract were various ongoing public works projects that must be completed on the contract for which the work began.

### ***Acting Executive Director, Army Contracting Command–Rock Island Comments***

The Acting Executive Director, ACC-RI agreed with our recommendations. Specifically, the Acting Executive Director stated that once the KBOSSS period of performance ends, on August 28, 2022, the 408th CSB will work to update the latest property listing with any required changes. ACC-RI will complete a contract modification upon receipt of the updated property listing. The Acting Executive Director stated that full implementation of this recommendation will be completed by May 28, 2023.

Additionally, the Commanding General of Army Contracting Command stated that ACC-RI will work with the 408th CSB to ensure all GFP is added to the LOGCAP V contract. Any GFP not transferred to the LOGCAP V contract will be accounted for on the KBOSSS contract or disposed of and recorded.

### ***Our Response***

The PCO and property administrator's actions taken during the audit and the Acting Executive Director, ACC-RI comments fully address Recommendation 3.a; therefore, the recommendation is closed. Furthermore, the PCO's ongoing actions and the Acting Executive Director's comments sufficiently address Recommendations 3.b and 3.c; therefore these recommendations are resolved and will remain open. We will close Recommendation 3.b once we verify that the PCO modified the contract to transfer the GFP that is authorized on the LOGCAP V

contract. We will close Recommendation 3.c once we verify that the GFP not transferred to the LOGCAP V is properly accounted for on the KBOSSS contract, or disposed of and recorded.

### ***Unsolicited Management Comments***

#### ***Deputy Assistant Secretary of Army (Procurement)***

Although not required to comment, the Deputy Assistant Secretary of Army (Procurement), agreed with our recommendations and the Army's proposed corrective actions.

#### ***Deputy to the Commanding General, U.S. Army Materiel Command***

Although not required to comment, the Deputy to the Commanding General, U.S. Army Materiel Command endorsed our report and the responses from ACC.



## Appendix A

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### Scope and Methodology

We conducted this performance audit from April 2021 through April 2022 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed the following criteria to determine whether the Army effectively accounted for GFP provided to the base operations and security support services contractor in Kuwait.

- FAR 45, “Government Property,” 52.245-1, “Government Property,” and 16, “Types of Contracts”
- DFARS 252.211-7007, “Reporting of Government-furnished property” and 252.211-7003, “Item Unique Identification and Valuation”
- DFARS Procedures, Guidance, and Information 245.1, “General”
- DoD Instruction 5000.64, “Accountability and Management of DoD Equipment and Other Accountable Property,” April 27, 2017, incorporating change 3, June 10, 2019
- Army Regulation 735-5, “Property Accountability Policies,” November 9, 2016

From April through May 2021, we conducted a site visit to Camp Arifjan, Kuwait. While on site, we met with 408th CSB and ASG-KU officials to identify personnel responsible for GFP accountability for the KBOSSS contract. Specifically, we interviewed the PCO, ACO, property administrator, PBO, and contracting officer’s representative, and obtained their appointment letters to understand their roles and responsibilities in accounting for GFP. We interviewed ACC-RI officials to identify their roles and responsibilities in accounting for GFP for the KBOSSS contract and obtain contract documentation. In addition, we discussed the cost discrepancies that we identified and potential impact on the Army financial statements with Assistant Secretary of the Army (Financial Management and Comptroller), GCSS-Army, and Army Enterprise System Integration Program representatives.

We reviewed the KBOSSS contract, performance work statement, and contract modifications to determine the last modification to the contract that included GFP. We sampled inventory items to verify the existence and completeness of the

KBOSSS contract GFP in the Kuwait accountable property records. Specifically, we nonstatistically selected a sample of 61 GFP items based on the highest dollar value from a universe of 123,988 GFP items in the Kuwait accountable property records, and performed existence testing to verify the existence of GFP items in the contractor's possession. In addition, we nonstatistically selected 60 GFP items in the KBOSSS contractor's possession at the locations we visited, and traced the GFP items to the Kuwait accountable records to test whether the records for the KBOSSS contract were complete and accurate. The contractor GFP records contained a universe of 147,362 GFP items.

We performed analyses of the Kuwait accountable property records to determine whether those records included all required data elements (such as a contract number and a unique identification number) in accordance with DoD Instruction 5000.64.

We compared the Kuwait accountable property records as of April 27, 2021, to the contractor GFP records as of April 25, 2021, to determine the variance in both numbers and the dollar value. In addition, we compared the contractor GFP records as of April 27, 2021, to the latest contract attachment during that time which was December 17, 2019, to determine the variance in both numbers and dollar amount.

To identify the cost discrepancies we compared the Kuwait accountable property records to the contractor GFP records, and the DD Form 1149 for the 61 items in our nonstatistical sample used for existence testing. In addition, to identify the potential impact to the Army's financial statements we compared the Kuwait accountable property records to the contractor GFP records, the DD Form 1149, and Army Enterprise System Integration Program records for the printers, refrigeration units, and flight line rescue simulator in our nonstatistical sample. Our reviews determined that items were listed in GCSS-Army for amounts well above the cost in the contractor GFP records and the DD 1149s.

## Internal Control Assessment and Compliance

The Green Book provides criteria for designing, implementing, and operating an effective internal control system.<sup>25</sup> One of the principles outlined by the Green Book is the establishment and operation of activities to monitor the internal control system and evaluate the results. Specifically, the Green Book states that management should perform ongoing monitoring of the design and

<sup>25</sup> GAO-14-704G, "Standards for Internal Control in the Federal Government," September 2014.

operating effectiveness of the internal control system as part of the normal course of operations. Examples of ongoing monitoring discussed in the Green Book include both comparisons and reconciliations.

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. We assessed the internal controls and underlying principles related to the Army's processes for accountability of GFP for the KBOSSS contract. Specifically, we assessed control activities within the PBO's process for accounting for KBOSSS GFP within GCSS-Army to determine if the control activities were effective for ensuring that GCSS-Army contained records for all GFP provided to the contractor and the GFP records contained all the required data elements in accordance with DoD Instruction 5000.64. We found that the PBO did not implement control activities to ensure that GCSS-Army contained records of all GFP items provided to the contractor and GFP records contained the required data elements. We also assessed the internal control component related to monitoring within the ACC-RI PCO's process for modifying the contract to account for GFP changes and convert CAP to GFP. However, because our review was limited to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

## Use of Computer-Processed Data

We relied on computer-processed data from GCSS-Army, the GFP Module, and the KBOSSS contractor's property accountability system, Maximo, to perform the audit. The data in each of these records contained GFP or CAP listings issued to KBOSSS contractor. We analyzed the data from the accountable property records and determined that the records did not match. Of our sample inventory, we determined that the cost documented on the contractor GFP records matched the DD 1149s 94 percent of the time. We did not determine whether the cost from the Kuwait accountable property records, the contractor GFP records, or the DD 1149s were accurate; we only identified the discrepancy between the three. Our sampling of inventory items to verify the existence and completeness supported our findings related to the discrepancies in the accuracy of the accountable records. Our finding is based on the discrepancies between the three systems; therefore, we concluded that the data we used were sufficient and appropriate to support the audit findings and conclusions.

## Prior Coverage

During the last 5 years, the DoD Office of Inspector General (DoD OIG) issued five reports discussing GFP accountability in Southwest Asia.

Unrestricted DoD OIG reports can be accessed at <http://www.dodig.mil/reports.html/>.

**DoD OIG**

Report No. DODIG-2021-127, "Followup Audit of Army Oversight of Logistics Civil Augmentation Program IV Government-Furnished Property in Afghanistan," September 22, 2021

The 401st Army Field Support Battalion and Army Contracting Command–Afghanistan did not fully implement two of the four recommendations from Report No. DODIG-2018-040 to improve the accountability of GFP. Although Army Contracting Command–Afghanistan did improve training on GFP guidance and accountability requirements and modified task orders to capture GFP changes on contract modifications, the Army's accountable records were still inaccurate. Specifically, the 401st Army Field Support Battalion did not maintain the accountable records to reflect accurate visibility of GFP possessed by the contractor. In addition, the 401st Army Field Support Battalion and Army Contracting Command–Afghanistan did not independently initiate any GFP reconciliations between the Army's accountable records and contractor GFP records in accordance with standard operating procedures. The property book officer did not update the Army's accountable records because large amounts of GFP additions and subtractions caused backlogs of GFP updates. In addition, the property book officer did not conduct reconciliations because the 401st Army Field Support Battalion did not circulate the updated standard operating procedures that included the reconciliation requirement. As a result of not fully implementing corrective actions to maintain accurate GFP accountability, the Army and contractors' accountable records differed by 16,504 items, valued at \$53.6 million.

Report No. DODIG-2020-094, "Audit of Army Contracting Command – Afghanistan's Award and Administration of Contracts," June 18, 2020

Army Contracting Command–Afghanistan did not award and administer any of the 15 contracts in the audit team's sample in accordance with applicable Federal regulations and Army Contracting Command procedures. For example, Army Contracting Command–Afghanistan did not retain finalized purchase requests indicating the requiring activity had obligated the necessary funds to pay for the contract for 6 of 10 contracts awarded by Army Contracting Command–Afghanistan; complete required documentation to justify the award of 2 of 5 contracts awarded under the Afghan First Initiative; follow Army Contracting Command–Afghanistan procedures for 4 of 5 contracts containing nonconformance reports, which required that corrective action plans be submitted and accepted before closing out the nonconformance reports; and did not track the status of Government property required to be turned over to

the Government for all three contracts that contained Government property. In addition, the audit team determined that Army Contracting Command–Afghanistan contracting officials did not have the required knowledge, training, or experience needed to perform contract administration in accordance with regulations and procedures. As a result, Army Contracting Command–Afghanistan deployed contracting officials to Afghanistan with limited knowledge and experience of contingency contracting requirements and tasked them with using electronic recordkeeping and contract management systems that were not reliably accessible.

Report No. DODIG-2019-103, “Audit of Air Force Accountability of Government Property and Oversight of Contractual Maintenance Requirements in the Contract Augmentation Program IV in Southwest Asia,” July 18, 2019

The Air Force did not account for GFP under four Air Force Contract Augmentation Program IV task orders in Kuwait, Qatar, and the United Arab Emirates. Specifically, accountable property officers did not include 2,081 of 2,091 known Air Force Contract Augmentation Program GFP items or their associated dollar value in Air Force accountable records as of February 2019. PCOs did not consistently include complete GFP lists with the data elements required to establish accountable records in awarded contracts. In addition, ACOs and contracting officers’ representatives did not conduct joint inventories of GFP with the contractor within the 30-day timeline required in the contracts or reconcile the inventory results with the GFP lists in the contracts. The Air Force did not account for GFP because the PCOs did not follow established DoD and Air Force requirements to maintain GFP lists in contracts; include required data elements, such as item value, in GFP lists; and provide GFP lists to the accountable property officers. As a result, the Air Force and the contractors do not have assurance that the base support contractors in Qatar maintained at least \$20.6 million of Government property in accordance with contract requirements.



Report No. DODIG-2018-074, "The U.S. Navy's Oversight and Administration of the Base Support Contracts in Bahrain," February 13, 2018

Naval Facilities Engineering Command (NAVFAC) did not effectively administer the Naval Support Activity (NSA)-Bahrain and Isa Air Base (ISA) base operating support services contracts. Specifically, among other things, NAVFAC did not account for \$1.6 million in GFP provided to the ISA contractors. This occurred because NAVFAC did not delegate contract administration responsibilities to oversight personnel in Bahrain and because NSA-Bahrain and ISA contracting officer's representatives did not monitor the performance of ISA performance assessment representatives who were assigned contract administration functions. As a result there is an increased risk that \$1.6 million of U.S. Navy property could be lost, stolen, or unaccounted for.

Report No. DODIG-2018-040, "Army Oversight of Logistics Civil Augmentation Program Government-Furnished Property in Afghanistan," December 11, 2017

The Army did not perform effective oversight of Logistics Civil Augmentation Program GFP in Afghanistan. Specifically, the Army Sustainment Command did not include at least 26,993 items provided to LOGCAP IV contractors in the Army's accountable records as of May 2017. The Army's accountable records were incomplete because 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, at least \$99.9 million in property was at increased risk of being lost, stolen, or unaccounted for without Army detection.

## Appendix B

### Management Advisory



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

October 15, 2021

MEMORANDUM FOR DEPUTY CHIEF OF STAFF OF THE ARMY, G-4 (LOGISTICS)  
 ASSISTANT SECRETARY OF THE ARMY (ACQUISITION, LOGISTICS  
 AND TECHNOLOGY)  
 ASSISTANT SECRETARY OF THE ARMY (FINANCIAL  
 MANAGEMENT AND COMPTROLLER)  
 PROGRAM EXECUTIVE OFFICER, PROGRAM EXECUTIVE OFFICE  
 ENTERPRISE INFORMATION SYSTEMS  
 AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Management Advisory: Internal Control Weaknesses in the Global Combat  
 Support System-Army and the Army Enterprise System Integration Program  
 (Report No. DODIG-2022-003)

We prepared this management advisory in accordance with the Council of Inspectors General for Integrity and Efficiency's Quality Standards for Federal Offices of Inspector General, which require that we conduct our work with integrity, objectivity, and independence. The purpose of this memorandum is to advise Army officials responsible for the accountability and reporting of government-furnished property (GFP) of the internal control weaknesses we identified during fieldwork conducted in Kuwait for the Audit of U.S. Army Base Operations and Security Support Services Contract Government-Furnished Property in Kuwait.<sup>1</sup>

We identified internal control weaknesses with the cost information within:

- Global Combat Support System-Army (GCSS-Army), the Army accountable property system of record; and
- Army Enterprise System Integration Program (AESIP), which is used to report the value of Government Property, including GFP, to the Army financial statements.<sup>2</sup>

The internal control weaknesses we have identified here may impact the Army's accountable property records and financial statements. However, the scope of our audit was focused on the accountability of GFP provided to contractors under the U.S. Army Base Operations and Security Support Services Contract. Our audit did not focus on the overall accuracy of the Army's cost information within GCSS-Army and AESIP; nor the impact on its

<sup>1</sup> "Audit of U.S. Army Base Operations and Security Support Services Contract Government-Furnished Property in Kuwait," (Project No. D2021-D0000RJ-0107.000), announced April 6, 2021.

<sup>2</sup> AESIP collects and aggregates Army logistics data and allows users to create, add, or request changes for nonstandard items.

## Management Advisory (cont'd)

financial statements. Therefore, we are requesting that the Army officials responsible for GFP accountability and reporting determine whether the internal control weaknesses we have identified are systemic, and their potential impact on the Army's financial statements.

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

The Federal Acquisition Regulation defines GFP as property in the possession of, or directly acquired by, the Government and subsequently furnished to the contractor for performance of a contract.<sup>3</sup>

### ***DoD Agency Financial Report for FY 2020***

According to the DoD Agency Financial Report for FY 2020, in FY 2011 the DoD identified GFP in the possession of contractors as a material weakness which is one of the DoD's audit priorities.<sup>4</sup> Specifically, the report states that inaccurate and incomplete records of GFP can negatively affect the DoD's ability to manage its property and make decisions regarding acquisition, disposal, and reutilization. Furthermore, the report states that financial managers currently lack proper visibility of GFP, and as a result, financial reporting is inaccurate. The report identifies GCSS-Army as the key component for the Army's compliance with Federal financial management and reporting requirements. In addition, the Army uses AESIP to report general equipment cost, including GFP, for its financial statements. Therefore, in addition to resolving the financial reporting aspects associated with the accountability and management of GFP, internal controls for GCSS-Army and AESIP are important for ensuring GFP is reported correctly on the Army's accountable property and financial records.

### ***Property Accountability and Financial Reporting Requirements***

DoD Instruction 5000.64 establishes policy, assigns responsibilities, and provides requirements and procedures for accounting for Government property, including GFP.<sup>5</sup> Accountable property records are required to be kept current, including the status, location, and condition of the property until its disposition. Further, the Instruction states that the accountable property records must be established in an accountable property system of record for all GFP items to provide a comprehensive log of transactions suitable for audit, which will be the authoritative source for validating the existence and completeness of an asset. The Instruction requires DoD components to establish policies and standards to achieve and sustain effective accountability of Government property.

<sup>3</sup> GFP can include material, special tooling, special test equipment, Government-furnished material, and Government-furnished equipment. Federal Acquisition Regulation, Part 45, "Government Property," Subpart 45.1, "General," 45.101, "Definitions."

<sup>4</sup> A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting that results in a reasonable possibility that management will not prevent, or detect and correct, a material misstatement in the financial statement in a timely manner.

<sup>5</sup> DoD Instruction 5000.64, "Accountability and Management of DoD Equipment and Other Accountable Property," effective April 27, 2017, Change 3 effective June 10, 2019.

## Management Advisory (cont'd)

Army Regulation 735-5 implements the requirements of DoD Instruction 5000.64 by providing policy for accounting for Government property and defining the roles and responsibilities of Army personnel who maintain accountability for it.<sup>6</sup> Army Regulation 735-5 requires that all property acquired by the Army be accounted for from the time of acquisition until the ultimate consumption or disposal of the property occurs.

DoD Regulation 7000.14-R states that when recording the acquisition of GFP in the accountable property system of record or accounting system, the item must be assigned a dollar value.<sup>7</sup> The dollar value must be supported by documentation. Financial reporting responsibility for GFP resides with the same entity that has accountability for the asset, including the responsibility to record the asset in the DoD Component's accountable property system of record. GFP items over \$250,000 are required to be reported on the Army financial statements.

### ***Processes for Adding Items to the Accountable Property System of Record***

GCSS-Army is the Army accountable property system of record. GCSS-Army contains a catalog of items that includes information for each item, such as the item name, description, and cost. In order to add a GFP item to the accountable property records in GCSS-Army, the property book officer (PBO) enters the National Stock Number or Managed Control Number (MCN) into GCSS-Army, and the required item details from the catalog will automatically populate.<sup>8</sup>

However, there are items that are considered nonstandard items and are not in the GCSS-Army catalog. For these nonstandard items, the PBO manually adds the information, such as the item name, manufacturer, and unit cost, into AESIP. Once the PBO creates the nonstandard item record in AESIP, AESIP program management personnel review and approve the item. Approved items are automatically uploaded from AESIP to GCSS-Army. According to AESIP program management personnel, changes in AESIP should automatically upload to GCSS-Army twice per day. Once the nonstandard item record is in the GCSS-Army catalog, anyone who adds that item to their accountable property books will have the same information associated with the item, including the item cost.

<sup>6</sup> Army Regulation 735-5, "Property Accountability Policies," November 9, 2016.

<sup>7</sup> DoD Regulation 7000.14-R, "DoD Financial Management Regulation," volume 4, "Accounting Policy," chapter 25, "General Equipment."

<sup>8</sup> The PBO has responsibility over the property provided to a contractor, which will be accomplished by using a DD 1149 (Requisition and Invoice/Shipping Document) for GFP items transferred and entered in GCSS-Army for accountability. The National Stock Number identifies a stock item consisting of the four digit Federal Supply Class code plus the nine digit National Item Identification Number. MCNs are items that are not cataloged in the Federal Catalog System. The Federal Catalog System is a catalog system that provides a single item identification and stock number for each item that is repeatedly used, purchased, stocked, or distributed.

## Management Advisory (cont'd)

### Costs Were Incorrect in GCSS-Army and AESIP

During our site visit to Kuwait, we received a copy of the Government's official GFP list from GCSS-Army and the contractor GFP list.<sup>9</sup> The lists identified thousands of individual GFP items located in Kuwait under the U.S. Army Base Operations and Security Support Services Contract.<sup>10</sup> We selected a nonstatistical sample of GFP items from the Kuwait accountable property records, based on dollar value, to verify the existence of the items (that is, book-to-floor testing). Specifically, we nonstatistically sampled 61 of the highest dollar GFP items within 14 MCNs or National Stock Numbers from GCSS-Army and found that at least four different MCNs had significant cost variances between the costs entered into GCSS-Army and the costs of the items as documented by the contractor.<sup>11</sup> Our sample included multiple items with the same MCN; so although we found that the costs for four MCNs within GCSS-Army were incorrect, this affected 30 items in our sample, and according to information provided by the Area Support Group-Kuwait (ASG-Kuwait) PBO, 102 items in GCSS-Army Army-wide. Table 1 provides a breakout of the four MCNs with the incorrect cost information, the number of items impacted from our sample, and the total number of items for the Army with the MCNs.

Table 1. MCN Breakout of Items on Accountable Property Records

MCN	Item	Number of Items on Kuwait Accountable Property Records	Number of items on Army Accountable Property Records
702501X413881	Printers	12	83
411001C960883	Refrigeration Units	12	12
411001C960884	Refrigeration Units	5	5
691001C921099	Simulators	1	2
<b>Total</b>		<b>30</b>	<b>102</b>

Source: The DoD OIG.

In order to determine if the costs within GCSS-Army were accurate, we compared the GCSS-Army records to the contractor's GFP list, DD Form 1149, "Requisition and Invoice/ Shipping Document," January 2016 (DD 1149), and AESIP records. Our review determined that items were listed in GCSS-Army for amounts well above the cost in the contractor's GFP list and the DD 1149. In addition, the cost in GCSS-Army was higher than the cost in AESIP for three of the four MCNs (29 items). Table 2 provides examples of the cost disparities for four MCNs that were listed in GCSS-Army, AESIP, the DD 1149, and the Contractor GFP list.

<sup>9</sup> Throughout the report we will refer to the Kuwait GFP list from GCSS-Army as the Kuwait accountable property records.

<sup>10</sup> Contract Number W52P1J-10-C-0062.

<sup>11</sup> The GCSS-Army accountable property records for the U.S. Army Base Operations and Security Support Services Contract contained 123,988 GFP items valued at \$156.9 million.

## Management Advisory (cont'd)

Table 2. Cost Differences for GFP Items Between Different Accountability Records

MCN	Item	GCSS-Army	AESIP	DD 1149	Contractor GFP List	Difference <sup>2</sup>
702501X413881	Printers	\$1,131,181	\$412	\$408 <sup>1</sup>	\$408 <sup>1</sup>	\$1,130,773
411001C960883 and 411001C960884	Refrigeration Units	\$652,606	\$24,170	\$24,170	\$24,170	\$628,436
691001C921099	Simulators	\$36,253,400	\$36,253,400	\$499,950	\$499,950	\$35,753,450

<sup>1</sup> Some of the printers were identified as costing \$315 or \$391 on the DD 1149 or contractor GFP list.

<sup>2</sup> We calculated the difference between GCSS-Army and the contractor's GFP list because the cost matched the cost recorded on the DD 1149 which is the source document used by the PBO to transfer GFP to the contractor.

Source: The DoD OIG.

### GCSS-Army and AESIP Cost Differences

According to the ASG-Kuwait PBO, the cost information for a standard item in GCSS-Army is pulled from AESIP. However, in several instances, the cost information within GCSS-Army significantly differed from AESIP, the contractor's GFP list, and the DD 1149. Additionally, AESIP had the incorrect cost for items that it fed into GCSS-Army. Furthermore, when the costs were corrected in AESIP, the cost updates were not always uploaded into GCSS-Army even though AESIP should upload information to GCSS-Army twice per day.

#### Printers

The Kuwait accountable property record included 12 printers. GCSS-Army listed their cost as \$1.1 million each. During our inventory of the printers, we believed the cost of each was incorrect. Figure 1 is an example of a printer similar to the 12 printers recorded at \$1.1 million in GCSS-Army. We reviewed the contractor's GFP list, DD 1149, and AESIP and found the contractor GFP list and DD 1149 listed the cost of each printer as \$408, \$391 or \$315; while AESIP listed the cost of each printer as \$412.

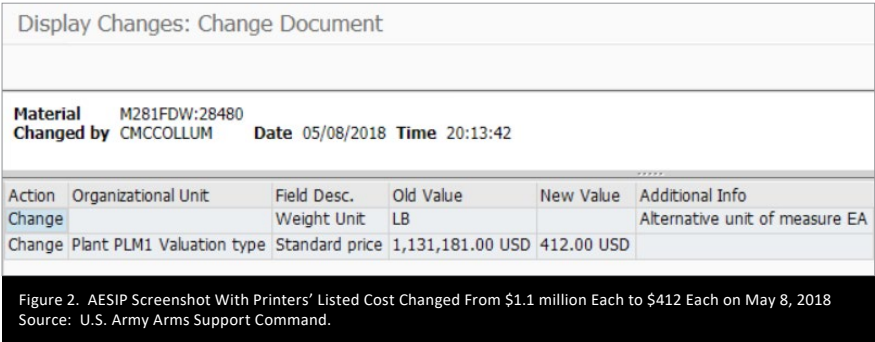
The Kuwait accountable property records had 12 printers with the incorrect cost of \$1.1 million each, instead of \$408 each. The ASG-Kuwait PBO searched through GCSS-Army and identified 83 printers throughout the Army with the same incorrect cost. The 83 printers were listed in Army accountable property records at a cost of \$1.1 million each, resulting in a total cost of \$93,888,023 instead of \$33,864. Therefore, the Army accountable property records





Management Advisory (cont'd)

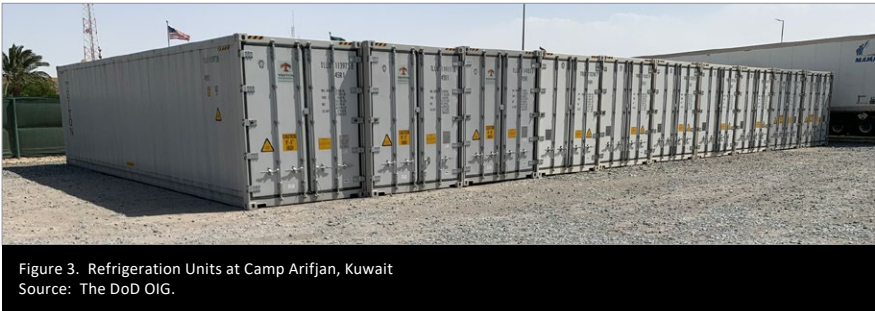
were inaccurate and overstated the cost of the printers. In May 2018, a user requested a price change in AESIP and as a result of the user’s request, the cost of the printers changed from \$1.1 million to \$412 in AESIP. Figure 2 shows a screenshot of AESIP with the correction to the cost of the printers.



However, the cost change in AESIP did not update to GCSS-Army. GCSS-Army representatives stated that the automated updates in AESIP normally flow to GCSS-Army from AESIP without issue, but in rare cases they have found that for certain materials, GCSS-Army has not received updates when those materials were updated in AESIP.

Refrigeration Units

The Kuwait accountable property record included 17 refrigeration units listed for \$652,606 each on the accountable property record. Figure 3 is an example of refrigeration units.



The contractor GFP list, the DD 1149, and AESIP listed the cost of the refrigeration units as \$24,170 each. The ASG-Kuwait PBO did not find the specific type of refrigeration unit illustrated in Figure 3 in AESIP; therefore, in November 2020, the ASG-Kuwait PBO manually entered the information into AESIP. The ASG-Kuwait PBO stated that when he entered

## Management Advisory (cont'd)

the refrigeration unit into AESIP as a new item, he entered the incorrect cost per unit. Specifically, the ASG-Kuwait PBO explained that instead of entering the individual price of \$24,170 per unit, he entered the total cost of \$652,606 as the cost per unit. He stated that during the course of the audit, he caught his error and requested that the correct cost be updated in AESIP.

AESIP records show the cost was changed on April 16, 2021; however, as of May 6, 2021, the item cost was not updated in GCSS-Army and was still listed at \$652,606 per unit. AESIP program management personnel stated that AESIP updates information to GCSS-Army twice per day; however, the updates for this item did not occur automatically. Instead, ASG-Kuwait PBO had to submit a help desk ticket, and GCSS-Army help desk personnel made a manual update to GCSS-Army on May 12, 2021. The 17 refrigeration units were listed on Kuwait accountable property records for \$11.1 million instead of the actual cost of \$410,890. The Army financial statements would have been overstated by \$10.7 million, if the ASG-Kuwait PBO had not identified the error during our audit and requested the change to correct the cost in AESIP.

### *Simulators*

The Kuwait accountable property record included one simulator used by the base fire department, listed for \$36.3 million in both GCSS-Army and AESIP. Figure 4 is an example of the simulator recorded at \$36.3 million in GCSS-Army and AESIP.

However, based on the DD 1149 and the contractor GFP list, the cost of the simulator was \$499,950. The ASG-Kuwait PBO official stated that the simulator's cost of \$36.3 million was an error and that he would request an update to correct the cost in AESIP. The ASG-Kuwait PBO stated that there are two simulators in GCSS-Army listed at a cost of \$36.3 million each. Therefore, the two simulators were listed on Army accountable property records for \$72.5 million.

The audit team requested supporting documentation for the actual cost of the simulators, such as a purchase invoice, from Army G-4; however, as of September 17, 2021, we had not been provided with any documentation to support the cost of the simulators. We confirmed that Army financial records listed the simulator; therefore, the Army potentially overstated its financial statements.



Figure 4. Simulator Located at Camp Buehring, Kuwait  
Source: The DoD OIG.

## Management Advisory (cont'd)

### Corrective Actions Taken and Ongoing Initiatives

During the course of our fieldwork, we brought these discrepancies to the attention of Kuwait GFP officials, who initiated corrective actions to resolve these specific issues on the Kuwait accountable property records. Specifically, the ASG-Kuwait PBO submitted an AESIP help desk ticket to correct the costs in AESIP for the printers and refrigeration units. The ASG-Kuwait PBO followed up to ensure the correct costs were updated in AESIP and transferred to GCSS-Army so the Army's accountable records accurately reflected the actual cost of each item.

In addition, we discussed the discrepancies and potential impact on the Army financial statements with Assistant Secretary of the Army (Financial Management and Comptroller), GCSS-Army, and AESIP representatives. The Assistant Secretary of the Army (Financial Management and Comptroller) representative stated that the Army is aware of the unreliable information, including costs, within GCSS-Army. Specifically, the FY 2020 DoD Agency Financial Report states that GFP cannot be identified in the DoD's property accountability or financial systems, resulting in incomplete accountability and financial records. The target date for resolving the GFP weaknesses is FY 2026. The Assistant Secretary of the Army (Financial Management and Comptroller) representative stated there are several initiatives planned to correct the information within GCSS-Army. For example, beginning in FY 2022, the Army will build and bring together a cross-functional team with leaders from the finance, accounting, logistics, contracting, and acquisition communities to develop a detailed plan and implement appropriate accountability for all GFP. According to the Assistant Secretary of the Army (Financial Management and Comptroller) representative, the Army's cross-functional team will develop and implement new, sustainable business processes that will mitigate the many risks and issues the Army is currently experiencing with GFP including updates to the costs reported in GCSS-Army and AESIP. In addition, GCSS-Army representatives stated that they were working to reconcile the discrepancies between GCSS-Army and AESIP. Furthermore, GCSS-Army representatives stated that as of July 2021 a root cause analysis was underway in AESIP to identify and correct the issue to ensure material master data is synchronized between AESIP and GCSS-Army.

### ***Identified Internal Control Weaknesses Must Be Addressed***

The cost differences we identified are examples of internal control weaknesses within AESIP and GCSS-Army. For example, with respect to the refrigeration units, human error resulted in the cost of each refrigeration unit being overstated by \$628,436. Specifically, the ASG-Kuwait PBO acknowledged manually entering the incorrect cost into AESIP. Not only did this affect the Kuwait accountable property records; it also affected Army accountable property records. For example, if any other Army PBO had the same refrigeration units

## Management Advisory (cont'd)

on their property records, the cost of those refrigeration units would also be incorrect. There was no check in AESIP to verify that the ASG-Kuwait PBO manually entered the correct cost information.

In addition, we identified instances where the cost change in AESIP did not update to GCSS-Army. GCSS-Army representatives stated that the automated update to GCSS-Army from AESIP works for a majority of the updates, but in rare cases they have found that GCSS-Army has not received updates when those materials were updated in AESIP. With respect to the refrigeration units, even though updates between AESIP and GCSS-Army should occur twice per day, 20 days after the PBO corrected the cost in AESIP, it had not been updated in GCSS-Army. The PBO had to request a separate GCSS-Army help desk ticket to change the price within GCSS-Army to match the previous cost update to AESIP.

With respect to the printers, the Assistant Secretary of the Army (Financial Management and Comptroller) representative stated that ASEIP has the correct cost; therefore, since AESIP cost information feeds the Army financial statements, there has been no overstatement. Yet, from December 2009 to May 2018, the cost of the printers was incorrectly listed in AESIP as \$1.1 million. Since the Army financial statements use cost information from AESIP, if controls are not in place to prevent personnel from entering incorrect cost, the Army could potentially be reporting incorrect amounts on its financial statements.

Assistant Secretary of the Army (Financial Management and Comptroller), GCSS-Army, and AESIP representatives must ensure that their planned initiatives address the internal control weaknesses we identified in this memorandum. Unless these internal control weaknesses are addressed, Army financial statements will potentially include incorrect information.

### Conclusion

Since incorrect costs in AESIP potentially affect the financial statements, internal controls need to be in place to prevent incorrect costs from being manually entered in the system. In addition, without proper system controls in place to ensure updated cost information in AESIP is fed to GCSS-Army, GCSS-Army cost information could be unreliable. We found at least three MCNs with incorrect cost information that resulted in an overstatement in the Army accountable property books in GCSS-Army by at least \$104.5 million for the 83 printers and 17 refrigeration units. In addition, if simulator costs are incorrect, the Army accountable property records in GCSS-Army are incorrect by an additional \$71.5 million, for a total of more than \$176 million. Table 3 identifies the impact on Kuwait accountable property records in GCSS-Army and the potential continued impact to Army-wide accountable property records in GCSS-Army, had the cost differences gone unnoticed.

## Management Advisory (cont'd)

Table 3. GFP Item Cost Differences and Potential Impact on Accountable Property Records

MCN	Item Name	Kuwait Accountable Property Record Quantity	Kuwait Accountable Property Record Overstatement*	Army-wide Accountable Property Record Quantity	Army-wide Accountable Property Record Overstatement*
702501X413881	Printers	12	\$13,569,276	83	\$93,854,159
411001C960883 and 411001C960884	Refrigeration Units	17	10,683,412	17	10,683,412
691001C921099	Simulators	1	35,753,450	2	71,506,900
<b>Total</b>		<b>30</b>	<b>\$60,006,138</b>	<b>102</b>	<b>\$176,044,471</b>

\* Overstatements based on quantity on record multiplied by the difference between GCSS-Army and contractor's GFP records as identified in Table 2 of this memorandum.

Source: The DoD OIG.

The Army uses GCSS-Army to help aid logistics specialists as they plan and provide for the materiel requirements for combat support. Therefore, inaccurate information within GCSS-Army, such as individual item costs, could negatively impact the Army's ability to effectively manage its property. Specifically, it could negatively impact Army logisticians' ability with making decisions on acquisition, disposal, and reutilization of GFP items. Because our audit only focused on a small nonstatistical sample of GFP items in Kuwait, it is possible that this issue affects other items in both AESIP and GCSS-Army, which could potentially have an impact on the Army's financial statements if not resolved. Assistant Secretary of the Army (Financial Management and Comptroller) representatives should determine any impact these cost issues have on the financial statements.

We provided all of our examples for Assistant Secretary of the Army (Financial Management and Comptroller), GCSS-Army, and AESIP representatives to research and identify the causes and impacts. The Assistant Secretary of the Army (Financial Management and Comptroller) representative stated that he will review our examples and ensure any ongoing and planned solutions correct the internal control weaknesses we identified in this memorandum.

Therefore, this memorandum contains no recommendations for action. In addition, we will forward this report to the Army's Independent Public Accounting firm for its consideration regarding the impact these cost issues have on its audit of the Army financial statements.

## Management Advisory (cont'd)

We considered management's comments on a discussion draft copy of this memorandum when preparing this final memorandum. A written response to this memorandum is not required. If you have questions, please contact me at [REDACTED].



Richard B. Vasquez  
Assistant Inspector General for Audit  
Readiness and Global Operations



# Management Comments

## Area Support Group–Kuwait



DEPARTMENT OF THE ARMY  
AREA SUPPORT GROUP-KUWAIT  
CAMP ARIFJAN KUWAIT  
APO AE 09366

ACKU-DCO

31 May 2022

### MEMORANDUM FOR RECORD

SUBJECT: Department of Defense, Office of the Inspector General (DoDIG) Audit of U.S. Army Base Operations and Security Support Services Contract Government-Furnished Property in Kuwait, Project No. D2021-D000RJ-0107.000.

1. Area Support Group – Kuwait (ASG-KU) conducted a thorough review of the DoDIG Audit regarding U.S. Army Base Operations and Security Support Services Contract Government-Furnished Property in Kuwait. The audit focused on whether the Army effectively accounted for Government-Furnished Property (GFP) provided to the KBOSSS contractor in Kuwait. The audit concludes that ASG-KU did not properly account for GFP provided to the KBOSSS contractor in Kuwait, due to the fact the Kuwait and contractor's accountable property records differed in tracking method by 23,374 GFP items. However, there was no loss of property and property was present for inspection.

2. ASG-KU partially concurs with recommendation one which requires the Property Book Officer (PBO) to conduct a reconciliation of the Kuwait property records with the contractor GFP records and address discrepancies, including discrepancies in missing unique item identifiers (UII) or serial numbers. We completed a reconciliation between the Kuwait accountable property records and the contractor's GFP records and continue to resolve the discrepancies identified during that reconciliation. The ASG-KU has also added contract numbers to all GFP items in the Kuwait accountable property records.

3. The DoDIG audit reported that there were some administrative inconsistencies between the USG and the contractor record. However, ASG-KU demonstrated that there was 100% accountability for all standard and non-standard equipment allocated to contractors. The plan of action to remediate annotated deficiencies are as the following: The PBO will request unique item identifiers or serial numbers for contractor equipment for input to blank data fields via the Army G4 channels. Provide the DoDIG with copies of the supporting documentation to validate proper actions have been accomplished to seek resolution. Suspense to complete is 28 September 2022.

4. The point of contact for this memorandum is [REDACTED] Director of Logistics, email: [REDACTED] or DSN: [REDACTED]

GORDON, ERIC K.  
IRK. [REDACTED]

ERIC K. GORDON  
GS-15, DAC  
Deputy to the Commander

## Deputy Assistant Secretary of the Army (Procurement)



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

SUBJECT: Department of Defense Inspector General Draft Report: U.S. Army Base  
Operations and Security Support Services Contract Government-Furnished Property in  
Kuwait (Project D2021-D000RJ-0107.000)

1. In accordance with Army Regulation 36-2, Audit Services in the Department of the  
Army, Section II, paragraph 1-9 (f), I am providing the Official Army Position. I concur  
with the attached recommendations and proposed Army responses.

2. If there are any questions, please contact [REDACTED], [REDACTED],  
[REDACTED]

DAKE.MEGAN.R. [REDACTED]

Encl

Megan R, Dake  
Deputy Assistant Secretary of  
Army (Procurement)

## U.S. Army Materiel Command



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

25 MAY 2022

AMIR

MEMORANDUM FOR Department of Defense Inspector General (DoDIG, [REDACTED]), Program Director, Audit Readiness and Global Operations, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Command Comments to Department of Defense Inspector General Draft Report: Audit of U.S. Army Base Operations and Security Support Services Contract Government-Furnished Property in Kuwait, Project D2021-D000RJ-0107.000

1. The U.S. Army Materiel Command has reviewed and endorses the enclosed subject draft report and response from the U.S. Army Contracting Command. Specific comments are included at the enclosure.
2. The U.S. Army Materiel Command point of contact is [REDACTED], [REDACTED] or email [REDACTED].

Encl  
as

A handwritten signature in cursive script, reading "Lisha H. Adams".  
LISHA H. ADAMS  
Executive Deputy to the  
Commanding General

## Army Contracting Command



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

16 MAY 2022

AMCC-IR (RN 11-7a)

MEMORANDUM FOR [REDACTED], Director, Internal Review and Audit Compliance Office, Headquarters, U.S. Army Material Command, 4400 Martin Road, Redstone Arsenal, AL 35898-5000

SUBJECT: Department of Defense Inspector General (DoDIG) Audit Discussion Draft Report Project No. D2021-D000RJ-0107.000 (CUI) U.S. Army Base Operations and Security Support Services Contract Government-Furnished Property in Kuwait

1. Reference. DoDIG Audit Discussion Draft Report (CUI) "U.S. Army Base Operations and Security Support Services Contract Government-Furnished Property in Kuwait" (Project Number D2021-D000RJ-0107.000)
2. The Commanding General, U.S. Army Contracting Command (ACC) concurs with Recommendations 3b and 3c.
3. By 28 May 2023, ACC-Rock Island will work in coordination with the 408<sup>th</sup> Contracting Support Brigade to ensure all government furnished property (GFP) is added to the Logistics Civil Augmentation Program (LOGCAP) V contract. Any remaining GFP not transferred to the LOGCAP V contract will properly be accounted for on the Kuwait Base Operations and Security Support Services contract or disposed of and recorded.
4. The ACC point of contact for this memorandum is [REDACTED], Internal Review and Audit Compliance Office, at [REDACTED] or [REDACTED]

Encl

A handwritten signature in blue ink, appearing to read "Christine A. Beeler".

CHRISTINE A. BEELER  
Brigadier General, USA  
Commanding

## Army Contracting Command–Rock Island



REPLY TO  
ATTENTION OF:

DEPARTMENT OF THE ARMY  
ARMY CONTRACTING COMMAND – ROCK ISLAND  
3055 RODMAN AVENUE  
ROCK ISLAND, IL 61299-8000

CCRI

03 May 2022

MEMORANDUM FOR DoD Office of Inspector General

SUBJECT: Discussion Draft of a Proposed Report Project No. D2021-D000RJ-107.000  
(Audit of U.S. Army Base Operations and Security Support Services Contract  
Government-Furnished Property in Kuwait) - Army Contracting Command – Rock Island  
Response

We concur with the recommendation. Detailed comments and corrective action are enclosed.

Should you have any questions regarding this matter, please contact [REDACTED] at email: [REDACTED].

Sincerely,

MOWER.MARK [REDACTED]  
.E [REDACTED]  
Mark Mower  
Acting Executive Director  
ACC – Rock Island

Enclosure

UNCLASSIFIED

## Army Contracting Command–Rock Island (cont'd)

Discussion Draft of a Proposed Report Project No. D2021-D000RJ-107.000 (Audit of U.S. Army Base Operations and Security Support Services Contract Government-Furnished Property in Kuwait) - Army Contracting Command – Rock Island Response

### Recommendation 3 - Response

#### a. Convert Contractor-Acquired Property to Government-Furnished Property.

ACC-RI: All K-BOSSS modifications to convert CAP to GFP have been fully executed and provided to the DoDIG auditors and team, and therefore, this action is closed.

#### b. Ensure all Government-Furnished Property that is authorized to be used on the Logistics Civil Augmentation Program V contract is added to that contract.

ACC-RI: Concur. Once the K-BOSSS period of performance ends, 28 August 2022, the 408th will work to update the latest property listing with any required changes. ACC-RI will complete a modification upon receipt of the updated property listing. Full implementation of this recommendation will be completed by 28 May 2023.

#### c. Ensure the GFP not transferred to the Logistics Civil Augmentation Program V contract is properly accounted for in the Kuwait Base Operations and Security Support Services contract or disposed of and recorded.

ACC-RI: Concur. Once the K-BOSSS period of performance ends, 28 August 2022, the 408th will work to update the latest property listing with any required changes. ACC-RI will complete a modification upon receipt of the updated property listing. Full implementation of this recommendation will be completed by 28 May 2023.



## Acronyms and Abbreviations

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<b>ACC-RI</b>	Army Contracting Command–Rock Island
<b>ACO</b>	Administrative Contracting Officer
<b>ASG-KU</b>	Area Support Group–Kuwait
<b>CAP</b>	Contractor Acquired Property
<b>CSB</b>	Contracting Support Brigade
<b>DFARS</b>	Defense Federal Acquisition Regulation Supplement
<b>FAR</b>	Federal Acquisition Regulation
<b>GCSS-Army</b>	Global Combat Support System–Army
<b>GFP</b>	Government-Furnished Property
<b>KBOSSS</b>	Kuwait Base Operations and Security Support Services
<b>LOGCAP</b>	Logistics Civil Augmentation Program
<b>PBO</b>	Property Book Officer
<b>PCO</b>	Procuring Contracting Officer
<b>SOP</b>	Standard Operating Procedures



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