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Office of Audits

August 2016

Audit of the Aeromedical Biological Containment Evacuation Contracts Within the Bureau of Medical Services

CONTRACTS, GRANTS, AND INFRASTRUCTURE DIVISION

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OIG HIGHLIGHTS

AUD-CGI-16-40

UNCLASSIFIED

August 2016

OFFICE OF AUDITS

Contracts, Grants, and Infrastructure

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What OIG Found

OIG determined that A/LM/AQM and MED generally administered and provided oversight of the aeromedical biocontainment evacuation contracts in accordance with requirements. In addition, OIG found that MED received reimbursement for non-Department aeromedical biocontainment evacuations as required. However, some internal controls regarding the administration and oversight of the aeromedical biocontainment evacuation contracts should be strengthened to ensure these weaknesses do not become deficiencies in future aeromedical evacuation missions. Specifically, OIG found weaknesses in the following areas:

- The A/LM/AQM quality assurance surveillance plans lacked a methodology to measure and document the contractor's performance, as required by the Federal Acquisition Regulation and Foreign Affairs Handbook.
- MED/Office of Operational Medicine did not adequately segregate duties over the procurement and contracting practices.
- MED does not have a method to track the usage of emergency Ebola funds.
- MED does not have a formal process in place to invoice for non-Department aeromedical biocontainment evacuations reimbursement.

These weaknesses occurred, in part, because A/LM/AQM and MED have not established and implemented formal procedures to guide the administration and oversight of these activities. Without procedures to guide MED's oversight of the aeromedical biocontainment evacuation contracts, there is increased risk that errors, irregularities, and inadequate contractor performance could go undetected. In addition, the need for formal procedures to efficiently account for emergency funds transferred to the MED Working Capital Fund, as well to report expenditures and reimbursements made to the Working Capital Fund, becomes particularly important should the demand for aeromedical biocontainment evacuations escalate in the future.

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What OIG Audited

OIG conducted this audit to determine whether (1) the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), and the Bureau of Medical Services (MED) properly administered and provided oversight of the aeromedical biocontainment evacuation contracts in accordance with requirements and (2) MED received reimbursement for non-Department of State (Department) aeromedical biocontainment evacuations as required.

What OIG Recommends

OIG made one recommendation to A/LM/AQM and three recommendations to MED to address the weaknesses identified in this report.

A/LM/AQM agreed with the one recommendation addressed to it and OIG considers that recommendation resolved, pending further action. MED neither agreed nor disagreed with the three recommendations addressed to it. OIG considers one recommendation resolved, pending further action, and two recommendations unresolved. Management responses and OIG's reply follow each recommendation in the Audit Results section of this report.

A/LM/AQM's and MED's comments are reprinted, in their entirety, as Appendix B and Appendix C, respectively.

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OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine whether (1) the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM) and the Bureau of Medical Services (MED) properly administered and provided oversight of the aeromedical biocontainment evacuation contracts in accordance with requirements, and (2) MED received reimbursement for non-Department of State (Department) aeromedical biocontainment evacuations as required. See Appendix A for the purpose, scope, and methodology of this audit.

BACKGROUND

Ebola Outbreak

The most recent widespread Ebola¹ outbreak began in December 2013 in Guinea but was not reported until March 2014. It represented the largest outbreak of Ebola in history and was concentrated in Liberia, Sierra Leone, and Guinea. On August 8, 2014, the World Health Organization declared the Ebola outbreak in West Africa a "Public Health Emergency of International Concern."² On September 18, 2014, the United Nations Security Council declared it a "threat to international security and peace" and called for assistance from nations across the world to respond to the Ebola outbreak.³

In March 2016, there were nearly 29,000 cases and more than 11,000 deaths related to this outbreak primarily in Africa. As of September 2015, international health officials reported 881 confirmed Ebola infections among healthcare workers in Guinea, Liberia, and Sierra Leone resulting in 513 fatalities. On January 14, 2016, the World Health Organization reported that West Africa was free of the Ebola virus, declaring an end to the outbreak; however, the World Health Organization continues to stress that West Africa is still at risk of Ebola flare-ups and countries must maintain strong capacity to prevent, detect, and respond to Ebola outbreaks.

U.S. Government Response

On September 16, 2014, President Obama announced the U.S. Government's strategy for responding and preparing for the Ebola outbreak response. The U.S. Agency for International Development was designated as the lead Federal agency to manage and coordinate the U.S.

¹ Ebola is classified as a viral hemorrhagic fever, is highly infectious, and has a severe impact on multiple organ systems. Any contact with Ebola patients' bodily fluids risks transmission of the disease.

² World Health Organization, August 8, 2014, "Statement on the 1st meeting of the International Health Regulations Emergency Committee on the 2014 Ebola outbreak in West Africa," <http://www.who.int/mediacentre/news/statements/2014/ebola-20140808/en/>, accessed on March 30, 2016.

³ United Nations Security Council, September 18, 2014, "With Spread of Ebola Outpacing Response, Security Council Adopts Resolution 2177 (2014) Urging Immediate Action, End to Isolation of Affected States," <http://www.un.org/press/en/2014/sc11566.doc.htm>, accessed on March 30, 2016.

effort to fight the Ebola outbreak overseas. The Centers for Disease Control and Prevention led the medical and public health components of U.S. Government response efforts; the Department had responsibility for advancing related diplomatic efforts; and the Department of Defense supported civilian-led response efforts under Operation United Assistance.⁴

As the response effort grew in intensity, President Obama transmitted an emergency appropriations request to Congress. Congress subsequently provided approximately \$5.4 billion in emergency funds for Ebola prevention and response as part of the FY 2015 omnibus appropriation.⁵ Congress appropriated \$36.4 million⁶ of the \$5.4 billion to the Department and limited the funding to the Department's Diplomatic and Consular Programs appropriation account to prevent, prepare for, and respond to the Ebola outbreak.

On February 6, 2015, the Department provided Congress with its FY 2015 operating plan for the Ebola response and preparedness funding. The operating plan provided that MED would use \$31.8 million of the funds received for air ambulance medical evacuation of Ebola patients and medical evacuation of non-Ebola Department patients.⁷ The Department allotted the \$31.8 million to the aeromedical biocontainment evacuation contract⁸ by transferring the designated Ebola specific Diplomatic and Consular Programs funds to the MED Working Capital Fund (WCF)⁹ from which all medical evacuation obligations and expenditures for the contract are paid.

Medical Evacuation Concerns of U.S. Government Personnel and International Healthcare Workers

Unlike most illnesses and injuries, the Ebola outbreak significantly and unexpectedly impacted the Department's ability to meet its responsibility to provide emergency medical care to U.S. Government personnel operating in the affected region under Chief of Mission authority.

Additionally, as the international effort to fight the Ebola outbreak intensified, the health of people responding to the epidemic became a source of concern for U.S. Government agencies and organizations. Many U.S. Government personnel and international volunteers expressed an interest in assisting with response efforts in West Africa but had concerns about serving without access to medical evacuation in the event that they contracted Ebola. By June 2014, 51 healthcare providers had been infected with Ebola, accounting for 8 percent of all Ebola cases. The incidence of infections among healthcare workers and the high fatality rate served as an

⁴ Operation United Assistance is the operational name used by the Department of Defense to describe its mission to help combat Ebola in West Africa.

⁵ *Consolidated and Further Continuing Appropriations Act, 2015*, Public Law 113-235, December 16, 2014.

⁶ MED received \$32.82 million; the Bureau of African Affairs received \$2.2 million; the Bureau of International Security and Nonproliferation received \$900,000; and the Bureau of Administration received \$500,000.

⁷ The Ebola epidemic in West Africa made it difficult for MED to secure vendors that were willing and able to provide traditional air ambulance services for embassy personnel and their families requiring medical evacuation.

⁸ Contract SAQMMA15C0022.

⁹ MED uses the WCF as a revolving account to fund expenses relating to medical evacuations, overseas hospitalizations, and medical examinations.

ongoing reminder that the resources required to fight an Ebola outbreak on such a scale were not in place when the crisis began.

The movement of patients infected with highly contagious pathogens requires an air-transportable biocontainment unit. In 2006, the Centers for Disease Control and Prevention in collaboration with Phoenix Air Group, Inc. (Phoenix Air) of Cartersville, GA, designed and built the Aeromedical Biological Containment System. The Aeromedical Biological Containment System is the only contagious patient airborne transportation system that allows attending medical personnel to enter the containment vessel in-flight to attend to patients. The Centers for Disease Control and Prevention contracted with Phoenix Air to maintain the medical evacuation capability. However, in 2011, the Centers for Disease Control and Prevention decided that it could not afford to maintain a "standby" capability, and agency officials allowed the contract to lapse. Therefore, at the time of the Ebola outbreak in March 2014, there was no contract in place with any U.S. Government agency to provide medical evacuation services for an active Ebola outbreak.

Aeromedical Biocontainment Evacuation Contracts

MED recognized that the lack of access to medical evacuation services was a barrier to providing emergency care to U.S. Government personnel and the participation of many prospective international responders. Through A/LM/AQM, MED awarded the aeromedical biocontainment evacuation contracts (SAQMMA14C0155 and SAQMMA15C0022) in August 2014 and December 2014, respectively, to obtain an on-call aircraft service for the Department's use to perform emergency movement of personnel and retrieve critically ill or exposed personnel. In addition, both contracts supported the Department's responsibility overseas to provide medical evacuations to U.S. Government personnel and U.S. citizens who were critically ill or injured, including those infected with unique and highly contagious pathogens, including Ebola.

A synopsis of each contract awarded for aeromedical biocontainment evacuation follows:

- SAQMMA14C0155 was awarded on August 7, 2014, to Phoenix Air for \$4.6 million, which was later increased to a total of \$9.6 million. The contract's period of performance ended February 6, 2015, and the Department ultimately expended about \$6.7 million of the \$9.6 million available. This contract was awarded as a sole source contract under the Federal Acquisition Regulation (FAR) 6.302-2, "Unusual and Compelling Urgency."
- SAQMMA15C0022 was awarded on December 19, 2014, to Phoenix Air and was effective as of February 7, 2015.¹⁰ The contract is a multiple option year¹¹ contract with an annual cost of \$12.5 million for a total anticipated cost of \$37.3 million, including all option

¹⁰ The effective date of this contract was based upon the end of performance for the previous contract (SAQMMA14C0155).

¹¹ The period of performance is 1 year, and there are two 1-year option periods. Ultimately, the contract's base period was extended for 3 months under the authority of FAR 52.217-8 from February 7, 2016, through May 7, 2016.

years. This contract was awarded as a sole source contract under FAR 6.302-1, "Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements."

The contracts were single award hybrid contracts¹² with fixed prices to the extent possible consisting of firm fixed price,¹³ cost reimbursement,¹⁴ and time and materials¹⁵ contract line item numbers¹⁶. According to the contracting officer (CO), about 80 percent of each contract is firm fixed price.

Phoenix Air provided 24 medical evacuations provided during the period of performance for contract SAQMMA14C0155. As of January 7, 2016, Phoenix Air had provided 28 medical evacuations under contract SAQMMA15C0022.¹⁷

Department Contract Administration and Oversight Personnel

The FAR and Department policy describe the roles and responsibilities of Government personnel who are responsible for awarding, administering, and overseeing contracts.

Office of Administration, Office of Logistics Management, Office of Acquisitions Management

A/LM/AQM is responsible for managing, planning, and directing the Department's acquisition programs and conducts contract operations in support of activities worldwide. The CO performs duties at the request of the requirements office and relies on that office for technical advice concerning the supplies or services being acquired.¹⁸ At the request of MED, A/LM/AQM awards contracts for supplies and services as needed.

Contracting Officer

According to the Foreign Affairs Handbook (FAH) the CO is the U.S. Government's authorized agent for dealing with contractors and has sole authority to solicit proposals; negotiate, award,

¹² Hybrid contracts contain more than one expense type.

¹³ As noted in FAR 16.202-1, firm fixed price contracts provide a price that is not subject to adjustment based on the contractor's cost experience in performing the contract. For example, on-call aircraft was a service procured under this type of contract line item number.

¹⁴ As noted in FAR 16.301-1, cost-reimbursement contracts provide for payment of allowable costs, to the extent prescribed in the contract. For example, landing fees and medical supplies were procured under this type of contract line item number.

¹⁵ Under FAR 16.601(b), time and materials contracts provide for acquiring services based on (a) direct labor costs, including wages, overhead, general and administrative expenses, and profit, and (b) actual costs for materials. For example, fabrication, development, testing, evaluation, and certification of special mission equipment were services procured under this type of contract line item number.

¹⁶ A contract line item number is used in Federal Government contracts for accounting classification purposes to specify what services or supplies are being acquired.

¹⁷ Evacuations have occurred from West Africa to the United States and Europe.

¹⁸ 14 FAH-2 H-141, "Responsibilities of the CO."

administer, modify, or terminate contracts; and make related determinations and findings on behalf of the U.S. Government.¹⁹ The CO for the Phoenix Air contracts was from A/LM/AQM.

Contracting Officer's Representative

A CO may designate technically qualified personnel as a contracting officer's representative (COR) to be the CO's authorized representative to assist in the administration of contracts. The COR is responsible for oversight, inspection, and acceptance of goods, services, and construction. The COR has no authority to make any commitments or changes that affect price, quality, quantity, delivery, or other terms and conditions of the contract.²⁰ The Director of MED/Office of Operational Medicine (OM) was designated the COR for both Phoenix Air contracts.

Bureau of Medical Services, Office of the Executive Director

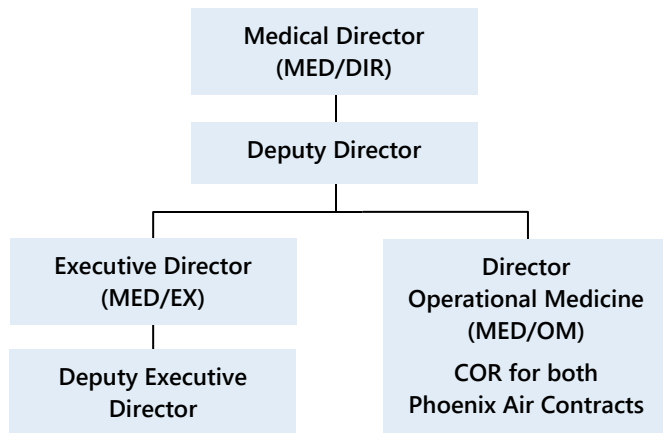
The Director of the MED/Executive Office (EX) is responsible for management and administrative operations to ensure that policies and programs are implemented efficiently and effectively. The MED/EX Director reports directly to the Deputy Medical Director and provides leadership and oversight to the following sections and activities: the Deputy MED/EX Director; financial management and claims; medical informatics and medical records; human resources; and medical supply and support.

Bureau of Medical Services, Office of Operational Medicine

The Director of MED/OM is responsible for policy development and for planning, resourcing, and executing health support activities in high threat environments outside those that the Health Unit ordinarily experiences. MED/OM develops and directs medical support to contingency, stabilization, disaster, and protective operations; develops and directs deployable medical support to high threat posts as directed by the Medical Director; and coordinates the Department's Medical Counter-Measures Program for biological and chemical warfare agents. MED/OM is the lead coordinating office for evacuation of all American citizens infected with Ebola. Figure 1 shows the organizational responsibility for MED and the Phoenix Air contracts.

¹⁹ Ibid.

²⁰ FAR 1.602-2, "Responsibilities."

Figure 1: Organizational Responsibility for MED and the Phoenix Air Contracts

Source: OIG generated from information obtained during the audit.

Non-Department Aeromedical Biocontainment Evacuations on a Reimbursable Basis

As foreign governments and international organizations increased support to the affected region, medical and volunteer communities were reluctant to participate based on a lack of clear medical evacuation options. Several foreign governments and international organizations indicated that their ability to deploy the additional resources needed to combat and contain Ebola hinged on their ability to evacuate those personnel if they became infected. After the Department executed the contract with Phoenix Air, foreign governments²¹ and international organizations²² requested assistance from the Department to provide medical evacuation services to their personnel who provided assistance to combat Ebola.

Section 607 of the Foreign Assistance Act of 1961 authorizes any agency of the U.S. Government to furnish services and commodities on an advance-of-funds or reimbursable basis to friendly countries and international organizations whenever it is consistent with and in furtherance of the purposes of the Foreign Assistance Act.²³ On August 22, 2014, the Acting Director of U.S. Foreign Assistance Resources approved the Undersecretary for Management's request and authorized the Department to furnish medical evacuation services on a reimbursable basis, pursuant to Section 607 of the Foreign Assistance Act of 1961 (Public Law 87-195).

Although Section 607 of the Foreign Assistance Act does not require a written agreement, the Department entered into 24 written agreements with foreign governments and international organizations to provide evacuation services for eligible patients.²⁴ These agreements stated

²¹ Foreign governments such as Canada, Mexico, and the Netherlands participated as partners to the U.S. Government during the Ebola crisis.

²² International organizations include the World Health Organization and non-governmental organizations such as the European Commission and European External Action Service, International Medical Corps, and SIM.

²³ 22 U.S.C. § 2357.

²⁴ An eligible patient is one who requires biocontainment based on suspected or confirmed Ebola infection.

that the foreign governments or international organizations would fully reimburse the Department for all assistance. Both contracts with Phoenix Air similarly provided that the contractor "understands and agrees that medevac services ... may be ordered by the Government for individuals who are not U.S. Government personnel or dependents pursuant to arrangements with friendly countries or international organizations ..."

AUDIT RESULTS

Finding A: Some Administration and Oversight Controls Need Improvement

OIG determined that A/LM/AQM and MED generally administered and provided oversight of the aeromedical biocontainment evacuation contracts in accordance with requirements. In addition, OIG found that MED received reimbursement for non-Department aeromedical biocontainment evacuations. However, some internal controls regarding the administration and oversight of the aeromedical biocontainment evacuation contracts should be strengthened to ensure these weaknesses do not become deficiencies in future aeromedical evacuation missions. Specifically, OIG found weaknesses in the following areas:

- The A/LM/AQM quality assurance surveillance plans (QASPs) lacked a methodology to measure and document the contractor's performance, as required by the FAR and FAH.
- MED/OM did not adequately segregate duties over the procurement and contracting practices.
- MED does not have a method to track the usage of emergency Ebola funds.
- MED does not have a formal process in place for the invoice payment process for non-Department aeromedical biocontainment evacuations reimbursement.

These weaknesses occurred, in part, because AQM and MED have not established and implemented formal procedures to guide the administration and oversight of these activities. Without procedures to guide MED's oversight of the aeromedical biocontainment evacuation contracts, there is increased risk that errors, irregularities, and inadequate contractor performance could go undetected. In addition, the need for formal procedures to efficiently account for emergency funds transferred to the MED WCF, as well to report expenditures and reimbursements made to the WCF, becomes particularly important should the demand for aeromedical biocontainment evacuations escalate in the future.

Contract Administration and Oversight

OIG determined that the CO and COR adequately documented the agency's needs and the inherently governmental determination in accordance with the FAH.²⁵ The CO adequately documented the contract's market research and acquisition planning performed before the contract was entered, including the contract's sole source authority, small business review,

²⁵ 14 FAH-2 H-331, "Procurement Request Package: Purpose and Use."

contract type selection, and fair and reasonableness determination as required.²⁶ OIG determined that the CO designated the COR and that the COR met the training requirements in accordance with the FAR.²⁷ Furthermore, OIG examined 16 invoices and supporting documentation for contract SAQMMA14C0155 awarded in August 2014 and 9 invoices and supporting documentation for contract SAQMMA15C0022²⁸ awarded in December 2014 and found that the COR approved the invoices after adequately verifying cost against supporting documentation.²⁹

Quality Assurance Surveillance Plan

OIG found that the QASPs for both contracts contained performance objectives, standards, and thresholds to measure the contractor's performance; however, the QASPs did not contain a specific method of surveillance required by the FAR.³⁰ According to the FAR, QASPs should be prepared in conjunction with the preparation of the statement of work. The plan should specify all the work requiring surveillance and the method of surveillance. According to the FAH,³¹ the QASP should state the U.S. Government's performance expectations for example, standards and acceptable quality levels for outcomes or tasks, how often deliverables or services will be monitored and evaluated, and if there are any positive or negative incentives regarding performance.

The QASPs for both contracts contained nine performance objectives, each with clear performance expectations; however, neither QASP explained how these performance expectations would be measured or how the results would be documented. The COR did not maintain documentation showing analysis of the QASP's performance objectives; however, the COR was able to demonstrate oversight of critical aspects of the contract, mission by mission, through emails maintained as part of the COR file. For example, all requests for medical evacuations were routed through MED/OM, and all mission details were coordinated directly with Phoenix Air by the MED/OM COR. The COR received by email initial flight itineraries, updates to the itineraries, and aircraft movement notifications from Phoenix Air for missions in real time and maintained those emails on a MED/OM share drive. The itineraries and aircraft movement notifications were used by the COR to monitor if the contractor was meeting the QASP's performance standards and thresholds regarding mission timeliness. The COR stated the itineraries will serve as the basis for a close-out review. Because the COR was the main point of contact and because there were so few missions, the COR knew whether the contractor's performance was adequate. However, should the volume of missions significantly increase or if

²⁶ FAR 7.102, "Policy"; FAR 6.302-1, "Only one responsible source and no other supplies or services will satisfy agency requirements"; FAR 19.4, "Cooperation with the Small Business Administration"; FAR 16.103, "Negotiating Contract Type"; FAR 15.404, "Proposal Analysis."

²⁷ FAR 1.602-2, "Responsibilities."

²⁸ For detailed information about the universe and number of invoices sampled for review, see Appendix A, "Detailed Invoice Review Sampling Methodology."

²⁹ 14 FAH-2 H-142, "Responsibilities of the COR."

³⁰ FAR 46.4, "Government Contract Quality Assurance."

³¹ 14 FAH-2 H-341.2-4(B), "Inspection and Acceptance."

the COR is unexpectedly replaced or another added, performance monitoring could suffer without specific procedures to consistently evaluate contractor performance.

Recommendation 1: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management modify the quality assurance surveillance plan for the Phoenix Air Group contract (SAQMMA15C0022) to include a methodology to measure and document contractor performance in accordance with the Federal Acquisition Regulation and Department of State policies.

Management Response: A/LM/AQM agreed with the recommendation, stating that it will modify contract SAQMMA16C0077, which is the follow-on to contract SAQMMA15C0022 that ended on May 7, 2016. The modification will include an update to the QASP to include a "Method of Surveillance" column as well as a requirement for the contractor to submit periodic Quality Assessment Compliance Reports, which will show how the contractor met or failed to meet the performance requirements listed in the contract.

OIG Reply: OIG considers this recommendation resolved. The recommendation will be closed when OIG receives and accepts documentation demonstrating contract SAQMMA16C0077 has been modified to update the QASP with a "Method of Surveillance" column as well as a requirement for the Contractor to submit periodic Quality Assessment Compliance Reports as part of the QASP.

Segregation of Duties

OIG found MED's procurement and contracting process, including pre-award actions and contract modifications, for contract SAQMMA14C0155 and contract SAQMMA15C0022, had controls in place for verifications and approvals. However, OIG found that the new requisition process employed by MED/OM lacks internal controls to ensure requisition requests are reviewed by personnel outside of MED/OM before MED/EX obligates funding.

OIG found that MED/EX management appropriately reviewed and approved contract and modification actions executed from August 2014 to June 2015, prior to funding the requests. Additionally, the initial requisition for both Phoenix Air contracts properly included the performance work statement, which defined the contract requirements.

However, OIG noted that in June 2015 the MED Director instructed the Directors of MED/EX and MED/OM to develop a new MED/OM workflow process for approving MED/OM requisitions. The new process effectively removed MED/EX management from the requisition process and eliminated oversight of new requirements prior to funding.³² Although the MED/EX Director and Deputy Director have access to information in the Department's procurement system,³³ they are

³² These changes were made based on recommendations in an internal report by the Office of Management Policy, Rightsizing, and Innovation, which reviewed the procurement and contracting practices within MED/EX and MED/OM.

³³ The Department utilizes Ariba, the procurement module of the Integrated Logistics Management System. Ariba allows personnel to request goods or services electronically. It forwards the request to the appropriate approvers,

not required to approve or participate in the process. Thus, the new acquisition process allows MED/OM personnel to independently create and approve requisition requests within their own program area without MED/EX management review or approval.

Based on the *Standards for Internal Control in the Federal Government*,³⁴ OIG determined bypassing MED/EX is a risky practice. Before the revised procedures there was an objective review of contract actions built into the process where MED/EX management typically verified the appropriateness of contract actions initiated by MED/OM. Specifically, the *Standards for Internal Control in the Federal Government* state that control activities should be built into operational processes and may include verifications, reconciliations, authorizations and approvals, and supervisory control activities.³⁵ Additionally, management should separate control activities related to authority, custody, and accounting of operations to achieve adequate segregation of duties to address the risk of circumventing controls, which helps prevent fraud, waste, and abuse in the internal control system.³⁶

The new requisition process employed by MED/OM lacks internal controls to ensure requisition requests are reviewed by personnel outside of MED/OM before MED/EX obligates funding. Further, in the case of the aeromedical biocontainment evacuation contracts, the MED/OM Director, who is also the COR for the contracts, independently defines the contract requirements, accepts the services of the contractor, and approves the invoices for payment. By employing an operational process that does not separate control activities related to authority, custody, and accounting, or include supervisory control activities to achieve adequate segregation of duties, there is an increased risk that errors, irregularities, and inadequate contractor performance could go undetected by MED/EX and MED leadership.

Recommendation 2: OIG recommends that the Bureau of Medical Services establish and implement controls to adequately segregate activities related to authority, custody, and accounting for aeromedical biocontainment evacuation contracts.

Management Response: MED neither agreed nor disagreed with the recommendation, although it stated that it agreed with the intent of the recommendation that an effective internal control system is central to preserving the integrity of MED acquisition function. MED published an Application of Internal Controls in Acquisitions Procedure for MED/OM acquisitions. MED also stated that “at no time were essential management controls degraded to a point where management override would have been possible or transparency of actions reduced.” In addition, MED commented the audit methodology, in Appendix A of the draft report, was not designed to illuminate the full extent of existing controls, and did not evaluate the control activities showing segregation of responsibility in the Integrated Logistics Management System. According to MED, “A review of the audited contract actions,

budget officers, and contracting offices depending on the request type and requesting office, status tracking, electronic signatures, and automated approval flows ensure a smooth and paperless procurement process.

³⁴ GAO-14-704G, Section 10.10, “Design of Control Activities at Various Levels”.

³⁵ Ibid.

³⁶ GAO-14-704G, Section 10.13, “Segregation of Duties.”

including the subsequent modifications to the contract, would have shown consistent segregation of functions both before and after business processes were refined in the biocontainment medical evacuation operations.” Furthermore, MED commented that OIG used incorrect audit criteria and that some of the findings that led to Recommendation 2 were “not supported by available evidence as required by *Generally Accepted Government Auditing Standards*.” On this point, MED also made reference to the National Aeronautics and Space Administration, OIG, external peer review report on the Department OIG audit organization.³⁷

OIG Reply: OIG considers this recommendation unresolved. Although MED believes that essential management controls were not degraded to a point where management override would have been possible or transparency of actions reduced, the *Standards for Internal Control in the Federal Government*, which were the criteria OIG applied to assess MED’s control environment over procurements, state that key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.³⁸

As stated in the report, “in the case of the aeromedical biocontainment evacuation contracts, the MED/OM Director, who is also the COR for the contracts, independently defines the contract requirements, accepts the services of the contractor, and approves the invoices for payment.” The *Standards for Internal Control in the Federal Government*, however outline the importance of separation of duties. As reported, OIG found that the MED/OM Director, who serves as the Contracting Officer’s Representative for the aeromedical biocontainment evacuation contracts, also defined the contract requirements, accepted the services of the contractor, and approved invoices for payment with no other objective review of contract actions by another office such as MED’s Executive Office. In addition, MED stated that it published an Application of Internal Controls in Acquisitions Procedure for MED/OM acquisitions. During the audit, OIG repeatedly requested, from multiple MED offices, all guidance related to MED/OM’s acquisition procedures; however, MED did not provide any written policies in spite of the management response to OIG. None identified any written policies other than the MED/OM workflow process for approving MED/OM requisitions.

With respect to MED’s response regarding the Integrated Logistics Management Systems, OIG recognizes that the Integrated Logistics Management System is not the only way to ensure segregation of duties, and OIG did not conclude that the workflow categories in the Integrated Logistics Management System were inadequate. Rather, OIG concluded that MED/EX did not perform objective reviews of contract actions either through the Integrated Logistics Management System or through another process. OIG reviewed contract actions, including modifications to the contract, which showed that MED/EX did not have an

³⁷ National Aeronautics and Space Administration, Office of Inspector General, *System Review Report on the Audit Organization of the Office of Inspector General for the U.S. Department of State and the Broadcasting Board of Governors* (IG-11-002, October 2010).

³⁸ GAO-14-704G, Section 10.03, “Design of Appropriate Types of Control Activities.”

approval role after the acquisition process was revised in June 2015. Before June 2015, MED/EX typically verified the appropriateness of contract actions initiated by MED/OM, which was the standard acquisition process throughout MED.

Finally, OIG obtained sufficient, appropriate evidence to support the findings that resulted in Recommendation 2. Throughout the audit, OIG interviewed officials within MED and obtained and reviewed the base contracts, modifications, purchase requisitions, and the revised workflow processes, all of which supported the audit conclusions. Additionally, during FY 2013³⁹ and FY 2016,⁴⁰ external audit agencies reviewed the system of quality control for OIG's Office of Audits. The reviews determined that the Office of Audits system of quality control in effect for the years ended September 30, 2012, and September 30, 2015, were suitably designed to provide reasonable assurance that the Office of Audits was performing and reporting in conformity with applicable professional standards in all material respects. The Office of Audits received a peer review rating of pass, which is the best possible rating.

This recommendation will be considered resolved when OIG receives and accepts MED's corrective action plan to establish and implement controls to adequately segregate activities related to authority, custody, and accounting for aeromedical biocontainment evacuation contracts. This recommendation will be closed when OIG receives and accepts documentation demonstrating MED has established and implemented controls to adequately segregate activities related to authority, custody, and accounting for aeromedical biocontainment evacuation contracts.

Tracking Emergency Ebola Funding

OIG found that MED did not have a method to efficiently track the \$31.8 million in emergency Ebola funds to ensure the funding was utilized for the specific purposes of preventing, preparing for, and responding to the Ebola outbreak as prescribed by the Consolidated and Further Continuing Appropriations Act, 2015.⁴¹ The Foreign Affairs Manual also sets forth policy on fund controls⁴² and funds management.⁴³ Specifically, when MED transferred the Ebola funds to MED's WCF, it did not establish a sub-account to track the use of the funds specific to the Ebola outbreak.

³⁹ U.S. Department of the Interior, Office of Inspector General, *System Review Report on the Audit Organization of the Office of Inspector General for the U.S. Department of State and the Broadcasting Board of Governors*, February 11, 2013.

⁴⁰ U.S. Department of Commerce, Office of Inspector General, *System Review Report on the Audit Organization of the Office of Inspector General for the U.S. Department of State and the Broadcasting Board of Governors*, March 18, 2016.

⁴¹ Public Law 113-235, December 16, 2014.

⁴² 4 Foreign Affairs Manual 032.4-2, "Fund Controls."

⁴³ 4 Foreign Affairs Manual 200, "Funds Management."

Establishing sub-accounts to track and account for the funds Congress appropriated specifically for Ebola was important because the scope of the contract awarded by A/LM/AQM to Phoenix Air (SAQMMA15C0022) extended beyond the immediate Ebola outbreak and provided that Phoenix Air would "perform the emergency movement of personnel and retrieve critically ill or exposed personnel, including personnel infected with unique and highly communicable pathogens." In other words, the contract could be used to retrieve and transport individuals who face communicable pathogens other than Ebola. If the WCF funds were used for an evacuation other than Ebola, it would be difficult to efficiently track and account for those funds without sub-accounts that distinctly identify the use of the funds. In addition, when MED transferred the \$31.8 million in emergency Ebola funds to the MED WCF in June 2015, the funds became available without fiscal year limitation although the congressional appropriation intended the funding to remain available only until September 30, 2016.

Although OIG confirmed that all evacuations conducted under contract SAQMMA15C0022, as of January 7, 2016, were Ebola related, MED should establish sub-accounts or a method to properly track and report the use of Ebola funding to Congress. OIG determined this is particularly important because contract SAQMMA15C0022 can be used for aeromedical evacuations other than Ebola. Moreover, if another crisis should arise and Congress makes a separate appropriation for that crisis, MED must be capable of tracking that funding in order to accurately report to Congress the use of those funds. Further, should Ebola or other funds need to be deobligated or repurposed, MED must have an efficient method to distinguish among the funds in the WCF.

Recommendation 3: OIG recommends that the Bureau of Medical Services develop and implement a method to adequately track and report the use of emergency funds related to the Ebola appropriation and other emergency funds appropriated by Congress.

Management Response: MED neither agreed nor disagreed with the recommendation, stating that it is tracking Ebola appropriations through the Department's allotment system. In addition, MED stated the Ebola appropriation expires on September 30, 2016, and the entire \$31.8 million reimbursed to the WCF for medical evacuations has already been obligated. According to MED, if MED receives additional supplemental or emergency funds in the future that are reimbursed to the WCF for Ebola or other medical emergencies, it will explore sub-accounts or other mechanisms that provide the monitoring, tracking, and reporting function.

OIG Reply: OIG considers this recommendation unresolved. Although MED stated that it is tracking Ebola appropriations through the Department's allotment system and will explore the use of sub-accounts if it receives additional supplemental or emergency funds in the future, this response is not sufficient for OIG to consider the recommendation resolved. Specifically, MED did not address developing and implementing a method to adequately track and report the use of emergency funds related to the Ebola appropriation. Although the \$31.8 million has been obligated through the WCF, the Phoenix Air contract is not limited to Ebola related evacuations. It is therefore important that MED be in a position to track and report the use of the Ebola appropriation, which may be comingled with other

emergency funds obligated to the WCF. Additionally, avoiding the comingling of funds by establishing sub-accounts would be important for follow-on aeromedical biocontainment evacuation contracts and for tracking future funding. Furthermore, the Department has received reimbursements for medical evacuations of non-Department personnel of funds expended for Ebola evacuations; therefore, the expenditure of the entire \$31.8 million for the appropriated purpose may not be necessary. Should Ebola funds need to be deobligated or repurposed, MED must have an efficient method to distinguish among the funds in the WCF.

This recommendation will be considered resolved when OIG receives and accepts MED's corrective action plan to develop and implement a method to adequately track and report the use of emergency funds related to the Ebola appropriation and other emergency funds appropriated by Congress. This recommendation will be closed when OIG receives and accepts documentation demonstrating MED has developed and implemented a method to adequately track and report the use of emergency funds appropriated by Congress.

Reimbursements for Non-Department Aeromedical Biocontainment Evacuations

The MED WCF was established initially to cover medical evacuations for Department employees and eligible family members. In response to the Ebola outbreak, MED expanded the medical evacuation program and established reimbursable agreements with other Federal agencies, foreign governments and not-for profit organizations that supported the Ebola outbreak relief effort. MED would arrange and incur expenses associated with the medical evacuations of non-Department personnel and then receive reimbursement for the actual expenses. As of November 30, 2015, MED's expenditures for medical evacuations of non-Department personnel for both aeromedical biocontainment evacuation contracts were \$4,932,040, and 92 percent, or \$4,561,734, had been reimbursed. The remaining funds awaiting reimbursement, approximately \$370,306, were being processed by MED for collection.

Although OIG found that MED's Financial Management Division effectively pursued and obtained reimbursement for non-Department aeromedical biocontainment evacuations, MED does not have formal procedures to facilitate invoice processing, billing, and collecting of reimbursements for non-Department aeromedical biocontainment evacuations. Because the Ebola outbreak was the first time MED had offered evacuation service to non-Department personnel, formal procedures to facilitate the reimbursement process were not available to guide the process.

Although OIG found that MED billed for and collected reimbursements for non-Department aeromedical biocontainment evacuations as required, the absence of established procedures to process these types of reimbursements could become problematic if demand for aeromedical biocontainment evacuations of non-Department personnel escalates in the future. In addition, procedures that identify and account for reimbursements made to the MED WCF are an important financial control to properly manage the WCF and ensure the availability of funds for evacuation missions.

Recommendation 4: OIG recommends the Bureau of Medical Services develop and implement procedures for processing invoices, billing, and collecting reimbursements for non-Department of State medical evacuations.

Management Response: MED neither agreed nor disagreed with the recommendation, stating that it will formalize the process by implementing a Standard Operating Procedure and communicating the standardized procedures to key stakeholders.

OIG Reply: OIG considers this recommendation resolved because MED indicated it will develop and issue a Standard Operating Procedure to process non-Department of State medical evacuations. This recommendation will be closed when OIG receives and accepts documentation demonstrating MED has developed and implemented procedures for processing invoices, billing, and collecting reimbursements for non-Department medical evacuations.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management modify the quality assurance surveillance plan for the Phoenix Air Group contract (SAQMMA15C0022) to include a methodology to measure and document contractor performance in accordance with the Federal Acquisition Regulation and Department of State policies.

Recommendation 2: OIG recommends that the Bureau of Medical Services establish and implement controls to adequately segregate activities related to authority, custody, and accounting for aeromedical biocontainment evacuation contracts.

Recommendation 3: OIG recommends that the Bureau of Medical Services develop and implement a method to adequately track and report the use of emergency funds related to the Ebola appropriation and other emergency funds appropriated by Congress.

Recommendation 4: OIG recommends the Bureau of Medical Services develop and implement procedures for processing invoices, billing, and collecting reimbursements for non-Department of State medical evacuations.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Department of State (Department), Office of Inspector General (OIG), Office of Audits, conducted this performance audit to determine whether: (1) the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, and the Bureau of Medical Services (MED) properly administered and provided oversight of the aeromedical biocontainment evacuation contracts¹ in accordance with requirements, and (2) MED received reimbursement for non-Department aeromedical biocontainment evacuations as required.

OIG, Office of Audits, conducted fieldwork for this audit from August 2015 to January 2016 in the Washington, D.C., metropolitan area at the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management and MED. OIG conducted this performance audit in accordance with generally accepted government auditing standards. These standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objective. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

To obtain background information for this audit, OIG researched and reviewed Federal laws and regulations, as well as Department internal guidance. OIG reviewed the Federal Acquisition Regulation, the Foreign Affairs Manual, the Foreign Affairs Handbook, and the Department of State Acquisition Regulation.

To obtain an understanding of the administration and oversight of the Phoenix Air Group, Inc. (Phoenix Air) contracts within MED, OIG interviewed officials within MED and the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management. OIG also interviewed the contracting officer and contracting officer's representative (COR) associated with the Phoenix Air contracts.

To understand the requirements of the contracts, OIG obtained and reviewed the base contracts and modifications, performance work statements, quality assurance surveillance plans, purchase requisitions, invoices, and other relevant contract documentation.

To determine whether administrative responsibilities were appropriately assigned, OIG obtained and reviewed the COR delegation memorandums and the Federal Acquisition Certification for COR certificates.

To assess the pre-award and award aspects of the contracts, OIG obtained and reviewed contract documents related to the agency's needs, the inherently governmental review, market research, sole source authority, small business review, the acquisition plan, contract type selection, and fair and reasonable price determination.

¹ Contract SAQMMA14C0155 and contract SAQMMA15C0022.

To obtain an understanding of the reimbursements received from non-Department aeromedical biocontainment evacuations, OIG interviewed officials within MED, the Bureau of Budget and Planning, and the Bureau of the Comptroller and Global Financial Services. OIG reviewed spreadsheets MED and the Bureau of the Comptroller and Global Financial Services utilized to track the reimbursements. The Bureau of the Comptroller and Global Financial Services' spreadsheet contained reimbursement information generated and inputted from the Department's Global Financial Management System (GFMS).

Prior Reports

OIG issued a Management Alert in March 2014² that identified significant vulnerabilities in the management of contract file documentation that could expose the Department to substantial financial losses. Over the past 6 years, OIG identified contracts with a total value of more than \$6 billion in which contract files were incomplete or could not be located at all. The failure to maintain contract files adequately creates significant financial risk and demonstrates a lack of internal control over the Department's contract actions. The Management Alert contained recommendations to the Under Secretary for Management and to the Bureau of Administration, Office of the Procurement Executive for improving contract oversight. Both entities agreed with their respective recommendations and have taken steps to implement them, but the recommendations remain open and will continue to be tracked through our audit compliance process until they have been fully implemented.

Work Related to Internal Controls

To assess the adequacy of internal controls related to policies, procedures, and processes related to the audit objectives, OIG took the following actions:

- Obtained and reviewed the policies, procedures, and processes related to the administration and oversight of the Phoenix Air contracts and the reimbursement for non-Department aeromedical biocontainment evacuations.
- Interviewed MED and the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, personnel responsible for the administration and oversight of the Phoenix Air contracts.
- Reviewed contract files for significant deficiencies and noncompliance with Federal and Department requirements.
- Interviewed MED, the Bureau of Budget and Planning, and the Bureau of the Comptroller and Global Financial Services personnel and reviewed documentation to identify the extent reimbursements were received for non-Department aeromedical biocontainment evacuations.

² OIG Management Alert, *Contract File Management Deficiencies* (MA-A-0002, March 2014).

Issues identified during work performed on internal controls during the audit are detailed in the "Audit Results" section of the report.

Use of Computer-Processed Data

Computer-processed data was used in the determination of the universe of invoices associated with contract SAQMMA14C0155 awarded in August 2014 and contract SAQMMA15C0022 awarded in December 2014. This universe was obtained electronically from GFMS. To verify the completeness of the obtained universe, OIG requested an independent list of contract SAQMMA14C0155 and contract SAQMMA15C0022 invoices from the COR. OIG compared both lists and found no differences. OIG concluded that the obtained universe was complete.

In addition, OIG obtained invoices and supporting documentation from the GFMS to determine whether the COR approved invoices after verifying costs against the supporting documentation. OIG then reviewed information from GFMS for each invoice to ensure that the contractor was paid the approved amount. From this analysis, OIG concluded that the obtained universe was accurate. From these analyses, we determined that the data was sufficiently reliable for the purposes of this report.

Detailed Invoice Review Sampling Methodology

Using a non-statistical sampling method known as judgmental sampling, OIG identified a sample of 16 invoices associated with contract SAQMMA14C0155 and 9 invoices associated with contract SAQMMA15C0022.

OIG evaluated whether COR-approved invoices were supported with adequate documentation. OIG reviewed the invoices and compared vendor names, dates, invoices numbers, quantities, unit pricing, and total pricing listed on the invoices (as applicable) with the supporting documentation to identify any unsupported costs.

Identification of the Universe Associated With Contract SAQMMA14C0155

OIG identified 72 invoices, submitted through May 29, 2015, totaling about \$3.4 million, based on data obtained from the COR and GFMS. OIG then identified this universe was related to 24 evacuation missions conducted during the contract's period of performance.³ OIG found that Phoenix Air submitted from two to four invoices per evacuation mission.

Selection of Invoices Associated With Contract SAQMMA14C0155

OIG judgmentally selected 16 invoices from 5 evacuation missions for review. Specifically, OIG judgmentally selected every fifth evacuation mission and reviewed all the invoices related to each selected evacuation mission. The 16 invoices selected for review totaled about \$558,000. The 16 selected invoices are shown in Table A.1. The results of the review are presented in the Audit Results section of this report.

³ August 7, 2014, through February 6, 2015.

Table A.1: Sample Selection of Contract SAQMMA14C0155 Invoices

Evacuation Mission Number	Invoice Number	Invoice Amount
14-001	14-001A	\$163,318
	14-001B	11,849
	14-001C	9,067
14-008	14-008A	168,026
	14-008B	14,428
	14-008C	8,279
	14-008D	437
14-013	14-013A	52,700
	14-013B	1,010
	14-013C	1,993
D14-001	D14-001A	40,652
	D14-001B	26,631
D14-002	D14-002A	44,902
	D14-002B	11,246
	D14-002C	444
	D14-002D	2,841
Total		\$557,823

Source: OIG generated from data provided by MED and data obtained from GFMS.

Identification of the Universe Associated With Contract SAQMMA15C0022

OIG identified 32 invoices, submitted through September 21, 2015, totaling about \$2 million, based on data obtained from the COR and GFMS. OIG then identified this universe was related to 23 evacuation missions conducted between the beginning of the contract's performance period⁴ and August 29, 2015. OIG found that Phoenix Air submitted from one to two invoices per evacuation mission.

Selection of Invoice Associated With Contract SAQMMA15C0022

OIG judgmentally selected nine invoices from five evacuation missions for review. Specifically, OIG judgmentally selected every fifth evacuation mission and reviewed all the invoices related to each selected evacuation mission. The nine invoices selected for review totaled about \$342,000. The nine selected invoices are shown in Table A.2. The results of the review are presented in the Audit Results section of this report.

⁴ Period of performance of 1 year, with two 1-year option periods, began February 7, 2015.

Table A.2: Sample Selection Contract SAQMMA15C0022 Invoices

Evacuation Number	Invoice Number	Invoice Amount
15-004	15-004A	\$49,215
	15-004B	1,664
15-009	15-009A	59,956
	15-009B	7,204
15-014	15-014A	126,915
	15-014B	14,843
D15-006	D15-006A	19,920
	D15-006B	16,569
D15-011	D15-011A	45,322
Total		\$341,608

Source: OIG generated from data provided by MED and data obtained from GFMS.

APPENDIX B: BUREAU OF ADMINISTRATION RESPONSE



United States Department of State

Washington, D.C. 20520

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June 16, 2016

MEMORANDUM

TO: OIG/AUD – Norman P. Brown

FROM: A/LM – Cecilia Coates, Acting *cc*

SUBJECT: Draft Report on *Audit of the Aeromedical Biological Containment Evacuation Contracts Within the Bureau of Medical Services*

Thank you for the opportunity to provide comments on the subject report. The point of contact for this response is Mr. Jim Moore who may be reached at 703-875-(b) (6)

Recommendation 1: OIG recommends that the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management modify the quality assurance surveillance plan for the Phoenix Air Group contract (SAQMMA15C0022) to include a methodology to measure and document contractor performance in accordance with the Federal Acquisition Regulation and Department of State policies.

Management Response (6/15/2016): The Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management agrees with the OIG's recommendation. AQM believes it is in compliance with this recommendation based on the following:

- The quality assurance surveillance plan (QASP) was developed and administered in accordance with the Federal Acquisition Regulation and Department of State policies. 14 FAH-2 H.341.2 (Elements of a Performance Work Statement) (4) states:

“Develop a quality assurance plan (QAP) that will specify procedures for the reduction of fee or price when services are not performed or do not meet contract requirements, and when re-work is not feasible. In addition, the QAP may also include positive performance incentives, which may or may not be of a monetary nature. (Reference 48 CFR 37.604, ‘Quality assurance surveillance plans’ and 48 CFR 46.4).”

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In accordance with 14 FAH, a QASP/QAP was developed for this requirement; however, an incentive contract was not utilized, therefore, it would be inappropriate to include incentives based on the contractor's performance. Furthermore, the methods and degree of performance assessment may change over time in proportion to the evaluator's level of confidence in the contractor's performance. Similar to a SOW or PWS, there is no required format found in the FAH or FAR for a QASP.

- The OIG correctly states that nine performance objectives are found in the contract. While a separate column titled "Method of Surveillance" is not included in the QASP, a surveillance method can be found under the "Performance Threshold" and/or "Performance Standard" column(s) of several Performance Objectives. For example, Performance Objective #1 (Primary and Secondary Aircraft Assurance and Response Posture) includes the following statement under Performance Threshold: "100% compliance with readiness degradation notifications to the COR..." The underlined text shows that the Contractor must report to the COR any readiness degradation outside of 100%. Hence, there is a 100% COR measurement and documentation surveillance requirement for this standard that has occurred throughout contract performance.

Furthermore, the below listed FAR Clauses are included in the contract. This is important to note because under each of these FAR clauses, the Government retains the right to inspect and test all supplies/services performed under this contract, to the extent practicable, at all places and times:

52.246-2 Inspection of Supplies – Cost Reimbursement (Apr 1984)
 52.246-3 Inspection of Supplies – Cost Reimbursement (May 2001)
 52.246-4 Inspection of Services – Fixed-Price (Aug 1996)
 52.246-5 Inspection of Services – Cost Reimbursement (Apr 1984)
 52.246-6 Inspection – Time-and-Materials and Labor-Hour (May 2001)
 52.246-6 Inspection – Time-and-Materials and Labor-Hour Alt I (Apr 1984)

- The referenced contract, SAQMMA-15-C-0022, ended on May 7, 2016. Instead of modifying this contract, AQM proposes modifying the follow-on contract, SAQMMA-16-C-0077. For the sake of clarity, the modification will include an update to the QASP to include a "Method of Surveillance" column as well as a requirement for the Contractor to submit periodic Quality Assessment Compliance Reports (QACRs). The periodic QACRs

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will show how the Contractor met or failed to meet the performance requirements listed in the contract. If the Contractor failed to meet the established performance threshold(s), there will be a requirement for a detailed narrative outlining what actions have been taken to mitigate any future non-compliance.

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Approved by: A/LM – Cecilia Coates, Acting

Drafter: A/LM – Jim Moore, 703-875 (b) (6)

Cleared:	A FO:	RBemish	(ok)
	A/LM:	JMcIntyre	(ok)
	A/LM/AQM:	CRead	(ok)
	A/LM/AQM:	VChaverini	(ok)
	M:	GCampbell	(ok)
	M/PRI:	ALarkin	(ok)
	MED/OM	WWalters	(ok)
	A/EX:	JMcGuire	info

APPENDIX C: BUREAU OF MEDICAL SERVICES RESPONSE



United States Department of State


Office of Medical Services
Department of State and the Foreign Service

Washington, D.C. 20522

June 10, 2016

MEMORANDUM

TO: OIG/AUD –Norm Brown

FROM: MED – Charles H. Rosenfarb, M.D., Medical Director 

SUBJECT: Responses to Draft Report AUD-CGI-16XX (May 2016): Audit of the Aeromedical Biological Containment Evacuation Contracts within the Office of Medical Services (MED)

The Office of Medical Services (MED) reviewed the (the referenced draft report for the *Audit of the Aeromedical Biological Containment Evacuation Contracts Within the Office of Medical Services* (the “Draft Report”) provided by the U.S. Department of State and Broadcasting Board of Governors Office of the Inspector General (OIG). The Office of Audits (AUD) Contracts, Grants, and Infrastructure (AUD/CGI) conducted the audit to determine whether (1) the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management (A/LM/AQM), and the MED properly administered and provided oversight of the aeromedical biocontainment evacuation contracts in accordance with requirements; and (2) MED received reimbursement for non-Department aeromedical biocontainment evacuations as required.

MED appreciates the opportunity to provide general written comments on the Draft Report and express its continuing commitment to implementation of proper management controls. While MED agrees, in principle, with Recommendation #3 and Recommendation #4, it believes that AUD/CGI’s Findings and Conclusions for Recommendation #2 were not supported by sufficient and/or appropriate evidence.

I. General Written Comments on the Draft Report

MED is pleased to note that AUG/CGI determined that:

- a. agency needs and inherently governmental functions (IGF) were properly documented;
- b. the AQM contracting officer (CO) and the Office of Operational Medicine (MED/OM) contracting officer’s representative (COR) conducted proper market research and acquisition planning;
- c. the CO followed proper competition requirements, source selection procedures, contract type selection, and other pre-award activities;

- d. the COR was properly designated and met COR training requirements;
- e. the MED/OM COR and the Office of the Executive Director Budget Division (MED/EX/BUD) properly approved and documented invoices with no identified improper payments;
- f. as administered, the Quality Assurance Surveillance Plans (QASP) “established clear performance expectations” and the MED/OM COR File documented adequate oversight of critical aspects of contractor performance; and
- g. as administered, MED/EX/BUD complied with fiscal law and properly billed and collected reimbursements for medical evacuation services.

II. MED Management Response – Recommendation #2

Recommendation #2: *OIG recommends that the Bureau of Medical Services establish and implement controls to adequately segregate activities related to authority, custody, and accounting for aeromedical biocontainment evacuation contracts.*

Response: Following a thorough review of the Draft Report, MED has significant concerns that some of the Findings related to this recommendation are based on incorrect audit criteria¹ and are not supported by available evidence as required by generally accepted government accounting standards.² Notably, selective application and analysis of Federal Internal Control Standards without consideration of MED Management’s responsibility to design and implement control activities to achieve objectives and respond to risks presents a one-sided narrative that does not capture the extensive deliberation and weighing of risk that occurred over a 13-month period leading up to adoption of the revised approval workflow in the Integrated Logistics Management System (“ILMS”). A detailed factual background is provided below. Moreover, the Draft Report’s assumption that a transaction control activity (“TCA”) via ILMS is the only way to ensure proper segregation of duties is not supported by any cited authority or best practice referenced in the Draft Report. Indeed, the current ILMS “Domestic Recommended Operating Procedure” (categorized as a “Best Practice”) published by A/LM mirrors the workflow and watcher categories that the Draft Report describes as inadequate.

Relevant Factual Background

- a. **Introduction:** On August 7, 2014, MED entered into a contingency contract with Phoenix Air Group (PAG) to establish the world’s premier biocontainment medical evacuation capability. At that time, the mortality rate for Zaire Ebola Virus Strain was 60%. MED was able to reduce the mortality rate to 0% if patients arrived in a western hospital within 5 days of symptom onset. In a typical mission, MED received notification 24 hours from symptom onset, and the mission cycle time was between 48 and 60 hours. Operationally this meant that from first phone call, the U.S. Government had 12 hours to mobilize the aircraft, solidify parameters, verify authorities, and notify over 30 interagency officials, including the

¹ GAO 12-331G Section 6.37 “Identifying Audit Criteria” (Criteria “represent the laws, regulations, contracts, grant agreements, standards, specific requirements, measures, expected performance, defined business practices, and benchmarks which performance is compared or evaluated.”).

² GAO 12-331G Section 6.56 “Obtaining Sufficient, Appropriate Evidence” (“Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.”). See also, e.g., Office of Inspector General, National Aeronautics and Space Administration, Report No. IG-11-002, Page 2-3 (Oct 2010) (finding that audit conclusions sometimes lacked documented supporting evidence).

White House situation room. Every movement of the aircraft was reported in real time to the Department and National Security Council leadership, and every mission was covered by international media in real time through internet based aviation tail watchers and on the ground by reporters. Transparency was never in question.

- b. **Enhancing MED's ability to provide timely critical support:** On December 9, 2014, President Obama offered remarks to senior leaders of the federal workforce, conceding that the inability of government "to constantly adapt to the demands of the 21st century" undermined public trust in the federal government and challenging senior to ask make the federal government "smarter and faster and more responsive[.]"³ "Case study *number one*" of federal leaders meeting this challenge was MED's Director and his efforts to "swiftly transport American aid workers with Ebola to the United States for life-saving treatment."⁴ In January 2015, MED's senior leadership, including the Medical Director and the Deputy Medical Director acting as the Bureau's oversight body, recognized that changed operating conditions and mission demands required modification to MED's internal control system for acquisition functions. It requested stakeholder feedback on proposed process improvements.⁵ On January 12, 2015, MED/EX and MED/OM submitted proposals to senior MED leadership outlining process improvements for MED/OM acquisition functions. On January 20, 2015 — after 7 months of thoughtful review and monitoring activities — MED's senior leadership determined that changes were required to improve the performance and accountability of procurement functions.
- c. **Assignment of Responsibility:** On February 11, 2015, President Obama commended MED's efforts to combat EVD as well as the decisive, evidence-based leadership of the MED/OM Director in response to the crisis.⁶ At a February 20, 2015 follow-up meeting with the directors of MED/EX and MED/OM, MED senior leadership concluded that MED/OM should assume program office responsibility for related acquisition functions and that financial management of acquisition functions should be segregated as a MED/EX responsibility.
- d. **Reporting of Issues:** On April 30, 2015, MED/EX expressed concerns to MED senior leadership about MED/OM contract management. To ensure a transparent and independent review, MED senior leadership requested independent review of MED/OM contracting actions by the Head of Contracting Activity (A/LM/AQM) and a business process consultancy by the Managing Director of Policy, Rightsizing, and Innovation (M/PRI).
- e. **Evaluation of Issues:** On June 3, 2015, AQM completed its review of the subject acquisitions found that all procurement activities were conducted in full compliance with the Federal Acquisition Regulation (FAR) and applicable guidelines. On June 3, 2015, M/PRI submitted its recommendations to MED senior leadership. M/PRI is the Department's "central management analysis organization[.]" coordinates "business process reengineering[.]"

³ Remarks by the President to Senior Leaders of the Federal Workforce, December 9, 2014 (Federal Information and News Dispatch, Inc.).

⁴ Remarks by the President to Senior Leaders of the Federal Workforce, December 9, 2014 (Federal Information and News Dispatch, Inc.) (emphasis added).

⁵ GAO-14-704G, Page 42, *Analysis of and Response to Change*.

⁶ Remarks by President Obama, February 11, 2015, Federal News Service.

and “handles management policy ... and innovation.”⁷ M/PRI proposed a new business process with “sufficient checks and balances in place” if followed.⁸

- f. **Corrective Action:** On June 11, 2015, MED senior leadership directed the adoption of M/PRI’s recommendations to “clarify, standardize, and monitor performance of these functions.” It directed MED/QI to work jointly with MED/OM and MED/EX to facilitate the development and implementation of process documents and performance metrics consistent with MED’s existing quality management system.
- g. **Design of Appropriate Types of Control Activities:** On June 24, 2015, MED/OM and MED/EX met to develop final business flow diagrams that were submitted to MED/QI and the Medical Director on June 26, 2015. These business flow diagrams were developed jointly by MED/OM and MED/EX, reviewed by MED/QI, and approved by MED senior leadership on July 10, 2015.⁹
- h. **Revised Management Controls System:** The metrics approved by MED senior leadership and developed jointly between MED/QI, MED/OM, and MED/EX are intended to impose symmetrical obligations on both parties to process their respective roles in the Ariba Module of the Integrated Logistics Management System (ILMS) in two business days.
 - i. **Oversight Body:** In the rebalanced management controls paradigm, as applied to the PAG contract, MED/OM Management is required to socialize all significant contract modifications or actions during weekly meetings and document their discussion via weekly management briefings (verbal and PowerPoint slide presentations).
 - ii. **MED/OM Management:** Procurement Requests are entered into Ariba by the program office are approved by MED/OM Management and routed to the MED/EX. All transactions in ILMS are visible to an automatic distribution (OM Watcher Group) that includes representatives from MED/EX Management.
 - iii. **MED/EX Management:** During the two business day process time, MED/EX has the opportunity and responsibility to ask clarifying questions relevant to compliance with legal and regulatory requirements, stopping the clock until answers were provided by MED/OM Management. Following MED/EX review, funds are committed by MED/EX/BUD, and the procurement request is forwarded to AQM. From a control standpoint, it is impossible for a procurement request to leave the Bureau without approval MED/EX Management, exercised through their budget staffing unit and with full transparency of all parties involved. As a general control activity (GCA), only authorized MED/EX personnel outside of MED/OM are authorized user rights in the Global Financial Management System (GFMS) to commit funds for a requisition in ILMS.

⁷ 1 Foreign Affairs Manual 044.4-3, Office of Management Policy, Rightsizing and Innovation (M/PRI).

⁸ Note to Dr. Penner, M/PRI (6/3/15).

⁹ On July 13, 2015, MED/EX informed MED’s Oversight Body that it would proceed with implementing the business process flows but requested additional consideration on the matter of property management. Mindful of MED/EX’s unique status as property custodian, business processes were developed to respect MED/EX’s unique property administration functions.

iv. **AQM Management:** Upon approval by MED/EX/BUD, procurement requests are routed to AQM/OPS, moved from ILMS to GFMS, and assigned to a warranted Contracting Officer (CO). The warranted Contracting Officer reviews each procurement packet for completeness and compliance with the Federal and Department Acquisitions Regulations. If the CO finds that all details are in order, the commitment is obligated and awarded to the vendor. From a process control standpoint, it is impossible for MED/OM Management, or MED generally, to obligate a single dollar of funding without the warranted CO.

i. **Compliance with Management Control Paradigm:** In preparation of the response to Recommendation #2, records for each action related to the Phoenix Air Group contract were reviewed for compliance with the paradigm of management controls set forth above, including all seven contract modifications. The ILMS record, and supporting correspondence, show application of each step and control set forth in the prescribed management control system without exception.

Regarding the intent of Recommendation #2, MED agrees that establishing, implementing, monitoring and documenting an effective internal control system is central to preserving the integrity of MED acquisition functions, the successful fulfillment of MED's organizational objectives, and to serving the public interest. The audit methodology, as set forth in Appendix A of the draft report, was not designed to illuminate the full extent of existing controls, and did not evaluate the General Control Activities showing segregation of responsibility in ILMS-Ariba. A review of the audited contract actions, including the subsequent modifications to the contract, would have shown consistent segregation of functions both before and after business processes were refined in the biocontainment medical evacuation operations. At no time were essential management controls degraded to a point where management override would have been possible or transparency of actions reduced. As detailed above, the refined acquisitions process established and implemented by MED, in large part to address the exigencies of the Ebola epidemic, occurred following careful consultation with both the Managing Director of the Office of Policy, Rightsizing, and Innovation and the Head of Contracting Activity. MED has since codified and published an Application of Internal Controls in Acquisitions Procedure for MED/OM acquisitions — to include biocontainment medical evacuation procurement. This procedure document has been reviewed and approved by internal Department stakeholders (M/PRI, AQM, A/OPE, and CGFS/MC) as well as an external auditor and found to be compliant with OMB Circular A-123, Federal Internal Control Standards, and 2 FAM 200 requirements, as well as the International Standard Organization's 9001:2008 and 9001:2015 Quality Management System standards. Retrospective application of this procedure shows that all required control activities were satisfied. Insofar as the Recommendation 2 requires adoption of a written policy delineating management controls and segregation of duties for bio-containment medical evacuation, MED considers this recommendation acted upon and resolved. However, in light of the factual background provided below, MED respectfully submits that AUD/CGI reconsider the Draft Report's narrative concerning Recommendation 2.

III. MED Management Response – Recommendation #3

Recommendation 3: OIG recommends that MED develop and implement a method to adequately track and report the use of emergency funds related to the Ebola appropriation and other emergency funds appropriated by Congress.

Response: MED is currently tracking Ebola and other emergency appropriations through the Department's allotment system. The Ebola funding received in MED's D&CP account was reimbursed to MED's Working Capital Fund account (WCF) in order to facilitate obtaining current and future insurance receivables from insurance companies and individuals. The obligation and expenditure of these funds is documented in GFMS as well as other internal documents in the Office of Medical Services. MED also works directly with the Global Financial Operations Directorate in CGFS (CGFS/F) to establish a receivable account and collection action. The OIG report advised establishing a "sub-account." While we appreciate the OIG's recommendation on how to better track spending, the Ebola appropriation expires September 30; and the entire \$31.8 million reimbursed to the WCF for medical evacuations has already been obligated. If MED receives additional supplemental or emergency funds in the future that are reimbursed to the WCF for Ebola and/or other medical emergencies, MED will explore the "sub-account" or other mechanisms that provide the monitoring, tracking and reporting functions needed. For example, MED could segregate Ebola and other medical emergency obligations within the WCF by a range of obligation numbers dedicated to Ebola or other large-scale medical emergencies.

IV. MED Management Response – Recommendation #4

Recommendation #4: *OIG recommends that MED develop and implement procedures for processing invoices, billing, and collecting reimbursements for non-Department of State medical evacuations.*

Response: MED established and maintains a procedure for processing invoices, billing, and collecting reimbursements. MED will formalize the process by issuing a Standard Operating Procedure (SOP), and communicating its standardized procedures to key stakeholders.

ABBREVIATIONS

A/LM/AQM	Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management
CO	Contracting Officer
COR	Contracting Officer's Representative
EX	Executive Office
FAH	Foreign Affairs Handbook
FAR	Federal Acquisition Regulation
GFMS	Global Financial Management System
MED	Bureau of Medical Services
OM	Office of Operational Medicine
QASP	Quality Assurance Surveillance Plan
WCF	Working Capital Fund

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