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Inspector General
United States Department of Defense

Award and Administration of Multiple Award Contracts for Services at U.S. Army Medical Research Acquisition Activity Need Improvement

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Acronyms and Abbreviations

ADM	Acquisition Decision Memorandum
COR	Contracting Officer's Representative
DFARS	Defense Federal Acquisition Regulation Supplement
FAR	Federal Acquisition Regulation
IDIQ	Indefinite-Delivery, Indefinite-Quantity
IGCE	Independent Government Cost Estimate
LSJ	Limited-Source Justification
MAC	Multiple Award Contract
ODC	Other Direct Costs
QASP	Quality Assurance Surveillance Plan
TEAMS	TRICARE Evaluation, Analysis, and Management Support
USAMRAA	U.S. Army Medical Research Acquisition Activity
USAMRMC	U.S. Army Medical Research and Materiel Command

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

December 21, 2011

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Award and Administration of Multiple Award Contracts for Services at U.S. Army Medical Research Acquisition Activity Need Improvement (Report No. DODIG-2012-033)

We are providing this report for information and use. U.S. Army Medical Research Acquisition Activity contracting officials generally provided fair opportunity to compete for task orders awarded under multiple award contracts. However, U.S. Army Medical Research Acquisition Activity contracting officials did not prepare adequate justifications for the use of sole-source procurements on 3 task orders, valued at $8.7 million; did not prepare adequate fair and reasonable price determinations on 2 task orders awarded with only one proposal, valued at $35.4 million; did not perform adequate surveillance on 19 task orders, valued at $222.8 million; and approved 6 invoices containing unsupported other direct costs totaling $139,916. We considered management comments on a draft of this report when preparing the final report.

The Department of the Army comments on a draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, we do not require any additional comments.

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-8918 (DSN 664-8918). If you desire, we will provide a formal briefing on the results.

for Jacqueline L. Wicecarver
Assistant Inspector General
Acquisition and Contract Management

Results in Brief: Award and Administration of Multiple Award Contracts for Services at U.S. Army Medical Research Acquisition Activity Need Improvement

What We Did

We reviewed U.S. Army Medical Research Acquisition Activity (USAMRAA) task orders issued under multiple award contracts (MACs) for services to determine whether they were properly competed among all awardees and whether contracting officer's representatives (CORs) performed adequate oversight, including reviewing invoices. We reviewed 20 task orders,* valued at about $235.1 million.

What We Found

USAMRAA contracting officials generally provided fair opportunity to compete for task orders awarded under MACs. However, USAMRAA contracting officials did not prepare adequate justifications for the use of sole-source procurements on three task orders, valued at $8.7 million, because contracting officials relied on the logical follow-on exception without verifying if the exceptions were valid. In addition, contracting officials did not prepare adequate fair and reasonable price determinations on two task orders awarded with only one proposal, valued at $35.4 million, because they relied on inadequate independent government cost estimates when determining price reasonableness. As a result, USAMRAA had no assurance that the Government obtained the best value when issuing the five task orders.

The CORs did not perform adequate surveillance on 19 task orders reviewed. Specifically, quality assurance surveillance plans (QASP) were either nonexistent or inadequate, and the CORs did not maintain evidence of written approval for deliverables. In addition, the CORs approved six invoices containing unsupported other direct costs (ODCs) totaling $139,916. This occurred because contracting officers and CORs did not understand QASP requirements. As a result, USAMRAA had no assurance that services acquired were being rendered fully as agreed to in the task orders or that contractors were not overpaid.

What We Recommend

We recommend the Director, USAMRAA, require contracting officers and CORs to:

- prepare adequate justifications for sole-source awards and maintain complete contract file support for fair and reasonable price determinations for negotiated awards,
- develop QASPs before the start of the task order performance period that provide measurable metrics to evaluate contractor performance and provide set time frames for frequency of reporting relevant to the task order,
- require written support for inspection and acceptance of deliverables, and
- obtain adequate supporting documents or recover unsupported ODCs of $139,916.

Management Comments and Our Response

The Office of the Surgeon General, Department of the Army, agreed with the recommendations, and the comments were responsive. No further comments are required. Please see the recommendations table on the back of this page.

* Surveillance on one task order began just before fieldwork, resulting in insufficient time to measure the surveillance effort.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
U.S. Army Medical Research Acquisition Activity		A and B

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Introduction

Objectives

This was a follow-up audit on DoD Inspector General Report No. D-2001-189, "Multiple Award Contracts for Services," and the U.S. Army Medical Research and Materiel Command (USAMRMC) was not covered at that time. The audit objectives were to determine whether task orders under professional, administrative, and management support services multiple award contracts (MACs) were properly competed among all awardees and whether adequate oversight, including review of invoices, was performed for the contracts. This is the first in a series of reports addressing the use of MACs for services by DoD activities. See Appendix A for a discussion of the scope and methodology. See Appendix B for prior coverage related to the objectives.

Background

A MAC is a group of indefinite-delivery, indefinite-quantity (IDIQ) contracts used by DoD customers to obtain services. Specifically, all IDIQ contractors with contracts in the group are to be given fair opportunity to compete for award of a task order. Multiple award contracting enables the Government to procure services more quickly using streamlined acquisition procedures while taking advantage of competition to obtain optimum prices. Federal Acquisition Regulation (FAR) Subpart 16.5, "Indefinite-Delivery Contracts," establishes a preference for making multiple awards of indefinite-quantity contracts under a single solicitation for the same or similar services to two or more sources.

The Defense Federal Acquisition Regulation Supplement (DFARS) 207.170-2, "Definitions," defines a MAC as (1) a multiple-award-schedule contract issued by the General Services Administration and the Department of Veterans Affairs as described in FAR Subpart 8.4, "Federal Supply Schedules," (2) a multiple award task order or delivery order contract issued in accordance with FAR subpart 16.5, or (3) any other IDIQ contract that an agency enters into with two or more sources for the same line item under the same solicitation.

U.S. Army Medical Research Acquisition Activity

The U.S. Army Medical Research Acquisition Activity (USAMRAA) is a subordinate command of the USAMRMC, which is the Army's medical materiel developer, and is responsible for medical research, development, acquisition, and medical logistics management. The Command has 12 subordinate commands located throughout the world. USAMRAA provides contracting support to the Command Headquarters and its global network of laboratories and medical logistics organizations. USAMRAA's mission is to provide quality, timely, and cost-effective business advice and solutions for its customers and other stakeholders.

We examined task orders from two sets of MACs from USAMRAA. The first MAC provides administrative, scientific, information technology, program management, training, consultation, facilitation, privatization, financial support products, and technology assessment services for USAMRMC research development and acquisition areas. Support includes medical research development and acquisition programs conducted by USAMRMC and administrative support functions for the USAMRMC Command Group. Each task order we selected for review had a $100 million ceiling; however, a ceiling amount for the MAC was not established.

The second MAC, TRICARE Evaluation, Analysis, and Management Support (TEAMs), supports the TRICARE Management Activity Procurement Support Office in its mission. The Office of the Assistant Secretary (Health Affairs)/TRICARE Management Activity have a requirement for support to the principles of DoD program management to ensure the delivery of high-quality, cost-effective healthcare services. The ceiling amount for the TEAMS MAC is $10.5 billion. See Appendix C for a list of task orders reviewed.

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program (MICP) Procedures," July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the effectiveness of the controls. We identified internal control weaknesses in USAMRAA contracting officer's representatives (CORs) surveillance of task orders. Specifically, USAMRAA contracting officials either did not develop or developed inadequate quality assurance surveillance plans (QASPs) for task orders awarded under MACs. Additionally, the CORs could not provide written documentation of acceptance of deliverables. See Appendix D for a summary of surveillance issues for each task order. We will provide a copy of the report to the senior official responsible for internal controls in the Department of the Army and the TRICARE Management Activity.

Finding A. Competition and Price Reasonableness of Task Orders at U.S. Army Medical Research Acquisition Activity

USAMRAA contracting officials generally provided fair opportunity for competition on 17 task orders, valued at $226.4 million,[1] and made proper price reasonableness determinations on 15 task orders, valued at $191 million. However, on 5 of 20 task orders[2] reviewed, USAMRAA contracting officials:

- did not prepare adequate justifications for the use of sole-source procurements on 3 task orders, valued at $8.7 million, and
- did not prepare adequate fair and reasonable price determinations on 2 task orders awarded with only one proposal, valued at $35.4 million.

This occurred because USAMRAA contracting officials relied on the logical follow-on exception without verifying whether the exception was valid. In addition, contracting officials relied on inadequate independent government cost estimates (IGCEs) when determining price reasonableness on awards with only one proposal. As a result, USAMRAA contracting officials had no assurance that the Government obtained the best value when issuing task orders under MACs.

Fair Opportunity Generally Provided

USAMRAA contracting officials generally provided fair opportunity when awarding task orders against established MACs. FAR 16.505(b)(2), "Ordering," requires the contracting official to provide fair opportunity to all contract holders under the MAC to be considered for every task order award over $3,000 unless one of the following statutory exceptions apply:

> (i) The agency need for the supplies or services is so urgent that providing fair opportunity would result in unacceptable delays;
>
> (ii) Only one awardee is capable of providing the supplies or services required at the level of quality required because the supplies or services ordered are unique or highly specialized;
>
> (iii) The order must be issued on a sole-source basis in the interest of economy and efficiency as a logical follow-on to an order already issued under the contract, provided that all awardees were given a fair opportunity to be considered for the original order.
>
> (iv) It is necessary to place an order to satisfy a minimum guarantee.

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[1] Throughout the report, the stated value of task orders is the base year plus the option years.
[2] Surveillance on one task order began just before fieldwork, resulting in insufficient time to measure the surveillance effort.

Contractors under the two MACs were given fair opportunity to bid on 17 of 20 task order awards reviewed.

Sole-Source Awards Not Adequately Justified

USMARAA contracting officials awarded three task orders, valued at $8.7 million, on a sole-source basis without adequate justification. Specifically, contracting officials inadequately justified the sole-source awards in the price negotiation memorandum instead of preparing a limited-source justification (LSJ).

Contracting officials cited FAR 16.505(b)(2)(iii), relating to the logical follow-on exception, as the exception to fair opportunity for all three awards. FAR 16.505 states that if the logical follow-on exception is used, the rationale shall describe why the relationship between the initial order and the follow-on is logical. In addition, USAMRAA Policy 08-01, "Limited-Source Justifications," February 5, 2008, establishes the guidelines for the creation, review, and approval of LSJs. This policy applies to orders placed against Federal supply schedules or orders placed that take exception to the multiple award fair opportunity process under FAR 16.505(b)(2). Specifically, the policy requires all LSJs to be prepared in accordance with FAR 8.405-6(g)(2),[3] "Limited sources justification and approval." FAR 8.405-6 requires the LSJ to identify the rationale and facts supporting the justification, determine that the order is the best value, and include a description of the market research performed.

For example, USAMRAA contracting officials awarded a sole-source task order for analytical services at USAMRMC, valued at $4.7 million, using the follow-on exception. However, the contracting official did not prepare an LSJ that explained the rationale for the use of the follow-on exception. Instead, the following boilerplate statement was included in the price negotiation memorandum for this task order:

> In accordance with FAR 16.505(b)(2)(iii) and the contract, this task order will be issued on a Sole-Source basis in the interest of economy and efficiency because it is a logical follow-on order already issued under an IDIQ contract.

The three sole-source awards were not supported as required. Specifically, USAMRAA contracting officials did not have evidence that competition occurred on the initial award of the three task orders. In addition, USAMRAA officials did not have documentation supporting the relationship between the initial awards and the new orders to justify the logical follow-on exception. Also, the competition advocate did not review the sole-source awards and a legal sufficiency review was not available as required by USAMRAA Policy 08-01. USAMRAA officials did not obtain the cost saving benefit of the MAC when they awarded sole-source task orders without an adequate justification and they should prepare adequate justifications for the use of sole-source procurements on future task orders awarded under MACs.

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[3] The FAR 8.405-6 was updated as of May 16, 2011.

Price Reasonableness Not Adequately Determined

USAMRAA contracting officials awarded 2 of 20 task orders, valued at $35.4 million, without adequately determining whether the prices were fair and reasonable. Under FAR 15.404-1, "Proposal analysis techniques," the contracting officer is responsible for evaluating the soundness of offered prices to ensure that the final agreed to price is fair and reasonable. Various proposal analysis techniques include assessing proposed prices from competition, reviewing historical prices paid, comparing proposed prices with the IGCE, or developing a cost realism analysis. A cost realism analysis is the process of independently reviewing and evaluating specific elements of each offeror's proposed cost estimate to determine whether the estimate proposed costs are realistic for the work to be performed. We identified weaknesses with the IGCE and the cost realism analysis used to support the price reasonableness determinations on the two task orders awarded with only one proposal. Without receiving multiple bids under competition, contracting officials placed increased reliance on the contracting officer's price analysis to support the fair and reasonable price determination.

Task Order 20

USAMRAA contracting officials relied on inadequate IGCEs to support their price reasonableness determinations for the two task orders with only one proposal. USAMRAA Procurement Advisory Notice 07-01, "Preparation and Use of the Independent Government Cost Estimate," February 7, 2007, states that the IGCE is the Government's estimate of the resources and the projected cost of those resources that a prudent contractor will incur in the performance of a contract.

USAMRAA contracting officials did not provide adequate support for the fair and reasonable price determination in the acquisition decision memorandum (ADM) for task order 20, valued at $24.8 million, under contract W81XWH-08-D-0025. The ADM stated that the price reasonableness position relied on a cost realism analysis and an IGCE. The ADM stated that the IGCE was developed using historical performance data from prior and ongoing Military Health System support efforts but did not include specifics on the source for past cost data. USAMRAA contracting officials included labor rate categories in the IGCE but did not include an explanation of how the rates were developed. In addition, the basis for the IGCE labor categories was an effort performed on a General Services Administration contract, and the rates were derived from the average of all the TEAMS contractor rates. The contracting office did not have the data support for the IGCE.

In addition, USAMRAA contracting officials did not maintain adequate support for the cost realism analysis on task order 20. The results of the analysis should reflect a clear understanding of the requirements, and the analysis should be performed on cost reimbursement contracts to determine the probable cost of performance. The probable cost must be used for the purpose of evaluation to determine the best value. On task order 20, the ADM stated that the price proposal was reviewed for cost realism; however, the contracting officer did not provide a cost realism analysis to support the Government's price analysis. A contract specialist reported that the Government

reviewed the level of effort and the mix of labor proposed to perform tasks but without a cost realism analysis, this could not be substantiated. An analysis provides the estimated labor hours and labor mix needed to complete work under the task order. As a result, there was no assurance that the Government obtained a fair and reasonable price. USAMRAA contracting officials should maintain complete contract file support for fair and reasonable price determinations on negotiated task order awards.

Task Order 10

USAMRAA contracting officials did not include the basis for the cost estimate in the IGCE for task order 10, valued at $10.5 million, under contract W81XWH-08-D-0023. The ADM showed an IGCE amount for the base and all options years of $10.5 million that was higher than the actual IGCE of $9.6 million. The contracting officials agreed that the mistake was attributed to a mathematical error and, had they known about it earlier, they may have negotiated a price closer to the actual IGCE. Therefore, we could not determine whether the task order resulted in a fair and reasonable price. The contracting officer should ensure that the basis for the IGCE is supported to provide assurance that USAMRAA contracting officials negotiated awards that resulted in a fair and reasonable price.

Conclusion

USAMRAA contacting officials had no assurance that the Government obtained the best value for 5 task orders, valued at $44.1 million, of 20 task orders reviewed. Although USAMRAA generally competed and received multiple proposals for task orders under MACs to support fair opportunity, they awarded three task orders on a sole-source basis without an adequate LSJ. Contracting officials must ensure that an adequate LSJ is prepared for all sole-source task orders in accordance with the FAR and USAMRAA policy. In addition, USAMRAA contracting officials awarded two task orders with only one proposal received that resulted in inadequate price reasonableness. The contracting officers did not have the support for the IGCEs. They also did not have a cost realism analysis for one of the task orders. USAMRAA contracting officials need to place more emphasis on documenting and supporting LSJ and price reasonableness determinations, otherwise there is no assurance that USAMRAA contracting officials awarded task orders that resulted in a fair and reasonable price or attained the best value.

Recommendations, Management Comments, and Our Response

A. We recommend the Director, U.S. Army Medical Research Acquisition Activity, to require contracting officers to:

1. Prepare adequate justifications for the use of sole-source procurements on future task orders awarded under multiple award contracts.

Department of the Army Comments

The Office of the Surgeon General, Department of the Army, Chief of Staff, agreed, stating that the U.S. Army Medical Research Acquisition Activity is drafting Policy 12-01, "Justifications for Exception to Fair Opportunity," to incorporate the requirements of Federal Acquisition Regulation 16.505(b)(2)(ii)(B). He further stated that the policy will be signed and issued to contracting personnel no later than January 31, 2012.

2. Verify that the independent Government cost estimates include adequate support for the estimated costs.

Department of the Army Comments

The Chief of Staff agreed, stating that the Commanding General, U.S. Army Medical Research and Materiel Command, alerted contracting officer's representatives about the Army requirement to submit adequately supported IGCEs in an August 24, 2011, memorandum, "Contract Accountability and Service." In addition, he stated that the U.S. Army Medical Research Acquisition Activity Procurement Advisory Notice 07-01, "Preparation and Use of the Independent Government Cost Estimate (IGCE)," February 7, 2007, will be revised to further emphasize the requirement for the preparer of the document to provide the basis and support for the estimated elements of cost. Also, he stated that an acquisition note will be posted on the U.S. Army Medical Research Acquisition Activity Intranet emphasizing this requirement. Finally, he stated that the actions will be completed by January 31, 2012.

3. Maintain complete contract file support for the basis for fair and reasonable price determinations on negotiated task order awards.

Department of the Army Comments

The Chief of Staff agreed, stating that a cost realism training course is being developed to present to U.S. Army Medical Research Acquisition Activity contracting personnel. He also stated that the training will be accomplished no later than January 31, 2012.

Our Response

The comments of the Office of the Surgeon General on all three recommendations were responsive, and no further comments are required.

Finding B. Surveillance Needs Improvement

The CORs did not perform adequate surveillance on all 19 task orders[4] reviewed, valued at $222.8 million, that USAMRAA awarded. Specifically, we identified the following surveillance issues.

- The contracting officers and the CORs did not prepare QASPs for 13 task orders, valued at $188.3 million.

- The contracting officers and the CORs prepared inadequate QASPs for 6 task orders, valued at $34.5 million.

- The CORs did not maintain evidence of written approval for deliverables on 18 task orders, valued at $202.5 million.

- CORs approved 6 invoices without adequate supporting documentation for other direct costs (ODC) totaling $139,916. In addition, they limited their review to the invoice charges submitted by the contractor or relied on detailed contractor cost reports without obtaining receipts.

This occurred because the contracting officers and the CORs did not understand QASP requirements, and contracting officers prepared COR designation letters containing language that was too general and not tailored to the specific surveillance requirements of each task order. As a result, USAMRAA had no assurance that services were being fully rendered or that contractors were not overpaid.

Criteria for Surveillance of Task Orders

FAR Subpart 46.4, "Government Contract Quality Assurance," states that QASPs should be prepared in coordination with the performance work statement. Additionally, QASPs should identify all work requiring surveillance and the method of surveillance. The surveillance can be performed at any time or location deemed necessary to ensure that services conform to contract requirements.

DFARS 246.401, "General," states "the requirement for a quality assurance surveillance plan shall be addressed and documented in the contract file for each contract except those awarded using simplified acquisition procedures." For service contracts, the contracting officer should prepare a QASP to facilitate assessment of contractor performance.

FAR Subpart 37.6, "Performance-Based Acquisition," states that performance-based contracts for services must include measureable performance standards and the method of assessing contractor performance. The QASP is a key Government surveillance

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[4] Surveillance on one task order began just before fieldwork, resulting in insufficient time to measure the surveillance effort.

document that is used for performance-based service contracting to manage contractor performance assessments. The QASP serves to ensure that systematic quality assurance methods are used to validate that the contractor is delivering the results specified in the contract.

Quality Assurance Surveillance Plans Not Prepared

The contracting officers and CORs did not prepare QASPs for 13 task orders, valued at $188.3 million, of 19 task orders reviewed. All of the IDIQ contracts required that a QASP be used to evaluate the contractor's performance. Because contracting officials issued task orders against the IDIQ contracts, they should have developed a QASP for each individual task order. The contracting officers and the CORs did not understand the QASP requirement. (See Appendix D for a summary of surveillance issues.)

For example, the COR for task order 17, valued at $3.5 million, awarded under contract W81XWH-08-D-0017, stated, "The overarching contract for the individual task orders has a QASP and the individual task orders do not. Therefore, I do not have a QASP and do not utilize the master QASP to assist in overseeing this task order." However, the IDIQ QASP was a template and should have been tailored to the requirements of the task order and subsequently used by the COR for surveillance of the project.

Task order 15, valued at $7.6 million, awarded under contract W81XWH-08-D-0031, did not have a QASP. We asked the COR if a QASP was developed and he responded, "Yes, the QASP is a joint venture between the contract Project Manager and myself. All aspects in the document are agreed to by both parties to ensure compliance." The COR provided the auditor with an unsigned quality control plan with a contractor logo that contained no evidence that the COR had input into the contractor-created document. The contractor develops a quality control plan for its use to ensure that services delivered meet the Government's requirement in the performance work statement. The quality control plan is not the same as a QASP. A QASP is developed by DoD to monitor the quality of a contractor's performance, provide the COR with a proactive way to avoid unacceptable or deficient performance, and provide verifiable input for the required past performance information assessments. Confusing the contractor-prepared quality control plan with the DoD-prepared QASP indicates a lack of understanding by the COR on the use of a basic surveillance tool.

Task order 12, valued at $12.5 million, awarded under contract W81XWH-08-D-0039, did not have a QASP. The COR provided a QASP and, when asked when it was prepared, he stated that the QASP was prepared in response to our request. When asked why the QASP was not prepared before the task order was awarded, the COR stated that he was busy and the QASP was not a high priority for him. The COR was the second COR assigned to the task order to monitor contractor performance. Based on the COR's statement, he was not diligent in performing his COR tasks. The QASP did not cover the period of performance stated in the task order and was not available at the time the task order was awarded. The QASP should have been developed before the contract was

awarded and should have been signed and dated at the time of award to ensure the contract file contained an accurate version.

USAMRAA contracting officials and CORs should have developed a QASP tailored to performance-based contracts and task orders. USAMRAA should not award a task order for services until a QASP is developed, signed, and dated.

Inadequate Quality Assurance Surveillance Plans

The contracting officers and the CORs prepared inadequate QASPs for 6 task orders, valued at $34.5 million, of 19 task orders reviewed and did not adequately monitor contractor performance. A QASP defines roles and responsibilities, identifies the performance objectives, and defines the methodologies used to monitor and evaluate performance. An inadequate QASP lacks a combination of defined roles and responsibilities, performance objectives, and methodologies used to monitor and evaluate contractor performance.

The surveillance methods in the QASP for task order 26, valued at $4.0 million, issued under contract W81XWH-08-D-0014, were too general. The QASP stated that "100 percent inspection" or "periodic inspection" and "customer complaints" will be used as the method of surveillance but did not state when or how often an inspection would occur. In addition, the metrics were not specific and lacked a clear relationship to the task order's statement of work. As a result, we cannot be assured that the COR conducted timely monitoring or that DoD attained the services stipulated in the contract.

The QASP for task order 10, valued at $10.5 million, issued under contract W81XWH-08-D-0023, was inadequate because the COR simply attached the performance matrix from the task order. However, the performance matrix did not match the performance work statement. In addition, the contractor's weekly progress report did not connect the work completed to the performance work statement. Specifically, the task order performance work statement required both civilian provider and Military Health System beneficiary surveys, but the weekly progress report cited by the COR did not address the surveys. Also, the COR relied on the contractor's weekly progress reports and not her own evaluation. Further, the COR delegated her responsibilities to attend weekly progress meetings to personnel that were not appointed to serve as a COR on the task order.

USAMRAA contracting officials used a performance summary matrix to serve as a QASP. The performance summary matrix lacked the required elements of a QASP. Each task order should have a QASP that clearly links performance metrics to the statement of work to measure progress. Further, the USAMRAA Chief of the Policy Branch acknowledged that the performance summary matrix is not a QASP. The QASP should be developed, signed, and dated by the time a task order is awarded. To ensure COR monitoring is effective, the COR should provide periodic reports on contractor progress to the contracting officer.

Contracting Officer's Representative Acceptance of Deliverables Not Documented

The CORs did not maintain written approval of deliverables on 18 task orders, valued at $202.5 million, of 19 task orders reviewed. FAR 46.501, "General," states that acceptance constitutes acknowledgement that the supplies or services conform to applicable contract quality and quantity requirements. FAR 46.501 also states that the acceptance should ordinarily be evidenced by execution of an acceptance certificate on an inspection. FAR 4.802, "Contract Files," requires that a contract file should include documents reflecting the basis for and the performance of contract administration responsibilities. The acceptance of the deliverables should be documented, and the documentation should be included in the COR contract file.

The CORs verbally approved deliverables. The COR for task order 9, valued at $4.7 million, awarded under contract W81XWH-08-D-0039, stated that he did not approve deliverables because he did not have the analytical or health care expertise to approve every detailed deliverable on very detailed military healthcare issues that contained statistical methodology. The COR stated that he relied on subject matter experts as well as the final acceptance by the Business and Economic Analysis Director or Deputy Director. The COR email also stated, "The distribution of a deliverable to the client constitutes approval (i.e. approvals are not documented per se)." The COR designation letter stated that a COR must not delegate responsibilities. In this case, the COR stated that he relied on subject matter experts to review the deliverable but did not document the results, even though FAR 4.802 states that a contract file should include documentation of actions reflecting the basis for and the performance of contract administration responsibilities.

On task order 27, valued at $2.6 million, under contract W81XWH-08-D-0014, the COR did not have written documentation for approval of the monthly progress report. The monthly progress report contained only a short summary of work performed during the previous month. The task order stated that monthly progress reports should include start date, projected end date, activity status, funding allocated to the work breakdown structure, financial labor data, current period data by work breakdown structure, labor hours, labor cost, other incurred direct costs, and total cost. However, the monthly progress reports did not have the required information; therefore, they were inadequate and should not have been approved. Verbal approval by the COR does not provide for a sound basis to identify what type of assessment was made in determining whether to accept or reject a deliverable. Written acceptance is needed and should be included as part of the contract file.

Language in Contracting Officer's Representative Designation Letters Too General

The USAMRAA contracting officers prepared COR designation letters for all 19 task orders, valued at $222.8 million. The language in the letters was general and not tailored to the requirements of the specific projects. Specifically, 11 of the COR designation

letters for the TEAMS MAC were created using a standard template without any adjustment to the particular task order awarded under the MAC.

DFARS 201.602-2, "Responsibilities," requires the contracting officer to designate contract administration responsibilities to the COR in writing. It states that a COR designation letter will be developed and furnished to the contractor and the contract administration office. Deputy Secretary of Defense Memorandum, "Monitoring Contract Performance in Contracts for Services," August 22, 2008, states that COR activities should be tailored to the dollar value and complexity of the specific contract. The CORs should ensure that contractors comply with all contract requirements and that overall performance is commensurate with the level of payments made throughout the life of the contract. The COR designation letters should be tailored to each task order to ensure successful oversight.

We asked one COR if the COR designation letter for task order 15, valued at $7.6 million, issued under contract W81XWH-08-D-0031, was tailored for this task order. The COR responded, "no, this is a blanket appointment letter that is used for all TEAMS contract task orders." An excerpt from all COR letters issued under TEAMS task orders read, "Verify the contractor performs the technical requirements of the contract in accordance with the contract terms, conditions, and specifications." The wording should have been tailored to the COR's responsibilities for each task order.

Invoice Review Needs Improvement

We reviewed nine invoices,[5] valued at $1.3 million, issued under three firm-fixed-price task orders, valued at $18.1 million, with cost lines for ODCs. The CORs approved six invoices with unsupported ODCs totaling $139,916. The CORs did not conduct adequate reviews because they limited their review to the invoice charges submitted by the contractor or relied on detailed contractor cost reports without obtaining receipts.

Three invoices, totaling $525,585, on task order 10 under contract W81XWH-08-D-0023, did not include supporting documentation for ODCs totaling $124,820 even though the contract requires that all ODCs be fully supported. Specifically, the invoices and contractor cost reports for July, August, and September 2010 contained $108,686 for postage expense, $11,319 for "Other," $4,393 for equipment and supplies, and $422 that was not associated with a specific category. The COR was unable to provide details on the review method and how the costs were determined acceptable, but the COR approved the invoices for payment.

Two invoices, totaling $305,879, on task order 17 under contract W81XWH-08-D-0017, did not include supporting documentation for ODCs totaling $14,495 even though the contract requires that all invoices for travel must be submitted with receipts to the COR before payment can be made. Specifically, the invoices for October and November 2010 did not include receipts for travel and ODCs totaling $14,495.

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[5] Three invoices did not have any charges for other direct costs.

The December 2010 invoice for $601 for travel costs on task order 26 under contract W81XWH-08-D-0014 did not include supporting documentation even though the contract requires that all invoices for travel be submitted with receipts to the COR before payment can be made. The invoice included an expense summary report but did not include receipts to show actual costs incurred. The COR approved the invoice without having supporting receipts for the travel costs.

CORs should request and maintain receipts to verify charges billed for ODCs. The lack of supporting documentation for invoices increased the risk for improper payment. USAMRAA officials should obtain supporting documentation or recover the unsupported ODCs that have been paid to the contractors and should verify all other direct cost charges on the three task orders.

Conclusion

USAMRAA surveillance on task orders was inadequate. We identified weaknesses in surveillance on all 19 task orders reviewed that were attributed to nonexistent or inadequate QASPs, general language in COR designation letters, and deliverables approved without written support. No QASPS were prepared for 13 of 19 task orders reviewed and the 6 QASPs that were prepared did not include clear and detailed methods of surveillance and were often not complete enough to be useful. In addition, the QASPs should have been signed and dated by the COR and the contracting officer before the period of performance began so that the proper personnel were held accountable for surveillance. Also, the contracting officer should have ensured that the CORs had adequate and well-documented contract files. The lack of QASPs, inadequate QASPs, general language in COR designation letters, no documentation for acceptance of deliverables, and inadequate review of invoices resulted in little assurance that the services were fully rendered.

Recommendations, Management Comments, and Our Response

B. We recommend the Director, U.S. Army Medical Research Acquisition Activity, require:

1. Contracting officers and contracting officer's representatives to develop quality assurance surveillance plans that provide metrics to evaluate contractor performance and provide set time frames for frequency of reporting relevant to the contract. Quality assurance surveillance plans should identify who has responsibility for surveillance and the level of reporting to the contracting officer.

Department of the Army Comments

The Office of the Surgeon General, Department of the Army, Chief of Staff, agreed, stating that the U.S. Army Medical Research Acquisition Activity will provide detailed information on the format and content of a quality assurance surveillance plan in Procurement Advisory Notice 12-01 to be published by January 31, 2012.

2. A review of the performance of the contracting officer's representative for task order 12 awarded under contract W81XWH-08-D-0039 to determine whether administrative action is warranted.

Department of the Army Comments

The Chief of Staff agreed, stating that the Director, U.S. Army Medical Research Acquisition Activity, will direct a review of the performance of the contracting officer's representative for task order 12 awarded under contract number W81XWH-08-D-0039. He also stated that a report of the review will be provided to the Director no later than January 31, 2012.

3. Contracting officers and contracting officer's representatives to sign and date quality assurance surveillance plans before the start of the task order performance period.

Department of the Army Comments

The Chief of Staff agreed, stating that the requirement will be established in an acquisition note to be published on the U.S. Army Medical Research Acquisition Activity Intranet by December 31, 2011.

4. The contracting officer's representative to report contractor progress to the contracting officer in writing.

Department of the Army Comments

The Chief of Staff agreed, stating that the U.S. Army Medical Research Acquisition Activity will include the written reporting requirement in Procurement Advisory Notice 12-01 to be published by January 31, 2012.

5. The contracting officer's representative to document support for inspection and acceptance of deliverables. The approval should clearly identify the type of review performed and basis for the approval.

Department of the Army Comments

The Chief of Staff agreed, stating that the U.S. Army Medical Research Acquisition Activity contracting officers will be reminded of this requirement in an acquisition note to be published on the U.S. Army Medical Research Acquisition Activity Intranet by December 31, 2011.

6. Contracting officers to develop contracting officer's representative designation letters that are tailored to each task order.

Department of the Army Comments

The Chief of Staff agreed, stating that the U.S. Army Medical Research Acquisition Activity contracting officers will be advised in an acquisition note that task orders with

statements of work covering a broad range of services necessitate tailored COR appointment designations. He further stated that the acquisition note will be published on the U.S. Army Medical Research Acquisition Activity Intranet by December 31, 2011.

7. The contracting officer's representative to review invoices on orders, including emphasis on other direct costs. Contracting officer's representatives must ensure that all other direct costs are fully supported before approving the invoices and that supporting documentation is maintained in the contract file.

Department of the Army Comments

The Chief of Staff agreed, stating that contracting officer's representative appointment designations for task orders that allow the contractor to submit invoices for other direct costs will include directions requiring the contracting officer's representative to approve such costs only after receiving documentation justifying the costs. He also stated that Procurement Advisory Notice 10-03, "Contracting Officer Representative/Grants Officer Representative (COR/GOR) File Content," May 4, 2010, will be revised to emphasize this point. He further stated that the change to the contracting officer's representative appointment designations and revision of Procurement Advisory Notice 10-03 will be completed by February 29, 2012.

8. The contracting officer's representative to initiate action to obtain adequate supporting documentation or recover unsupported other direct costs of:

a. $124,820 on task order 10 under contract W81XWH-08-D-0023.

b. $14,495 on task order 17 under contract W81XWH-08-D-0017.

c. $601 on task order 26 under contract W81XWH-08-D-0014.

Department of the Army Comments

The Chief of Staff agreed, stating that the U.S. Army Medical Research Acquisition Activity has initiated actions to recover the unsupported other direct costs by January 31, 2012.

9. The contracting officer's representative to obtain supporting documentation and verify all other direct cost charges on firm-fixed-price task orders with other direct cost lines.

Department of the Army Comments

The Chief of Staff agreed, stating that the U.S. Army Medical Research Acquisition Activity will issue guidance requiring contracting officer's representatives to obtain supporting documentation and verify all other direct cost charges on firm-fixed-price task orders with other direct cost lines. He also stated that implementation will be completed by March 1, 2012.

Our Response

The comments of the Office of the Surgeon General on all nine recommendations were responsive, and no further comments are required.

Appendix A. Scope and Methodology

We conducted this performance audit from October 2010 through October 2011 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 collected, reviewed, and analyzed documents on 20 task orders, valued at $235.1 million, from two MACs issued in FYs 2009 and 2010 at USAMRAA at Fort Detrick, Maryland. See Appendix C for a list of MACs and task orders reviewed. We reviewed pre-award documentation on 20 task orders including price negotiation memoranda, request for proposals, proposals, and sole-source justifications. As part of the 20 task orders, we examined 2 one bid task order awards for price reasonableness by examining the acquisition decision memorandums, IDIQ labor rates, and IGCEs. To determine whether surveillance was adequate, we examined COR designation letters, COR training certificates, QASPs, contractor program management plans, contractor quality control plans, and contractor progress reports. Additionally, we examined nine invoices under firm-fixed-price task orders. We reviewed documentation from April 1999 through April 2011.

To evaluate whether USAMRAA complied with appropriate Federal and DoD criteria for competition and oversight, we reviewed the United States Code, FAR, DFARS, and USAMRAA policies. We interviewed contracting personnel, program office personnel, and CORs at USAMRAA and TRICARE Management Activity in Falls Church, Virginia.

Use of Computer-Processed Data

We used computer-processed data from two databases to identify the universe of contracts and task orders to review—the Federal Procurement Data System and the Electronic Document Access System. We ran queries using both of these systems to determine contracting organizations to visit and selected a judgment sample of task orders for review.

We used the data only to identify which task orders to review. We selected a judgment sample of task orders issued in FYs 2009 and 2010 or task orders with a modification issued in FYs 2009 and 2010 with high dollar amounts at USAMRAA. Once we identified the orders that matched our criteria, we used only the documentation contained in the contract and task order files to support our findings, conclusions, and recommendations.

Appendix B. Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), DoD Inspector General (DoD IG), the Air Force Audit Agency, and Special Inspector General for Iraq Reconstruction have issued 20 reports discussing competition and surveillance. Additionally, DoD IG issued two reports prior to 2006 that are directly related to competition on task orders issued on multiple-award contracts. Unrestricted GAO reports can be accessed over the Internet at http://www.gao.gov/. Unrestricted DoD IG reports can be accessed at http://www.dodig.mil/audit/reports.

Air Force Audit Agency reports can be accessed from .mil domains over the Internet at http://afkm.wpafb.af.mil/ASPs/CoP/OpenCop.asp?Filter=OO-AD-01-41 by those with Common Access Cards.

Special Inspector General for Iraq Reconstruction unrestricted reports can be accessed over the Internet at http://www.sigir.mil/Default.aspx.

GAO

GAO Report No. 09-579, "Contract Management: Minimal Compliance with New Safeguards for Time-and-Materials Contracts for Commercial Services and Safeguards Have Not Been Applied to GSA Schedules Program," June 24, 2009

GAO Testimony No. 09-643T, "Defense Acquisitions: Actions Needed to Ensure Value for Service Contracts," April 23, 2009

GAO Report No. 07-273, "Defense Contracting: Improved Insight and Controls Needed over DoD's Time-and-Materials Contracts," June 29 2007

GAO Report No. 06-838R, "Contract Management: DoD Vulnerabilities in Contracting Fraud, Waste, and Abuse," July 7, 2006

DoD IG

DoD IG Report No. D-2010-087, "Weakness in Oversight of Naval Sea Systems Command Ship Maintenance Contract in Southwest Asia," September 27, 2010

DoD IG Report No. D-2010-081, "Army Use of Time-and-Materials Contracts in Southwest Asia," August 27, 2010

DoD IG Report No. D-2010-078, "Air Force Use of Time-and-Materials Contracts in Southwest Asia," August 16, 2010

DoD IG Report No. D-2010-059, "Contingency Contracting: A Framework for Reform," May 14, 2010

DoD IG Report No. D-2009-109, “Contracts Supporting the DoD Counter Narcoterrorism Technology Program Office,” September 25, 2009

DoD IG Report No. D-2009-083, “Logistics Support Contracting for the United States Special Operations Command,” May 28, 2009

DoD IG Report No. D-2009-082, “SeaPort Enhanced Program,” May 6, 2009

DoD IG Report No. D-2009-036, “Acquisition of the Air Force Second Generation Wireless Local Area Network,” January 16, 2009

DoD IG Report No. D-2008-007, “Task Orders on the Air Force Network-Centric Solutions Contract,” October 25, 2007

DoD IG Report No. D-2007-118, “Contract Administration of the Ice Delivery Contract Between International American Products, Worldwide Services and the U.S. Army Corps of Engineers During the Hurricane Katrina Recovery Effort,” August 24, 2007

DoD IG Report No. D-2007-106, “Air Force Network-Centric Solutions Contract,” June 29, 2007

DoD IG Report No. D-2006-076, “Report on DoD Compliance with the Prompt Payment Act on Payments to Contractors,” April 19, 2006

DoD IG Report No. D-2001-189, “Multiple Award Contracts for Services,” September 30, 2001

DoD IG Report No. D-1999-116, “DoD Use of Multiple Award Task Order Contracts,” April 2, 1999

Air Force Audit Agency

Air Force Audit Agency Report No. F-2008-0004-FC1000, “Competition in Multiple Award Service Contracts,” April 3, 2008

Air Force Audit Agency Report No. F-2008-0001-FC1000, “Management and Oversight of the Acquisition of Services Process,” October 1, 2007

Special Inspector General for Iraq Reconstruction

Special Inspector General for Iraq Reconstruction Report No.09-017, “Need to Enhance Oversight of Theater-Wide Internal Security Services Contracts,” April 24, 2009

Special Inspector General for Iraq Reconstruction Report No.07-001, “Logistics Civil Augmentation Program Task Order 130: Requirements Validation, Government Oversight, and Contractor Performance,” June 22, 2007

Appendix C. Task Orders Reviewed

We reviewed eight task orders issued under the MAC supporting the USAMRMC research, development, and acquisition areas. Each task order we selected for review had a ceiling of $100 million; however, a ceiling amount for the MAC was not established.

Table 1. USAMRMC Support MAC Task Orders

IDIQ Contract Number	Task Order Number	Task Order Type	Task Order Amount (base year plus option years)
W81XWH-08-D-0014	26	Firm-Fixed-Price	$ 4,023,411
W81XWH-08-D-0014	27	Firm-Fixed-Price	2,574,145
W81XWH-08-D-0015	24	Time-and-Materials	541,888
W81XWH-08-D-0015	17	Time-and-Materials	4,690,916
W81XWH-08-D-0015	28	Firm-Fixed-Price	3,730,431
W81XWH-08-D-0017	43	Time-and-Materials	2,642,280
W81XWH-08-D-0017	39	Firm-Fixed-Price	3,567,541
W81XWH-08-D-0017	17	Firm-Fixed-Price	3,515,921
Total			**$25,286,533**

We reviewed 12 task orders issued under the MAC supporting the TRICARE Procurement Support Office. As of January 2011, the overall MAC has a not-to-exceed ceiling of $10.5 billion.

Table 2. TEAMS MAC Task Orders

IDIQ Contract Number	Task Order Number	Task Order Type	Task Order Amount (base year plus option years)
W81XWH-08-D-0028	10	Cost-Plus-Fixed-Fee	$ 60,910,345
W81XWH-08-D-0028	13	Firm-Fixed-Price	9,723,260
W81XWH-08-D-0024	20	Cost-Plus-Fixed-Fee	2,953,090
W81XWH-08-D-0024	18	Firm-Fixed-Price	34,773,200
W81XWH-08-D-0025	20	Cost-Plus-Fixed-Fee	24,829,592
W81XWH-08-D-0025	24	Cost-Plus-Fixed-Fee	12,364,426
W81XWH-08-D-0025	21	Cost Plus-Fixed Fee	8,802,847
W81XWH-08-D-0031	15	Cost-Plus-Fixed-Fee	7,558,468
W81XWH-08-D-0023	10	Firm-Fixed-Price	10,526,935
W81XWH-08-D-0039	9	Cost-Plus-Fixed-Fee	4,687,500
W81XWH-08-D-0039	12	Cost-Plus-Fixed-Fee	12,464,326
W81XWH-08-D-0032	8	Cost-Plus-Fixed-Fee	20,264,904
Total			**$209,858,893**

Appendix D. Surveillance Issues

Contract/Task Order Number	Services Purchased	No QASP	Inadequate QASP	Inadequate COR Letter	No Documented Approval on Deliverables	Inadequate Surveillance
Professional Support Services for USAMRMC						
W81XWH08D0014-0026	General Support		●	●	●	●
W81XWH08D0014-0027	Software Engineer Support		●	●	●	●
W81XWH08D0015-0024	Study to Assess Biodefense Countermeasure T&E	●		●	●	●
W81XWH08D0015-0017	Analytical Services	●		●	●	●
W81XWH08D0015-0028	Enterprise Information Technology Support	●		●	●	●
W81XWH08D0017-0043	Decision Gate Document Specialists Support	●		●	●	●
W81XWH08D0017-0039	General Support	●		●	●	●
W81XWH08D0017-0017	PACS Office Support	●		●	●	●
Program Management Support Services for TRICARE Management Activity						
W81XWH08D0028-0010	Developmental, Test, and Evaluation Services	●		●	●	●
W81XWH08D0028-0013	Business Process Improvement and Validation Support		●	●	●	●
W81XWH08D0024-0020	TMA Technical and General Administrative Support		●	●	●	●
W81XWH08D0024-0018	DHIMS Garrison Business Operations Support	●		●	●	●

Contract/Task Order Number	Services Purchased	No QASP	Inadequate QASP	Inadequate COR Letter	No Documented Approval on Deliverables	Inadequate Surveillance
W81XWH08D0025-0020	HIPAA Security Technical Support	●		●	●	●
W81XWH08D0025-0024	Program Management Office Support	N/R	N/R	N/R	N/R	N/R
W81XWH08D0025-0021	DCoE Development and Identification of Best Practices Support	●		●	●	●
W81XWH08D0031-0015	Program Management and Support	●		●	●	●
W81XWH08D0023-0010	Healthcare Surveys - Operations		●	●	●	●
W81XWH08D0039-0009	Business and Economic Analysis Implementation and Support		●	●	●	●
W81XWH08D0039-0012	Pharmacy Operations Center Support	●		●	●	●
W81XWH08D0032-0008	Program Management Support	●		●		●
Totals		**13**	**6**	**19**	**18**	**19**

DCoE	Defense Centers of Excellence for Psychological Health and Traumatic Brain Injury
DHIMS	Defense Health Information Management System
HIPAA	Health Insurance Portability and Accountability Act
N/R	Not Reviewed
PACS	Picture Archival and Communication Systems
T&E	Test and Evaluation
TMA	TRICARE Management Activity

Department of the Army, Office of the Surgeon General Comments

DEPARTMENT OF THE ARMY
OFFICE OF THE SURGEON GENERAL
5109 LEESBURG PIKE
FALLS CHURCH, VA 22041-3258

REPLY TO ATTENTION OF

DASG-ZX

23 NOV 2011

MEMORANDUM FOR Department of Defense Inspector General, Acquisition and Contract Management, ATTN: [redacted] 400 Army Navy Drive, Arlington, VA 22202-4704

SUBJECT: Reply to DODIG Draft Report, Award and Administration of Multiple Award Contracts for Services at U.S. Army Medical Research Acquisition Activity Needs Improvement (Project No. D2011-D000CF-0047.000)

1. Thank for you the opportunity to review this report. Our comments are enclosed for your consideration.

2. Our point of contact is [redacted]

FOR THE SURGEON GENERAL:

Encl

Herbert A. Coley
HERBERT A. COLEY
Chief of Staff

Department of the Army, Office of the Surgeon General Comments

U.S. Army Medical Command (MEDCOM) and
Office of the Surgeon General (OTSG)

Comments on DODIG Draft Report
Award and Administration of Multiple Award Contracts for Services at U.S. Army Medical Research Acquisition Activity Needs Improvement
(Project No. D2011-D000CF-0047.000)

RECOMMENDATION A.1.: We recommend the Director, U.S. Army Medical Research Acquisition Activity require contracting officers to: prepare adequate justifications for the use of sole-source procurements on future task orders awarded under multiple award contracts.

RESPONSE: Concur. U.S. Army Medical Research Acquisition Activity (USAMRAA) Policy 12-01, Justifications for Exception to Fair Opportunity, is being drafted in agreement with the requirements of FAR 16.505(b)(2)(ii)(B). The policy will be signed and issued to contracting personnel no later than 31 January 2012.

RECOMMENDATION A.2.: We recommend the Director, U.S. Army Medical Research Acquisition Activity verify independent Government cost estimates include support for the estimated costs.

RESPONSE: Concur. Independent Government cost estimates are the product of the customer. Reliance on inadequately supported independent Government cost estimates inhibits the Contracting Officer from ensuring a fair and reasonable price determination has been made. The Commanding General, U.S. Army Medical Research and Materiel Command (USAMRMC) alerted Contracting Officer's Representatives (COR) of the Army requirement to submit adequately supported independent Government cost estimates in a 24 August 2011 memorandum, Contract Accountability and Service. USAMRAA Procurement Advisory Notice (PAN) 07-01, Preparation and Use of Independent Government Cost Estimates, will be revised to further emphasize the requirement for the preparer of the document to provide the basis and support for the estimated elements of cost. This will provide Contracting Officers the support needed to verify the accuracy of the estimates. In addition, an Acquisition Note will be placed on the USAMRAA Intranet emphasizing this requirement. These actions will be completed by 31 January 2012.

RECOMMENDATION A.3.: We recommend the Director, U.S. Army Medical Research Acquisition Activity maintain complete contract file support for the basis for fair and reasonable price determinations on negotiated task order awards.

Encl

Department of the Army, Office of the Surgeon General Comments

RESPONSE: Concur. The appropriate proposal analysis technique discussed in FAR 15.404-1 must be used to determine whether a task order is fair and reasonable. Additionally, Contracting Officers must be confident independent government cost estimates relied upon for determining price reasonableness are properly supported. Cost reimbursement task orders require the performance of a cost realism analysis to determine whether the estimated proposed cost elements are realistic for the work to be performed; reflect a clear understanding of the requirements; and are consistent with offeror's technical proposal. A probable cost is developed and used for a best value determination, including fairness and reasonableness of price. A Cost Realism training course is being developed for presentation to Activity contracting personnel. The training will be accomplished no later than 31 January 2012.

RECOMMENDATION B.1.: We recommend the Director, U.S. Army Medical Research Acquisition Activity require contracting officers and contracting officer's representatives to develop quality assurance surveillance plans that provide metrics to evaluate contractor performance and provide set timeframes for frequency of reporting relevant to the contract. Quality assurance surveillance plans should identify who has responsibility for surveillance and the level of reporting to the contracting officer.

RESPONSE: Concur. The content of a quality assurance surveillance plan can vary depending upon the dollar amount and complexity of the services being performed. The task order quality assurance surveillance plans reviewed by the DODIG audit team demand everything captured in the recommendation. PAN 12-01, to be published by USAMRAA by 31 January 2012, will provide detailed information regarding the format and content of a quality assurance surveillance plan.

RECOMMENDATION B.2.: We recommend the Director, U.S. Army Medical Research Acquisition Activity require a review of the performance of the contracting officer's representative for task order 12 awarded under contract W81XWH-08-D-0039 to determine whether administrative action is warranted.

RESPONSE: Concur. The Director, USAMRAA will direct a review of the performance of the COR for task order 12 awarded under contract number W81XWH-08-D-0039. A report of the review will be provided the Director no later than 31 January 2012.

RECOMMENDATION B.3.: We recommend the Director, U.S. Army Medical Research Acquisition Activity require contracting officers and contracting officer's representatives to sign and date quality assurance surveillance plans before the start of the task order performance period.

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Department of the Army, Office of the Surgeon General Comments

RESPONSE: Concur. A quality assurance surveillance plan adequate for the complexity and dollar value of the task order must be agreed upon and signed by the Contracting Officer and the COR prior to the establishment of the task order. This requirement will be established in an Acquisition Note placed on the USAMRAA Intranet. This will be accomplished by 31 December 2011.

RECOMMENDATION B.4.: We recommend the Director, U.S. Army Medical Research Acquisition Activity require the contracting officer's representative to report contractor progress to the contracting officer in writing.

RESPONSE: Concur. PAN 12-01 will include this written reporting requirement; the PAN will be published by USAMRAA by 31 January 2012.

RECOMMENDATION B.5.: We recommend the Director, U.S. Army Medical Research Acquisition Activity require the contracting officer's representative to document support for inspection and acceptance of deliverables. The approval should clearly identify the type of review performed and basis for the approval.

RESPONSE: Concur. Per USAMRAA PAN 10-03, Contracting Officer Representative/ Grant Officer Representative File Content, CORs must complete receipt and acceptance documents for deliverables and must include them in the respective COR files. The Commanding General, USAMRMC alerted CORs of this responsibility in his 24 August 2011 memorandum, Contract Accountability and Surveillance. USAMRAA Contracting Officers will be reminded of this requirement in an Acquisition Note by 31 December 2011.

RECOMMENDATION B.6.: We recommend the Director, U.S. Army Medical Research Acquisition Activity require contracting officers to develop contracting officer's representative designation letters that are tailored to each task order.

RESPONSE: Concur. USAMRAA Contracting Officers will be advised in an Acquisition Note that task orders with statements of work covering a very broad range of services necessitate tailored COR appointment designations. The Note will be published by 31 December 2011.

RECOMMENDATION B.7.: We recommend the Director, U.S. Army Medical Research Acquisition Activity require the contracting officer's representative to review invoices on orders, including emphasis on other direct costs. Contracting officer's representatives

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Department of the Army, Office of the Surgeon General Comments

must ensure that all other direct costs charges are fully supported before approving the invoices and that supporting documentation is maintained in the contract file.

RESPONSE: Concur. COR appointment designations for task orders anticipated to include submission of invoices for other direct costs will include directions requiring CORs approve such costs only after receiving documentation justifying the costs. Additionally, PAN 10-03 will be revised to emphasize this point. The change to the COR designation appointment and revision of PAN 10-03 will be completed by 29 February 2012.

RECOMMENDATION B.8.: We recommend the Director, U.S. Army Medical Research Acquisition Activity require the COR initiate action to recover unsupported indirect costs of:

a. $124,820 on task order 10 under contract W81XWH-08-D-0023.

b. $14,495 on task order 17 under contract W81XWH-08-D-0017.

c. $601 on task order 26 under contract W81XWH-08-D-0014.

RESPONSE: Concur. USAMRAA has initiated actions to implement the recommendation, and anticipate completion by 31 January 2012.

RECOMMENDATION B.9.: We recommend the Director, U.S. Army Medical Research Acquisition Activity require the COR to obtain supporting documentation and verify all other direct cost charges on firm-fixed-price task orders with other direct cost lines.

RESPONSE: Concur. USAMRAA will issue guidance requiring CORs to obtain supporting documentation and verify all other direct cost charges on firm-fixed-price task orders with other direct cost lines. Implementation will be complete by 1 March 2012.

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Inspector General
Department of Defense