

**Audit**



**Report**

OFFICE OF THE INSPECTOR GENERAL

THE DELEGATION OF CONTRACT ADMINISTRATION  
TO DEFENSE CONTRACT MANAGEMENT COMMAND  
INTERNATIONAL - EUROPE AND THE MIDDLE EAST

Report No. 96-114

May 8, 1996

Department of Defense

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### **Acronyms**

CAS  
DCMCI

Contract Administration Services  
Defense Contract Management Command International



**INSPECTOR GENERAL**  
DEPARTMENT OF DEFENSE  
400 ARMY NAVY DRIVE  
ARLINGTON, VIRGINIA 22202-2884



Report No. 96-114

May 8, 1996

MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (FINANCIAL  
MANAGEMENT AND COMPTROLLER)  
ASSISTANT SECRETARY OF THE AIR FORCE  
(FINANCIAL MANAGEMENT AND COMPTROLLER)  
DIRECTOR, DEFENSE LOGISTICS AGENCY  
AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: Audit of the Delegation of Contract Administration to Defense Contract  
Management Command International - Europe and the Middle East  
(Project No. 4CK-5045)

## **Introduction**

We are providing this report for your information and use. The audit was requested by the Commander, Defense Contract Management Command International (DCMCI), to ensure that all contracts that required delegation to DCMCI - Europe and the Middle East for administration were appropriately delegated by the contracting organizations. The DCMCI is a subordinate command of the Defense Contract Management Command and is responsible for providing management direction and control over contract administration services (CAS) at contractor facilities outside the continental United States.

## **Audit Results**

Contracting organizations appropriately delegated contract administration to DCMCI - Europe and the Middle East for contracts that required the performance of CAS at or near contractor facilities outside the continental United States.

## **Audit Objectives**

The audit objective was to evaluate the delegation of contract administration to DCMCI - Europe and the Middle East. Specifically, we determined whether Army, Navy, Air Force, and Defense Logistics Agency contracting organizations appropriately delegated CAS to DCMCI - Europe and the Middle East.

## **Scope and Methodology**

**Universe and Sample.** We derived the audit universe of 2,653 contracts from a list of more than 14,000 contracting actions, each valued at over \$25,000, with a principal place of performance in Canada, Europe, or the Middle East.

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We obtained the list of contract actions using the DD Form 350, "Individual Contracting Action Reports," data base for FYs 1993 and 1994. We eliminated the following items from the original list of contracting actions:

- contracts administered by DCMCI that were identified in DCMCI offices' data bases,
- subcontracts, and
- multiple contracting actions for the same contract.

Additionally, we eliminated contracts for supplies and services specifically excluded from the delegation of CAS by the Defense Federal Acquisition Regulation Supplement subpart 242.203, "Retention of Contract Administration." The regulation allows contracting organizations to retain contracts for specific supplies and services such as:

- base, post, camp, and station purchases;
- construction and maintenance of military and civil public works;
- subsistence supplies; and
- consultant support services.

We visited DCMCI offices in Canada and Europe. Through discussions with DCMCI office individuals and review of contract records, we excluded contracts that those offices administered but that did not appear in DCMCI offices' data bases. We grouped the remaining 2,653 contracts into 87 geographic clusters based upon the organization that awarded the contract. The Quantitative Methods Division of the Analysis, Planning, and Technical Support Directorate, Office of the Assistant Inspector General for Auditing, DoD, selected a sample of 20 geographic clusters that consisted of 2,215 contracts awarded by 90 contracting organizations.

**Contracts Reviewed.** We reviewed 687 contracts at 27 contracting organizations in 11 of the sample geographic clusters inside and outside the United States. At those organizations, we reviewed policies and guidance regarding delegation of CAS and determined whether contracting organizations were complying with established regulations. Through discussions with contracting personnel and review of contract records, we determined whether contracts required the performance of CAS at or near contractor facilities and whether the contracting organizations appropriately retained or delegated the contracts for administration. After visiting 27 contracting organizations and reviewing 687 contracts, we decided not to review the entire sample because additional audit costs would have outweighed the benefits. Consequently, no statistical projections were made from the sample.

**Audit Period, Standards, and Locations.** We performed this economy and efficiency audit from July 1994 through March 1996 in accordance with auditing standards issued by the Comptroller General of the United States, as

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implemented by the Inspector General, DoD. We limited our review to contracting organizations' delegation of contract administration to DCMCI for contracts that required the performance of CAS at or near contractor facilities in Canada, Europe, or the Middle East. We conducted the audit at DCMCI offices in Canada, Europe, and the Middle East, and at randomly selected contracting organizations in the United States and Europe. See Enclosure 1 for a list of organizations visited or contacted.

**Use of Computer-Processed Data.** To achieve the audit objectives, we relied on computer-processed data in the DD Form 350 data base. The reliability of that system was not the audit's primary objective; consequently, alternative testing of the system was not done to establish data reliability.

We also used data from DCMCI offices' data bases in our initial screening to develop our audit universe. Review of contract files at the DCMCI offices and at contracting organizations demonstrated that those data bases were incomplete. The DCMCI was implementing a computer system, called System for Integrated Contract Management, at DCMCI offices to improve contract accountability.

## **Prior Audits and Other Reviews**

No prior audits covered the area of delegation of contract administration to DCMCI.

## **Audit Background**

**Consolidation of DoD CAS.** The Defense Contract Management Command, a subordinate command under the Defense Logistics Agency, was established in February 1990 as a result of a DoD initiative to consolidate and streamline CAS within DoD. The consolidation was implemented to avoid or eliminate overlapping or duplication of Government effort and provide a more consistent treatment of contractors. The Defense Contract Management Command provides worldwide CAS through geographically aligned district and field offices. The DCMCI is the field office responsible for providing international CAS to contracting organizations worldwide. The DCMCI administers contracts for depot maintenance, foreign military sales, Defense fuels, and other contracts that require the performance of CAS outside the continental United States.

**CAS Functions.** The scope of CAS encompasses all functions associated with the performance of the contract from postaward to contract closeout. The functions include contract management, quality assurance, production surveillance, scheduling, ensuring contractor payment, and accepting products on behalf of the U.S. Government. In addition to the standard CAS functions, DCMCI manages the unique aspects of international CAS, such as resolution of politically sensitive issues, cultural diversity, a different workload baseline, and nonstandard support and administrative requirements.

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## Discussion

**Delegation of Contract Administration.** Contracting organizations appropriately delegated contract administration to DCMCI offices in accordance with the Federal Acquisition Regulation part 42, "Contract Administration." The regulation requires contracting organizations to delegate contract administration to cognizant field contract administration offices when contracts require the performance of CAS "at or near contractor facilities." Of the 687 contracts reviewed, 162 contracts required delegation to DCMCI offices because the contracts required the performance of CAS at or near contractor facilities outside the continental United States. The contracting organizations appropriately delegated 160 of the 162 contracts to DCMCI offices. The two contracts that were not delegated were inadvertently retained by a contracting organization. The remaining 525 contracts\* reviewed did not require delegation to DCMCI because the contracts:

- did not require the performance of CAS at or near contractor facilities outside the continental United States;
- were for supplies and services specifically excluded from the delegation of CAS by the Defense Federal Acquisition Regulation Supplement 242.203;
- were excluded by host nation agreements; or
- were awarded before the establishment of DCMCI.

**Contract Accountability.** The DCMCI offices could not readily account for all contracts delegated to them for administration because their contract data bases and contract records were incomplete and inaccurate. We could not identify all contracts that DCMCI offices administered because DCMCI offices did not maintain accurate records of the contracts that they administered. Our review of contracts at the contracting organizations identified contracts that had been delegated to DCMCI offices but did not appear in DCMCI offices' contract data bases or contract records. To improve contract accountability, DCMCI was implementing a new computer system, the System for Integrated Contract Management, at DCMCI offices. We believe that the system will improve contract accountability; therefore, we are not making any recommendations.

**Retention of Contract Administration.** Contracting organizations did not always properly retain for administration contracts not requiring the performance of CAS at or near contractor facilities. The Federal Acquisition Regulation subpart 42.203, "Retention of Contract Administration," states that contracting organizations shall retain for administration any contract not requiring the performance of CAS "at or near contractor facilities." The contracting offices inappropriately delegated 116 contracts to field contract administration offices that did not require the performance of CAS at or near

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\*For seven contracts, contract records either did not support the administration offices or did not identify CAS requirements.

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contractor facilities. As a result, the contracting organizations and their respective field contract administration offices incurred unnecessary costs for the reproduction, distribution, processing, and storage for the 116 contracts. Because the scope of the audit was limited to the delegation of contract administration to DCMCI for contracts requiring the performance of CAS at or near contractor facilities in Canada, Europe, or the Middle East, we could not accurately determine the magnitude of the problem, and we are not making any recommendations in this report.

### **Management Comments**

We provided a draft of this report to you on March 22, 1996. Because this report contains no findings or recommendations, comments were not required, and none were received. Therefore, we are publishing this report in final form.

We appreciate the courtesies extended to the audit staff. For additional information on this report, please contact Mr. Joseph P. Doyle, Audit Program Director, at (703) 604-9348 (DSN 664-9348) or Ms. Deborah L. Culp, Audit Project Manager, at (703) 604-9335 (DSN 664-9335). Enclosure 2 lists the distribution of this report. The audit team members are listed inside the back cover.



David K. Steensma  
Deputy Assistant Inspector General  
for Auditing

Enclosures

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## **Organizations Visited or Contacted**

### **Office of the Secretary of Defense**

Under Secretary of Defense (Comptroller), Washington, DC  
Under Secretary of Defense for Acquisition and Technology, Washington, DC  
Directorate for Information, Operations, and Reports, Washington Headquarters  
Services, Washington, DC

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Assistant Secretary of the Army (Research, Development, and Acquisition),  
Washington, DC  
U.S. Army, Europe, Heidelberg, Germany  
U.S. Army Contracting Command, Europe, Seckenheim, Germany  
Regional Contracting Office, Grafenwoehr, Germany  
Regional Contracting Office, Seckenheim, Germany  
Wiesbaden Regional Contracting Center, Wiesbaden, Germany  
5th Signal Command, Fort Huachuca, AZ  
5th Signal Command, Worms, Germany  
U.S. Army Material Command, Alexandria, VA  
Aberdeen Proving Ground Support Activity, Aberdeen Proving Ground, MD  
Aviation and Troop Command, St. Louis, MO  
Tank-automotive and Armaments Command, Warren, MI  
Inspector General, Washington, DC

### **Department of the Navy**

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U.S. Naval Forces, Europe, London, England  
Military Sealift Command, Washington, DC  
Middle Atlantic, Norfolk, VA  
Central Technical Activity, Washington, DC  
Naval Air Systems Command, Washington, DC  
Naval Facilities Engineering Command, Virginia Beach, VA  
Naval Sea Systems Command, Washington, DC  
Naval Supply Systems Command, Washington, DC  
Fleet Industrial Supply Center, Norfolk, VA  
Norfolk Detachment, Philadelphia, PA  
Norfolk Detachment, Washington, DC

## **Organizations Visited or Contacted**

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### **Department of the Navy (cont'd)**

Naval Aviation Supply Office, Philadelphia, PA  
Naval Regional Contracting Center, London, England

### **Department of the Air Force**

Assistant Secretary of the Air Force (Financial Management and Comptroller),  
Washington, DC  
Assistant Secretary of the Air Force (Research, Development, and Acquisition),  
Washington, DC  
United States Air Forces in Europe, Ramstein Air Force Base, Germany  
Contracting Squadron, Rhine Ordnance Barracks, Germany  
39th Operational Contracting Squadron, Incirlik Air Base, Turkey  
Air Combat Command, Langley Air Force Base, VA  
Contracting Squadron, Langley Air Force Base, VA  
Air Force Material Command, Wright-Patterson Air Force Base, OH  
Warner Robins Air Logistics Center, Warner Robins Air Force Base, GA  
Oklahoma Air Logistics Center, Tinker Air Force Base, OK  
Engineering Installation Wing, Tinker Air Force Base, OK

### **Unified Command**

U.S. European Command, Stuttgart, Germany

### **Other Defense Organizations**

Defense Logistics Agency, Fort Belvoir, VA  
Defense Construction Supply Center, Columbus, OH  
Defense Electronics Supply Center, Dayton, OH  
Defense Fuels Supply Center, Fort Belvoir, VA  
Defense General Supply Center, Richmond, VA  
Defense Industrial Supply Center, Philadelphia, PA  
Defense Personnel Supply Center, Philadelphia, PA  
Defense Contract Management Command, Fort Belvoir, VA  
Defense Contract Management Area Operations Chicago, IL  
Defense Contract Management Area Operations Dallas, TX  
Defense Contract Management Command International, Dayton, OH  
Defense Contract Management Area Operations Ankara, Turkey  
Defense Contract Management Area Operations Brussels, Belgium

**Other Defense Organizations (cont'd)**

Defense Contract Management Area Operations Wiesbaden, Germany  
Defense Contract Management Office Madrid, Spain  
Defense Contract Management Office Vicenza, Italy  
Defense Contract Management Area Operations Ottawa, Canada  
Defense Contract Management Area Operations Residency London, Canada  
Defense Contract Management Area Operations Tel Aviv, Israel  
Defense Contract Management Area Operations (Air) Riyadh, Saudi Arabia  
Defense Contract Management Area Operations (Land) Riyadh, Saudi Arabia  
Defense Contract Management Area Operations Uxbridge, England  
U.S. Military Training Mission, Riyadh, Saudi Arabia

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### **Unified Command**

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### **Other Defense Organizations**

Director, Defense Contract Audit Agency  
Director, Defense Logistics Agency  
Commander, Defense Contract Management Command  
Commander, Defense Contract Management Command International

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Senate Committee on Armed Services  
Senate Committee on Governmental Affairs  
House Committee on Appropriations  
House Subcommittee on National Security, Committee on Appropriations  
House Committee on Government Reform and Oversight  
House Subcommittee on National Security, International Affairs, and Criminal  
Justice, Committee on Government Reform and Oversight  
House Committee on National Security

## **Audit Team Members**

This report was produced by the Contract Management Directorate, Office of the Assistant Inspector General for Auditing, DoD.

Paul J. Granetto  
Joseph P. Doyle  
Deborah L. Culp  
Eric A. Yungner  
Mark A. Pricco  
Kelly D. Garland  
Gregory P. Guest  
John G. LaBelle  
Lisa A. Dean  
Michelle D. Yantachka  
Cole M. Cox  
Robin A. Hysmith