Audit Report

OFFICE OF THE INSPECTOR GENERAL

SUPPORTABILITY PLANNING FOR FLEET INTRODUCTION OF THE STRATEGIC SEALIFT SHIPS

Report No. 98-043 December 30, 1997

Department of Defense

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Acronym

LMSRs	Large, Medium Speed Roll-On/Roll-Off Ships

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

December 30, 1997

MEMORANDUM FOR ASSISTANT SECRETARY OF THE NAVY (FINANCIAL MANAGEMENT AND COMPTROLLER)

SUBJECT: Audit Report on Supportability Planning for Fleet Introduction of the Strategic Sealift Ships (Report No. 98-043)

We are providing this audit report for review and comment. The Strategic Sealift Program Office did not respond to the draft report.

While no recommendations have been made, DoD Directive 7650.3 requires that all unresolved issues be resolved promptly. Action taken by management in response to the audit results are expected to generate monetary benefits for the Navy. Therefore, we request the Strategic Sealift Program Office to provide comments to help quantify the potential monetary benefits by March 2, 1998.

We appreciate the courtesies extended to the audit staff. Questions on the audit should be directed to Mr. James L. Koloshey, Audit Program Director, at (703) 604-8961 (DSN 664-8961) or Mr. Rudolf Noordhuizen, Acting Audit Project Manager, at (703) 604-8959 (DSN 664-8959). See Appendix D for the report distribution. Audit team members are listed inside the back cover.

David K. Steensma

David K. Steensma
Deputy Assistant Inspector General
for Auditing

Office of the Inspector General, DoD

Report No. 98-043 **December 30, 1997**
(Project No. 7AG-0022.00)

Supportability Planning for Fleet Introduction of the Strategic Sealift Ships

Executive Summary

Introduction. Strategic Sealift ships, also known as Large, Medium Speed Roll-On/Roll-Off ships, will fulfill the requirement of the Army for afloat prepositioning and will transport Army, Marine Corps, or other Service equipment from the Continental United States to contingency areas in a surge capability. The Navy is acquiring 19 ships, which the Military Sealift Command will operate using a civilian crew. The ships will consist of 5 converted commercial container ships and 14 new ships and will provide 2 million square feet for prepositioned Army equipment storage and 3 million square feet for surge sealift capacity as determined by the congressionally mandated Mobility Requirements Study.

Audit Objectives. Our primary audit objective was to evaluate supportability planning for the Strategic Sealift Program and to determine whether the conversion and new construction versions will meet mission requirements. Specifically, the audit evaluated planning to determine whether the ships will support efficient storage, protection, and maintenance of weapon systems placed aboard ship. The audit also evaluated whether supportability planning for the ships themselves was adequate. Finally, the audit reviewed the management control programs applicable to the stated audit objectives.

Audit Results. Overall, the Navy and the Army were effectively managing supportability planning for the Strategic Sealift Program. However, the Navy contracted for climate control equipment that was not required for all Strategic Sealift surge ships. The Navy took aggressive action to eliminate the requirement for climate control equipment for the last six Strategic Sealift surge ships based on audit analysis and input provided in discussions with the Strategic Sealift Program Office. A potential monetary benefit between $9 million and $38 million will be realized. See Part I for discussion of the audit results. The management controls that we reviewed were effective in that no material management control weakness was identified. See Appendix A for details on the management control program.

Management Comments. The Strategic Sealift Program Office did not comment on the draft report. Although this report makes no recommendations, the Strategic Sealift Program Office is requested to provide comments on the potential monetary benefits and may provide comments on the finding. We request that the Strategic Sealift Program Office provide comments on the final report by March 2, 1998.

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Part I - Audit Results

Audit Background

Congress directed DoD to prepare the 1992 Mobility Requirements Study to evaluate military capabilities and future equipment needs. The Mobility Requirements Study concluded, in part, that DoD needed additional sealift capability to preposition equipment for quick response and to increase surge capability to transport heavy equipment. To meet the Mobility Requirements Study identified needs, the Navy is acquiring 19 Strategic Sealift ships, also known as Large, Medium Speed Roll-On/Roll-Off ships (LMSRs), to preposition Army equipment and to add surge sealift capacity. The LMSRs will provide 8 ships for prepositioning equipment and 11 ships for surge sealift capacity. The ships will consist of 5 converted commercial container ships and 14 new ships and will provide 2 million square feet for prepositioned Army equipment storage and 3 million square feet for surge sealift capacity as determined by the congressionally mandated Mobility Requirements Study. The 1995 Mobility Requirements Study Bottoms-Up Review Update reconfirmed and did not change the surge and preposition requirement.

Audit Objectives

The primary audit objective was to evaluate the supportability planning of the Strategic Sealift Program and to determine whether the conversion and new construction ships will meet mission requirements. Specifically, the audit evaluated planning to determine whether the ships will support efficient storage, protection, and maintenance of weapon systems placed aboard ship. The audit determined whether the planning to provide for supportability of the ships themselves was adequate. The audit also evaluated the planning for live-fire testing, the effectiveness of support for the lead ship, and applications of lessons learned in planning for support of ships that follow. Finally, the audit reviewed the management control programs applicable to the stated audit objectives. See Appendix A for a discussion of the audit scope and methodology for this report. Appendix B discusses the overall management of the Navy and Army supportability planning for the Strategic Sealift Program.

Temperature and Humidity Control on Surge Ships

Overall, the Navy and the Army were effectively managing supportability planning for the Strategic Sealift Program. The Navy contracted for temperature and humidity control equipment for all Strategic Sealift surge ships. The provision was not supported by the Operational Requirements Document. The Navy and the Army wanted the flexibility to use any of the ships in the prepositioning mode; thus, the Strategic Sealift Program Office (the Program Office) provided temperature and humidity control capability for all 19 ships. The Program Office later directed the contractors to delete the cargo space temperature and humidity control equipment for the last six Strategic Sealift ships. The Program Office took corrective action based on audit analysis and input. The decision will result in a potential monetary benefit between $9 million and $38.4 million.

Operational Requirements Document

The Chief of Naval Operations approved the Strategic Sealift program Operational Requirements Document on September 26, 1992. The Operational Requirements Document provides performance requirements for both the Strategic Sealift prepositioning and surge ships. The Operational Requirements Document states that the prepositioning ships must be provided with temperature and humidity control for the cargo stowage spaces and facilities for storing and performing minimum level maintenance on vehicles and equipment while onboard ship. The surge ships do not require temperature and humidity control because the equipment is transported directly from one port to another and is not stored for a length of time that may allow deterioration.

The Program Office contracted for temperature and humidity control equipment on all 19 ships to allow the Navy and the Army flexibility in rotating ships between prepositioning and surge missions. The Army needs eight LMSRs to meet the prepositioning afloat requirement. The remaining 11 LMSRs will serve in the surge mode that allows for the rapid deployment of Army and other military unit equipment and supplies from the continental United States and international prepositioning sites to objective areas throughout the world for support of emergent and extended operations. Temperature and humidity control equipment was to be installed on the last six ships even though the requirement was not included in the Operational Requirements Document.

Program Status

The 19 LMSRs will consist of 5 converted commercial container ships and 14 new large ships built to commercial standards. Two contractors either have delivered or are converting the five conversion ships. Five new LMSRs are under construction. The remaining nine new LMSRs are on contract, but construction has not started.

Conversion Ships. The five conversion ships, smaller than the new construction ships, are scheduled for delivery before the new construction ships. Therefore, to meet the prepositioning requirements, the Army will use the conversion ships in a prepositioning mode while the new ships are being built. Thus, the ships are equipped with temperature and humidity control equipment. As the new ships become available, the conversion ships' role will change from a prepositioning to a surge requirement. Eventually, all five conversion ships will operate in a surge mode.

New Construction Ships. The Army wants the prepositioning of the larger new construction ships only because each new construction ship will have a total cargo capacity of 380,000 square feet compared with 300,000 square feet on each conversion ship. As a result, the Army plans prepositioning of the first eight new ships as they are delivered. The remaining six new construction ships will operate with the five conversion ships in a surge mode.

Monetary Benefits from Deleting Temperature and Humidity Controls

Based on our preliminary discussion of the necessity of the temperature and humidity control equipment for surge ships, the Program Office directed that the National Steel and Shipbuilding Company and Avondale Industries, Incorporated, each prepare an engineering change proposal deleting the heating, ventilation, and air conditioning systems associated with the cargo space temperature and humidity control from the last three ships of each Strategic Sealift new construction contract (Appendix C). The Program Office identified between $9 million and $38.4 million in temperature and humidity control equipment costs for the last six ships. Those benefits may be offset by some amount to compensate the contractor for deleting the temperature and humidity control equipment. The Program Office has taken appropriate corrective action in response to the finding; therefore, this audit report makes no recommendations for corrective action. However, we request that the Program Office provide comments on the potential monetary benefits identified in this finding.

Management Comments Required

The Strategic Sealift Program Office did not comment on draft of this report. We request written comments to the final report by March 2, 1998.

Part II - Additional Information

Appendix A. Audit Process

Scope and Methodology

We performed this program audit from February through September 1997 in accordance with the auditing standards issued by the Comptroller General of the United States as implemented by the Inspector General, DoD, and included such tests of management controls as we deemed necessary. We did not rely on computer-processed data or statistical sampling procedures to develop conclusions on this audit. We evaluated operational requirements, acquisition planning, supportability planning, and other acquisition documents dated from October 1991 through August 1997.

Contacts During the Audit. We visited or contacted individuals and organizations within DoD and Stanley Associates, Goose Creek, South Carolina. Further details are available on request.

Management Control Program

DoD Directive 5010.38, "Management Control (MC) Program," August 26, 1996, requires DoD organizations to implement a comprehensive system of management controls that provides reasonable assurance that programs are operating as intended and to evaluate the adequacy of the controls.

Scope of Review of the Management Control Program. We reviewed the adequacy of the Army and Navy management controls over acquisition management. Specifically, we reviewed Army Deputy Chief of Staff for Logistics and Army Materiel Command management controls over stowage planning and maintenance of Army Strategic Sealift cargo and related Army support equipment. We also reviewed the management controls at the Naval Sea Systems Command Strategic Sealift Program Office for supportability planning for ship supply support, technical manuals, facilities, and training. Because we did not identify a material weakness, we did not assess management's self-evaluation of the controls.

Adequacy of Management Controls. Management controls were adequate as they applied to our audit objectives in that we identified no material management control weakness.

Prior Audit Coverage

Since FY 1992, the General Accounting Office issued two audit reports and the Inspector General, DoD, issued one evaluation report that relate directly to our audit effort.

o General Accounting Office Report No. GAO/NSIAD 97-169 (OSD Case No. 1372), "Afloat Prepositioning - Not All Equipment Meets the Army's Readiness Goal," July 1997. The General Accounting Office report concludes that as of April 1997, 13 of the 51 unit sets of equipment, or about 25 percent, that are assigned to Army prepositioning ships and considered for readiness reporting did not meet the readiness goal of the Army that 90 percent of available war reserve equipment be fully mission capable. Equipment in two unit sets was less than 75 percent fully mission capable, and five unit sets had a fully mission capable rating of zero because they did not have on hand any authorized primary weapon systems or equipment considered critical for accomplishing and sustaining a unit's mission. According to Army maintenance records, some equipment aboard prepositioning ships had been reported as non-mission capable since September 1995. The records also erroneously identified some non-mission capable equipment as repairable aboard ship, although Army officials said that many repairs could not be made until the equipment was downloaded. The General Accounting Office recommended that the Secretary of Defense direct the Secretary of the Army to ensure that unit sets of equipment that affect the readiness of the brigade set are filled to their authorized levels and that the equipment is maintained at the Army Technical Manual -10/-20 standards before it is loaded onto prepositioning ships. The General Accounting Office recommended that the War Reserve Support Command along with the users of the Warfighter Equipment Status Reports establish more accurate designations for the status of non-mission capable equipment. DoD stated that it had concurred with the recommendations and that several ongoing initiatives are aimed at improving the readiness of Army equipment prepositioned afloat.

o General Accounting Office Report No. GAO/NSIAD 97-150 (OSD Case No. 1344), "Strategic Mobility - Late Deliveries of Large, Medium Speed Roll-On/Roll-Off Ships," June 1997. The General Accounting Office concluded that four of the five conversion LMSRs were delivered 16 to 20 months late, and the remaining ship was 24 months behind schedule. Deliveries of new construction ships are expected to be 4 to 12 months later than planned. The delays will cause the Army to rely on smaller, less capable ships and to incur an estimated $18.5 million additional cost in Operations and Maintenance funds over 3 years ending in FY 1998. The General Accounting Office recommended that the Secretary of Defense direct the Secretary of the Navy to resolve the deficiencies in the material management and accounting systems at LMSR shipyard contractors. The Office of the Secretary of Defense nonconcurred with the necessity for the Secretary of Defense to provide specific direction. The Navy took the following actions: converted one shipyard contractor's contract to fixed price, sent a letter to another shipyard contractor

requesting either an explanation of compliance with the required material management and accounting systems or a corrective action plan, and outlined a plan to correct the material management and accounting systems deficiencies.

o Inspector General, DoD, Evaluation Report No. 97-054, "Equipment Pre-Positioned Afloat," December 20, 1996. The report states that the Army policy for materiel prepositioned afloat is incomplete. The Army rapidly expanded its prepositioning afloat program without publishing updated governing policies and without establishing formal management control measures applicable to its prepositioning afloat program. During the evaluation, the Army took corrective action on most of the deficiencies by completing the doctrinal manual for afloat prepositioning, creating a plan for the ashore maintenance process and for quality assurance and contractor surveillance, and establishing a management control program. However, the Army still needed to finalize and issue its overall regulatory policy, Army Regulation 710-1, "Centralized Inventory Management of the Army Supply System." We recommended that the Army Deputy Chief of Staff for Logistics immediately publish and implement the updated Army Regulation 710-1. The Army concurred with the finding and recommendation, and in June 1997, the Army issued interim policy guidance on the Army War Reserve.

Appendix B. Other Areas Reviewed

The Army and the Navy were effectively managing supportability planning for the Strategic Sealift Program. The supportabilty planning included the areas of Army equipment maintenance, support equipment, live-fire testing, and management of hazardous material.

Army Equipment Maintenance Policy. The Army has conflicting policies for maintaining and stowing prepositioned afloat equipment. Army policy requires maintenance on Army prepositioned afloat equipment. Army Regulation 740-3, "Care of Supplies in Storage (COSIS)," February 26, 1993, established the Army "Care of Supplies in Storage" Program. Materiel in storage must be inspected periodically to detect deficiencies caused by improper storage methods or extended periods of storage. Technical Manual 38-470, "Stowage of Army War Reserve 3 Material Prepositioned Afloat[1]," July 1996, set up procedures and guidance for preparation and preservation of material for afloat storage, care of supplies in storage, and depreservation instructions for Army War Reserve 3 assets. Maintenance will consist of surveillance, cyclic maintenance, and exercising of the equipment. However, the Deputy Chief of Staff for Logistics issued "Army Prepositioned Stocks-3 Prepositioned Ship Stowage Policy," June 13, 1997. The policy requires the prepositioning of as much equipment as possible, accepting some limited degradation in maintenance condition to get maximum use of available stowage space.

To perform maintenance of the prepositioned afloat equipment, the Army had a contract with UNC/Lear Services, Incorporated (the Contractor). The Contractor was to plan, schedule, and execute the maintenance and storage of all Army War Reserve equipment and materiel in accordance with polices and procedures, including Technical Manual 38-470. The Army and the Contractor have identified contractor maintenance responsibilities that Technical Manual 38-470 requires aboard ship that are not possible because of the tight stow and height limitation inside the LMSRs.

To resolve the conflict, the Army Materiel Command Logistics Support Activity-Packaging, Storage, and Containerization Center is revising Technical Manual 38-470 to consider both the effects of the reduced maintenance capability from the tight stow space limitations and the benefits of the controlled humidity environment. In addition, the Army is evaluating the benefits of storing equipment in a temperature and humidity controlled environment, including the maintenance requirements in such an environment. The Army National Guard is studying the use of controlled humidity storage for 25 percent of its inventory of selected equipment. The results of the Army National Guard study are not yet available. Logistics Support Activity-Packaging, Storage, and Containerization Center is monitoring the Army National Guard's ongoing test

[1]Army War Reserve 3 is the designation of the Army War Reserve equipment that will be prepositioned afloat on the LMSRs. Other sets of Army War Reserve equipment are prepositioned on land at various sites around the world.

of the effectiveness of climate controlled storage and will incorporate the test results into the revision of Technical Manual 38-470 as appropriate.

Support Equipment. The LMSRs Operational Requirements Document requires the ships to load and discharge cargo in-stream in Sea State 3[2] conditions. The Commanders-in-Chief requirements call for the logistics over-the-shore operations to be sustained safely in Sea State 3. Sea State 3 conditions exist up to 50 percent of the time in parts of the world where the LMSRs could be deployed. However, the current Modular Causeway Systems (causeways) that will support that capability are only able to operate in Sea State 2 conditions[3] or less.

The Army requires three types of causeways for three different functions: the Roll-On/Roll-Off Discharge Facility, the Causeway Ferry, and the Floating Causeway. The three types of causeways are integral to the Army being able to load and unload its prepositioned equipment at any port other than an established major port. Logistics over-the-shore operations are required at secondary ports and bare beaches. The Roll-On/Roll-Off Discharge Facility provides the interface between the Roll-On\Roll-Off ships and the lighters[4]. The Roll-On/Roll-Off Discharge Facility receives tracked and wheeled vehicles driven from the Roll-On\Roll-Off ship and allows the vehicles to be driven directly onto the lighter. The Causeway Ferry is self-propelled and moves cargo from the ocean-going vessel directly to the shore or to a pier. The Floating Causeway provides a dry bridge for the discharge of cargo from lighters directly to the beach.

The Army and the Navy are aware of the inability of the current causeways to meet their requirements and are taking corrective action. Causeways that will be able to operate in Sea State 3 conditions are being developed by a Joint Integrated Process Team. The Joint Integrated Process Team has been established with the near term goal of developing a plan for integrated, Service-interoperable Sea State 3 joint logistics over-the-shore capability. Issues being worked on include section connection systems, hull shape and stability, and composite material technology. In our opinion, the actions being taken by the Army and the Navy are appropriate in that situation.

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[2]Sea State 3 conditions consist of wave heights between 3.5 and 5 feet combined with wind speeds from 13.7 to 16.4 knots.

[3]Sea State 2 conditions are wave heights of between 1.5 and 3 feet combined with wind speeds from 5 to 12.7 knots. Sea State conditions less than 2 have smaller waves and lower wind speeds.

[4]A lighter is a craft used to transport equipment, cargo, and personnel between ships, from ship to shore, or for intratheater transport. In our discussion, we mean in ship-to-shore mode and back again.

Live-Fire Testing. In October 30, 1991, the Acting Deputy Director for Test and Evaluation concluded that the LMSRs were not candidates for live-fire testing. The LMSRs will not carry self-defense weapon systems, but may be required to operate in a hostile environment. Accordingly, Commanders-in-Chief will provide protection for the LMSRs while transitioning to and from, and offloading in, the theater of operations. In August 1997, the Deputy Director for Live-Fire Test and Evaluation agreed with the October 1991 conclusion that the LMSRs are not live-fire candidates.

Management of Hazardous Material. In accordance with DoD Instruction 5000.2, the Strategic Sealift Program Office updated the environmental analysis for Milestone II in June 1993. The analysis concluded that no significant environmental impacts were anticipated from any of the acquisition alternatives for the Strategic Sealift ships with the design and construction or conversion efforts and Class Standard Equipment procured. The ships incorporate the latest construction and conversion techniques and environmental system and equipment, as required by the American Bureau of Shipping, U.S. Coast Guard, and U.S. Public Health Service for commercial operations.

Appendix C. Program Executive Officer's Requests for an Engineering Change Proposal

DEPARTMENT OF THE NAVY
PROGRAM EXECUTIVE OFFICE
CARRIERS, LITTORAL WARFARE AND AUXILIARY SHIPS
2531 JEFFERSON DAVIS HWY
ARLINGTON VA 22242-5171

IN REPLY REFER TO
9000
Ser 3851/ 295
23 Jul 97

From: Program Executive Officer (Carriers, Littoral Warfare and Auxiliaries) (PEO-CLA)
To: National Steel and Shipbuilding Company
Via: Supervisor of Shipbuilding, Conversion and Repair, USN San Diego, CA

Subj: REQUEST FOR AN ENGINEERING CHANGE PROPOSAL TO DELETE THE CARGO SPACE TEMPERATURE AND HUMIDITY EQUIPMENT

Ref: (a) Contract N00024-93-C-2203

1. Based on the Operational Requirements Document (ORD) and other overarching documentation for the Strategic Sealift Program, a clear definition has been made between the prepositioning ships and the surge ships. The principle difference between the respective ship types is the HVAC systems and equipment required for cargo space temperature and humidity control. There are several possible prepositioning and surge scenarios. As currently envisioned, there will be 8 new construction ships in the prepositioning mode. Several combinations may occur based on this planning. The most likely combinations are an even split between the new construction classes, 4 and 4 or a 7 and 1 split between classes.

2. Based on these potential combinations, it is requested that National Steel and Shipbuilding Company prepare an Engineering Change Proposal (ECP) to delete the HVAC systems associated with the cargo space temperature and humidity control including control circuitry from the last three (3) ships of the Strategic Sealift new construction contract, reference (a). Additionally, request an ECP be prepared to delete the HAVC systems associated with the cargo space temperature and humidity control including control circuitry from the last six (6) ships of the contract.

3. It is requested that a POAM for preparation of the proposal be provided within 20 days in response to this request and that the total task completion, i.e. submittal of the ECP(s), not exceed 120 days.

R. S. Lisiewski
R. S. LISIEWSKI
Program Manager
Strategic Sealift Program

DEPARTMENT OF THE NAVY
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CARRIERS, LITTORAL WARFARE AND AUXILIARY SHIPS
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IN REPLY REFER TO
9000
Ser 3851/296
23 Jul 97

From: Program Executive Officer (Carriers, Littoral Warfare and Auxiliaries) (PEO-CLA)
To: Avondale Industries, Inc.
Via: Supervisor of Shipbuilding, Conversion and Repair, USN New Orleans, LA

Subj: REQUEST FOR AN ENGINEERING CHANGE PROPOSAL TO DELETE THE CARGO SPACE TEMPERATURE AND HUMIDITY EQUIPMENT

Ref: (a) Contract N00024-93-C-2205

1. Based on the Operational Requirements Document (ORD) and other overarching documentation for the Strategic Sealift Program, a clear definition has been made between the prepositioning ships and the surge ships. The principle difference between the respective ship types is the HVAC systems and equipment required for cargo space temperature and humidity control. There are several possible prepositioning and surge scenarios. As currently envisioned, there will be 8 new construction ships in the prepositioning mode. Several combinations may occur based on this planning. The most likely combinations are an even split between the new construction classes, 4 and 4 or a 7 and 1 split between classes.

2. Based on these potential combinations, it is requested that Avondale Industries Inc. prepare an Engineering Change Proposal (ECP) to delete the HVAC systems associated with the cargo space temperature and humidity control including control circuitry from the last three (3) ships of the Strategic Sealift new construction contract, reference (a). Additionally, request an ECP be prepared to delete the HAVC systems associated with the cargo space temperature and humidity control including control circuitry from the last six (6) ships of the contract.

3. It is requested that a POAM for preparation of the proposal be provided within 20 days in response to this request and that the total task completion, i.e. submittal of the ECP(s), not exceed 120 days.

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Appendix D. Report Distribution

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Department of the Army

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  Chief, Logistics Support Activity-Packaging, Storage, and Containerization Center
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House Subcommittee on Government Management, Information, and Technology, Committee on Government Reform and Oversight
House Subcommittee on National Security, International Affairs, and Criminal Justice, Committee on Government Reform and Oversight
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