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Inspector General
United States Department of Defense

Quality Controls for the Rotary Wing Transport Contracts Performed in Afghanistan Need Improvement

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Acronyms and Abbreviations

ACOR	Alternate Contracting Officer's Representative
COR	Contracting Officer's Representative
DCMA	Defense Contract Management Agency
DLA-E	Defense Logistics Agency - Energy
IDIQ	Indefinite-Delivery, Indefinite-Quantity
JSC-A	Joint Sustainment Command-Afghanistan
POC	Point of Contact
PWS	Performance Work Statement
QAES	Quality Assurance Evaluator Schedule
QASP	Quality Assurance Surveillance Plan
SITREP	Situational Report
USCENTCOM	United States Central Command
USTRANSCOM	United States Transportation Command

INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
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January 15, 2013

MEMORANDUM FOR COMMANDER, U.S. TRANSPORTATION COMMAND

SUBJECT: Quality Controls for the Rotary Wing Transport Contracts Performed in Afghanistan Need Improvement (Report No. DoDIG-2013-037)

We are providing this report for your review and comment. We considered management comments on a draft of this report when preparing the final report. Since FY 2009, the U.S. Transportation Command contracting officials have awarded 10 indefinite-delivery, indefinite-quantity contracts in support of the Afghanistan Rotary Wing Transport Program. As of September 2012, the contracting officer issued 28 task orders with an approximate obligated value of $1.5 billion. Because the U.S. Transportation Command did not establish adequate surveillance controls for the 28 task orders, there is increased risk that the Government may not have fully received the services paid for.

DoD Directive 7650.3 requires that all recommendations be resolved promptly. The U.S. Transportation Command's comments were partially responsive and require further comments. Therefore, we request that the Deputy Commander, U.S. Transportation Command, provide additional comments on Recommendations C, D, E, F(2), (3), (4) by February 15, 2013.

If possible, send a Microsoft Word document (.doc) file and portable document format (.pdf) file containing your comments to audacm@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We are unable to accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified comments electronically, you must send them over the SECRET Internet Protocol Router Network (SIPRNET).

We appreciate the courtesies extended to the staff. Please direct questions to me at (703) 604-9077 (DSN 664-9077).

Jacqueline L. Wicecarver
Assistant Inspector General
Acquisition and Contract Management

Results in Brief: Quality Controls for the Rotary Wing Transport Contracts Performed in Afghanistan Need Improvement

What We Did

We determined whether United States Transportation Command (USTRANSCOM) contracting officials had adequate controls over the contracts for transportation of supplies, mail, and passengers in Afghanistan. This is the first in a series of audits for these contracts. Since FY 2009, USTRANSCOM contracting officials awarded 10 indefinite-delivery, indefinite-quantity contracts in support of the Afghanistan Rotary Wing Program. As of September 2012, the contracting officer issued 28 task orders with an approximate obligated value of $1.5 billion, and a total approximate value of $3.5 billion, if all options are exercised.

What We Found

USTRANSCOM did not establish adequate surveillance controls for the 28 task orders supporting the transportation of supplies, mail, and passengers in Afghanistan. Specifically, the USTRANSCOM contracting officer did not perform periodic reviews of the Contracting Officer's Representative (COR) files or request the COR files be sent to her when the CORs completed their tours of duty. The contracting officer stated that she did not perform the reviews or request the COR files because the COR file documentation was located in an austere location, and she wanted to leave the documentation on site to maintain continuity among the COR rotations. The COR files are located in Afghanistan.

Additionally, the contracting officer did not establish effective surveillance elements and methodologies necessary for CORs to determine that services met contract requirements when she developed quality assurance surveillance plans (QASPs) for each of the 10 contracts. The contracting officer stated that this occurred because she unintentionally omitted the required surveillance elements from the QASPs. As a result, the contracting officer did not perform oversight to verify whether the CORs performed effective contract surveillance, and did not have QASP requirements established for CORs to verify that contractors complied with contractual requirements for transport services worth approximately $1.5 billion as of September 2012. The inadequate controls increased the risk that the Government would pay for services not rendered.

What We Recommend

We recommend that the contracting officer require CORs to provide their surveillance files to the contracting officer when completing their tours of duty; assess the adequacy of surveillance measures used by the CORs in Afghanistan; create and implement standard operating procedures to establish the methodology for monitoring and validating fuel purchases; update and revise the QASPs to include all contract terms requiring surveillance and the method of surveillance; and perform a resource analysis to determine the number of CORs needed in Afghanistan.

Management Comments and Our Response

The USTRANSCOM Deputy Commander agreed with our recommendations; however some were partially responsive. Specifically, the Deputy Commander should provide her plans of actions and milestone dates of completion to improve surveillance and oversight of contracted goods and services. We request that the Deputy Commander provide additional comments in response to this report by February 15, 2013. Please see the recommendations table on page ii.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Deputy Commander, U.S. Transportation Command	c, d, e, f(2), (3), (4)	a, b, f (1), (5)

Please provide comments by February 15, 2013.

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Introduction

Objective

The audit objective was to determine whether United States Transportation Command (USTRANSCOM) contracting officials had adequate controls over contracts for the transportation of supplies, mail, and passengers in Afghanistan. This is the first in a series of audit reports relating to Afghanistan rotary wing transport contracts. The second audit will determine whether USTRANSCOM and United States Central Command (USCENTCOM) officials implemented adequate oversight processes and procedures for the contracts. See Appendix A for a discussion of our scope and methodology.

Background

USTRANSCOM was established in 1987 and is the single manager of the U.S. global defense transportation system. USTRANSCOM coordinates people and transportation assets to allow the United States to project and sustain forces, when and where they are needed, for as long as necessary. USTRANSCOM also coordinates missions worldwide using both military and commercial sea, air, and land transportation resources in response to DoD's war fighting commanders' needs across the full spectrum of support, ranging from humanitarian operations to military contingencies.

Afghanistan Rotary Wing Transport Contracts

Since FY 2009, USTRANSCOM contracting officials awarded 10 indefinite-delivery, indefinite-quantity (IDIQ) contracts in support of the Afghanistan Rotary Wing Transport Program. USCENTCOM is the requiring activity and program management office for these 10 IDIQ contracts. The contractors provide medium, heavy, and super heavy lift helicopters to support rotary wing transport of supplies, U.S. mail, and passengers throughout Afghanistan.[1] The Afghanistan Rotary Wing Transport Program IDIQ contracts have a potential ceiling value of $5.6 billion. As of September 2012, the contracting officer had issued 28 task orders under the 10 IDIQ contracts. These 28 task orders have a combined obligated value of approximately $1.5 billion, and a total approximate value of $3.5 billion, if all options are exercised. The periods of performance for the IDIQ contracts end in October 2015.

Contract Surveillance Structure

According to USTRANSCOM Instruction 63-5, "Contracting Officer's Representative Program," the requiring activity is responsible for nominating a sufficient number of qualified Contracting Officer's Representatives (CORs), with a minimum of one primary and one alternate COR (ACOR) for each contract. The contracting officer then reviews the training and qualifications of the nominated CORs before appointing them in writing.

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[1] According to the performance work statement, work is performed at Jalalabad Airfield; Kahandar Airfield; Bagram Airfield; Sharana Airfield; Mazar-I-Sharif; Shindand; Salerno Airfield; Forward Operating Base (FOB) Shank; FOB Tarin Kwot; FOB Wolverine; and Herat. See Figure 1 for a map of Afghanistan.

USCENTCOM established the current oversight structure with one COR and two ACORs to perform oversight of the 10 IDIQ contracts located throughout Afghanistan. The COR and ACORs historically have performed 9 to12 month tours of duty in Afghanistan. The Army Expeditionary Sustainment Command nominated CORs to perform the quality assurance surveillance on these contracts, and the USTRANSCOM contracting officer reviewed and approved the COR nominations.

Figure 1. Map of Afghanistan

Source: www.af.mil

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program Procedures," July 29, 2010, requires DoD organizations to implement a comprehensive system of internal controls that provide reasonable assurance that programs are operating as intended, and to evaluate the effectiveness of these controls. We identified internal control weaknesses in the oversight of the Afghanistan Rotary Wing Transport Program. Specifically, the USTRANSCOM contracting officer omitted required surveillance elements in the quality assurance surveillance plans (QASPs) and did not request or review the COR files to verify that adequate contract surveillance was being performed by the CORs. We will provide a copy of the report to the USTRANSCOM senior official(s) responsible for internal controls.

Finding. Oversight of Contracting Officer's Representative Surveillance of Afghanistan Rotary Wing Transport Contracts Needs Improvement

USTRANSCOM contracting officials did not establish adequate surveillance controls for 28 task orders issued under 10 IDIQ contracts. The contracts supported rotary wing transport of supplies, mail, and passengers in Afghanistan. Specifically, the contracting officer did not:

- perform periodic reviews of the CORs' files or require the CORs to send their files back to the USTRANSCOM contracting office when the CORs completed their tours of duty in Afghanistan. The contracting officer stated that this occurred because the documentation was located in an austere location[2], and she would not request the COR files until contract completion in order to maintain continuity among the COR rotations; and

- develop comprehensive QASPs for the 10 contracts that established effective surveillance requirements and methodologies, such as requirements for monitoring aircraft availability and contractors' fuel purchases, necessary for CORs to determine whether services received conformed to contract requirements. The contracting officer stated that this occurred because she unintentionally omitted required QASP elements for monitoring the Afghanistan Rotary Wing Transport Program contracts.

As a result, the contracting officer did not know whether CORs performed effective oversight and did not have assurance through COR surveillance that contractors complied with contractual requirements for transport services valued at $1.5 billion[3] as of September 2012. The inadequate controls increased the risk that the Government would pay for services not rendered.

The Contracting Officer Did Not Verify That COR Surveillance Was Performed

Although the contracting officer appropriately appointed CORs with required training, she did not require the CORs to send her copies of their COR files when terminating their COR duties. USTRANSCOM Instruction 63-5, "Contracting Officer's Representative Program," states that the COR's records are part of the official post-award contract files and must be forwarded to the contracting officer with the official contract file when completing the contract or terminating the COR appointment. The contracts are not scheduled to be completed until 2015; however, because of constant rotation, five CORs have completed their tours of duty over the last 3 years. None of the CORs forwarded their files to the contracting officer when their duties were terminated. The contracting officer stated that she does not require the CORs to forward the COR files to her until after contract expiration because the information in the COR files would

[2] The COR files are located in Afghanistan
[3] The 28 task orders have a combined total approximate value of $3.5 billion if all options are exercised.

be beneficial to incoming CORs to maintain continuity. However, the contracting officer, as required by USTRANSCOM Instruction 63-5, should have requested copies of the COR files from the CORs when they completed their tours of duty. The contracting officer should comply with USTRANSCOM Instruction 63-5 and require the CORs to send a copy of their files to her when completing their tours of duty in Afghanistan. In addition, the contracting officer should periodically require the CORs to provide their COR files to her, to verify the adequacy of COR surveillance and support for certification of services paid.

Because the contracting officer did not receive the COR files after COR terminations and did not perform periodic reviews of the COR files, she did not have sufficient information to make a determination that CORs were performing the required surveillance. USTRANSCOM Instruction 63-5 states that the contracting officer, or designee, "will periodically conduct random sampling inspections of their COR files each year." USTRANSCOM Instruction 63-5 also states that this should be done in person for locally appointed CORs, but when the COR is located outside of the local area, COR files may be copied and forwarded to the contracting officer for inspection. However, instead of performing periodic reviews of the COR files as required, the contracting officer had the Defense Contract Management Agency (DCMA) perform reviews beginning in August 2011 (see Appendix B)[4] almost 3 years after the first IDIQ contracts were awarded. The contracting officer stated that she did not conduct periodic reviews of the COR files because the documentation was located in an austere location. The COR files are located in Afghanistan. Subsequently, in April 2012, as this audit progressed, the contracting officer entered into a formal agreement with DCMA to conduct biannual reviews of the COR files.

The Contracting Officer Relied on Contractor-Provided Reports

The contracting officer relied on contractor-provided reports to verify contractor performance. Specifically, the contracting officer reviewed situation reports (SITREPs) and sortie reports that the contractors provided and the CORs reviewed. The SITREP tracked the status of each contractor's aircraft, including the crew on the ground and the availability of the aircraft. The sortie report listed the flight hours that the contractors flew for each aircraft per day, including the number of missions flown and the type of cargo transported. According to the contracting officer, each aircraft was contracted to fly an estimated 150 hours per month. However, because the contracting officer did not review the COR files, the contracting officer had no assurance that the CORs followed QASP surveillance requirements and methodologies when reviewing and verifying the SITREP and sortie reports. The previous COR stated that he did not completely rely on the QASP, because in his opinion, the QASP was tailored to assess commercial plane operations rather than the type of helicopter operations that were used in Afghanistan. As a result, the previous COR stated that he created and implemented

> *The previous COR stated that he used an Aviation Resource Management Assessment checklist when performing surveillance; however, the contracting officer was not aware of this checklist, and had not approved its use.*

[4] In December 2010, the Joint Sustainment Command-Afghanistan (JSC-A) performed a self-initiated review of the COR files. (see Appendix B)

his own surveillance measures to validate the contractor's compliance with the performance objectives of the contract. Specifically, the previous COR stated that he used an Aviation Resource Management Assessment checklist when performing surveillance; however, the contracting officer was not aware of this checklist, and had not approved its use. Neither the contracting officer nor the COR could provide the audit team with copies of the COR file. Therefore, the contracting officer did not have documentation to support that the surveillance methods used by the previous COR adhered to QASP requirements. Accordingly, the contracting officer should assess the adequacy of the surveillance measures used by the CORs in Afghanistan that supplement the QASPs. In addition, the contracting officer should update and modify the QASPs to include the surveillance structure currently in place if those surveillance measures provide a better verification that the contractor is conforming to all contract requirements.

USTRANSCOM is at risk of overpaying the contractors for transportation of supplies, mail, and passengers in Afghanistan. For example, the contracts specified a monthly service rate for aircraft ranging from $396,577 to $1,372,581 according to the type of aircraft used to perform the mission. USTRANSCOM is not required to pay the contractors the full monthly service rate when they cannot meet the 80 percent aircraft availability requirement during the month. In addition, the contracts included blade hour rates ranging from $1,900 to $8,521 per hour for an estimated 150 hours per helicopter each month. However, the QASPs did not contain adequate surveillance methods for CORs to validate that the contractors had met these contract conditions. As a result, USTRANSCOM had reduced assurance that they received the services they paid for every month.

Resource Analysis Needed to Determine Optimum Surveillance Structure

One COR and two ACORs were not sufficient to perform contract oversight and surveillance over rotary wing contracts at 10 separate locations throughout Afghanistan. The USTRANSCOM contracting officer stated that USCENTCOM, as the requiring activity, established the surveillance structure for the rotary wing contracts. The USTRANSCOM contracting officer stated that USTRANSCOM Instruction 63-5 provided the requirement for a minimum of one COR and one ACOR, and that USCENTCOM nominates one COR and one ACOR every 9 to 12 months. In June 2012, the contracting officer appointed one COR and two ACORs to perform contract surveillance for the 10 rotary wing contracts. However, recognizing the shortage of oversight personnel, the contracting officer encouraged the COR and ACORs to solicit the assistance of points of contact (POCs) at each contract location to help with contract oversight duties. According to the contracting officer, each COR had the option of either formally appointing the POCs as official ACORs, or not. The contracting officer also stated that previous CORs established different contract oversight structures, with some formally designating POCs while other CORs did not. Without sufficient designated personnel qualified to monitor the rotary wing contracts, the contracting officer had limited assurance that the contractors were performing services in accordance with contract terms and conditions. USTRANSCOM, working with USCENTCOM, should perform a resource analysis to determine the optimum number of personnel and the

The contracting officer appointed 1 COR and 2 ACORS to perform contract surveillance for the 10 rotary wing contracts.

surveillance structure necessary to oversee the performance of these contracts. USCENTCOM has to identify the resources available and the contracting officer must designate qualified personnel to make sure that rotary wing transport contractors are performing efficiently and effectively.

Quality Assurance Surveillance Plans Lacked Specific Surveillance Requirements and Methodologies

The contracting officer developed 10 QASPs that did not establish specific surveillance requirements and methodologies for verifying whether each contractor's performance met the terms and conditions of the 28 task orders issued under the 10 IDIQ contracts. These QASPs also contained incorrect or nonexistent references to sections of the performance work statements (PWSs). The contracting officer stated that she unintentionally omitted required contract elements in the QASPs and included the incorrect references to the PWSs.

Contractors' Performance Was Potentially Not Verified Through Surveillance

The contracting officer developed 10 QASPs that did not incorporate all the terms of the PWS. Federal Acquisition Regulation (FAR) Subpart 46.4, "Government Contract Quality Assurance," states that Government contract quality assurance shall be performed at all times and places as may be necessary to determine that supplies or services conform to contract requirements. FAR Subpart 46.4 further states that QASPs should be prepared in conjunction with the statement of work[5] and should specify all work requiring surveillance, and the method of surveillance. The contracting officer did not include requirements for surveillance of contractor security clearances, aircraft availability, and fuel purchases in the QASPs that she developed for the 28 task orders.

> *The contracting officer stated that she unintentionally omitted required contract elements in the QASPs and included the incorrect references to the PWSs.*

Security Clearance Requirements

None of the 10 QASPs contained specific requirements for the COR to validate that aircrews and site managers employed by the contractors had secret security clearances. The PWSs required contractor personnel to possess secret security clearances in order to conduct passenger transport operations. The PWSs also required the contractors to provide the COR with a list of the names of all contractor personnel and their associated security clearances at the COR's request. The contracting officer stated that she did not include this requirement in the QASPs because she did not consider this requirement to be a surveillance item. She also stated that USTRANSCOM verified the secret clearances of contracted employees before they were deployed to Afghanistan.

However, the previous COR stated that he did have a list of cleared contractor personnel and that the contractors would notify him or notify the USTRANSCOM contracting officer if an

[5] According to FAR Subpart 2.1 "Definitions," a PWS is a statement of work for performance-based acquisitions that describes the required results in clear, specific and objective terms with measurable outcomes.

employee's status changed. The CORs should not have relied solely on the contractor to provide information on changes to an employee's status. The CORs should have independently validated that contractor employees had the required security clearances to perform the missions. The CORs' independent validation would reduce the risk that contractors are performing unauthorized duties. The contracting officer should update the QASPs to include requirements to validate that all aircrews and site managers performing under the contracts have the correct security clearances.

Aircraft Availability Requirements

Three of the ten QASPs did not include a requirement for the COR to validate that the contractors' aircraft were available 80 percent of the month as required by the PWSs. USTRANSCOM Instruction 63-7, "USTRANSCOM Acquisition Management," states that the Service Delivery Summary outlines the expected service objectives (outcomes) and identifies the metrics tracked to determine whether the outcomes are achieved at the appropriate levels of performance. According to the Service Delivery Summary established in the rotary wing contracts' PWS, the contractors were required to make sure that aircraft were available 80 percent of the month for missions. The contracting officer stated that she unintentionally omitted the required Afghanistan Rotary Wing Transport Program PWSs requirements from the QASPs. Although the contracting officer required the CORs to review the SITREPs to verify that contractors correctly reported their aircrafts' availability, she did not review the COR files to verify whether the CORs completed any of the necessary surveillance for aircraft mission availability. Furthermore, with the continuous turnover of CORs and ACORs, incomplete QASPs increased the risk that adequate surveillance would not be performed on the contracts. Without the PWS requirements in the QASP, there was limited assurance that new CORs or ACORs were correctly validating that aircraft were available 80 percent of the month for missions. As a result of our audit, the contracting officer updated the QASPs in July 2012 to include the requirement for CORs to validate that aircraft were available 80 percent of the month for missions.

Without the PWS requirements in the QASP, there was limited assurance that new CORs or ACORs were correctly validating that aircraft were available 80 percent of the month for missions.

Fuel Monitoring Requirements

The contracting officer had not implemented adequate accountability controls for fuel purchases before the audit. Specifically, all 10 QASPs did not include provisions for CORs to monitor fuel purchased by the contractors, even though aircraft fuel is a cost reimbursable item on the contracts. FAR subpart 16.301-3 "Limitations," states that a cost-reimbursement contract may be used only when appropriate Government surveillance is being performed to provide reasonable assurance that efficient methods and effective cost controls are used. Prior DoD Inspector General investigations[6] identified the lack of oversight, surveillance, and accountability of fuel purchases in contingency environments as a high risk area. Those investigations found that DoD employees participated in conspiracy and fraud schemes to steal

[6] These DoD Inspector General investigative reports were released between April 2008 and August 2009.

fuel and sell the stolen fuel to unauthorized sources. Neither the QASPs nor the Afghanistan Rotary Wing Transportation Surveillance Activity Checklist attached to the QASPs included specific guidance for CORs to verify the delivery of fuel purchases by the contractors, or that the fuel was used only for contract mission requirements. According to the contracting officer, the Defense Logistics Agency – Energy (DLA-E)[7] tracks fuel reimbursement by aircraft tail number and USTRANSCOM contracting officials review the DLA-E invoices and the contractors' proof of payment before reimbursing costs. The QASPs stated that the COR would verify fuel expenses before acceptance by the contracting officer on a monthly basis. However, the contracting officer relied on DLA-E verification of fuel purchases, had limited oversight of the contractors' use of fuel, and did not include a methodology and standard operating procedures for USTRANSCOM contracting officials to monitor fuel purchases. As a result of our audit, the contracting officer updated the QASPs in July 2012 to redirect the responsibility of validating fuel purchases from the COR to USTRANSCOM contracting officials. However, the language in the updated QASP still does not clarify the methodology that USTRANSCOM contracting officials would follow to validate contractor fuel purchases. The contracting officer should create and implement Standard Operating Procedures to establish the methodology that USTRANSCOM contracting officials must follow to monitor and validate that contractors' fuel purchases are used only for contract mission requirements.

Effective and Systematic Monitoring of Contractors' Performance Needs Improvement

The contracting officer developed 10 QASPs that did not establish effective and systematic methods for CORs to monitor and determine whether the contractors complied with the technical requirements in the contract. FAR Subpart 46.4 states that the QASP should specify the method of surveillance, and USTRANSCOM Instruction 63-7 states that the QASP must include the methodology the Government will use to accomplish contract surveillance to identify whether performance thresholds are being met. Common examples of surveillance methods are 100 percent inspections, periodic inspections, and customer input. According to the USTRANSCOM Instruction 63-7, the QASP should also include any action the Government could take if the contractor does not perform at an acceptable level. Therefore, the QASPs should have established the Government's evaluation methods and included how the COR's quality assurance surveillance actions would be documented.

The 10 QASPs included examples of surveillance methods that the COR could use; however, the QASPs did not specify which of the surveillance methods should be used for specific contract performance requirements. The surveillance methods specified in the QASPs were 100 percent inspections, periodic surveillance, and customer complaints; however, the QASPs did not specify the requirements in the PWSs that would be:

- subject to 100 percent inspections. The QASPs stated that 100 percent inspection is inspecting a PWS requirement every time it occurs, but the QASPs did not specify which performance requirements the COR needed to inspect 100 percent of the time.

[7] Before 2010, DLA-E was known as the Defense Energy Support Center. DLA-E's mission is to effectively and economically provide DoD and other governmental agencies with comprehensive energy support.

The COR stated that it would not be realistic to expect a COR to perform 100 percent inspection for any contract requirement;

- evaluated through periodic surveillance. The QASPs stated that periodic surveillance is based on selecting samples for evaluation on other than 100 percent inspection, or on a random basis to determine contractors' compliance to contract requirements. The QASPs list weekly inspections as an example of periodic surveillance, but the QASPs did not provide a schedule or list of performance requirements that the COR must evaluate through periodic surveillance; and

- evaluated through customer complaints or how the COR would validate customer complaints received. The QASPs stated that the CORs would fully validate and document customer complaints, and include them as a permanent part of the COR surveillance records. The QASPs did not include a methodology for the COR to validate customer complaints such as the type of information that the COR should collect from the customers or how complaints should be addressed. Additionally, the QASPs did not specify when the COR should notify the contracting officer of the complaints or how the COR should document the actions taken to make sure that the complaints were fully addressed and used to evaluate contractor performance.

As a result of our audit, the contracting officer updated the QASPs in July 2012 to include the performance objectives in the Service Delivery Summary that would be subject to surveillance methods. Those methods included 100 percent inspections, periodic surveillance, and customer complaints. However, the contracting officer did not update the QASPs to include surveillance methods for PWS requirements such as security clearance requirements, fuel purchase monitoring requirements, or other critical PWS requirements necessary to make sure that the contractors met their performance objectives. Furthermore, the updated QASPs included customer complaints as a method of surveillance that the COR should use to make sure that the contractors restricted unauthorized personnel or cargo from the aircraft. However, a customer complaint is not a sufficient surveillance method to measure whether unauthorized personnel or cargo is on board an aircraft, because these performance objectives are too critical for a passive method of surveillance.

> *The contracting officer did not update the QASPs to include . . . critical PWS requirements necessary to make sure that the contractors met their performance objectives.*

The QASPs included a requirement for the CORs to develop a monthly Quality Assurance Evaluator Schedule (QAES) but did not specify areas or activities that the CORs must schedule for observation during the month. According to the QASP, the QAES should be broken into weekly segments and must include information such as the contract number, evaluation period, and columns for the areas that the COR would observe. Although the QASPs provided a general format and parameters for the content of the QAES, the QASPs did not specify areas or activities to be observed, or the specific intervals in which the CORs must conduct their observations. According to the previous COR, because both he and the ACORs moved around Afghanistan frequently, a monthly schedule did not work. One of the ACORs stated that additional full-time personnel would have been needed to perform such administrative tasks to create the necessary

paperwork. The contracting officer should update and revise the QASPs to identify all critical PWS requirements that are subject to surveillance methods such as 100 percent inspections, periodic surveillance, and customer complaints; how the COR will validate the customer complaints received; and which areas or activities must be observed for the required monthly Quality Assurance Evaluator Schedule. In addition, the contracting officer should review the surveillance methods listed in the Service Delivery Summary table in the QASP, identify sufficient methods for the COR to monitor contractors' performance, and revise the Service Delivery Summary table to include these methods.

PWS Requirements Were Not Correctly Referenced in the QASPs

The contracting officer developed 10 QASPs that referenced either incorrect or nonexistent sections of the PWSs. According to USTRANSCOM Instruction 63-7, the QASP is a companion document to the PWS that formally documents the procedures the Government will use to verify that it is getting the goods and services paid for. USTRANSCOM Instruction 63-7 requires that the QASP include a description of the performance objectives and thresholds identified in the PWS. However, the QASPs and the surveillance checklist attached to the QASPs sometimes referenced incorrect or nonexistent sections of the PWSs or did not reference all surveillance requirements. For example, the surveillance checklist attached to the QASP included a requirement for aircraft to maintain a serviceable cargo hook to conduct operations; however, the surveillance checklist referenced the wrong section of the PWS. There is a risk that the CORs and ACORs were not verifying that contractors conformed to all critical PWS requirements because the CORs and ACORs were unaware of these requirements. As a result of our audit, the contracting officer updated the QASPs in July 2012 to reflect the correct PWS references.

> *The QASPs and the surveillance checklist attached to the QASPs sometimes referenced incorrect or nonexistent section of the PWSs or did not reference all surveillance requirements.*

Conclusion

The USTRANSCOM contracting officer did not establish adequate surveillance controls for the Afghanistan Rotary Wing Transport Program contracts. The contracting officer did not perform periodic reviews of the CORs' files or review the files when each COR completed a tour of duty. She stated that she unintentionally omitted surveillance requirements and methodologies from the QASPs. As a result, the contracting officer did not know whether the CORs were meeting the surveillance needs of the contract and could not confirm that consistent oversight was in place for future CORs. Consequently, the contracting officer had limited assurance that contractors under the Afghanistan Rotary Wing Transport Program task orders adequately performed or that DoD fully received contracted transport services valued at approximately $1.1 billion.

Recommendations, Management Comments, and Our Response

We recommend that the U.S. Transportation Command contracting officer:

a. **Require the Contracting Officer's Representatives to send copies of their files back to the contracting officer when completing their tours of duty in accordance with U.S. Transportation Command Instruction 63-5, "Contracting Officer's Representative Program." In addition, the contracting officer should require the Contracting Officer's Representatives to provide their files to her, to verify the adequacy of surveillance performed**.

Management Comments

The Deputy Commander, U.S. Transportation Command, agreed with our recommendation, stating that the contracting officer will request a copy of the Contracting Officer's Representative files to be sent electronically or via hard copy format to the U.S. Transportation Command contracting office. The Deputy Commander stated that the U.S. Transportation Command will request a copy of the Contracting Officer's Representative files from the current Contracting Officer's Representative, who will be transferring out of Afghanistan in January 2013.

Our Response

Comments from the Deputy Commander, U.S. Transportation Command, were responsive and the proposed actions met the intent of the recommendation. No further comments are required.

b. **Assess the surveillance measures used by the Contracting Officer's Representatives in Afghanistan to determine the adequacy of their methodologies for assuring that contractors deliver quality services. Based on the assessment, update the Quality Assurance Surveillance Plan as needed to describe the effective and approved surveillance methodologies for use by the Contracting Officer's Representatives**.

Management Comments

The Deputy Commander, U.S. Transportation Command, agreed, stating that the U.S. Transportation Command will coordinate with the U.S. Central Command and the Joint Sustainment Command-Afghanistan to determine revisions to the Quality Assurance Surveillance Plan as needed.

Our Response

Comments from the Deputy Commander, U.S. Transportation Command, were responsive and the proposed actions met the intent of the recommendation. No further comments are required.

c. **Perform a resource analysis to determine the number of Contracting Officer's Representatives that the U.S. Transportation Command will need in order to**

perform adequate contract surveillance in Afghanistan and request that the U.S. Central Command provide additional Contracting Officer's Representatives and Alternate Contracting Officer's Representatives for the program.

Management Comments

The Deputy Commander, U.S. Transportation Command, agreed, stating that in July 2012, the U.S. Central Command submitted a request for Forces to the Joint Staff in response to the need for additional resources to optimize contract surveillance. The Deputy Commander stated that the U.S. Central Command's request was halted because a more efficient solution was identified. In addition, the Deputy Commander stated that three additional aviation personnel will be added to the next set of Contracting Officer's Representatives deploying to Afghanistan.

Our Response

Comments from the Deputy Commander, U.S. Transportation Command, were partially responsive. Although the U.S. Central Command submitted a request for Forces to the Joint Staff and plans to add three additional personnel to the next rotation of Contracting Officer's Representatives, the Deputy Commander did not provide the details of her plans of action and the effective milestone date for completion. In addition, the Deputy Commander did not indicate whether there will be a permanent increase in aviation personnel to aid in contract surveillance. We request that the Deputy Commander provide additional comments in response to the final report.

d. **Create and implement Standard Operating Procedures to establish the methodology for monitoring and validating that contractors' fuel purchases are used only for mission requirements**.

Management Comments

The Deputy Commander, U.S. Transportation Command, agreed, stating that the U.S. Transportation Command will consult with the Defense Logistics Agency Fuel Liaison Officer to analyze the feasibility of implementing our recommendation. The Deputy Commander stated that the time frame for implementing our recommendation will be developed after the feasibility determination.

Our Response

Comments from the Deputy Commander, U.S. Transportation Command, were partially responsive. The Deputy Commander agreed with our recommendation; however, she was unable to provide specific action items on how our recommendation would be implemented. We request that the Deputy Commander should consult with the Defense Logistics Agency Fuel Liaison Officer and provide additional comments in response to the final report. The Deputy Commander should provide the implementation of actions that will answer the recommendation.

e. **Review the surveillance methods listed in the Service Delivery Summary table in the Quality Assurance Surveillance Plans, identify sufficient methods for the Contracting Officer's Representatives to monitor contractors' performance, and revise the Service Delivery Summary table to include these methods**.

Management Comments

The Deputy Commander, U.S. Transportation Command, agreed, stating that the contracting officer reviewed the surveillance methods listed in the Service Delivery Summary table in the Quality Assurance Surveillance Plans, and revised the Quality Assurance Surveillance Plans in July 2012 to include methods for the Contracting Officer's Representatives to monitor contractors' performance. In addition, the Deputy Commander stated that the U.S. Transportation Command will coordinate with the U.S. Central Command and the Joint Sustainment Command-Afghanistan to determine whether further revisions to the Quality Assurance Surveillance Plans are needed.

Our Response

Comments from the Deputy Commander, U.S. Transportation Command, were partially responsive. The Deputy Commander agreed with our recommendation stating that the contracting officer reviewed the surveillance methods and revised the Quality Assurance Surveillance Plan in July 2012. However, the July 2012 updated Quality Assurance Surveillance Plans did not include methods that will determine whether services conform to contract requirements in the Service Delivery Summary table as required by the Federal Acquisition Regulation. Specifically, the July 2012 updated Quality Assurance Surveillance Plans listed "customer complaints" as a method of surveillance for contractor performance in areas such as airspace de-confliction, aircraft cargo hook readiness, and unauthorized personnel or cargo. However, using customer complaints as a surveillance method will not provide enough information to determine whether the terms and conditions of the contract are being met. For instance, the number of customer complaints received cannot be used to determine whether aircraft have 80 percent cargo hook readiness, a contract condition that directly affects the amount that the contractor will be paid. We request that the Deputy Commander develop a more effective method of surveillance than using customer complaints, and provide a completion date for implementing our recommendation. We request the Deputy Commander provide these comments in response to the final report.

f. **Update and revise the Quality Assurance Surveillance Plans to include all contract terms requiring surveillance and the method of surveillance in accordance with the Federal Acquisition Regulation Subpart 46.4, "Government Contract Quality Assurance." Specifically, the Quality Assurance Surveillance Plans should**:
   (1) **include the requirement to validate that all aircrews and site managers performing under the contracts have the correct security clearances**,
   (2) **identify all performance work statement requirements subject to 100 percent inspections**,
   (3) **identify all performance work statement requirements subject to periodic surveillance**,
   (4) **identify all performance work statement requirements subject to customer complaints, and the methodology to validate customer complaints**, and
   (5) **identify which areas or activities must be observed for the required monthly Quality Assurance Evaluator Schedule**.

Management Comments

The Deputy Commander, U.S. Transportation Command, agreed with our recommendations, stating that the U.S. Transportation Command validates security clearances before issuing Common Access Cards and Letters of Authorization to contractor employees before the employees' deployment. The Deputy Commander stated that the U.S. Transportation Command will provide a validated list of employees with security clearances to the Contracting Officer's Representative, and will make sure that contractor company representatives and the Contracting Officer's Representatives are immediately notified if an employee's security clearance is revoked or rescinded. The Deputy Commander also stated that the contracting officer will revise the Quality Assurance Surveillance Plans to reflect our recommendation, and coordinate with the U.S. Central Command and the Joint Sustainment Command-Afghanistan to determine whether further revisions to the Quality Assurance Surveillance Plans are necessary. The Deputy Commander also agreed with our recommendations, stating that the contracting officer updated the Quality Assurance Surveillance Plans in July 2012 to identify all performance work statement requirements subject to 100 percent inspections, periodic surveillance, customer complaints, and the methodology used to validate customer complaints. The Deputy Commander also stated that the U.S. Transportation Command will update the Quality Assurance Surveillance Plans to identify the areas or activities that must be observed for the required monthly Quality Assurance Evaluator Schedule.

Our Response

Comments from the Deputy Commander, U.S. Transportation Command, were responsive to recommendations f(1) and f(5) and the proposed actions met the intent of the recommendations. No further comments are required. Comments from the Deputy Commander were partially responsive to recommendations f(2), f(3), and f(4). The Deputy Commander agreed with our recommendations, stating that that the contracting officer updated the Quality Assurance Surveillance Plans in July 2012 to identify performance work statement requirements subject to 100 percent inspections, periodic surveillance, customer complaints, and the methodology used to validate customer complaints. However, the July 2012 updated Quality Assurance Surveillance Plans did not include all the performance work statement requirements that will be subject to 100 percent inspections, periodic surveillance, customer complaints. Specifically, the July 2012 updated Quality Assurance Surveillance Plans did not include the method of surveillance for performance work statement requirements such as security clearances, fuel purchase monitoring, and other critical performance work statement requirements. In addition, the July 2012 updated Quality Assurance Surveillance Plans did not include the specific methodology for validating customer complaints. We request that the Deputy Commander provide additional comments in response to the final report, and provide a completion date for implementing our recommendation.

Appendix A. Scope and Methodology

We conducted this performance audit from November 2011 through January 2013 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 we obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We reviewed relevant sections of the FAR and USTRANSCOM guidance to determine the criteria specific to our audit objective. We reviewed 28 task orders that were issued under the 10 IDIQ contracts to support the Afghanistan Rotary Wing Transport Program. The 10 IDIQ contracts issued from December 2008 through April 2011 are:

- HTC711-09-D-0021
- HTC711-09-D-0022
- HTC711-09-D-0023
- HTC711-10-D-R025
- HTC711-10-D-R026
- HTC711-10-D-R027
- HTC711-10-D-R028
- HTC711-11-D-R021
- HTC711-11-D-R022
- HTC711-11-D-R023

We reviewed the contracts and task orders to gain an understanding of the Afghanistan Rotary Wing Transport Program and to determine whether USTRANSCOM officials conducted adequate oversight and management of the task orders. We also reviewed COR appointment letters and training packages to determine whether CORs were properly appointed and trained. We reviewed QASPs and other surveillance documentation to determine whether the contracting officer developed the QASPs in accordance with Federal, DoD, and agency regulations.

We conducted a site visit to USTRANSCOM at Scott Air Force Base in Illinois. We interviewed USTRANSCOM contracting officers and contracting specialists; and conducted telephone interviews with CORs and ACORs assigned to Joint Sustainment Command-Afghanistan (JSC-A).

The contracting officer did not provide us with copies of the COR files for review because she did not maintain copies of the files located in Afghanistan.

Use of Computer-Processed Data

We relied on computer-processed data from the DoD Electronic Document Access website. The DoD Electronic Document Access is a web-based system that provides secure online access, storage and retrieval contracts and contract modifications to authorized users through DoD. We retrieved contracts and contract modification documents from the DoD Electronic Document Access. We also obtained contract documentation during our site visit to USTRANSCOM,

which we compared to the information that we obtained from Electronic Document Access to verify the accuracy Electronic Document Access contract values. We concluded that data collected from the DoD Electronic Document Access database was sufficiently reliable for the purpose of identifying the IDIQ contracts awarded for rotary wing transport in Afghanistan.

Prior Coverage

No prior coverage has been conducted on whether U.S. Transportation Command officials are properly managing and administering the Afghanistan Rotary Wing Transport Program contracts during the last 5 years.

Appendix B. Contracting Officer's Representative File Reviews Performed by External Agencies

The JSC-A and DCMA performed reviews of the COR files for the rotary wing transport contracts in December 2010 and August 2011 respectively. The JSC-A and DCMA reports contained recommendations to the USTRANSCOM contracting office based on the reviews of the COR files located in Afghanistan.

The JSC-A reviewed the COR files for seven IDIQ contracts to determine whether the appointed COR performed his contract oversight duties and properly inspected and accepted services for the Government. The JSC-A reported that the COR performed surveillance in accordance with the QASPs and that the COR files contained all required reports. However, the JSC-A report recommended that a copy of the surveillance activity checklist and documentation pertaining to the COR's acceptance of performance for services be maintained in the COR file.

DCMA reviewed the COR files for IDIQ contracts to determine whether USTRANSCOM was in compliance with guidance in the USTRANSCOM Instruction 63-5 "Contracting Officer's Representative Program." DCMA reported that the COR files did not contain the QASP. DCMA further reported that while the COR had the necessary aviation experience, the Alternate CORs (ACORs) lacked the necessary aviation background to perform contract monitoring. According to DCMA's observations, the lack of competent surveillance could pose a high risk to the Government, and could also negatively affect mission success and the safety of aircraft personnel. DCMA also reported that the COR's workload extended beyond the capabilities of the COR and the ACORs because of the vast areas of responsibility and the large number of customers to be accommodated. According to the DCMA review, the COR and his team required additional personnel throughout Afghanistan. DCMA recommended that USTRANSCOM should seriously consider the COR's requests and concerns for additional qualified personnel.

U.S. Transportation Command Comments

UNITED STATES TRANSPORTATION COMMAND
508 SCOTT DRIVE
SCOTT AIR FORCE BASE, ILLINOIS 62225-5357

6 November 2012

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL

FROM: TCDC

SUBJECT: DODIG Draft Report, "Quality Controls for the Rotary Wing Transport Contracts Performed in Afghanistan Need Improvement," dated September 28, 2012, (Project No. D2012-D000AS-0031.000)

1. United States Transportation Command (USTRANSCOM) has reviewed the draft report and provides the responses contained in the attachment.

2. USTRANSCOM POC is [redacted]

KATHLEEN M. GAINEY
Lieutenant General, U. S. Army
Deputy Commander

Attachment:
USTRANSCOM Responses

cc:
USTRANSCOM/TCAQ

U.S. Transportation Command Comments

Recommendations

We recommend that the U.S. Transportation Command contracting officer:

a. Require the Contracting Officer's Representatives to send copies of their files back to the contracting officer upon completion of their tours of duty in accordance with U.S. Transportation Command Instruction 63-5, "Contracting Officer's Representative Program." In addition, the contracting officer should require the Contracting Officer's Representatives to provide their files to her, to verify the adequacy of surveillance performed.

Response: Concur. The Contracting Officer will request a copy of the Contracting Officer's Representative (COR) files be sent, either electronically (i.e. CORT Tool) or by hard copy to the USTRANSCOM contract administration office. Request will be made to the current COR, who will transition out of theater Jan 2013.

b. Assess the surveillance measures used by the Contracting Officer's Representatives in Afghanistan to determine the adequacy of their methodologies for assuring that contractors deliver quality services. Based on the assessment, update the Quality Assurance Surveillance Plan as needed to describe the effective and approved surveillance methodologies for use by the Contracting Officer's Representatives.

Response: Concur. USTRANSCOM will coordinate with CENTCOM/Joint Sustainment Command-Afghanistan (JSC-A) to determine QASP revisions, as appropriate. QASP revisions will be completed by 1 Feb 2013 as required.

c. Perform a resource analysis to determine the number of Contracting Officer's Representatives that the U.S. Transportation Command will need in order to perform adequate contract surveillance in Afghanistan and request that the U.S. Central Command provide additional Contracting Officer's Representatives and Alternate Contracting Officer's Representatives for the program.

Response: Concur. In July 2012, in response to the need for additional resources to optimize surveillance, U.S. Central Command submitted a request for Forces to the Joint Staff. This action was halted, however, since a more efficient solution was identified. The next deploying Expeditionary Sustainment Command (Feb/Mar 13) will modify their Force Tracking Number (FTN) to account for three additional aviation personnel to add to the commercial aircraft management team. Request this item be closed.

d. **Create and implement Standard Operating Procedures to establish the methodology for monitoring and validating that contractors' fuel purchases are only used for mission requirements.**

Response: Concur. USTRANSCOM will consult with Defense Logistics Agency (DLA) Fuel Liaison Officer to analyze the feasibility of implementing recommendation. Timeframe for implementing will be developed after feasibility determination.

U.S. Transportation Command Comments

e. **Review the surveillance methods listed in the Service Delivery Summary table in the Quality Assurance Surveillance Plans, identify sufficient methods for the Contracting Officer's Representatives to monitor contractors' performance, and revise the Service Delivery Summary table to include these methods.**

Response: Concur. Review was accomplished and QASP was revised in July 2012. USTRANSCOM will coordinate with CENTCOM/JSC-A to determine if further QASP revisions are needed. QASP revisions will be completed by 1 Feb 2013 as required.

f. Update and revise the Quality Assurance Surveillance Plans to include all contract terms requiring surveillance and the method of surveillance in accordance with the Federal Acquisition Regulation Subpart 46.4, "Government Contract Quality Assurance." Specifically, the Quality Assurance Surveillance Plans should:

(1) include the requirement to validate that all aircrews and site managers performing under the contracts have the correct security clearances,

Response: Concur. USTRANSCOM validates security clearances prior to Common Access Card (CAC)/Letter of Authorization (LOA) issuance at time of employee deployment and exercising the contract option(s). USTRANSCOM will provide the validated list to the COR. If a security clearance is revoked or rescinded for any reason, USTRANSCOM will ensure the company representatives and COR are notified immediately. This revision to the QASP will be completed by 1 Feb 2013 and USTRANSCOM will coordinate with CENTCOM/JSC-A to determine if further QASP revisions are needed for this and each of the remaining recommendations.

(2) identify all performance work statement requirements subject to 100 percent inspections,

Response: Concur. USTRANSCOM July 2012 QASP was revised to identify all performance work statement requirements subject to 100 percent inspections.

(3) identify all performance work statement requirements subject to periodic surveillance,

Response: Concur. USTRANSCOM July 2012 QASP was revised to identify performance work statement requirements subject to periodic surveillance.

(4) identify all performance work statement requirements subject to customer complaints, and the methodology to validate customer complaints, and

Response: Concur. USTRANSCOM July 2012 QASP was revised to accomplished and identify all performance work statement requirements subject to customer complaints and the methodology used to validate customer complaints.

(5) identify which areas or activities must be observed for the required monthly Quality Assurance Evaluator Schedule.

U.S. Transportation Command Comments

Response: Concur. USTRANSCOM will identify which areas or activities must be observed for the required monthly Quality Assurance Evaluator Schedule to be completed by 1 Feb 2013.

Inspector General
Department of Defense