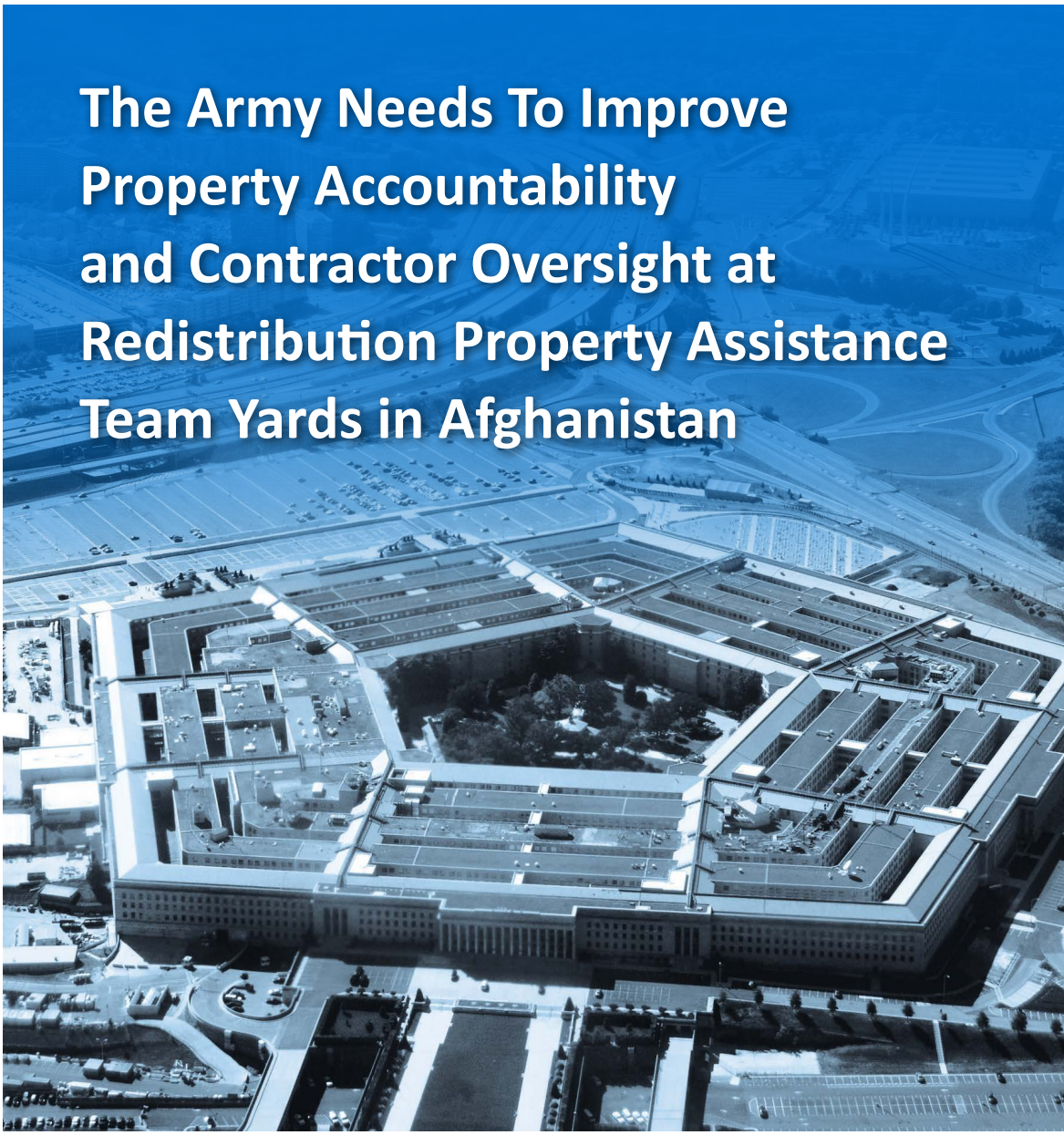
Report No. DODIG-2014-043

Inspector General

U.S. Department of Defense

MARCH 4, 2014

The Army Needs To Improve Property Accountability and Contractor Oversight at Redistribution Property Assistance Team Yards in Afghanistan



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Results in Brief

The Army Needs To Improve Property Accountability and Contractor Oversight at Redistribution Property Assistance Team Yards in Afghanistan

March 4, 2014

Objective

We determined whether Redistribution Property Assistance Teams (RPATs) in Bagram and Kandahar, Afghanistan, have effective procedures in place to process equipment, to include preparation for shipment.

Findings

The RPATs did not have effective procedures for processing and safeguarding retail and wholesale equipment at the RPAT yards in Bagram and Kandahar, Afghanistan. Specifically, RPAT personnel did not accurately record 6,703 of 18,036, or 37.2 percent, of equipment valued at $157.4 million (see Appendix C) in the accountability systems or maintain sufficient documentation to support items that had been transferred from the RPAT yards in Bagram and Kandahar.

This occurred because Army Sustainment Command (ASC), Army Contracting Command-Rock Island (ACC-RI), and the 401st Army Field Support Brigade (AFSB) did not properly oversee contractor performance to ensure adequate establishing and transferring of property accountability at the RPAT yards; ASC did not provide sufficient resources to the RPATs; ACC-RI did not hold the contractor accountable for poor performance; and the 401st AFSB did not implement effective controls over equipment at the RPAT yards.

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Findings Continued

As a result, the Army reported accumulated losses of $586.8 million on 26 open Financial Liability Investigations of Property Loss reports from May 2012 through May 2013 in retail and wholesale equipment at the nine RPAT yards in Afghanistan. Included in these losses were weapons, weapons systems, and other sensitive equipment.

We also identified that equipment at the RPAT yards was not being safeguarded in accordance with applicable regulations. When notified of the problem, the Commander, 401st AFSB, promptly acted to fix the identified deficiencies.

Recommendations

Among other recommendations, we recommend that ASC, ACC-RI, and the 401st AFSB update the Quality Assurance Surveillance Plan and determine whether the contractor is meeting applicable requirements. We recommend the Commander, ACC-RI, initiate action to reform poor contractor performance. Finally, we recommend the Commander, 401st AFSB, employ Automatic Identification Technology and implement monthly reviews of the work performed by RPAT personnel to ensure that they are fulfilling their responsibilities.

Management Comments and Our Response

Management comments from the Commander Army Sustainment Command were responsive to the recommendations. Comments from the Commander, Army Materiel Command, the Director, ACC-RI, and the Commander, 401st Army Field Support Brigade partially addressed the recommendations. Based on comments from the Commander, Army Materiel Command, draft Recommendations 3.a and 3.b were revised, consolidated, and redirected. Therefore, we request the Commander, Army Materiel Command, the Commander, Army Sustainment Command, the Director, ACC-RI, and the Commander, 401st Army Field Support Brigade provide revised comments to the final report by April 4, 2014. Please see the Recommendations Table on the next page.

Recommendations Table

Management	Recommendations Requiring Comment	No Additional Comments Required
Commander, Army Materiel Command	1	
Commander, Army Sustainment Command	3.a	2.a, 2.b
Director, Army Contracting Command-Rock Island	3.a	3.b
Commander, 401st Army Field Support Brigade	4.a, 4.c	4.b

Please provide comments by April 4, 2014.

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

March 4, 2014

MEMORANDUM FOR AUDITOR GENERAL, DEPARTMENT OF THE ARMY

SUBJECT: The Army Needs To Improve Property Accountability and Contractor Oversight at the Redistribution Property Assistance Team Yards in Afghanistan (Report No. DODIG-2014-043)

We are providing this report for review and comment. The Army did not have effective procedures for processing and safeguarding retail and wholesale equipment at the Redistribution Property Assistance Team yards in Afghanistan.

We considered management comments on a draft of this report when preparing the final report. DoD Directive 7650.3 requires that recommendations be resolved promptly. Comments from the Commander, Army Sustainment Command fully addressed the recommendation and left no unresolved issues. Comments from the Commander, Army Materiel Command partially addressed Recommendation 1. The Director, Army Contracting Command-Rock Island concurred with Recommendation 3.c. However, comments on Recommendations 3.a and 3.b partially addressed the recommendations. Based on comments from the Commander, Army Materiel Command, we revised draft Recommendations 3.a, and 3.b and combined them into Recommendation 3.a, and renumbered the remaining recommendations accordingly. We directed Recommendation 3.a to the Commander, Army Sustainment Command, and the Director, Army Contracting Command-Rock Island. Comments from the Commander, 401st Army Field Support Brigade, fully addressed Recommendation 4.b. However, comments on Recommendations 4.a and 4.c did not address the specifics of the recommendation. Therefore, we request additional comments from the Commander, Army Materiel Command, the Commander, Army Sustainment Command, the Director, Army Contracting Command-Rock Island, and the Commander, 401st Army Field Support Brigade, by April 4, 2014.

Please send a portable document format (.pdf) file containing your comments to audrco@dodig.mil. Copies of your comments must have the actual signature of the authorizing official for your organization. We cannot accept the /Signed/ symbol in place of the actual signature. If you arrange to send classified documents 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) 604-8905 (DSN 664-8905).

Amy J. Frontz
Principal Assistant Inspector General
for Auditing

cc:
Commander, Army Materiel Command
Commander, Army Sustainment Command
Director, Army Contracting Command
Commander, 401st Army Field Support Brigade

Contents

Introduction 1

Objective 1

Background 1

Review of Internal Controls 6

Finding. Army Needs To Improve the Procedures for Processing and Safeguarding Equipment at the Redistribution Property Assistance Team Yards 8

Retail Property Accountability Responsibilities 9

Personnel Need To Improve the Accountability of Retail Equipment 9

Wholesale Property Accountability Responsibilities 15

Personnel Need To Improve Accountability of Wholesale Equipment 15

The 401st Army Field Support Brigade Reported Losses of Retail and Wholesale Equipment 18

Concerns With Safeguarding Sensitive Items Identified to the 401st Army Field Support Brigade 20

Conclusion 22

Management Comments on the Finding and Our Response 22

Recommendations, Management Comments, and Our Response 24

Appendixes 29

A. Scope and Methodology 29

Use of Computer-Processed Data 30

Use of Technical Assistance 31

Prior Coverage 31

B. Excerpt of Items Reported as Lost on a Financial Liability Investigation of Property Loss 33

Contents (cont'd)

Appendixes (cont'd) 29

C. Statistical Sample 34

Population 34

Sample Plan 34

Attribute Statistical Projections and Interpretation 35

Variable Statistical Projections and Interpretation 36

Management Comments 37

U.S. Army Materiel Command 37

U.S. Army Sustainment Command 38

U.S. Army Contracting Command 40

U.S. Army Contracting Command-Rock Island 41

401st Army Field Support Brigade 50

Acronyms and Abbreviations 52

INSPECTOR GENERAL

DEPARTMENT OF DEFENSE

Introduction

Objective

Our objective was to determine whether Redistribution Property Assistance Teams (RPATs) in Afghanistan have effective procedures in place to process equipment, to include preparation for shipment. See Appendix A for the scope and methodology and prior coverage related to the objective.

Background

The overall intent of an RPAT is to eliminate all excess Army property that units have in theater, redistribute equipment to fill shortages, and retrograde excess equipment to the United States. RPATs are also responsible for improving property accountability of retrograde equipment and enabling asset visibility of received equipment during transit. Figure 1 presents an aerial view of the Bagram RPAT yard.

Figure 1. Bagram RPAT Yard

RPATs in Afghanistan

RPATs in Afghanistan relieve redeploying Army units of their Theater Provided Equipment,[1] clear their property books, and prepare Army units to redeploy to their home stations. After relieving the units of accountability, the RPATs either process the Theater Provided Equipment for retrograde or hold the equipment at the RPAT yards for incoming troops. As of September 2013, there were nine RPATs, totaling about 147.62 acres, in Afghanistan. From June 2013 through August 2013, these RPATs relieved units of 2,893 pieces of rolling stock and 47,186 pieces of nonrolling stock.[2] Ultimately, all the Army Theater Provided Equipment will be processed through one of the RPAT yards, with the RPATs at the Bagram and Kandahar Airfields in Afghanistan handling the majority of the workload. However, 401st Army Field Support Brigade (AFSB) personnel informed us that an abundance of Army equipment was delivered to Afghanistan but never brought to record in any accountability system. As a result, 401st AFSB personnel were unable to provide a reliable estimate of the amount of equipment that would need to be retrograded through the RPAT yards in Afghanistan.

Roles and Responsibilities for RPAT Operations in Afghanistan

The RPAT workforce in Afghanistan is composed of military, civilian, and contractor personnel. Each workforce has specific responsibilities that influence the effectiveness and efficiency of RPAT operations.

Military Workforce

The 401st AFSB, a subordinate command of Army Sustainment Command (ASC), developed and operates the RPAT yards in Afghanistan. The 401st AFSB has two battalions in theater that are responsible for executing the RPAT operations. The 401st AFSB Commander is responsible for overseeing all facets of the RPAT yard, to include ensuring that all Government property is accounted for, cared for, and secured in accordance with Army regulations.

Civilian Workforce

Department of the Army civilians fill many positions at the RPAT yards. Two of the most significant responsibilities are property accountability and contract oversight.

[1] Theater Provided Equipment are items designated by the Army to remain in the Area of Responsibility for the duration of the mission. All equipment received, drawn, or purchased in theater is considered Theater Provided Equipment. A unit may not redeploy with these items without Army headquarters approval. The Area of Responsibility is the specific geographic boundary where the combatant commanders are responsible for planning and conducting operations.

[2] Rolling stock includes wheeled vehicles, tracked combat vehicles, wheeled/tracked construction equipment, trailers, semi-trailers, and any other standard trailer-mounted equipment. Nonrolling stock encompasses all other equipment that is not rolling stock.

Specifically, civilians fill all Primary Hand Receipt Holder (PHRH), Wholesale Responsible Officer, Theater Wholesale Accountability Officer, Deputy Wholesale Accountable Officer, and Contracting Officer's Representative (COR) positions at the RPAT yards in Afghanistan.

When units turn equipment into the RPAT that is scheduled for redistribution to other units, PHRHs are responsible for inspecting, accepting, and maintaining accountability of the equipment until the equipment is transferred from their hand receipts. While the equipment is on their hand receipts, the PHRHs are responsible for maintaining the proper care, custody, security, and safe keeping of the equipment. Alternately, when units turn equipment into the RPAT that is scheduled for retrograde, Wholesale Responsible Officers are responsible for inspecting and accepting the equipment. However, unlike a PHRH, property accountability is not a responsibility of the Wholesale Responsible Officer. Rather, the Theater Property Book Officer, Theater Wholesale Accountability Officer, and Deputy Wholesale Accountable Officer assume responsibility for the equipment.

CORs are trained individuals designated and authorized in writing by the contracting officer to perform specific technical or administrative functions on a contract. CORs at the RPAT yards in Afghanistan are responsible for performing regular and recurring surveillance of the contractor to ensure that the contractor's performance complies with the requirements of the Performance Work Statement (PWS).[3] The COR submits the results to the contracting officer who then uses the COR's reports to identify performance strengths and weaknesses, problem areas, or contractual failures.

Contractor Workforce

The Army Contracting Command-Rock Island (ACC-RI) has awarded three cost-plus-fixed-fee contracts to support RPAT operations in Afghanistan. Table 1 provides additional details on the three RPAT contracts.

Table 1. Contracts Awarded by ACC-RI To Support RPAT Operations

Contract Number	RPAT Function	Contract Name	Period of Performance	Value ($Million)
W52P1J-10-D-0097	Retail	Integrated Logistics Support and Services (ILSS)	9/23/2010 to 9/22/2013	$150.1
W52P1J-12-C-0077	Retail	Integrated Logistics Support and Services-2 (ILSS-2)	6/24/2013 to 6/23/2016	$180.1
W911SE-07-D-0004	Wholesale	Field and Installation Readiness Support Team (FIRST)	1/28/2010 to 1/27/2015	$1,037.6

[3] Federal Acquisition Regulation Subpart 37.6, "Performance-Based Acquisition," states that performance-based contracts are to include a PWS, which is a statement of work that describes the required results in clear, specific, and objective terms with measurable outcomes.

The Integrated Logistics Support and Services and ILSS-2 contracts were designed to assist the 401st AFSB with property accountability, resource management, and security of retail equipment at the RPAT yard. The FIRST contract requires that the contractor provide property accountability, visibility, and management of wholesale equipment at the RPAT yard.

In August 2011, the Defense Contract Management Agency (DCMA) accepted specific contract administration responsibilities from ACC-RI, to include ensuring that Government property in the custody of contractors was accounted for, controlled, protected, preserved, and maintained in accordance with regulatory and contractual requirements. DCMA also was responsible for determining whether the contractor was in compliance with contractual quality assurance requirements.

RPAT Process

Using either a lateral transfer or a wholesale transfer, RPATs relieve units of accountability. When units enter the RPAT yard, the units maintain equipment accountability in the Property Book Unit Supply Enhanced (PBUSE) system, the Army's unit-level accountability system. Retail equipment is Army equipment maintained and recorded in the PBUSE system. A lateral transfer is when equipment is transferred via PBUSE from the unit to a PHRH. The alternative, a wholesale transfer, requires a transfer of equipment from the unit's hand receipt to the Army's hand receipt in the Logistics Modernization Program (LMP), the wholesale accountability system. For the Army to appropriately account for its equipment, RPAT personnel should accurately record the items in either PBUSE or LMP.

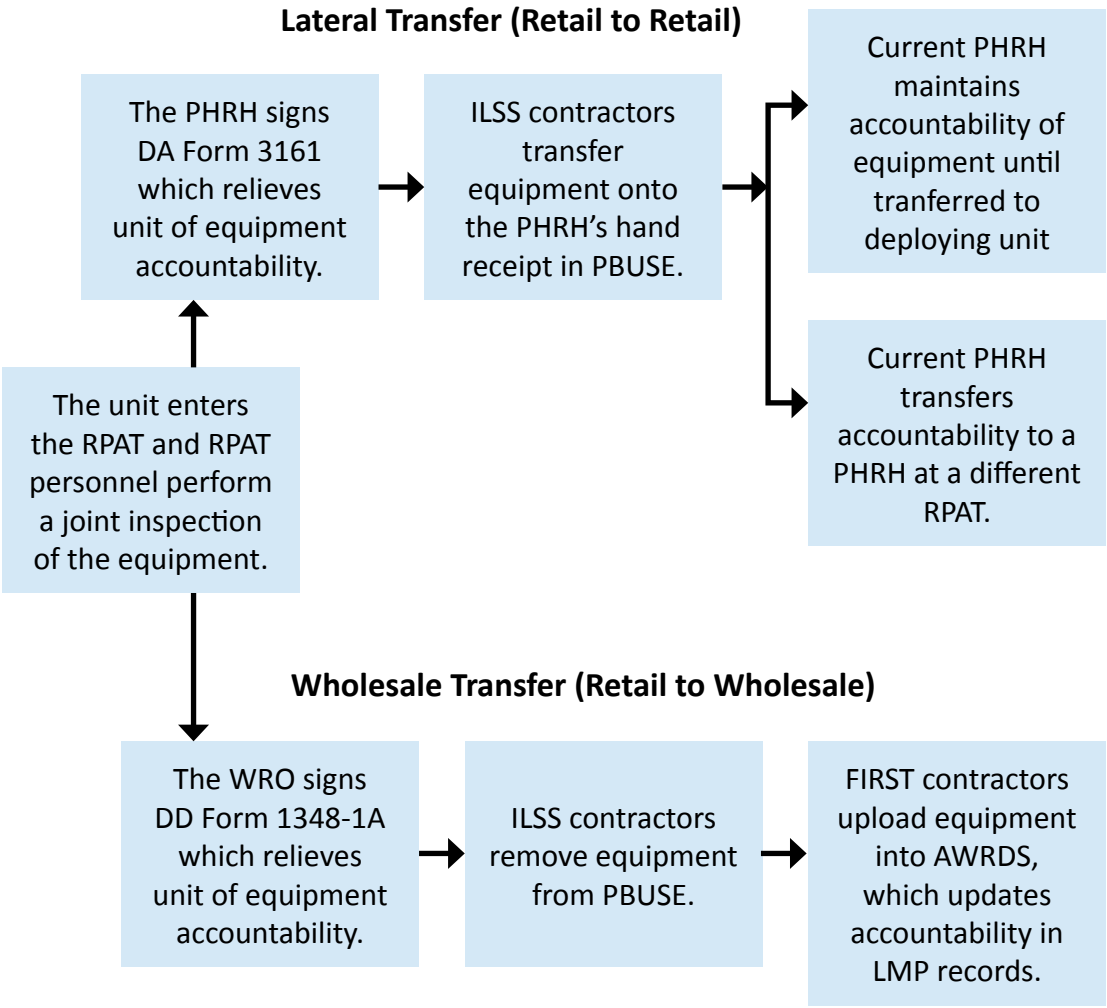
Lateral Transfer (Retail to Retail)

Working in conjunction with ILSS contractors, redeploying units prepare a DA Form 3161, "Request for Issue or Turn In," for each piece of equipment that the redeploying units are turning into the RPAT. At the RPAT yard, the unit, an ILSS contractor, and the accepting PHRH perform a joint inspection to ensure that the information on the DA Form 3161 is accurate. The PHRH then signs the DA Form 3161, which initiates a lateral transfer of accountability from the unit to the PHRH. Once the PHRH signs the DA Form 3161, ILSS contractors transfer the equipment from the unit's property book to the PHRH's hand receipt in PBUSE. PHRHs at different RPAT yards can also conduct lateral transfers. For example, a PHRH at the Bagram RPAT can laterally transfer equipment to a PHRH at the Kandahar RPAT. The primary purpose for lateral transfers at the RPAT yard is for equipment held for transfer to units deploying into Afghanistan. See Figure 2 for an illustration of the retail transfer process.

Wholesale Transfer (Retail to Wholesale)

With assistance from ILSS contractors, redeploying units prepare DD Form 1348-1A, "Issue/Release Document," for each piece of equipment to be turned into the RPAT. At the RPAT yard, the unit and RPAT personnel perform a joint inspection to ensure that the DD Form 1348-1A is accurate. The Wholesale Responsible Officer then signs the DD Form 1348-1A, which initiates a transfer of accountability from the unit to the Army. Once the documents have been signed, ILSS contractors remove the equipment from the unit's property book in PBUSE, which relieves the unit of accountability. On confirmation that the equipment has been removed from PBUSE, FIRST contractors upload the equipment into the Army War Reserve Deployment System, a wholesale visibility system used to update LMP records. The primary purpose of wholesale transfers at the RPAT yard is for retrograding that equipment. See Figure 2 for an illustration of the wholesale transfer process.

Figure 2. RPAT Process for Performing Lateral and Wholesale Transfers



Accountability and Oversight Requirements and Responsibilities

Army Regulation 710-2, "Inventory Management, Supply Below the National Level," March 28, 2008, prescribes that all property acquired by the Army, regardless of source, needs to be accounted for, and that all nonexpendable items are required to be accounted for on a formal property book. Additionally, Army Regulation 735-5, "Property Accountability, Policies and Procedures for Property Accountability," May 30, 2013, states that property accountability must be continuous from the time of acquisition to the ultimate consumption or disposal of the property.

Financial Liability Investigation of Property Loss

The Army uses a financial liability investigation of property loss (FLIPL) to account for lost, damaged, or destroyed Government property. If equipment is lost, the Army documents the circumstances concerning the loss or damage of Government property and adjusts the property from the accountable records. The initiator then provides the DD Form 200 to the approving authority, who must be the first general officer in the rating chain when Controlled Inventory Items (CIIs)[4] are lost or when the losses are greater than $100,000.

Review of Internal Controls

DoD Instruction 5010.40, "Managers' Internal Control Program (MICP) Procedures," May 30, 2013, requires DoD organizations to implement a comprehensive system of internal controls that provides reasonable assurance that programs are operating as intended and to evaluate the efficiency and effectiveness of controls. We determined that internal controls were not effective to provide reasonable assurance that retail equipment was being effectively processed and safeguarded at the Bagram and Kandahar RPAT yards. Specifically, ASC did not provide adequate resources to support the PHRHs; ACC-RI did not hold the contractor accountable for maintaining property accountability and visibility; ASC, ACC-RI, and the 401st AFSB did not properly oversee the performance of the ILSS contractors; and, RPAT personnel did not use automated procedures to maintain retail equipment accountability.

[4] Army Regulation 735-5 defines CIIs as those items designated as having characteristics requiring they be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity. CIIs are categorized as classified, sensitive, or pilferable, depending on the degree of control required.

We also determined that internal controls were not adequate to provide reasonable assurance that wholesale equipment was being effectively processed at the RPAT yards. Specifically, ACC-RI did not take appropriate action to ensure that the FIRST contractor maintained appropriate care, custody, security, and safekeeping of wholesale equipment, and the 401st AFSB did not implement effective controls over wholesale equipment. We will provide a copy of this report to senior officials at ASC, ACC-RI, and 401st AFSB who are responsible for internal controls.

Finding

Army Needs To Improve the Procedures for Processing and Safeguarding Equipment at the Redistribution Property Assistance Team Yards

ASC, ACC-RI, and the 401st AFSB did not have effective procedures for processing and safeguarding equipment at the RPAT yards in Bagram and Kandahar, Afghanistan. Specifically, RPAT personnel did not accurately record 6,703 of 18,036, or 37.2 percent, of equipment valued at $157.4 million (see Appendix C) in the accountability systems or maintain sufficient documentation to support items that had been transferred from the RPAT yards in Bagram and Kandahar.

The deficiencies associated with retail property accountability occurred because:

- ASC did not provide sufficient resources to support the PHRHs responsible for maintaining accountability, custody, security, and safekeeping of all Government property on their hand receipts,
- ACC-RI and ASC officials did not administer the ILSS contract to maintain property accountability and visibility,
- ASC, ACC-RI, and the 401st AFSB did not properly oversee contractor performance to ensure retail property accountability was being adequately established and transferred, and
- The 401st AFSB did not use automated procedures to maintain retail equipment accountability.

The deficiencies associated with wholesale property accountability occurred because:

- ACC-RI, despite 220 Corrective Action Requests (CARs) that detailed instances where the contractor did not comply with the Performance Work Statement, did not take sufficient action to ensure the contractor maintained the appropriate care, custody, security, and safekeeping of wholesale equipment, and
- The 401st AFSB did not implement effective controls over wholesale equipment at the RPAT yards in Afghanistan.

As a result, the Army reported accumulated losses of $586.8 million on 26 open FLIPL reports from May 2012 through May 2013 in retail and wholesale equipment at the nine RPAT yards in Afghanistan. Included in these losses are weapons, weapons systems, and other sensitive equipment.

We also identified that equipment at the RPAT yards was not being safeguarded in accordance with applicable regulations. When notified of the problem, the Commander, 401st AFSB, promptly acted to fix the identified deficiencies.

Retail Property Accountability Responsibilities

Retail property accountability at the RPAT yard is the responsibility of the PHRHs, with assistance from ILSS contractors. ILSS contractors are responsible for conducting the joint inventories of equipment entering the RPAT, ensuring the documentation used to transfer the equipment (DA Form 3161 or DD Form 1348) is accurate, and once the appropriate documentation has been signed, updating the PBUSE system to accurately reflect the transfer of equipment to the accepting PHRH.

The PHRH is responsible for the joint inventory and signing the transfer documentation, which initiates the transfer of equipment to the PHRH's hand receipt. Once equipment is on a PHRH's hand receipt, the PHRH is responsible for maintaining the proper care, custody, security, and safe keeping of that equipment until the equipment is transferred to another retail hand receipt or to wholesale.

Personnel Need To Improve the Accountability of Retail Equipment

RPAT personnel did not have effective procedures for processing and safeguarding retail equipment at the RPAT yards. Based on book-to-floor testing, we were unable to locate retail equipment valued at $116.5 million in Bagram and Kandahar RPATs. This attributes to 4,437 pieces of equipment out of 11,153, or 39.8 percent, of nonrolling stock and 243 pieces of equipment out of 775, or 31.4 percent, of rolling stock in April 2013. (See Appendix C.)

Of the 138 nonrolling stock items we nonstatistically selected for floor-to-book testing,[5] RPAT personnel were unable to show that 49 of the items were accurately recorded in PBUSE. Of the 60 rolling stock items we selected for floor-to-book testing,

[5] For floor-to-book testing, we selected items from the Bagram and Kandahar RPAT yards and determined whether the equipment was accurately recorded in the applicable accountability system.

RPAT personnel were unable to show that 14 of the items were accurately recorded in PBUSE. For the items that were not accurately recorded in PBUSE, we identified items that were listed in PBUSE on the hand receipt of a PHRH at a different RPAT yard, items that had documentation to transfer them to wholesale (DD Form 1348) yet were still located with the retail items in the storage facilities, items that were not recorded in any accountability system, and items that were being reported by the 401st AFSB on an existing FLIPL as lost. Table 2 illustrates the floor-to-book testing we performed on retail equipment.

Table 2. Floor-to-Book Testing of Retail Equipment

Equipment Type	Number of Items Tested	Number of Items For Which RPAT Personnel Could Not Account
Nonrolling Stock	138	49
Rolling Stock	60	14

The deficiencies we identified in the processing and safeguarding of retail equipment at the RPAT yards occurred because ASC, ACC-RI, and the 401st AFSB did not take appropriate action to address problems faced by the RPATs in Afghanistan. Specifically, despite written reports advising of ongoing property accountability problems at the RPAT yards:

- ASC did not provide adequate resources to support the retail PHRHs who are responsible for maintaining accountability, custody, security, and safekeeping of all Government property on their hand receipts.
- ACC-RI did not hold the contractor accountable for maintaining property accountability and visibility.
- ASC, ACC-RI, and the 401st AFSB did not properly oversee the performance of ILSS contractors to ensure that retail property accountability was being adequately established and transferred at the RPAT yards.
- 401st AFSB did not ensure that RPAT personnel were using automated procedures to maintain retail equipment accountability.

ASC Could Improve Retail Property Accountability by Providing Additional Resources To Assist the PHRHs

ASC did not take appropriate action to adequately resource PHRHs overwhelmed with property accountability responsibilities at the RPAT yards. On three occasions, from November 2011 through May 2012, ASC reported serious property accountability problems at the RPAT yards in Afghanistan to the contracting officer, ASC personnel, and 401st AFSB personnel. In November 2011, ASC issued a memorandum to the contracting officer that outlined serious retail property accountability problems at the RPAT yards and recommended that the ILSS contractors take over PHRH responsibilities. In April 2012, 5 months after the ASC recommendation, the ILSS contracting officer submitted a formal request for a legal opinion on whether ILSS contractors could perform PHRH responsibilities. The ASC General Counsel concluded that the request would violate 10 United States Code (Section 2463), which prohibits contracting out work that Federal civilians are performing. After the legal ruling that ACC-RI could not modify the contract, ASC took no further action to improve property accountability. Specifically, ASC could have provided additional civilian or military resources to assist PHRHs with maintaining accountability of large hand receipts, but ASC did not take any further action.

ASC did not take appropriate action to adequately resource PHRHs . . . at the RPAT yards.

As of April 2013, eight PHRHs had individual hand receipts with more than 1,000 items, including two hand receipts that each contained more than 8,000 items. Additionally, seven of the PHRHs had hand receipts with equipment valued at more than $80 million each, including one hand receipt in excess of $314 million. Hand receipts of this volume and value make maintaining property accountability difficult for one individual, especially in an environment as fluid as the RPAT. As a result, and as ASC has identified on three occasions, PHRHs have been unable to maintain accountability of retail equipment at the RPAT yards in Afghanistan, resulting in the loss of equipment and unreliable property accountability records. ASC should conduct a review of the 401st AFSB personnel levels to determine whether PHRHs need additional resources to fulfill their responsibilities of maintaining the proper care, custody, security, and safekeeping of retail equipment on their hand receipts.

Regular and Recurring Inventories Would Improve the Accountability and Visibility of Retail Equipment

ACC-RI and ASC officials did not properly administer the ILSS contract for maintaining property accountability and visibility of retail equipment. Specifically, PWS section 3.1.1 requires ILSS contractors to maintain 100-percent property accountability and visibility at all times for retail equipment. Moreover, PWS section 3.1.1 requires the contractor to maintain accountability in PBUSE and perform inventories. However, the ACC-RI contracting officer and an ASC official stated that the contractor was responsible only for accurate and timely accountability in PBUSE and that the contractor had no other responsibilities for the equipment once the equipment was transferred into the RPAT. Unless the contractor conducts regular and recurring inventories of the retail equipment at the RPAT yard, personnel do not know how accurate the data in the PBUSE system are for equipment on-hand. The Commander, ASC should define the frequency of the cyclic inventories of retail equipment at the RPAT yards to be performed by the ILSS-2 contractor to maintain 100-percent accountability and visibility of retail equipment, as required by the contract. Additionally, the contracting officer should modify the contract to address the required frequency of inventory, and verify that the required inventory frequency is followed.

Additionally, despite written notification in November 2011 that property accountability controls were inadequate and that ILSS needed modifications to better assist the PHRHs, the ASC Acquisition Strategy Review Panel approved ILSS-2 contract requirements. Nearly identical to the requirements of the original ILSS contract, the requirements of ILSS-2 state that the contracting officer may direct the contractor to perform inventories. Other than that requirement, most of the requirements in ILSS 2 match ILSS, yet ILSS 2 authorized 38-percent less manpower and cost 20 percent more than ILSS. Although the ILSS-2 period of performance did not begin until June 24, 2013, ASC and ACC-RI personnel informed us on June 3, 2013, that they were already considering modifying the contract to increase the authorized manpower and address previously identified deficiencies at the RPAT yards, which will further increase costs.

ILSS-2 authorized 38-percent less manpower and cost 20 percent more than ILSS.

Oversight of the ILSS Contractor Performance Was Not Effective

ASC, ACC-RI, and the 401st AFSB did not conduct adequate oversight of the ILSS contract. Federal Acquisition Regulation, Subpart 1.602-2, "Career Development,

Contracting Authority, and Responsibilities," states that contracting officers are responsible for ensuring performance of all necessary actions for effective contracting, ensuring compliance with the terms of the contract, and safeguarding the interests of the United States in its contractual relationships. To fulfill this responsibility, the Defense Federal Acquisition Regulation Supplement states that the contracting officer should prepare a quality assurance surveillance plan (QASP).[6] The contracting officer often delegates specific authority to members of the requiring activity to conduct contract surveillance to verify that the contractor is fulfilling contract delivery and quality requirements.

For the ILSS contract, the contracting officer instructed the requiring activity, ASC, to update the QASP as necessary. However, the ASC did not update the QASP in a timely manner. The QASP used by the CORs until at least April 2013 had not been updated to accurately reflect changes made to the PWS in December 2011. As a result, the QASP did not enable the CORs to adequately monitor the performance metrics in the PWS.

The QASP used by the CORs until at least April 2013 had not been updated to accurately reflect the changes made to the PWS in December 2011.

The ILSS PWS required the contractor to ensure 100-percent property accountability of Theater Provided Equipment in PBUSE and to complete lateral transfers using a DA Form 3161. However, the QASP did not contain any surveillance steps to identify these deficiencies. Specifically, we identified retail equipment transfers without the required DA Forms 3161 or the proper updates in PBUSE and equipment at the RPAT yards that the ILSS contractors had not entered into PBUSE. In one instance, we identified that a $1.5 million vehicle reported in PBUSE on a Bagram hand receipt was not located at the Bagram RPAT. RPAT personnel in Bagram stated that the item had recently been inventoried at the Kandahar RPAT yard, but Bagram RPAT personnel did not have the necessary documentation to verify the transfer. We contacted RPAT personnel in Kandahar to confirm the status of the vehicle and were informed that the vehicle was not at the Kandahar RPAT yard either, indicating that RPAT personnel had lost complete control of the vehicle. The ILSS QASP would not have identified this loss.

Furthermore, an ASC official informed us that the 401st AFSB CORs were not consistently submitting monthly COR reports and that he had never received the COR

[6] The QASP is a checklist used by Contracting Officer's Representatives (CORs) to perform monthly surveillance of contractor performance. The QASP is directly tied to the performance metrics in the PWS to ensure that the Government receives the quality of services called for in the contract and that the Government pays only for the acceptable level of services received.

reports from all the CORs in any given month. ASC is responsible for ensuring COR reports, including QASP results, are received each month and for taking appropriate action if COR reports are not received. Once the monthly COR reports are received, the contracting officer and ASC personnel participate in a monthly review of the COR reports. ASC personnel and the ACC-RI contracting officer assigned to ILSS are all located in Rock Island, Illinois. As a result, the information on the COR reports is critical to the contracting officer's assessment of ILSS contractor performance. ASC, ACC-RI, and the 401st AFSB all have a fiduciary responsibility to be stewards of DoD funds and to continually validate that the contractor is in compliance with contract requirements. ASC, ACC-RI, and the 401st AFSB should update the QASP to accurately measure whether the contractor is meeting the performance metrics in the PWS. Additionally, the Commander, 401st AFSB, should determine whether the CORs are completing and submitting their reports to ASC each month and take administrative action if CORs are not fulfilling their duties.

Automatic Identification Technology Would Improve the Accountability and Visibility of Retail Equipment

The 401st AFSB did not have an automated system for tracking the location and status of retail equipment at the RPAT yards. Both Army Regulation 710-2 and Army Regulation 735-5 state that when accounting for property, the management and accountability must include automatic identification technologies, such as bar codes and radio-frequency identification tags. Additionally, the 401st AFSB Internal Standard Operating Procedures, "Property Accountability," February 22, 2013, (Internal Standard Operating Procedures) requires retail equipment to be labeled with PBUSE automatic identification technology bar code labels and for inventories to be performed daily using PBUSE automatic identification scanners.

Personnel at the 401st AFSB stated that they had automatic identification technology capability at the RPAT yards but were not using the technology because equipment was not intended to remain on the retail side. Specifically, 401st AFSB personnel informed us that RPAT operations were intended to be retrograde-oriented, with equipment promptly transferred to wholesale, whereas FIRST contractors are required to scan equipment daily. However, equipment is not always transferred to wholesale in a timely manner. As a result, the RPATs have accumulated 11,928 items on the retail side while maintaining only 6,108 items on the wholesale side. Employing automatic identification technology on retail equipment would provide the capability to track, document, and control materiel. To maintain better visibility of all retail equipment at the RPAT yards, the Commander, 401st AFSB, should employ automatic identification technology for all retail equipment.

Wholesale Property Accountability Responsibilities

Wholesale property accountability at the RPAT yards is a shared responsibility between 401st AFSB personnel and FIRST contractors. After the Wholesale Responsible Officer signs the transfer document (DD Form 1348), FIRST contractors are responsible for receiving, inventorying, and maintaining property accountability and asset visibility of wholesale equipment. Additionally, FIRST contractors are responsible for preparing the equipment for onsite storage and retrograde movement by vehicle transporter or aircraft.

Unlike the PHRH, the Wholesale Responsible Officer does not accept responsibility for the items for which he or she signs. According to the Internal Standard Operating Procedures, the Theater Property Book Officer, Theater Wholesale Accountability Officer, and Deputy Wholesale Accountability Officer assume responsibility for the equipment.

Personnel Need To Improve Accountability of Wholesale Equipment

RPAT personnel did not have effective procedures for processing and safeguarding wholesale equipment at the RPAT yards. Based on book-to-floor testing, we were unable to locate wholesale equipment valued at $40.8 million in Bagram and Kandahar RPATs. This attributes to 2,012 pieces of equipment out of 5,298, or 38.0 percent, of nonrolling stock, and 11 pieces of equipment out of 810, or 1.4 percent, of rolling stock in April 2013 (see Appendix C).

Of the 79 nonrolling stock items we nonstatistically selected for floor-to-book testing, RPAT personnel were unable to show that 45 of the items were accurately recorded in LMP. Of the 60 rolling stock items we selected for floor-to-book testing, RPAT personnel were unable to show that 34 of the items were accurately recorded in LMP. FIRST contractors stated that four of the items were recorded in PBUSE. However, ILSS contractors confirmed that the items were not in PBUSE. Therefore, the items were not recorded in any accountability system. Table 3 illustrates the floor-to-book testing we performed on wholesale equipment.

Table 3. Floor-to-Book Testing of Wholesale Equipment

Equipment Type	Number of Items Tested	Number of Items For Which RPAT Personnel Could Not Account
Nonrolling Stock	79	45
Rolling Stock	60	34

The deficiencies we identified in the processing and safeguarding of retail equipment at the RPAT yards occurred because:

- ACC-RI did not take sufficient action to address poor contractor performance for maintaining property accountability, and
- 401st AFSB personnel did not implement effective controls over wholesale equipment at the RPAT yards in Afghanistan.

ACC-RI Should Hold the Contractor Accountable

ACC-RI did not take necessary action to hold the FIRST contractor accountable for performance deficiencies. From September 2011 through May 2013, DCMA issued 220 CARs[7] to FIRST contractors, which demonstrated that the contractor was not fulfilling its contractual responsibilities. The CARs detailed, among other functional areas, the FIRST contractor's noncompliance in maintaining, property accountability, qualifications and training of staff, security and safety, and quality control.

Several of the CARs issued by DCMA identified pervasive deficiencies that the FIRST contractor did not address. In June 2012, DCMA issued a CAR that identified that the reconciliation rate, based on an Army War Reserve Deployment System to LMP reconciliation, was at 89 percent, below the 95 percent rate required by the PWS. Another CAR was issued to the FIRST contractors after a DCMA Quality Assurance Representative and a COR entered the RPAT facility and found a container with sensitive items that was not properly secured. The CAR stated that the Quality Assurance Representative and COR entered the container and were not challenged by any FIRST contractors. After accessing the sensitive container, the Quality Assurance Representative and COR located nine FIRST contractors and determined that one was playing cards while the other eight were sleeping. Because these CARs and many other CARs were repetitive deficiencies that the FIRST contractor did not address, DCMA issued two Level III CARs[8] in October 2012 and December 2012. In June 2013, 12 months after the initial CAR identifying deficiencies in the

After accessing the sensitive container, the Quality Assurance Representative and COR located nine FIRST contractors and determined that one was playing cards while the other eight were sleeping.

[7] DCMA issues CARs to request a corrective action when DCMA personnel independently identify contractual noncompliances.

[8] Level III CARs are issued by DCMA to call attention to a serious noncompliance, a significant deficiency, a failure to respond to a lower level CAR, or to remedy recurring noncompliance. A Level III CAR allows initiation of available contractual remedies.

FIRST contractor's reconciliation rate was issued and 8 months after DCMA's first Level III CAR, we identified a $150.3 million variance between the wholesale equipment recorded in the Army War Reserve Deployment System and the equipment recorded in LMP.

The ACC-RI contracting officer is responsible for taking the necessary action to verify the contractor complies with the terms of the contract. Despite repeated warnings from DCMA that the FIRST contractors were not satisfying their contractual obligations, the contracting officer took no action to reform the FIRST contractor's performance. Instead, the contracting officer continued to exercise option years in January 2011, January 2012, and January 2013. DCMA personnel indicated that the FIRST contractor performed too many services on the bases in Afghanistan to be removed from the contract. Regardless, the FIRST contractor's noncompliance with the PWS has led to deficiencies in the processing and safeguarding of wholesale equipment, resulting in the loss of wholesale equipment. The Director, ACC-RI, should establish controls to verify that the contracting officer is initiating action on all CARs issued to the contractor and, as appropriate, initiating action to remedy identified performance deficiencies.

401st AFSB Personnel Must Improve Property Accountability Controls at the RPAT Yards

The 401st AFSB did not implement effective controls over wholesale equipment at the RPAT yards in Afghanistan. Personnel at the 401st AFSB have the responsibility to ensure wholesale equipment at the RPAT yards is adequately processed and accurately recorded in LMP. Specifically, the:

- Theater Property Book Officers are responsible for establishing procedures for property accountability throughout the area of responsibility,
- Theater Wholesale Accountability Officers are responsible for ensuring wholesale equipment is processed correctly and reconciled in LMP, and
- Deputy Wholesale Accountable Officers assist with the accountability of wholesale equipment.

However, because property accountability controls at the RPAT yards were ineffective, data reported in LMP were unreliable (including a $150.3 million variance between the wholesale equipment recorded in the Army War Reserve Deployment System and

the equipment recorded in LMP). The 401st AFSB did not recognize the deficiencies in LMP in a timely manner because RPAT personnel did not conduct regular and recurring inventories of wholesale equipment. Specifically, in April 2013, the 401st AFSB completed its first inventory of wholesale equipment since the RPAT's inception in 2008. As a result, the equipment identified as lost during the inventory could have been missing and unidentified for several years.

In April 2013, the 401st AFSB completed its first inventory of wholesale equipment since the RPAT's inception in 2008.

Army Regulation 710-2 addresses the inventory requirements for retail equipment in theater but does not contain any inventory requirements that are applicable to wholesale operations at the RPAT yards. To ensure that controls are effective for processing and safeguarding wholesale equipment and that accountability has been established for the equipment, the Commander, Army Materiel Command, should revise the Operation Enduring Freedom-Theater Property Book Office Standard Operating Procedures to establish inventory requirements for wholesale equipment at the RPAT yards. The requirements should implement regular and recurring inventories and should, at a minimum, require inventories at the rotation of accountable officers. Additionally, the Commander, 401st AFSB, should implement monthly reviews of the work performed by RPAT personnel who are responsible for wholesale property accountability to assess whether RPAT personnel are fulfilling their responsibilities.

The 401st AFSB Reported Losses of Retail and Wholesale Equipment

As a result of poor controls over property accountability at the RPAT yards in Afghanistan, the 401st AFSB has lost control of retail and wholesale equipment at the RPAT yards in Afghanistan. All equipment is required to be inventoried before being accepted into the RPAT. Therefore, one can definitively assign responsibility to the RPAT for the losses reported at the RPAT yards in Afghanistan. Between May 2012 and May 2013, the 401st AFSB opened 71 FLIPL investigations to examine property losses at the RPAT yards. Of the 71 FLIPL investigations, 45 were closed and 26 remained open. The values of the closed FLIPLs were not provided in all cases, but the total value of retail and wholesale losses on the 26 open FLIPLs was about $586.8 million ($363.2 million in losses of retail equipment and $223.6 million in losses of wholesale equipment). These equipment losses include weapons, weapons systems, and other sensitive equipment. (For an excerpt of missing items from one of the FLIPLs, see Appendix B.) However,

because property accountability records were unreliable, the 401st AFSB does not have a true representation of the equipment that is at the RPAT yards in Afghanistan. Our testing of retail and wholesale equipment at the RPAT yards, identified equipment that was:

- potentially lost yet still being recorded in the accountability system as being at the RPAT yards,
- physically present at the RPAT yards despite being recorded on a FLIPL as lost, and
- physically present at the RPAT yards despite not being reported in any accountability system.

The accountability systems used at the RPATs do not offer a reliable reflection of the equipment that the Army has on hand. Until corrective actions are implemented and property accountability is restored at the RPATs, the Army will not know the exact amount of equipment that has been lost at the RPATs. Additionally, until the property records are reliable, the RPAT environment will remain conducive to property loss, including CIIs. Figure 3 presents an aerial view of the Bagram RPAT yard.

Figure 3. Bagram RPAT Yard

Concerns With Safeguarding Sensitive Items Identified to the 401st AFSB

During site visits to the Bagram and Kandahar RPATs, we identified weaknesses over the security and handling of CIIs that if left unresolved could result in the compromise of sensitive information. These deficiencies were compounded by the ineffective property accountability controls that we identified at the RPAT yards, which could result in undetected theft of equipment. During the audit, we notified the 401st AFSB of our observations so that 401st AFSB personnel could take immediate action to remediate the security deficiency.

Double Barrier Protection Will Ensure CIIs Are Properly Protected at the Bagram RPAT

The 401st AFSB did not protect CIIs with double barrier protection. Army Regulation 190-51, "Security of Unclassified Army Property (Sensitive and Nonsensitive)," states that portable communications and electronics equipment and other high-value precision equipment should, at a minimum, be provided double barrier protection when not in use. Examples of double barrier protection include the following:

- a locked or guarded separate building or an enclosed van, trailer, or armored vehicle protected by a perimeter fence,
- a locked steel cage within a secure storage structure,
- a locked, built-in container or a free-standing locked container within a secure storage structure,
- securely affixing the item to an internal structure of a secure storage structure, or
- securely affixing the item to a locked vehicle that is under continuous surveillance or in a motor pool.

While touring the Bagram RPAT facilities on April 17, 2013, the audit team observed that 30 storage boxes containing Communications-Electronics Command equipment were not being secured in accordance with the aforementioned standards. Additionally, the equipment was close to the outer walls of the facility and mere feet away from an open freight door. The audit team opened two of the boxes and found that one box was

full of radio receiver-transmitter sets with a unit cost of $8,471 per item. In the second box, we found a radio set with a unit cost of $42,840. Both the radio receiver-transmitters and radio set items were CIIs.

Management Actions Taken To Improve the Security of Sensitive Items at Bagram

On April 26, 2013, we informed the Commander, 401st AFSB, that we had concerns that CIIs at the Bagram RPAT yard were not being protected by double barrier protection. On May 7, 2013, we returned to the Bagram RPAT yard and verified that the 401st AFSB had moved lockable steel containers into the nonrolling stock warehouse and were storing CIIs in those containers. We determined that the efforts taken by the 401st AFSB ensured CIIs and other sensitive equipment were safeguarded in accordance with Army Regulation 190-51. Specifically, by securing the CIIs in the locked containers within a secure warehouse, the 401st AFSB provided double barrier protection to the items. Therefore, we do not have any further recommendations.

Additional Procedures at the Kandahar RPAT Will Mitigate the Risk That Sensitive Information Is Compromised

The 401st AFSB did not ensure that CIIs with hard drives and automation were wiped before accepting the equipment from the unit. In addition to Army Regulation 735-5 requiring CIIs to be identified, accounted for, secured, segregated, or handled in a special manner to ensure their safekeeping and integrity, 401st AFSB Standard Operating Procedures provide detailed instructions that require CII equipment with hard drives and automation to be wiped or zeroed by the unit before turning the equipment into the RPAT. The internal guidance further states that if the items have not been properly wiped, then the RPATs cannot accept the equipment.

However, personnel at the Kandahar RPAT accepted a Counter Radio-Controlled Improvised Explosive Device Electronic Warfare Duke and four navigations systems that had not been wiped. The Counter Radio-Controlled Improvised Explosive Device Electronic Warfare Duke is a widely deployed, counter-improvised explosive device system protecting our warfighters against roadside bombs. The Kandahar RPAT also did not have adequate procedures in place for safeguarding the items that had not yet been wiped. Instead, the items were de-installed from the vehicles and left unattended while contractors, to include foreign national contractors, had direct access to the equipment.

Management Actions Taken To Improve the Security of Sensitive Items at Kandahar

On May 3, 2013, we briefed the Commander of the 4th Battalion, 401st AFSB, that we had observed sensitive equipment entering the Kandahar RPAT without being properly wiped. We followed up with 401st AFSB officials on August 28, 2013, and determined that the Commander of the 4th Battalion, 401st AFSB, had issued a formal order on May 24, 2013, requiring a government representative or field service representative to be present when units turn in electronic equipment and to verify that all electronic equipment is wiped before accepting the equipment. The order also stated that the Officers in Charge will ensure that the appropriate resources for wiping equipment are on hand and that government representatives are properly trained on how to wipe each piece of equipment. We determined that the efforts taken by the 401st AFSB ensured that CII equipment with automation is safeguarded in accordance with Army Regulation 735-5 and the 401st AFSB Standard Operating Procedures. Therefore, we do not have any further recommendations.

Conclusion

The Army did not have effective procedures for processing and safeguarding retail and wholesale equipment at the RPAT yards in Afghanistan. This occurred because ASC, ACC-RI, and the 401st AFSB did not properly oversee contractor performance to ensure property accountability was being adequately established and transferred at the RPATs; ASC did not adequately resource the PHRHs that were overwhelmed with property accountability responsibilities; and the 401st AFSB did not implement effective controls over equipment at the RPAT yards. As a result, the Army reported losses of $586.8 million in retail and wholesale equipment at the RPATs in Afghanistan from May 2012 through May 2013. Included in these losses are weapons, weapons systems, and other sensitive equipment. Until the Army implements effective procedures for processing and safeguarding equipment at the RPAT yards, the RPAT environment will remain conducive to property loss.

Management Comments on the Finding and Our Response

Army Contracting Command-Rock Island Comments

The Executive Director, Army Contracting Command-Rock Island, provided five general comments. Specifically, the Executive Director stated that there is only one FIRST contractor performing work for the 401st AFSB. The Executive Director also stated

that the CAR issued against the FIRST contractor in June 2012 was successfully closed in October 2012. Further, the Executive Director stated that a CAR that was previously issued to the FIRST contractor for finding a container with sensitive items that was not properly secured was successfully closed in October 2013. Specifically, the Executive Director stated they increased the frequency of random supervisory visits to the RPAT yards. Next, the Executive Director explained that there was no correlation between the cited level III CARs and the $150.3 million variance between the wholesale equipment recorded in the Army War Reserve Deployment System and LMP. Finally, the Executive Director stated that ACC-RI and DCMA Afghanistan-North maintain a close operational relationship in resolving any critical concerns that may arise regarding contract administration.

Our Response

We agree that there is one contractor for the FIRST contract, we refer to "contractors" as multiple individuals who perform work for the FIRST contractor. We also acknowledge that the June 2012 CAR was successfully closed and that the FIRST contractor increased the frequency of random supervisory visits at the RPAT yards. However, we do not state that the Level III CARs are directly correlated with the $150.3 million variance found between Army War Reserve Deployment System and LMP. Instead, we highlight the CARs which discuss the reconciliation rate between AWRDS and LMP as being less than the 95 percent that the contract requires. We discovered, after performing our review, that there was a reconciliation variance of $150.3 million at one time between the two accountability systems. Thus, we were establishing that there is a systematic issue with the reliability of the accountability systems and not that the CARs and dollar variance were directly related. Finally, while we acknowledge that Defense DCMA and ACC-RI held weekly conferences to discuss operational concerns, we have recommended further involvement from ACC-RI as the sheer quantity and quality of CARs against this contractor are daunting. Additionally, it is the responsibility of the contracting officer to verify that the contractor is complying with contract requirements. Despite repeated warnings from DCMA, the contracting officer did not effectively address the FIRST contractor's performance.

Recommendations, Management Comments, and Our Response

Recommendation 1

We recommend that the Commander, Army Materiel Command, revise the Operation Enduring Freedom-Theater Property Book Office Standard Operating Procedures to establish inventory requirements for wholesale equipment at the Redistribution Property Assistance Team yard. The requirements should implement regular and recurring inventories and should, at a minimum, require inventories at the rotation of accountable officers.

Army Materiel Command Comments

The Executive Deputy, Army Materiel Command, responding for the Commander, Army Materiel Command, agreed. The Executive Deputy stated they are considering developing policy that will require regular and recurring inventories/assessments to be performed at the RPAT yards in addition to conducting inventories at the rotation of accountable officers.

Our Response

The response from the Executive Deputy, Army Materiel Command, partially addressed the recommendation. The Army Materiel Command's consideration of developing policy does not meet the intent of our recommendation. Therefore, we request the Commander, Army Materiel Command, provide additional comments to the recommendation by April 4, 2014.

Recommendation 2

We recommend that the Commander, Army Sustainment Command:

a. **Conduct a review of the 401st Army Field Support Brigade personnel levels to determine whether Primary Hand Receipt Holders need additional resources to fulfill their responsibilities of maintaining the proper care, custody, security, and safekeeping of retail equipment on their hand receipts.**

Army Sustainment Command Comments

The Deputy Commander, Army Sustainment Command, responding for the Commander, Army Sustainment Command, agreed. The Deputy Commander stated that ASC will review the 401st AFSB personnel levels to ensure that the PHRHs have adequate resources to perform their duties. The target date for completion is March 31, 2014.

Our Response

The response from the Deputy Commander, Army Sustainment Command addressed all of the specifics of the recommendation. No further comments are required.

b. Update the Quality Assurance Surveillance Plan in coordination with Army Contracting Command-Rock Island and 401st Army Field Support Brigade personnel to accurately measure whether the Integrated Logistics Support and Services contractor is meeting the performance metrics in the Performance Work Statement.

Army Sustainment Command Comments

The Deputy Commander, Army Sustainment Command, responding for the Commander, Army Sustainment Command, agreed. The Deputy Commander stated that the ASC will update the QASP to ensure it accurately measures the performance metrics in the PWS. The target date for completion is March 31, 2014.

Our Response

The response from the Deputy Commander, Army Sustainment Command addressed all of the specifics of the recommendation. No further comments are required.

Revised, Redirected, and Renumbered Recommendations

As a result of management comments from Army Materiel Command, we combined draft recommendation 3.a and 3.b and redirected the revised recommendation to the Army Sustainment Command and Army Contracting Command-Rock Island. We renumbered draft recommendation 3.c to 3.b. Therefore, we request the Commander, Army Sustainment Command and the Director, Army Contracting Command-Rock Island, provide additional comments to the recommendation 3.a by April 4, 2014.

Recommendation 3

We recommend that the Commander, Army Sustainment Command in coordination with the Director, Army Contracting Command-Rock Island:

a. **Define the frequency of the cyclic inventories of retail equipment at the Redistribution Property Assistance Team yards to be performed by the Integrated Logistics Support and Services-2 contractor to maintain 100-percent accountability and visibility of retail equipment, as required by the contract. Modify the contract to address the required frequency of inventory, and verify that the required inventory frequency is followed.**

b. **Establish controls to verify that the contracting officer is initiating action on all Corrective Action Requests issued to the Field and Installation Readiness Support Team contractor and, as appropriate, initiate action to remedy identified performance deficiencies.**

Army Contracting Command-Rock Island Comments

For recommendation 3.b (formerly recommendation 3.c.), the Executive Director, Army Contracting Command-Rock Island, responding for the Director, Army Contracting Command-Rock Island, agreed. The Executive Director stated controls are already established and in place with continuous on-going direct communications with the Defense Contract Management Agency Administrative Contracting Officer (DCMA ACO), 401st AFSB, and ASC. Further, the Executive Director stated the ILSS-2 Contracting Officer reviews open corrective action reports/contract deficiency report with in-country CORs, ASC, and the contractor on a regular scheduled teleconference and takes appropriate actions, if necessary.

Our Response

The response from the Executive Director, Army Contracting Command-Rock Island, addressed all of the specifics of the recommendation. No further comments are required.

Recommendation 4

We recommend that the Commander, 401st Army Field Support Brigade:

a. Determine whether the contracting officer's representatives are completing and submitting their reports to the Army Sustainment Command each month and take administrative action if they are not fulfilling their duties.

401st Army Field Support Brigade Comments

The Commander, 401st Army Field Support Brigade, agreed. The Commander ensured the following corrective measures have been implemented:

- ASC provided assistance property teams to the 401st AFSB. ASC provided training, evaluation and assistance in property management to 401st AFSB PHRHs.
- ASC and the 401st AFSB S-4 conducted in-depth training on property accountability with battalion PHRHs.
- Assigned Contracting Officer Representatives to the RPAT and reduced the PHRHs equipment amounts.
- The 401st AFSB took corrective actions with PHRHs and RPAT personnel by conducting training on the proper handling of sensitive equipment and the use of visual identification on sensitive items.
- Created and sent a Letter of Technical Direction to Honeywell Technology Solutions Inc. to establish teams to assist 401st AFSB PHRHs in the execution of inventory management and re-establishment of equipment accountability.

Our Response

Comments from the Commander, 401st Army Field Support Brigade did not address the specifics of the recommendation. Specifically, it did not address whether the contracting officer's representatives are completing and submitting their monthly reports to the Army Sustainment Command. Therefore, we request additional comments by April 4, 2014.

b. Employ automatic identification technology for all retail equipment.

401st Army Field Support Brigade Comments

The Commander, 401st Army Field Support Brigade, agreed. The Commander stated that PBUSE Automatic Identification Technology systems will be implemented and its use verified during an ASC staff assistance visit in January 2014. The Commander also stated that retraining will be offered if required.

Our Response

The response from the Commander, 401st Army Field Support Brigade addressed all of the specifics of the recommendation. No further comments are required.

c. Implement monthly reviews of the work performed by Redistribution Property Assistance Team personnel that are responsible for wholesale property accountability to assess whether they are fulfilling their responsibilities.

401st Army Field Support Brigade Comments

The Commander, 401st Army Field Support Brigade, agreed. The Commander ensured the following corrective measures have been implemented:

- 401st Army Field Support Brigade Wholesale Accountable Officer conducts a monthly audit with the DCMA of all equipment down to the battalion level.
- The 401st Army Field Support Brigade has requested additional subject matter experts (Wholesale Responsible Officers) through the DCMA and 401st Contract Management Office to be assigned as auditors for Wholesale Managers at all 401st AFSB RPAT yards.
- The 401st AFSB created and then implemented a Letter of Technical Direction for AC FIRST to conduct 100-percent daily scanning of all rolling stock and nonrolling stock equipment. The Letter of Technical Direction ensures better visibility of on-hand equipment and helps 401st AFSB personnel with the locating of equipment.

Our Response

Comments from the Commander, 401st Army Field Support Brigade did not address the specifics of the recommendation. Specifically, the Commander did not state whether monthly reviews of the work performed by RPAT personnel's are implemented. Therefore, we request additional comments by April 4, 2014.

Appendix A

Scope and Methodology

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

We reviewed DoD and Army criteria to gain an understanding of the regulations governing RPAT operations in Afghanistan. Specifically, we reviewed the Federal Acquisition Regulation, DoD Instructions, and applicable Army guidance. Additionally, we reviewed applicable RPAT Standard Operating Procedures. We coordinated with or interviewed military and civilian personnel from ASC, ACC-RI, Army Criminal Investigations Command, DCMA, 401st AFSB, TACOM Life Cycle Management Command, and the Communications-Electronics Command Life Cycle Management Command. We also coordinated with ILSS and FIRST contractors.

We conducted site visits to the Bagram and Kandahar RPAT yards and observed the RPAT process to determine whether procedures were in place to effectively process equipment. While conducting the site visits, we also reviewed the procedures for securing sensitive equipment to ensure the 401st AFSB was safeguarding items in accordance with applicable Army regulations. We obtained a listing of the 401st AFSB hand receipts to identify the total number and the value of the items for which 401st AFSB personnel were accountable. We reviewed the staffing of the RPATs to identify vacancies at the 401st AFSB to determine whether there was sufficient Government oversight. We obtained and analyzed the 401st AFSB FLIPL register, which outlined all of the 401st AFSB's open, closed, and canceled FLIPLs. Finally, we obtained and reviewed all applicable contract documentation, including the contracts, PWSs, QASPs, and CARs for the ILSS, ILSS-2, and FIRST contracts.

In April 2013, we obtained a listing of the equipment in the Army retail and wholesale inventory systems at the Bagram and Kandahar airfields. From the listing of 11,928 retail items, valued at $589.6 million, we statistically selected 166 nonrolling stock items, totaling $2.9 million, and 60 rolling stock items, totaling $22.7 million, for book-to-floor testing. From the listing of 6,108 wholesale items, valued at $3.8 billion, we statistically selected 79 nonrolling stock items, totaling $70.7 million, and 60 rolling

stock items, totaling $26.1 million, for book-to-floor testing. Using the items we selected for our samples, we ensured that equipment recorded in the Army systems as being present at the Bagram or Kandahar RPAT yards could be located at the applicable RPAT (see Appendix C).

While physically locating items for our book-to-floor sample at the RPAT yards, the audit team nonstatistically selected a sample of retail items for floor-to-book testing. Specifically, from the retail items at the RPAT yards, we selected 138 nonrolling stock items and 60 rolling stock items. We then determined whether the items we selected from the RPAT yards for floor-to-book testing were accurately recorded in the PBUSE.

The audit team also nonstatistically selected a sample of wholesale items for floor-to-book testing. Specifically, from the wholesale items at the RPAT yards, we selected 79 nonrolling stock items and 60 rolling stock items. We then determined whether the wholesale items we selected from the RPAT yards for floor-to-book testing were accurately recorded in LMP.

Use of Computer-Processed Data

We relied on computer-processed data from Theater Provided Equipment Planner, PBUSE, the Army War Reserve Deployment System, LMP, and the Transportation Coordinators' Automated Information for Movement System to determine whether RPAT contractors at Bagram and Kandahar Airfields maintained proper accountability and visibility of wholesale assets for the 401st AFSB and proper accountability and visibility of retail assets for ASC. The Theater Provided Equipment Planner, PBUSE, the Army War Reserve Deployment System, LMP, and the Transportation Coordinators' Automated Information for Movement System are used by the U.S. Army to maintain accountability and visibility over wholesale and retail assets throughout the assets' life cycles. To verify the reliability of the data, we tested documents provided by Government and contractor employees by comparing those documents to what was recorded in the systems. From these procedures, we are confident that the documentation in the systems was sufficiently reliable for the purpose of acquiring wholesale and retail asset visibility and accountability documents for our analysis of whether the Bagram and Kandahar RPATs in Afghanistan have effective procedures in place to process equipment, to include preparation for shipment.

Use of Technical Assistance

Personnel from the Quantitative Methods Division assisted us in selecting a statistical sample for testing rolling stock and nonrolling stock equipment at the Bagram and Kandahar RPATs.

Prior Coverage

During the last 5 years, the Government Accountability Office (GAO), Department of Defense Inspector General (DoD IG), and the Army Audit Agency have issued nine reports discussing RPAT operations and accountability of Government equipment. Unrestricted GAO reports can be accessed over the Internet at http://www.gao.gov. Unrestricted DoD IG reports can be accessed at http://www.dodig.mil/audit/reports. Unrestricted Army Audit Agency reports can be accessed at https://www.aaa.army.mil/.

GAO

GAO-13-185R, "Afghanistan Drawdown Preparations: DoD Decision Makers Need Additional Analyses to Determine Costs and Benefits of Returning Excess Equipment," December 19, 2012

GAO-11-774, "Iraq Drawdown: Opportunities Exist to Improve Equipment Visibility, Contractor Demobilization, and Clarity of Post-2011 DOD Role," September 16, 2011

GAO-08-930, "Operation Iraqi Freedom: Actions Needed to Enhance DoD Planning for Reposturing of U.S. Forces from Iraq," September 10, 2008

DoD IG

DoD IG Report No. DODIG-2012-138, "Wholesale Accountability Procedures Need Improvement for the Redistribution Property Assistance Team Operations," September 26, 2012

DoD IG Report No. DODIG-2012-071, "DoD's Management of the Redistribution Property Assistance Team Operations in Kuwait," April 10, 2012

Army

Army Audit Agency Report A-2013-0056-MTE, "Retrograde Sort Process, Afghanistan," February 26, 2013

Army Audit Agency Report A-2013-0048-MTE, "Materiel Management - Retrograde From Southwest Asia," February 1, 2013

Army Audit Agency Report A-2011-0077-ALL, "Follow-up Audit of Retrograde Operations in Iraq Class VII Theater Provided Equipment," April 12, 2011

Army Audit Agency Report A-2011-0063-ALL, "Redistribution Property Assistance Teams," February 14, 2011

Appendix B

Excerpt of Items Reported as Lost on a Financial Liability Investigation of Property Loss

Table B.1 provides an excerpt of missing items from just 1 of the 71 FLIPL investigations that the 401st AFSB opened from May 2012 through May 2013. All the items in Figure 6 are CIIs except for the Radio Global Positioning System Handheld. This single FLIPL contained about $106.1 million in missing items.

*Table B.1. Excerpt of Missing Items from a FLIPL**

Missing Item	Number Missing	Unit Cost	Total Cost
AN/VRC-104 Radio	177	$49,598	$8,778,846
CROWS Armament System	26	$192,360	$5,001,360
Digital Computer	285	$15,850	$4,517,250
Driver's Vision System	110	$35,000	$3,850,000
AN/PRC-152 Radio	315	$6,000	$1,890,000
Long Range Surveillance System	4	$400,000	$1,600,000
MK19 40mm Grenade Launcher	81	$15,320	$1,240,920
Integrated Directional Finder	2	$375,000	$750,000
AN/PRC-148 Radio	70	$8,062	$564,340
Radio GPS Handheld	16	$26,000	$416,000
81mm Mortar System	2	$121,855	$243,710
Night Vision System	3	$75,705	$227,115
M240 Machine Guns	28	$6,000	$168,000
M224 60mm Mortar	3	$55,879	$167,637
Sniper Kit, Visual	1	$130,316	$130,316
Crypto Transfer Unit	44	$2,919	$128,436
Drone (Raven B)	1	$100,000	$100,000
120mm Towed Mortar	1	$99,813	$99,813
.50 Caliber Machine Gun (M2)	7	$8,493	$59,451
M249 Machine Guns	6	$2,653	$15,918

*Some of the items in Table B.1 may have been found during the course of the FLIPL investigation.

Appendix C

Statistical Sample

With assistance from the Quantitative Methods Division, we developed and reviewed a statistical sample of the retail and wholesale rolling and nonrolling stock equipment to project the number and dollar value of equipment that was not accurately reflected in the wholesale and retail accountability systems.

Population

The population consisted of 18,036 pieces of retail and wholesale equipment, valued at $4.38 billion, listed in the wholesale and retail accountability systems in April 2013 at the Kandahar and Bagram Airfields. The National Stock Number and Serial Number was combined to identify a single piece of equipment. The equipment included rolling and nonrolling stock.

Sample Plan

We used an attribute stratified sampling plan to review the retail and wholesale rolling and nonrolling stock equipment. We stratified the population into eight strata. The stratification was based on retail, wholesale, and stock type (rolling or nonrolling stock). See Table C-1.

Table C-1. Sample Design for Book to Floor Equipment in Bagram and Kandahar

	Stratum Name	Stratum Sample Size	Stratum Population Size
Retail	BAF NRS PBUSE	94	6,299
	KAF NRS PBUSE	72	4,854
		166	**11,153**
	BAF RS PBUSE	30	157
	KAF RS PBUSE	30	618
		60	**775**
	Retail Total	**226**	**11,928**

Table C-1. Sample Design for Book to Floor Equipment in Bagram and Kandahar (cont'd)

	Stratum Name	Stratum Sample Size	Stratum Population Size
Wholesale	BAF NRS AWRDS	45	3,012
	KAF NRS AWRDS	34	2,286
		79	**5,298**
	BAF RS AWRDS	30	338
	KAF RS AWRDS	30	472
		60	**810**
	Wholesale Total	**139**	**6,108**
	Grand Total	**365**	**18,036**

Attribute Statistical Projections and Interpretation

The planned analysis included making projections of the number of errors in type. We projected the results of the book-to-floor wholesale and retail sample for Bagram and Kandahar using the stratified sampling design.

The results for these projections have been calculated at the 90-percent confidence level.

Based on the sample results, we project with 90-percent confidence, out of 18,036 wholesale and retail equipment, we are unable to locate between 5,749 and 7,657 pieces of equipment, with a point estimate of 6,703 (37.2 percent) at the Bagram and Kandahar RPAT yards.

In addition, we projected the missing equipment by rolling and nonrolling stock on these locations. For example, the following Table C-2 shows that for Bagram and Kandahar retail nonrolling stock, we project with 90-percent confidence that we were unable to locate between 3,669 and 5,205 pieces of equipment, with a point estimate of 4,437 (39.8 percent).

Table C-2. Estimation of Missing Equipment at Bagram and Kandahar RPATs

	Stratum Name	Stratum Sample Size	Stratum Population Size	Estimation of Error					
				Error (Count)			Error (%)		
				LB	PE	UB	LB	PE	UB
Retail	BAF NRS PBUSE	94	6,299						
	KAF NRS PBUSE	72	4,854						
		166	**11,153**	**3,669**	**4,437**	**5,205**	**32.9%**	**39.8%**	**46.7%**
	BAF RS PBUSE	30	157						
	KAF RS - PBUSE	30	618						
		60	**775**	**141**	**243**	**345**	**18.3%**	**31.4%**	**44.5%**
	Retail Total	**226**	**11,928**						
Wholesale	BAF NRS AWRDS	45	3,012						
	KAF NRS - AWRDS	34	2,286						
		79	**5,298**	**1,457**	**2,012**	**2,568**	**27.5%**	**38.0%**	**48.5%**
	BAF RS AWRDS	30	338						
	KAF RS - AWRDS	30	472						
		60	**810**	**1**	**11**	**41**	**0.1%**	**1.4%**	**5.1%**
	Wholesale Total	**139**	**6,108**						
	Grand Total	**365**	**18,036**	**5,749**	**6,703**	**7,657**	**31.9%**	**37.2%**	**42.5%**

Variable Statistical Projections and Interpretation

Originally, the sample plan was designed for attribute projection. After getting the sample results, based on professional judgment, the decision was made to do a variable projection. The original sample design had a large sample size and the calculated precision of the variable projection came out reasonable to make a variable projection. The following table summarizes the projection results.

Table C-3. Variable Statistical Projections of Equipment That Was Missing at Bagram and Kandahar RPATs

	Lower Bound	Point Estimate	Upper Bound	Population Total
Retail	$77,565,375	$ 116,544,149	$155,522,923	$589,553,835
Wholesale	$27,501,266	$40,838,513	$54,175,759	$3,790,466,675
Overall	**$116,185,247**	**$157,382,662**	**$198,580,077**	**$4,380,020,510**

Based on the sample results, we project with 90-percent confidence, we are unable to locate wholesale and retail equipment valued between $116,185,247 and $198,580,077, with a point estimate of $157,382,662 out of $4,380,020,510 at the Bagram and Kandahar RPAT yards.

Management Comments

U.S. Army Materiel Command

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND
4400 MARTIN ROAD
REDSTONE ARSENAL, AL 35898-5000

REPLY TO
ATTENTION OF:

AMCIR

JAN 2 1 2014

MEMORANDUM FOR Department of Defense Inspector General (DoDIG), ATTN: Readiness and Cyber Operations Division (Mr. Michael J. Roark, Deputy Assistant Inspector General), 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Command Comments on DoDIG Draft Report, The Army Needs To Improve Property Accountability and Contractor Oversight at the Redistribution Property Assistance Team Yards in Afghanistan, Project D2013JB-0133

1. The US Army Materiel Command (AMC) has reviewed the subject draft report and the responses from the US Army Contracting Command (ACC) and US Army Sustainment Command (ASC). AMC endorses the enclosed ACC and ASC responses and provides the following.

2. AMC concurs with recommendation 1 of the subject report and is considering developing policy that will require regular and recurring inventories/assessments be performed at the Redistribution Property Assistance Team Yards in addition to conducting inventories at the rotation of accountable officers. ASC and the 401st Army Field Support Brigade (AFSB) concur with recommendations 2 and 4 and has or will take corrective actions. A target date will be set based on future coordination with ACC, ASC, and the 401st AFSB; and approval to implement recommended changes.

3. ACC concurs with recommendation 3c and the required controls are in place. ACC non-concurs with recommendations 3a and 3b as the responsibility for completing the recommended actions belongs to ASC as the property book owners. AMC will continue to work with ACC and ASC on ways to improve property accountability and ensure compliance in accordance with AR 710-1 and AR 735-5.

Revised and Redirected, page 25

4. The AMC point of contact is [redacted] or [redacted].

Encl

JOHN B. NERGER
Executive Deputy to the
Commanding General

U.S. Army Sustainment Command

UNCLASSIFIED

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY SUSTAINMENT COMMAND
1 ROCK ISLAND ARSENAL
ROCK ISLAND, IL 61299-6500

REPLY TO
ATTENTION OF:

AMSAS-DC

DEC 13 2013

MEMORANDUM THRU US Army Materiel Command, ATTN: AMCIR [redacted], 4400 Martin Road, Redstone Arsenal, AL 35898-5000

FOR Inspector General, Department of Defense, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: DoDIG Draft Report - The Army Needs To Improve Property Accountability and Contractor Oversight at Redistribution Property Assistance Team Yards in Afghanistan Project No. D2013-D000JB-0133.000

1. The US Army Sustainment Command (ASC) reviewed the draft report. Our comments are at enclosure 1. We endorse the 401st AFSB's comments at enclosure 2.

2. My POC is [redacted].

Encls

D. SCOTT WELKER
Deputy to the commander

UNCLASSIFIED

U.S. Army Sustainment Command (cont'd)

DoDIG Draft Report
The Army Needs To Improve Property Accountability and Contractor Oversight at Redistribution Property Assistance Team Yards in Afghanistan
Project No. D2013-D000JB-0133.000

Recommendations for the Commander, Army Sustainment Command:

a. Conduct a review of the 401st Army Field Support Brigade personnel levels to determine whether Primary Hand Receipt Holders need additional resources to fulfill their responsibilities of maintaining the proper care, custody, security, and safekeeping of retail equipment on their hand receipts.

b. Update the Quality Assurance Surveillance Plan in coordination with Army Contracting Command-Rock Island and 401st Army Field Support Brigade personnel to accurately measure whether the Integrated Logistics Support and Services contractor is meeting the performance metrics in the Performance Work Statement.

Command Comments: Concur. We'll review the 401st's personnel levels to ensure that the Primary Hand Receipt Holders have adequate resources to perform their duties. We'll also update the QASP to ensure it accurately measures the performance metrics in the PWS. Target date for completion of these actions is 31 March 2014.

U.S. Army Contracting Command

DEPARTMENT OF THE ARMY
U.S. ARMY CONTRACTING COMMAND
3334A WELLS ROAD
REDSTONE ARSENAL, AL 35898-5000

REPLY TO
ATTENTION OF:

DEC 30 2013

AMSCC-IR

MEMORANDUM FOR [redacted] Director, Internal Review and Audit Compliance Office, Headquarters, U.S. Army Materiel Command, 4400 Martin Road, Redstone Arsenal, AL 35898-5340

SUBJECT: Inspector General, Department of Defense Draft Report: The Army Needs To Improve Property Accountability and Contractor Oversight at Redistribution Property Assistance Team Yards in Afghanistan, (D1330) (1286)

1. Memorandum and Draft Report, Inspector General, Department of Defense, 15 November 2013, subject: The Army Needs To Improve Property Accountability and Contractor Oversight at Redistribution Property Assistance Team Yards in Afghanistan, Project No. D2013-D000JB-0133.000.

2. The Army Contracting Command (ACC) concurs with the enclosed ACC-Rock Island comments.

3. The ACC point of contact is [redacted]

Encl

BRYAN R. SAMSON
Acting Director

U.S. Army Contracting Command-Rock Island

UNCLASSIFIED

DEPARTMENT OF THE ARMY
ARMY CONTRACTING COMMAND ROCK ISLAND
1 ROCK ISLAND ARSENAL
ROCK ISLAND, IL 61299-8000

REPLY TO
ATTENTION OF:

18 DEC 2013

CCRC-SA

For Internal Review and Compliance Office, Attn: [redacted], HQ Army Contracting Command, 3334A Wells Road, Redstone Arsenal, AL 35898

SUBJECT: DOD IG Audit Draft Report "The Army Needs to Improve Property Accountability and Contractor Oversight at Redistribution Property Assistance Team Yards in Afghanistan"

1. We have reviewed the subject audit report. Our responses are provided in the attached document.

2. ACC-RI G3 OPSEC review notes the attached supplemental documents supporting this response contain quantifiable data on capabilities and locations and therefore release to the public may be deemed an undue risk to the war fighter and the contractor because of the theater in which operations are conducted.

3. The POC is [redacted]

Melanie A. Johnson

Encl

MELANIE A. JOHNSON
Executive Director
Army Contracting Command-RI

UNCLASSIFIED

U.S. Army Contracting Command-Rock Island (cont'd)

DoD IG Draft Report The Army Needs To Improve Property Accountability and Contractor Oversight at Redistribution Property Assistance Team Yards in Afghanistan
Project No. D2013-D000JB-0133.000

ACC-RI General Comments on RETAIL RPAT Function:

Responses to the above referenced report are provided as follows:

o Page four of the draft report discusses the Defense Contract Management Agency's (DCMA) involvement in the ILSS-2 contract. DCMA has very limited involvement with the ILSS-2 contract and is not "responsible for determining… compliance…."

o Page six indicates "…ACC-RI did not hold the contractor accountable for maintaining property accountability and visibility…." ACC-RI enforced the Performance Work Statement (PWS) after ensuring the government Subject Matter Experts (SMEs) in property management reviewed the CARs/CDRs and identified the causes and required corrective actions. The reference to additional required staffing has been addressed in the past; contractor personnel will not be authorized to perform inherently governmental functions, and staffing levels have been determined sufficient by the government's SMEs on numerous occasions. ACC-RI does not have the technical expertise to identify appropriate staffing levels.

o Page 11 states, in part, "…the requirements in ILSS 2 match ILSS, yet ILSS 2 authorized 38-percent less manpower and cost 20-percent more than ILSS." ILSS-2 was competitively awarded for $148.38M, a 15% reduction in costs when compared with ILSS which had a value of $174.46M. Subsequent contract modifications have incorporated increased workload and missions (associated with the accelerated Afghanistan drawdown) which have resulted in increased contractor manpower and related costs. The decreased manpower contained in the contractor's original proposal was relatively consistent with many of the other offerors' proposed staffing solutions, including that of the incumbent, and was determined to be technically acceptable by the requiring activity SMEs.

U.S. Army Contracting Command-Rock Island (cont'd)

ACC-RI General Comments on WHOLESALE RPAT Function:

ACC-RI disagrees with the finding that the reason the Army did not have effective procedures for processing and safeguarding retail and wholesale equipment at the RPAT yards occurred because ACC-RI did not properly oversee contractor performance, or did not hold the contractor accountable for poor performance. Five statements were made within the Wholesale Accountability section, specifically the paragraph entitled "ACC-RI Should Hold Contractor Accountable" located on pages 15 and 16 of the report. ACC-RI's responses to those statements are provided below.

ACC-RI Responses to DoD IG Statements:

Statement 1: "From September 2011 through May 2013, DCMA issued 220 CARs to FIRST contractors, which demonstrated that the contractor as not fulfilling its contractual responsibilities."

ACC-RI Response: It should be noted that there is only one contractor (AC FIRST) performing work for the 401st AFSB via a task order issued under the FIRST IDIQ contract. There are several instances within the report that refer to FIRST contractors (plural) when there is only one contractor.

ACC-RI recognizes the importance of the RPAT Yard mission and has exercised appropriate contract management controls when mission requirements are not met. For example, on 25 August 2011, the ACC-RI Contracting Officer issued a Letter of Concern (LOC) to AC FIRST regarding deficiencies in RPAT Yard performance (See Attachment 1). AC FIRST acknowledged the performance deficiencies identified in the LOC, created a Corrective Action Plan (CAP), executed needed actions to the satisfaction of the ASC customers, and established a weekly RPAT Yard report incorporating performance metrics. The weekly RPAT Yard report (See Attachment 2) is used by ASC SMEs as a key real-time indicator of RPAT Yard performance. ACC-RI remains engaged in the RPAT Yard performance and is ready to implement controls as deemed necessary by ASC SMEs.

Review of the RPAT CAR history indicates that only 15 CARs (10 in Regional Command (RC) South and 5 in RC North) were issued

2

U.S. Army Contracting Command-Rock Island (cont'd)

for RPAT Yard operations since DCMA assumed responsibility for Quality Assurance / Quality Control (QA/QC) surveillance in-theater on the AC FIRST task order. RPAT Yard CARs represent less than six percent of all AC FIRST CARs issued by DCMA. All RPAT Yard CARs were investigated and successfully corrected in a timely manner (See Attachment 2).

In accordance with ACC-RI's delegation of authority implemented in August 2011, DCMA oversees the Quality Assurance Representative (QAR) staff that issues and resolves CARs under the AC FIRST task order. The ACC-RI Contracting Officer conducts weekly government only teleconferences with DCMA Afghanistan North Office staff and the 401st AFSB Contract Management Office (CMO) to assess the contractor's performance and remain abreast on any current contract performance issues. DCMA is on notice to report if the CAR metrics require active intervention by the ACC-RI Contracting Officer. The DCMA Afghanistan North analysis indicates that CAR metrics have a positive trend where fewer and fewer CARs are being issued each month (See Attachment 3). DCMA Afghanistan North ACO attributes the surge of CARs issued in the March-December 2012 time frame to systemic lapses in the QA/QC procedures used by AC FIRST across the Area Of Responsibility (AOR). As a result, DCMA Afghanistan North issued a Level III CAR on 10 December 2012 citing the shortcomings in AC FIRST's QA/QC procedures. This action was briefed to and was supported by the ACC-RI Contracting Officer. Under the terms of the DCMA delegation of authority, the ACO was empowered to address the QA/QC shortcomings as illustrated by the Level III CAR.

AC FIRST addressed the QA/QC concerns in its Corrective Action Plan (CAP) that was submitted on 20 June 2013, formed a Corrective Action Request Management Team, also called the CMT; updated its inspection plans, standard operating procedures, and work instructions; and conducted PWS training. The Level III CAR was closed on 8 October 2013 (See Attachment 4).

Based upon an analysis of the CAR metrics, the ACC-RI Contracting Officer contends that the dramatic reduction in CARs issued since January 2013 is directly attributed to AC FIRST's/ DCMA's efforts to improve the QA/QC culture and procedures

3

U.S. Army Contracting Command-Rock Island (cont'd)

discussed in the Level III CAR. Given the dramatic reduction in the number of CARs issued since January 2013, the ACC-RI Contracting Officer determined that active intervention was not required. It should be noted that the vast majority of CARs issued were for minor procedural errors.

Current contract surveillance conducted by DCMA at the RPAT Yards indicates that AC FIRST is meeting all contractual requirements. The attached Service Examination Audit conducted at the FOB Shank RPAT Yard on 10 September 2013 was provided by DCMA Afghanistan North as an example of how well AC FIRST is performing its RPAT Yard mission requirements (See Attachment 5). It is significant to note that no Level II or Level III CARs were issued as a result of this inspection visit.

Statement 2: "In June 2012, DCMA issued a CAR that identified that the reconciliation rate, based on an Army War Reserve Department System to LMP reconciliation, was at 89 percent, below the 95 percent rate required by the PWS."

ACC-RI Response: AC FIRST submitted a CAP in July 2012, which was accepted by DCMA in July 2012. The CAR was successfully closed in October 2012. Review of the CAP indicated that there were a broad variety of issues that impaired AC FIRST's ability to meet the critical metric standard. AC FIRST took affirmative action to increase staffing in critical low density positions, establish new management controls to improve data quality, and improve communications with external customers to reduce ambiguity. The ACC-RI Contracting Officer reviewed the CAR in question and supports the decisions made by DCMA to resolve the deficiency.

Statement 3: "Another CAR was issued to the FIRST contractors after a DCMA Quality Assurance Representative and a COR entered the RPAT facility and found a container with sensitive items that was not properly secured. The CAR stated that the Quality Assurance Representative and COR entered the container and were not challenged by any FIRST contractors. After accessing the sensitive container, the Quality Assurance Representative and COR located nine FIRST contractors and determined that one was playing cards while the other eight were sleeping."

4

U.S. Army Contracting Command-Rock Island (cont'd)

ACC-RI Response: The CAP was issued March 2013 and accepted by DCMA in March 2013. The CAR was successfully closed in October 2013. Review of the CAP indicated that a lack of employee discipline and insufficient AC FIRST management controls led to the witnessed incident of contractor employees sleeping while on duty at the RPAT Yard. The contractor increased the frequency of random supervisory visits to the RPAT Yards during second shift to increase their situational awareness and administered non-judicial punishment for the employee infractions. The ACC-RI Contracting Officer reviewed the CAR in question and supports the decisions made by DCMA to resolve the deficiency.

Statement 4: "Because these CARs and many other CARs were repetitive deficiencies that the FIRST contractor failed to address, DCMA issued two Level III CARs in October 2012 and December 2012. In June 2013, 12 months after the initial CAR identifying deficiencies in the FIRST contractor's reconciliation rate was issued and 8 months after DCMA's first Level III CAR, we identified a $150.3 million variance between the wholesale equipment recorded in the Army War Reserve Department System and the equipment recorded in LMP."

ACC-RI Response: There is no correlation between the cited Level III CARs and a $150.3 million variance between the wholesale equipment recorded in the Army War Reserve Department System and the equipment recorded in LMP.

The October 2012 CAR was based upon deficiencies in AC FIRST's personnel qualification/certification records (CAR AB01-13-W911SE-07-D-0004-MXOS-00 (See Attachment 6)). Review of the CAR, CAP and CAR Closure decision does not indicate any connection to the wholesale equipment variance nor does the other cited Level III CAR issued in December 2012 (See Attachment 4) have any bearing on the wholesale equipment variance. ACC-RI's response to that particular CAR was previously discussed in "Statement 1" above.

The $150.3 million dollar variance reflects deficiencies in government property administration that transpired during the entire length of US Army operations in Afghanistan. ACC-RI recommends the government property concerns be addressed by the government property SMEs at the 401st AFSB and HQ ASC.

5

U.S. Army Contracting Command-Rock Island (cont'd)

Statement 5: "The ACC-RI contracting officer is responsible for taking the necessary action to verify the contractor complies with the terms of the contract. Despite repeated warnings from DCMA that the FIRST contractors were not satisfying their contractual obligations, the contracting officer took no action to reform the FIRST contractor's performance. Instead, the contracting officer continued to exercise option years in January 2011, January 2012, and January 2013. DCMA personnel indicated that the FIRST contractor performed too many services on the bases in Afghanistan to be removed from the contract. Regardless, the FIRST contractor's noncompliance with the PWS has led to deficiencies in the processing and safeguarding of wholesale equipment, resulting in the loss of wholesale equipment. *The Director, ACC-RI, should establish controls to verify that the contracting officer is initiating action on all CARs issued to the contractor and, as appropriate, initiating action to remedy identified performance deficiencies."*

ACC-RI Response: ACC-RI and DCMA Afghanistan North maintain a close operational relationship. DCMA was delegated contract administration functions in August 2011. ACC-RI and HQ ASC conduct weekly government only conference calls with DCMA and 401st AFSB representatives. Any conference call participant is encouraged to bring emerging critical concerns to the attention of the ACC-RI Contracting Officer and the ASC Program Management staff. The ACC-RI Contracting Officer is not aware of any instance in which an operational concern that was brought up by the DCMA ACO or DCMA Afghanistan North leadership was not addressed in a timely manner by the ACC-RI Contracting Officer and/or ASC. Internal written comments and suggestions provided by the on-site DCMA Team must flow through their chain of command. DCMA has the responsibility of administering the CAR process, and ACC-RI supports the continued delegation of that authority.

ACC-RI Responses to DoD IG Recommendations:

We recommend that the Director, Army Contracting Command-Rock Island:

a. Direct the Integrated Logistics Support and Services-2 contractor to perform regular and recurring inventories of

6

U.S. Army Contracting Command-Rock Island (cont'd)

retail equipment at the Redistribution Property Assistance Team yards to assess whether the contractor is maintaining 100-percent accountability and visibility of retail equipment, as required by the contract.

ACC-RI Response: ACC-RI non-concurs with this recommendation. The Government-assigned Property Hand Receipt Holder(s) and the 401st AFSB must determine the frequency and type of inventories required. Once this is determined, the contractor will be directed to support accordingly. The ACC-RI Contracting Officer is not a property management expert and, therefore, cannot determine the necessary actions or frequency of actions necessary to support efficient and accurate management of government property.

Revised and Redirected, page 26

b. Conduct a review to determine whether property accountability controls are implemented and, as appropriate, initiate corrective measures and actions to hold personnel accountable.

ACC-RI Response: ACC-RI non-concurs with this recommendation. ACC-RI does not have the technical expertise to review and determine the sufficiency of property accountability procedures. ASC has the in-house expertise and has conducted numerous reviews. ACC-RI will support any review effort and will take necessary actions, as allowed legally, by regulation, and contractually, to hold the contractor accountable (if necessary).

Revised and Redirected, page 26

c. Establish controls to verify that the contracting officer is initiating action on all Corrective Action Requests issued to the Field and Installation Readiness Support Team contractor and, as appropriate, initiate action to remedy identified performance deficiencies.

ACC-RI Response: ACC-RI concurs with this recommendation. Controls are already established and in place with continuous on-going direct communications with the DCMA ACO, 401st AFSB, and ASC. The AC FIRST Contracting Officer also receives monthly performance reports from the DCMA ACO and discusses any trends or systemic issues that warrant closer or more frequent surveillance with appropriate action taken to remedy identified performance deficiencies with the contractor. The ILSS-2

Renumbered, page 26

7

U.S. Army Contracting Command-Rock Island (cont'd)

Contracting Officer reviews open CARS/CDRs with in-country CORs, ASC, and the contractor on a regularly scheduled teleconference and takes appropriate actions (if necessary).

8

401st Army Field Support Brigade

DoDIG Draft Report
The Army Needs To Improve Property Accountability and Contractor Oversight at Redistribution Property Assistance Team Yards in Afghanistan
Project No. D2013-D000JB-0133.000

Recommendations for the Commander, 401st Army Field Support Brigade:

a. Determine whether the Contracting Officer's Representatives are completing and submitting their reports to the Army Sustainment Command each month and take administrative action if they are not fulfilling their duties.

The 401st AFSB **CONCURS** and has ensured the following corrective measures have been implemented:

(a) ASC provided assistance property teams to the 401st AFSB. They provided training, evaluation and assistance in property management to 401st AFSB Primary Hand Receipt Holders (PHRH).

(b) ASC and 401st BDE S-4 conducted in-depth training on property accountability with battalion (BN) PHRHs.

(c) Assigned Contracting Officer Representatives (COR) to the Redistribution Property Accountability Teams (RPAT) and reduced the PHRH's equipment amounts.

(d) The 401st AFSB took corrective actions with PHRHs and RPAT personnel by conducting training on the proper handling of sensitive equipment and the utilization of visual identification on sensitive items.

(e) Created and sent an LOTD to Honeywell Technology Solutions Inc. (HTSI) to establish teams to assist BDE PHRHs in the execution of inventory management and re-establishment of equipment accountability.

b. Employ automatic identification technology for all retail equipment.

The 401st AFSB **CONCURS** with the employment of automatic identification technology for all retail equipment:

(a) The 401st AFSB was equipped with PBUSE AIT in June 2012 and later equipped with AMATS. This new system provided an automated inventory management tool that enhanced the BDE's capabilities in managing retail

401st Army Field Support Brigade (cont'd)

equipment. PBUSE AIT was fielded at all BDE RPAT locations but never implemented. PBUSE AIT systems will be implemented and it's use verified during an ASC staff assistance visit in January 2014. Retraining will be offered if required.

c. Implement monthly reviews of the work performed by Redistribution Property Assistance Team personnel that are responsible for wholesale property accountability to assess whether they are fulfilling their responsibilities.

The 401st AFSB **CONCURS** and has ensured the following corrective measures have been implemented:

(a) 401st AFSB Wholesale Accountable Officer conducts a monthly audit with DCMA of all equipment down to the BN level.

(b) The 401st AFSB has requested additional SMEs (WROs) through DCMA and 401st CMO to be assigned as auditors for Wholesale Managers at all BDE RPATs.

(c) The BDE created and then implemented a Letter of Technical Direction (LOTD) for AC First to conduct 100% daily scanning of all Rolling Stock (RS) and Non- Rolling Stock (NRS) equipment. The LOTD ensures better visibility of on-hand equipment and helps BDE personnel with the locating of equipment.

Acronyms and Abbreviations

ACC-RI	Army Contracting Command-Rock Island
AFSB	Army Field Support Brigade
ASC	Army Sustainment Command
CAR	Corrective Action Request
CII	Controlled Inventory Item
COR	Contracting Officer's Representative
DCMA	Defense Contract Management Agency
FIRST	Field and Installation Readiness Support Team
FLIPL	Financial Liability Investigation of Property Loss
ILSS	Integrated Logistics Support and Services
LMP	Logistics Modernization Program
PBUSE	Property Book Unit Supply Enhanced
PHRH	Primary Hand Receipt Holder
PWS	Performance Work Statement
QASP	Quality Assurance Surveillance Plan
RPAT	Redistribution Property Assistance Team

Whistleblower Protection
U.S. Department of Defense

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