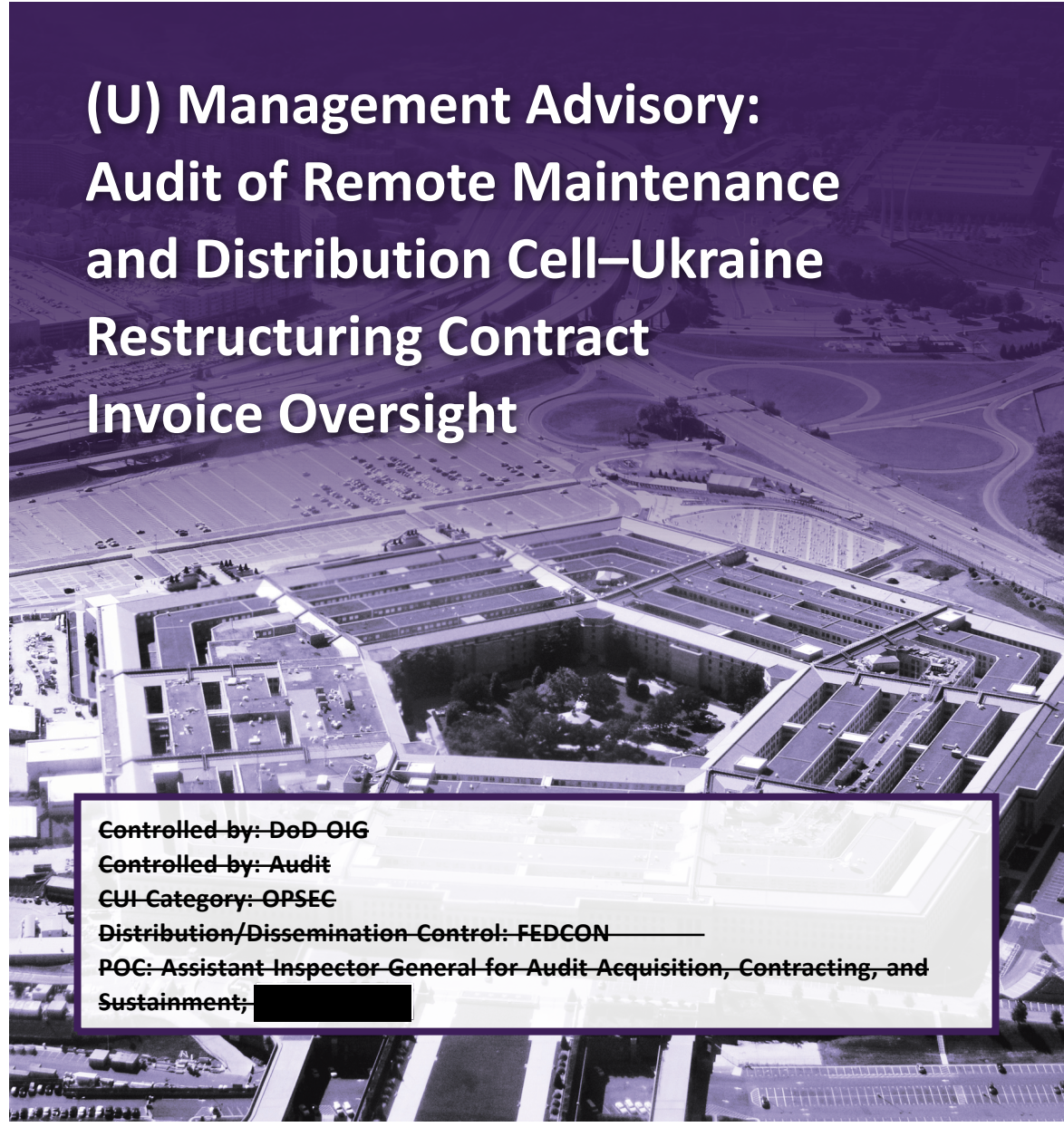


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INSPECTOR GENERAL

U.S. Department of Defense

JULY 15, 2024



(U) Management Advisory: Audit of Remote Maintenance and Distribution Cell–Ukraine Restructuring Contract Invoice Oversight

Controlled by: DoD-OIG

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INDEPENDENCE ★ INTEGRITY ★ EXCELLENCE ★ TRANSPARENCY

CUI





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

July 15, 2024

MEMORANDUM FOR COMMANDER, U.S. EUROPEAN COMMAND
 AUDITOR GENERAL, DEPARTMENT OF THE ARMY
 EXECUTIVE DIRECTOR, ARMY CONTRACTING
 COMMAND-DETROIT ARSENAL

SUBJECT: (U) Management Advisory: Audit of Remote Maintenance and Distribution
 Cell-Ukraine Restructuring Contract Invoice Oversight
 (Report No. DODIG-2024-108)

(U) This management advisory provides the results of the DoD Office of Inspector General's audit. During our audit of Remote Maintenance and Distribution Cell-Ukraine Restructuring Contract (D2023-D000AX-0116.000), we identified issues that resulted in multiple improper payments. In addition, we found that the contracting officer waived the COR review and approval of invoices as well as relied on the Defense Contract Audit Agency's closeout audits, which primarily focus on indirect cost rates and not on whether invoiced amounts were allowable, allocable, or reasonable.

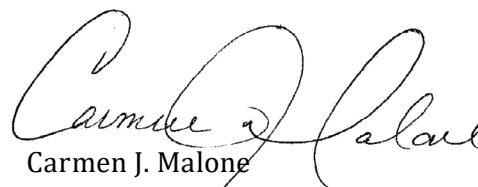
(U) We previously provided copies of the draft report and requested written comments on the recommendations. We considered management's comments on the draft report when preparing the final report. These comments are included in the report.

(U) This report contains five recommendations that are considered unresolved because the Army Contracting Command-Detroit Arsenal, Acting Executive Director disagreed with the recommendations presented in the report. Therefore, the five recommendations remain open. We will track these recommendations until management has agreed to take actions that we determine to be sufficient to meet the intent of the recommendations and management officials submit adequate documentation showing that all agreed-upon actions are completed.

(U) DoD Instruction 7650.03 requires that recommendations be resolved promptly. Therefore, please provide us within 30 days your response concerning specific actions in process or alternative corrective actions proposed on the recommendations. Send your response to audcolu@dodig.mil.

(U) If you have any questions or would like to meet to discuss the audit, please contact me at [REDACTED]. We appreciate the cooperation and assistance received during the audit.

FOR THE INSPECTOR GENERAL:


 Carmen J. Malone

Assistant Inspector General for Audit
 Acquisition, Contracting, and Sustainment



(U) Introduction

(U) Objective

(U) The objective of the overall audit was to determine whether Army contracting personnel acted in accordance with Federal and DoD policies to:

1. (U) properly award the U.S. Army Tank–Automotive and Armaments Command (TACOM) Task Order W56HZV-23-F-0077, under Contract W56HZV-22-D-ER04 (the task order) for the maintenance of equipment at the Remote Maintenance and Distribution Cell–Ukraine (RDC-U);
2. (U) appropriately plan for and establish controls to conduct surveillance of contractor performance; and
3. (U) effectively monitor contractor performance.

(U) This management advisory is the third and final in a series of three products related to the objective. This advisory addresses a deficiency related to Army contracting personnel not properly reviewing, before payment, contractor-submitted invoices for the task order for the maintenance of equipment at the RDC-U. The contractor submitted 64 invoices, totaling \$21.2 million, from the inception of the task order award in December 2022 until July 2023. We focused this review on the 53 labor, equipment, and travel invoices, totaling \$20 million, submitted by the contractor and paid for under the task order for the maintenance of equipment at the RDC-U.¹

(U) We previously issued Report No. DODIG-2024-041, “Management Advisory: Audit of Remote Maintenance and Distribution Cell–Ukraine Restructuring Contract Award,” on January 5, 2024, which addressed the first sub-objective of our audit. In that management advisory, we reported that the Army Contracting Command (ACC) properly awarded the task order in accordance with Federal and DoD policies by adequately planning the task order and supporting the award decision. We addressed the findings related to the second and third sub-objectives: surveillance controls and Army contracting personnell’s efforts to monitor contractor performance beyond invoices, in our final report for this project, DODIG-2024-101, “Audit of Remote Maintenance and Distribution Cell–Ukraine Restructuring Contract Surveillance Planning and Contractor Oversight,” issued on June 25, 2024. We reported that Army contracting personnel planned and established controls to conduct surveillance of contractor performance at the RDC-U in accordance with Federal and DoD policies.

¹ (U) We did not review the other 11 invoices, totaling \$1.2 million, as these invoices had no specific invoice requirements in either the base contract or task order and consisted only of phase in and insurance costs.

(U) Background

(U) Since 2014, the United States has provided security assistance to Ukraine in the form of both non-lethal and lethal defense items to aid in its defense against Russian aggression. On February 24, 2022, Russia conducted a full-scale invasion of Ukraine. In response, on March 16, 2022, the President announced that the United States would increase the amount and types of defense items provided to Ukraine. Since then, the United States has provided additional advanced weapon systems such as M-777 howitzers, High Mobility Artillery Rocket Systems, Stryker Combat Vehicles, and Bradley Infantry Fighting Vehicles.

(U) Providing Defense Articles Through Presidential Drawdown Authority

(U) While the United States has provided defense items through multiple programs and authorities, most of the defense items that the United States has provided to Ukraine since the February 2022 Russian full-scale invasion have come from Presidential Drawdown Authority. From August 27, 2021, through December 27, 2023, the President issued 54 drawdown orders, totaling \$25.9 billion, to provide defense items to Ukraine.

(U) Following the issuance of a presidential drawdown order under Presidential Drawdown Authority, the Defense Security Cooperation Agency issues an execute order directing the Military Services and Defense Agencies to fulfill the order. The purpose of the execute order is to facilitate the immediate movement of defense items from military units and existing DoD resources to assist and support Ukraine's ongoing war efforts. Subsequently, the Army coordinated and synchronized the timely transfer of operational equipment to the U.S. European Command for onward movement to Ukraine.

(U) Remote Maintenance and Distribution Cell–Ukraine

(U) As the Russian full-scale invasion continued and the United States began to provide more advanced weapon systems, the DoD realized that Ukraine would require maintenance and repair support to continue its defense. As a result, in July 2022, the Army established the RDC-U in Jasionka, Poland, to support the maintenance and repair of U.S.-provided equipment for Ukraine.²

(CUI) [REDACTED]

[REDACTED] Because the U.S. military is not authorized to operate in Ukraine, the RDC-U conducts remote maintenance sessions leveraging Ukrainian translators and secure voice, video, and chat channels to guide Ukrainian counterparts through the entire maintenance process of weapon systems they may find unfamiliar.³

² (U) The Remote Maintenance and Distribution Cell–Ukraine was previously known as the Tele-Maintenance and Distribution Cell–Ukraine from July 2022 until December 16, 2022, when Army officials changed the name of the activity to better reflect its performance of remote maintenance.

³ (U) Remote maintenance is defined as the use of any telecommunications system to perform maintenance actions remotely.

(CUI) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

- (CUI) [REDACTED]
[REDACTED];
- (CUI) [REDACTED];
- (CUI) [REDACTED]
[REDACTED]; and
- (CUI) [REDACTED]
[REDACTED]

(U) Figure 1 shows the offloading of equipment at the RDC-U.



(U) Figure 1. RDC-U Personnel Offloading Military Equipment
(U) Source: The U.S. Army.

(CUI) [REDACTED]
[REDACTED]
[REDACTED] On December 5, 2022, the ACC issued the task
order, valued at \$475.8 million, [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

(U) U.S. Army Contracting Command–Detroit Arsenal

(U) ACC-Detroit Arsenal (ACC-DTA) contracting officers are responsible for ensuring contractor compliance with the terms of the contract and safeguarding the DoD's interest in the contractual relationship with the RDC-U contractor. TACOM personnel serve as the contracting officer's representative (COR) and alternate CORs for the RDC-U task order. The COR and the alternate CORs perform continuous oversight of the contractor while onsite at the RDC-U, attend daily briefings, and provide daily reports to ACC contracting personnel. The COR is also responsible for the review, and if appropriate, the approval of contractor invoices.

(U) Invoice Review Process

(U) The base contract and awarded task order identified an invoice review process related to labor and travel invoices. Both contractual documents stated:

(U) The contractor shall submit its invoice(s) to the COR for review and approval prior to uploading the invoices into WAWF [Wide Area Workflow]. The COR will review, and if appropriate, approve the invoice(s) within 10 calendar days for/prior to uploading it into WAWF.⁴

(U) Furthermore, these contractual documents required each labor invoice to identify the individuals who worked, their hourly rate, and the number of hours worked. The contractual documents also required each travel invoice to contain COR approval notices and receipts to support the travel dollars spent. Additionally, the Financial Management Regulation requires original payment documentation and associated supporting documentation to be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the payments.⁵

(U) COR Delegation Memorandum Requirements Related to Reviewing Invoices

(U) The COR delegation memorandum requires the COR to:

- (U) ensure the hours worked by the contractor are the hours billed in the contractor's invoice, if applicable; and
- (U) approve contractor travel orders under this contract. Specifically, the COR was delegated the responsibility of verifying that travel receipts are valid and match the travel requirements identified in the Performance Work Statement or Statement of Work. Further, the COR should notify the contracting officer immediately if any issues or problems are observed.

⁴ (U) Wide Area Workflow is a secure, Web-based system for electronic invoicing, receipt and acceptance. WAWF allows Government vendors to submit and track invoices and receipt or acceptance documents over the Web, and allows Government personnel to process those invoices in a real-time, paperless environment.

⁵ (U) DoD Financial Management Regulation Volume 10, "Contract Payment Policy," Chapter 1, "Financial Control of Vendor and Contract Payments," paragraph 2.3.6.

(U) DoD Contracting Officer's Representative Guidebook

(U) The COR Guidebook states that the contracting officer is responsible for monitoring invoice payments according to the terms and conditions of the contract, as well as local policies and guidance.⁶ CORs should ensure that invoices receive prompt attention and review the invoices for accuracy and consistency with contract terms. Additionally, to assist the contracting officer, CORs may perform detailed reviews of contractor invoices to ensure the work performed by the contractor meets contract requirements, is billed correctly, and is accepted by the Government. Finally, CORs must ensure, through timely and thorough review of billing statements, that the Government is receiving the services or supplies for which it is paying.

(U) Defense Pricing and Contracting Memorandum

(U) According to the April 2019 Defense Pricing and Contracting memorandum, the following additional expectations were established for contracting officers to reinforce the use of CORs to augment invoice reviews on other than fixed-price contracts.⁷

- (U) Ensuring costs in the invoice are consistent with the COR's records of monitoring contract performance. If not consistent, the COR should request supporting information from the contractor.
- (U) Ensuring hours worked equal the hours invoiced.

(U) The COR delegation memorandum also lists this as a requirement of the COR and states that it may be done by reviewing contractor time cards and sign-in/out sheets.

⁶ (U) "DoD Contracting Officer's Representatives Guidebook," May 2021. The Guidebook provides basic knowledge and tools for CORs to effectively perform their duties and responsibilities. The Guidebook is intended to supplement, not replace, formal COR training. CORs should refer to their letters of appointment/designation for the specific duties and responsibilities assigned by the contracting officer. The Guidebook advises CORs to contact the contracting officer for guidance.

⁷ (U) Office of the Under Secretary of Defense for Acquisition and Sustainment Memorandum, "Improvement to Voucher/Invoice Reviews in Contingency Operations," April 30, 2019.

(U) Army Contracting Personnel Did Not Properly Review Invoices

(U) During our audit of the RDC-U contract, we identified that Army contracting personnel did not properly review 53 contractor invoices as of July 26, 2023, totaling \$20 million, to ensure compliance with the contract, despite established requirements and best practices to review invoices.⁸ This occurred because the contracting officer inappropriately waived the COR review and approval of invoices. In addition, the contracting officer relied on the Defense Contract Audit Agency's (DCAA) closeout audits, which primarily focus on indirect cost rates and not on whether invoiced amounts were allowable, allocable, or reasonable. Specifically, the contracting officer stated that the invoice reviews were not necessary because DCAA auditors would ultimately identify and reconcile any issues on invoices when they perform a complete audit at the end of the contract. As a result, Army contracting personnel made at least \$29,772.36 in improper payments on labor invoices and did not identify non-compliant contractor-submitted invoices.⁹ In addition, Army contracting personnel did not actively safeguard the Government's interests on a high risk cost-reimbursement contract. Finally, the Army does not have assurance that the \$20 million paid to the RDC-U contractor, as of July 2023, resulted in contractually compliant maintenance and labor services, equipment purchases, or travel.

(U) Army Contracting Personnel Did Not Properly Review Contractor Invoices

(U) Army contracting personnel did not properly review contractor invoices to ensure compliance with the contract, despite established requirements and best practices to review invoices.¹⁰ From February to July 2023, the contractor submitted, and Army contracting personnel had the responsibility to review and approve, \$20 million for 53 invoices, including invoices for labor, equipment, and travel. See Table 1 for a breakdown of the number and value of invoices submitted per type of invoice.

⁸ (U) "DoD Contracting Officer's Representatives Guidebook," May 2021.

(U) Office of the Under Secretary of Defense for Acquisition and Sustainment Memorandum, "Improvement to Voucher/Invoice Reviews in Contingency Operations," April 30, 2019.

⁹ (U) 31 U.S.C. § 3351(4) defines an improper payment as any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement and includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received, except for those payments where authorized by law, and any payment that does not account for credit for applicable discounts.

¹⁰ (U) "DoD Contracting Officer's Representatives Guidebook," May 2021.

(U) Office of the Under Secretary of Defense for Acquisition and Sustainment Memorandum, "Improvement to Voucher/Invoice Reviews in Contingency Operations," April 30, 2019.

(U) Table 1. Labor, Equipment, and Travel Invoices Paid by Army Contracting Personnel from February to July 2023

| (U) Invoice Type | Number of Invoices | Value of invoices (in Millions) |
|------------------|--------------------|---------------------------------|
| Labor | 11 | \$11.7 |
| Equipment | 30 | 4.8 |
| Travel | 12 | 3.5 |
| Total | 53 | \$20.0 |

(U)

(U) Source: The DoD OIG.

(U) The Office of Management and Budget’s Federal Procurement Policy requires agencies to employ Government personnel to administer contracts and protect the public interest through the active and informed management and oversight of contractor performance.¹¹ However, Army contracting personnel did not review these 53 invoices in accordance with invoice review processes established in the numerous contract documents, the COR delegation memorandum, or as recommended in best practices established in other DoD guidance.¹² Specifically, Army contracting personnel:

- (U) accepted non-compliant labor invoices that did not include hourly rates or hours worked,
- (U) accepted non-compliant equipment invoices that did not include the number of units purchased,
- (U) did not properly review travel invoices,
- (U) could not explain invoice line items, and
- (U) did not identify improper payments on labor invoices.

(U) Labor Invoices Did Not Include Hourly Rates or Hours Worked

(U) Army contracting personnel accepted and paid non-compliant labor invoices. Both the contract and task order required labor invoices to include the individuals that worked, the hourly rate, and the number of hours worked. Further, the COR delegation memorandum required the COR to ensure that the hours worked by the contractor matched the hours billed in the contractor’s invoice. Additionally, the April 2019 Defense Pricing and Contracting memorandum established the expectation for CORs to ensure that the hours worked equaled the hours invoiced. However, the COR approved the first two invoices even though they did not contain the required hourly rate per job function for contractor employees.¹³ Therefore, Army contracting personnel could not verify whether the direct labor charges were accurate for the hours billed. Further, the contractor did not include the hourly

¹¹ (U) Publication of the Office of Federal Procurement Policy, Policy Letter 11-01, “Performance of Inherently Governmental and Critical Functions,” September 12, 2011.

¹² (U) “DoD Contracting Officer’s Representatives Guidebook,” May 2021.

(U) Office of the Under Secretary of Defense for Acquisition and Sustainment Memorandum, “Improvement to Voucher/Invoice Reviews in Contingency Operations,” April 30, 2019.

¹³ (U) The Contracting Officer waived the COR’s invoice review requirement after the first two invoices.

(U) rate per job function for the nine subsequent paid invoices from March to July 2023. In total, none of the 11 contractor labor invoices from February to July 2023, valued at \$11.7 million, contained hourly pay rates for the contractor employees.

(U) Additionally, the labor invoices only included total wages for subcontracted local national employees, but not the number of hours worked or hourly pay rates. Starting in April 2023, the prime contractor included the per employee costs of the subcontracted local national employees. However, the invoices only included the subcontracted local national employees' names and the total amount they were paid. The invoices did not include the subcontracted employees' hours worked or hourly pay rate for each employee. Therefore, the COR was unable to ensure that the hours worked by the contractor equaled the hours billed in the contractor's invoice, as required by the COR Delegation Memorandum.

(U) Since we brought these inadequate invoice reviews and non-compliant labor invoices to the attention of Army contracting personnel, Army contracting personnel contacted the contractor to ensure future invoices include the missing information. In November 2023, the contractor started to provide the required level of detail as an attachment to the labor invoices. Further, the Quality Assurance Surveillance Plan (QASP) was updated in November 2023 and now requires the COR to complete an invoice review checklist prior to the contractor uploading the voucher into WAWF for payment. The checklist contains the minimum requirements for an invoice to be valid in accordance with the Federal Acquisition Regulation (FAR) and the invoicing requirements within the contract and task order.¹⁴ In December 2023, Army contracting personnel provided us with two labor invoices that were submitted with the required supporting documentation for the COR to review. In addition, Army contracting personnel provided us with the completed COR invoice review checklist for each of the labor invoices. Therefore, since Army contracting personnel took action to remedy the invoice reviews and non-compliant labor invoices, we did not make any recommendations regarding invoices needing to include hourly personnel rates.

(U) Equipment Invoices Did Not Include Required Information

(U) Army contracting personnel accepted, approved, and paid non-compliant equipment invoices, which did not include the COR approval notices or provide supporting receipts as required by the contract. The base contract requires the contractor to submit invoices with supporting information including COR approval notices and descriptions of, along with receipts for, items purchased. Further, the FAR states that a cost must be reasonable in order to be allowable.¹⁵ A cost is considered reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person in the conduct of competitive business.

¹⁴ (U) FAR Part 32, "Contract Financing," Subpart 32.905, "Payment Documentation and Process."

¹⁵ (U) FAR Part 31, "Contract Cost Principles and Procedures," Subpart 31.201, "General."

(U) For the 30 equipment invoices from February to July 2023, valued at \$4.8 million, the invoices included only a brief description and total dollar amount, not the quantity of the items, receipts, or COR approval notices. For example, on a July invoice, the contractor invoiced \$394,879.67 for hand tools, \$2,609.60 for a docking station, \$14,450 for a 32-inch computer monitor, and \$13,500 for a standing adjustable desk. The invoice did not include the COR approval notice or supporting receipts for any of the items purchased. Additionally, it did not state the number of hand tools purchased or whether the large amounts spent on the computer monitor, docking station, and standing adjustable desk represent purchases of multiple units of each item. On an April invoice, a purchase of \$20,430 for iPad Pro appears, with no quantity of iPad Pros purchased. The audit team requested supporting documentation for the purchases; however, Army contracting personnel did not have any additional supporting documentation for these invoices. As a result, Army contracting personnel could not determine the quantity purchased or the reasonableness of the equipment costs.

(U) Since Army contracting personnel could not support the quantity of the items purchased, we performed existence testing during a follow-up site visit to the RDC-U in December 2023 to verify whether the equipment purchased existed. We selected a non-statistical sample of 17 of the highest dollar line items from 11 invoices, valued at \$579,956.63, to confirm the existence of at least one piece of equipment that matched the description of each invoiced line item. For example, we selected standing adjustable desks, computer monitors, and laptops to determine whether contractor personnel could identify and validate the existence of items purchased. On-site contractor personnel demonstrated that they tracked all contract property or acquired property and the property was subject to monthly sampling as well as periodic full inventory audits. In addition, to determine the quantities of the 17 items selected, the contractor provided supporting documentation for the 17 items, identifying the description and quantity.

(U) Since we brought these non-compliant equipment invoices to the attention of Army contracting personnel, Army contracting personnel have directed the contractor to include the required elements and provide supporting documentation. Specifically, Army contracting personnel issued a contract modification in January 2024, requiring the contractor to include the following documentation as support for their invoices:

- (U) COR approval notices for all material in support of maintenance and repair ordered outside Global Combat Support System–Army,
- (U) a description of what was purchased for all Other Direct Costs/Materials including quantities,
- (U) unit price and extended [total] price, and
- (U) the receipts to support the items purchased.

(U) While Army contracting personnel took action to remedy the non-compliance of equipment invoices for future equipment invoices, as of January 2024, the contractor had not yet submitted an invoice under the new requirements and Army contracting personnel had not reviewed prior invoices using the updated invoice review process. Therefore, we recommend that the Executive Director of the Army Contracting Command-Detroit Arsenal require Army contracting personnel to review previously submitted equipment invoices to ensure required information is provided and if not, take appropriate action with the contractor; and implement controls to ensure that all future equipment invoices are reviewed to verify that the contractor included the required elements and supporting documentation.

(U) Army Contracting Personnel Did Not Properly Review Contractor-Submitted Travel Invoices

(U) Army contracting personnel, specifically the COR, did not properly review or approve 12 contractor-submitted travel invoices dated from February to July 2023, valued at \$3.5 million, as required by the contract. The contract requires the COR to review and approve travel invoices prior to submission into WAWF. The contract also requires that the COR's approval notice, as well as the receipts to support the travel dollars spent, be submitted with the invoice. Furthermore, the delegation memorandum delegated to the COR the responsibility for approving the contractor's travel orders, as well as verifying that the travel receipts are valid and match the travel requirements identified in the Performance Work Statement or Statement of Work. Additionally, these 12 travel invoices did not have COR approval notices or travel receipts submitted with the invoices to the COR.

(U) Since we brought these inadequate travel invoice reviews and non-compliant travel invoices to the attention of Army contracting personnel, Army contracting personnel instructed the contractor to submit receipts for travel vouchers in accordance with the terms and conditions of the contract. Further, the contractor is in the process of obtaining all receipts for previously paid travel invoices. As of January 2024, the contractor had submitted one new travel invoice with receipts for the COR to review and approve. Therefore, we recommend that the Executive Director of the Army Contracting Command-Detroit Arsenal require Army contracting personnel to review the previously submitted travel invoices with provided supporting documentation to ensure compliance with requirements and if not, take appropriate action with the contractor; and implement controls to ensure that Army contracting personnel review all future invoices in accordance with the terms and conditions of the contract.

(U) Army Contracting Personnel Could Not Explain Paid Invoice Line Items Without Contacting the Contractor

(U) Army contracting personnel could not explain numerous elements on paid invoices without first contacting the contractor. For example, labor invoices included several line items and corresponding percentages for contractor-charged fees, but Army contracting personnel could not describe what the line items represented, how to calculate the invoiced amounts, or how they could verify the billing without contacting the contractor. See Figure 2 for an example of a labor invoice submitted by the contractor that includes several line items and corresponding percentages for contractor-charged fees.

(U) Figure 2. Line Items and Percentages from Contractor Invoice

| (U) | | Current Amount | Cumulative Amount |
|----------------------------|-----------|-----------------------|-----------------------|
| LaborST Off Site | | \$1,095,913.55 | \$1,563,421.51 |
| TOTAL DIRECT LABOR | | \$1,095,913.55 | \$1,563,421.51 |
| FRG-OCONUS Expat Sta | 9.6000% | \$105,207.70 | \$150,088.46 |
| FRG-OCN Expat H&W Lo | 14.0700% | 154,195.04 | 219,973.41 |
| PMO-TDC-U | 1.6600% | 22,498.25 | 32,095.82 |
| OH-CM | 1.6300% | 22,458.38 | 32,038.95 |
| G&A-AGS | 3.9700% | 55,590.84 | 79,305.45 |
| TOTAL INDIRECTS | | \$359,950.21 | \$513,502.09 |
| Fee | 10.0000% | \$145,586.38 | \$207,692.38 |
| TOTAL FEE | | \$145,586.38 | \$207,692.38 |
| Invoice Total | | \$1,601,450.14 | \$2,284,615.98 |
| Current Incurred Hours: | 33,211.00 | | |
| Cumulative Incurred Hours: | 47,662.00 | | |

(U)

(U) Source: Contractor invoice.

(U) The Office of Management and Budget’s Federal Procurement Policy requires agencies to employ Government personnel to administer contracts and protect the public interest through the active and informed management and oversight of contractor performance.¹⁶ The policy further requires that Government officials take action based on informed and independent decisions in order to ensure the proper use of funds appropriated by Congress. Additionally, the Financial Management Regulation requires the retention of original payment documentation and associated supporting documentation.¹⁷ The documentation must be of sufficient quality to allow an independent third party, such as an outside auditor, to understand and verify the basis of the payments.

¹⁶ (U) Publication of the Office of Federal Procurement Policy, Policy Letter 11-01, “Performance of Inherently Governmental and Critical Functions,” September 12, 2011.

¹⁷ (U) DoD Financial Management Regulation Volume 10, “Contract Payment Policy,” Chapter 1, “Financial Control of Vendor and Contract Payments,” Paragraph 2.3.6.

(U) The contractor had to provide additional supporting documentation in order for Army contracting personnel to answer the audit team's questions and support the previously paid invoices. Therefore, Army contracting personnel did not comply with Office of Management and Budget policy to maintain active and informed oversight of contractor performance, nor the Financial Management Regulation to ensure the invoice documentation was sufficient for an independent third party to understand and verify the basis of the invoice payments. We recommend that the Executive Director of the Army Contracting Command-Detroit Arsenal implement controls to ensure that Army contracting personnel maintain invoices and associated supporting documentation with a sufficient level of detail to clearly and independently support payment as required by the Financial Management Regulation.

(U) Army Contracting Personnel Made Improper Payments

(U) Army contracting personnel did not identify improper payments made on four separate labor invoices.¹⁸ In two instances, the contractor billed and was paid for the same work performed by a maintenance worker on two separate invoices. In the first instance, the contractor billed 456 hours of work for a senior maintenance worker on an invoice submitted on March 13, 2023. The contractor later billed the same 456 hours of work again on another invoice submitted on April 26, 2023. Due to this double billing, Army contracting personnel improperly paid the contractor \$14,911.20. Further, the double payment for the senior maintenance worker's labor was included in the totals on the second invoice and was subject to the various contractor fees charged by the contractor, resulting in an additional \$6,878.42 in improper payments associated with those fees. In the second instance, the contractor billed 48 hours of work for a Towed Artillery Mechanic on an invoice submitted February 17, 2023. The contractor later billed the same 48 hours of work on an invoice on March 13, 2023. Due to this double billing, Army contracting personnel improperly paid the contractor \$1,470.72. Further, the double payment for the Towed Artillery Mechanic's labor was included in the totals on the second invoice and was subject to the various contractor fees charged by the contractor, resulting in an additional \$678.43 in improper payments associated with those fees. Table 2 identifies the associated invoices, total hourly cost, total contractor fees, and total improper payments, totaling \$23,938.77, associated with the double billings.

¹⁸ (U) 31 U.S.C. § 3351(4) defines an improper payment as any payment that should not have been made or that was made in an incorrect amount, including an overpayment or underpayment, under a statutory, contractual, administrative, or other legally applicable requirement and includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received, except for those payments where authorized by law, and any payment that does not account for credit for applicable discounts.

(U) Table 2. Double Billing Improper Payments

| (U) Associated Invoices | Total Hourly Cost | Total Contractor Fees | Total Improper Payments |
|----------------------------|--------------------|-----------------------|-------------------------|
| BVNA002 & BVNA005 | \$14,911.20 | \$6,878.42 | \$21,789.62 |
| BVNA001 & BVNA002 | 1,470.72 | 678.43 | 2,149.15 |
| Total | \$16,381.92 | \$7,556.85 | \$23,938.77 (U) |

(U) Source: The DoD OIG.

(U) In another instance, Army contracting personnel incorrectly paid for an overtime line item. While we reviewed the invoice with Army contracting personnel, the total number of hours worked was zero, but the line item on the invoice summary page contained a charge for \$4,248.13. These amounts were also reflected in the contractor fees, adding an additional \$1,253.37 in improper payments. On another invoice we identified, the same overtime line item was charged \$256.43 while also having zero hours worked. The fee amounts associated with this improper payment were \$75.66. Table 3 identifies the associated overtime invoices, total overtime cost, total contractor fees and total improper payments, totaling \$5,833.59, associated with the overtime line item invoices.

(U) Table 3. Overtime Line Item Improper Payments

| (U) Associated Invoices | Total Overtime Cost | Total Contractor Fees | Total Improper Payments |
|----------------------------|---------------------|-----------------------|-------------------------|
| BVNA003 | \$4,248.13 | \$1,253.37 | \$5,501.50 |
| BVNA005 | 256.43 | 75.66 | 332.09 |
| Total | \$4,504.56 | \$1,329.03 | \$5,833.59 (U) |

(U) Source: The DoD OIG.

(U) After we brought these improper payments to the attention of Army contracting personnel, they agreed and stated that they are in the process of recouping the overpayments. Specifically, Army contracting personnel stated that the instances of the same hours being billed twice have been credited on other invoices. In addition, Army contracting personnel are in the process of working with the contractor to have overtime line item adjustments made which will result in a credit on a future invoice. These overpayments could have been avoided if the contracting officials had reviewed invoices prior to payment. As of February 2024, \$23,938.77 has been recouped, while Army contracting personnel expected to recoup \$5,833.59 in March 2024. Therefore, we recommend that the Executive Director of the Army Contracting Command-Detroit Arsenal require Army contracting personnel to continue to take action to recoup the additional overpayments until the Government is made whole.

(U) The Contracting Officer Waived Invoice Reviews and Relied on DCAA Audits

(U) Despite numerous sources requiring and recommending reviews of invoices, and contract requirements for numerous invoice elements to be compliant, the identified issues with labor, equipment, travel invoices, and overpayments occurred because the contracting officer inappropriately waived the invoice review process and in April 2023 directed the COR to not review invoices. The FAR assigns contracting officers and CORs as the contracting personnel responsible to monitor and administer contracts.¹⁹ Contracting officers are assigned the responsibility for ensuring compliance with the terms of the contract and safeguarding the interests of the United States in its contractual relationships. In addition, the Office of Management and Budget requires agencies to take steps to employ and train an adequate number of Government personnel to administer contracts and protect the public interest through the active and informed management and oversight of contractor performance.²⁰

(U) The contracting officer officially waived the COR's review requirements with a contract modification in June 2023. The contracting officer stated that the invoice reviews were an administrative burden that failed to provide any benefit to the Government and wanted to reimburse the contractor more quickly, even though we found no indication of delays in payment. The process for Army contracting personnel to review invoices prior to the waiving of the requirement was to perform a "spot check for anomalies," which was not documented in the QASP or elsewhere. However, spot checking was not an adequate review process to identify or prevent errors, as 53 invoices, totaling \$20 million, did not include the contractually-required information and three of those invoices contained double billings. By not following the invoice review process in established requirements, suggested best practices, and contract requirements, Army contracting personnel did not identify several non-compliant invoices submitted for payment or questionable invoices submitted. Further, Army contracting personnel accepted and paid these invoices that were non-compliant with the contractual terms.

(U) In addition to waiving invoice reviews, the contracting officer stated the invoice reviews were not necessary because DCAA auditors would ultimately identify and reconcile any issues on invoices when they perform a complete audit at the end of the contract. However, the DCAA's primary role in the contract closeout audit of cost-reimbursable contracts is to compile and consolidate the direct and indirect cost information on the contract based on prior audits. The DCAA Contract Audit Manual states that usually, the contracting officer will have sufficient data to approve final vouchers to close contracts without requiring further assistance from the DCAA.²¹ The DCAA Contract Audit Manual does, however, allow

¹⁹ (U) FAR Part 1, "Federal Acquisition Regulations System," Subpart 1.6, "Career Development, Contracting Authority, and Responsibilities."

²⁰ (U) Publication of the Office of Federal Procurement Policy, Policy Letter 11-01, "Performance of Inherently Governmental and Critical Functions," September 12, 2011.

²¹ (U) DCAA, "Contract Audit Manual," December 2023.

(U) the contracting officer to request additional audit support from the DCAA when there are identified risks or concerns on specific contracts not previously examined in other audits. The prior audits compiled by the DCAA at contract closeout include both interim voucher and annual incurred cost audits.²² Both of these audits involve a risk-based sample and do not review all costs billed by the contractor. The COR Guidebook identifies the best practice of informing DCAA auditors of voucher issues so the issues can be considered during DCAA auditors' voucher approval process. However, since the contracting officer waived the COR's review of invoices, DCAA auditors would not be aware of any increased risk from issues on interim invoices, and therefore would not be able to adjust review parameters accordingly. Further, when we asked when the DCAA would perform the review on this contract, the contracting officer stated that the review would not be performed until 1-3 years after the contract was closed out. Therefore, the contracting officer believed DCAA would potentially not audit this contract until 5-7 years after the contract's award in December 2022.

(U) As a result, Army contracting personnel did not actively safeguard the Government's interests on a high risk, cost-reimbursement contract. Further, there is benefit to the Government when reviewing invoices, as the invoice review process ensures compliance with the contract and adherence to best practices, along with possibly identifying improper payments before they are made. Therefore, we recommend that the Executive Director of the Army Contracting Command implement controls to ensure that Army contracting officers administer contracts in accordance with the terms of the contract and established best practices.

(U) Once alerted to these control weaknesses in the invoice review process, Army contracting personnel:

- (U) recouped money dispersed in error;
- (U) issued multiple modifications to update the contract, including revisions to the Performance Work Statement and Acceptable Performance Levels;
- (U) updated the QASP to incorporate the invoice reviews as well as the inclusion of the COR invoice review checklist;
- (U) assigned an administrative contracting officer (ACO) and alternate COR to review invoices and bring the oversight and administration up to standard;²³
- (U) re-implemented invoice reviews;
- (U) planned to review previously unreviewed travel invoices; and
- (U) planned to review randomly selected labor invoices from the base year of the contract

(U) Therefore, based on these actions, we have no additional recommendations.

²² (U) The annual incurred cost audit is a collection of all the contractor's contracts throughout the year.

²³ (U) Administrative contracting officer refers to a contracting officer who is administering contracts.

(U) Conclusion

(U) Army contracting personnel made at least \$29,772.36 in improper payments on labor invoices since they did not properly review the invoices, increasing the risk that DoD funds were not effectively used. In addition, Army contracting personnel put the public's interests at risk by not actively safeguarding the Government's interests on a high risk, cost-reimbursement contract. Finally, Army contracting personnel did not have assurance that the \$20 million paid to the RDC-U contractor as of July 26, 2023, resulted in contractually compliant maintenance and labor services, equipment purchases, or travel. Army contracting personnel took several actions during the course of our audit to correct these deficiencies; however, those actions did not address the full set of issues identified.

(U) Recommendations, Management Comments, and Our Response

(U) Recommendation 1

(U) We recommend that the Executive Director of the Army Contracting Command-Detroit Arsenal:

- a. Require Army contracting personnel to review the previously submitted equipment invoices to ensure required information was provided and if not, take appropriate action with the contractor; and implement controls to ensure that all future equipment invoices are reviewed to verify the contractor included the required elements and supporting documentation.**
- b. Require Army contracting personnel to review the previously submitted travel invoices with provided supporting documentation to ensure compliance with requirements and if not, take appropriate action with the contractor; and implement controls to ensure that Army contracting personnel review all future invoices in accordance with the terms and conditions of the contract.**

(U) Army Contracting Command-Detroit Arsenal Comments

(U) The Army Contracting Command-Detroit Arsenal (ACC-DTA), Acting Executive Director disagreed with the recommendations and stated that the recommendations should be directed to the DCAA. The Acting Executive Director stated that as the contracting officer's authorized representative to receive and approve interim vouchers for payment, DCAA should determine if previously submitted interim vouchers need further review and if the vouchers contained the required information for approval and payment. Additionally, the Acting Executive Director stated that proper regulatory controls are in place to ensure future vouchers are reviewed and contain the proper elements and supporting documentation.

(U) Furthermore, the ACC-DTA, Acting Executive Director stated that the report improperly cites findings against contract requirements for invoices while overlooking voucher requirements and cost controls. The Acting Executive Director stated that per the FAR and the actual contract agreement itself, invoice requirements in the contract/order and the Contracting Officer Designation letter do not apply to vouchers requesting reimbursement of costs. The Acting Executive Director provided an appendix of applicable contract requirements for interim vouchers. The Acting Executive Director stated that DoD controls for cost-type contracts are in place and being executed for the contract/order and that the controls ensure transparency, compliance, and effective management of the contractor's financial practices on DoD contracts. Specifically, the regulatory cost controls in place and being executed encompass several aspects of administration, including: requiring the contractor to have an adequate accounting system audited by the DCAA and approved by the Defense Contract Management Agency (DCMA), periodic reviews of the contractor's cost accounting standards by the DCAA and DCMA, DCAA auditor receipt and approval of interim vouchers, DCAA completion voucher audits, DCAA annual audits and settlement of indirect costs, and the contractor's business system status and cost accounting standards compliance is tracked in the Contractor Business Analysis Repository.

(U) Our Response

(U) The ACC-DTA, Acting Executive Director disagreed with these two recommendations; therefore, these two recommendations are unresolved. We disagree with the Acting Executive Director's position that the recommendations should be redirected to the DCAA. We shared the Acting Executive Director's comments concerning redirecting the recommendations with the Deputy Assistant Director of Policy for the DCAA. The Deputy Assistant Director of Policy agreed with the DoD OIG that ACC had the overall responsibility for administration and oversight of the contract, specifically highlighting the Army's role to settle any DCAA audit findings. The Deputy Assistant Director of Policy also emphasized the DCAA's ability to provide support and advisory services upon request from the contracting office.

(U) In addition, the contract, the DoD COR Guidebook, and the DCAA Audit Manual all state that the ACOs and CORs are responsible for reviewing invoices. Furthermore, the ACC-DTA contracting officer delegated to the COR through the COR delegation memorandum and the contract, the authority and responsibility to review and approve invoices from the contractor. Since the award of the task order, Army contracting personnel have updated the QASP four times and in each update, among other things, specifically included requirements for the COR, not the DCAA, to review and approve contractor invoices.

(U) Further, the DoD COR Guidebook states that the Contracting Officer is responsible for monitoring invoice payments according to the requirements of the contract and has sole authority for approving final payment requests on cost-reimbursable contracts.²⁴ The Guidebook states that CORs can assist the contracting office by conducting detailed invoice reviews for cost-reimbursable contracts and provides a template for reviewing costs such as travel costs, approved prior and authorized by the contract, and labor costs, to ensure the skills and labor categories are needed for the work performed and is any overtime authorized in the contract. The DoD COR Guidebook also explicitly states that the COR's review of interim vouchers must be in accordance with the contract/task or delivery order, and their COR letter of appointment/designation, and does not replace the voucher review/approval performed by the DCAA.²⁵

(U) Additionally, the April 2019 Defense Pricing and Contracting memorandum states that contracting activities should perform thorough reviews of invoices before invoice approval to highlight questionable, potentially unallowable costs.²⁶ The memorandum states that in contingency environments, in-country oversight personnel are in the best position to support prepayment invoice reviews and contracting officers should reinforce this vital role. The memorandum highlights that COR best practices include ensuring that costs on the invoices are consistent with the COR's records of monitoring contract performance and that hours worked equal hours invoiced.

(U) In addition, the ACC-DTA, Acting Executive Director stated that the report improperly cites findings against contract requirements for invoices while overlooking voucher requirements and cost controls. However, both the contract and task order section describing COR invoice reviews consistently uses the term 'invoice' to describe cost reimbursement line items such as equipment, labor, and travel. Additionally, the documentation provided by Army contracting personnel from the contractor identifies, among other things, an invoice date, an invoice number, and an invoice total. Therefore, we used the same terminology as the contract, task order, and contractor documentation, all of which required the COR to review invoices [vouchers] requesting payment.

(U) During the course of the review, Army contracting personnel took actions to improve controls, including but not limited to, requiring COR approval notices, requiring contractor invoices to contain unit prices, quantities, extended prices, and receipts of purchase, assigning an administrative contracting officer, and assigning an alternate COR to complete the COR invoice/voucher review checklist. Further, upon reviewing the new "Invoice/Voucher Review Checklist," which Army contracting personnel provided to demonstrate actions taken, we identified several similarities to the "Payment Approval/Recommendation Checklist" contained within the DoD COR Guidebook, which serves as a best practice for CORs.²⁷

²⁴ (U) The ACC-DTA contracting officer did not assign an ACO until September 18, 2023; therefore, prior to that day, the contracting officer and COR were still responsible for monitoring invoices. Further, the COR did review and approve invoices after this date. In addition, the ACO stated they also hold an administrative role for several other contracts supporting Ukraine.

²⁵ (U) "DoD Contracting Officer's Representatives Guidebook," Section 6.7.1 Voucher and Invoice Review, May 2021.

²⁶ (U) Office of the Under Secretary of Defense for Acquisition and Sustainment Memorandum, "Improvement to Voucher/Invoice Reviews in Contingency Operations," April 30, 2019.

²⁷ (U) "DoD Contracting Officer's Representatives Guidebook," Section 6.7.1 Voucher and Invoice Review, May 2021.

(U) Therefore, the ACC-DTA Acting Executive Director's statement that ACOs and CORs did not review invoices because the DCAA is the authorized representative of the contracting officer to review and approve interim invoices is contrary to DoD policies that explicitly call for the cognizant ACOs and CORs to conduct such interim reviews. By not properly reviewing invoices as required, Army contracting personnel will not have assurance that any future equipment, labor, and travel costs reimbursed to the contractor will result in contractually compliant purchases until ACC leadership reinforces contracting personnel roles in the oversight and invoicing process. Furthermore, as discussed in the report, by not properly reviewing invoices, Army contracting personnel would not be able to identify and subsequently inform DCAA auditors of invoice concerns, which could negatively impact DCAA's ability to perform informed and effective risk-based sampling during supporting audits. We request the ACC-DTA Acting Executive Director reconsider their position regarding these recommendations related to this specific contract/task order. We note that the DCAA is available, upon request, to provide support and advisory services to the ACC-DTA. We request the ACC-DTA, Acting Executive Director provide comments on the final management advisory.

- c. **Implement controls to ensure that Army contracting personnel maintain invoices and associated supporting documentation with a sufficient level of detail to clearly and independently support payment as required by the Financial Management Regulation.**

(U) Army Contracting Command–Detroit Arsenal Comments

(U) The ACC-DTA Acting Executive Director disagreed with the recommendation and stated that proper controls are in place but were not evaluated as part of the report's findings and recommendations. The Acting Executive Director stated that the accounting system, cost accounting standards compliance, and disclosure statements approval and oversight processes are the primary controls to ensure that supporting documentation of sufficient detail exists to support payment of the interim vouchers, and that any findings should be directed to the DCMA or DCAA. The Acting Executive Director also stated that the DCAA reviews the interim vouchers prior to disbursement, and that Army personnel did not accept, approve, or pay non-compliant labor invoices. The Acting Executive Director stated that the documents were interim vouchers, rather than invoices, and that the interim vouchers were accepted and approved by the DCAA and paid by the Defense Finance and Accounting Service. Furthermore, the Acting Executive Director stated that the CORs were not Army Contracting Personnel and instead were part of the requiring activity. The Acting Executive Director stated that CORs are technical specialists, not contracting specialists, and would not understand the elements of indirect costs. Therefore, it was not reasonable that in this case, a logistics management specialist designated as a COR should perform a function that is regulatorily reserved for the DCAA.

(U) Our Response

(U) The ACC-DTA Acting Executive Director disagreed with the recommendation; therefore, this recommendation is unresolved. We disagree with the Acting Executive Director's position that the responsibility to maintain invoices and associated supporting documentation is not an Army contracting personnel's responsibility. The ACC-DTA's internal controls outlined by the Acting Executive Director over payments to the contractor did not provide reasonable assurance against the risk of improper payments. The need for close, ongoing review of billed transactions and support is particularly compelling given that the contractor's invoices provide little detail as to the equipment items purchased or labor and travel costs incurred, contrary to the FAR, FMR, and contractual requirements under section G.1.2 of the task order.²⁸

(U) As previously noted in the report, the equipment invoices did not contain COR approval notices, detailed descriptions of what was purchased (such as units purchased) and supporting receipts; the labor invoices did not contain the hourly rate or the number of hours worked; and the travel invoices were missing COR approval notices and travel receipts; all of which were required by the contract and task order. The ACC contracting officials chose instead to rely primarily on the DCAA's approval of the contractor's corporatewide financial systems. However, the FAR specifies that cost-reimbursement contracts should have appropriate government surveillance during performance to provide reasonable assurance that efficient methods and effective cost controls are used.²⁹ Furthermore, GAO's Standards for Internal Control in the Federal Government states that internal controls should be designed to ensure that ongoing monitoring occurs in the course of normal operations, is performed continually, and is ingrained in the agency's operations.³⁰ The DoD COR Guidebook states that cost-reimbursement contracts, such as this contract, carry a greater degree of risk to the government as the government cannot provide sufficient, detailed information about a requirement.³¹ Finally, due to the greater degree of risk and in an effort to monitor contractor costs, CORs have the responsibility to review interim invoices to make sure charges are commensurate with observed performance (i.e., travel was necessary and actually occurred, labor hours charged are commensurate with level of work performed) as well as coordinate any issues found with the DCAA.

²⁸ (U) FAR Part 32, "Contract Financing," Subpart 32.9, "Prompt Payment," Section 32.905, "Payment Documentation and Process," paragraph (b)(2).

(U) DoD Financial Management Regulation Volume 10, "Contract Payment Policy," Chapter 1, "Financial Control of Vendor and Contract Payments," paragraph 2.3.6.

²⁹ (U) FAR Part 16, "Types of Contracts," Subpart 16.3, "Cost-Reimbursement Contracts," Section 16.301-3, "Limitations," paragraph (a)(4).

³⁰ (U) GAO Standards for Internal Control in the Federal Government, Section 16.05, September 2014.

³¹ (U) "DoD Contracting Officer's Representatives Guidebook," sections 5.6.2 & 5.7, May 2021.

(U) The use of cost-reimbursement contracts places special responsibilities on the contracting agency to monitor and control costs by using suitable contract management and administration practices, including, but not limited to, proper internal controls. By not adequately monitoring invoices, ACC contracting personnel did not and may not identify errors or the associated weaknesses that caused them to occur; thus, providing no deterrent to future errors. ACC contracting personnel have begun to address knowledge gaps by adding an alternate COR from the DCMA to specifically review invoices and bring the oversight and administration up to standard, while the COR has also continued to review invoices.

(U) Finally, contracting officers and CORs are required to complete DoD-level training before appointment to their respective positions. The training includes an overview of the roles and responsibilities related to the contract payment process, and DoD policy states that upon completion of training, CORs are expected to be able to review and validate that contractor payment requests are commensurate with performance. Therefore, the ACC-DTA Acting Executive Director's comment that the COR does not possess the skills and knowledge necessary for invoice reviews is not persuasive. The COR should be held accountable for adequate invoice reviews and approvals, which are required by the contract and COR delegation memorandum. In addition, adequate invoice reviews are an imperative contracting office function vital to ensuring DCAA auditors are only approving payments for actual work in accordance with the terms and conditions of the contract. The April 2019 Defense Pricing and Contracting memorandum states that CORs should request supporting information from the contractor to ensure costs are consistent with the COR's records of monitoring contract performance and that materials and service invoices should be obtained if not included with vouchers.³²

(U) Therefore, we request the ACC-DTA Acting Executive Director reconsider their position regarding this recommendation. As previously noted, Army contracting personnel started taking action to improve oversight of invoices. As noted in our response to recommendations 1.a and 1.b, the DCAA is available, upon request, to provide support and advisory services to the ACC-DTA. We request the ACC-DTA, Acting Executive Director provide comments on the final management advisory.

³² (U) Office of the Under Secretary of Defense for Acquisition and Sustainment Memorandum, "Improvement to Voucher/Invoice Reviews in Contingency Operations," April 30, 2019.

- d. Require Army contracting personnel to continue to take action to recoup the additional overpayments until the Government is made whole.**

(U) Army Contracting Command–Detroit Arsenal Comments

(U) The ACC-DTA, Acting Executive Director disagreed with the recommendation and stated that except for one invoice, payments on the interim vouchers are considered provisional in accordance with paragraph (1)(iv) of the definition for “Contract financing payment” found in FAR Part 32, Section 32.001, and subject to incurred cost audits.³³ During that process, the annual settling of indirect rates, and the approval of the completion voucher; any overpayments will be recouped. Furthermore, the Acting Executive Director stated that the finding of contractor double billings should be directed to the DCAA and DCMA since they approved the contractor’s accounting system and the interim vouchers.

(U) Our Response

(U) The ACC-DTA Acting Executive Director disagreed with the recommendation; therefore, this recommendation is unresolved. We disagree with the Acting Executive Director’s position that the finding of contractor double billings and the improper overtime line charge, and subsequent Army improper payments, should be directed to the DCAA and DCMA for recoupment. We met with the Deputy Assistant Director of Policy for the DCAA, who reviewed the Army’s comments and stated that the responsibility of settling the recoupments is that of the contracting agency, in this case ACC-DTA. The Deputy Assistant Director of Policy further stated that, as was the case on previous contracts where DCAA personnel audited the billings and had findings, it is up to the service agencies to settle the findings with their contractor.

(U) These improper payments were payments made by the Army on an Army contract. Further, the contractor agreed that these charges were improper and that Army contracting personnel have already recouped \$23,938.77 and initiated efforts to recoup the remaining \$5,833.59 related to overtime. While we do agree with the ACC-DTA Acting Executive Director’s position that the invoices meet the definition of “Contract financing payment” from the FAR, invoices must still include all of the information required by the contract and the FAR.³⁴ Therefore, we request the ACC-DTA, Acting Executive Director reconsider this recommendation and have Army contracting personnel responsible for the Army contract and task order finish their efforts to recoup the Army’s improper payments related to the overtime line. In addition, Army contracting personnel should pursue recoupment on any further improper payments identified in their review, or a DCAA review, of previous invoices. We request the ACC-DTA, Acting Executive Director provide comments on the final management advisory.

³³ (U) FAR Part 32, “Contract Financing,” Section 32.001, “Definitions,” paragraph “Contract financing payment” (1)(vi).

³⁴ (U) FAR Part 32, “Contract Financing,” Section 32.001, “Definitions,” paragraph “Contract financing payment” (1)(vi).
(U) FAR Part 32, “Contract Financing,” Subpart 32.9, “Prompt Payment,” Section 32.905, “Payment Documentation and Process,” paragraph (b)(2).

- e. **Implement controls to ensure that Army contracting officers administer contracts in accordance with the terms of the contract and established best practices.**

(U) Army Contracting Command–Detroit Arsenal Comments

(U) The ACC-DTA, Acting Executive Director disagreed with the recommendation and stated that controls are in place and effectively executed. Specifically, the ACC has implemented a Procurement Management Review (PMR) program. The Acting Executive Director stated that the multi-level oversight PMR program is the ACC's internal control to oversee contract execution and that additional controls are not required based on findings in the report.

(U) Our Response

(U) The ACC-DTA Acting Executive Director disagreed with the recommendation; therefore, this recommendation is unresolved. While we did not review the PMR program, the Acting Executive Director stated that the multi-level oversight PMR program is ACC's internal control to adequately oversee contract execution. While Army contracting personnel took several actions to improve their oversight of this contract during the review, until the Army incorporates the updated controls into the PMR program, Army contracting will remain at risk for improper contract administration. Therefore, we request the ACC-DTA Acting Executive Director reconsider their position regarding this recommendation. We request the ACC-DTA, Acting Executive Director provide comments on the final management advisory.

(U) Scope and Methodology

(U) We conducted this audit from August 2023 through February 2024 as part of this ongoing audit reviewing the task order for the maintenance of equipment at the RDC-U, and 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.

(U) We reviewed contractual documents and contractor invoices to determine whether ACC contracting personnel properly reviewed labor, equipment, and travel invoices submitted and paid for under the TACOM task order for the maintenance of equipment at the RDC-U, in accordance with the contract, established requirements, and best practices. We obtained the task order from the Electronic Document Access system and documentation prepared or maintained by the contracting offices. We requested invoice documentation from ACC contracting personnel. Additionally, we traveled to TACOM headquarters in Warren, Michigan, to obtain and review invoices, while also traveling to the RDC-U in Jasionka, Poland, to perform existence testing on

(U) equipment items. We interviewed personnel from the ACC, Army Materiel Command, and TACOM to discuss their roles and responsibilities for reviewing invoices. We also interviewed personnel from the DCAA to understand their role in conducting end of contract audits.

(U) Criteria

(U) We evaluated the invoice review process according to the following criteria.

- (U) FAR Part 1, “Federal Acquisition Regulations System,” Subpart 1.6, “Career Development, Contracting Authority, and Responsibilities”
- (U) FAR Part 16, “Types of Contracts,” Subpart 16.301-3, “Limitations”
- (U) FAR Part 16, “Types of Contracts,” Subpart 16.306, “Cost-Plus-Fixed-Fee-Contracts”
- (U) FAR Part 31, “Contract Cost Principles and Procedures,” Subpart 31.201-3, “Determining reasonableness”
- (U) DoD Financial Management Regulation Volume 10, “Contract Payment Policy,” Chapter 1, “Financial Control of Vendor and Contract Payments”
- (U) DoD Instruction 5000.72, “DoD Standard for COR Certification,” March 26, 2015 (Incorporating Change 2, November 6, 2020)
- (U) “DoD Contracting Officer’s Guidebook,” May 2021
- (U) Office of the Under Secretary of Defense for Acquisition and Sustainment Memorandum, “Improvement to Voucher/Invoice Reviews in Contingency Operations,” April 30, 2019
- (U) Publication of the Office of Federal Procurement Policy, Policy Letter 11-01, “Performance of Inherently Governmental and Critical Functions,” September 12, 2011
- (U) DCAAM 7640.1, “DCAA Contract Audit Manual,” Chapter 6, “Incurred Cost,” December 2023

(U) Management Comments

(U) Office Of the Assistant Secretary of The Army Acquisition Logistics and Technology



DEPARTMENT OF THE ARMY
OFFICE OF THE ASSISTANT SECRETARY OF THE ARMY
ACQUISITION LOGISTICS AND TECHNOLOGY
103 ARMY PENTAGON
WASHINGTON DC 20310-0103

SAAL-ZP

MEMORANDUM FOR DEPARTMENT OF DEFENSE, OFFICE OF THE INSPECTOR
GENERAL, 4800 MARK CENTER DRIVE, ALEXANDRIA, VA 22350-5000

SUBJECT: DRAFT Report: Management Advisory: Remote Maintenance and
Distribution Cell – Ukraine Restructuring Contract Invoice Oversight (D2023AX-
0116.001)

1. In accordance with Army Regulation 36-2, Audit Services in the Department of the
Army, Section II, paragraphs 1-9 (f), I am providing the Official Army Position. The Army
non-concurs with recommendations 1.a – 1.e. Responses with comments are
enclosed.

2. The point of contact for this action is [REDACTED].

Encl

DAKE.MEGAN.R. [REDACTED]
Megan R. Dake
Deputy Assistant Secretary
of the Army (Procurement)

(U) Office Of the Assistant Secretary of The Army Acquisition Logistics and Technology (cont'd)



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

AMIR

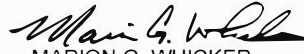
MAY 07 2024

MEMORANDUM FOR Department of Defense Inspector General (DoDIG/ [REDACTED]), Program Director for Audit Acquisition, Contracting, and Sustainment, 4800 Mark Center Drive, Alexandria, VA 22350-1500

SUBJECT: Management Advisory: Audit of Remote Maintenance and Distribution Cell-Ukraine Restructuring Contract Invoice Oversight, Project D2023-D000AX-0116.001

1. The U.S. Army Materiel Command has reviewed the subject draft report and endorses the enclosed response from the U.S. Army Contracting Command.
2. The U.S. Army Materiel Command point of contact is [REDACTED].

Encl


MARION G. WHICKER
Executive Deputy to the
Commanding General

(U) Office Of the Assistant Secretary of The Army Acquisition Logistics and Technology (cont'd)



DEPARTMENT OF THE ARMY
U.S. ARMY CONTRACTING COMMAND
4505 MARTIN ROAD
REDSTONE ARSENAL, AL 36898-5000

APR 16 2024

AMCC-IR (RN 11-7a)

MEMORANDUM FOR Internal Review and Audit Compliance Office, Headquarters, U.S. Army Materiel Command, 4400 Martin Road, Redstone Arsenal, AL 35898-5000

SUBJECT: U.S. Department of Defense Inspector General (DoDIG) Audit Draft Report Project No. D2023-D000AX-0116.001 (CUI) Management Advisory: Audit of Remote Maintenance and Distribution Cell-Ukraine Restructuring Contract Invoice Oversight

1. Reference. OoDIG Audit Draft Report (CUI) "Management Advisory: Audit of Remote Maintenance and Distribution Cell-Ukraine Restructuring Contract Invoice Oversight" (Project Number D2023-D000AX-0116.001)
2. The Commanding General, U.S. Army Contracting Command (ACC) has reviewed and endorses the subject draft report and responses provided by the Executive Director ACC-Detroit Arsenal (OTA). Detailed comments are enclosed. (Recommendations 1a-1e)
3. The ACC point of contact for this memorandum is [REDACTED]

End

A handwritten signature in blue ink, appearing to read "Christine A. Beeleer".

CHRISTINE A. BEELEER
Brigadier General, USA
Commanding

(U) Office Of the Assistant Secretary of The Army Acquisition Logistics and Technology (cont'd)



DEPARTMENT OF THE ARMY
UNITED STATES ARMY CONTRACTING COMMAND-DETROIT ARSENAL
6501 EAST 11 MILE ROAD
DETROIT ARSENAL, MICHIGAN 48397-5000

CCTA

MEMORANDUM THRU Internal Review and Audit Compliance Office ([REDACTED]), Army Contracting Command, 4505 Martin Road, Redstone Arsenal, AL 35898

FOR Department of Defense Inspector General, Office of the Deputy Auditor General, Acquisition, Contracting, Supply and Sustainment, 4800 Mark Center Drive, Alexandria, VA 22350

SUBJECT: (CUI) Draft Report - Management Advisory-Audit of Remote Maintenance and Distribution Cell-Ukraine Restructuring Contract Invoice Oversight D2023-D000AX-0116.001

1. Reference DODIG Draft Report, dated 9 April 2024, subject as above.
2. We reviewed the results in the subject draft report. Army Contracting Command – Detroit Arsenal non-concurs with Recommendations 1.a – 1.e. The official reply to the recommendations is enclosed.
3. The information in the draft report requires CUI security markings.

The point of contact for this reply is [REDACTED].

Digitally signed by
COOPER,JOHN.MICHAEL [REDACTED]

Encl

JOHN M. COOPER
COL, LG
Acting Executive Director

(U) Office Of the Assistant Secretary of The Army Acquisition Logistics and Technology (cont'd)

**Army Contracting Command-Detroit Arsenal
Comments to the DODIG Audit Draft Report Titled:
Management Advisory: Audit of Remote Maintenance and Distribution
Cell-Ukraine Restructuring Contract Invoice Oversight
(Project # D2023-D000AX-0116.001)**

DoD Office of Inspector General (DODIG) OBJECTIVE: Determine whether Army contracting personnel acted in accordance with Federal and DoD policies to:

1. properly award the U.S. Army Tank-Automotive and Armaments Command (TACOM) Task Order W56HZV-23-F-0077, under Contract W56HZV-22-D-ER04 (the task order) for the maintenance of equipment at the Remote Maintenance and Distribution Cell-Ukraine (RDC-U);
2. appropriately plan for and establish controls to conduct surveillance of contractor performance; and
3. effectively monitor contractor performance.

This management advisory is the second in a series of three products related to the objective. This advisory addresses a deficiency related to Army contracting personnel not properly reviewing, before payment, contractor-submitted invoices for the task order for the maintenance of equipment at the RDC-U. The contractor submitted 64 invoices, totaling \$21.2 million, from the inception of the task order award in December 2022 until July 2023. We focused this review on the 53 labor, equipment, and travel invoices, totaling \$20 million, submitted by the contractor and paid for under the task order for the maintenance of equipment at the RDC-U.1

We previously issued Report No. DODIG-2024-041, "Management Advisory: Audit of Remote Maintenance and Distribution Cell-Ukraine Restructuring Contract Award," on January 5, 2024, which addressed the first sub-objective of our audit. In that management advisory, we reported that the Army Contracting Command (ACC) properly awarded the task order in accordance with Federal and DoD policies by adequately planning the task order and supporting the award decision. We will address the findings related to the second and third sub-objectives: surveillance controls and Army contracting personnels' efforts to monitor contractor performance beyond invoices, in our final report for this project.

DODIG CONCLUSION: Army contracting personnel made at least \$29,772.36 in improper payments on labor invoices since they did not properly review the invoices, increasing the risk that DoD funds were not effectively used. In addition, Army contracting personnel put the public's interests at risk by not actively safeguarding the Government's interests on a high risk, cost- reimbursement

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contract. Finally, Army contracting personnel did not have assurance that the \$20 million paid to the RDC-U contractor as of July 26, 2023, resulted in contractually compliant maintenance and labor services, equipment purchases, or travel. Army contracting personnel took several actions during the course of our audit to correct these deficiencies; however, those actions did not address the full set of issues identified.

ADDITIONAL FACTS: None.

RECOMMENDATIONS AND REPLIES:

For the Executive Director, Army Contracting Command - Detroit Arsenal (ACC-DTA)

Recommendation 1.a: Require Army contracting personnel to review the previously submitted equipment invoices to ensure required information was provided and if not, take appropriate action with the contractor; and implement controls to ensure that all future equipment invoices are reviewed to verify the contractor included the required elements and supporting documentation.

Command Reply: Non-Concur. The Acting Executive Director, ACC-DTA non-concurs with the recommendation.

1. Recommendations to review previously submitted 'invoices' should be directed to the Defense Contract Audit Agency (DCAA). All 'billings' under this task order, except one, are interim vouchers. IAW Defense Federal Acquisition Regulation Supplement (DFARS) Subpart 242.803(b), the Financial Management Regulation (FMR) Volume 10, Chapter 8 paragraph 3.4.8, and DCAAM 7640.1 - the DCAA Contract Audit Manual (CAM) section 6-1003, the contract auditor is the contracting officer's authorized representative to receive and approve interim vouchers for payment. Therefore, the cognizant auditor responsible for this task order's interim voucher approvals should determine if previously submitted interim vouchers need further review and if the vouchers contained the required information for approval and payment.

2. The proper regulatory controls are in place to ensure future vouchers are reviewed and contain the proper elements and supporting documentation. No future 'billings' will be on invoices, instead 'billings' will be on vouchers since all remaining work is requirements on cost type Contract Line Items (CLINs).

a. This is a Cost-Plus Fixed-Fee (CPFF) task order. All CLINs on this task order are cost type CLINs except one, which was the only billed and paid on a true 'invoice'. Reimbursement of costs on interim vouchers is considered contract financing as defined in Federal Acquisition Regulation (FAR) Subpart 32.001 (see contract financing definition, subparagraph (1)(vi)). Reimbursement of costs on interim vouchers are considered provisional since all are subject to a later

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audit of actual costs incurred (see DFARS Subpart 242.803(b)(i)(B)) conducted by DCAA IAW the CAM.

b. Acknowledging the need to use common terminology, the report uses 'invoice' to refer to both invoices and vouchers. However, it improperly cites findings against contract requirements for invoices while overlooking voucher requirements and cost controls. Contract financing does not include invoice payments (see FAR Subpart 32.001, contract financing definition, subparagraph (2)(i)). Therefore, per the FAR and the actual contractual agreement itself, invoice requirements in the contract/order and the Contracting Officer Designation letter do not apply to vouchers requesting reimbursement of costs. Instead, the applicable contract requirements (which require contractor controls and enable Government controls) are found in Appendix A of this response.

c. The Department of Defense (DoD) controls for cost-type contracts are in place and being executed for this contract/order. These controls collectively ensure transparency, compliance, and effective management of the contractor's financial practices on DoD contracts. However, the report failed to acknowledge these controls. Instead, it treated all 'billings' as invoices, incorrectly expecting voucher review processes to mirror invoice review processes. In broad terms, the regulatory cost controls in place and being executed encompass several aspects of administration, including:

(1) Accounting System Requirements: The contract requires the contractor to have an adequate accounting system. This business system: is audited by DCAA to determine adequacy and compliance with the clause at 252.242-7005; subject to approval by the Defense Contract Management Agency's (DCMA's) Division Administrative Contracting Officer (DACO) and/or Corporate ACO (CACO) IAW DCMA procedures; and receives risk-based oversight IAW the DCAA CAM and DCMA procedures (as the Cognizant Federal Agency for this vendor).

(2) Cost Accounting Standards (CAS): The contractor's disclosure statement, which outlines their accounting practices and procedures, is subject to periodic reviews for adequacy and compliance with CAS by the DCAA and DCMA DACO and/or CACO. This statement and the corresponding compliance reviews plays a crucial role in assessing the contractor's accounting practices.

(3) Auditor receipt and approval of interim vouchers IAW DFARS Subpart 242.803(b), FMR Volume 10, Chapter 8 paragraph 3.4.8, following the procedures in the DCAA CAM section 6-1003.

(4) Completion Voucher Audit. DCAA audits the actual costs incurred, following the requirements outlined in the CAM chapter 6. This is the primary reason reimbursement of costs is considered contract financing and not an invoice payment. The audit's primary objective is to examine the contractor's cost

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representations and to express an opinion as to whether such incurred costs are reasonable, allowable, and applicable to the contract as determined under generally accepted accounting principles and applicable cost accounting standards, and not prohibited by the contract, by statute or regulation, or by previous agreement with, or decision of, the contracting officer. In addition, the auditor determines whether the accounting system remains adequate for subsequent cost determinations which may be required for current or future contracts. Findings from the audit are entered into the Contract Audit Follow Up (CAFU) tool to track to resolution. The applicable contracting officer (PCO for direct costs, CACO/DACO for indirect costs) resolves the findings with the contractor as applicable, often with auditor support. If necessary, they follow the processes to disallow costs IAW FAR Subpart 42.8 and DFARS 242.8 and levy penalties for unallowable costs IAW FAR Subpart 42.709 prior to approving the completion voucher for payment. If the Government is owed refunds, those refunds are processed as part of the completion voucher approval process.

(5) Annual Audits and settlement of indirect costs: Annual audits and the settlement of indirect costs provide insights into the contractor's accounting controls. These activities contribute to the overall risk rating and adequacy assessment of the system.

(6) Contractor business system status (including the accounting system) and CAS compliance is tracked in the Contractor Business Analysis Repository (CBAR) in the DoD's Procurement Integrated Enterprise Environment (PIEE) application.

Target Completion Date: Not Applicable

Recommendation 1.b: Require Army contracting personnel to review the previously submitted travel invoices with provided supporting documentation to ensure compliance with requirements and if not, take appropriate action with the contractor; and implement controls to ensure that Army contracting personnel review all future invoices in accordance with the terms and conditions of the contract.

Command Reply: Non-Concur. The Acting Executive Director, ACC-DTA non-concurs with the recommendation.

1. Recommendations to review previously submitted 'invoices' should be directed to the Defense Contract Audit Agency (DCAA). All 'billings' under this task order, except one, are interim vouchers. IAW DFARS Subpart 242.803(b), the FMR Volume 10, Chapter 8 paragraph 3.4.8, and DCAAM 7640.1 - the DCAA CAM section 6-1003, the contract auditor is the contracting officer's authorized representative to receive and approve interim vouchers for payment. Therefore, the cognizant auditor responsible for this task order's interim voucher approvals

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should determine if previously submitted interim vouchers need further review and if the vouchers contained the required information for approval and payment.

2. The proper, regulatory controls are in place to ensure future vouchers are reviewed and contain the proper elements and supporting documentation. No future 'billings' will be on invoices, instead 'billings' will be on vouchers since all remaining work is requirements on cost type Contract Line Items (CLINS).

a. This is a CPFF task order. All CLINS on this task order are cost type CLINS except one, which was the only billed and paid on a true 'invoice'. Reimbursement of costs on interim vouchers is considered contract financing as defined in FAR Subpart 32.001 (see contract financing definition, subparagraph (1)(vi)). Reimbursement of costs on interim vouchers are considered provisional since all are subject to a later audit of actual costs incurred (see DFARS Subpart 242.803(b)(i)(B)) conducted by DCAA IAW the CAM.

b. Acknowledging the need to use common terminology, the report uses 'invoice' to refer to both invoices and vouchers. However, it improperly cites findings against contract requirements for invoices while overlooking voucher requirements and cost controls. Contract financing does not include invoice payments (see FAR Subpart 32.001, contract financing definition, subparagraph (2)(i)). Therefore, per the FAR and the actual contractual agreement itself, invoice requirements in the contract/order and the Contracting Officer Designation letter do not apply to vouchers requesting reimbursement of costs. Instead, the applicable contract requirements (which require contractor controls and enable Government controls) are found in Appendix A of this response.

c. The DoD controls for cost-type contracts are in place and being executed for this contract/order. These controls collectively ensure transparency, compliance, and effective management of the contractor's financial practices on DoD contracts. However, the report failed to acknowledge these controls. Instead, it treated all 'billings' as invoices, incorrectly expecting voucher review processes to mirror invoice review processes. In broad terms, the regulatory cost controls in place and being executed encompass several aspects of administration, including:

(1) Accounting System Requirements: The contract requires the contractor to have an adequate accounting system. This business system: is audited by DCAA to determine adequacy and compliance with the clause at 252.242-7005; subject to approval by the DCMA's DACO and/or CACO IAW DCMA procedures; and receives risk-based oversight IAW the DCAA CAM and DCMA procedures (as the Cognizant Federal Agency for this vendor).

(2) Cost Accounting Standards (CAS): The contractor's disclosure statement, which outlines their accounting practices and procedures, is subject to periodic reviews for adequacy and compliance with CAS by the DCAA and

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DCMA DACO and/or CACO. This statement and the corresponding compliance reviews plays a crucial role in assessing the contractor's accounting practices.

(3) Auditor receipt and approval of interim vouchers IAW DFARS Subpart 242.803(b), FMR Volume 10, Chapter 8 paragraph 3.4.8, following the procedures in the DCAA CAM section 6-1003.

(4) Completion Voucher Audit. DCAA audits the actual costs incurred, following the requirements outlined in the CAM chapter 6. This is the primary reason reimbursement of costs is considered contract financing and not an invoice payment. The audit's primary objective is to examine the contractor's cost representations and to express an opinion as to whether such incurred costs are reasonable, allowable, and applicable to the contract as determined under generally accepted accounting principles and applicable cost accounting standards, and not prohibited by the contract, by statute or regulation, or by previous agreement with, or decision of, the contracting officer. In addition, the auditor determines whether the accounting system remains adequate for subsequent cost determinations which may be required for current or future contracts. Findings from the audit are entered into the CAFU tool to track to resolution. The applicable contracting officer (PCO for direct costs, CACO/DACO for indirect costs) resolves the findings with the contractor as applicable, often with auditor support. If necessary, they follow the processes to disallow costs IAW FAR Subpart 42.8 and DFARS 242.8 and levy penalties for unallowable costs IAW FAR Subpart 42.709 prior to approving the completion voucher for payment. If the Government is owed refunds, those refunds are processed as part of the completion voucher approval process.

(5) Annual Audits and settlement of indirect costs: Annual audits and the settlement of indirect costs provide insights into the contractor's accounting controls. These activities contribute to the overall risk rating and adequacy assessment of the system.

(6) Contractor business system status (including the accounting system) and CAS compliance is tracked in the Contractor Business Analysis Repository (CBAR) in the DoD's PIEE application.

Target Completion Date: Not Applicable

Recommendation 1.c: Implement controls to ensure that Army contracting personnel maintain invoices and associated supporting documentation with a sufficient level of detail to clearly and independently support payment as required by the Financial Management Regulation.

Command Reply: Non-Concur. The Acting Executive Director, ACC-DTA non-concurs with the recommendation.

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1. As described in the reply to Recommendations 1a & 1b above, proper controls are in place but were not evaluated or improperly evaluated as part of the report's findings and recommendations. The accounting system, CAS compliance, and disclosure statements approval and oversight processes are the primary controls to ensure that supporting documentation is of sufficient detail to support contract financing required by the FMR. Any findings to the contrary should be directed to the cognizant contracting officer IAW DFARS Subpart 242.7502(b), which for this vendor is resident in the DCMA, and to the DCAA who audited the accounting system prior to its approval. Furthermore, the DCAA reviews the interim vouchers IAW their procedures before disbursement of contract financing.

2. In developing this recommendation, the report identified that "Army Contracting Personnel could not explain numerous elements on paid invoices without first contacting the contractor" and used a sample of a voucher that specified indirect rates to highlight the finding. The report's finding is mistaken for several reasons.

a. The report states Army contracting personnel accepted, approved, and paid non-compliant labor invoices. They did not. First, these were not non-compliant invoices, but interim vouchers and therefore different regulatory requirements apply. Second, the contract auditor accepted and approved the interim vouchers IAW the DCAA CAM, and the Defense Finance and Accounting (DFAS) executed the payments per their processes. Both the DCAA and DFAS have their own controls and processes.

b. It includes Contracting Officer Representatives (CORs) as 'Army Contracting Personnel' when they are not. CORs are part of the Requiring Activity, not Contracting Office. CORs primarily perform technical monitoring of contractor performance of contract technical requirements, they are technical specialists, not contracting specialists. Therefore, they would not understand the elements of indirect costs the report cited or how they are calculated. They don't understand that the DCMA cognizant ACO (not Army contracting) negotiates and settles indirect rates for this contractor's business segment or the process by which that occurs, nor are they expected to understand these processes as technical monitors. This inappropriate finding actually highlights why it is DoD Regulatory Policy that the contract auditor is the contracting officer's representative to review and approve interim vouchers, not the COR. It is not reasonable that in this case, a logistics management specialist designated as a COR should perform a function that is regulatorily reserved for the DoD's accountants (the DCAA).

Target Completion Date: Not Applicable

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Recommendation 1.d: Require Army contracting personnel to continue to take action to recoup the additional overpayments until the Government is made whole.

Command Reply: Non-Concur. The Acting Executive Director, ACC-DTA non-concurs with the recommendation. Except for one invoice (Invoice FFP001/1-00134707), contract financing on the interim vouchers is considered provisional IAW DFARS 242.803 and subject to the incurred cost audit. During that process, the annual settling of indirect rates, and the approval of the completion voucher, any 'overpayments,' if they occurred, will be recouped. This is the established process per the FAR and DFARS and no additional processes will be employed.

The finding that the contractor billed twice for the same work performed should be directed to the DCAA and DCMA DACO (cognizant DCMA contracting Officer). The contractor's approved accounting system (audited by DCAA and approved by DCMA) should have controls to prevent that as required by the clause at 252.242-7005. Furthermore, as stated earlier, the contract auditor, not Army contracting personnel, received and approved the interim vouchers.

Target Completion Date: Not Applicable

Recommendation 1.e: Implement controls to ensure that Army contracting officers administer contracts in accordance with the terms of the contract and established best practices.

Command Reply: Non-Concur. The Acting Executive Director, ACC-DTA non-concurs with the recommendation.

1. Controls are in place, and effectively executed. In accordance with AFARS Appendix CC, Army Contracting Command has implemented a robust Procurement Management Review (PMR) Program. The PMR Program is the key internal control assessment tool for the Army and its contracting mission. See excerpts below:

"AFARS CC-201 Policy. (a) The Army PMR Program will assess the effectiveness of internal controls at both the contracting activity level and on a strategic, enterprise-wide basis."

"AFARS CC-201 Policy. (d) The PMR Program will identify elevated risks to the achievement of contracting strategic objectives and compliance with acquisition policies and procurement regulations. The key internal controls, strategic control assessments, and other PMR Program outputs will be used to identify improvements to contracting operations.

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2. As the key internal control for contract execution, the ACC PMR program assesses compliance with FAR and supplement requirements, assesses the subordinate organizations annual Self Assessment Review (AFARS CC-201(c)), includes identification of risks and severity of risks, requires a Corrective Action Plan (CAP) based on risk, includes validations of CAPs, includes regular reporting to leaders, and produces an annual summary health report provided to the DASA(P). This multi-level oversight program is Army Contracting Command's internal control to oversee contract execution. Additional controls are not required based on findings in this report.

Target Completion Date: Not Applicable

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Appendix A

Recommendation 1.a and 1.b: DoD Office of Inspector General Project No. D2023-D000AX-0116.001 Management Advisory: Audit of Remote Maintenance and Distribution Cell–Ukraine Restructuring Contract Invoice Oversight

1. This appendix provides the listing of contract requirements surrounding cost controls and reimbursement of costs in support of the response to findings (see paragraph 2b)

2. Contract W56HZV-22-D-ER04 requirements:

| SECTION | TITLE |
|---------|-----------------------------------------------------------------------------------|
| A.8 | Adequacy of Accounting System |
| F. 5. | Performance Standards subpart F.5.2 |
| G.1 | 252.232-7006 Wide Area Workflow Payment Instructions (see (f)(1)(i)) |
| G.2 | Billings under Cost-Plus-Fixed-Fee (CPFF) Task Orders |
| I-92 | 52.230-6 Administration of Cost Accounting Standards |
| I-97 | 52.232-17 Interest |
| I-99 | 52.232-20 Limitations of Cost |
| I-101 | 52.232-25 Prompt Payment |
| I-129 | 52.242-1 Notice of Intent to Disallow Costs |
| I-131 | 52.242-3 Penalties for Unallowable Costs. |
| I-132 | 52.242-4 Certification of Final Indirect Costs |
| I-176 | 252.204-7006 Billing Instructions-Cost Vouchers |
| I-208 | 252.231-7000 Supplemental Cost Principals |
| I-209 | 252.232-7003 Electronic Submission of Payment Requests and Receiving Reports |
| I-217 | 252.242-7004 Material Management and Accounting System |
| I-218 | 252.242-7005 Contractor Business Systems |
| I-219 | 252.242-7006 Accounting System Administration |
| I-231 | 52.216-7 Allowable Cost and Payment |
| I-269 | 52.230-2 Cost Accounting Standards |
| I-270 | 52.230-3 Disclosure and Consistency of Cost Accounting Practice |
| I-271 | 52.230-4 Disclosure and Consistency of Cost Accounting Practices-Foreign Concerns |

3. Task Order W56HZV-22-D-ER04/W56HZV23F0077 requirements:

| SECTION | TITLE |
|---------|----------------------------------------------------------------------|
| G-1 | 252.232-7006 Wide Area Workflow Payment Instructions (see (f)(1)(i)) |
| G.1 | Invoices |

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| | |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | Note – this states “invoices” not “voucher” |
| G.100.1 | DFAS Payment Instructions 52.212-4 (Alt I) Contract Terms and Conditions Commercial Items; 52.216-7, Allowable Cost and Payment; 52.232-7, Payments under Time-and-Materials and Labor-Hour Contracts |
| I-31 | 252.232-7002 Progress Payments for Foreign Military Sales Acquisitions |

(U) Acronyms and Abbreviations

| | |
|----------------|---------------------------------------------------|
| ACC | Army Contracting Command |
| ACC-DTA | ACC-Detroit Arsenal |
| ACO | Administrative Contracting Officer |
| COR | Contracting Officer's Representative |
| DCAA | Defense Contract Audit Agency |
| DCMA | Defense Contract Management Agency |
| DFARS | Defense Federal Acquisition Regulation Supplement |
| FAR | Federal Acquisition Regulation |
| PMR | Procurement Management Review |
| QASP | Quality Assurance Surveillance Plan |
| RDC-U | Remote Maintenance and Distribution Cell-Ukraine |
| TACOM | U.S. Army Tank-Automotive and Armaments Command |
| WAWF | Wide Area Workflow |

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