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Audit of the Bureau of South and Central Asian Affairs Invoice Review Process for the Afghanistan Life Support Services Contract

MIDDLE EAST REGION OPERATIONS

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June 2017

OFFICE OF AUDITS, Middle East Region Operations



OIG HIGHLIGHTS

AUD-MERO-17-47

What OIG Audited

In Afghanistan, the Department of State (Department) is responsible for providing life support services—such as food services and fire protection—to U.S. Government Chief of Mission personnel. The services are provided through the Afghanistan Life Support Services (ALiSS) contract. ALiSS is a multiple award Indefinite Delivery Indefinite Quantity contract with a ceiling value of \$750 million and a 5-year period of performance (1 base and 4 option years). It is executed through a series of task orders for specific services. The contract is funded and managed by the Bureau of South and Central Asian Affairs (SCA).

The Office of Inspector General (OIG) conducted this audit to determine whether (1) SCA is following Federal requirements, Department guidance, and its own standard operating procedures when reviewing ALiSS contract invoices; (2) contract oversight by SCA has been effective; and (3) SCA has assigned sufficient numbers of qualified staff members to oversee the ALiSS contract.

What OIG Recommends

OIG made two recommendations to SCA. The first is intended to improve the clarity of quality assurance reports that are used to evaluate contractor performance. The second is intended to develop invoice review training for incoming ALiSS contracting officer's representatives (COR) to prepare newly assigned staff members for this important oversight role.

SCA concurred with both recommendations OIG offered. A synopsis of each response and OIG's reply is presented in the Audit Results section of this report. SCA's comments to a draft of this report are reprinted in Appendix B.

Audit of the Bureau of South and Central Asian Affairs Invoice Review Process for the Afghanistan Life Support Services Contract

What OIG Found

SCA is following Federal requirements, Department guidance, and its own standard operating procedures to process ALiSS invoices that support contingency operations in Afghanistan. Specifically, SCA is using a three-phase invoice review process for cost reimbursable invoices in which it consults with Department subject matter experts on price reasonableness, conducts a review of draft invoices before formal submission, and conducts a final review before authorizing payment. The invoice review process is documented and has established internal controls that comply with applicable invoice review requirements.

SCA's oversight has been effective and has allowed the bureau to identify and resolve performance issues. OIG's review of delivery inspections, food service operations reviews, safety inspections, and quality assurance reports showed that CORs are verifying receipt of services and assessing whether they meet contractual requirements. OIG also noted that the CORs reduced invoice payments when contractual requirements were not being fulfilled. However, OIG also found that the reporting format for the food services task order can be improved by specifying and reporting individual performance standards. Specifically, the quality assurance reports that CORs currently prepare and submit provide an overall performance assessment but do not address each of the 19 individual performance standards contained in the food services quality assurance plan. Including the individual performance standards is important to ensure that each performance standard is satisfactorily achieved and any identified deficiencies are addressed.

Further, SCA currently has enough qualified staff members at Embassy Kabul to oversee the ALiSS contract and to manage the invoice review workload. However, SCA has not established invoice review training to prepare less experienced CORs who may be assigned to Embassy Kabul in the future. Establishing such training is important to ensure that new CORs assigned to oversee the ALiSS contract are fully prepared and familiar with the unique features of the contract.

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OBJECTIVE

The Office of Inspector General (OIG) conducted this audit to determine whether (1) the Bureau of South and Central Asian Affairs (SCA) is following Federal requirements, Department of State (Department) guidance, and its own standard operating procedures (SOP) when reviewing Afghanistan Life Support Services (ALiSS) contract invoices; (2) contract oversight by SCA has been effective; and (3) SCA has assigned sufficient numbers of qualified staff to oversee the ALiSS contract.

This is the second in a series of audit reports assessing the invoice review process used to support overseas contingency operations. In March 2017, OIG issued a report on the Bureau of Near Eastern Affairs invoice review policies and procedures used to support overseas contingency operations in Iraq.¹ Upcoming reports will address the invoice review process employed by the Bureaus of Diplomatic Security and International Narcotics and Law Enforcement Affairs.

This audit was limited to SCA's invoice review practices. See Appendix A of this report for the purpose, scope, and methodology of this audit. OIG is currently conducting a separate incurred cost audit that is examining invoices approved by SCA between November 2015 and December 2016. That audit is designed to determine whether contractor-billed costs associated with the ALiSS contract were allowable, allocable, reasonable, and properly supported. OIG anticipates the final audit report will be issued in September 2017.

BACKGROUND

SCA is responsible for U.S. foreign policy and diplomatic relations in 13 countries, including Afghanistan, constituting the area the Department defines as south and central Asia. In Afghanistan, the Department is responsible for providing life support services to U.S. Government Chief of Mission personnel, including embassy staff, Office of Security Cooperation personnel, some contractor personnel, and other U.S. Government operations and facilities within Afghanistan. The ALiSS contract, which provides services to the above-mentioned population, includes food operations and logistics, fire protection, medical services, Regional Security Office support,² warehouse operations, and miscellaneous support services. Afghanistan is the only country for which SCA contracts for life support services. Other support to Chief of Mission personnel, specifically operations and maintenance support such as electric power generation, is provided under a separate contract managed by the Bureau of Overseas Buildings Operations, Office of Facilities Management.

¹ OIG, *Aspects of the Invoice Review Process Used by the Bureau of Near Eastern Affairs to Support Contingency Operations in Iraq Need Improvement* (AUD-MERO-17-33), March 2017.

² The Regional Security Office task order is in support of the Bureau of Diplomatic Security, which funds and manages it, accounting for 5 percent of the value of all the task orders.

This is OIG's first audit of SCA contract management in Afghanistan. However, OIG previously audited the invoice review and contract management practices of other bureaus and offices supporting overseas contingency operations. These reviews resulted in six audit reports issued between October 2014 and April 2016 that collectively questioned \$35.6 million in costs. Other recent OIG reports on contingency contract oversight also found a lack of performance metrics to hold contractors accountable when their work does not meet contract requirements. Appendix A contains further details on these reports.

Afghanistan Life Support Services Contract (ALiSS)

In September 2014, the Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, awarded the ALiSS contract on behalf of SCA. ALiSS is a multiple award Indefinite Delivery Indefinite Quantity contract with a ceiling value of \$750 million and a 5-year period of performance (1 base and 4 option years). It is executed through a series of task orders for specific services. Services are provided at the Kabul Embassy Complex and at embassy facilities known as Camp Seitz, Camp Sullivan, and Camp Alvarado. As of February 2017, eight task orders, valued at more than \$290 million, had been awarded to two contractors, DynCorp International Inc. (DynCorp) and Global Development Support Services, LLC (GDSS).³ Performance is underway on task orders 1 through 7; task order 8 has been awarded but performance had not started as of February 2017. Table 1 summarizes the task orders.

Table 1: ALiSS Task Order Summary, as of February 22, 2017

| Task Order | Service | Contractor | Value Including All Option Years |
|--------------|--|------------|----------------------------------|
| 1 | Food Services | DynCorp | \$191,894,265.27 |
| 2 | Program Executive Office Services | DynCorp | \$11,373,194.44 |
| 3 | Medical Services | GDSS | \$53,809,152.70 |
| 4 | Program Executive Office Services | GDSS | \$5,857,044.97 |
| 5 | RSO Support Services | DynCorp | \$13,677,367.23 |
| 6 | Waste Management | DynCorp | \$2,468,668.78 |
| 7 | Fire Protection Services | GDSS | \$10,125,020.05 |
| 8 | Morale, Welfare, Recreation and Warehouse Services | DynCorp | \$1,359,335.55 |
| Total | | | \$290,564,048.99 |

Source: OIG generated on the basis of an analysis of ALiSS contract data provided by SCA staff in Kabul, Afghanistan.

ALiSS Contract Administration and Oversight Responsibilities

The Bureau of Administration, Office of Logistics Management, Office of Acquisitions Management, is responsible for the award and administration of the ALiSS contract. According

³ DynCorp states that it provides defense and technical services primarily to U.S. Government agencies. GDSS is a joint venture between SallyPort, Michael Baker, IAP, and Constellis. As discussed in this report, GDSS's contract was terminated in February 2017 and its task orders are being transitioned to DynCorp. The DynCorp contract number is SAQMAA-14-R-0042; the GDSS contract number is SAQMAA-14-R-00152.

to the Federal Acquisition Regulation (FAR), contracting officers (CO) are responsible for awarding, negotiating, administering, modifying, terminating, and making related contract determinations and findings on behalf of the U.S. Government.⁴ In addition to having a leading role in determining the ALiSS contract requirements and funding the ALiSS contract award, SCA is responsible for performing oversight of ALiSS contracted services, including nominating contracting officer's representatives (COR) and alternate CORs (ACOR).⁵

CORs and ACORs are required to have Federal Acquisition Certification⁶ and to possess sufficient technical expertise on the contract subject matter to perform effective oversight.⁷ Program offices are responsible for determining the required level of technical expertise and nominating qualified CORs for the CO's consideration. Collectively, CORs and ACORs serve as the eyes and ears for the CO to ensure that the Department receives high-quality supplies and services on time, at the agreed-upon price, and in accordance with all contract requirements.

SCA currently has three CORs at Embassy Kabul who perform the various oversight duties for the ALiSS contract task orders. The CORs, who are Department civil service employees rather than Foreign Service Officers, are dedicated full time to overseeing the ALiSS contract. SCA Kabul does not currently employ any voucher examiners to assist the CORs in reviewing invoices.⁸ COR oversight duties include performing inspections to ensure that goods and services are delivered and performed in accordance with contractual requirements, conducting invoice reviews, and advising the CO on occurrences of unsatisfactory performance or factors that may cause a delay in performance. Furthermore, CORs serve as ACORs for one another so that oversight efforts continue during rest and recuperation leave, home leave, or other transition periods. The CO is also responsible for designating ACORs to assist in the discharge of COR duties when the COR is unable to directly oversee the work.

⁴ FAR 1.602, Contracting Officers.

⁵ Under the Department of State Acquisition Regulation, 48 CFR 642.270, the CO may designate a COR to act as his or her authorized representative to assist in the administration of contracts. In addition, one or more ACORs may be designated to assist the COR.

⁶ The Office of Management and Budget, Office of Federal Procurement Policy, "Revisions to the Federal Acquisition Certification for Contracting Officer's Representatives," September 6, 2011, states "The purpose of the Federal Acquisition Certification for Contracting Officer's Representatives is to establish general training, experience, and development requirements for CORs in civilian agencies that reflect the various types of contracts they manage." These requirements also extend to ACORs.

⁷ Language in 14 FAH-2, H-113, "Qualifying as a COR: Federal Acquisition Certification: Contracting Officer's Representative," requires CORs to have sufficient technical expertise in the contract subject matter to be able to provide technical direction and to determine whether the contractor is providing conforming goods and services.

⁸ Some bureaus use invoice reviewers or voucher examiners to assist CORs in reviewing invoices. For example, the Bureau of Near Eastern Affairs uses invoice reviewers to conduct a detailed review of the invoice. Upon completion, the invoice reviewer forwards the invoice package with a recommendation for approval, rejection, or partial payment to the COR. However, the Bureau of International Narcotics and Law Enforcement Affairs uses voucher examiners to support the CORs with invoice review. The examiners perform initial reviews of the invoices to ensure they are complete and note any discrepancies for the CORs.

Federal Regulations and Department Guidance Regarding Invoice Reviews

The Federal regulations and Department guidance that govern SCA's invoice review process for the ALiSS contract are the Federal Acquisition Regulation (FAR), the Department's Foreign Affairs Manual (FAM), and SCA's April 2015 Contract Invoice Review SOP.⁹

Federal Acquisition Regulation

The FAR states that payment will be based on receipt of a proper invoice and satisfactory contract performance.¹⁰ Specifically, a proper invoice must include the following:

- Name and address of the contractor
- Invoice date and invoice number. (Contractors should date invoices as close as possible to the date of mailing or transmission.)
- Contract number or other authorization for supplies delivered or services performed (including order number and contract line item number)
- Description, quantity, unit of measure, unit price, and extended price of supplies delivered or services performed
- Shipping and payment terms (for example, shipment number and date of shipment, discount for prompt payment terms). Bill of lading number and weight of shipment will be shown for shipments on Government bills of lading.
- Name and address of contractor official to whom payment is to be sent (must match the contract or proper notice of assignment)
- Name, title, phone number, and mailing address of person to notify in the event of a defective invoice
- Contractor's taxpayer identification number, if required by agency procedures
- Electronic fund transfer banking information
- Any other information or documentation required by the contract

The FAR also requires payments within 30 days after the designated billing office receives a proper invoice, unless otherwise specified in the contract, if discounts are not taken and if accelerated payment methods are not used.¹¹

Foreign Affairs Manual

The Department's policy for processing vouchers, including the processes for receiving, sorting, approving, and examining vouchers, is contained in 4 FAM 420, *Voucher Examination*. This

⁹ The ALiSS contract is currently the only one under SCA's purview in which the April 2015 Contract Invoice Review SOP is used to perform oversight and manage invoice processing.

¹⁰ FAR 32.905, Payment Documentation and Process.

¹¹ FAR 32.904, Determining Payment Due Dates.

section of the FAM references guidance from the Government Accountability Office that states, “[P]repayment examination consists of checking for proper, legal, and correct payment and for proper supporting documentation.”

The FAM explains that a certifying officer may make payment only after obtaining approval of the voucher from an officer having knowledge of the receipt of the goods or services covered by the voucher. This approval shall be in the form of a signature on the voucher, the invoice, or the documents attached to the voucher.¹²

SCA Invoice Review Process and Procedures for the ALiSS Contract

The ALiSS invoice review SOP describes the roles and responsibilities of the different entities involved in the invoice review process and invoice procedures. According to the SOP, SCA Kabul is responsible for managing invoice processing, tracking contract expenditures by contract line item, and validating individual charges. The SOP details the invoice review process and explains the steps from the time of invoice submission through the receipt of final approval and payment. To minimize the administrative tasks associated with invoice processing, the contractors provide the ALiSS COR draft copies of invoices before official submission. The COR (or ACOR in the COR's absence) reviews the draft invoice and addresses any questions or discrepancies with the contractor. Upon clarification, the COR or ACOR notifies the contractor to submit the invoice.

The invoice review and approval process begins when the contractor submits a complete and proper invoice to the Bureau of the Comptroller and Global Financial Services, Office of Claims, in Charleston, SC. Upon receiving the invoice, the Office of Claims reviews it to ensure it meets the requirements of a proper invoice. Personnel at the Office of Claims enter the information into the Global Financial Management System¹³ by creating a vendor invoice document number and generating an approval form that corresponds with that number.

The Office of Claims then forwards the invoice, the supporting documents, and the invoice approval form to the financial management office within the Executive Office of the Bureau of Near Eastern Affairs and South and Central Asian Affairs (NEA-SCA/EX/FM), which logs the invoice data on an ALiSS Control Sheet¹⁴ and forwards the invoice to the appropriate COR as well as the designated NEA-SCA budget analyst. As part of the review process, once the COR or ACOR determines that the invoice is proper and accurate, the individual services within that invoice are verified and either approved or rejected. The COR reviews the invoice and either approves or rejects the invoice and forwards the invoice, the supporting documents, and the invoice approval form to NEA-SCA/EX/FM. If the invoice is approved for payment, the COR completes the approval form. If the invoice is rejected, the COR identifies a reason for the rejection. When the invoice is approved, NEA-SCA/EX/FM reviews the fiscal data provided by the COR on the approval form and ensures funds are available in the Global Financial Management

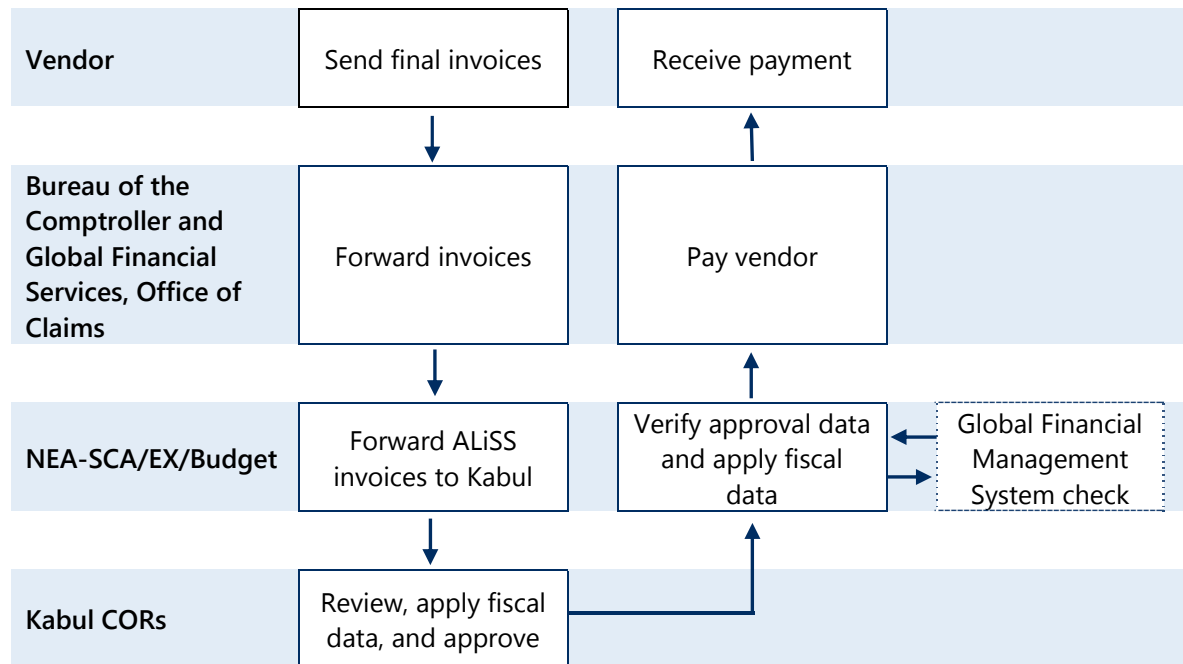
¹² 4 FAM 424, Voucher Approval.

¹³ The Global Financial Management System is used by the Department to monitor spending, support buying of goods and services and vendor payments, and verify data accuracy.

¹⁴ The control sheet shows the date the invoice is received, invoice date, number, amount, and date sent to the COR.

System. If the approval form is completed correctly and funds are available, NEA-SCA/EX/FM forwards the invoice, the supporting documents, and the invoice approval form to the Office of Claims for payment. For each cost reimbursable invoice, the CORs also use a checklist to guide their review. Figure 1 describes the ALiSS invoice review process employed by SCA.

Figure 1: ALiSS Invoice Review Process



Source: OIG prepared on the basis of ALiSS invoice process procedures described by SCA Kabul staff.

In addition to the steps outlined above, the SOP contains an Invoice Processing Checklist for cost reimbursable invoices that the CORs and ACORs are required to complete when reviewing invoices. The checklist is designed to help the COR reviewing the invoice keep track of the progress of this review to ensure that each review process step is completed.

AUDIT RESULTS

Finding A: SCA Is Reviewing Invoices in Accordance with Federal Regulations, Department Guidance, and SCA’s Standard Operating Procedures

SCA is following Federal requirements, Department guidance, and its own SOP to process ALiSS invoices that support contingency operations in Afghanistan. To assess whether SCA was following all applicable invoice review requirements, OIG selected a group of 38 invoices totaling almost \$46 million that were reviewed and approved by SCA CORS in Kabul from April to December 2016. The ALiSS invoices included a combination of firm-fixed-price and cost reimbursable contract elements, with cost reimbursable invoices requiring more detailed review than firm-fixed-price invoices. For cost reimbursable invoices, SCA Kabul uses a three-phase

review process that includes: (1) consulting with Department subject matter experts on price reasonableness, (2) reviewing draft invoices for mistakes or other concerns such as a lack of supporting documentation prior to formal submission, and (3) conducting a final review before authorizing the invoice for payment. The invoice review process is documented and has established internal controls that comply with applicable invoice review requirements.

ALiSS Invoices Include Firm-Fixed-Price and Cost Reimbursable Contract Line Items

The ALiSS contract consists of a combination of firm-fixed-price and cost reimbursable elements. Firm-fixed-price invoices are generally for labor, housing, and services such as operating dining and medical facilities. Cost reimbursable invoices are for supplies, equipment, and food to be served in the dining facilities, travel, and other variable contract costs. For cost reimbursable invoices, the contractor includes the supporting documentation specified in the contract.

The proportion of firm-fixed-price and cost reimbursable elements varies by task order. For example, for the food services task order, 92 percent of contract line items for the period February 2016 through February 2017 were cost reimbursable (these line items primarily addressed food costs). In contrast, for the medical services task order, 91 percent of contract line items for the period June 2016 through June 2017 are firm-fixed-price (these line items primarily addressed labor costs for the medical facilities).¹⁵

The proportion of firm-fixed-price elements is likely to increase for the food services task order as SCA is converting the Food Supplies and Consumables cost element from cost reimbursable to firm-fixed-price. The CORs told OIG that the original award for the food services task order was cost reimbursable for food and consumables because of high uncertainty regarding the logistic supply chain and the availability of commercial sources. After 18 months' experience in country and the establishment of competitive commercial sources, SCA concluded that it could convert Food Supplies and Consumables to a firm-fixed-price. With the change to firm-fixed-price, the risk of fluctuations in food cost and transportation rests solely on the contractor. If service or quality decreases, the CORs believe that they can adequately address performance issues in accordance with the inspection clause and remedies allowable under the FAR.

SCA Kabul Uses a Three-Phase Process in Reviewing Cost Reimbursable Invoices

SCA Kabul has developed a three-phase process for reviewing cost reimbursable invoices. These phases include (1) subject matter expert reviews of contractor proposed equipment and prices,

¹⁵ Task order periods of performance vary on the basis of when task orders were awarded.

(2) a review of draft invoices and their supporting documentation, and (3) a final review of the official invoice submitted for payment.¹⁶ These three phases are outlined in detail below.

- Phase I is the contractor's initial submission of materials needed to carry out the task order requirements. In phase I, the contractor's proposed quantities, price, and vendors are vetted either through the COR or cleared with the Department subject matter experts. For example, the Department's Bureau of Medical Services is the clearing agency for medical service requirements and the Bureau of Overseas Buildings Operations is the clearing agency for fire protection services. Clearing bureaus verify all aspects of material purchases, including reasonable price, and submit their recommendations to the CORs. If the clearing bureaus identify alternatives that are more cost effective and still fill the contractor's needs, they will include those alternatives in their recommendations. If changes to the contractor's proposals are required, the proposals are returned to the contractor for modifications.
- Phase II of the invoice review process entails a preliminary review of draft invoices and does not constitute formal approval of an invoice. In this phase, the CORs review a draft copy of the invoice that the contractor submits. Quantities, pricing and vendors on the draft invoice are compared to the contractor's initial submission and to supporting documentation to confirm pricing is as initially proposed without significant cost variances. According to the CORs involved with reviewing the draft invoices, they have noticed a decrease in errors in the contractors' invoice submission since implementing this draft invoice review phase.
- Phase III of the invoice review process involves the official invoice submission. As described earlier, the contractors submit invoices to the Office of Claims, which forwards them to NEA-SCA/EX/FM, which in turn provides them to the applicable COR for review. The final invoice package is generally smaller than the draft invoice package that the COR reviewed during phase II of the review process because it usually does not include the supporting documentation that was previously submitted. The CORs told OIG that they have generally not found discrepancies between phase II and phase III reviews. However, one COR stated that if a discrepancy does occur, he can request clarification and additional documentation from the contractor. A COR who rejects an invoice fills out a form stating the reason or reasons for doing so. For example, in April 2017 the COR advised the contractor, GDSS, that a draft invoice submitted in phase II lacked

¹⁶ OIG notes that, although SCA's invoice review process includes both a review of draft and final invoices, neither phase in the review process precludes recovery of costs later found to be unallowable or unsupported during OIG audits or Defense Contract Audit Agency incurred cost audits. FAR section 42.8 addresses disallowance of costs and specifically provides that, at any time during the performance of a cost-reimbursement contract, a fixed-price incentive contract, or a contract providing for price redetermination, the CO administering the contract may issue the contractor a written notice of intent to disallow specified costs incurred or planned for incurrence as allowed by FAR 42.801, Notice of Intent to Disallow Costs. Furthermore, FAR 42.803, Disallowing Costs after Occurrence, specifies that, for cost-reimbursement contracts, the cost-reimbursement portion of fixed-price contracts, letter contracts that provide for reimbursement of costs, time-and-material, and labor-hour contracts, costs may be disallowed during the course of performance after the costs have been incurred.

supporting documentation to substantiate the charges being invoiced. When the invoice was formally submitted in phase III and still lacked supporting documentation, the COR rejected it. The COR then informed GDSS that the invoice can be reprocessed once the supporting documentation is provided.

SCA's Invoice Review Procedures Were Followed and Checklists Were Completed

To assess whether SCA was following all applicable invoice review requirements, OIG selected 38 firm-fixed-price and cost reimbursable invoices that were reviewed and approved by SCA Kabul from April to December 2016. OIG specifically examined whether SCA followed FAR subpart 32.905, Payment Documentation and Process; 4 FAM 420, Voucher Examination; and SCA's invoice review SOP for the ALiSS contract. The selected invoices were drawn from the eight ALiSS task orders¹⁷ and included invoices with a range of values from \$83 to more than \$13 million. For example, 6 invoices were more than \$1 million and 1 was more than \$13 million; 13 were between \$100,000 and \$1 million and 18 were less than \$100,000. In addition to the invoices themselves, OIG reviewed the file that accompanies each invoice. This file includes the invoice, the invoice approval form, the payment authorization form, the invoice processing checklist, and supporting documentation to substantiate the costs of the invoices.

OIG's review of the 38 invoices showed that SCA Kabul is reviewing invoices in accordance with FAR subpart 32.905, Payment Documentation and Process and 4 FAM 420, Voucher Examination, and SCA's invoice review SOP. Each invoice file contained a signed and completed payment authorization sheet, invoice approval form, and an invoice review checklist as required by SCA's invoice review SOP. Cost reimbursable invoice files also contained supporting documentation. Checklists are required for each cost reimbursable invoice and OIG's review established that checklists were completed and signed for each cost reimbursable invoice. Each invoice was reviewed within the 30-day Prompt Payment Act deadline.¹⁸ SCA Kabul paid no prompt payment interest payments on ALiSS invoices in FY 2016, which demonstrates that invoices were processed on a timely basis.

To further validate the ability of SCA's invoice review process to identify unallowable and unsupported costs, OIG is presently conducting an incurred cost audit that will examine in more depth all invoices approved between November 2015 and December 2016.

Finding B: SCA Is Effectively Overseeing the ALiSS Contract

SCA oversight of the ALiSS contract has been effective and has identified and resolved performance issues. OIG's review of delivery inspections, food service operations reviews, safety inspections, and quality assurance reports showed that CORs are verifying receipt of services and assessing whether they meet contractual requirements. OIG also noted that the CORs reduced

¹⁷ See Table 1 and accompanying text for a summary of the task orders.

¹⁸ The Prompt Payment Act requires the Government to pay all invoices within 30 days of receipt. Interest begins to accrue if invoices are not paid within this period. FAR 32.904, Determining Payment Due Dates, implements the Act's requirements.

invoice payments when contractual requirements were not being fulfilled. However, OIG also found that the reporting format for the food services task order can be improved by specifying and reporting individual performance standards. Specifically, the quality assurance reports that CORs currently prepare and submit provide an overall performance assessment but do not address each of the 19 individual performance standards contained in the food services quality assurance plan. Including the individual performance standards is important to ensure that each performance standard is satisfactorily achieved and any identified deficiencies are addressed accordingly. According to the food service COR, SCA Kabul is working to streamline quality assurance reporting across all task orders and ensure adherence to performance metrics.

Federal and Department Requirements for Verifying Contractor Performance

Requirements for verifying that services meet contract requirements are contained in the FAR, the FAM, and the Foreign Affairs Handbook (FAH). Specifically:

- FAR 46.407, "Nonconforming supplies or services," states that the CO should reject supplies or services not conforming in all respects to contract requirements; this FAR provision requires the CO to provide for an equitable price reduction or other consideration when supplies or services are accepted with critical deficiencies
- FAR 52.246-4, "Inspection of Services—Fixed-Price," allows the Government to reduce the contract price to reflect the reduced value of services performed if any of the services do not conform with contract requirements
- 14 FAM 221.6 (c), "Performance Based Statements of Work," provides that statements of work for Department performance-based service contracts should "(1) Describe work in terms of results needed"; "(2) Use measureable performance standards"; "(3) Provide for price reductions when acceptable work is not performed"; and "(4) Give contractors freedom to determine how to meet the U.S. Government's performance objectives"
- 4 FAH-3 H-423.5-1, "Purpose and Scope," states that supporting documentation is required to ensure that the goods were actually received or services actually performed
- 14 FAH-2 H-523, "Quality Assurance," states that the COR is responsible for developing quality assurance procedures, verifying whether the supplies or services conform to contract quality requirements, and maintaining quality assurance records

CORs Are Verifying Whether Contractor Performance is Meeting Contractual Requirements

OIG found that COR performance reports relating to the ALiSS task orders demonstrated that the CORs verified receipt of services and assessed whether they met contractual requirements. This is consistent with the COR's responsibility to monitor contract performance to ensure that the Department receives goods and services of the quality required by contract.

Specifically, the FAH states that the COR is responsible for developing quality assurance procedures, verifying whether the supplies or services conform to contract quality requirements,

and maintaining quality assurance records.¹⁹ This is typically accomplished through developing and implementing a quality assurance surveillance plan, which is used to assess whether contractor performance is timely and effective and delivers the results specified in the contract or task order. The quality assurance surveillance plan performance standards are agreed upon by SCA and the contractor.

The ALISS CORs use a variety of monitoring techniques to verify receipt of services, including review of contractor reports and constant interaction with the contractors. Their ability to monitor contractor performance is facilitated by the fact that the CORs are based at Embassy Kabul. The CORs, like other embassy residents, use ALISS-provided services. If the services are inadequate, the CORs are promptly made aware of these deficiencies. Moreover, the CORs interact with the contractors and their employees on an ongoing basis, which gives them first-hand knowledge of contractor performance. The CORs also travel to other embassy sites where services are provided.

The CORs prepare quality assurance reports summarizing their quality assurance activities. The CORs verify whether services are meeting contractual requirements using the quality assurance surveillance plan and contract deliverables such as the personnel statistics report. The CORs receive daily personnel statistics reports. In addition, the CORs know the task order personnel as they interact with them on a daily basis. OIG reviewed the food service and medical service task orders quality assurance reports, which demonstrated that the CORs were ensuring that the contractors fulfilled contractual requirements through February 2017.

Medical Services Quality Assurance Reports Show That the Contractor is Meeting Contractual Requirements but Performance under the Fire Protection Task Order Has Been Problematic

OIG found that the CORs provided effective oversight. This oversight helped effectuate change resulting in holding GDSS accountable for its contract performance.

For the medical services task order, the COR uses a color-coded system to assess whether the contractor, GDSS, was meeting each of eight performance standards for this task order.²⁰ OIG reviewed the medical services quality assurance reports covering the period from July 2016 through February 2017. GDSS developed a quality assurance plan in August 2015 to help ensure contract requirements were met.

Between July 2016 and February 2017, CORs assessed all performance standards as meeting contract requirements. The COR assesses seven quality standards monthly and one standard quarterly.²¹ The standards evaluate whether personnel have the necessary training, essential medical services manning, emergency services readiness, and operational readiness of critical

¹⁹ 14 FAH-2 H-523, Quality Assurance.

²⁰ Under the medical services task order, performance under the quality standards can be assessed as excellent (green), satisfactory (amber), marginal (red), or unsatisfactory (gray).

²¹ Performance standard 6, which includes patient satisfaction, is to be rated quarterly but was in fact being assessed every 4 to 5 months. The COR told OIG that occurred because patients did not provide patient satisfaction cards that were used to measure this component. This issue involved only the medical clinic at Camp Alvarado.

equipment. All performance was rated as excellent—the highest level—except for having adequate medical personnel, which fell from excellent between July and December 2016 to satisfactory in January and February 2017, which correlated with a time that GDSS had staffing problems. Table 2 shows the specific performance elements.

Table 2: Medical Services Task Order Contractor Performance Assessments, August 2016 to February 2017

| Performance Standard | 2016 | | | | | | 2017 | |
|---|--------------------------|------|------|-------|-------|-------|------|------|
| | 7/15 | 8/18 | 9/21 | 10/25 | 11/28 | 12/17 | 1/10 | 2/22 |
| | Met Performance Standard | | | | | | | |
| 1 All contractor personnel are qualified or have the proper training, credentials, certifications, and licenses. | E | E | E | E | E | E | E | E |
| 2 At each Surgical Medical Acute Care Clinic, the contractor will ensure they have a surgeon, Certified Registered Nurse Anesthetist, or nurse and lab and x-ray tech to perform surgical services. 100 percent of essential positions will be backfilled during rest and recuperation leave. | E | E | E | E | E | E | S | S |
| 3 The goal is zero recordable workplace injuries. | E | E | E | E | E | E | E | E |
| 4 Emergency services are ready and capable of responding to emergent patient at all times (24/7). | E | E | E | E | E | E | E | E |
| 5 Sign in roster and routing sheets used to ensure proper routing and recording of all patient interactions, with all pertinent information entered into the patient charts during the visit or shortly thereafter. | E | E | E | E | E | E | E | E |
| 6 Walk-in patients are seen within 30 minutes. Follow-up patients receive all required appointments within 24 hours. Scheduled patients are seen within 15 minutes. Specialty consultations are scheduled within 48 hours. Customer surveys show patients are satisfied with their medical care. | N/A | N/A | N/A | E | N/A | N/A | N/A | E |
| 7 All critical equipment is fully functional. | E | E | E | E | E | E | E | E |
| 8 Contractor Public Health Tech on site with no gap in coverage, able to conduct facility inspections (dining facilities, local vendors, Reverse Osmosis Water Purification Unit, receipt inspections, bottled water, and meals ready to eat), food handler training, foodborne illness investigations, vulnerability assessments, and food extensions in accordance with the performance work statement. | E | E | E | E | E | E | E | E |

Source: OIG generated on the basis of SCA's medical services quality assurance reports.

Note: The SCA medical services quality assurance surveillance plan assesses performance on four levels: excellent, satisfactory, marginal, and unsatisfactory. "E" stands for excellent and "S" for satisfactory. "Excellent" and "satisfactory" are ratings that are associated with meeting contractual requirements; lower ratings suggest that the contractor is not complying with the contract.

GDSS has faced staffing challenges on the fire protection task order since its inception. The fire protection task order required at least seven firefighters on duty at any one time. To meet this requirement while providing rest periods and coverage when firefighters were out of country on rest and recuperation leave, GDSS proposed and the Department accepted an overall staffing level of 18 firefighters. The highest number of firefighters that GDSS was able to retain, however, was 15 or 16; that is, over the life of the task order, it was never able to hire 18 firefighters. This meant that GDSS risked having fewer than 7 firefighters on duty at any given time.

Because of these deficiencies, the ALiSS CO issued two letters of concern regarding fire fighter staffing in 2016. A contractor performance assessment report covering the period from January 2016 through January 2017 stated the following.

Very soon after award it was apparent the contractor was struggling to hire qualified personnel on the contract at the rate proposed. The incumbents all refused initial offers and most found other work. The contractor was able to bring on a couple after revising their offers. The contractor was also able to bring in some new fire fighters; however they have never fully staffed the requirements.

Another performance assessment report was issued in December 2016 with an overall rating of unsatisfactory.

In addition to the GDSS staffing challenges on the fire protection task order, the COR concluded that the risk was considerable that GDSS would not be able to maintain the required staffing levels for the medical services task order. AQM terminated GDSS's ALiSS contract in February 2017. Since ALiSS is a multiple award contract the medical services and fire protection task orders are being combined into a single emergency services task order that is being awarded to DynCorp, the other ALiSS contractor.

Invoice Payments Have Been Reduced When Contractual Requirements Were Not Met

CORs reduce invoice payments when contractual requirements were not met and they are contractually able to do so. According to one COR, because all services are firm-fixed-price, the contractor usually submits draft invoices for the full amount as it is performing or providing the required services. In a few instances, the contractor was not fully staffed during the period invoiced and the COR requested and received a reduction in the invoiced amount for services not provided. For example, an invoice for the food services task order for the period from July 20 through August 19, 2016, included pay for a knowledge management specialist position, but the position had been vacant since July 2016. DynCorp proposed and the COR accepted a reduction of \$17,803.80 in the invoiced amount. In another instance, a firm-fixed-price invoice for the program executive office services task order included pay for a supplier management manager but no one had been hired yet for this new position. The COR requested and DynCorp agreed to remove the cost from its invoice.

Food Service Quality Assurance Reports Show That the Contractor is Meeting Contractual Requirements

Under the food service task order, the contractor, DynCorp, is required to establish and operate dining facilities. This includes acquiring, preparing, and serving food in the cafeterias. The contract also contains requirements for food and food worker health, sanitation, and hygiene.

OIG reviewed delivery inspections, health inspections, audits of food service operations, and safety inspections for DynCorp's food services task order. DynCorp's quality assurance-quality control personnel conducted more than 100 inspections and audits for each category. These inspections and audits are reviewed by the COR, who was present during some of the inspections, and support the COR's development of quality assurance reports. For the period from February 2016 to February 2017, DynCorp's quality assurance-quality control personnel conducted 118 internal audits, 217 health and safety inspections, and 25 Safe Work Observations. The COR's contractor performance assessment report for this period stated that DynCorp has a vigorous quality assurance-quality control program and performs "exceptionally." The assessment report further stated that DynCorp's proactive quality assurance program catches areas of weakness before problems occur and ensures that discovered problems are quickly addressed.

For the most part, DynCorp's assessments confirmed that it is performing satisfactorily on the food services task order, but the assessments do identify some deficiencies. For example, the inspection form is a 20-item checklist covering personal hygiene and sanitation, receiving operations vulnerability, and receiving operations sanitation. Of the 12 reports OIG reviewed, 9 identified no deficiencies and 3 identified deficiencies involving small amounts of food, which were rejected and sent back. The food services operations audit form is an 83-item checklist. Of the 13 audits OIG reviewed that were conducted at 2 dining facilities, 5 had no checklist items marked as nonconforming. The other 8 audits had between 1 and 6 of the 83 items marked as nonconforming. Reasons items were marked as nonconforming included improper food storage, a dirty exhaust hood, a shortage of mesh gloves, and a lack of sneeze guards. According to the CORs, these deficiencies are recorded in a quality action process form and tracked to resolution.

The two most recent food service quality assurance reports, for the periods August through November 2016 and November 2016 through February 2017, concluded that DynCorp was meeting performance standards. The reports contained checkmark boxes stating that DynCorp met performance standards. Although DynCorp was rated on its overall performance, the report narratives did not clearly address each of the 19 performance standards.

Individual Performance Standards Are Not Being Addressed in the Food Services Quality Assurance Report

The formats for the quality assurance reports differ by task order. For example, a narrative format is used to assess performance under the food services task order, and a color-coded format is used to assess performance under the medical services task order. Specifically, the

medical services quality assurance report addresses each performance standard but the food services quality assurance report does not.²²

The narrative format for the food service quality assurance reports contained checkmark boxes explaining that the service provider's overall performance met contract requirements, a narrative describing performance during the review period, and quality assurance observations. Neither the narrative nor the quality assurance observations addressed each performance standard. Because OIG was not able to determine if the various performance standards met contractual requirements by reading the report narrative, OIG performed additional procedures to assess whether each of the 19 performance standards was met, including reviewing supporting reports and communicating with the CORs. Table 3 shows the 19 specific performance elements and the associated results from August 2016 to February 2017.

²² According to the COR, the various task order quality assurance plans were developed on the basis of existing contractor quality surveillance forms or systems and then tailored to the specific contract requirements.

Table 3: Food Services Task Order Performance Assessment by Performance Standard from August 2016 to February 2017

| Performance Standards | | 08/01/2016- 11/04/2016 | 11/05/2016- 02/04/2017 |
|-----------------------|--|---------------------------|---------------------------|
| | | Met Performance Standards | |
| 1 | 90-percent customer satisfaction of food services, quality, and options | Yes | Yes |
| 2 | 100-percent completion of food operation 365 days a year | Yes | Yes |
| 3 | 100-percent safety verification of food products | Yes | Yes |
| 4 | 95-percent hazard analysis and critical control point food production, compliant on potentially hazardous food | Yes | Yes |
| 5 | 100-percent application of monthly surveys by random diners | Yes** | Yes** |
| 6 | 95-percent production of published 28-day menu items | Yes | Yes |
| 7 | 95-percent daily production of healthy options | Yes | Yes |
| 8 | 80-percent staffing per staffing plan | Yes | Yes |
| 9 | 0-percent human or foodborne illness | Yes | Yes |
| 10 | Monthly daily total plate costs report provided on time 95 percent of the time | Yes | Yes |
| 11 | 100-percent Safety Data Sheets Compliance and Training for entire staff | Yes** | Yes** |
| 12 | ServSafe* standards are met 90 percent of the time on the basis of competent medical authority inspection reports* | Yes** | Yes** |
| 13 | Food service staff is in clean work uniforms 98 percent of the time | Yes** | Yes** |
| 14 | Cafeteria spaces will be kept clean and sanitized to the highest U.S. standards 95 percent of the time | Yes | Yes |
| 15 | 95-percent operational readiness for Blackboard system 365 days a year | Yes | Yes |
| 16 | 95-percent accuracy and timely submission of reports generated from Blackboard | Yes** | Yes** |
| 17 | 95-percent timely invoicing from Blackboard reports | Yes** | Yes** |
| 18 | Vendor verified 100 percent of the time | Yes | Yes |
| 19 | Vendor Invoice accuracy meets Master Service Agreement specifications 95 percent of the time | Yes | Yes |

*"ServSafe" standards are food handling standards for food products that are most susceptible to spoilage if not stored properly. These food products include meats, seafood, dairy, cooked fruits, and vegetables.

**Based on additional information outside of the quality assurance reports.

Source: OIG prepared on the basis of SCA quality assurance and other related reports.

After performing additional audit procedures, OIG confirmed that contractor performance met each of the 19 performance standards. However, quality assurance reporting should clearly address each distinct performance standard. OIG discussed this matter with the COR and, according to the COR, SCA plans to incorporate industry- or government-accepted quality assurance software for the ALiSS contract that is presently being used by other Department bureaus. The software purportedly facilitates quality assurance checks and balances in which the contractor self-evaluates performance and the Government then evaluates performance against the standard performance metrics. Including individual performance standards in the quality

assurance reporting is important to ensure that each performance standard is satisfactorily achieved and any identified deficiencies are addressed accordingly. OIG is therefore offering the following recommendation.

Recommendation 1: OIG recommends that the Bureau of South and Central Asian Affairs direct its Afghanistan Life Support Services contract contracting officers' representatives to record performance for each distinct performance standard in the Afghanistan Life Support Services contract food services task order quality assurance report to further ensure that each performance standard is satisfactorily achieved and any identified deficiencies are addressed accordingly.

Management Response: SCA concurred with the recommendation, stating that ALiSS CORs are "already implementing software used by other groups to track the described activities. The CORs have also implemented additional processes to facilitate the recommendation."

OIG Reply: On the basis of SCA's concurrence and its description of actions taken, OIG considers this recommendation resolved pending further action. This recommendation will be closed when OIG receives and accepts documentation (such as a Bureau Directive, Notice, Standard Operating Procedure, or other formal guidance) demonstrating that SCA has directed the ALiSS CORs to record performance for each distinct performance standard in the ALiSS contract food services task order quality assurance report.

Finding C: A Sufficient Number of Qualified SCA Staff Members are Currently Positioned to Oversee the ALiSS Contract; However, an Invoice Review Training Program Is Needed to Prepare Newly Assigned Oversight Staff

SCA currently has enough qualified staff members at Embassy Kabul to oversee the ALiSS contract and to manage the invoice review workload. However, SCA has not established an invoice review training program to prepare less-experienced CORs who may be assigned to Embassy Kabul in the future. Establishing such a training program is important to ensure that new CORs assigned to oversee the ALiSS contract are fully prepared and familiar with the unique features of the contract.

SCA Kabul Is Adequately Staffed to Review ALiSS Invoices

On the basis of past OIG reporting, no specific criteria determine invoice review staffing requirements. Indicators of staffing adequacy include bureau workforce analyses, whether invoices are being reviewed within Prompt Payment Act deadlines, and reporting by CORs on whether they have time to thoroughly review invoices. If staffing shortfalls are identified, they are addressed through the Department's annual Bureau Resource Request process.

SCA has not conducted a workforce analysis to determine the sufficiency of COR staffing in Kabul. Given that all invoices have been reviewed on a timely basis, however, SCA believes the level of staffing in Kabul is adequate to meet its contract oversight responsibilities. In FY 2016, SCA Kabul paid no money in prompt payment interest penalties. This means that each invoice

was reviewed within the 30-day period required by the Prompt Payment Act. In addition, the invoice review workload includes a large number of firm-fixed-price invoices that can generally be reviewed more quickly than cost reimbursable invoices. For example, for the food services task order in 2016, DynCorp submitted 10 firm-fixed-price invoices and 10 cost reimbursable invoices. For the medical services task order, also in 2016, GDSS submitted nine firm-fixed-price invoices and three cost reimbursable invoices. The COR told OIG additional staffing has not been requested because he feels that his office is able to handle the workload at this time.

SCA Kabul Does Not Have an Invoice Review Training Program, but One Would Be Beneficial for Future CORs

SCA Kabul currently does not have a training program to train new CORs to review invoices. Because of the complexity and size of the ALiSS contract, all CORs are level III CORs, the highest level in terms of training and experience. Consequently, invoice review training is not currently a problem. That may not, however, be the case in the future if less-experienced CORs are assigned to SCA Kabul.

For training, SCA Kabul relies on the Foreign Service Institute. Previously, the Foreign Service Institute offered an online voucher examiner course, but it has discontinued that online training to focus on a classroom basic voucher examination course. Moreover, the Foreign Service Institute's COR training course does not include specific guidance on reviewing invoices or the nuances of different contracts. Consequently, COR invoice review training, by default, is a bureau responsibility. For example, OIG reported in March 2017 that the Bureau of Near Eastern Affairs developed training for its Iraq contracts invoice reviewers that includes a detailed overview of the invoice review process and material specific to its Iraq contracts. The 3-day training includes a detailed overview of the invoice review process, sections in the FAR and the Department of State Acquisition Regulation that are relevant to the invoice review process, as well as an overview of the Prompt Payment Act and the interest penalties that accrue if invoices are not paid within 30 days and the specifics of the Bureau's Iraq contracts invoices. OIG found that the training prepared the invoice reviewers to assess whether invoiced costs are suitable for payment.

Recommendation 2: OIG recommends that the Bureau of South and Central Asian Affairs develop and implement training to fully prepare and familiarize newly assigned contracting officer's representatives charged with overseeing the Afghanistan Life Support Services contract with the unique features of the contract.

Management Response: SCA concurred with the recommendation, stating that CORs are "logistically set to physically overlap in Kabul and receive on-the-job mentoring and training, knowledge transfer, and records transfer."

OIG Reply: On the basis of SCA's concurrence and the information provided, OIG considers this recommendation resolved. OIG agrees that the procedure SCA described in its response will provide incoming CORs the mentoring and training needed to oversee the ALiSS contract. This recommendation will be closed when OIG receives and accepts documentation (such as a revision to SCA's invoice review standard operating procedure for the ALiSS

contract directing that overlap between departing and arriving CORs be sufficient to familiarize the arriving CORs with the ALISS contract through on-the-job mentoring and training, knowledge transfer, and records transfer before assuming contract oversight duties) demonstrating that SCA has developed and implemented training to fully prepare and familiarize newly assigned CORs with the unique features of the contract.

RECOMMENDATIONS

Recommendation 1: OIG recommends that the Bureau of South and Central Asian Affairs direct its Afghanistan Life Support Services contract contracting officers' representatives to record performance for each distinct performance standard in the Afghanistan Life Support Services contract food services task order quality assurance report to further ensure that each performance standard is satisfactorily achieved and any identified deficiencies are addressed accordingly.

Recommendation 2: OIG recommends that the Bureau of South and Central Asian Affairs develop and implement training to fully prepare and familiarize newly assigned contracting officer's representatives charged with overseeing the Afghanistan Life Support Services contract with the unique features of the contract.

APPENDIX A: PURPOSE, SCOPE, AND METHODOLOGY

The Office of Audits within the Office of Inspector General (OIG) for the Department of State (Department) and Broadcasting Board of Governors conducted this audit to determine whether (1) the Bureau of South and Central Asian Affairs (SCA) is following Federal requirements, Department guidance, and its own standard operating procedures (SOP) when reviewing Afghanistan Life Support Services (ALiSS) contract invoices, (2) contract oversight by SCA has been effective, and (3) SCA has assigned sufficient numbers of qualified staff to oversee the ALiSS contract.

This audit was limited to SCA's invoice review practices. In a separate incurred cost audit, which is currently underway, OIG is examining invoices approved by SCA between November 2015 and December 2016 to determine whether contractor-billed costs were allowable, allocable, reasonable, and properly supported. This is the second in a series of audit reports assessing the invoice review process used to support overseas contingency operations. In March 2017, OIG issued a report on the Bureau of Near Eastern Affairs invoice review policies and procedures used to support overseas contingency operations in Iraq. Upcoming reports will address the invoice review process employed by the Bureaus of Diplomatic Security and International Narcotics and Law Enforcement Affairs.

OIG conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that OIG plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. OIG believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

OIG conducted fieldwork for this audit from December 2016 to February 2017 at SCA headquarters in Washington, DC, and the SCA offices at U.S. Embassy Kabul in Kabul, Afghanistan. OIG also previously conducted fieldwork at the Bureau of the Comptroller and Global Financial Services, Office of Claims, in Charleston, SC, in September 2016 in support of its review of the Bureau of Near East Asian Affairs invoice review policies and procedures. That fieldwork also supported this audit of SCA.

To determine whether SCA was adequately reviewing invoices in accordance with applicable Federal and Department guidance, OIG reviewed and analyzed the Federal Acquisition Regulation, the Foreign Affairs Manual, the Foreign Affairs Handbook, and SCA's SOP for reviewing ALiSS invoices. At the time of this audit, ALiSS was SCA's only contract in Afghanistan. In addition, OIG reviewed and analyzed quality assurance reports, delivery inspection reports, health inspection reports, food service operation audits, safety inspections, and customer satisfaction surveys. OIG also interviewed SCA officials in Kabul, Afghanistan, and at SCA's headquarters in Washington, DC. OIG selected 38 invoices processed by SCA Kabul from April 2016 to December 2016 to assess whether invoice payments were reviewed in accordance with Federal requirements, Department guidance, and SCA SOP requirements. The 38 invoices were chosen from the total universe of invoices reviewed by SCA Kabul between April and December

2016. OIG included a mix of high- and low-dollar invoices. In selecting the sample, OIG included 7 invoices for more than \$1 million; 13 invoices between \$100,000 and \$1 million; and 18 invoices for less than \$100,000. The sample included a mix of firm-fixed-price and cost reimbursable invoices taken from each of the seven active ALISS task orders. Weaknesses identified with SCA's invoice review process are presented in the Audit Results section of this report.

Prior Reports

OIG issued six audit reports between October 2014 and April 2016 that questioned costs on approved invoices for services provided in Iraq or Afghanistan. In these audits, OIG questioned \$35.6 million in costs. OIG also issued a management assistance report in October 2016 on lessons learned from its audit of the U.S. Embassy Kabul's Operations and Maintenance Contract and its audit of the Bureau of Near Eastern Affairs invoice review policies and procedures for its overseas contingency operations contracts in Iraq. In its most recent semiannual report to Congress, covering the period April through September 2016, OIG identified oversight of contracts and grants and managing posts and programs in conflict areas as among the most serious management and performance challenges the Department faced in the previous year.

In an April 2016 OIG report titled *Improvements Needed To Strengthen Vehicle-Fueling Controls and Operations and Maintenance Contract at Embassy Kabul, Afghanistan* (AUD-MERO-16-35), OIG reported that, from March 2013 to May 2015, the embassy Financial Management Office paid at least \$1.21 million in fuel invoices that had no supporting documentation. OIG noted that it had identified Department-wide deficiencies in this area. OIG specifically emphasized that in March 2014 it had issued a management alert on contract file management deficiencies (MA-A-0002) because it had identified significant vulnerabilities that could expose the Department to substantial financial losses. OIG made a series of recommendations to address those deficiencies.

In a March 2016 report titled *Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 8 – Security Services at U.S. Consulate Erbil* (AUD-MERO-16-30), OIG questioned \$10.8 million in approved invoice costs. OIG previously reported on three other task orders under this contract: Task Order 5 for Baghdad Embassy movement security services, Task Order 10 for Kabul Embassy security services, and Task Order 3 for Baghdad static security. In those audits, OIG found that contracting officers and their representatives did not thoroughly review supporting documentation when approving invoices, did not ensure that contractors maintained records, and did not adequately monitor the contractor's performance. OIG made a series of recommendations to review costs and recoup any costs found to be unallowable or unsupported.

In a February 2016 report titled *Audit of Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 3 – Baghdad Embassy Security Force* (AUD-MERO-16-28), OIG reported that, of the \$466 million invoiced, it questioned nearly \$7.2 million paid on 193 invoices. The questioned costs included \$6.5 million that OIG considered unsupported and \$652,060 considered unallowable. The contracting officer's representative approved these

invoices because, in part, he relied on the desk officers' review of invoices and supporting documentation, although they only reviewed 10 percent to 20 percent of the supporting documentation because of time constraints. OIG made a series of recommendations to review costs, recoup any costs found to be unallowable or unsupported, and improve invoice review.

In a July 2015 report titled *Audit of the Bureau of International Narcotics and Law Enforcement Affairs Aviation Support Services Contract in Iraq* (AUD-MERO-15-35), OIG questioned \$932,644 in costs associated with 9 of the 14 invoices it examined. OIG reviewed 14 invoices totaling approximately \$49.7 million of the \$541.5 million in invoices submitted as of October 31, 2013. The contracting officer's representative and others missed the questioned costs because the contractor, DynCorp International, was not required to provide documentation supporting its invoices' charges unless the Bureau of International Narcotics and Law Enforcement Affairs, Office of Aviation requested it and because the invoice review processes, methodologies, and staffing were insufficient. OIG made a series of recommendations to review costs, recoup any costs found to be unallowable or unsupported, and improve invoice review.

In a May 2015 report titled *Audit of the U.S. Mission Iraq Medical Services* (AUD-MERO-15-25), OIG questioned \$6.8 million in costs included in the contractor's 12 largest invoices totaling approximately \$25 million. These questioned costs occurred, in part, because, early in the contract, with CHS Middle East LLC, the Department did not have the appropriate support system in place to adequately manage and monitor, including review of invoices. In addition, the contracting officer's representative initial invoice reviews focused on labor rates, with cursory reviews of other invoice items. Further, CHS Middle East LLC did not always provide sufficient documentation to support its invoices. OIG made a series of recommendations to review costs, recoup any costs found to be unallowable or unsupported, and improve invoice review.

In an October 2014 report titled *Audit of the Bureau of Diplomatic Security Worldwide Protective Services Contract Task Order 10 - Kabul Embassy Security Force* (AUD-MERO-15-03), OIG reviewed 368 of the task order's invoices. These invoices accounted for costs of \$217,168,975. OIG questioned \$8,642,485 in costs invoiced and paid on 57 invoices that were possibly unallowable or not supported in compliance with the contract requirements. Specifically, the contracting officer's representative approved invoices that contained \$1,726,155 in costs that may have been unallowable by the contract and \$6,916,330 in costs that were not supported in accordance with contract requirements. The contracting officer's representative approved the invoices without adequately verifying the contractor's invoices against the supporting documentation. The report explained that, at the time, no written guidance or SOP existed for the in-depth review of invoices and supporting documentation prior to contracting officer's representative approval, although SOPs existed for ensuring the contractor had submitted a proper invoice. OIG made a series of recommendations to review costs, recoup any costs found to be unallowable or unsupported, and improve invoice review.

In an October 2016 management assistance report entitled *Contract Management-Lessons Learned from the Embassy Kabul, Afghanistan, Operations and Maintenance Contract* (AUD-MERO-17-04), OIG found that the operations and maintenance contract at Embassy Kabul did

not have clearly defined and measurable performance metrics in the statement of work to assess accurately contractor performance in fulfilling contract requirements. For example, the statement of work only required the contractor to “operate and maintain” the various utility systems on the embassy compound and did not provide more specific details on what tasks should be executed by the contractor. As a result, the contractor did not consistently perform necessary preventive maintenance functions, which, in some instances, caused major equipment systems to fail or work improperly. These system breakdowns occurred, in part, because the original statement of work did not provide specific performance metrics and indicators to adequately measure contractor performance

In a March 2017 audit entitled *Aspects of the Invoice Review Process Used by the Bureau of Near Eastern Affairs to Support Contingency Operations in Iraq Need Improvement* (AUD-MERO-17-33), OIG found that the bureau was generally following Federal requirements and its invoice review procedures to process invoices that support contingency operations in Iraq. OIG found that the bureau needed to address a backlog of invoices that were initially approved for payment without full review and before its invoice review office was staffed properly. This backlog consisted of 138 invoices valued at approximately \$14 million as of December 2016. In addition, OIG found that the bureau had not developed contract performance metrics to provide a basis for reducing invoice payments when problems with contractor performance were found.

Use of Computer-Processed Data

OIG did not rely on computer-processed data to conduct this audit. Kabul SCA provided the OIG audit team with copies of selected invoice packages chosen by OIG covering the period from April 2016 through December 2016. OIG chose these invoices from SCA Kabul’s invoice tracker, which is a spreadsheet listing all invoices processed for the ALiSS contract. OIG verified the completeness and accuracy of the invoice documentation by comparing key documents with the requirements of a proper invoice found in the Federal Acquisition Regulation. OIG reviewed the invoice form, the invoice approval memorandum, the payment authorization form, the dates the invoice arrived at SCA Kabul and when the invoice was returned for payment, and the review checklist that the invoice reviewer completes. OIG cross-checked the information gathered with the internal SOP for SCA Kabul and the invoice requirements found in the Federal Acquisition Regulation, Subpart 32.905 “Payment Documentation and Process.” OIG concluded that the invoice data were adequate to document the invoice reviews.

Work Related to Internal Controls

OIG performed steps to assess the adequacy of internal controls related to the areas audited. This included whether checklists prepared for each invoice reviewed were completed and signed. OIG assessed whether, in approving invoices, SCA Kabul was reviewing supporting documentation that would verify that the invoiced services had met contractual requirements. OIG found no significant internal control deficiencies.

APPENDIX B: BUREAU OF SOUTH AND CENTRAL ASIAN AFFAIRS MANAGEMENT RESPONSE



United States Department of State

Washington, D.C. 20520

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June 15, 2017

INFORMATION MEMO FOR OIG/AUD – Norman R. Brown

FROM: SCA – Howard Van Vranken, Acting

SUBJECT: Draft Report comments on *Audit of the Bureau of South and Central Asian Affairs Invoice Review Process for the Afghanistan Life Support Services Contract*.

This memorandum provides SCA comments on the subject Draft Report. SCA was provided an opportunity to comment on a preliminary draft.

SCA comments on the OIG recommendations are as follows:

Recommendation 1: OIG recommends that the Bureau of South and Central Asian Affairs direct its Afghanistan Life Support Services contract contracting officers' representatives to record performance for each distinct performance standard in the Afghanistan Life Support Services contract food services task order quality assurance report to further ensure that each performance standard is satisfactorily achieved and any identified deficiencies are addressed accordingly.

SCA Response: SCA concurs with the recommendation. Afghanistan Life Support Services (ALiSS) Contracting Officers Representatives (CORs) are already implementing software used by other groups to track the described activities. The CORs have also implemented additional processes to facilitate the recommendation.

Recommendation 2: OIG recommends that the Bureau of South and Central Asian Affairs develop and implement training to fully prepare and familiarize newly assigned contracting officer's representatives charged with overseeing the Afghanistan Life Support Services contract with the unique features of the contract.

SCA Response: SCA concurs with the recommendation. CORs are logistically set to physically overlap in Kabul and receive on-the-job mentoring and training, knowledge transfer, and records transfer.

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| | |
|------------------------|------|
| NEA/FO: HVANVRANKEN | (ok) |
| NEA-SCA/EX: NALFORD | (ok) |
| NEA-SCA/EX: DSTOIAN | (ok) |
| NEA-SCA/EX/FM: KDOYLE | (ok) |
| NEA-SCA/EX/PM: KARVIND | (ok) |
| SRAP: JARZT | (ok) |

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ABBREVIATIONS

| | |
|---------------|---|
| ACOR | Alternate Contracting Officer's Representative |
| ALiSS | Afghanistan Life Support Services Contract |
| CO | Contracting Officer |
| COR | Contracting Officer's Representative |
| FAH | Foreign Affairs Handbook |
| FAM | Foreign Affairs Manual |
| FAR | Federal Acquisition Regulation |
| GDSS | Global Development Support Services |
| NEA-SCA/EX/FM | Bureaus of Near Eastern Affairs and South and Central Asian Affairs Executive Office/Financial Management |
| SCA | Bureau of South and Central Asian Affairs |
| SOP | Standard Operating Procedure |

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