

# SIGAR

**Special Inspector General for  
Afghanistan Reconstruction**

SIGAR Audit 13-3

## AFGHAN POLICE VEHICLE MAINTENANCE CONTRACT: ACTIONS NEEDED TO PREVENT MILLIONS OF DOLLARS FROM BEING WASTED



JANUARY  
2013

# Report Documentation Page

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# SIGAR

Special Inspector General for  
Afghanistan Reconstruction

## WHAT SIGAR REVIEWED

Through November 2012, the United States provided more than 30,000 vehicles to the Afghan National Police (ANP) and plans to distribute thousands more. According to the U.S. Department of Defense (DOD), the ANP is not expected to be self-sufficient until late 2014.

To account for the ANP's current lack of capacity to conduct logistics and maintenance on U.S.-provided vehicles, the Combined Security Transition Command-Afghanistan (CSTC-A) has relied on contractors to perform these functions. On December 30, 2010, the U.S. Army Contracting Command, at the direction of CSTC-A, awarded a firm fixed-price contract valued at about \$350 million for ANP vehicle maintenance to Automotive Management Services FZE (AMS).

This report assesses whether (1) DOD paid for services for the actual number of vehicles receiving maintenance, (2) the contractor performed within the terms and conditions of the contract, and (3) DOD agencies provided effective oversight of the contract.

We conducted our work in eight provinces in Afghanistan from January 2012 to December 2012 in accordance with generally accepted government auditing standards.

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January 2013

**AFGHAN POLICE VEHICLE MAINTENANCE CONTRACT: ACTIONS NEEDED TO PREVENT MILLIONS OF DOLLARS FROM BEING WASTED**

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SIGAR AUDIT 13-3

## WHAT SIGAR FOUND

SIGAR found that CSTC-A unnecessarily paid \$6.3 million from April 2011 to September 2012 because the U.S. Army Contracting Command and CSTC-A based the firm fixed-price rates on vehicles purchased for the ANP, but they did not account for vehicles that had not been seen for service in over a year or had been destroyed. In addition, SIGAR estimated that CSTC-A paid at least \$530,000 more than necessary because the minimum number of vehicles in the contract exceeded the number of vehicles serviced. Future option years under the contract do not provide CSTC-A the flexibility to lower the list of vehicles to be serviced if the number of vehicles determined to need servicing is lower than the contracted minimum or if the ANP begins to assume maintenance responsibilities. Furthermore, because fuel allocations are based on the number of reported vehicles, removing destroyed vehicles from the list of those to be serviced could result in lowering the number of vehicles for which the ANP receives fuel allocations, resulting in decreased fuel costs. CSTC-A took steps to address these concerns beginning on December 30, 2012 by removing 7,324 vehicles not seen for service in over a year or destroyed. CSTC-A estimates that the changes will save the government approximately \$5.5 million a year.



Vehicles under repair at the Central Supply and Maintenance Facility in Kabul, March 24, 2012.



SIGAR photo of destroyed vehicles included in lists of vehicles to be serviced; at Herat Regional Maintenance Center, July 18, 2012.

AMS generally performed and billed in accordance with the contract's terms and conditions, but SIGAR found inaccuracies in AMS's spare parts inventory. AMS generally met the contract-established 90 percent operational readiness rate for ANP vehicles. Additionally, AMS's firm fixed-price invoices were billed at the agreed upon rates. For cost-reimbursable spare parts purchases, AMS invoiced the U.S. government for the price it paid on parts. However, at 11 sites visited by SIGAR, AMS's electronic inventory management system did not accurately reflect spare parts on hand.

CSTC- A and the Defense Contract Management Agency did not always conduct monthly oversight of AMS facilities. Of the 453 contracting officer representative reports required between April 2011 and August 2012, 121 reports (27 percent) were missing. One site did not receive any oversight from a contracting officer's representative, two sites did not receive oversight until June and July 2012, and other sites had large lapses of time with no reported oversight. Of the 453 reports required, 170 were based on site visits, 121 were conducted by phone or email, and 41 noted that an audit could not be performed. While the lack of site visits was largely due to logistical and security constraints, SIGAR found that many reports lacked support for why an audit could not be performed.

#### WHAT SIGAR RECOMMENDS

SIGAR is making five recommendations to the Commanding General, CSTC-A, in coordination with the Commanding General, U.S. Army Contracting Command, to adjust contract terms to more accurately reflect ANP vehicle maintenance requirements and to improve inventory accuracy and contractor oversight. In addition, the report includes two recommendations to the Commanding General, CSTC-A, in coordination with the Commander, Defense Contract Management Agency Afghanistan, to improve contract oversight. CSTC-A concurred with our recommendations and noted steps it is taking to address them. Comments from CSTC-A are reproduced in appendix IV.



**SIGAR** | Office of the Special Inspector General  
for Afghanistan Reconstruction

January 17, 2013

Department of Defense Commands and Agencies:

This report discusses the results of the Office of the Special Inspector General for Afghanistan Reconstruction's (SIGAR) audit of a Combined Security Transition Command-Afghanistan (CSTC-A) contract for maintaining Afghan National Police (ANP) vehicles under the Afghanistan Technical Equipment and Maintenance Program.

This report includes five recommendations to the Commanding General, CSTC-A and Commanding General, U.S. Army Contracting Command (ACC), to adjust contract terms to more accurately reflect ANP maintenance requirements and to improve inventory accuracy and contractor oversight. In addition, the report includes two recommendations to the Commanding General, CSTC-A, in coordination with the Commander, Defense Contract Management Agency (DCMA) Afghanistan, to improve contract oversight.

We received formal comments from CSTC-A, which are reproduced in appendix IV. CSTC-A concurred with all seven recommendations. ACC incorporated its comments with CSTC-A's and concurred with recommendations one through five. DCMA Afghanistan submitted technical comments and concurred with recommendations six and seven. SIGAR conducted this performance audit under the authority of Public Law No. 110-181, as amended; the Inspector General Act of 1978; and the Inspector General Reform Act of 2008.

John F. Sopko  
Special Inspector General  
for Afghanistan Reconstruction

List of Addressees

The Honorable Leon E. Panetta  
Secretary of Defense

General James N. Mattis  
Commander, U.S. Central Command

General John R. Allen  
Commander, U.S. Forces-Afghanistan, and  
Commander, International Security Assistance Force

Lieutenant General Daniel P. Bolger  
Commanding General, NATO Training Mission-Afghanistan/  
Combined Security Transition Command-Afghanistan

Major General Camille M. Nichols  
Commanding General, U.S. Army Contracting Command

Charles E. Williams  
Director, Defense Contract Management Agency



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## ABBREVIATIONS & ACRONYMS

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A-TEMP	Afghanistan Technical Equipment and Maintenance Program
ACC	U.S. Army Contracting Command
AMS	Automotive Management Services FZE
ANP	Afghan National Police
ANSF	Afghan National Security Forces
COR	contracting officer's representative
CSTC-A	Combined Security Transition Command-Afghanistan
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
FMS	Foreign Military Sales
IJC	ISAF Joint Command
ISAF	International Security Assistance Force
PCO	procuring contracting officer
QAR	quality assurance representative
RLC	Regional Logistic Center
RMC	Regional Maintenance Center
SIGAR	Special Inspector General for Afghanistan Reconstruction
SMC	Satellite Maintenance Center



A key objective of coalition efforts in Afghanistan has been to build the Afghan government's capacity to provide for its own security by training and equipping the Afghan National Security Forces (ANSF), which consist of the Afghan National Army and the Afghan National Police (ANP). Between fiscal years 2002 to 2012, Congress appropriated \$52.15 billion for the Afghanistan Security Forces Fund to equip, train, base, and sustain the ANSF. The Combined Security Transition Command–Afghanistan (CSTC-A) in Kabul, Afghanistan, is the U.S. entity responsible for planning, programming, and implementing training and equipping efforts for the ANSF. Through November 2012, the United States provided over 30,000 vehicles to the ANP and plans to distribute thousands more. According to the Department of Defense (DOD), because initial U.S. assistance focused primarily on building the ANP, the development of Afghan logistics did not start until mid-2011, and the ANP is not expected to be self-sufficient in its logistics capability until late 2014.

On December 30, 2010, the U.S. Army Contracting Command (ACC) awarded a firm fixed-price contract worth approximately \$350 million<sup>1</sup> to Automotive Management Services FZE (AMS),<sup>2</sup> to support ANP vehicle maintenance under the Afghanistan Technical Equipment and Maintenance Program (A-TEMP). The contract also authorizes AMS to procure spare parts, estimated at \$33 million per year. Such purchases are handled on a cost-reimbursable basis.

ACC has primary responsibility for managing the AMS contract and processing invoices for payment, but it delegated certain contract administration functions to the Defense Contract Management Agency (DCMA). In addition, ACC and DCMA rely on CSTC-A contracting officer representatives (COR) for contractor oversight and inspection. In June 2011, the DOD Office of Inspector General identified deficiencies in oversight of a prior ANA vehicle maintenance contract, including the contractor's inability to account for procured spare parts.<sup>3</sup>

The objectives of this audit were to assess whether (1) DOD paid for services for the actual number of vehicles receiving maintenance; (2) the contractor performed these services within the terms and conditions of the contract, and (3) DOD agencies provided effective oversight of the contract.

To accomplish these objectives, we reviewed and analyzed the vehicle maintenance base-year contract and modifications, as well as contractor invoices and ACC payment data. We analyzed DCMA oversight reports submitted by CORs and reviewed AMS production data and reports. Additionally, we visited 11 of the 27 AMS maintenance facilities in 8 provinces, where we conducted physical inventories and statistical random samples of spare part line items and validated their quantities.<sup>4</sup> We conducted our work in Kabul, Kandahar, Balkh, Helmand, Kunduz, Paktika, Gardez, and Herat provinces in Afghanistan from January 2012 to December 2012 in accordance with generally accepted government auditing standards. A more detailed discussion of our scope and methodology is in appendix I.

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<sup>1</sup> Contract values assume the base year and 4 option years are exercised for each contract. The contract is currently in its first option year ending in December 2012.

<sup>2</sup> CSTC-A used an adaptation of the Foreign Military Sales (FMS) program through the Defense Security Cooperation Agency and the U.S. Army Security Assistance Command to award the contract. DOD refers to this adaptation of FMS as "pseudo-FMS."

<sup>3</sup> *Audit of the Afghanistan National Army Equipment Maintenance Apprenticeship and Services Program Contract*, Inspector General, Department of Defense, Report No. 2011-073, June 14, 2011.

<sup>4</sup> At time of our audit, AMS had 27 facilities throughout Afghanistan. In October 2012 CSTC-A shut down all 8 Forward Support Teams, reducing the total number of sites to 19.

## BACKGROUND

Through A-TEMP, CSTC-A aims to provide fleet vehicle maintenance support for the ANSF, while helping the ANSF develop the capacity to manage vehicle maintenance on its own. On December 30, 2010, under the direction of CSTC-A, ACC awarded AMS a contract to provide vehicle maintenance, spare parts procurement, supply chain management, and warehouse management at sites across Afghanistan. The previous vehicle maintenance support contract provided similar types of vehicle maintenance and spare parts support in Afghanistan from 2006 to 2011. Following a 3-month mobilization period, AMS began work in April 2011. The AMS contract consists of 1 base year plus 4 option years and currently covers 19 service facilities.<sup>5</sup> Although the base and option years have set prices, using contract modifications, ACC adjusts the contract's cost by adding and removing service facilities, changing the contractor's level of effort based on the number of vehicles, and authorizing additional spare parts beyond the original estimated amount. These modifications obligate additional funding to the contract. Table 1 shows the estimated value of the contract by year and the minimum number of vehicles to be serviced each year. Appendix II provides additional information on the base contract and modifications to the contract.

**Table 1 - Estimated Contract Value (in millions USD) and Minimum Number of Vehicles to Be Serviced, by Year**

	Base Year (April 2011- December 2011)	Option #1 (Calendar Year 2012)	Option #2 (Calendar Year 2013)	Option #3 (Calendar Year 2014)	Option #4 (Calendar Year 2015)	Total
<b>Estimated Amount</b>	\$65.6	\$68.6	\$70.2	\$71.8	\$73.5	\$349.7
<b>Vehicle Minimum</b>	18,000	22,000	24,000	26,000	28,000	

Source: ACC contract number W52P1J-11-C-0014

According to the March 2011 A-TEMP Performance Work Statement, the primary objective of A-TEMP is to assist the ANP with vehicle maintenance until the ANP is able to establish a vehicle maintenance program of its own. Under the contract, AMS is responsible for providing management, expertise, personnel, equipment, transportation, fuel, tools, life support, supply chain management, and security. AMS provides both scheduled and unscheduled maintenance of ANP vehicles. Scheduled maintenance includes inspection, subsequent repair, and preventive maintenance checks and services.<sup>6</sup> Unscheduled maintenance includes repairs due to battle damage and accidents.

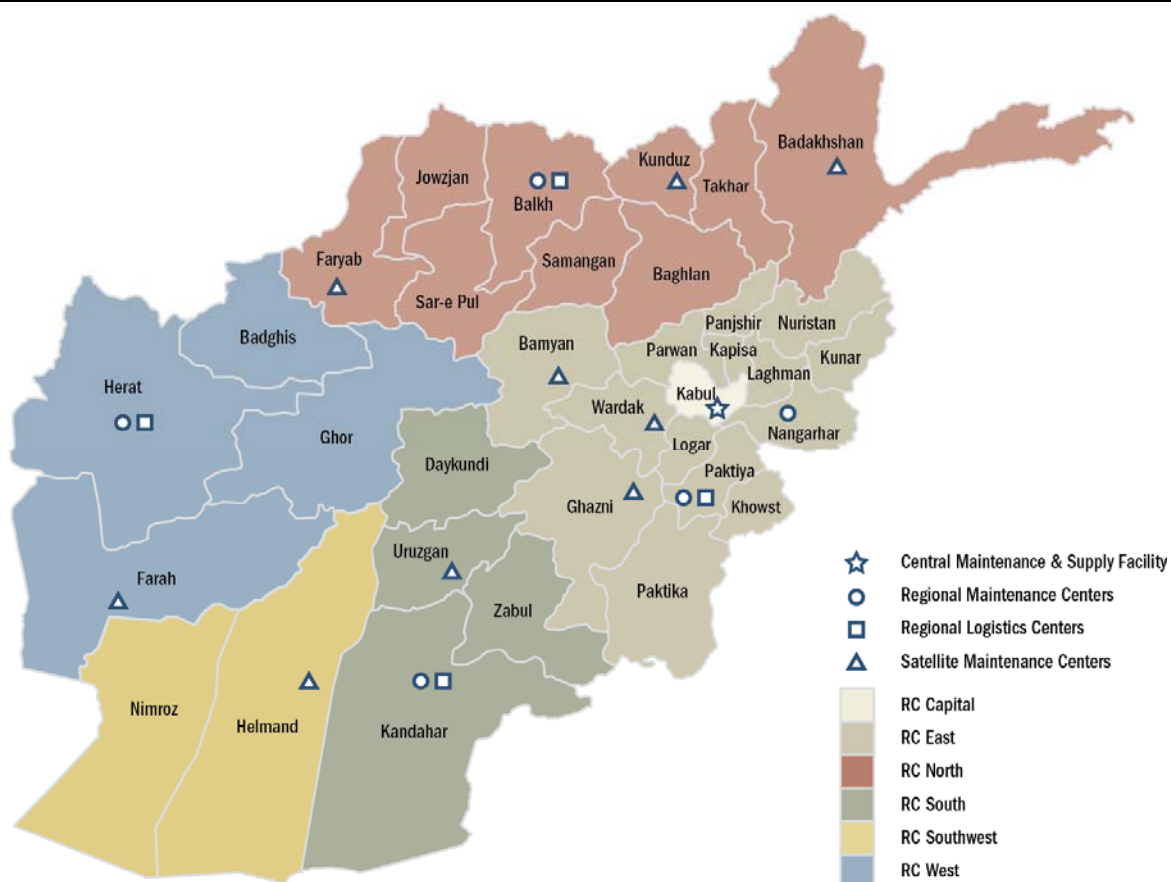
AMS provides vehicle maintenance at 19 sites throughout Afghanistan. As of October 2012, AMS had one national maintenance level facility called the Central Maintenance and Supply Facility, five Regional Maintenance Centers (RMC), four Regional Logistic Centers (RLC), and nine Satellite Maintenance Centers (SMC). Figure 1 shows AMS locations, and appendix III contains additional detail on the levels of maintenance

<sup>5</sup> The base year of the contract was for the period April 2011 through December 2011.

<sup>6</sup> According to the contract, scheduled maintenance service and inspection, at a minimum, will cover the following system and component checks: wheels and tires for pressure and tread integrity; starting and charging systems; electrical systems and wiring harnesses; heating and air conditioning systems; steering linkage components; U-Joints and drivelines; suspension system; hoses and belts; exhaust, fuel, ignition, and hydraulic systems; all fluid levels and fluid conditions; all lights; windshield, windows, mirrors, and wipers; structural condition and bodywork integrity; leaks; brake systems; gauges, speedometers, warning devices, etc.; engine transmission and gearboxes; and fluid changes, filters, and lubrication.

services and the sites at which each level of maintenance is being performed. AMS also provides mobile maintenance teams to the ANP. In addition to the fixed-price maintenance portion of the contract, AMS procures vehicle spare parts on a cost-reimbursable basis, which it distributes and maintains through a supply-chain management system.

**Figure 1 - AMS Facility Locations and Types**



Source: AMS

The ACC procuring contracting officer (PCO) is responsible for contract management and invoice processing, but delegates some contract administration functions to a DCMA administrative contracting officer (ACO). DCMA serves as the contract management office providing quality assurance oversight critical to mission and contract administration success. Headquartered in Kabul, DCMA has quality assurance representatives (QARs) throughout Afghanistan. These QARs perform quality assurance duties designed to hold the contractor accountable for technical performance and compliance with contractual requirements. The QARs conduct independent examinations and reviews of contractor services and processes in accordance with the requirements of the contract. According to the February 2011 DCMA *Theater Quality Plan*, QAR responsibilities require “boots-on-ground” interaction with contractor personnel and contracting officer’s representatives (CORs) on a continuous basis. According to the plan, DCMA considers documenting contractor compliance with contractual requirements essential for sustaining desired contractor behavior and performance. Other U.S. and international organizations also provide contract oversight.

- CSTC-A provides a primary COR and additional CORs for audits and site inspections for general and national maintenance sites.

- The International Security Assistance Force (ISAF) Joint Command (IJC) provides some CORs for organizational maintenance sites.
- The Defense Contract Audit Agency (DCAA) approves all spare part invoices after concurrence with the ACC PCO and CSTC-A Training Program Support Office Program Management/Finance team. The PCO approves all firm fixed-price invoices with concurrence by the Training Program Support Office.

In accordance with the contract, ACC reimburses AMS on a firm fixed-price basis for all but two activities under the contract.<sup>7</sup> The purchase of spare parts and Defense Base Act insurance<sup>8</sup> are reimbursed at cost with no profit markup. Otherwise, AMS receives a fixed price for performing a set of services (defined in the contract and Performance Work Statement) for its services. According to the contract, AMS's reimbursement can increase when the number of vehicles authorized for repair increases by at least 5 percent.<sup>9</sup> These increases are referred to as "surges," and such surges are awarded through contract modifications. Surges affect the monthly charge of every service center and, when awarded, generally last through the end of the contract year. The increased contract charges resulting from these surges include the monthly firm fixed-price rate, Defense Base Act insurance rates and a one-time mobilization charge. If ACC elects to award an additional option year to the contract, the minimum vehicle number starts at the predetermined amount shown in table 1, regardless of whether the actual number of vehicles on the density list is lower.<sup>10</sup>

## ABOUT \$6.8 MILLION WAS SPENT ON VEHICLES NOT SEEN FOR MAINTENANCE IN OVER A YEAR OR CONFIRMED DESTROYED, AND CSTC-A MAY PAY MORE THAN NECESSARY IN FUTURE

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Based on our review of AMS maintenance data and density lists, we found that CSTC-A unnecessarily paid approximately \$6.8 million to AMS for vehicle maintenance services. This amount includes payments to AMS totaling \$6.3 million in five surges from April 2011 to September 2012. According to CSTC-A officials, the density list was based on the number of vehicles purchased for the ANP, but CSTC-A did not remove vehicles not seen for service in over a year or those vehicles confirmed by the contractor as destroyed.<sup>11</sup> In addition to surge payments, we estimate CSTC-A spent at least another \$530,000 on such vehicles during option year 1, and CSTC-A may pay more than necessary for future services. The contract allows ACC to increase the vehicle density at any point; however, future option years do not allow ACC the flexibility to decrease the number of vehicles serviced below 26,000 vehicles in option year 3 and 28,000 vehicles in option year 4.

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<sup>7</sup> A firm fixed-price contract provides for a price that is not subject to any adjustment based on the contractor's cost experience in performing the contract. A fixed-price contract with economic adjustments based on established prices allows price adjustments based on an agreed-upon schedule that can vary on prices, actual costs, or the changing costs of materials and labor. This contract type places maximum risk on the contractor and full responsibility for all costs and resulting profit and loss, provides maximum incentive for the contractor to control costs and perform effectively, and imposes a minimum administrative burden upon the contracting parties.

<sup>8</sup> The Defense Base Act of 1941, as amended, requires federal government prime contractors and subcontractors to provide workers' compensation insurance for employees who work overseas.

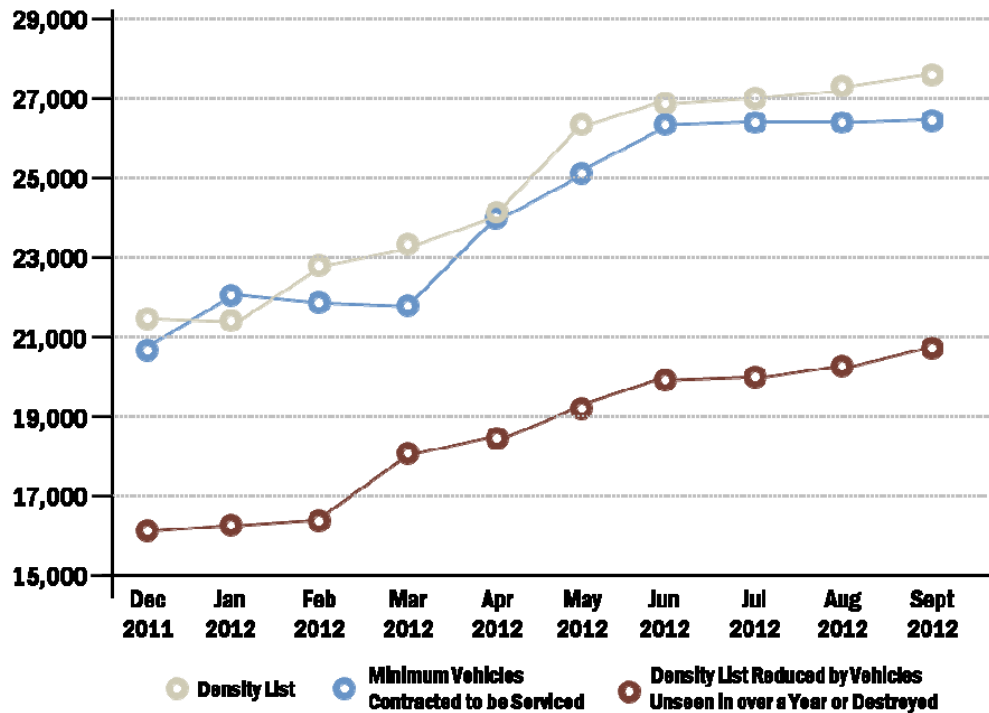
<sup>9</sup> The contract assumes an increase in ANP fleet size of 18,000 vehicles in 2011 to at least 32,000 vehicles in 2015.

<sup>10</sup> The density list is the official list of vehicles authorized for repair under the contract. CSTC-A maintains the density list, and the PCO at ACC has final authority to approve changes.

<sup>11</sup> Vehicles not seen for service in over a year also include vehicles never seen by the contractor.

Figure 2 shows the number of vehicles on the density list, the contracted minimum number of vehicles to be serviced, and the actual number of vehicles requiring service when accounting for vehicles not seen in over a year or confirmed destroyed.

**Figure 2 - Density List Compared to Contracted Vehicle Maintenance**



Source: SIGAR Analysis of CSTC-A, ACC, and contractor data.

### \$6.3 Million in Surge Payments Not Justified

CSTC-A paid AMS for five surges totaling \$6.3 million through September 2012—\$2.4 million in the base year and \$3.9 million in the first option year. Based on our comparison of the official density lists and AMS repair information, thousands of vehicles on the density lists at the time of surge awards had not been seen in over a year or had been confirmed destroyed by AMS. At the end of the base year in December 2011, and after each surge in 2012, we reviewed the official density lists, and for each vehicle compared it to AMS maintenance data. In every instance, we found that when removing from the list those vehicles not seen in over a year, never seen, or destroyed, the number of vehicles serviced by the contractor did not justify the increased costs of a surge. For example:

- For the base year, we estimate that when removing vehicles that had not been seen in over a year, had never been seen, or had been destroyed from the density list, approximately \$2.4 million in surge charges was not warranted. During the base year, ACC awarded surges in August 2011 and October 2011. In the final month of the base year, December 2011, 21,398 vehicles were on the density list. Of that number, at least 5,098 vehicles were reported as not having been seen for maintenance in

over a year or having been destroyed.<sup>12</sup> The remaining 15,963 vehicles were below the range of 18,000-18,999 for the base rate under the contract. Therefore, no surge was necessary during the base year.

- For the first option year, we estimate that when removing from the density list those vehicles that had not been seen for maintenance in over a year or had been destroyed, the \$3.9 million in surge charges through September 2012 was also not warranted. Through September 2012, ACC awarded surges in April, May, and September 2012.<sup>13</sup> We found that no surge was necessary through September 2012 of option year 1. Specifically:
  - In April 2012, ACC awarded a 5-percent surge because the density list reached 24,244 vehicles. However, when taking into account 5,787 vehicles the contractor had not seen for maintenance in over a year or reported as destroyed, the number of vehicles that had actually received service at this time totaled 18,457, thereby putting the number of vehicles below the first option-year minimum vehicle range of 22,000-22,999.
  - In May 2012, ACC awarded a modification that increased the total surge value by 15 percent. According to the contract modification, the density list contained 26,566 vehicles. However, at least 7,373 had not been seen for maintenance in the past year or had been destroyed, and the remaining 19,192 vehicles were below the 22,000-22,999 range for the lowest rate under the contract.
  - In September 2012, ACC awarded a modification that increased the density list to 27,521 vehicles. However, when accounting for vehicles not seen for maintenance in over a year or destroyed, the remaining 20,651 vehicles were below the 22,000-22,999 range for the lowest rate under the contract.

According to CSTC-A officials, the ANP is not bringing vehicles in for service for a variety of reasons, including security concerns and vehicles operating in remote areas. They further noted that, because fuel allocations are based on the number of vehicles on the density list, the ANP is reluctant to report destroyed vehicles because lowering the number of vehicles would reduce fuel allocations. According to CSTC-A officials, although the ANP is provided a list of vehicles that are late for service, the Ministry of Interior has not ensured that such vehicles are brought in for service. Another reason appears to relate to a lack of cooperation between different ANP organizations.<sup>14</sup> For example, during one of our site visits, an Afghan Uniform Police officer stated that his vehicles were unable to access a nearby AMS site because the Afghan Border Police controlled the facility and denied his vehicles access. A CSTC-A official confirmed the Afghan Uniform Police officer's statement, stating that CSTC-A has received similar reports throughout Afghanistan. As a result, CSTC-A plans to have representatives from each police organization located at Regional Logistic Centers to resolve access issues.

During our site visits to AMS facilities, we recorded the vehicle identification number for 14 destroyed vehicles and compared this information to the density list. In all cases, we found that the destroyed vehicles were on the September 2012 density list. Figures 3 and 4 provide examples of destroyed vehicles that were on the September 2012 density list.

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<sup>12</sup> Of the 21,398 vehicles on the density list, we were able to reconcile the status of 21,061 vehicles with AMS maintenance data.

<sup>13</sup> The September 2012 modification retroactively awarded a 5-percent surge to AMS for June, July, and August 2012.

<sup>14</sup> The ANP is comprised of organizations known as "pillars," including the Afghan Border Police, Afghan Uniform Police, and Afghan National Civil Order Police.



**Figure 3 - Destroyed High Mobility Multipurpose Wheeled Vehicle in Helmand SMC**



Source: SIGAR, July 4, 2012

**Figure 4 - Destroyed Vehicles in Gardez RMC**



Source: SIGAR, July 22, 2012

During our audit, CSTC-A took limited action to improve the accuracy of the density list. For example, since March 2012, CSTC-A adds vehicles to the density list only when it receives confirmation from AMS that a vehicle has appeared at an AMS facility for the first time. This new approach is in contrast to the previous practice of including a vehicle on the density list at the time of purchase. However, because CSTC-A has not removed all vehicles not serviced in over a year or destroyed from the current density list, AMS still received payment for unnecessary surges.

In August 2012, we discussed with the current PCO our concern that vehicles that had not been seen for maintenance in over a year or had been destroyed remained on the density list, which resulted in such vehicles remaining part of AMS's firm fixed-price billings.<sup>15</sup> The PCO replied that the government has the flexibility to surge and "de-surge" based on the density list and agreed that vehicles never seen by the contractor or confirmed destroyed should be removed from the density list. Moreover, we noted that removing vehicles from the density list could have the added benefit of reducing the number of vehicles for which the ANP receives fuel allocations, thereby further reducing costs.<sup>16</sup>

On September 26, 2012, the PCO notified us that she concurred with our findings and was in the process of working with CSTC-A to revise the density list to remove vehicles that had not been seen for maintenance in over a year or had been destroyed. The PCO also noted that if any of the vehicles removed from the density list appeared for service at a later date, the contract has the flexibility to allow these vehicles to be added back to the density list. On October 18, 2012, the PCO notified AMS that the government was restructuring the density list to remove vehicles with no visibility or service for 12 months or more, vehicles missing or never seen for service, and vehicles that have been destroyed but remain on the property books. These revisions would have decreased the October density list to 20,790 eligible vehicles and lower the firm fixed-price rate.

<sup>15</sup> Contract costs can only be reduced to the base rate of a given year.

<sup>16</sup> On September 12, 2012, following an interim report on Afghan National Army fuel concerns, we initiated an audit to review ANP fuel. See SIGAR 12-14, *Interim Report on Afghan National Army Petroleum, Oil, and Lubricants*, September 10, 2012



## Future Option Years Need Restructuring

Due to a lack of flexibility in how option years are treated under the terms of the contract, we estimate that, in addition to surge awards, CSTC-A spent at least an additional \$530,000 during option year 1 on vehicles not serviced in more than a year, never seen, or confirmed destroyed. For each option year, ACC established minimum firm fixed-price rates based on a projected number of ANP vehicles to be maintained. However, these projections are higher than what the contractor has seen or likely will see in future years. As shown in table 1, CSTC-A pays for a minimum number of vehicles maintained for each contract year regardless of whether the density list is lower than that minimum number. At the time the contract was awarded, neither CSTC-A nor ACC took into account vehicles not serviced in over a year or destroyed or the ANP's future maintenance ability. Under the terms of the contract, option year 1 forced the government to pay AMS at a rate of 22,000 vehicles maintained per year. However, when vehicles not seen in over a year or destroyed are taken into account, only 15,963 vehicles were actually maintained. If ACC had had the flexibility to adjust the terms of the option year to pay at rates below 22,000 vehicles to be closer to the amount of vehicles actually maintained, we estimate that CSTC-A could have saved at least \$530,000 in option year 1.

In addition, CSTC-A is currently training the ANP to conduct maintenance in the future. If transition to ANP-provided maintenance occurs, the number of vehicles maintained by AMS is likely to decrease. Nevertheless, ACC currently lacks any flexibility to revise the terms of the option years in the AMS contract to account for fewer numbers of vehicles actually maintained. In option years 3 and 4, the minimum number of vehicles maintained—on which the firm fixed-price rate is based—increases even further, to a minimum of 26,000 vehicles in option year 3 and 28,000 vehicles in option year 4.

## AMS GENERALLY PERFORMED AND BILLED FOR SERVICES IN ACCORDANCE WITH THE CONTRACT AND MET CONTRACT-ESTABLISHED READINESS RATES, BUT IMPROVEMENTS ARE NEEDED IN SPARE PARTS MANAGEMENT

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AMS generally performed maintenance services and billed for the fixed-price and reimbursable aspects of the contract in accordance with the contract's terms and conditions. Further, AMS appears to have met contract-established operational readiness rates with respect to its maintenance of ANP vehicles. Although AMS's spare parts invoices were generally billed within the terms of the contract, AMS site records misstated the line item spare parts inventory at various sites we visited. On average, we found that at the 11 sites visited, AMS's electronic supply chain management system did not accurately reflect spare parts line items on hand. In commenting on a draft of the report, CSTC-A and ACC noted that AMS is currently conducting a 100-percent inventory; the COR and DCMA are adding inventory review to audits; and CSTC-A and DCMA will work with ACC to request monetary consideration for broken spare parts identified in the 100-percent inventory.

### AMS Appears to Meet Contract-Established Operational Readiness Rates

Based on AMS-provided performance data, our site visits, reviews of COR reports, and discussions with CSTC-A and contractor officials, we determined that AMS is generally performing maintenance in accordance with the contract's requirements. According to the contract, the contractor is required to maintain a 90-percent operational readiness of all ANP vehicles. Vehicles that are not brought in by the ANP are not counted against the contractor's operational readiness because they are assumed to be operational. Operational readiness is defined in the contract as the calculation of the total number of fielded vehicles ("fielded fleet") less the number of known non-mission-capable vehicles, divided by the number of vehicles in the fielded fleet. Non-mission-capable vehicles are those vehicles that the contractor has received for repair from the ANP but for which repairs have not been completed. All other vehicles are considered to be mission capable. We reviewed AMS's weekly operational readiness reports and found that the contractor consistently reported above the 90-

percent operational readiness requirement. According to CSTC-A officials, the contractor submits all reports in a timely manner, has a well-organized and well-run shop, and performs the required repairs.

## Invoices Were Generally within Contract Terms and Conditions

Based on our examination and analysis of the contract and AMS firm fixed-price and spare parts invoices, we determined that AMS generally invoiced in accordance with the terms of the contract. From April 2011 through September 2012, AMS submitted 24 firm fixed-price invoices totaling approximately \$50.4 million. We reviewed each item charged on each invoice and compared each charge to the terms of the contract to determine its allowability and whether it was billed according to the terms of the contract. In all cases, we noted no discrepancies between what the terms of the contract allowed and what AMS billed on the firm fixed-price portion.<sup>17</sup>

From April 2011 to September 2012, AMS received payment on 34 invoices for spare parts totaling about \$26.5 million of the \$33 million in base contract year obligations to the contract. We selected a judgmental sample of the five largest invoices in the base contract year, totaling over \$10.1 million. In all cases, the contractor provided CSTC-A with the support for the charges, including receipts. We conducted a review of every item charged and did not identify any material differences between what AMS showed as paying for spare parts and what AMS invoiced the government.

During the course of our site visits, we identified windshields that were broken by AMS. In discussions with AMS officials at the site, they stated that the windshields were likely broken in transit while in AMS's possession of the parts. According to ACC and CSTC-A officials, the government has never received a credit for parts broken by the contractor. CSTC-A is addressing this issue by having CORs inspect certain parts that are susceptible to breakage, such as windshields, and note any damaged items.

## Spare Parts Line Item Inventories Were Inaccurate at Sites Visited

AMS site records misstated its spare parts inventory at all 11 sites we visited. According to the contract, AMS is required to have a commercially available, computerized system to provide materiel management for the ordering and tracking of spare parts. At locations other than forward support teams, AMS uses a computerized system called FASTRAX, which maintains spare parts inventories as a set of line items. As an example, multiple engines would be counted as one line item. We found that FASTRAX did not accurately reflect the spare parts on hand. We visited 11 of the 27 AMS facilities in existence at the time of our work,<sup>18</sup> conducted 12 separate inventories,<sup>19</sup> and found that all 11 sites had inaccurate inventories, with the percentage of incorrect line items

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<sup>17</sup> During the course of its invoice reviews, DCAA conducted a review of transportation and rental charges that AMS charged as a cost-reimbursable item to transport parts within Afghanistan. DCAA determined that these items were a part of the firm fixed-price effort of the contract and, therefore, should have been included in AMS's fixed monthly rate. Among the cost reimbursements, DCAA identified \$373,844.92 in transportation costs, \$30,163.43 in crane rental costs, and \$168,092.21 in container movement costs to the government. DCAA concluded that AMS's supply chain management system is covered by the firm fixed-price effort. According to the contract, the supply chain management program includes "a viable distribution program for repair parts to each maintenance site (including all required consumables)." As a result, DCAA disapproved over \$570,000 in charges from April 2011 through October 2011. In March 2012, DCAA withheld this amount from AMS's reimbursement.

<sup>18</sup> In October 2012, ACC notified the contractor to demobilize all forward support team sites due to future ANP maintenance plans. As of the date of this report, these sites no longer exist.

<sup>19</sup> The Central Maintenance and Supply Facility has two separate inventories on the site. One inventory is for parts to be used at the maintenance facility, and a separate inventory is for parts being prepared for shipment to AMS sites across Afghanistan. SIGAR reviewed both inventories.

ranging from a high of 64.6 percent to a low of 8.3 percent. For 10 of the 12 inventories, we selected a random sample of inventory line items from FASTRAX and physically verified the accuracy of the inventory records.<sup>20</sup> Table 2 shows the results of our physical inventories at the 10 AMS facilities with FASTRAX.

**Table 2 - Projected Results of SIGAR Inventory at Selected AMS Facilities**

AMS Facilities	Line Items in Stock	Line Items Correct	Line Items Incorrect	Line Items Missing	Percentage of Line Items Incorrect or Missing <sup>a</sup>
Central Maintenance Facility	2,821	2,265	385	171	19.7
Central Supply Facility	7,777	7,081	696	0	8.9
Kandahar RMC	2,290	972	1,110	208	57.6
Gardez RMC	1,814	1,154	632	28	36.4
Herat RMC	1,726	610	797	319	64.7
Herat RLC	672	434	228	10	35.4
Kandahar RLC	508	466	34	8	8.3
Gardez RLC	453	399	54	0	11.9
Helmand SMC	1,138	746	356	36	34.4
Kunduz SMC	823	457	314	52	44.5
<b>Totals</b>	<b>20,022</b>	<b>14,584</b>	<b>4,606</b>	<b>832</b>	<b>27.2</b>

Source: SIGAR inventories of selected AMS repair facilities.

Notes: <sup>a</sup>Each sample has a 90-percent confidence with a margin of error of plus or minus 10 percent of the total line items in stock. This interval would contain the actual population value for 90 percent of the samples we could have drawn. For the margin of error at each site, see appendix I, table I. We tested the sample to understand the impact of immaterial inaccuracies on our overall findings. We ruled any inaccuracy constituting less than 5 percent of the reported inventory and valued at less than \$10/unit as immaterial. This resulted in an average change in our findings of less than one percent (0.22%). As this analysis suggests, immaterial inaccuracies do not significantly affect or skew the data. We therefore included all inaccuracies, material and otherwise, in our analysis.

<sup>20</sup> Because the Sharana forward support team did not use FASTRAX and did not have an inventory of parts at the site, we selected a judgment sample of part line items at the forward support team and compared this to AMS's physical inventory.

Of the 10 sites at which we selected a random sample, we project that only the Central Supply Facility and the Kandahar RLC reported more than 90 percent of line items correctly. For the remaining 8 sites, the parts on the shelves did not match the inventory system. For example, at the Kandahar RMC we project that of the 2,290 line items, 1,110 did not match the inventory system, and 208 could not be found.<sup>21</sup> In reviewing each line item, we found a range of inaccuracies between what was reported in the supply chain management system and what was counted physically. For example, at the Kandahar RMC we found 148 more fuel hoses than the reported 118 in the supply chain management system, compared to the Mazar-e-Sharif RMC where we found only 2 fewer suspension pins than the reported 392.

According to site managers, these inaccuracies were due to multiple reasons, including the relocation of parts, untimely data input, new manufacturer part numbers, and poor documentation. For example, the Kandahar RMC site had been physically expanded, which led to the relocation of parts to another area on site. The Kandahar RMC also supplies parts to other maintenance facilities. At the time of our inventory, the site manager had not updated the inventory to reflect the new location or those parts set aside for other maintenance facilities. In addition, at the Herat RLC and RMC, the inventory system was likely not updated to reflect part transfers between the two facilities. At the Kunduz SMC, we required the assistance of the parts manager to locate a part due to a change in the part number by the manufacturer. Although we found the part, this change was not reflected in the site's inventory system. At the Helmand SMC, we project that of the 1,138 line items, 356 did not match the inventory system and 36 could not be found. At this site, most actual stock differed from the FASTRAX system by a single item. The supply chain manager at this facility stated that such discrepancies were due to mechanics requesting the wrong parts and later returning incorrect parts to the shelves without revising the corresponding line items in the inventory system.

For inaccurate and missing line items where we had cost data, the average value of the parts were \$48.76 and \$20.59, respectively. According to CSTC-A, AMS has additional internal controls in place for some high-risk items. For example, AMS began serializing batteries to prevent the ANP from switching batteries by putting an old battery in the vehicle after receiving a new one from AMS. In addition, AMS destroys used batteries and tires to prevent their reuse or resale once removed from a vehicle. Other high-risk parts are kept in separate secured areas that are accessible to only a few individuals to prevent items from being stolen. In Herat RMC, for example, transmissions, starters, and alternators were secured separately from other parts. In Kandahar RMC, parts at high-risk, as determined by the site manager, were kept in a secured cage with access available only to the site manager, parts manager, and his assistant.

At Mazar-e-Sharif RMC we were able to select a random sample and found that 39.4 percent of selected line items were either missing or incorrect. However, due to a file submission error by the contractor, we were unable to project these results. Because the Sharana forward support team did not have an onsite computerized or manual inventory system, at this site we selected a non-statistical sample of 23 line items from the shelves. We compared our inventory of the 23 line items to data later obtained from the off-site parts records located at the Ghazni SMC and found that 8 items matched FASTRAX and 15 items did not.

## U.S. GOVERNMENT OVERSIGHT AND RECORDS COULD BE ENHANCED

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In April 2011, DCMA identified the AMS contract as a moderate-risk contract, which requires one monthly audit per site by either a COR or a DCMA QAR. Based on our reviews of DCMA records and COR reports, these monthly site visits did not always occur. Of the 453 COR reports required between April 2011 and August 2012,

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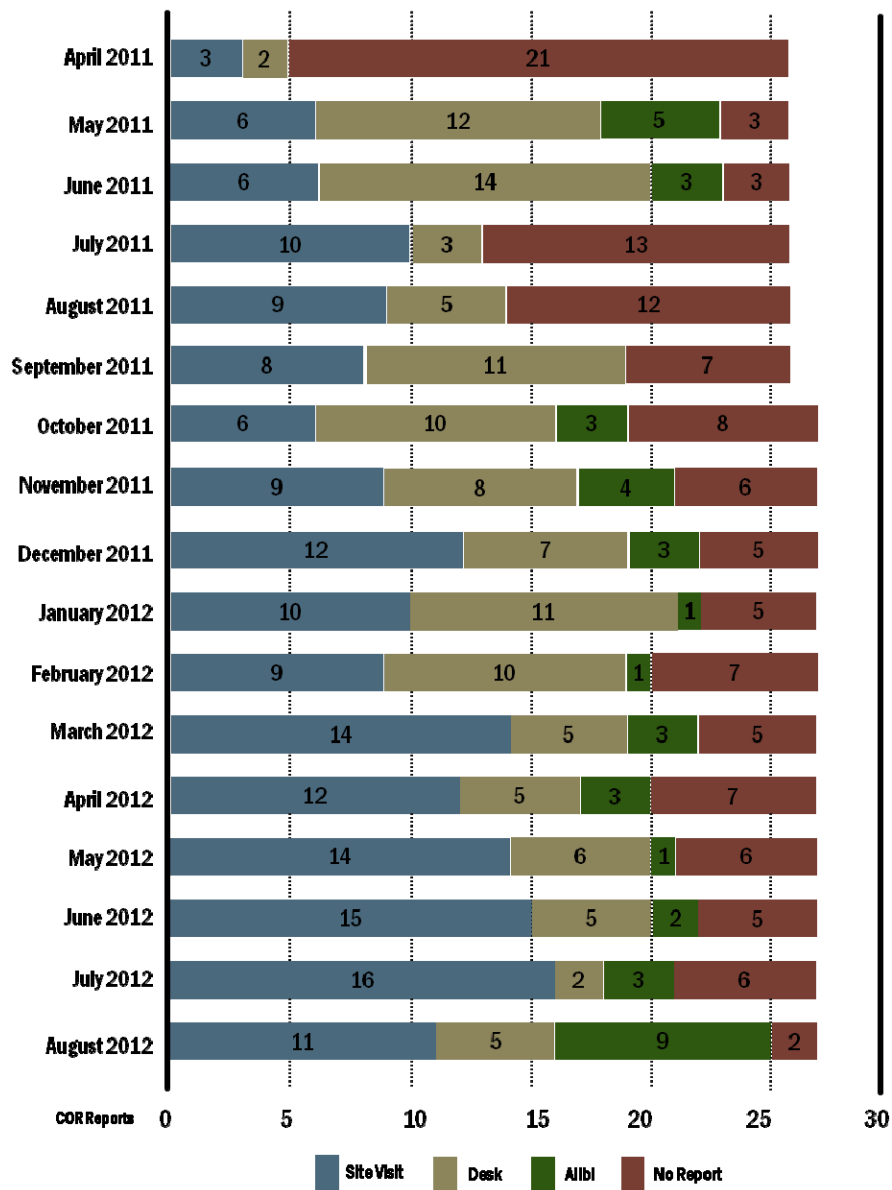
<sup>21</sup> We are 90-percent confident, with a margin of error of plus or minus 10 percent, of the total line items in stock. This range would contain the actual population value for 90 percent of the samples we could have drawn.

121 reports (27 percent) were missing. One site did not receive any COR oversight, two sites did not receive any COR oversight until June and July 2012, and additional sites had large lapses of time during which no oversight was reported. When audits did occur, only about half involved an actual site visit, with the other half being done as a desk audit by phone or email, or by an alibi report, stating that the contractor could not be reached. Four sites received oversight, but not through a COR visit.

According to DCMA, when conducting oversight, the preferred method of surveillance is a site visit by a COR. Of the 453 required COR audits between April 2011 and August 2012, 170 (38 percent) were site visits. However, based on the challenges and restrictions of travel in Afghanistan, DCMA allows “desk” audits and “alibi” reports. Desk audits are performed from the COR’s or QAR’s location by phone or email for remote locations where personnel are often delayed and can be stranded for days awaiting transportation. SIGAR found 121 (27 percent) of required audits were desk audits. When the necessary contractor personnel cannot be reached to perform a desk audit, DCMA requires that the COR submit an alibi report to explain why an audit was not conducted. While 41 (9 percent) of required audits were alibi audits, many lacked adequate justification for conducting an alibi audit versus a site or desk audit. SIGAR reviewed 23 alibi audits conducted from January to August 2012. Many of these audits noted security and logistic constraints as to why a site visit could not be performed, but only five indicated an effort to contact the contractor to conduct a desk audit. For example, one COR made multiple attempts to conduct the March 2012 site review of Mazar-e-Sharif RMC, but travel was cancelled because of logistics and security concerns, and he indicated that he could not conduct a desk audit because AMS officials were not available to provide data.

DCMA and COR reports have noted the challenges in conducting site visits. For example, at the Fayzabad SMC, the COR consistently reported that he was unable to visit the site due to logistics constraints and could, therefore, only perform desk audits. In April 2012, the COR for the Maymana SMC could not arrange security to conduct a site visit and was told by the military that the security risk was too high for the COR and military personnel to conduct a site visit. Figure 5 shows a summary of our review of COR reports.

Figure 5 - COR Reports Performed, by Type



Source: SIGAR review of COR reports from April 2011 to August 2012

In addition, both CSTC-A and DCMA were unaware of three AMS forward support team sites in Khost, Pol-e-Khomri, and Juno. The Khost and Pol-e-Khomri forward support teams are sites in the original contract, while the Juno forward support team was established in October 2011. When we contacted both the DCMA QAR and CSTC-A's lead COR in May 2012, they were not aware of these sites. Therefore, the first time these sites received oversight was June 2012, when Juno received a desk audit. Furthermore, several sites received little or no oversight for extended periods. For example, from July 2011 through August 2012, the Jalalabad RMC received no COR oversight. In addition, the Herat RMC lacked COR oversight between December 2011 and July 2012.

IJC and CSTC-A are responsible for maintaining continuous COR oversight coverage at the points of execution. According to CSTC-A, IJC is required to conduct audits at RLCs, SMCs, and forward support teams, and CSTC-A is required to provide CORs for RMCs and the Central Maintenance and Supply Facility. However, not all sites

have had continuous coverage, and some sites previously received no COR oversight. According to CSTC-A, as of November 2012, IJC is responsible for providing CORs for 12 sites, but has only provided CORs for two. CSTC-A has been supplying CORs, but many of these CORs are located throughout the country, creating additional logistics and movement constraints to conduct a site visit. This level of coverage is consistent with the level of assistance IJC has provided CSTC-A since the contract's inception. IJC officials said they did not meet CSTC-A's request for COR coverage for several reasons: (1) ISAF has never ordered IJC to meet CSTC-A's request; (2) IJC does not own the contract, especially in locations where other coalition partners maintain command; and (3) visiting several remote AMS service centers, especially in the North and Southwest, requires an unacceptable level of effort and exposure to danger. In addition, IJC officials noted that the rapid closure of IJC bases throughout Afghanistan makes it highly unlikely that IJC will ever meet CSTC-A's request for COR coverage.

In commenting on a draft of this report, CSTC-A noted that DCMA has assigned two Government Technical Product Representatives to work alongside CSTC-A and the primary COR in order to track all audits. In addition, the Government Technical Product Representatives will train and direct all CORs. In the case a desk audit is not possible, the COR will inform DCMA that no audit was conducted and include justification as to why.

## CONCLUSION

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Because ACC and CSTC-A did not adjust the contract to more accurately reflect the current vehicle servicing needs of the ANP, approximately \$6.8 million was spent from April 2011 to September 2012 on vehicles that had not been seen for maintenance in over a year, had never been seen for service, or had been destroyed. Unless ACC and CSTC-A revise the density list to account for such vehicles, they risk wasting additional funds on such vehicles. Furthermore, future option years peg CSTC-A to minimum vehicle maintenance rates that may be more than what is required. Unless flexibility is provided in future option years, CSTC-A is likely to pay for servicing more vehicles than what is required.

AMS appears to have performed maintenance services and billed for the fixed-price and reimbursable aspects of the contract in accordance with the contract's terms and conditions. However, SIGAR found that spare part line items were inaccurate at the sites visited. In addition, unless the government takes steps to identify and seek reimbursement for parts broken under the contractor's care, it risks wasting additional funds.

Furthermore, CSTC-A may not have reasonable assurance that AMS is providing the goods and services within the terms of the maintenance contract due to variations in contract oversight. Specifically, some sites lacked COR oversight for several months, and DCMA and CSTC-A were previously unaware that three sites received no oversight.

## RECOMMENDATIONS

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To allow DOD the flexibility to adjust the contract price to the density list, we recommend that the Commanding General, CSTC-A in coordination with the Commanding General, U.S. Army Contracting Command:

- 1. Establish formal criteria for when vehicles are added and removed from the density list, and revise the density list accordingly.**
- 2. Adjust the base rate for future option years as a result of the removal of vehicles from the density list.**

To assure the integrity of AMS's spare parts inventory, we recommend that the Commanding General, CSTC-A in coordination with the Commanding General, U.S. Army Contracting Command:



3. **Require AMS to conduct a 100-percent inventory of spare parts at each of its service centers in Afghanistan and report to CSTC-A on the results of this inventory.**
4. **Require that CORs, after the completion of AMS's 100-percent inventory, implement procedures that periodically test the accuracy of AMS's inventory and report deficiencies to ensure that AMS takes corrective action to improve inventory management.**
5. **Identify spare parts broken by the contractor and seek reimbursement for those parts.**

To assure that oversight is performed and documented accordingly, we recommend that the Commanding General, CSTC-A, in coordination with the Commander, Defense Contract Management Agency Afghanistan:

6. **Require their personnel to review COR reports to ensure that CORs conduct an audit at each AMS service center every month, while recognizing that a number of monthly audits may be desk audits or alibi reports because of logistic and security considerations.**
7. **Require their personnel to include the reasons why a desk audit was not conducted when preparing alibi reports.**

## AGENCY COMMENTS

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CSTC-A, in coordination with ACC, provided written comments on a draft of this report. These comments are reproduced in appendix IV. DCMA Afghanistan provided technical comments, which we incorporated into this final report, as appropriate. CSTC-A concurred with all seven recommendations.

For recommendation 1, CSTC-A noted it would establish formal criteria for when vehicles are added and removed from the density list and that it would incorporate the new criteria in option year 2 of the contract which began on December 30, 2012.

For recommendation 2, CSTC-A noted it had adjusted the base rate for future years as a result of the removal of vehicles from the density list. Specifically, CSTC-A has removed 7,324 vehicles from the density list based on the new criteria, saving the government approximately \$5.5 million per year.

Regarding recommendation 3, CSTC-A noted that AMS is in the process of conducting a 100-percent inventory of spare parts at each of its centers with an anticipated completion of January 31, 2013.

Regarding recommendation 4, CSTC-A stated it has implemented several actions to improve inventory management. Specifically, CSTC-A noted that the COR, in conjunction with DCMA, will require that monthly audits incorporate a 10-percent inventory list of all warehouse items, verify these items and their quantities, and conduct maintenance location checks.

For recommendation 5, CSTC-A stated that for broken spare parts, the CO directed AMS to develop written internal control measures for the accountability and disposition of damaged spare parts. Following the 100-percent AMS inventory, CSTC-A and DCMA plan to work with ACC to request monetary consideration for broken spare parts.

Regarding recommendation 6, to improve oversight, CSTC-A noted DCMA has assigned two Government Technical Product Representatives to work alongside CSTC-A and PCOR to track all audits.

For recommendation 7, CSTC-A stated that in cases where a desk audit is not possible, the COR will inform DCMA that no audit was conducted and include justification as to why no audit was conducted. In addition, the Government Technical Product Representatives will train and direct all CORs.

In its technical comments, DCMA concurred with recommendations 6 and 7 to improve oversight of CORs and to assist CSTC-A where possible in executing their responsibilities.

## APPENDIX I - SCOPE AND METHODOLOGY

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This report provides the results of the Office of the Special Inspector General for Afghanistan Reconstruction's (SIGAR) review of contract W52P1J-11-C-0014 awarded to Automotive Management Services, FZE (AMS), to provide vehicle maintenance services to the Afghan National Police (ANP). We initiated this audit to determine whether the government is paying an appropriate amount for contracted services it requires; the contractor performed within the terms and conditions of the contract, and whether DOD agencies are providing effective oversight of the contract.

Overall, to address these objectives, we met with officials from the U.S. Army Contracting Command (ACC), Defense Contract Management Agency (DCMA), Defense Contract Audit Agency (DCAA), CSTC-A, IJC, and AMS; conducted site visits at 11 locations of AMS maintenance facilities throughout Afghanistan; examined contract documentation, contractor billings, inventory and production reports, DCMA COR reports; and CSTC-A vehicle density lists.

To determine the level of ANP usage of the contract and the number of vehicles never seen by the contractor or confirmed destroyed, we compared the list of authorized vehicles called the "density list" from both CSTC-A and ACC to contractor records. For each vehicle, we identified whether a vehicle had been seen within the past 3 months, seen within 3-6 months, seen within 6-12 months, not seen in over a year, never seen by the contractor, or confirmed destroyed by the contractor. Based on the September 2012 density list, we conducted a statistical analysis of the vehicles that had not been seen in over a year.<sup>22</sup> Based on this review, we project that over 50 percent of these had not been seen since April 2011, the start of the Afghanistan Technical Equipment and Maintenance Program contract.<sup>23</sup> In addition, we conducted a statistical analysis for all vehicles in the September 2012 density list and found that, on average, it had been about 7 months since vehicles were last seen for service. Once we established the number of vehicles that had not been seen in over a year, had never been seen, or had been destroyed, we subtracted these vehicles from the density list to determine whether this would affect the firm fixed-price rate under the contract. We then compared the revised density list numbers to the contract's pricing structure to determine the monthly price based on these revised density list numbers.

To determine whether AMS charges to the contract were within the terms and conditions of the contract, we selected a judgmental sample of the five largest spare parts invoices charged against the base year of the contract. This provided us with \$26.5 million of the total \$33 million or 80 percent of base year obligations for spare parts. For each invoice, we requested payment and shipping documentation from CSTC-A and AMS. For each invoice, we verified that both AMS and the vendor charged the correct amount. On vendor invoices to AMS, we verified that the quantities and prices of each item were calculated accurately. Once we verified the vendor charges to AMS, we combined these invoices to ensure that the price charged to the government was the same that was charged to AMS. Because DCAA had conducted a review of disapproved transportation costs, we did not include these in our review.

To determine AMS's ability to accurately track spare parts purchased under the contract, we conducted site visits to the Central Maintenance and Supply Facility and 10 other contractor facilities. At these facilities, we conducted inventories of spare part line items by using AMS's supply chain management system to identify line items reported in stock at the time of our visit. We selected a statistical random sample of individual line items

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<sup>22</sup> We drew this sample at a 95-percent confidence level, with a margin of error of plus or minus 10 percent.

<sup>23</sup> AMS data also includes information from a previous maintenance contract.

at each facility using a 90-percent confidence level with a 10-percent margin of error. Table I shows the number of line items selected and the total number of line items in stock at the time of our inventory.

**Table I - Number of Lines Items Selected**

<b>AMS Facilities</b>	<b>Line items (selected based on sampling methodology)</b>	<b>Line items in stock</b>
Central Maintenance Facility	66	2,821
Central Supply Facility	67	7,777
Kandahar RMC	66	2,290
Gardez RMC	66	1,814
Herat RMC	65	1,726
Herat RLC	62	672
Kandahar RLC	60	508
Gardez RLC	59	453
Helmand SMC	64	1,138
Kunduz SMC	63	823

Source: SIGAR inventories of selected AMS repair facilities

When analyzing the data, we considered materiality as a factor. Specifically, to understand the impact of materiality on our findings for this audit, we used our professional judgment to test the sample using a 5-percent variance (physical count as a proportion of inventory system-reported count) threshold and a \$10 unit cost threshold. In this test, any inaccuracies in our sample found to constitute less than 5 percent of the reported inventory and valued at less than \$10 per unit were excluded from our data analysis. The immaterial inaccuracies were not significant individually or in aggregate. The exclusion of all immaterial inaccuracies from our sample resulted in a 0.22-percent average change in inventory underage across all facilities. Given this, and particularly considering the 10-percent margin of error of our samples, we determined that analyzing the full data set, to include all immaterial inaccuracies, would clearly capture our finding without unreasonably skewing the data. Therefore, all quantitative analysis in this report relies on the full data set and is not adjusted for materiality.

We note the following three caveats to the data presented within the report. First, the sample gathered at Herat RLC had a greater proportion of immaterial inaccuracies than any other location. Second, we were unable to draw a statistical random sample at Mazar-e-Sharif RMC because a file submission error by the contractor resulted in our conducting the site visit without a complete inventory stock list. Lastly, the sample gathered at Sharana forward support team did not have an on-site supply chain management system from which we could draw a statistical random sample of inventory line items. Instead, we selected parts from the forward support team’s shelves and verified the count against the computerized inventory for Sharana forward support team, which we later obtained from its location at Ghazni SMC.

To determine the level of COR oversight, we reviewed all DCMA COR and QAR records. We identified the number of sites in existence on a monthly basis and identified which sites had records of COR oversight. In addition, we compared the number of COR reports to DCMA summary data of the COR reports done each month. We also interviewed CTSC-A and IJC officials to understand the issues surrounding COR oversight.

We used computer-processed data from the contractor's inventory management system to perform the audit. We obtained inventory reports produced by the system to identify spare parts inventory levels. We tested the accuracy of the data in the reports generated by the system by performing physical inventories. The results of our inventory testing indicated that the inventory data was inaccurate. In addition, we relied on computer-processed data from the contractor's records to identify the status of vehicles. For some months, we found that the contractor's data had vehicles that were not listed on the official density lists. To account for this discrepancy, we reconciled the contractor's data with CSTC-A's official vehicle density lists. Beginning with the April 2012 density list, CSTC-A included vehicle status with the official density list.

We conducted our work in Kabul, Kandahar, Balkh, Helmand, Kunduz, Paktika, Gardez, and Herat provinces in Afghanistan from January 2012 to December 2012 in accordance with generally accepted government auditing standards. These 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit was conducted under the authority of Public Law No. 110-181, as amended, the Inspector General Act of 1978, and the Inspector General Reform Act of 2008.

## APPENDIX II - SUMMARY OF MODIFICATIONS TO ANP A-TEMP CONTRACT W52P1J-11-C-0014

**Table II - Summary of Modifications to ANP A-TEMP Contract W52P1J-11-C-0014**

Modification Number	Date	Cost Change	Description
Base	December 30, 2010	\$24,210,510	Funds the initial service centers, the relocation of the facilities to the Central Maintenance and Supply Facility, and the purchase of spare parts.
Mod 1	March 22, 2011	-\$956,504	Deobligates funds to facilitate movement of funds.
Mod 2	April 20, 2011	\$956,504	Adds and funds six contact teams, two forward support teams, and one Regional Maintenance Center and updates contract language.
Mod 3	April 27, 2011	\$0	Changes the address of the contract paying office.
Mod 4	May 23, 2011	\$18,983,078	Fully funds base year and adds and funds two additional contact teams.
Mod 5	July 21, 2011	\$625,018	Increases funding for spare parts and updates to contract language.
Mod 6	August 3, 2011	\$0	Updates contract language.
Mod 7	August 18, 2011	\$21,540,438	Funds a 10-percent density surge and updates contract language.
Mod 8	October 24, 2011	\$604,526	Funds a 5-percent density surge, adds and funds one additional forward support team, and updates contract language.
Mod 9	November 28, 2011	\$48,335	Adds and funds one additional contact team.
Mod 10	December 29, 2011	\$21,160,274	Exercises and funds the first option year.
Mod 11	February 21, 2012	\$0	Reallocates funding among contract line items, accelerates the purchase of spare parts due to logistical issues, and updates contract language and attachments.
Mod 12	March 19, 2012	\$0	Updates contract language and attachments.
Mod 13	April 27, 2012	\$56,651,692	Fully funds option year 1, funds a 5-percent density surge, increases monthly spare parts budget, and updates contract language and attachments.
Mod 14	May 9, 2012	\$0	Transfers purchasing office responsibility.
Mod 15	May 31, 2012	\$2,445,131	Corrects and funds the previous 5-percent density surge in Mod 13 to a 15-percent density surge.
Mod 16	N/A	\$0	Cancelled.
Mod 17	September 27, 2012	\$1,014,217	Funds a 5-percent density surge.

Source: SIGAR Analysis of contract W52P1J-11-C-0014

## APPENDIX III - AMS MAINTENANCE LEVELS AND SITES AS OF NOVEMBER 2012

Table III - AMS Maintenance Levels and Sites as of November 2012

Maintenance Levels	Description	Sites	
<b>Organizational</b>	Organizational level facilities conduct maintenance that generally requires less than 12 man-hours at the infantry and combat support level and an additional 24 hours for maintenance actions evacuated to the service support level. Maintenance is performed by personnel using common tools and includes preventative maintenance, minor repairs, adjustments, and quick replacement of repair parts (starters, radiators, alternators, tires, and brakes). In addition, organizational level maintenance includes replacement of minor damaged body parts (bumpers, mirrors, windows, and small body panels).	Regional Logistics Center (RLC) Kandahar RLC Mazar-e-Sharif RLC Gardez	Satellite Maintenance Center (SMC) Bamiyan SMC Farah SMC Fayzabad SMC Ghazni SMC Helmand SMC Kunduz SMC Maymana SMC Uruzgan SMC Wardak
<b>General</b>	General level facilities support regional units where repairs require a more in-depth level of maintenance than Organizational Level, but less than 36 repair man-hours to complete. Maintenance is performed by skilled and semi-skilled personnel using a broad range of tools and equipment. Maintenance includes troubleshooting, testing, diagnosis, and repair of vehicles and other complex equipment. General level support facilities also repair major assemblies (engines, transmissions, axles, and differentials). These facilities also provide in-depth body shop repairs and complete repainting of equipment.	RLC Herat	Regional Maintenance Center (RMC) Gardez RMC Herat RMC Jalalabad RMC Kandahar RMC Mazar-e-Sharif
<b>National (Depot)</b>	The National level facility conducts time consuming repairs and requires the use of machine tools, test equipment, heavy lifting and specialized facilities. Repairs require advanced mechanical skill levels with specialized training including component rebuild, overhaul of components and major assemblies, and over of complete equipment pieces.	Central Maintenance and Supply Facility Kabul	
<b>Total Sites</b>			<b>19</b>

Source: SIGAR analysis of Performance Work Statement and AMS documentation.

## APPENDIX IV - AGENCY COMMENTS

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HEADQUARTERS  
NATO TRAINING MISSION – AFGHANISTAN  
COMBINED SECURITY TRANSITION COMMAND – AFGHANISTAN  
KABUL, AFGHANISTAN  
APO, AE 09356

REPLY TO  
ATTENTION OF  
NTM-A/CSTC-A

31 December 2012


MEMORANDUM THRU United States Forces - Afghanistan (CJIG), APO AE 09356  
United States Central Command (CCIG), MacDill AFB, FL 33621

FOR: Special Inspector General for Afghanistan Reconstruction, 2530 Crystal Drive, Arlington,  
VA 22202-3940

SUBJECT: NTM-A/CSTC-A Response to the Draft Report "Afghan Police Vehicle Maintenance  
Contract: Actions Needed to Prevent Millions of Dollars Being Wasted" SIGAR  
Audit 13-3

REFERENCE: Draft Report, dated January 2013, Special Inspector General for Afghanistan  
Reconstruction.

1. The purpose of this memorandum is to provide responses to recommendations one through seven within the referenced SIGAR Audit 13-3 draft report.
2. Point of contact for this action is LTC Richard Hall at DSN 318-449-0265, or via email at [Richard.m.hall@afghan.swa.army.mil](mailto:Richard.m.hall@afghan.swa.army.mil)

  
MATTHEW B. SCHWAB  
COL, US Army  
Director, SAO-A

Enclosure:  
NTMA/CSTC-A Response to Draft Report



## DRAFT REPORT

“Afghan Police Vehicle Maintenance Contract: Action Needed to Prevent Millions of Dollars Being Wasted” SIGAR Audit 13-3

### NTMA-A/CSTC-A GENERAL COMMENTS ON THE DRAFT REPORT

Recommendation 1, 2, Page 15, states:

To allow CSTC-A the flexibility to adjust the contract price to the density list, we recommend that the Commanding General, ACC-RI, in coordination with the Commanding General, CSTC-A.

*1. Establish formal criteria for when vehicles are added and removed from the density list, and revise the density list accordingly.*

CSTC-A Response: NTM-A/CSTC-A concurs with the recommendation and has established formal criteria for when vehicles are added to or removed from the density list. The new criteria will be included in the next option year for the contract beginning 30 DEC 2012. This modification to the PWS will allow the necessary flexibility to adjust the density list as recommended by the audit team.

*b. Adjust the base rate for future option years as a result of the removal of vehicles from the density list.*

CSTC-A Response: NTM-A/CSTC-A concurs with the recommendation and has adjusted the base rate for future option years as a result of the removal of vehicles from the density list. The density list for the next option year has been revised to reflect the updated density for vehicles seen in the past year. The current density list for Option Year 2 (30 Dec 2012 to 29 Dec 2013) has a total of 31,360 vehicles. Of the total amount of vehicles only 24,036 meet the "new" criteria for which we are now paying AMS. There are 7,324 less vehicles on the AMS density list now which saves the USG approximately \$5.5M per year. Because we incorporated the revised density list while exercising option year 2 we avoided substantial costs for these changes to the density list.

Recommendation 3, 4, 5, Page 15, states:

**To assure the integrity of AMS's spare parts inventory, we recommend that the Commanding General, ACC-RI, in coordination with the Commanding General, CSTC-A:**

*3. Require AMS to conduct a 100-percent inventory of spare parts at each of its service centers in Afghanistan and report to CSTC-A on the results of this inventory.*

CSTC-A Response: NTM-A/CSTC-A concurs with recommendation and AMS is currently conducting a 100% inventory of spare parts at each of its centers. The anticipated completion date is 31 January 2013.

*4. Require that CORs, after the completion of AMS's 100-percent inventory, implement procedures that periodically test the accuracy of AMS's inventory and report deficiencies to ensure that AMS takes corrective action to improve inventory management.*

CSTC-A Response: NTM-A/CSTC-A concurs with the recommendation and the following actions have been implemented to ensure compliance. The Contracting Officer Representative

(COR) in conjunction with DCMA will add the following elements to the current monthly audit check list:

Step 1. A 10% inventory list of all warehouse ASL lines:

Step 2. Will move to storage location of lines and check for the following:

- a. Verify the lines on the inventory list match with the lines on the shelf
- b. Verify line quantity matches inventory in-stock

Step 3. Conduct location maintenance checks.

- a. Validate there is only one NSN per location
- b. Validate the location card matches the item
- c. Ensure that there are not multiple locations for the same NSN
- d. Verify that all items have an assigned location

*5. Identify spare parts broken by the contractor and seek reimbursement for those parts.*

CSTC-A Response: NTM-A/CSTC-A concurs with the recommendation. The Contracting Officer has directed AMS to develop written internal control measures for the accountability and disposition of damaged spare parts. AMS will conduct a 100% inventory of all spare parts in order to identify damaged parts already in the inventory. NTM-A/CSTC-A and DCMA will work with ACC-RI to request monetary consideration for any broken spare parts identified as a result of the 100% inventory.

Recommendation 6, 7, Page 15, states:

**To assure that oversight is performed and documented accordingly, we recommend that the Commanding General, CSTC-A, in coordination with the Commander, Defense Contract Management Agency Afghanistan:**

*6. Require their personnel to review COR reports to ensure that CORs conduct an audit at each AMS service center every month, while recognizing that a number of monthly audits may be desk or alibi audits because of logistic and security considerations.*

CSTC-A Response: NTM-A/CSTC-A concurs with the recommendation and DCMA has taken action to assign two Government Technical Product Representatives (GTPR) to work alongside the contract requirement owner (DCOM-Support Operations/ Material Readiness Branch) and the Primary Contracting Officer Representatives (PCOR). These embedded GTPRs will manage the DCMA quality assurance program for the three ATEMP contracts. They will track monthly COR audit reporting for 79 sites and monitor 158 monthly audits. The embedded GTPRs will exercise responsibility for quality assurance over the Capitol Region's 20 sites. 12 of these sites will be covered by CORs directly, with the embedded GTPRs covering the remaining 8 sites for a total of 40 monthly audits. The GTPRs will provide quality assurance data products in the form of a Monthly Quality Report.

*7. Require their personnel to include the reasons why a desk audit was not conducted when preparing alibi audits.*

CSTC-A Response: NTM-A/CSTC-A concurs with the recommendation. The newly assigned embedded GTPRs will train & direct 32 CORs across 6 regional commands. This training will include instructions to all CORs concerning the execution of monthly audits. Audits will be physical on-site audits except in extreme cases where due to safety and force protection reasons this is not possible. In these cases a desk audit will be accepted. In the rare occasion that a desk audit is not possible, the COR will inform DCMA that no audit was conducted and include justification as to why no audit was conducted.

APPROVED BY:  
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## APPENDIX V - ACKNOWLEDGMENTS

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This audit report was conducted under  
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## SIGAR's Mission

The mission of the Special Inspector General for Afghanistan Reconstruction (SIGAR) is to enhance oversight of programs for the reconstruction of Afghanistan by conducting independent and objective audits, inspections, and investigations on the use of taxpayer dollars and related funds. SIGAR works to provide accurate and balanced information, evaluations, analysis, and recommendations to help the U.S. Congress, U.S. agencies, and other decision-makers to make informed oversight, policy, and funding decisions to:

- improve effectiveness of the overall reconstruction strategy and its component programs;
- improve management and accountability over funds administered by U.S. and Afghan agencies and their contractors;
- improve contracting and contract management processes;
- prevent fraud, waste, and abuse; and
- advance U.S. interests in reconstructing Afghanistan.

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