
March 3, 2006



Acquisition

Air Force Procurement of 60K
Tunner Cargo Loader Contractor
Logistics Support
(D-2006-059)

Department of Defense
Office of Inspector General

Quality

Integrity

Accountability

Report Documentation Page				Form Approved OMB No. 0704-0188	
Public reporting burden for the collection of information is estimated to average 1 hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Washington Headquarters Services, Directorate for Information Operations and Reports, 1215 Jefferson Davis Highway, Suite 1204, Arlington VA 22202-4302. Respondents should be aware that notwithstanding any other provision of law, no person shall be subject to a penalty for failing to comply with a collection of information if it does not display a currently valid OMB control number.					
1. REPORT DATE 03 MAR 2006		2. REPORT TYPE		3. DATES COVERED 00-00-2006 to 00-00-2006	
4. TITLE AND SUBTITLE Acquisition: Air Force Procurement of 60K Tunner Cargo Loader Contractor Logistics Support				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) ODIG-AUD (ATTN: AFTS Audit Suggestions),Inspector General of the Department of Defense,400 Army Navy Drive (Room 801),Arlington,VA,22202-4704				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT Approved for public release; distribution unlimited					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT Same as Report (SAR)	18. NUMBER OF PAGES 22	19a. NAME OF RESPONSIBLE PERSON
a. REPORT unclassified	b. ABSTRACT unclassified	c. THIS PAGE unclassified			

Additional Copies

To obtain additional copies of this report, visit the Web site of the Department of Defense Inspector General at <http://www.dodig.mil/audit/reports> or contact the Secondary Reports Distribution Unit, Audit Followup and Technical Support at (703) 604-8937 (DSN 664-8937) or fax (703) 604-8932.

Suggestions for Future Audits

To suggest ideas for or to request future audits, contact Audit Followup and Technical Support at (703) 604-8940 (DSN 664-8940) or fax (703) 604-8932. Ideas and requests can also be mailed to:

ODIG-AUD (ATTN: AFTS Audit Suggestions)
Department of Defense Inspector General
400 Army Navy Drive (Room 801)
Arlington, VA 22202-4704

DEPARTMENT OF DEFENSE

hotline

To report fraud, waste, mismanagement, and abuse of authority.

Send written complaints to: Defense Hotline, The Pentagon, Washington, DC 20301-1900
Phone: 800.424.9098 e-mail: hotline@dodig.osd.mil www.dodig.mil/hotline

Acronyms

AFMC	Air Force Materiel Command
FAR	Federal Acquisition Regulation
MCLB	Marine Corps Logistics Base
OEM	Original Equipment Manufacturer
U.S.C.	United States Code
WRALC	Warner Robins Air Logistics Center



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
400 ARMY NAVY DRIVE
ARLINGTON, VIRGINIA 22202-4704

March 3, 2006

MEMORANDUM FOR AIR FORCE OFFICE OF THE ASSISTANT SECRETARY
(ACQUISITION)

SUBJECT: Report on Air Force Procurement of 60K Tunner Cargo Loader Contractor
Logistics Support (Report No. D-2006-059)

We are providing this report for your information and use. We considered management comments on a draft of this report in preparing the final report.

Comments on the draft of this report conformed to the requirements of DoD Directive 7650.3 and left no unresolved issues. Therefore, no additional comments are required.

We appreciate the courtesies extended to the staff. Questions should be directed to Mr. James L. Kornides at (614) 751-1400 extension 211 or Mr. Curt W. Malthouse at (614) 751-1400 extension 230. See Appendix C for the report distribution. The team members are listed inside the back cover.

By direction of the Deputy Inspector General for Auditing:

A handwritten signature in black ink, reading "Paul J. Granetto", is positioned above the printed name.

Paul J. Granetto, CPA
Assistant Inspector General
Defense Financial Auditing
Service

Department of Defense Office of Inspector General

Report No.D-2006-059

March 3, 2006

(Project No. D2005-D000FJ-0169)

Air Force Procurement of 60K Tunner Cargo Loader Contractor Logistics Support

Executive Summary

Who Should Read This Report and Why? Program managers and contracting officials responsible for obtaining performance-based logistics support for equipment in DoD should read this report. It discusses the approval and award of a sole source contract for logistics support of a cargo loader used by the Air Force.

Background. On April 1, 2004, the Air Force awarded a sole source contract to Systems & Electronics, Inc. for logistics support of the 60K Tunner cargo loader. Air Force personnel use the 60K Tunner to load cargo onto large aircraft. The contract required Systems & Electronics, Inc. to provide all of the logistics support needed for the cargo loader for eight years at an estimated total cost of \$158 million. On February 11, 2005, the Acting Under Secretary of Defense (Acquisition, Technology, and Logistics) requested that the DoD Office of Inspector General review the influence and decisions made by Darleen Druyun, the then Principal Deputy Assistant Secretary of the Air Force for Acquisition and Management, on the 60K Tunner logistics support contract.

Results. Instead of following Druyun's recommendation to award a 33-year contract valued at \$1.7 billion (\$51.5 million per year average costs), Warner Robins Air Logistics Center contracting officials prepared a sole source justification and approval in April 2003 and awarded an 8-year contract to Systems & Electronics, Inc. valued at \$158 million with a much lower projected annual cost of \$19.8 million per year. However, Druyun influenced \$47.2 million in vehicle overhaul requirements included in the contract by selecting Systems & Electronics, Inc. to be the source of repair. Specifically, the overhaul requirements on the contract should have been solicited separately so that a low-cost partnership with the Marine Corps Logistics Command (the Marine Corps) could be considered in accordance with performance-based logistics policy and section 2466, title 10, United States Code (10 U.S.C. 2466). Marine Corps and Air Force cost analyses indicated that the Marine Corps could perform vehicle overhauls for \$27.5 million (\$19.7 million less than Systems & Electronics, Inc.) over the 8-year term of the contract and for \$57.6 million less over the 30-year life cycle of the 60K Tunner cargo loader. In addition, Air Force cost analyses showed that transportation costs would be \$3.7 million less over the 30-year life cycle using the Marine Corps facilities. The Air Force needs to reconsider the award of \$47.2 million in vehicle overhaul requirements without Druyun's influence. (See Appendix B for a summary of the potential monetary benefits).

Management Comments. The Military Deputy, Office of the Assistant Secretary of the Air Force (Acquisition) concurred with this report's recommendations and planned to take action to determine the best value approach for Tunner 60K loader vehicle overhauls. He stated that the Air Force will work with the Marine Corps Logistics Command to explore the potential for partnering agreements for the Tunner overhaul

workload. We feel that the Military Deputy, Office of the Assistant Secretary of the Air Force (Acquisition) comments were fully responsive. Therefore, no additional comments are required. See the Finding section of the report for a discussion of management comments and the Management Comments section of the report for the complete text of the comments.

Table of Contents

Executive Summary	i
Background	1
Objectives	2
Managers' Internal Control Program	2
Findings	
60K Tunner Logistics Support Contract	3
Appendixes	
A. Scope and Methodology	10
B. Potential Monetary Benefits	12
C. Report Distribution	13
Management Comments	
Office of the Assistant Secretary of the Air Force (Acquisition)	15

Background



The Air Force uses the 60K Tunner cargo loader to load and unload cargo from military and commercial transport aircraft. The loader, managed by the Warner Robins Air Logistics Center (WRALC), can handle up to 60,000 pounds of cargo. The Air Force procured 318 Tunner cargo loaders between FYs 1997 and 2005.

On April 1, 2004, the Air Force awarded the original equipment manufacturer (OEM), Systems & Electronics, Inc., a sole source contract, valued at \$158 million over eight years, to provide logistics support for the Tunner. The contract included \$47.2 million for the OEM to complete 57 overhauls during the last three years of the contract (FYs 2009 through 2011).

In November 2004 the Acting Under Secretary of Defense (Acquisition, Technology, and Logistics) chartered a study team to conduct a review of acquisition actions executed during the tenure (from 1993 to 2002) of Darleen Druyun as the Principal Deputy Assistant Secretary for the Air Force for Acquisition and Management. The team conducted the study in response to Druyun's admission that she may have allowed personal interests to affect her judgment on acquisition decisions she made. The objective of the study was to determine whether decisions were consistent with DoD standards of integrity and sound business practices.

The study team reviewed 407 acquisition actions and recommended that eight of them be further reviewed. The study team found evidence that Druyun appeared to have driven a sole source selection for Tunner logistics support without the benefit of such tools as analysis of alternatives or market survey data to fully substantiate the appropriateness of the decision.

A sole source contract is one that can be awarded without full and open competition under provisions of section 2304 (c)(1), title 10, United States Code (10 U.S.C. 2304(c)(1)) as implemented by Federal Acquisition Regulation (FAR) Part 6.3, "Other Than Full and Open Competition." FAR Part 6.3 prescribes policy and procedures for awarding contracts without full and open competition. According to the FAR, award of a sole source contract must be justified by sufficient facts and rationale and, as in the case of the Tunner logistics support contract, must be approved by the senior procurement executive of the agency—the Assistant Secretary of the Air Force (Acquisition).

WRALC awarded the sole source logistics support contract to the OEM as a negotiated type contract as specified in FAR Part 15, "Contracting by Negotiation." FAR Part 15 prescribes policies and procedures governing

competitive and noncompetitive negotiated acquisitions. According to FAR Subpart 15.000, "Scope of Part," a negotiated contract is any contract awarded using other than sealed bidding procedures.

On February 11, 2005, the Acting Under Secretary of Defense (Acquisition, Technology, and Logistics) requested that the DoD Office of Inspector General review the Tunner logistics support contract.

Objectives

Our audit objective was to determine whether the 60K Tunner Logistics Support Contract was procured in accordance with the Federal Acquisition Regulation. Specifically, we determined whether Air Force contracting officials used an appropriate method and rationale for making a sole source determination for procuring contractor logistics support for the 60K Tunner cargo loader. See Appendix C for prior coverage related to the objectives.

Managers' Internal Control Program

Review of the managers' internal control program was not an objective of the audit, and we did not complete a review of the program.

60K Tunner Logistics Support Contract

Instead of following Darleen Druyun's recommendation to award a 33-year logistics support contract valued at \$1.7 billion (\$51.5 million per year average costs), Warner Robins Air Logistics Center contracting officials prepared a sole source justification and approval in April 2003 and awarded an 8-year contract to the OEM, Systems & Electronics, Inc., valued at \$158 million with much lower projected annual costs of \$19.8 million per year. However, Druyun's source of repair decision in favor of the OEM influenced \$47.2 million in vehicle overhaul requirements included as part of the 8-year contract. Specifically, contracting officials did not separately solicit the overhaul requirements included on the contract and did not consider a low-cost partnership with the Marine Corps Logistics Command (the Marine Corps) in accordance with performance-based logistics policy and 10 U.S.C. 2466. Marine Corps and Air Force cost analyses indicated that the Marine Corps could perform vehicle overhauls for \$27.5 million (\$19.7 million less than Systems & Electronics, Inc) over the 8-year term of the contract and for \$57.6 million less over the 30-year life cycle of the 60K Tunner cargo loader. In addition, Air Force cost analyses showed that transportation costs would be \$3.7 million less over the 30-year life cycle using the Marine Corps facilities. The Air Force needs to reconsider the award of \$47.2 million in vehicle overhaul requirements without Druyun's influence.

Development of the 60K Tunner Logistics Support Contract

Planning for Tunner logistics support began in FY 1999 with the formation of a Tunner program office (the program office) integrated product team. From the early stages of planning, the program office was aware that Druyun wanted a long-term logistics support contract with the OEM, Systems & Electronics, Inc. Specifically, on October 29, 2002, the program office met with WRALC officials to discuss a logistics support contract for the Tunner. On October 31, 2002, two days after the acquisition strategy meeting, Druyun signed a memorandum, subject "Tunner Sole Source Long-Term Support," that was addressed to the Air Force Tunner Program Executive Officer. In the memorandum Druyun wrote that the Air Force had made a commitment to award the OEM a long-term support contract if the OEM performed successfully in supporting fielded loaders. She implied that the contractor had performed successfully and was deserving of the long-term logistics support contract. We found no documents or written agreements to support this "commitment."

Justification and Approval Debate. The program office presented the October 31, 2002, memorandum to WRALC procurement officials as the basis for not introducing competition in the contract process. Some WRALC officials questioned the legality and propriety of not competing the contract without proper justification and approval. According to documents those officials provided to us, the "commitment" made to the OEM in the October 31, 2002, memorandum did

not justify a sole source selection and did not qualify as proper justification and approval.

In response to the disagreement and upon its review, the WRALC Office of General Counsel recommended that any reference to Druyun be removed from the draft justification document because she lacked the legal authority to commit the Air Force to a long-term sole source contract.

The program office and WRALC officials subsequently formed a working group to further assess the issues raised concerning the acquisition. The working group concluded that the proposed long-term contract was not appropriate and that the contract period should be shortened to allow possible competition for certain elements of the contract.

Contract Requirements

WRALC officials bundled all of the logistics requirements, including material management, program support, accident repair, and depot overhaul, as an all or none work effort. Based on this approach they conducted market research for potential candidates for the logistics contract. WRALC subsequently determined that the only qualified source for all of the logistics support was the OEM.

In April 2004 a logistics support contract was awarded to the OEM in accordance with FAR Part 15, "Contracting by Negotiation." The Air Force specified, in the sole-source justification document, that the contract would have an 8-year term (basic contract period of one year plus seven option years) to procure the needed logistics support at a cost of \$158 million. The Air Force wanted to extend the contract long enough to allow the OEM to complete vehicle overhauls during the last three years of the contract which is when the first overhauls would be required.

Contract Elements. During the course of the original production contract, the OEM provided interim logistics support that included materiel management and program support functions. The logistics support contract awarded in FY 2004 was expanded and included five distinct elements: materiel management, program support (sustaining engineering), accident repair, overhaul test, and vehicle overhaul. The estimated costs for each element were as follows:

Contract Elements for FYs 2004-2011 (in millions)	
<u>Support Element</u>	<u>Estimated Costs</u>
Materiel Management	\$76.5
Program Support	25.1
Accident Repair	0.0*
Overhaul Test	9.2
<u>Vehicle Overhaul</u>	<u>47.2</u>
Total	\$158.0
*Costs to be determined	

Justification and Approval. The justification document specifically cites FAR 6.302-1, “Only One Responsible Source and No Other Supplies or Services Will Satisfy Agency Requirements,” as authority for the sole source award. FAR Subpart 6.303, “Justifications,” requires that each sole source justification contain sufficient facts and rationale to justify the use of the specific authority cited and requires a summary of applicable market research.

The Air Force market research identified the OEM and two other interested non-Governmental sources. The Air Force rated the potential sources and concluded that the two other interested sources were not sufficiently qualified to satisfy all elements of the contract (materiel management, program support, accident repair, overhaul test, and overhaul). Specifically, the justification document states that the Tunner OEM is “the only known qualified source for this requirement.”

The justification document was vetted in accordance with FAR Subpart 6.304, “Approval of the Justification.” The justification document was approved by the then Assistant Secretary of the Air Force (Acquisition) on June 12, 2003. The justification document was also approved by the contracting officer, system program director, buying office contracting official, product director, legal office, competition advocate, senior center contracting official, and the program executive officer. The contract award was not protested.

Although it completed the above steps to justify its source award, the Air Force decision to award a sole source contract did not adequately consider that the Marine Corps could complete the vehicle overhaul element at less expense. The Air Force had completed the source of repair selection process in accordance with DoD regulations and public law, and that process identified the Marine Corps maintenance centers as an alternative repair site as discussed on the following pages.

Selecting the Vehicle Repair Site

DoD Directive 4141.18, "Maintenance of Military Materiel," March 31, 2004, requires that source of repair assignments employ merit-based selection procedures to select the best value among alternative sources. DoD Directive 4141.18 also requires that non-core workload (such as the Tunner overhauls) be satisfied using competitive sourcing.

Tunner Source of Repair. The Tunner program office director is responsible for the source of repair assignment process. In addition, the selection is subject to Air Force Materiel Command (AFMC) concurrence.

The Air Force identified two potential sources of repair during the selection process: the OEM in West Plains, Missouri, and the Marine Corps maintenance centers in Albany, Georgia, and Barstow, California.

Despite the diligence of the program office in identifying potential sources of repair, Druyun influenced the process. In a meeting held July 27, 2001, Druyun directed that the OEM be the source of repair. This eliminated the Marine Corps maintenance centers from consideration.

Cost Benefit Analysis. The source of repair assignment process included a cost benefit analysis performed by the WRALC Comptroller Directorate. The results were provided to the Tunner program office on October 5, 2000. Specifically, the Comptroller Directorate determined that the Marine Corps Logistics Bases (MCLB) would provide a \$57.6 million cost avoidance over the OEM based on a 30-year life cycle. Over the course of the 8-year logistics support contract, the MCLB maintenance centers would avoid \$19.7 million in overhaul costs over the OEM amount.

Cost analysts in the Comptroller Directorate at WRALC also determined that use of the MCLB locations would avoid \$3.7 million in transportation costs as compared to the OEM over the 30-year life cycle of the Tunner. MCLB officials told us that their Albany, Georgia, and Barstow, California, locations were better suited geographically to minimize transportation costs as compared to the OEM because the OEM is located in Missouri and, at the time of audit, 142 (45 percent) of the fielded Tunner cargo loaders were located overseas.

MCLB officials told us that they are prepared and available to perform the Tunner vehicle overhaul maintenance. The Commander of MCLB Albany indicated he made this clear to the Tunner program office in an official memorandum dated February 28, 2001. MCLB officials told us that the Tunner program office notified them that the overhaul work would be competed once the program office had acquired the necessary technical data in FY 2005. However, WRALC awarded the contract in FY 2004 before the OEM produced the technical data. WRALC could exercise options to start the overhauls from FYs 2009 through 2011 under the contract with the OEM, therefore, preventing the lower cost Marine Corps maintenance centers from competing until at least FY 2012.

Employing the 50/50 Rule. The Tunner program director submitted a source of repair recommendation to AFMC in May 2001 and initially recommended full and open competition for contractor support. However, Druyun intervened and directed that the OEM be the source of repair. As a result, the program director issued a memorandum and a point paper on August 7, 2001, to amend the source of repair recommendation to sole source instead of full and open competition. The program director wrote in the point paper that the change was required because Druyun directed that the OEM be chosen as the source of repair. AFMC subsequently concurred with the sole source of repair recommendation.

On October 23, 2000, prior to the intervention, AFMC notified the program office in an official memorandum that contracting out the Tunner vehicle overhaul maintenance would be a potential violation of the 50/50 rule. We did not find evidence of a response.

Known as the 50/50 rule, chapter 146 of 10 U.S.C. 2466 states that not more than 50 percent of funds made available in a fiscal year to a Military department or a Defense agency for depot-level maintenance and repair workload may be used to contract for the performance by non-Federal Government personnel.

The Tunner program director told us that he was not concerned about a potential violation of the 50/50 rule because of the small size of the Tunner program. We noted that the size of a program is not mentioned in the 50/50 rule.

50/50 Alternatives. MCLB officials told us that the OEM contacted them in 2001 to discuss potential partnering arrangements. However, we found no evidence that the Air Force considered such arrangements for the 60K Tunner workload.

Section 2474, title 10, United States Code provides an exemption to the 50/50 rule for non-Federal personnel performing depot maintenance at a Center of Industrial and Technical Excellence (organic depot) if private industry provides the personnel to a public-private partnership. Accordingly, DoD policy requires program managers to include public-private partnering in their respective strategies to sustain DoD materiel.

DoD Directive 4141.18, "Maintenance of Military Materiel," March 31, 2004, states that "Public-private partnering and other collaborative arrangements for depot maintenance operations shall be employed whenever feasible and beneficial."

Additionally, DoD Directive 5000.1, "The Defense Acquisition System," May 12, 2003, requires program managers to develop performance-based logistics strategies that incorporate the best use of public and private sector capabilities through Government/industry partnerships in accordance with statutory requirements. We found no evidence that the Air Force followed this guidance.

Severability of Vehicle Overhaul Requirements

We concluded that the last element of the contract, “Vehicle Overhaul,” was not sufficiently justified and should not have been awarded with the other elements of the logistics support contract. Specifically, the justification document states that the OEM is the only known qualified source to satisfy all of the contract requirements. This is contrary to the Air Force source of repair assessments (as previously discussed).

Engineering assessments clearly show that the Air Force did not have an adequate rationale for justifying awarding the first 25 overhauls (FYs 2009 through 2010) to the OEM or the remaining 32 overhauls in FY 2011 as part of the logistics support contract. Engineering data show this part of the contract could be separately solicited. The contract statement of work states that the OEM will overhaul 25 vehicles to provide the information needed to develop overhaul instructions and technical documentation. However, WRALC engineers determined that a total of three vehicles would be sufficient to validate and verify the technical requirements (one for the contractor and two for Government proofing). They wrote, “There is no need for a large sample size of loaders which have been exposed to a wide range of environmental conditions.”

Logistics support contract documents call for the OEM to overhaul another 32 (57 total) vehicles in FY 2011. The justification document states that these OEM overhauls are needed to “bridge the gap” until future overhauls are competed in FY 2012. This justification does not consider that the Marine Corps was already identified in FY 2001 as an alternative source of repair and potentially there was no gap.

We concluded that the Air Force did not adequately consider alternative sources of repair in accordance with 10 U.S.C 2474 and DoD guidance on performance-based logistics. The Air Force needs to sever the overhaul requirements from the existing logistics support contract for FYs 2009, 2010, and 2011 and consider establishing a partnering agreement with the Marine Corps in accordance with 10 U.S.C. 2466 and 10 U.S.C. 2474.

Recommendations and Management Comments

We recommend that the Air Force Office of the Assistant Secretary (Acquisition):

1. Sever \$47.2 million in vehicle overhaul maintenance requirements resident in the 60K Tunner logistics support contract for option years 2009 through 2011.

Management Comments. The Military Deputy, Office of the Assistant Secretary of the Air Force (Acquisition) concurred, and stated that the \$47.2 million is a program office estimate and has not been appropriated. He also stated that the Air Force will perform a detailed analysis to determine the overall best value approach prior to exercising the FY 2009 option, including exploring the potential for partnering agreements with the Marine Corps Logistics Command.

2. Solicit the Tunner vehicle overhaul maintenance requirements and consider partnering agreements with the Marine Corps Logistics Bases in accordance with DoD Directive 4141.18, "Maintenance of Military Materiel," March 31, 2004, and DoD Directive 5000.1, "The Defense Acquisition System," May 12, 2003, to ensure compliance with 10 U.S.C. 2466.

Management Comments. The Military Deputy, Office of the Assistant Secretary of the Air Force (Acquisition) concurred. He also stated that the Air Force will perform a detailed analysis to determine the overall best approach and the feasibility of teaming with the Marine Corps.

Appendix A. Scope and Methodology

We assessed whether Air Force procurement officials complied with procurement procedures as implemented by Federal Acquisition Regulations, Subpart 15, “Contracting by Negotiation,” and Subpart 6.3, “Other Than Full and Open Competition.” We also summarized requirements related to the source of repair assignment process as promulgated in DoD Directive 4141.18, “Maintenance of Military Materiel,” March 31, 2004, and assessed compliance with performance based logistics guidance as issued by DoD Directive 5000.1, “The Defense Acquisition System,” May 12, 2003. We also assessed whether Air Force procurement officials complied with depot maintenance requirements of 10 U.S.C. 2466 (known as the 50/50 rule).

We obtained procurement documents from Air Force and Marine Corps officials. We reviewed Air Force and Marine Corps documents related to the award of the 60K Tunner logistics support contract. Specifically, we analyzed contract planning documents, official memoranda, legal assessments, e-mail documents, cost benefit analyses, justification and approval documents and other miscellaneous related documents to determine whether Air Force officials used an appropriate method and rationale for making a sole source determination for procuring contractor logistics support for the 60K Tunner cargo loader. Most documents were originally created during FYs 2000 and 2001, prior to the FY 2004 award of the logistics support contract.

We reviewed cost benefit analyses performed by WRALC financial analysts that compared anticipated overhaul costs between the Marine Corps maintenance centers and the OEM. We concluded that the cost benefit analyses did show a \$61.3 million potential monetary benefit for overhauls (\$57.6 million) and transportation (\$3.7 million) over the 30-year life cycle of the Tunner based on Marine Corps’ estimates. We did not verify the data used in the cost benefit analyses.

We interviewed Air Force procurement officials, Tunner program officials, WRALC program managers, WRALC financial analysts, and Marine Corps maintenance center personnel.

We performed this audit from April 2005 through November 2005 in accordance with generally accepted government auditing standards.

We did not review the management control program.

Use of Computer-Processed Data. We did not use computer-processed data to perform this audit.

Government Accountability Office High-Risk Area. The Government Accountability Office has identified several high-risk areas in DoD. This report provides coverage of the Weapon System Acquisition and DoD contract administration high-risk areas.

Prior Coverage

No prior coverage has been conducted on the 60K Tunner logistics support contract during the last 5 years.

Appendix B. Summary of Potential Monetary Benefits

Recommendation Reference	Type of Benefit	Amount of Benefit	Account(s)
1.	Maintenance Funds Put to Better Use. Prevents contractor from charging current contract for vehicle overhauls. Ensures competition for low cost alternative.	\$57.6 million over the 30 year life cycle of the 60K Tunner Cargo Loader (\$19.7 million over the future year defense plan)	Air Force Operations and Maintenance Account
2.	Transportation Funds Put to Better Use. Utilizes geographic advantage of Marine Corps maintenance centers.	\$3.7 million over the 30-year life cycle of 60K Tunner Cargo Loader (\$641 thousand over the future year defense plan)	Air Force Operations and Maintenance Account

Appendix C. Report Distribution

Office of the Secretary of Defense

Under Secretary of Defense for Acquisition, Technology, and Logistics
Director, Acquisition Resources and Analysis
Under Secretary of Defense (Comptroller)/Chief Financial Officer
Deputy Chief Financial Officer
Deputy Comptroller (Program/Budget)
Director, Program Analysis and Evaluation
Director, Defense Procurement and Acquisition Policy

Department of the Army

Assistant Secretary of the Army (Financial Management and Comptroller)

Department of the Navy

Naval Inspector General
Auditor General, Department of the Navy
Commander, Marine Corps Logistics Command

Department of the Air Force

Assistant Secretary of the Air Force (Acquisition)
Assistant Secretary of the Air Force (Financial Management and Comptroller)
Auditor General, Department of the Air Force

Other Defense Organizations

Director, Defense Contract Management Agency

Non-Defense Federal Organization

Office of Management and Budget

Congressional Committees and Subcommittees, Chairman and Ranking Minority Member

Senate Committee on Appropriations
Senate Subcommittee on Defense, Committee on Appropriations
Senate Committee on Armed Services
Senate Committee on Governmental Affairs
House Committee on Appropriations
House Subcommittee on Defense, Committee on Appropriations
House Committee on Armed Services
House Committee on Government Reform
House Subcommittee on Government Efficiency and Financial Management, Committee on Government Reform
House Subcommittee on National Security, Emerging Threats, and International Relations, Committee on Government Reform
House Subcommittee on Technology, Information Policy, Intergovernmental Relations, and the Census, Committee on Government Reform

Office of the Assistant Secretary of the Air Force (Acquisition) Comments



DEPARTMENT OF THE AIR FORCE
WASHINGTON DC

6 FEB 2006

OFFICE OF THE ASSISTANT SECRETARY

MEMORANDUM FOR DEPARTMENT OF DEFENSE INSPECTOR GENERAL
ATTN: DEPUTY INSPECTOR GENERAL FOR AUDITING

FROM: SAF/AQ

SUBJECT: Audit of the Procurement Procedures Used for the 60K Tunner Cargo Loader
Contractor Logistics Support (Project No. D2005-D000FJ-0169.000)

In response to the subject memorandum, the Air Force concurs with the recommendation to work with the Marine Corps Logistics Command to explore the potential for partnering agreements for the Tunner overhaul workload. A detailed analysis will be conducted to determine the overall best value approach and feasibility of teaming prior to exercising any FY09 contract option. With regards to your first recommendation, the \$47.2 million is a program office estimate and no funds have been appropriated for this contract. The unpriced options in the contract provide the Air Force flexibility regardless of the final approved acquisition strategy.

My staff is ready to assist in any way to ensure all concerns are addressed prior to the final report publication. If you require further assistance, please contact my staff, Major Rob Schlegel at (703) 588-7745 or Ms. Lisa Robinson at (703) 588-7747.

A handwritten signature in dark ink, appearing to read "Donald J. Hoffman".

DONALD J. HOFFMAN, Lt Gen, USAF
Military Deputy, Office of the Assistant Secretary
of the Air Force (Acquisition)

Team Members

The Department of Defense Office of the Deputy Inspector General for Auditing, Defense Financial Auditing Service prepared this report. Personnel of the Department of Defense Office of Inspector General who contributed to the report are listed below.

Paul J. Granetto
James L. Kornides
Curt W. Malthouse
Colonel Richard L. Norman
John R. Williams
Benjamin M. Howison
Erin S. Hart